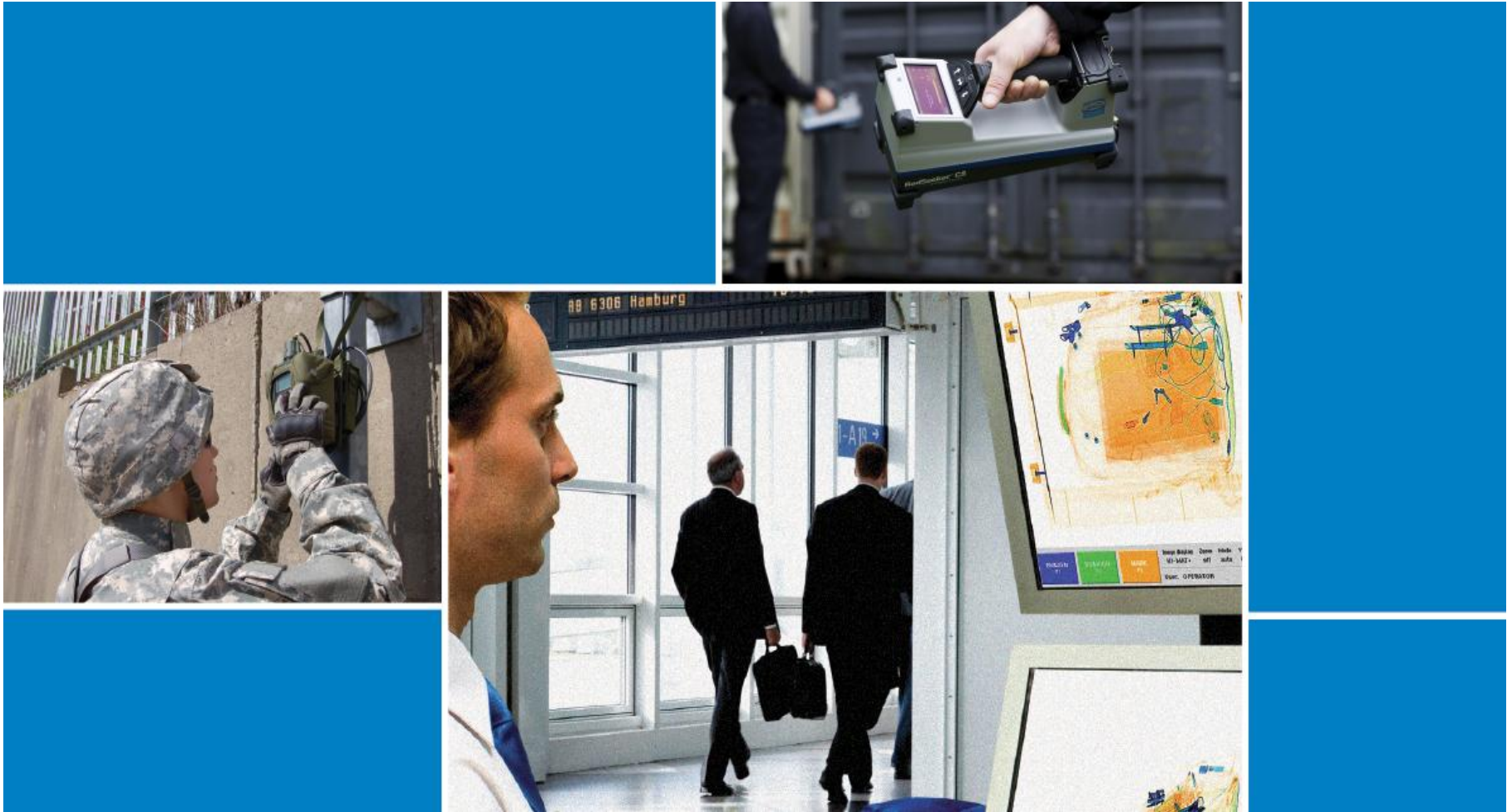


Smiths Detection Investor Day

London, 29 May, 2012

smiths
bringing technology to life



This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law.

Today's programme

08:30 : Smiths Detection presentation

Philip Bowman, Mal Maginnis, Duncan Emery, Hermann Ries, Terry Gibson

- The markets and sales dynamics - building the order book
- Investing for the future - strong R&D programme
- Improving performance - enhancing margins

10:00 – 10:20 : Coffee break

10:20 : Q&A

11:15 : Response equipment demonstration

11:30 : Tour of product displays

13:00 : Buffet lunch

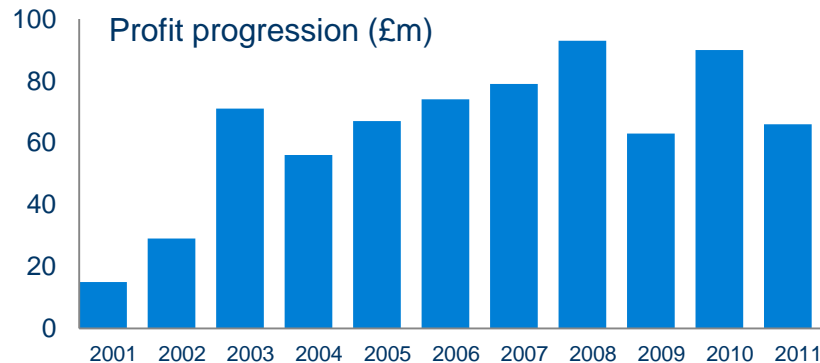
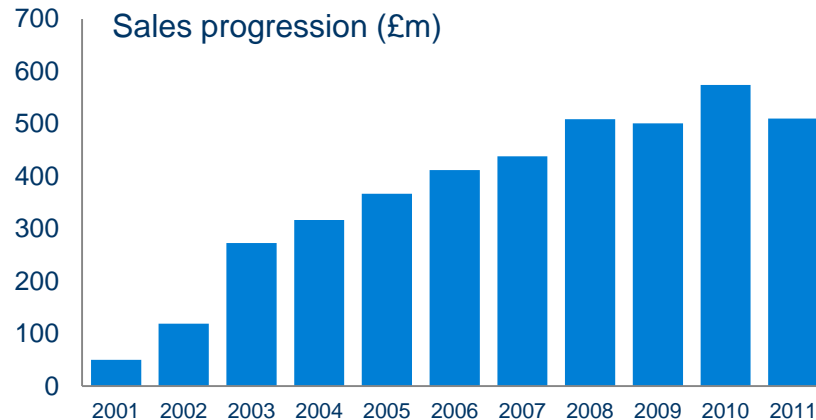
Introduction



Philip Bowman
Chief Executive



Smiths Detection – background



- A young business within the Group
- Separate division in 2003
- Grew rapidly through acquisitions and organic growth to become market leader
- Failed to keep pace with changing customer needs
- Fixed costs too high for variable nature of the order flow

Rapid growth; recent annual fluctuations in an event-driven business

Objectives

Strengthening the management team

Revitalising the sales force – building a strong order book for FY 2013

Delivering the cost reduction programme

Reducing volatility through expanding the run-rate business

Leveraging data from our information systems

Aligning new product development to customer needs – rich pipeline

Opportunities

Market leader with exposure to attractive long-term growth trends

Strength in product engineering and technology

Strong product pipeline – record launch programme

Technology leveraged across a broad range of markets and applications

Geographically diverse with strong presence in emerging markets

Clear opportunities to cut costs and improve margins



Rebuilding profitable growth in Smiths Detection Mal Maginnis



Smiths Detection – an attractive investment case

Market leader in a growth sector

- Continuous threat risk creates continuous demand

Generating value from technology and product streams

- Extensive product offering across global footprint

Business re-energised to drive profitable growth

- Building order book
- Aggressively cutting costs to improve margins and returns

Today's key themes

Smiths Detection focus and priorities:

Re-engage and focus on our customers

Leverage our technology and market position to maximise growth

Focus on core strengths

- Technology leadership
- Highest quality products
- Global reach

Reduce costs, improve margins

Build on advantages of extensive installed base, especially aftermarket services

Changing the business model

OBJECTIVES:

Programmes

- Concentrate on fewer, more profitable programmes
- Enhance delivery & reduce volatility

Aftermarket

- Target ~25-30% of revenues
- Increase penetration of aftermarket sales
- Enhance customer service
- Improve recurring revenues

