

Security & Resilience Forum

Technology for a safer world

Investor presentation

by **Stephen Phipson**, Group Managing Director, Smiths Detection
Queen Elizabeth II Conference Centre, Tuesday 31 October 2006



Smiths Group - operating in four sectors, each with a strong growth profile

Smiths Detection - £412m

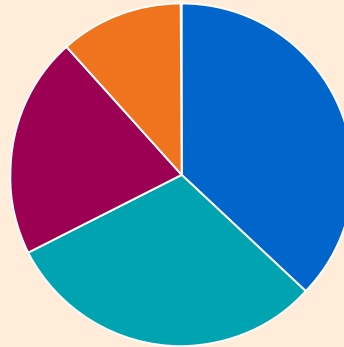


Equipment for homeland defence, business security and protection of the military

Smiths Aerospace - £1,300m



Integrated avionics and mechanical systems for military and commercial aircraft



Sales 2006
£3.5 billion

Smiths Medical - £737m



Specialist devices and equipment for critical healthcare

Specialty Engineering - £1,074m



Application-specific components for oil & gas, defence electronics and telecom industries

Smiths Detection

Financial performance 2006	£m	Reported growth
Sales	412	+12%
Headline operating profit	75	+11%
Margin	18.6%	






Smiths Detection is:

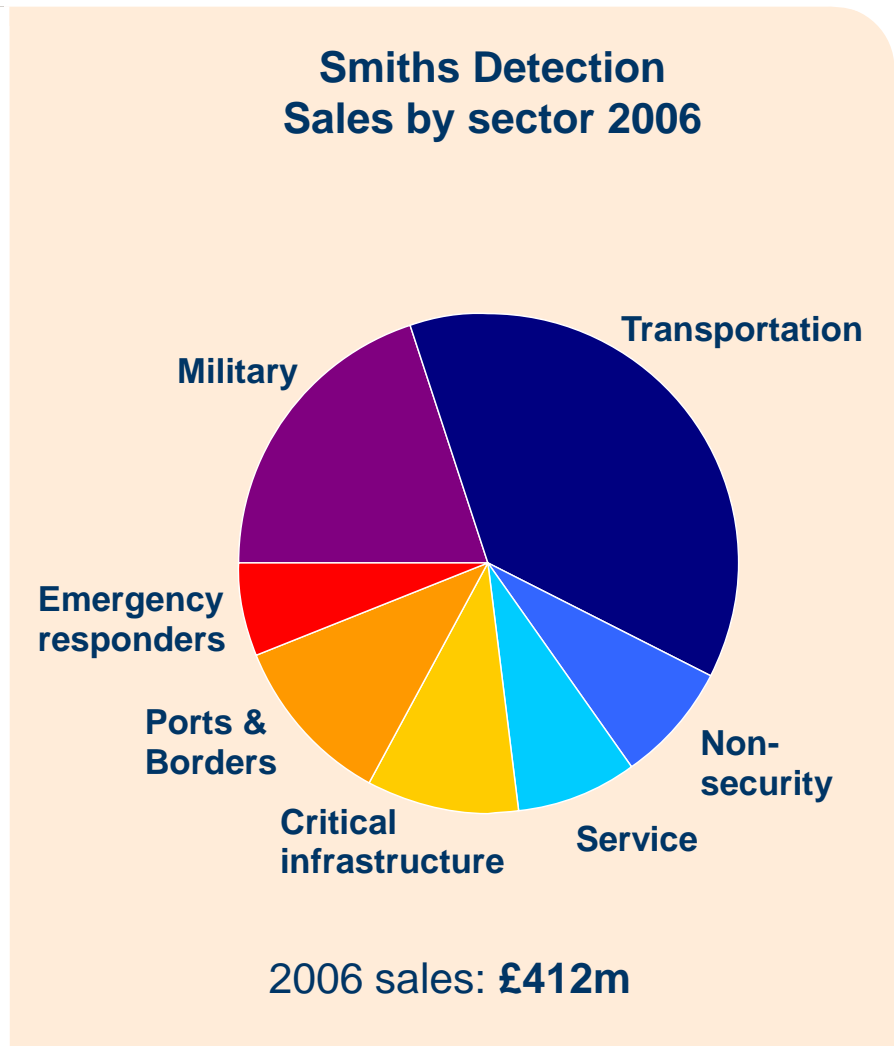
- A leading prime contractor to Governments providing detection systems for Homeland Security and Defence
- A global business with development and manufacturing in six countries and a worldwide market presence

Smiths Detection's strategy is:

- To achieve and maintain technical leadership through internal development and acquisition
- To increase its global presence through local investment in key markets
- To diversify, selectively, both its product range and the markets it serves

Smiths has strong positions in the key markets

Transportation	
Military	
Critical infrastructure	
Ports & Borders	
Emergency responders	

