

SMITHS GROUP INVESTOR DAY – 28 June 2011

Smiths Detection Presentation by Philip Bowman, Duncan Emery, Mal Maginnis & John Burton

SLIDE – TITLE

SLIDE – INTRODUCTION TO SMITHS DETECTION – PHILIP BOWMAN

Good Morning,

I have commented before that much of my role as Chief Executive of Smiths is more akin to managing a private equity portfolio.

Each Division has its own management team with significant authority and accountability to manage the business within agreed budgets and strategic plans.

The corporate team, me included, can add substantial value to the individual businesses but this can only be done through influence and regular business reviews rather than by making day-to-day executive decisions.

When influence and review proves unsuccessful in helping a management team meet objectives, my sanction is to remove the general manager of the division.

In the case of Detection, I did this eight weeks ago, since when the senior management team has reported directly to me.

SLIDE – OBSERVATIONS ON SMITHS DETECTION

So what are my observations from the past eight weeks?

1. The business operates in markets that show good long-term growth trends. However, the phasing of this growth is heavily influenced by “incidents”, regulatory policy, government spending and a medium-term replacement cycle. This should be no surprise to any of you as it is a consistent message that I have communicated for three years.
2. The market and competitive landscape has changed dramatically over the past seven years. We should have been quicker to adapt to changes in the missions of our customers, their procurement processes and the drivers of their procurement decisions – as well as the entry of new competitors.
3. The business has strong positions across a wide range of technologies as a result of its sustained investment and strength in product engineering. However, there is scope to focus this investment more effectively and to link it more closely to customer needs.
4. While the business, built through multiple acquisitions that were not well integrated, has grown revenue and scale rapidly, disciplined processes, management information and the competences of human capital have lagged this growth. Despite the implementation of SAP over the past three years, many of the potential benefits have not yet been realised. One specific example is the weak order-to-invoice process which does not provide a sound basis for forecasting; another is poor data through which to manage the growing service business.

5. The fixed cost base of the business is too high given the increasingly variable nature of order flow and we have not made as much progress in operational improvement and enhancing margins as we have in, say, John Crane or Smiths Medical.

The first of these challenges reflects the structural realities of the markets in which we operate. However, we are not without influence. One of my surprises on joining Smiths was that we had almost no government affairs capability in the US, UK or EU.

Over the past eighteen months we have invested significantly in building this capability – as a result we are beginning to shape agendas in our favour.

Another focus I have discussed previously is the need to reduce our dependence on OEM sales and build a stronger annuity style aftermarket business. This is a real opportunity and it is encouraging that this revenue stream has grown from around 8% of revenues to over 15% of revenues over the past three years.

The remaining four challenges that I have identified are within our control and represent medium to long-term opportunities to improve the growth and margins of the business.

SLIDE – IMMEDIATE KEY INITIATIVES

In terms of immediate key initiatives launched over the last sixty days:

1. We are undertaking a root and branch review of the sales organisation and re-engineering the new product development process so that better customer insight allows us to develop products that really help our customers achieve their missions.

2. We have initiated projects, supported by the corporate Information Systems team, to urgently address the shortcomings in the order-to-invoice and service data flows and management information. We will start to receive benefits from these initiatives progressively over the next 12 months.
3. I have given the management team a quantified challenge to deliver a substantial reduction in fixed costs. We have established a program office to manage this crucial initiative. I believe that the opportunities are significant but they will not come without some cost given the scale of our infrastructure in countries with low labour flexibility. I will report on progress as part of my presentation in September when we announce our full year results.
4. I have initiated a value engineering work stream under John Burton in order to reduce product costs and strengthen margins. It is very early days but should this initiative deliver anything like the benefits of a similar program in Smiths Medical, there is clear upside to revenues or margins.

Overall, I am excited by the opportunities for this business but it is important to understand that this is now a government contracting business and not a run rate business.

Revenues, profits and working capital will all fluctuate materially over the cycle – but overall there is scope for long-term growth. There are operational challenges facing the business but these are within our control. Addressing these challenges effectively will provide real upside in terms of financial performance.

SLIDE – BUSINESS PROFILE

For those of you who know the business less well, let me give some background information on Smiths Detection, acknowledged as the global leader in most of its markets.

Our business is the development and application of advanced technologies to detect potentially lethal threats, such as explosives. By their nature, these technologies are often controlled by national governments and we work closely with those governments to help protect their citizens.

Nearly everyone in this room will have had some contact with our products. That might be our chemical agent detectors, if you served in the Military. But more likely when you have been travelling, your bags will have been checked by one of our x-ray screening systems.

These are installed at the majority of the USA's 450 international airports, and in hundreds more airports globally. No other company offers a comparable range of detection technologies. That is one of our main competitive advantages.

SLIDE – THE MARKET

This technology is applied across five market sectors.

- Transportation – historically mainly aviation – is our largest sector accounting for 39% of revenues;
- Ports & borders, where we check for both contraband and terrorist threats;
- Critical infrastructure, such as utility companies and government buildings;

- The defence sector;
- And finally, emergency responders.