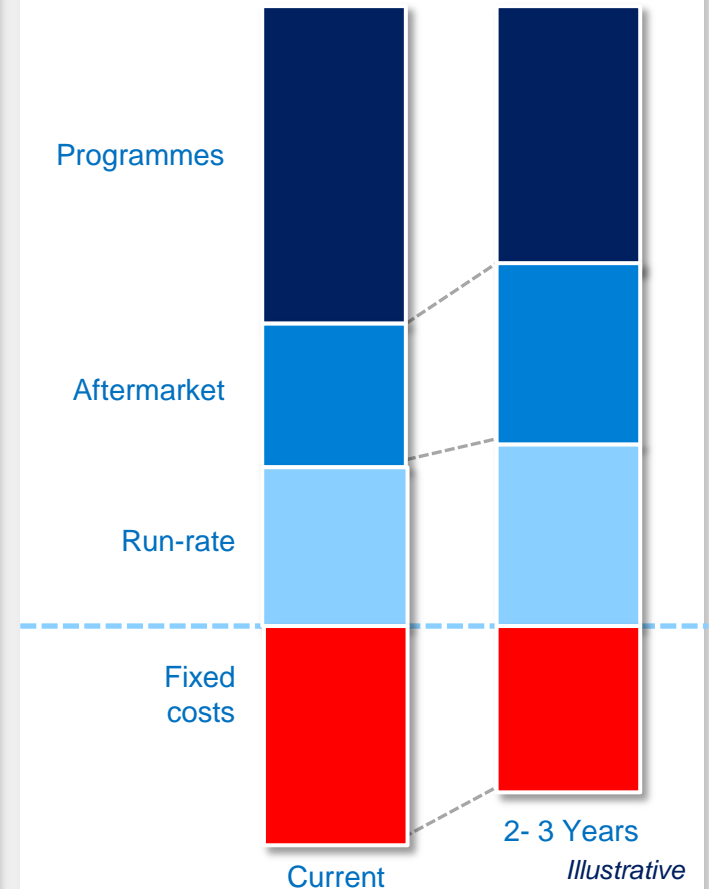
Run-rate business

- Target >30% of revenues
- Increase regular run-rate business
- Improve stability of revenues

Costs

- Reduce overall cost base
- Cost of sales addressed through major initiatives & value engineering
- Structural reduction of fixed cost base

Revenue sources %



Business profile



Mission

To remain the world's leading provider of advanced technologies to identify constantly evolving chemical, biological, radiological, nuclear and explosive (CBRNE) threats. Equipping our customers with high integrity solutions to safeguard society, protect life and support the free flow of trade.

Market leadership based on delivery of:

- 70,000 X-ray inspection systems
- 210,000 chemical agent detectors
- 10,000 explosives trace detectors

* CBRNE – Chemical, biological, radiological, nuclear and explosive materials

Chemical



Biological



Radiation



Nuclear



Explosive



Core technology streams

Competitor examples



Cargo Inspection Systems



Chemical & Biological Sensors



Conventional X-ray Systems



Explosives Detection Systems



Millimetre-Wave Systems



Trace, Radiation & Nuclear products



Integrated Systems

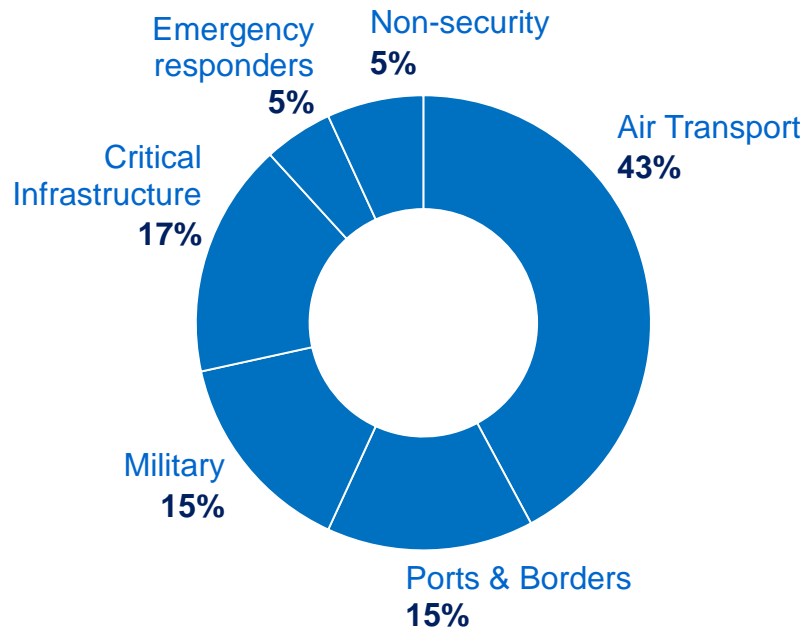


Concentrating on 7 key product technology areas

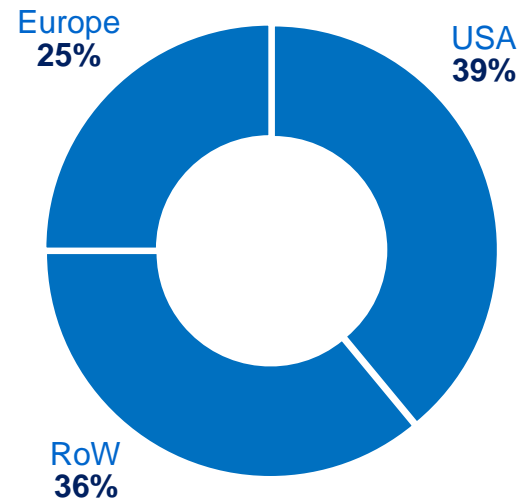
Serving a broad range of markets, globally

Sales revenues 2011: £510m

By market sector

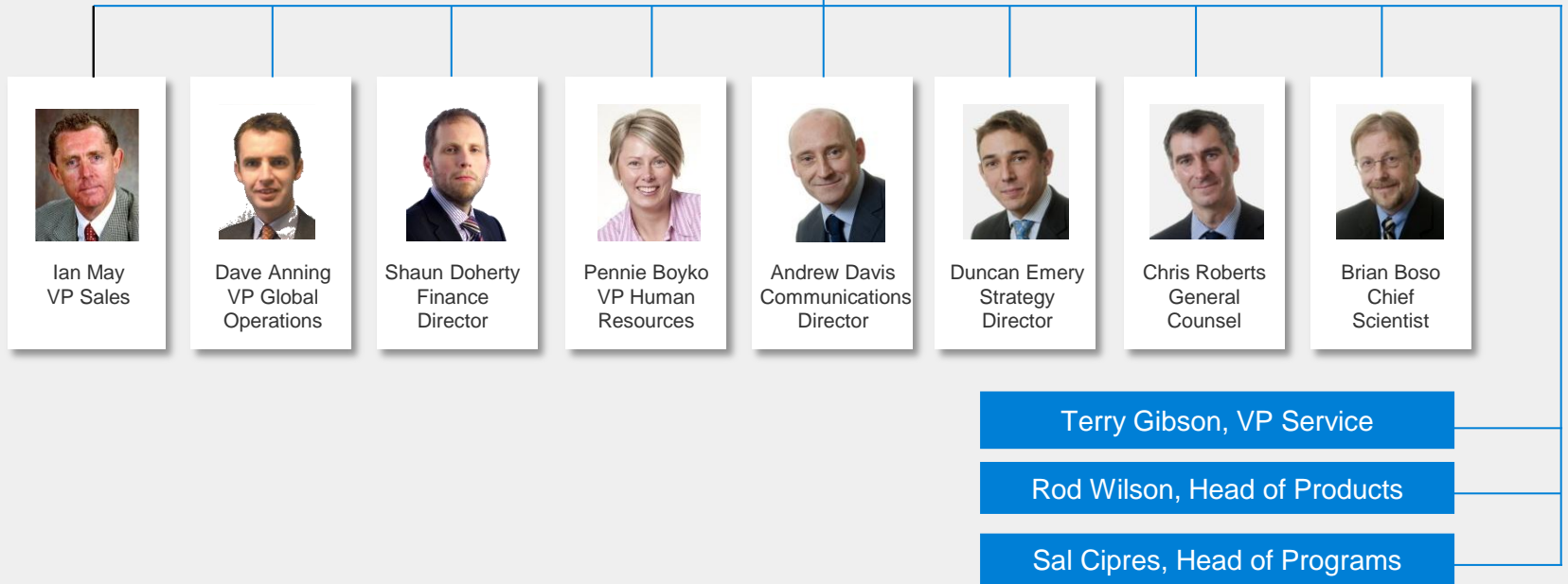
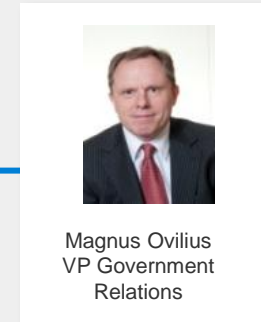
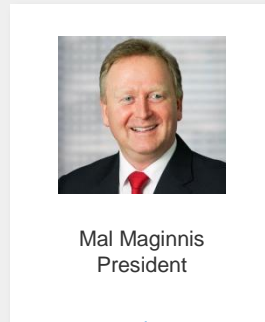


