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.
Introduction to Smiths Detection
Philip Bowman
Observations on Smiths Detection

- Operates in growth markets – phasing heavily affected by external influences
- Changed market & competitive landscape requiring improved responsiveness
- Strong technology position – need to align investment with customer needs
- Need for focus on processes, management data & personal capabilities
- Strong actions required on fixed costs, operational improvements & margins
- Opportunities through government relations and increased after-sales activity
Immediate key initiatives

- Reviewing organization and processes to match customer requirements
- Better management information systems to support specific functions
- Program to reduce fixed costs substantially
- Value engineering project will reduce product costs and strengthen margins
- Exciting growth opportunities with fluctuating cycles
  - addressing operational challenges will deliver better financial performance
Business profile

The world leader in the provision of Government regulated systems to detect and identify CBRNE* materials and other dangerous or illegal objects, for homeland security and the military

Market leadership based on:
• 65,000 X-ray inspection systems deployed worldwide
• 186,000 chemical agent detectors delivered
• 10,000 explosives trace detectors deployed worldwide

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

- Serving an addressable market of more than £4bn, growing at 7%
- Most markets event-driven, characterized by unpredictability
- Growth & resilience driven by changing threats, legislation and new technologies
- Purchasing decisions are made on reliability, technology, service and price
- An increasingly global market

Sales revenues 2010: £574m

- Transportation 39%
- Military 24%
- Critical infrastructure 10%
- Emergency responders 4%
- Non-security 7%
- 16% Ports & Borders
- Europe 21%
- USA 43%
- RoW 36%
Financial performance

Sales progression (£m)

Profit progression (£m)

ROCE

Annual fluctuations in an event driven business

9.5% 13.3%

2009 2010
Our response to the challenge

- Targeting growth drivers in the detection sector
  
  **Strategy**
  Duncan Emery

- Maintaining R & D investment levels to compete more effectively
  
  **Business Management Group**
  Mal Maginnis

- Improving customer intimacy & managing sales complexity
  
  **Sales**
  Cherif Rizkalla

- Driving efficiencies to reduce operating costs
  
  **Operations**
  John Burton
The market and growth drivers
Duncan Emery
Market development

Detection market sector - 2011

- Air transport: £670m
- Ports & Borders: £670m
- Critical Infrastructure: £480m
- Defense: £2,400m

Market growth forecast

CAGR = 7%

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>£4.2bn</td>
</tr>
<tr>
<td>2014</td>
<td>£5.1bn</td>
</tr>
</tbody>
</table>

Source: internal analysis
Strong positions in key markets

Air Transport (Market 2010: £639m)
- Smiths Detection: 26%
- NucTech: 21%
- Reveal: 8%
- Rapiscan: 16%
- L3: 6%
- Morpho: 20%
- Others: 3%

Ports & Borders (Market 2010: £520m)
- Smiths Detection: 17%
- AS&E: 43%
- SAIC: 13%
- L3: 10%
- Nuctech: 4%
- Rapiscan: 7%
- Others: 4%

Air Passenger Traffic RPKs trillions
- Source: ICAO
- Forecast: Internal analysis

World Container Traffic TEU millions
- Source: US BTS
- Forecast: Internal analysis
Market dynamics – the growth drivers

- Government indebtedness
- Tougher procurement processes
- Intensifying competition
- Geo-political unrest
- Enhanced detection requirements
- High levels of incumbency
- Increased automation & networking
- Replacement cycle opportunities
### Market dynamics – Replacement cycle opportunities

**U.S. Aviation:**
- Advanced Technology program upgrades – checkpoint X-ray systems, 450 airports
- Checked baggage, ~1,200 post 9/11 lobby systems, replacement by inline CT
- Trace detectors life-cycle replacement. Potential 3,000+ units
- Body scanners, AIT systems replacing 2,200 walk through metal detectors

**European aviation:**
- Checked baggage – EDS replacement to meet new EU standards ~140 airports
- Checkpoint systems 7-10 year replacement cycle, mostly next generation equipment

**Asia Pacific aviation:**
- Airports follow EU or TSA guidelines, esp. for flights to those regions
- Replacement of more than 200 checked baggage systems anticipated

