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

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>08:30</td>
<td><strong>Smiths Detection presentation</strong></td>
</tr>
<tr>
<td></td>
<td>Philip Bowman, Mal Maginnis, Duncan Emery, Hermann Ries, Terry Gibson</td>
</tr>
<tr>
<td></td>
<td>• The markets and sales dynamics - building the order book</td>
</tr>
<tr>
<td></td>
<td>• Investing for the future - strong R&amp;D programme</td>
</tr>
<tr>
<td></td>
<td>• Improving performance - enhancing margins</td>
</tr>
<tr>
<td>10:00 – 10:20</td>
<td>Coffee break</td>
</tr>
<tr>
<td>10:20</td>
<td>Q&amp;A</td>
</tr>
<tr>
<td>11:15</td>
<td><strong>Response equipment demonstration</strong></td>
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<tr>
<td>11:30</td>
<td><strong>Tour of product displays</strong></td>
</tr>
<tr>
<td>13:00</td>
<td><strong>Buffet lunch</strong></td>
</tr>
</tbody>
</table>
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 %

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>2-3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aftermarket</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Run-rate</td>
<td></td>
<td></td>
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<tr>
<td>Fixed costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Illustrative
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
## Core technology streams

<table>
<thead>
<tr>
<th>Core Technology Streams</th>
<th>Competitor Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargo Inspection Systems</td>
<td>NuCROSS, ASIS, Rapiscan Systems</td>
</tr>
<tr>
<td>Chemical &amp; Biological Sensors</td>
<td>Bruker, FLIR, Thermo Scientific</td>
</tr>
<tr>
<td>Conventional X-ray Systems</td>
<td>L3 Communications, Rapiscan Systems</td>
</tr>
<tr>
<td>Explosives Detection Systems</td>
<td>REVEAL, Morpho Detection, L3 Communications</td>
</tr>
<tr>
<td>Millimetre-Wave Systems</td>
<td>L3 Communications</td>
</tr>
<tr>
<td>Trace, Radiation &amp; Nuclear Products</td>
<td>Morpho Detection, DRS Technologies, RAE Systems, ENSCO</td>
</tr>
<tr>
<td>Integrated Systems</td>
<td></td>
</tr>
</tbody>
</table>

Concentrating on 7 key product technology areas
Serving a broad range of markets, globally

Sales revenues 2011: £510m

By market sector
- Air Transport: 43%
- Non-security: 5%
- Critical Infrastructure: 17%
- Military: 15%
- Emergency responders: 5%
- Ports & Borders: 15%

By destination
- USA: 39%
- Europe: 25%
- RoW: 36%
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*

- **Air transport** CAGR 5.3%
  - 2011: £530m
  - 2016: £690m

- **Ports & borders** CAGR 6.8%
  - 2011: £600m
  - 2016: £830m

- **Critical infrastructure** CAGR 7.7%
  - 2011: £450m
  - 2016: £650m

- **Defence & ER** CAGR 2.8%
  - 2011: £2550m
  - 2016: £2930m

Smiths Detection addresses only niche segments of the Defence CBRNE market

- 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

*Source: internal analysis*
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

Smiths Detection leader in the sector - 26% market share

* OEM excluding aftermarket revenues

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Sector remains event-driven
8 May 2012

**Air Passenger Traffic**
RPKs trillions

* Source: ICAO

Forecast: Internal analysis

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8 May 2012

**Wall Street Journal**
New Jetliner Bomb Plot Foiled by U.S. Officials

"It was intended for use by a suicide bomber on an airliner."
"As planned, the bomb would be detonated in the cockpit of an international airliner."
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)
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
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
• 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

<table>
<thead>
<tr>
<th></th>
<th>Total orders (relative scale)</th>
<th>Year 1</th>
<th>Year 2 &amp; beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 2011</td>
<td></td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Mar 2012</td>
<td></td>
<td>38%</td>
<td>62%</td>
</tr>
</tbody>
</table>