By destination



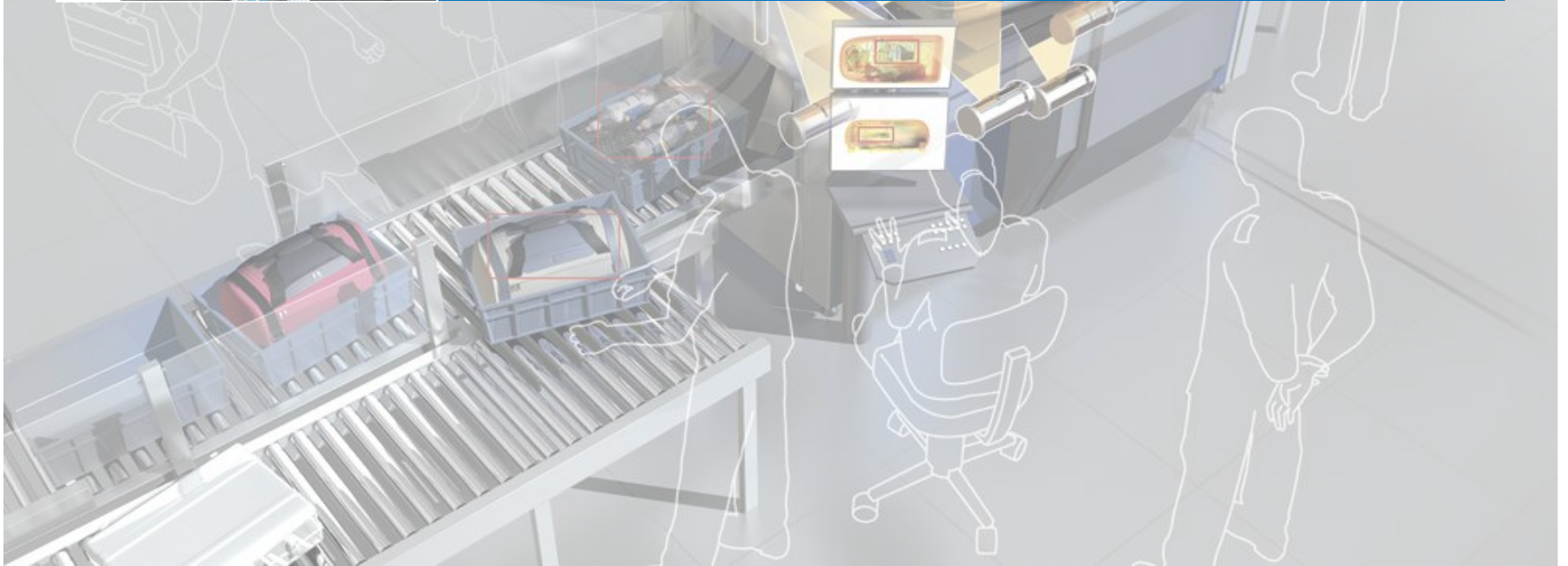
New Senior Management Team

- New President from Sept 2011
- Recruited 6 directors over 2 years
- Chief Scientist appointed to the board
- Senior team includes Heads of Programs, Products and Service





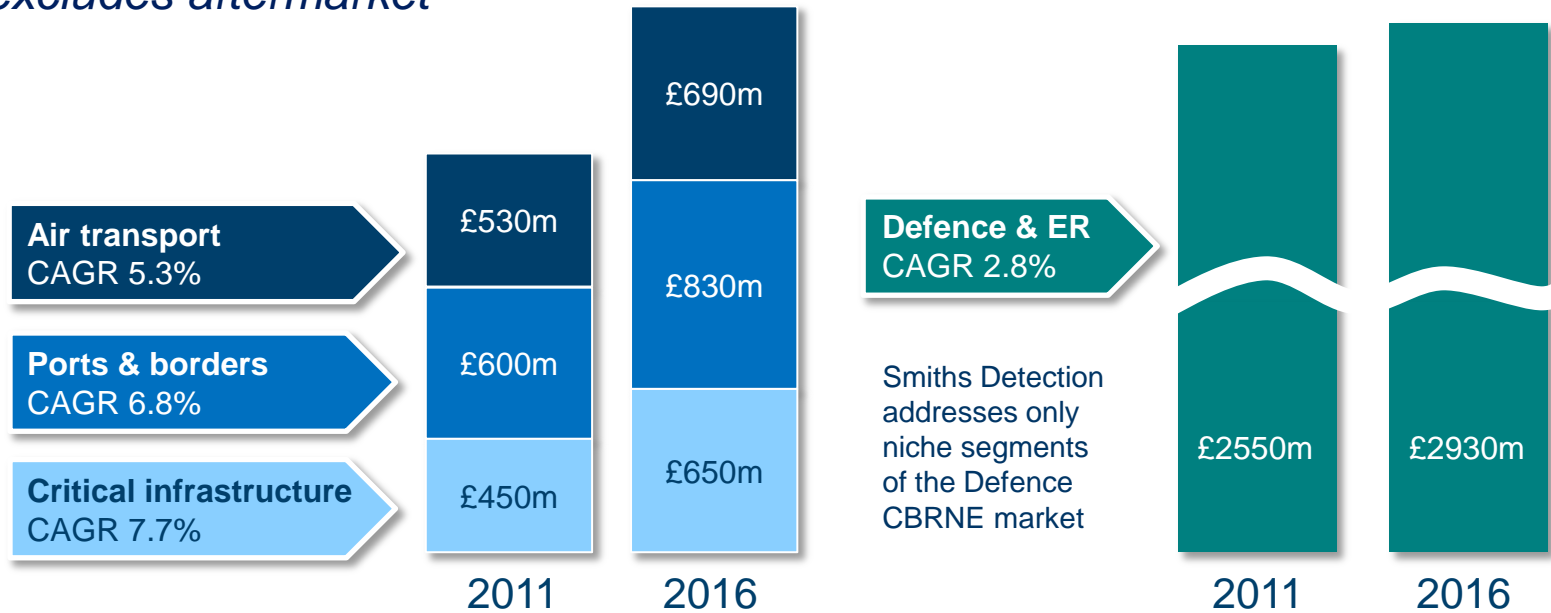
Rebuilding sales growth – market strategy Duncan Emery, Strategy Director



Rebuilding sales growth - market size and characteristics

Detection OEM market sector growth forecasts

excludes aftermarket



Source: internal analysis

- Substantial demand and growth in our core markets
- Markets forecast mostly to grow faster than GDP (Defence sector more inhibited)
- Broad coverage of market sectors minimises risk

Key sectors : air transport



Market size*: **£530m** CAGR **5%** (2011-16)

Customers:

- Airport operators, government agencies, airlines, air cargo operators

Market characteristics:

- Heavily regulated sector
- No global standard; certification from a major regulator (US, EU, UK) is key to global acceptance

Growth drivers:

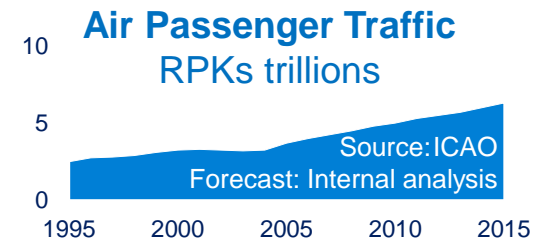
- Events and regulations
- Passenger volumes – airport expansion, esp. Middle East, S E Asia
- Replacement cycle – technology development programmes
- Globalisation of trade boosting freight volumes



Sector remains event-driven
8 May 2012

THE WALL STREET JOURNAL. EUROPE New Jetliner Bomb Plot Foiled by U.S. Officials

By STEPHAN GORMAN AND LAURA MECKLER said, "It was intended for use by a suicide bomber on an airplane." not pose a threat to the public, he directed the Department of Homeland Security and law enforcement and in-



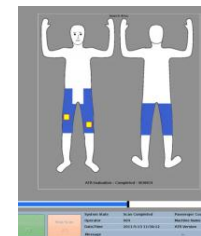
Smiths Detection leader in the sector - 26% market share

Air transport : technology development for emerging threats



Aviation security - market position supported by strong technology programme and product launches:

- Automatic liquids detection - aTiX certified for hold and carry-on luggage screening
- New dual-view X-ray for air cargo
- Body scanning - automatic threat recognition
- New hold baggage system to be launched (using computed tomography - CT)
- Continuing strong demand for trace detection



Growth driven by new threats/new technologies/efficiency demands

Key sectors : critical infrastructure



Market size: **£450m** CAGR **7.7%** (2011-16)

Customers:

- Utility companies, hotels, courts, prisons, retail etc.

Market characteristics:

- No common regulatory standard
- Broad range of requirements; rapidly maturing
- Strong demand. Growth less volatile than major government contracts
- Customers require shorter lead times

Growth drivers:

- Terror threat level, level of perceived risk
- Strong replacement cycle
- Requirement for ease of use by operators



Establishing strong position in this growth sector

Critical infrastructure : building a run-rate business



Strong focus to build market share:

Recruiting more sales resources, notably in US

Focus on applications where we offer technology advantages:

- Prisons: B-SCAN now being adopted
- Loss prevention: Theft reduction, e.g. consumer goods (at manufacturers, distributors)
- High profile private sector infrastructure
- US Federal market: Important national services implementing higher security standards

Outcome – a more predictable ‘run-rate’ business

- Fewer major contracts or programmes
- Quicker tendering/acceptance process



Key sectors : ports & borders



Market size: **£600m** CAGR **6.8%** (2011-16)

Customers:

- Customs authorities, border control agencies, port operators

Market characteristics:

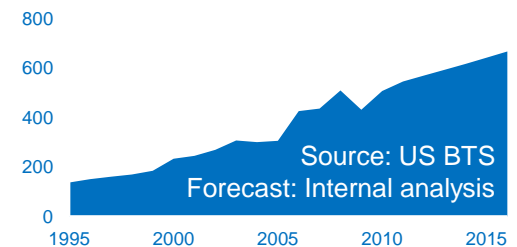
- High throughput requirement needing greater automation
- Crowded and competitive market place
- Significant regulatory drivers
- Requirement for secure freight shipments
- Improved Rad/Nuc detection required
 - US focus on 'dirty bomb' materials