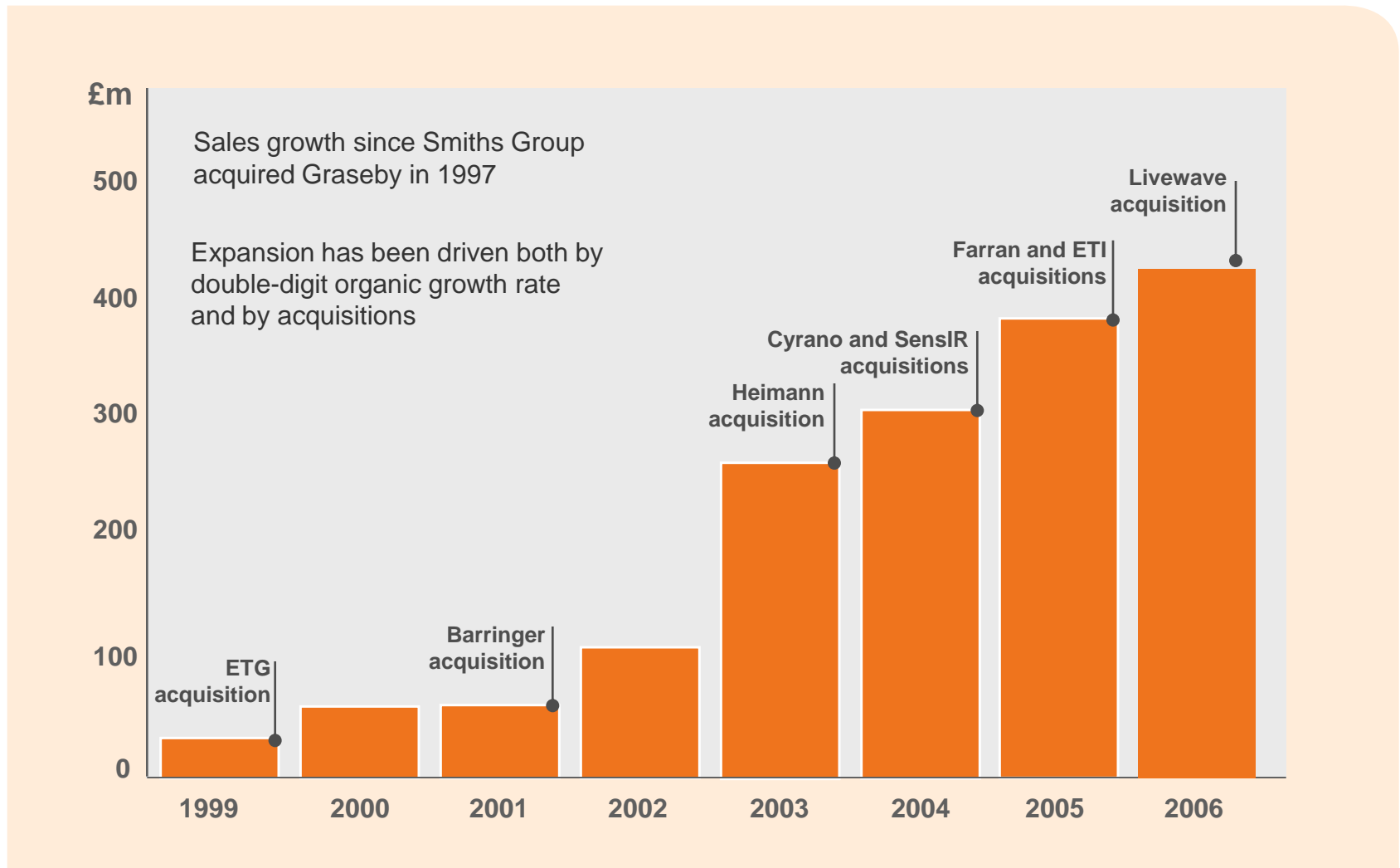


Smiths Detection offers the widest range of detection technologies



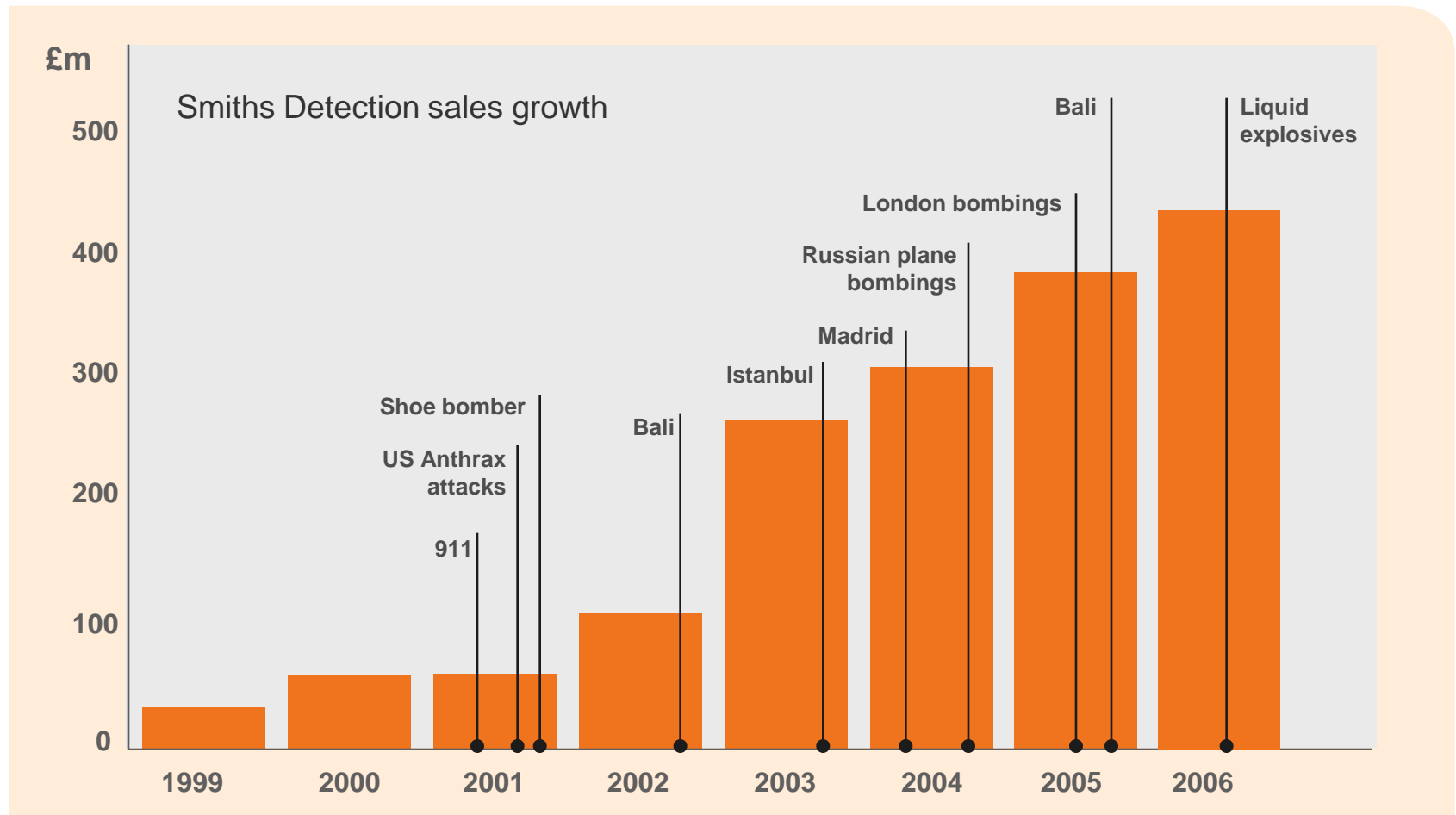
Multi-market requirement for all technologies

The story so far - Organic growth and acquisitions



The story so far - A different view

Growth driven by the perception of the threat



Up to 85% of Smiths Detection business is government related

Perception of the threat remains high

Dirty bomb fear

The number of incidents involving unauthorised movement, possession or loss of radioactive sources doubled from 2002 to 2004, according to the International Atomic Energy Agency.



World not ready for bio-terror threat - Interpol



Bio-Terrorism Attack - Not If But When' Biological terrorism poses new threat to crops, livestock, experts warn