**Key additional customers (US):**
- **CBP:** Cargo inspection - 5 year phasing out of 74 truck-mounted gamma systems
- **Marshals (USMS):** 5 year renewal policy – approx $3m annual replacement
- **Federal Protective Service:** 5 year renewal policy – In 3rd of 5 year contract ($22m to date)
- **Postal Inspection:** Upgrading chemical identifiers to new standard. $4m
## 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 - cargo planes from August 2010. (Certified Cargo Screening Program) - Cargo on passenger flights by 31 December 2011</td>
<td>Policy introduction planned summer 2011</td>
</tr>
<tr>
<td><strong>Passenger screening (body scanners)</strong></td>
<td>1250 AIT systems by end 2012. TSA driving for automated threat recognition</td>
<td>Definition of legislation for Oct/Nov 2011 policy</td>
</tr>
<tr>
<td><strong>Liquids detection</strong></td>
<td>TSA technology roadmap</td>
<td>Removal of restriction on liquids in hand baggage planned April 2013</td>
</tr>
<tr>
<td><strong>Other initiatives</strong></td>
<td>Maritime - screening for rad/nuc/explosives, 2012 deadline deferred</td>
<td>Security industry strategy under development Cargo screening (cross border) under review</td>
</tr>
</tbody>
</table>

**Strong government relations activity to influence policy decisions**
Investing in new products
Mal Maginnis
Leveraging scale across a broad range of technologies

Common characteristic – high barriers to entry:
* Technology regulation by governments
* Continuous R&D investment required, delivering high level IP
* Certification/QA - long process
* High service levels

Markets served by Smiths Detection

<table>
<thead>
<tr>
<th>Markets</th>
<th>Chemical</th>
<th>Biological</th>
<th>Rad/Nuc</th>
<th>Explosives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ports &amp; Borders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Critical Infra.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Response</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Investing for the future to enhance capability

Company-funded R&D investment 2010 - £36m

- Company funded investment is 6.2% of sales
- Customer funding of £8m makes total expenditure £44m (7.6% of sales)
- Continued investment in performance improvement and product cost reduction
- Programs mostly address specific issues, often government initiated

<table>
<thead>
<tr>
<th>Year</th>
<th>Customer funded</th>
<th>Company funded</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>£7m</td>
<td>£23m</td>
</tr>
<tr>
<td>2007</td>
<td>£7m</td>
<td>£26m</td>
</tr>
<tr>
<td>2008</td>
<td>£9m</td>
<td>£29m</td>
</tr>
<tr>
<td>2009</td>
<td>£10m</td>
<td>£35m</td>
</tr>
<tr>
<td>2010</td>
<td>£8m</td>
<td>£36m</td>
</tr>
</tbody>
</table>
Technology to Products – our core competency

• Continuous development of core technologies
• Working with customers, technology companies, national laboratories, university research groups
• Our product engineering strengths:
  • Ruggedization & reliability
  • Lowering false alarm rates
  • Simplification of operation in sophisticated instruments
  • Maximizing sensitivity
  • Lifecycle cost-effectiveness

Working with partners:
• Analogic – CT technology for checked baggage screening
• Symetrica – Radiological technology for RadSeeker
• Varian – X-ray accelerators
Bringing new products to market – X-ray screening systems

**aTiX** – first system for automatic explosives detection in hand baggage
- US deployment under TSA ‘Advanced Technology’ program
- Approved to EU Standard 2 Type C (liquids detection)
- Multi-view scanning for increased accuracy
- Platform based solution with software upgrades – cost effective for customers

**CT Technology** for checked baggage
- Current development project for next generation high-speed explosives detection system
- Partnering with Analogic since December 2009
- To meet US certification requirement
- Combines multi-energy X-ray technology with 3D computed tomography
- Excellent program progress - achieving all milestones
Bringing new products to market - RadSeeker

R&D investment leading to a major opportunity

• Highly sensitive. Handheld Radiation Detector
• Increases accuracy in finding and identifying rad-nuc threats
• Development: 2006-2011 – DNDO awarded Smiths Detection $13.7m funding for next-generation radiation detection and identification systems
• Only product of its type currently approved by DNDO
• Partnered with Symetrica (UK) for advanced spectrum processing and identification.
• Markets: Customs inspection, border protection, emergency response, and radiological facilities/personnel monitoring.
• Market size - est. up to £700m in 2012 across our core markets
Serving the defense market