Growth drivers:

- Governmental recognition of strong revenue-generating potential from contraband detection
- Increasing cross-border security concerns
- Recovery of worldwide trade (maritime, road, rail)



World Container Traffic TEU millions



Ports & borders : building strong order pipeline



Getting closer to our customers:

- Enhanced business development process
- Strengthening Sales force, notably in US
- New product introductions – directly addressing customer needs :
 - HCVM e range
 - >50% lighter than standard product
 - Lower price point
 - Improved material discrimination technology and applications
 - RadSeeker hand-held rad/nuc detector



Tendering activity indicates market improvement

Key sectors : Military & ER



Market: **£2,550m** CAGR **2.8%** (2011 – 2016)

(NB We address niche segments of this CBRNE market)

Customers:

- Government defence ministries; emergency services

Market characteristics:

- Requirement in both markets: smaller, faster, lighter, but ruggedised
- Squeezed government defence spending returning to pre-conflict levels
- Major programmes involve long development and acceptance phases
- Growing requirement for software, training and support to simplify, accelerate & aid on-scene decision making
- Move towards more commercial solutions

Growth drivers:

- Continuing high threat levels; requirement spreading from operational theatres to civilian incidents



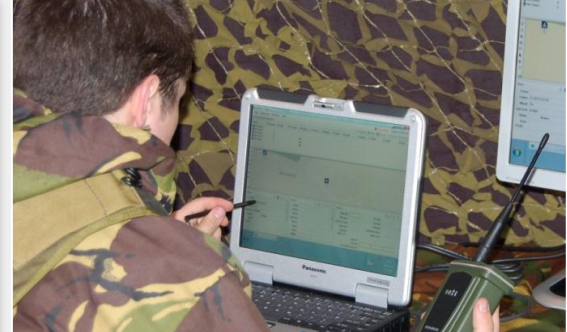
Military & ER : leveraging the technology portfolio

➔ Product-driven approach:

- Strong track record of supplying commercial-off-the-shelf CBRNE detection
- Complementary technologies – confirming results helps validate course of action
- Growing requirement for tailored integrated systems, e.g. highly mobile, self contained mission systems
- Maximising links between military and emergency responders,
- Shared technologies
- Expand product range to become provider of choice for CBRNE management

Recent launches:

- GUARDION portable chemical threat detector
- Sensa-LINX wireless communication system
- SABRE 5000 improved detector for explosives, narcotics & chemical warfare agents
- RadSeeker radiation detector



Market strategy - summary

Exposed to attractive long-term growth markets

Outlook is positive, driven by events, regulations and replacement cycle

Growth in traffic volumes and infrastructure expansion – especially emerging markets

Evolving threats support investment in technology upgrades

Pursuing technology applications that show competitive advantage

Smiths Detection



- Improving sales effectiveness
- Managing the order book
- Investing in product development

Mal Maginnis



Improving sales effectiveness

Global evaluation of sales personnel

- Deployment across all technologies & markets
- Review of training / key account management skills
- Analysis of key processes
- Review of local representatives / agents

More discipline & processes

- Bid / no bid decisions focused on margins
- Metric and KPI evaluation
- Increased visibility and analysis of performance
- Incentive and bonus reappraisal

Focus on building order book sustainability

- Sales team refreshed
- Increased focus on Sales training (product and process)
- Improved interaction between Programmes and Sales



Maintaining order book strength

- Current order book is ahead of same period last year but different delivery profile

	Total orders <i>(relative scale)</i>	Year 1	Year 2 & beyond
Mar 2011		47%	53%
Mar 2012		38%	62%

- Order book for delivery during FY2013 already twice the level it was for 2012 at this time last year

Delivery schedule

	FY12	FY13	FY14

Still winning major contracts:

- €100m Qatar (Doha Airport)
- £12.5m India Customs
- £10-15m Brazil Customs
- £10m Azerbaijan Customs
- £(n/a) Malaysian airports
- \$27m JCAD



Order book underpins confidence in future sales revenues

Investing for the future to enhance capability

Company-funded R&D holding steady

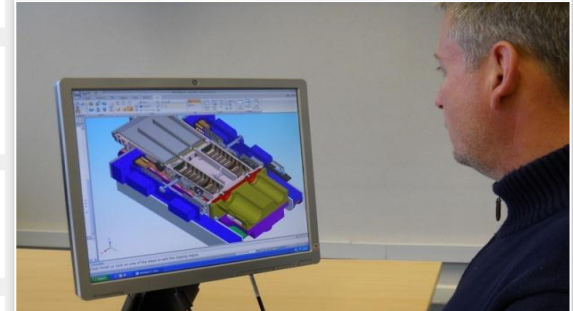
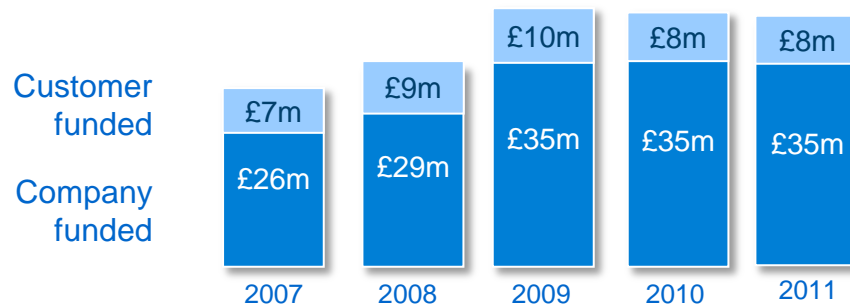
- 6.9% of sales

Customer funding is programme dependent

FY2012 sees major product launch programme

Clearly defined strategy & technology roadmap

Investment aligned to strategy plan



Validity index:

Proportion of sales (2011)
from products launched
in the last 3 years

23%

Record product launch programme

17 product launches and upgrades Launched



Air Transport



Critical Infrastructure





Ports & Borders





Military





Emergency Responders

 HI-SCAN 7555aTiX X-ray (EU EDS approval) 

 HI-SCAN 145180-2is dual-view X-ray 



 SABRE 5000 tri-mode threat detector 

 RadSeeker rad/nuc detector 

 HCVM e compact X-ray cargo scanner 

 HCVP 6030/viZual pass-through 

 GUARDION chemical threat identifier 

 Sensa-LINX wireless comm's system 

Record product launch programme : Three high impact products

➔ HCVM e compact X-ray cargo scanner

- A prime example of listening to the customer
- Only 4MeV mobile screening system below 11.8t
- Compact footprint, easy operation in city environment
- No commercial driver's licence required in North America



➔ HI-SCAN 145180-2is dual-view X-ray

- X-ray system with tunnel size for palletted air cargo
- Dual-view concept shortens inspection times
- Ruggedised small pitch roller conveyor
- Meets TSA requirements



➔ GUARDION chemical threat identifier

- Combines high speed, gas chromatography and a revolutionary miniaturised mass spectrometer
- New approach redefines size, weight & speed for hand-portable GC/MS
- Start up and ready to operate in <5 minutes; Analysis in 3 minutes
- Hand-portable, ruggedised for use in hot zone or extreme environments



Record product launch programme

17 product launches and upgrades

Planned



Air Transport



Critical Infrastructure



Ports & Borders



Military



Emergency Responders

Improved iLane baggage handling system

eqo auto threat recognition certification

High energy vehicle inspection system

New cargo inspection functionality

Cargo inspection system for US

LCD – platform version

New chemical identifier

Chemical agent monitoring device

XCT explosives detection screening system - major aviation security launch



Major development: HI-SCAN 10080 XCT - Market opportunities

Regional Differences

Market Opportunity

Market position

US



- ~2100 low & medium speed CTs installed
- High-speed is emerging segment

- Provides new market opportunity

EU



Continuously raising standards



- ~1600 high-speed AT units installed
- Maintain current belt speed of 0.5 m/s in HBS

- Maintain strong market position

RoW



Influenced by US & EU

Major hubs & developed countries' align legislation

- Mixture of CT and AT
- Maintain current belt speed of 0.5 m/s in existing HBS where AT units were used

- Maintain strong market position

Global annual market for EDS ~\$300m, inc. ~\$100m for high speed systems

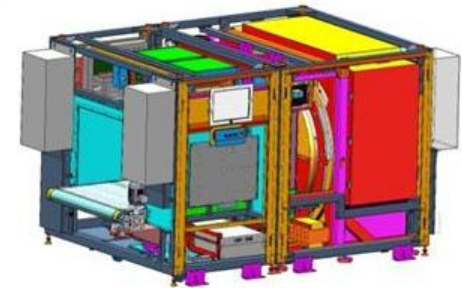
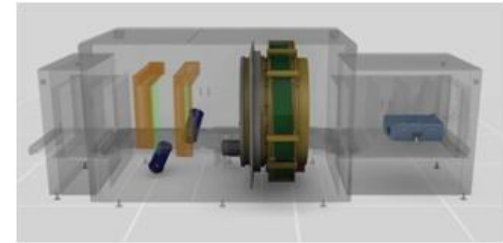