Explosives Traces Found In Russian Plane Wreckage



Forum notes threat of bio-terror



Why Canada will be a target of Bio-terror

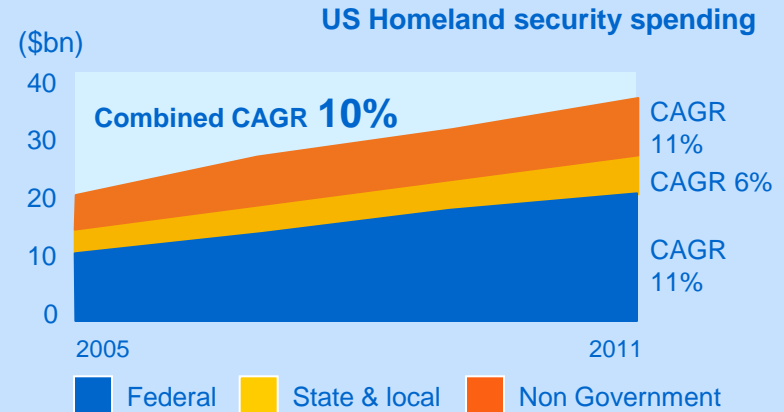


Increased customer spending creates new opportunities

The US DHS plan is focussed in areas where Smiths is strong

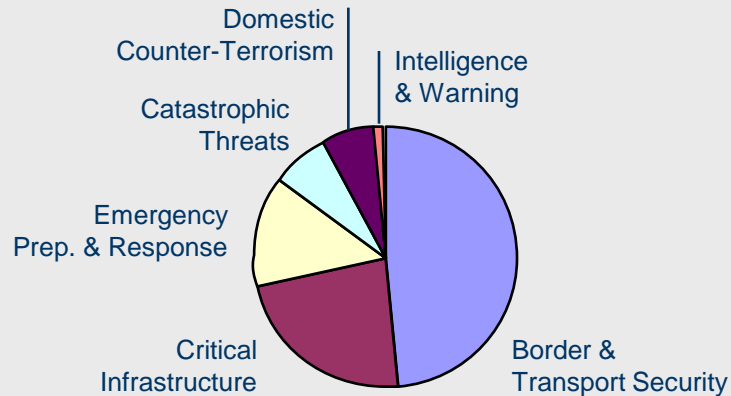
DHS 07 budget priorities

- Strengthening border security and interior enforcement
- Improving maritime security
- New strategies for Aviation security
- Increase emergency preparedness and response



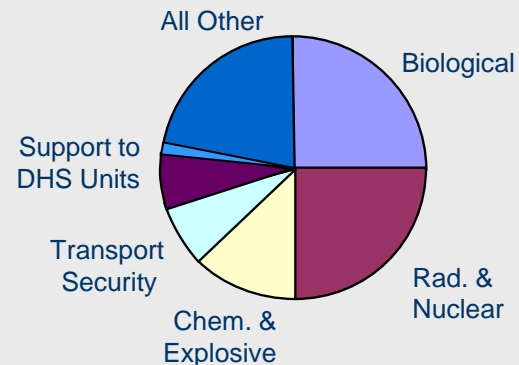
DHS 07 operational budget

Total \$43bn (up 6%)



DHS 07 R&D budget funding

Total \$3.3bn (down 4%)



New opportunities - New products are being launched to respond to changing customer focus

Improvised explosive devices

aTIX – explosives detection
XRay for hand baggage



Bio Terrorism

Bio-Seeq – laboratory standard
identification



Radiation

Mobile cargo scanner radiation detection



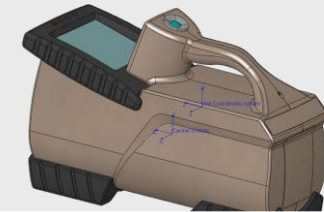
RespondIR verifies the identity of an
unknown solid or liquid



EPBD -24/7 environment monitoring



Proposed man portable
detection system (HPRDS)