- Intensive R & D projects leading to major program wins
- LCD successfully developed and selected by several armed forces, including DoD
- Selected for JCAD program, the US Army's standard chemical agent detector
- Orders to date - $350 million

- Major program – CBPS (Chemical Biological Protective Shelter) for DoD
- Highly mobile, self contained collective protection system as working area for medical, combat services
- Integrated systems a core growth area
- Program management activity developed to match customers’ changing needs
Managing profitable sales
Cherif Rizkalla
Global sales presence

- Largest market – USA, primarily direct to Government sales
- Direct sales in 48 countries; sales reps/agents in 167 countries

**Future expansion:**
- Emerging markets - taking control of agents as businesses achieves significant scale. Allows us to anticipate and influence large opportunities
- FY 2011 - Assumed ownership of Indian and Brazilian distributors

**India**
- Significant opportunities long-term.
- Recent major contracts: Delhi Airport, Commonwealth Games

**Brazil**
- Building on strong installed base - 1300 systems
- Future opportunities eg: FIFA World Cup 2014; Olympics 2016.
Customer intimacy

- Considerable focus on working with the customer, fully understanding the requirement to propose the most effective solution
- Need to show we offer full value where price is not the determining factor - our technical superiority becomes the primary selection criterion.

- In Ports & Borders, early influencing of the technical specification and customer buy-in to our value proposition have an impact.
- Military market – selling process combines with government relations influencing to demonstrate technology advantages and secure funding.
Managing the order book

- 60% of revenue is derived from large contracts with long timescales, subject to contractual variables

- Mitigation through:
  - Product launches to core markets
  - Emphasis on smaller customer contracts, especially in Critical Infrastructure market
  - Expansion into emerging markets
  - Increasing Service activity – already 17% of sales revenue - steady revenue generation and more predictable
Driving efficiencies and improving returns
John Burton
Initiatives to enhance margins and working capital

- Manufacturing & Supply Chain Rationalization
- Lean Enterprise
- Global inventory
- Global ERP system: Data driven performance improvement
- Formalized continuous improvement framework
Global Approach to Operations

Globally Aligned Functions

<table>
<thead>
<tr>
<th>Manufacturing</th>
<th>Supply Chain</th>
<th>Procurement</th>
<th>Quality</th>
<th>Lean Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>High energy cargo inspection systems</td>
<td>Hand held chem, bio, rad products</td>
<td>Chem/bio; Conventional X-ray; Integrated systems</td>
<td>Optical components</td>
<td></td>
</tr>
<tr>
<td>High energy cargo inspection systems</td>
<td>Trace detection products</td>
<td>Chemical &amp; biological sensors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conventional X-ray; Explosives Detection Systems; mm-wave</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Effective implementation of strategic actions for enhanced margins
Operations - Initiatives to enhance margins

Manufacturing & Supply Chain Rationalization Strategy

- Fewer facilities - more world class facilities
- Projected 40% reduction in manufacturing operations footprint
- Five year plan from 2012 to achieve structural cost savings
- Leverage world class supply chain capabilities

Increased focus on further optimization potential
Operations - Initiatives to enhance margins

**Lean Enterprise through:**
- Positive effect of globalization
- Continuous Improvement from lean thinking
  - Elimination of waste
- Standardization
  - Bringing products to market faster
- People Involvement
  - More team work
  - Training, development & communications
- Quality
  - Raising first-time acceptance rates

**Direct labor efficiency %**

<table>
<thead>
<tr>
<th>Month</th>
<th>Direct labor efficiency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug-10</td>
<td>40</td>
</tr>
<tr>
<td>Sep-10</td>
<td>50</td>
</tr>
<tr>
<td>Oct-10</td>
<td>55</td>
</tr>
<tr>
<td>Nov-10</td>
<td>60</td>
</tr>
<tr>
<td>Dec-10</td>
<td>65</td>
</tr>
<tr>
<td>Jan-11</td>
<td>70</td>
</tr>
<tr>
<td>Feb-11</td>
<td>75</td>
</tr>
<tr>
<td>Mar-11</td>
<td>75</td>
</tr>
<tr>
<td>Apr-11</td>
<td>75</td>
</tr>
<tr>
<td>May-11</td>
<td>75</td>
</tr>
</tbody>
</table>
Sustainable Structural Improvement