Applying advanced technologies - New hold baggage screening system Hermann Ries, Chief Technology Officer, Imaging Systems



Major Development Steps

- Dec 2009** Development contract signed with Analogic
- Jan 2011** Mechanical and electromechanical integration of line scanner and CT. First system level image
- Mar 2011** 4 prototypes built (alpha, beta 1–3), first LRIP unit under production (6 built, 2 pending)
- Aug 2011** Start of image recording at TSA lab
- Oct 2011** Installation at Munich and Baltimore Airports for image recording of real luggage
- Apr 2012** Installation in permanent test loop in Wiesbaden



The Team:

Over 60 engineers and scientists at
Smiths Detection and Analogic

Development time halved through scale of investment & partners' combined technical skills

HI-SCAN 10080 XCT Unit Status

Smiths Detection is actively pursuing certification and approvals from key agencies

- EU: Standard 3 approval expected end of June 2012
 - pretesting in the French test centre delivered promising results
 - unit is being installed there for Standard 3 approval
- TSA: Certification test expected within CY2012
 - image taking sessions done
 - certification process is ongoing

Low Rate Initial Production in Wiesbaden and Edgewood almost complete

In discussions with baggage handling system companies to insert XCT in test sites for their evaluation



Product launch planned after EU Std 3 approval

HI-SCAN 10080 XCT High Speed EDS

- Largest tunnel size available, suitable for bags of 100 x 80 cm – corresponds to the currently accepted standard tunnel size for baggage handling systems outside US
- Fastest belt speed available (0.5 m/sec - up to 1800 bags per hour)
- Will be the only CT-based unit with these capabilities
- Enhanced resolution 2-D and 3-D images
- Customer advantages:
 - Lower capital costs
 - Lower operational costs
 - Lowest cost per bag
- Will meet and exceed TSA and EU standards and is capable of enhancements for future requirements



Fast. Precise. Efficient. The most economical advanced EDS system



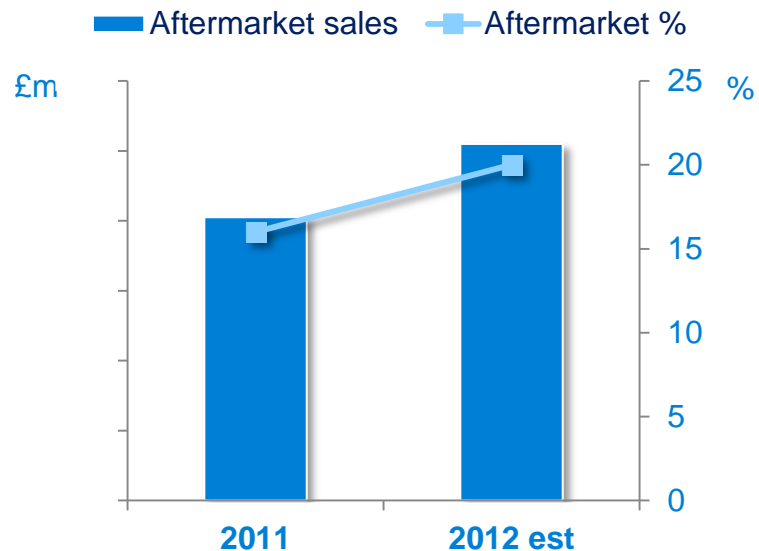
Service and Aftermarket Development Terry Gibson, Vice President, Service



Focus on service enhances revenue stream opportunities

- Considerable installed base of our equipment providing growth opportunities
- 9% increase in aftermarket sales in the first half of FY2012
- Share of total revenues consistently trending upwards
- Main focus is on air transportation market - more than 50% of aftermarket revenues in FY2011

Aftermarket revenues 2011-2012 increasing in absolute terms and as % of sales



Our revenue streams for service are:

- Consumables
- Maintenance contracts
- Spare parts
- Training and documentation
- Time and material (repair response)
- Service programmes

Aftermarket goals

Taking a holistic customer view; aligning our offerings with their operational objectives and product portfolio

Product lifecycle strategy to maintain consistent performance and enhance value to customer from initial investment

Goal is to become our customers' trusted partner to support their CBRNE security detection needs

- aligning packages with their needs
- more use of performance data for preventive maintenance to ensure operational availability
- premium level agreements enhance loyalty & margins

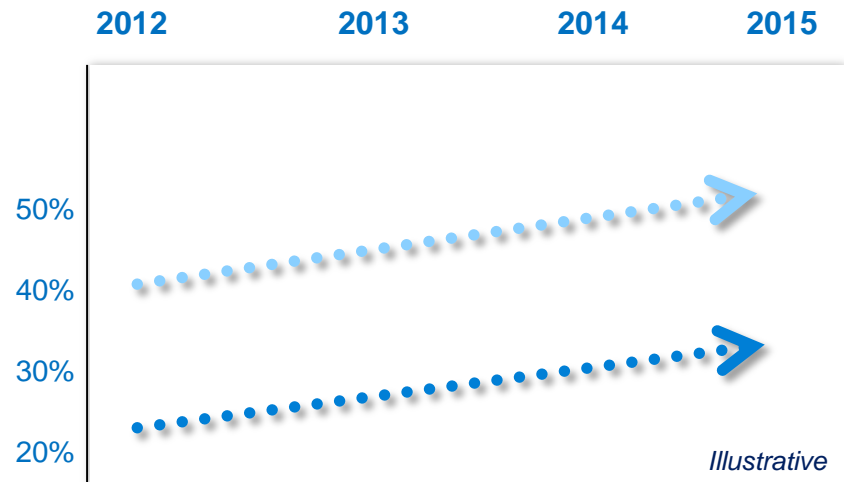
Inter-related growth goals:



Share of systems under maintenance contracts



Aftermarket share of total revenues



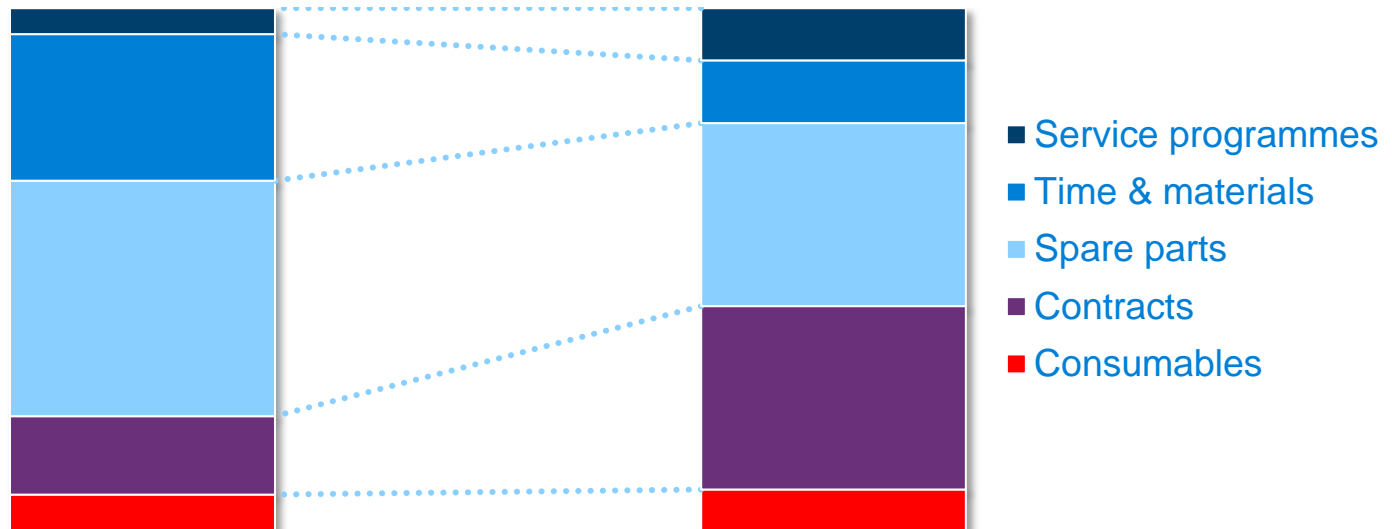
Developing the aftermarket – changing the revenue mix



Opportunities : Five revenue streams for aftermarket services

FY11 by revenue stream %

FY12 by revenue stream %



- Focusing on value-add contracts which are prepaid and provide annual funding
- Already achieving step change in service revenues – more contracts, fewer spares

Aftermarket – customer requirements are changing

Market Sectors	Typical Equipment Life Cycle	Consumables	Maintenance Contracts	Spare Parts	Training & Documentation	Time & Materials	Service Projects
Air Transportation	5-7 years	↑	↑	↓	↑	↓	↑
Military	5-7 years	↓	↔	↑	↑	↑	↔
Ports and Borders	8-12 years	↔	↑	↓	↑	↔	↑
Emergency Responders	3-5 years	↑	↔	↓	↑	↔	↑
Critical Infrastructure	7-10 years	↑	↑	↔	↔	↔	↑



Increasing request from customers



Customer requirements remaining the same



Decreasing request from customers

- Maintaining customer connection during equipment life cycle
- Operations & maintenance funding remains stable even as capital spending is delayed
- Developing path for customers to shift funding from repairs to maintaining equipment performance