Rugged explosives
detector for
the military



Smart Bio Sensor
– Bio alert system

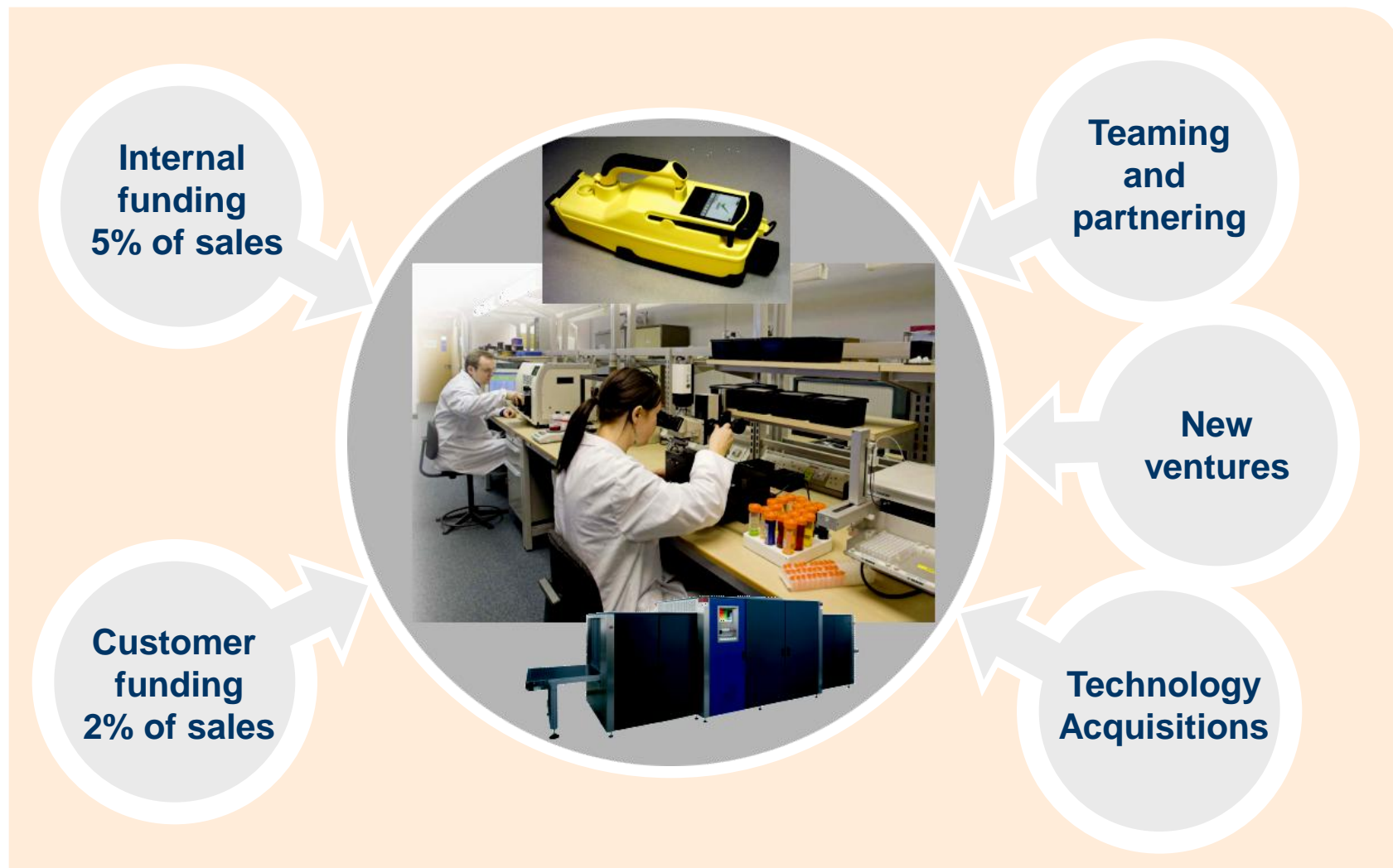


Hand held device
developed
for US DHS

















Developing the capability

Using a variety of investment vehicles to expand the product range



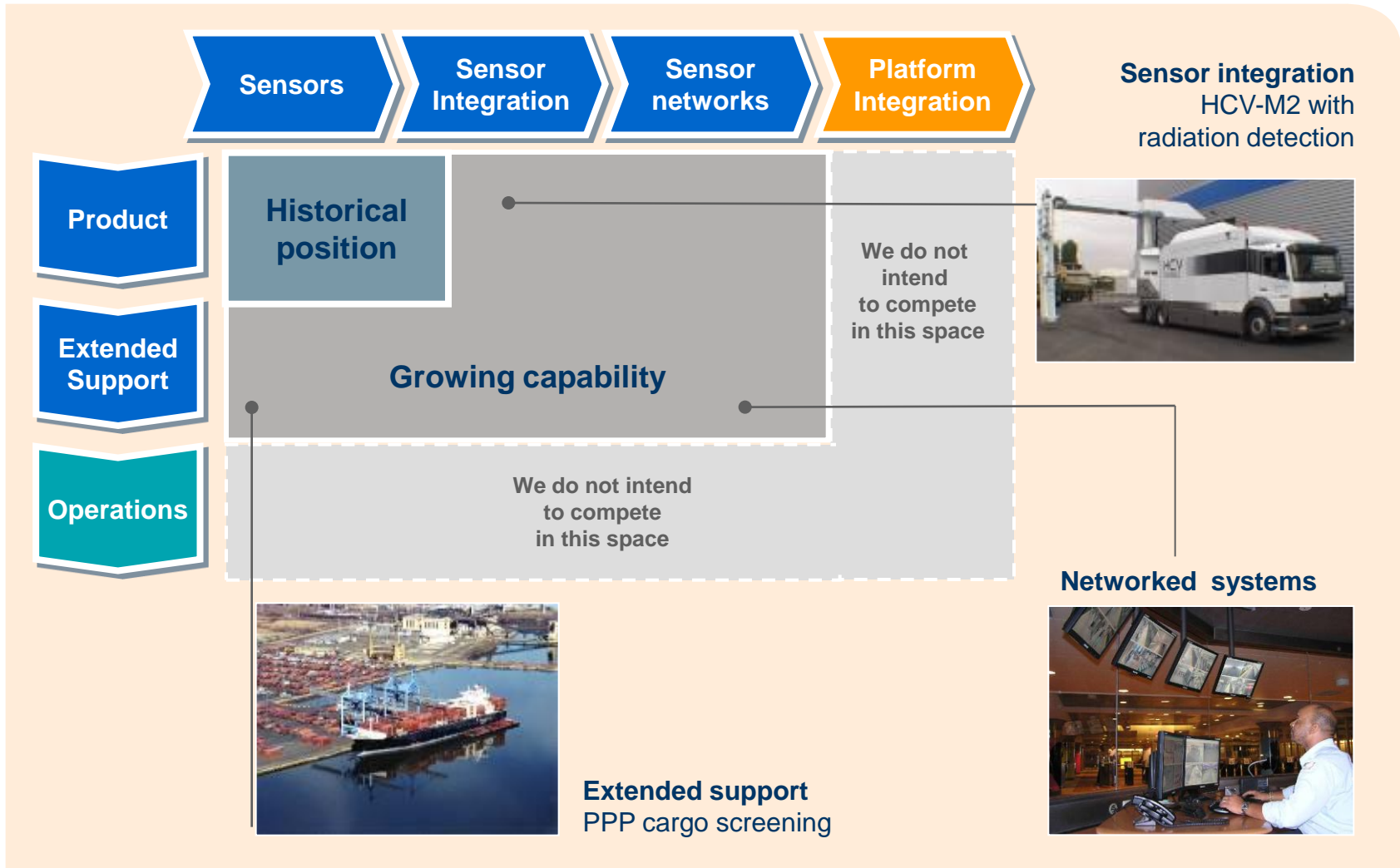
The competitive environment

Major platform integrators	    
Technology/ Sensor integrators	   
Equipment providers	    