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

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

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

23%
Record product launch programme

<table>
<thead>
<tr>
<th>17 product launches and upgrades</th>
<th>Launched</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Air Transport" /></td>
<td>HI-SCAN 7555aTiX X-ray (EU EDS approval)</td>
</tr>
<tr>
<td><img src="image2" alt="Air Transport" /></td>
<td>HI-SCAN 145180-2is dual-view X-ray</td>
</tr>
<tr>
<td><img src="image3" alt="Critical Infrastructure" /></td>
<td>SABRE 5000 tri-mode threat detector</td>
</tr>
<tr>
<td><img src="image4" alt="Ports &amp; Borders" /></td>
<td>RadSeeker rad/nuc detector</td>
</tr>
<tr>
<td><img src="image5" alt="Ports &amp; Borders" /></td>
<td>HCVM e compact X-ray cargo scanner</td>
</tr>
<tr>
<td><img src="image6" alt="Military" /></td>
<td>HCVP 6030/viZual pass-through</td>
</tr>
<tr>
<td><img src="image7" alt="Military" /></td>
<td>GUARDION chemical threat identifier</td>
</tr>
<tr>
<td><img src="image8" alt="Emergency Responders" /></td>
<td>Sensa-LINX wireless comm's system</td>
</tr>
</tbody>
</table>
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 palleted 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

<table>
<thead>
<tr>
<th>Air Transport</th>
<th>Improved iLane baggage handling system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical Infrastructure</td>
<td>eqo auto threat recognition certification</td>
</tr>
<tr>
<td>Ports &amp; Borders</td>
<td>High energy vehicle inspection system</td>
</tr>
<tr>
<td>Military</td>
<td>New cargo inspection functionality</td>
</tr>
<tr>
<td>Emergency Responders</td>
<td>Cargo inspection system for US</td>
</tr>
<tr>
<td>Military</td>
<td>LCD – platform version</td>
</tr>
<tr>
<td>Military</td>
<td>New chemical identifier</td>
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<tr>
<td>Emergency Responders</td>
<td>Chemical agent monitoring device</td>
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</table>
Major development: HI-SCAN 10080 XCT - Market opportunities

<table>
<thead>
<tr>
<th>Regional Differences</th>
<th>Market Opportunity</th>
<th>Market position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CT Model</td>
<td>• ~2100 low &amp; medium speed CTs installed</td>
<td>• Provides new market opportunity</td>
</tr>
<tr>
<td>From lobby to in-line solution</td>
<td>• High-speed is emerging segment</td>
<td></td>
</tr>
</tbody>
</table>

| **EU**               |                    |                 |
| Continuous raising standards | • ~1600 high-speed AT units installed | • Maintain strong market position |
|                      | • Maintain current belt speed of 0.5 m/s in HBS |                 |
| Std 1, Std 2, Std 3  |                    |                 |
| yesterday, today, tomorrow |                  |                 |

| **RoW**              |                    |                 |
| Influenced by US & EU | • Mixture of CT and AT | • Maintain strong market position |
| Major hubs & developed countries’ align legislation | • Maintain current belt speed of 0.5 m/s in existing HBS where AT units were used |                 |

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

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

### The Team:

Over 60 engineers and scientists at Smiths Detection and Analogic

Development time halved through scale of investment & partners’ combined technical skills
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
Smiths Detection

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

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:**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20%</td>
<td>40%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Aftermarket share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

Illustrative
Developing the aftermarket – changing the revenue mix

Opportunities: Five revenue streams for aftermarket services

- Service programmes
- Time & materials
- Spare parts
- Contracts
- Consumables

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
### Market Sectors - Typical Equipment Life Cycle

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Air Transportation</td>
<td>5-7 years</td>
<td>↑</td>
<td>↑</td>
<td>↓</td>
<td>↑</td>
<td>↓</td>
<td>↑</td>
</tr>
<tr>
<td>Military</td>
<td>5-7 years</td>
<td>↓</td>
<td>←</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>←</td>
</tr>
<tr>
<td>Ports and Borders</td>
<td>8-12 years</td>
<td>←</td>
<td>↑</td>
<td>↓</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
</tr>
<tr>
<td>Emergency Responders</td>
<td>3-5 years</td>
<td>↑</td>
<td>←</td>
<td>↓</td>
<td>↑</td>
<td>↑</td>
<td>←</td>
</tr>
<tr>
<td>Critical Infrastructure</td>
<td>7-10 years</td>
<td>↑</td>
<td>↑</td>
<td>←</td>
<td>←</td>
<td>←</td>
<td>↑</td>
</tr>
</tbody>
</table>