Benefits of the new value-adding approach



Moving from a repair-response service model to a value-adding support programme

Good for the customer

- Help develop preventative & pre-emptive strategy
- Parts replacement before failure
- Consumables - ready-availability
- Equipment performance & availability
- Better resource utilisation planning
- Supports regulatory requirements for governments

Good for Smiths Detection

- Generating annual service contracts
- Reliable revenue stream
- Up-front payments for annual contracts
- Planned resourcing, fewer reactive responses
- Reduced service cost through improved planning
- Customer partnerships aid planning

Global standards – local delivery

Service & aftermarket summary

Responding to customer requirement for holistic support

Achieving holistic goal through closer partnership approach

Partnership allows move from break-fix to contracted support

Contracts reduce risk with cash up-front

Targets within 3-4 years:

- Over 50% of installed base with maintenance contracts
- ~30% of total revenues from aftermarket operations



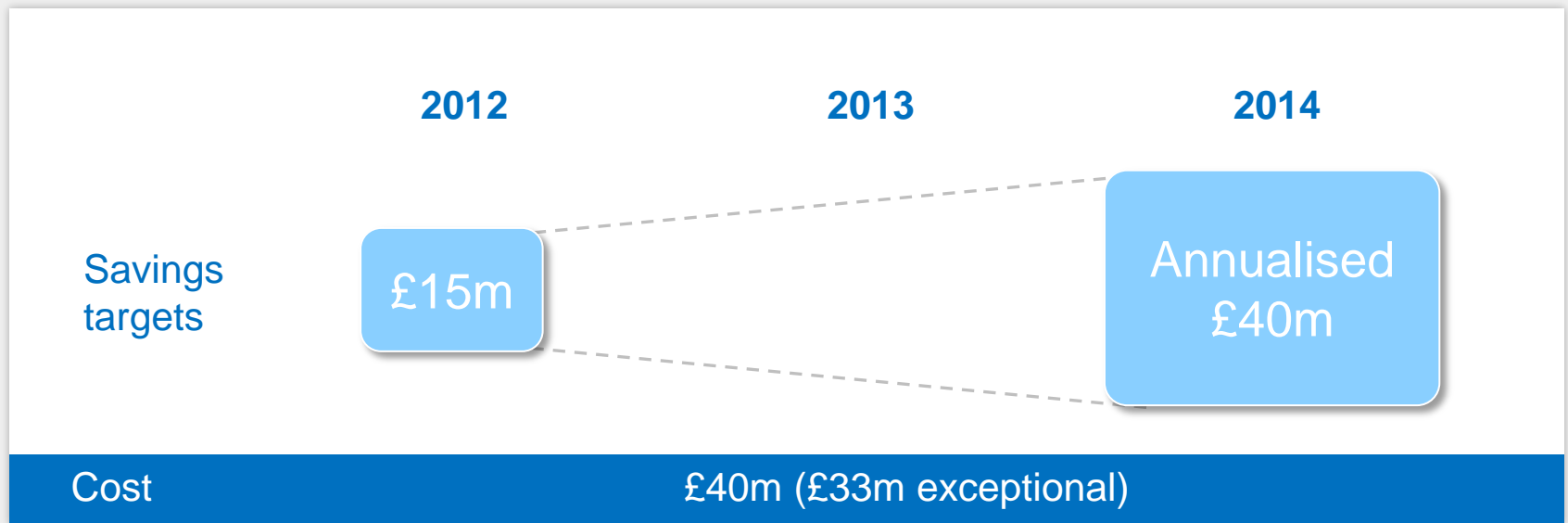
Enhancing margins Mal Maginnis



Performance improvement initiatives

Major initiative to enhance margins through cost reduction

- Fixed cost reduction
- Value engineering
- Site and headcount reduction
- Rationalisation of non-core activities
- Manufacturing & supply chain rationalisation
- Data-led efficiencies



Cost reduction

FY12 immediate impact

Fixed cost reduction:

- Day-to-day cost management improvements.
e.g. travel, professional fees, property costs
- Strong approach realised immediate benefits

Value engineering

- Operating cost reduction initiatives
- Challenging established practices
- >200 separate projects underway or in review
- Target savings 2012 - £3m



Value engineering case study



Product - MMTD

Project - Calibration process improvement

Objective - Reduce sampling analysis to minimum required for accurate calibration

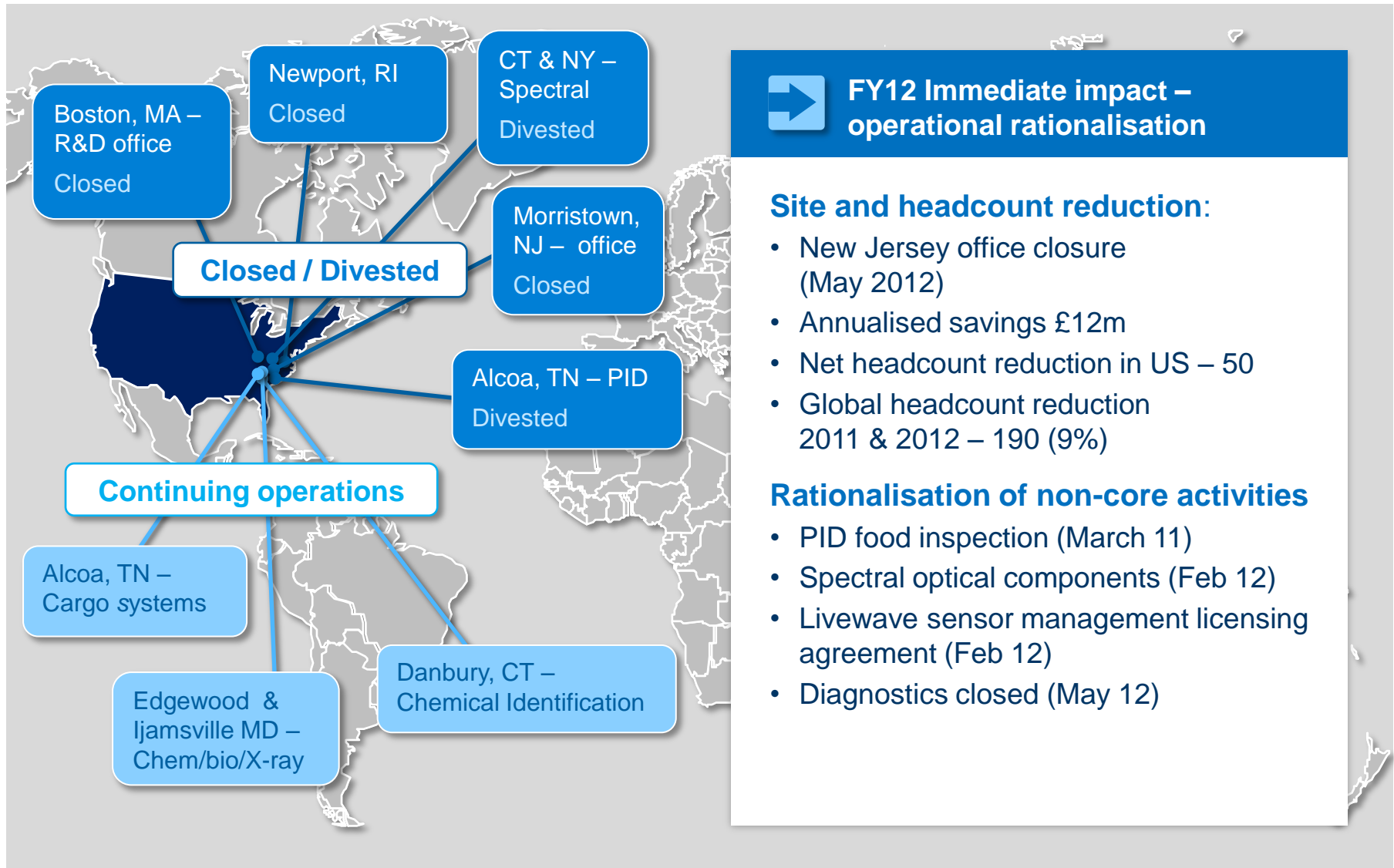
Action - Control parameters redesigned

Outcome - reduction of >80% in samples

Labour saving - ~90%

Unit cost saving - >£700

Restructured US business – locations aligned to customers



Structure & process enhancement



Manufacturing & supply chain rationalisation

- Procurement restructured into a globalised team
- Strengthened team in APAC building low cost supply base
- Standard approach to new product introduction and supplier sourcing:
 - Procurement product launch teams co-located
 - Greater focus on competitive bid processes
 - Supplier risks mitigated



Data-led efficiencies

- Applying Transparent Gross Margin process on contracts for improved financial performance
- Centralised 'Order to Cash' function & e-commerce pilot - improving customer interactions
- Enhanced business intelligence aids operational management reporting