- Smiths is one of a small number of companies capable of integrating multiple technologies
- Governments are increasingly contracting with these companies

Developing the capability

Increased use of integrated solutions



Developing the capability - Extending the global footprint

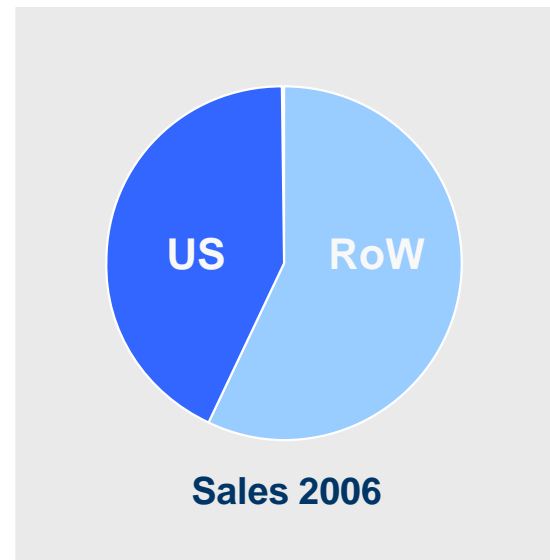
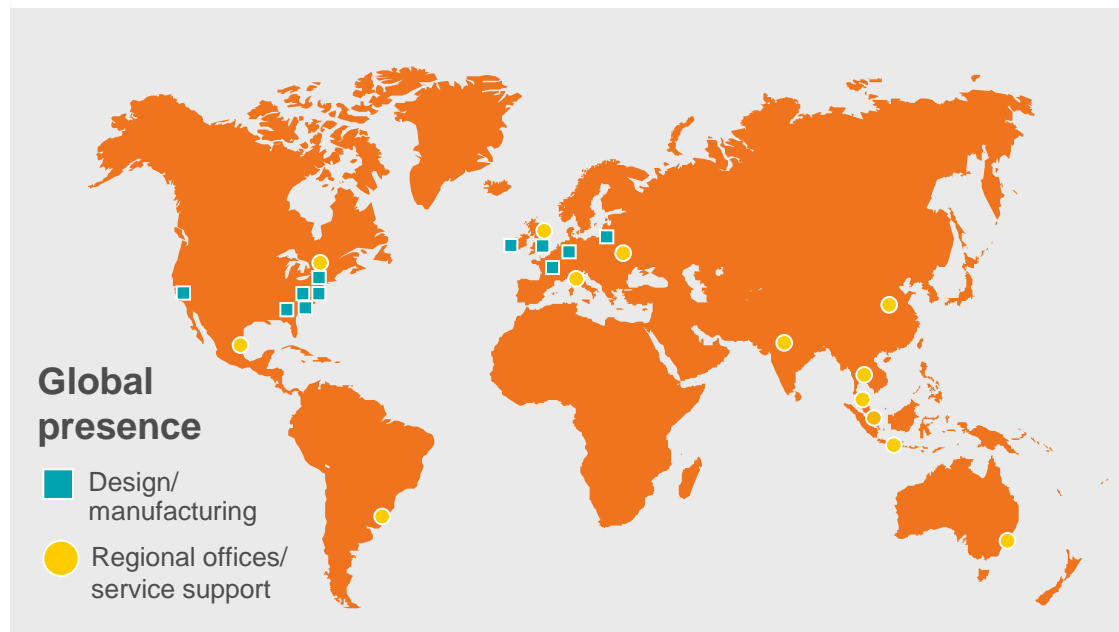
Maximum market reach with global manufacturing/ distribution/ sales offices: Sales in 160 countries, R&D in 6 countries, 2100 employees, 500 engineers and scientists