#### Increasing request from customers
- Customer requirements remaining the same
- Decreasing request from customers

#### Aftermarket - customer requirements are changing
- 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
Smiths Detection

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings targets</th>
<th>Cost</th>
<th>Annualised</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>£15m</td>
<td>£40m (£33m exceptional)</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td>£40m</td>
</tr>
</tbody>
</table>
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

**FY12 Immediate impact – operational rationalisation**

**Site and headcount reduction:**
- New Jersey office closure (May 2012)
- Annualised savings £12m
- Net headcount reduction in US – 50
- Global headcount reduction 2011 & 2012 – 190 (9%)

**Rationalisation of non-core activities**
- PID food inspection (March 11)
- Spectral optical components (Feb 12)
- Livewave sensor management licensing agreement (Feb 12)
- Diagnostics closed (May 12)
## 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

Headcount impact

Johor Bahru: +170
Edgewood: +20
Wiesbaden: -175
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**

- 2008:
  - North America: 28%
  - Asia: 40%
  - Europe: 23%
  - Latin America: 5%
  - Middle-East Africa: 4%

- 2015:
  - North America: 34%
  - Asia: 32%
  - Europe: 23%
  - Latin America: 6%
  - Middle-East Africa: 5%

*Internal analysis*
Meeting our growth objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening the management team</td>
<td>60% changed</td>
</tr>
<tr>
<td>Revitalising the sales force – building a strong order book for FY 2013</td>
<td>50% growth in order book</td>
</tr>
<tr>
<td>Delivering the cost reduction programme to improve margins and returns</td>
<td>On track</td>
</tr>
<tr>
<td>Reducing volatility through expanding the run-rate business and aftermarket</td>
<td>More stable but WIP</td>
</tr>
<tr>
<td>Leveraging the data from our information systems</td>
<td>SAP supports strategy</td>
</tr>
<tr>
<td>Aligning our new product development to customer needs</td>
<td>Technology/product delivery</td>
</tr>
</tbody>
</table>
Questions and answers
Incident response demonstration
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

Canada: Man given indefinite prison sentence over Ricin-laced water.
USA: Former graduate student investigated for theft of biological material.
USA: Radiological substance security falls short at medical sites.
USA: Man charged with hoax anthrax mailings.
Turkey: Chemical Weapons allegations investigated.
Syria: Jordanian Troops may secure Syrian WMD in the event of a peacekeeping mission.
Nigeria: Police probe killing of student with 'chemical mess'.
South Africa: Doctor in court over CW and BW programme.
New Zealand: Army deployed in chemical incident.

UK: Nick Clegg warns Europe of ‘Dirty Bomb’ threat.
UK: Terrorists linked to Ricin plot attempt to gain freedom.
UK: Al Qaeda plot cyanide attack on Olympic Games.
Ukraine: CBRN Threat at Euro 2012.
Russia: Scientist states that chemical factories could be reconfigured to produce chemical weapons.
Kazakhstan: US man detained with radioactive materials.
Pakistan: Reported to have 110 Nuclear weapons; tests new ballistic missile.
India: Gunrunner found with cyanide pills.
India: Developing sensors to block CBRN threats.
Turkey: Chemical Weapons allegations investigated.
Syria: Jordanian Troops may secure Syrian WMD in the event of a peacekeeping mission.
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New Zealand: Army deployed in chemical incident.

Groups for the product demonstrations

- Andrew Lee
- Terry Gibson
- Rod Wilson
- Duncan Emery
- Andrew Davis
- Richard Bayliss
Appendices
# Market dynamics – regulatory drivers

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

Strong government relations activity with institutions, international bodies to influence policy.
Smiths Detection global presence

Major manufacturing sites
R&D / specialist centres
Sales / Service centres

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