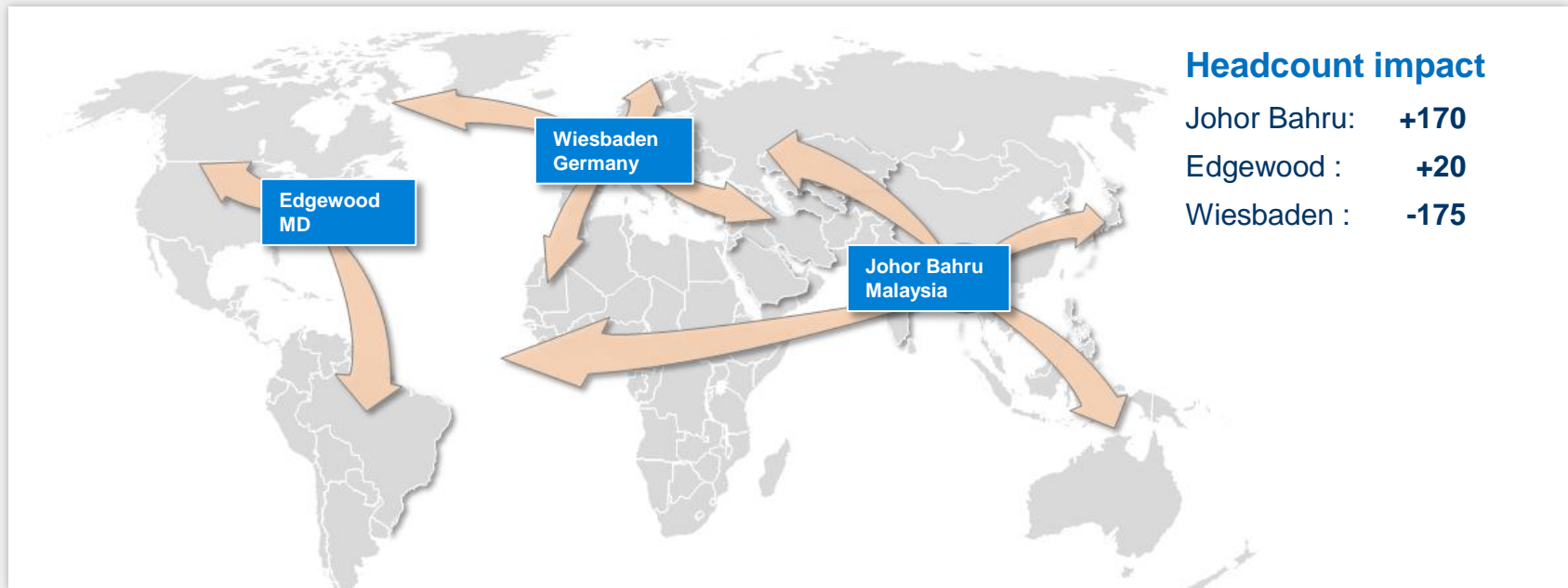
Global manufacturing for core X-ray technology

Objectives

- Grow the business by working closer to the market
- Compete better with more local price flexibility
- React quicker to the customer
- Deliver a critical part of the £40m performance improvement programme

Key priorities

- Maintain the high standards of quality & reliability built into our machines
- Maintain Wiesbaden as X-ray centre of excellence



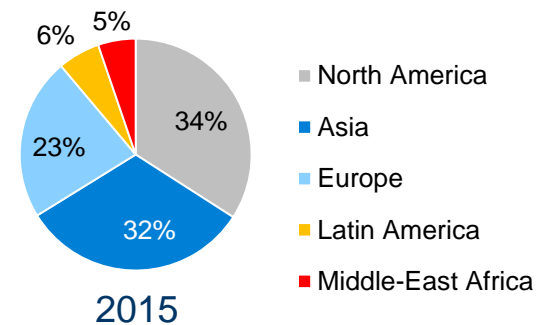
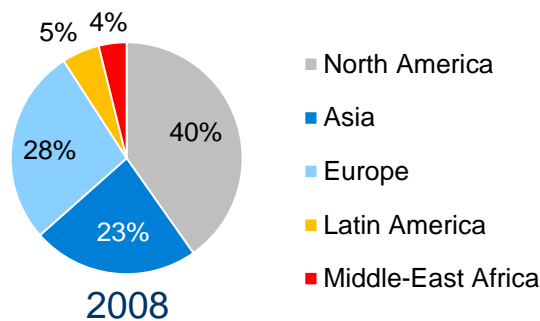
Aligning X-ray manufacturing operations with customers & growth markets

- Extended US manufacturing in Edgewood, MD - 100,000 ft²
- Asian option selected in Johor Bahru, Malaysia - 100,000 ft²
- Edgewood now ramping up production
- Building ASEAN supply base starting with X-ray, extending to all product lines

Advantages

- Lower costs and reduced lead times
- Local supply chain and loss of tariffs on materials will benefit margins
- Free trade agreements in Asia Pacific and North America (NAFTA)

Market for baggage & parcel inspection equipment – driving global manufacturing approach



Internal analysis

Meeting our growth objectives

Strengthening the management team



60% changed

Revitalising the sales force – building a strong order book for FY 2013



50% growth in order book

Delivering the cost reduction programme to improve margins and returns



On track

Reducing volatility through expanding the run-rate business and aftermarket



More stable but WIP

Leveraging the data from our information systems



SAP supports strategy

Aligning our new product development to customer needs

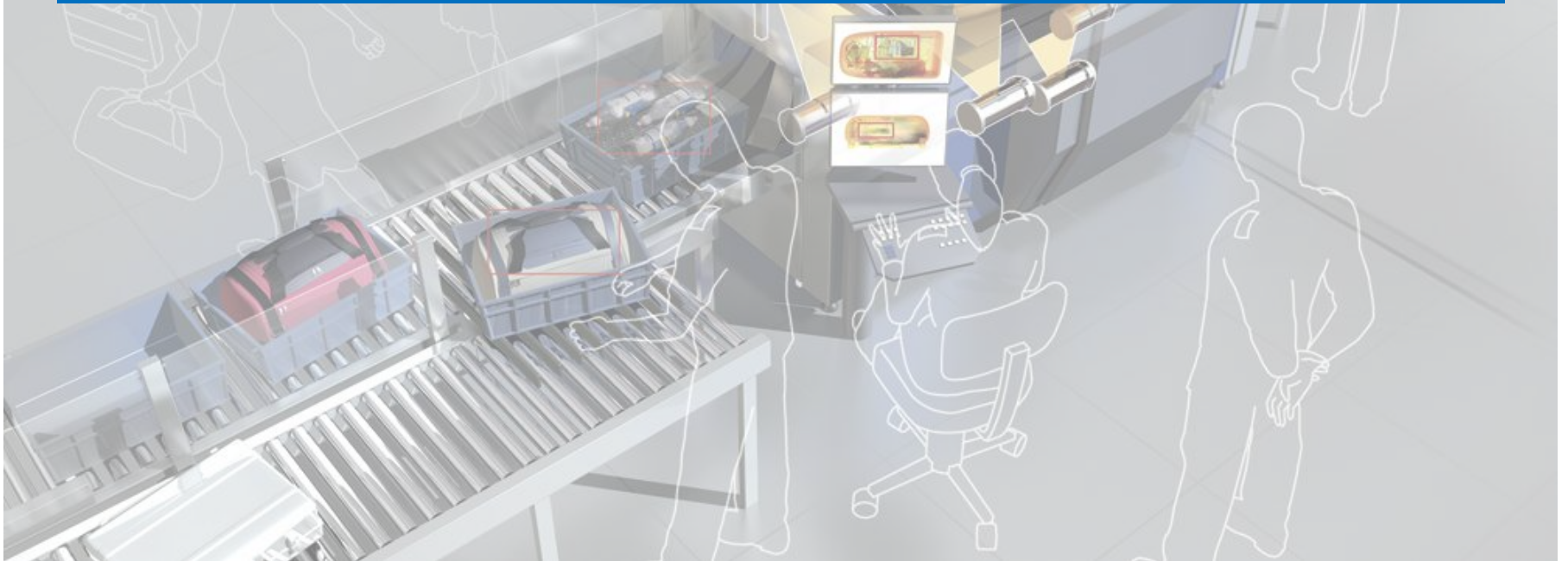


Technology/product delivery

Questions and answers



Incident response demonstration



CBRNE incidents in the USA

In the USA alone between May 2011 and May 2012 there were a total of 1,908 Hazmat incidents.