Developing market leading products through:

- access to international customer requirements
- access to world-wide technologies/academia



New St Petersburg factory Opened 2006



Transportation - Opportunities occurring throughout sector

Airports

Growth driven by

- Construction of new terminals
- Equipment replacement programmes

Growing interest in:

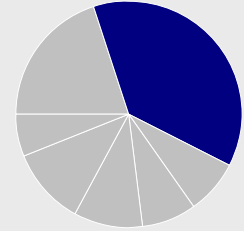
- Automated Explosives Detection
- People Screening
- Detection of Liquid

Rail/subway systems

- Global recognition of the threat
- Extensive trials, New York, London
- NYPD deployed Sabre for random screening
- New York MTA deployed Sabre and HazmatID

Smiths Detection equipment now in 3,500 out of 4,000 global airports

Transport



Transportation - A holistic approach to airport security



Ports & Borders - A focus for global customs and border protection

Market requirements

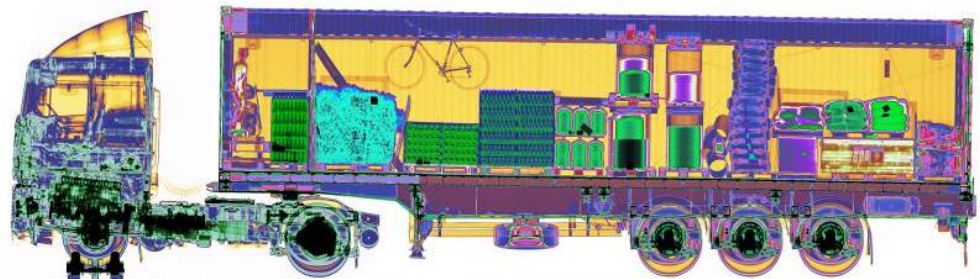
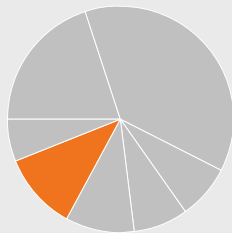
- Contraband detection
- Explosives Detection
- Material Discrimination
- Radiation Detection

International initiatives

- Screening of cargo shipped to US
- Increased cross border security in North America



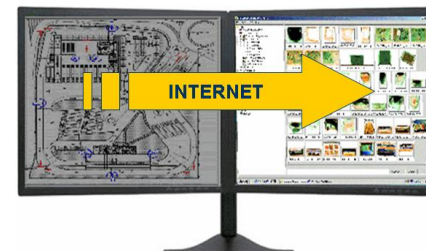
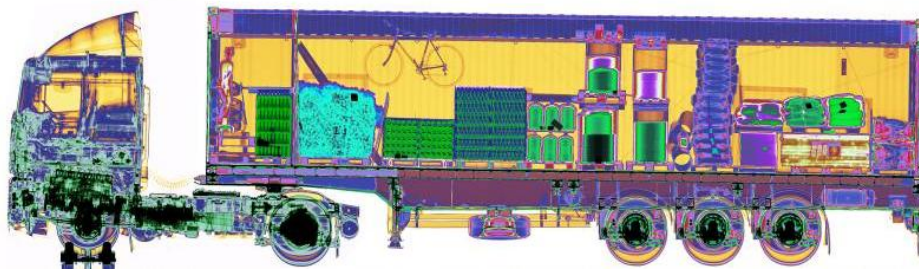
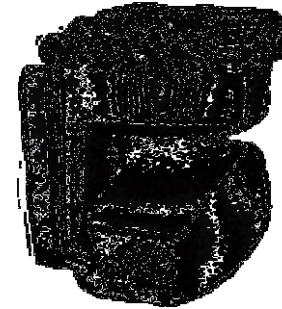
Port&Borders



Ports & Borders - New government-led security demands

Greater integration requirements

- X-ray Screening systems deployed in global ports
- Remote monitoring of cargo
- Automatic file transfer of x-ray images to remote workstations
- Networking facilitates transmission of data from local to international terminals
- Containers tracked to arrival at destination
- High added value systems

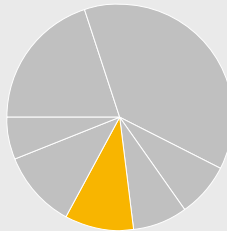


Critical infrastructure - Protecting vulnerable facilities and buildings

- Increased range of threats
- Requirement for complete security package
- Networked systems requirement
- Detection systems for:
 - Explosives
 - Bio threats
 - Toxic Industrial Chemicals
 - Weapons
 - Narcotics
 - Hazardous chemicals