Key Focus Areas

- **Procurement**
  - Group Leveraging
  - Low Cost Country Sourcing
  - Commodity management

- **Raw Materials**
  - Shorter lead times for deliveries
  - Kanban

- **Value Engineering**
  - Reviewing processes
  - Challenging established practices

- **Service Inventory**
  - Network optimization
  - Logistics outsourced to world-class vendor

- **Supply Chain**
  - Sales & Operations Planning

![Cost reduction program benefits chart](chart.png)
Summary
Philip Bowman
Increasing our market share - actions

- Disciplined market approach; increased government relations activity
- New product pipeline; speed and flexibility in product development
- Better understanding customer requirements & goals
- Improving operational effectiveness to deliver enhanced margins
Summary – An attractive investment case

- Market leader in a growth sector with high barriers to entry
- Business underpinned by leading edge technology
- Positive outlook, driven by events, changing risks and new technologies
- Resilience through diversity of markets, customers and global spread
- Strong focus on cost reductions and margin improvement

Smiths Detection growth range.*  Sales: 10-12%**  Margins: 17-20%

*Range of underlying growth over 3 year period  **Organic growth at constant currency
Questions and answers
Appendices
Core technology streams

- Chemical & Biological Sensors (chem/bio)
- Conventional X-ray Systems (CXS)
- Cargo Inspection Systems (CIS)
- Explosives Detection Systems (EDS)
- Trace, Radiation & Nuclear products (TRC)
- Integrated Systems (INT)
- Millimetre-Wave Systems (MMW)

Concentrating on 7 key existing technologies and product areas
Smiths Detection has true 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/diagnostics
Edgewood: Chem/bio/integration/X-ray
Toronto: Explosives
Danbury: FT-IR

Manufacturing:
St Petersburg: X-ray
Alcoa: High energy X-ray

R&D:
Boston: bio
Newport: sensor management
Cork: mm-wave

Total employees July 2010: 2400 globally, including > 400 R&D engineers
# Glossary

**APAC** – Asia Pacific region  
**AIT** – Advanced imaging technologies  
**ATR** – Automated threat recognition  
**AT** – Advanced Technology, the TSA’s program for advanced X-ray technologies for improved detection of potential threat items.  
**BAA** – Formerly British Airports Authority  
**BMG** – Business Management Group. Smiths Detection’s team responsible for Technology, Products & Programs.  
**aTix** - Advanced Threat Identification X-ray. Automatic explosives detection system for security checkpoints.  
**CBRNE:** Chemical, biological, radiological, nuclear, explosives  
**CT** - Computed Tomography. Digital processing to generate a 3D image from a series of two-dimensional X-ray images  
**CBP** - Customs & Border Protection (US)  
**CBPS** – Chemical Biological Protective Shelter (US)  
**DHS** – Department for Homeland Security (US)  
**DNDO** - Domestic Nuclear Detection Office (US)  
**DoD** – Department of Defence (US)  
**EDS** - Explosives Detection Systems  
**EMEA** - Europe, Middle East, Africa  
**ER** – Emergency Responders  
**ERP** - Enterprise resource planning (company information systems)  
**EU** – European Union (comprising 27 member states)  
**FT-IR** - Fourier-Transform Infrared spectroscopy. Analytical technique to identify unknown chemicals.  
**IED** – Improvised Explosives Device  
**IMS** - Ion Mobility Spectrometry. instrumental analytical method based on ionization to analyse chemical particles and vapours.  
**IP** – Intellectual Property  
**HCV** - Heimann Cargo Vision, brand name for high energy x-ray screening systems  
**JCAD** - Joint Chemical Agent Detector program (US)  
**JPEO** – Joint Program Executive Office for Chemical Biological Defense. Part of the US DoD.  
**Kanban** - a scheduling system that tells you what to produce, when to produce it, and how much to produce  
**mm-wave** – Millimetre-wave a spectral signal that passes transparently through lightweight materials  
**MoD** – Ministry of Defence (UK)  
**P & B** - Ports & Borders market sector  
**QA** – Quality assurance  
**RPKs** – Revenue passenger kilometres  
**RoW** – Rest of World  
**TEU** – “Twenty-foot equivalent unit.” One TEU represents the cargo capacity of a standard container 20’ long, = 12 tons  
**TSA** - Transport Security Administration (US)  
**USDA** – United States Department of Agriculture