Of these, 715 were genuine CBRNE incidents:

Chemical **527**

Biological **8**

Radiological **12**

Nuclear **0**

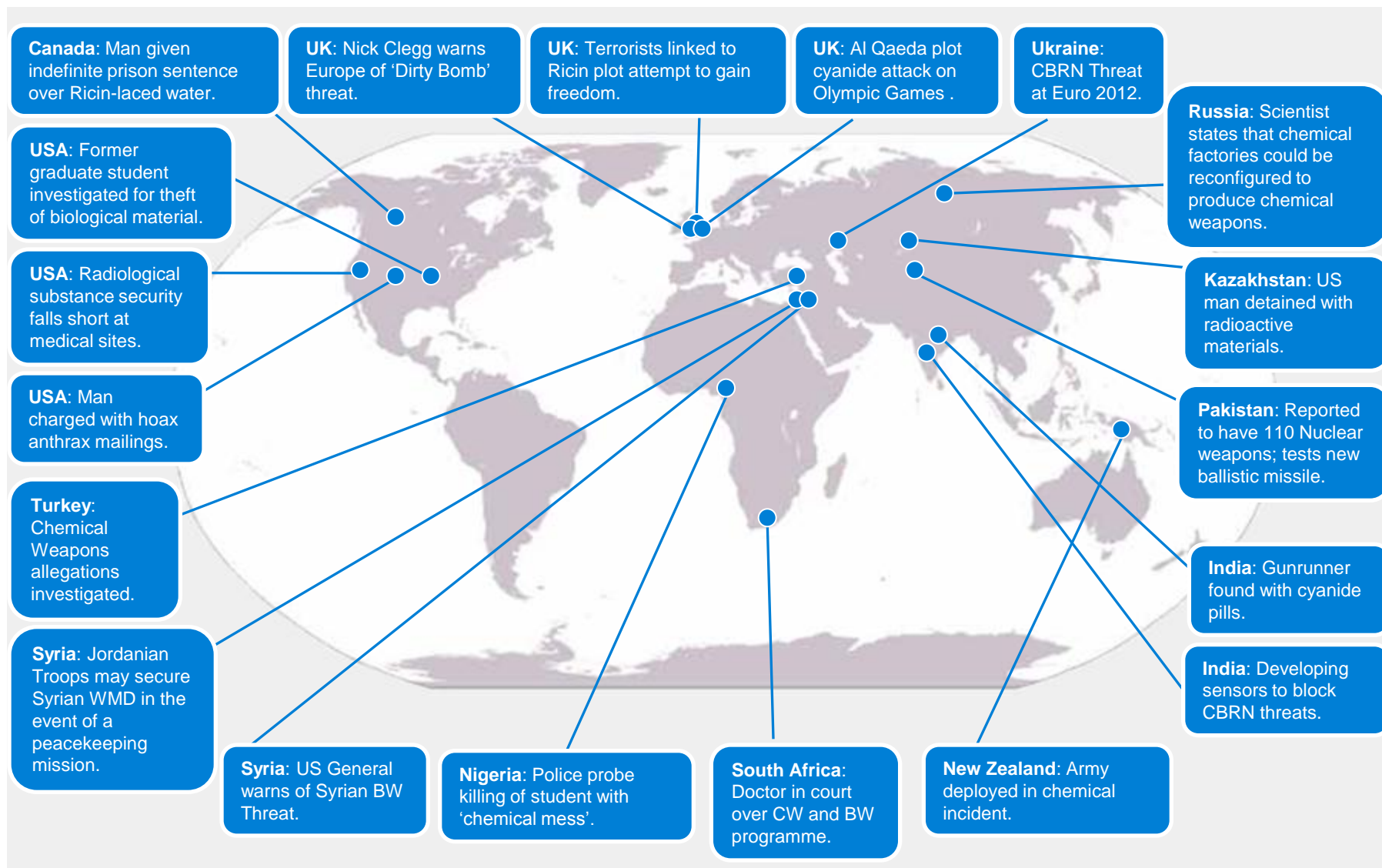
Explosive **168**



Other incidents included:

- Drug
- Fuel/oil/gas
- Suspicious or threatening powder
- False alarms

CBRNE incidents worldwide – April 2012



Groups for the product demonstrations



Andrew Lee



Terry Gibson



Rod Wilson



Duncan Emery



Andrew Davis



Richard Bayliss

Appendices

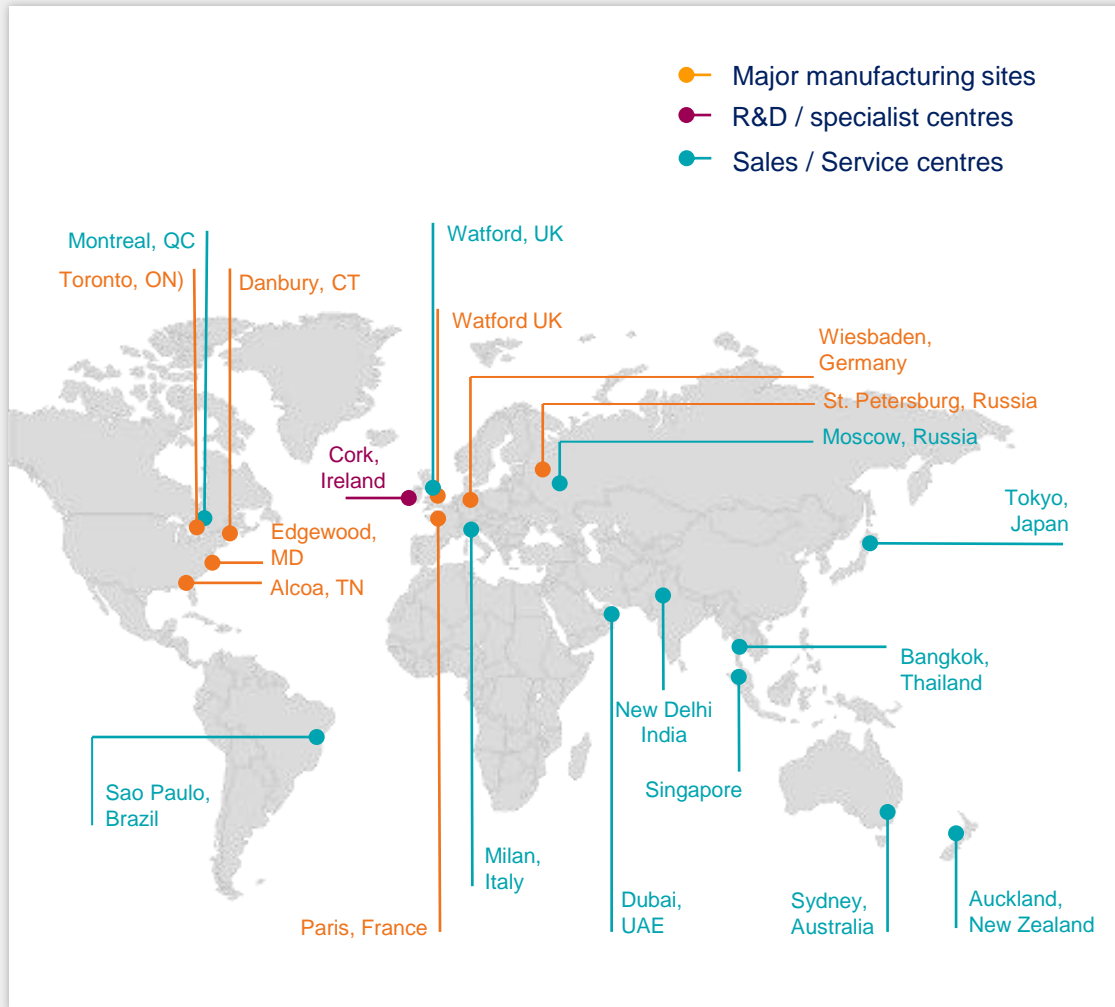


Market dynamics – regulatory drivers

	USA	EU
Air cargo screening	<p>100% screening of cargo on domestic and outbound passenger flights achieved (Certified Cargo Screening Program).</p> <p>100% screening of cargo on inbound passenger flights from 3 December 2012.</p>	<p>European Commission (EC) Regulation for risk-based screening of cargo and mail adopted February 2012; phased implementation to August 2013.</p>
Hold baggage screening	<p>Advanced Technology (AT) program upgrades for checkpoint X-ray systems.</p> <p>AT2 program to deploy replacement inline CT-based systems.</p> <p>Congressional scrutiny of TSA spend and warehousing.</p>	<p>All installed Explosive Detection Systems (EDS) to be Standard 2 by 1 September 2012 (or 1 January 2014 in certain cases).</p> <p>Standard 3 applies to all new EDS installed from 1 September 2014. All EDS to be Standard 3 by 1 September 2020 (or 1 September 2022 in certain cases).</p>
Passenger screening (body scanners)	<p>1250 Advanced Imaging Technology (AIT) units planned by end 2012.</p> <p>TSA deployments require Automated Threat Recognition (ATR) software.</p>	<p>EC Regulation to approve use of ATR-compliant, non-ionising security scanners for primary screening entered into force December 2011.</p>
Liquids detection	<p>TSA has no immediate plans to remove restrictions on Liquids and Gels in hand baggage.</p>	<p>EC plans to remove restrictions on Liquids and Gels in hand baggage from April 2013.</p>
Other initiatives	<p>100% screening of inbound maritime cargo – 2012 deadline deferred indefinitely.</p> <p>DHS focus on: Container Security Initiative (CSI) to require greater screening at foreign ports; US-EU agreement on mutual recognition of 'trusted traders' signed May 2012, effective from January 2013.</p>	<p>EC Communication on Security Industry Strategy expected Summer 2012 to drive harmonisation of standards and certification.</p>

Strong government relations activity with institutions, international bodies to influence policy

Smiths Detection global presence



Global HQ, Watford UK



Central team

- Technology
- Strategy
- Business Development
- Projects
- Admin

Competence centres:

Manufacturing/R&D

Wiesbaden: Imaging; explosives

Paris: Hi-energy X-ray

Watford: Chem/bio

Edgewood: Chem/bio/integration/X-ray

Toronto: Explosives

Danbury: FT-IR

Manufacturing

St Petersburg: X-ray

Alcoa: High energy X-ray

R&D

Cork: mm-wave