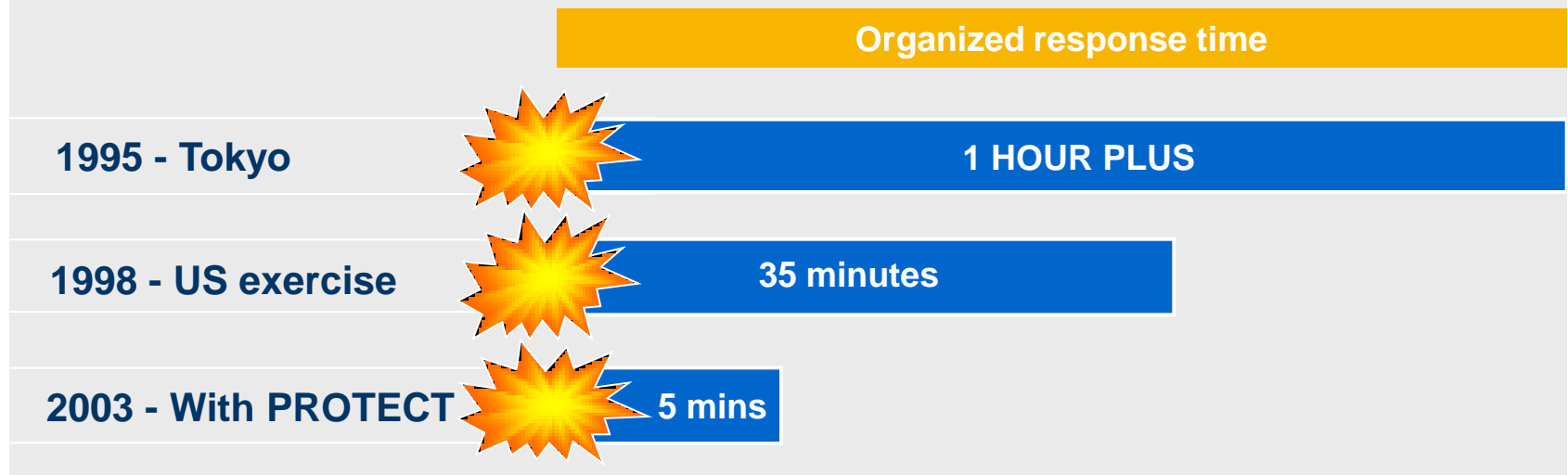
Critical Infrastructure



Critical infrastructure - Safeguarding US subway systems

- **PROTECT** - Program for Response Options & Technology Enhancements for Chemical/biological Terrorism
- Smiths Detection LiveWave system
- Networks chemical sensors and CCTV for rapid response
- Benefits for: Crisis Management, Restoration and Recovery, Forensics

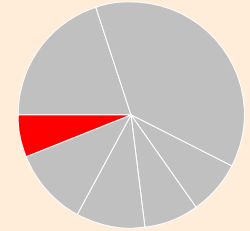
Rapid Response Saves Lives



Emergency Response - Support for the front line

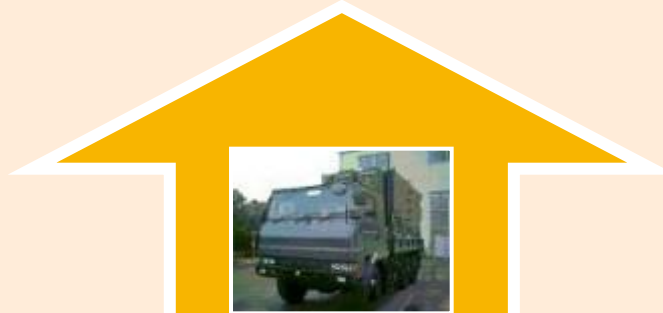
- Fast and reliable identification
- Ruggedised Systems
- Laboratory science in the hands of first responders
- Adding technologies – Raman
- Selling complementary products

Emergency Responders



Military market - a changing role, moving up the value-added chain

- Established global supplier of chemical & biological agent sensors
- Increasing role as prime contractor for integrated systems
- Winning long term programmes for sensors and integrated systems



Strategic partner of choice



Systems and integration. Vendor management

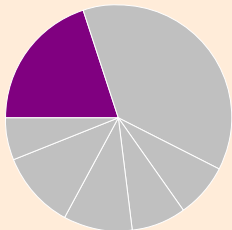


Products and sub systems. Manufacturing, assembly and integration



Research, technology, skills, resources, facilities. Knowledge base

Military



Military - Prime contractor on major integrated programmes

- Prime contractor for new program with \$333M contract ceiling
- Moved from supplier of chemical agent detector in previous programme to system integrator
- Highly mobile, self contained protection system
- Complete solution for contamination free, environmentally controlled working area
- Includes decontamination, filtration, detection, physical protection



Previous generation system



Next generation integrated system

Summary



Key player in government security initiatives globally



Organic growth through changing role as systems integrator and prime contractor



Continuous R&D investment and innovation to maintain technology leadership



Acquisition opportunities

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