Together, these give us an addressable market approaching 4 billion pounds, and with the ever-increasing need for high-tech security solutions, it's a market that is growing at around 7%

The chart also shows the global spread of our business, which is another major strength. The USA is the largest single market we operate worldwide.

SLIDE – FINANCIAL PERFORMANCE

Revenues have grown strongly over much of the past decade. However, this chart also demonstrates how the recent volatility in sales and the impact of the high fixed cost base, and resultant operational gearing, has affected our margins. Return on capital was 13.3%, and this is an area where we need to do more work.

SLIDE – AGENDA – OUR RESPONSE TO THE CHALLENGE

Today is also an opportunity for you to meet some of the management team who will comment in more detail on the business and our initiatives.

Over the next 30 minutes, you will hear from... Duncan Emery, Strategy Director, who will outline Smiths Detection's markets and explain their growth drivers.

Mal Maginnis, who heads our Business Management Group, will explain how we are maintaining our investment levels in research & development. This is central to our future competitiveness, and to dealing with changing threats while meeting customers' needs.

The head of our sales function is Cherif Rizkalla, who will describe how we are managing the complex sales mix, and improving the way in which we manage customer relationships to secure long term opportunities.

And finally, the vitally important task of reducing unit costs will result from the operational efficiencies that John Burton is now driving in all of our manufacturing locations.

I will return at the end to summarise the investment case for Smiths Detection and to answer questions.

But first, Duncan will present the main growth drivers for the business.

SLIDE – THE MARKET AND GROWTH DRIVERS – DUNCAN EMERY

... Thank-you Philip.

We live today in an era which is arguably more dangerous and less stable than at any time since the Second World War with significant threats posed to national and individual safety. Consequently we participate in markets which have highly attractive growth characteristics from which we aim to take the maximum benefit.

SLIDE – MARKET DEVELOPMENT

Our near-term strategy is to focus on 4 primary markets with demand totalling approximately 4.2 billion pounds per annum. These have similar requirements for technologies and equipment required to detect the identified threats.

The Air Transportation market global annual demand in 2011 is expected to reach approximately £670m, with the same in the Ports and Borders market in which our equipment is used to detect smuggled contraband and security threats. I will talk about the growth prospects in these 2 sectors shortly.

The largest single segment is defence totalling 2.4 billion pounds. We are in some attractive segments of this large market and Mal Maginnis will cover some of these shortly.

Finally, a market which is rapidly maturing with application-specific requirements is critical infrastructure: that covers the protection of specific assets, areas and events from all threats; in 2010 this totalled just under half a billion pounds.

Over the next 3 years these markets combined are expected to grow at a compounded rate of 7% per annum – significantly greater than growth in global GDP. In the event of further major terrorist attacks, total demand would be expected to be substantially higher.

SLIDE – STRONG POSITIONS IN KEY MARKETS

I will now look at the growth prospects in Air Transportation and the Ports and Borders sector, two markets in which we have a mature presence. Market demand in transport-related sectors is heavily driven by overall traffic volumes.

Air passenger traffic has grown strongly since the aftermath of 9/11 and is forecast to continue to grow at approximately 5% per annum, driven by increasing globalisation and availability of lower costs air fares.

Increases in passenger traffic will necessitate a proportional increase in detection equipment Ports & borders are linked to world container traffic which has historically grown in line with global GDP and is forecast to do so in the future.

Where this market differs from air transportation is that the current proportion of container traffic scanned is significantly smaller. We confidently predict that situation will change.

Regarding our share of these markets, although there are some common competitors, we are the only company with a substantial position in both.

As market leaders, we estimate we are ahead of the number 2 players by more than 3% points. Incidentally, the market data presented today may vary from charts you have seen in recent years, as we are constructing them now on a customer market basis rather than a product basis.

SLIDE – MARKET DYNAMICS – THE GROWTH DRIVERS

So what are the drivers which determine demand for detection equipment and our ability to capture full value? I am pleased to say the positives outweigh the negatives.

The impact of recent macro-economic pressures has meant less willingness to invest in security equipment at previous levels. Customers are driving hard for Best Value from all purchases. And the attractiveness of the market continues to draw in new competitors which could fragment market shares and diminish margins.

But going for us we have the ongoing geo-political unrest which will continue to increase the demand for equipment that can detect potential threats from terrorist groups or aggressor nations. And those threats constantly change, requiring more sensitive equipment to detect them.

Increasingly, customers want to automate the threat recognition process, minimising the potential for human error, whilst reducing their cost of operations.

They want to increase networking and remote monitoring, allow data sharing and reduce staffing further. This requirement for increased equipment sophistication will continue to drive innovation and the overall value of the equipment procured.

Where customers have an existing installed base of equipment they are more likely to procure further units to augment their capability – with existing suppliers often preferred. This also helps drive service revenues.

As we approach the 10th anniversary of September 11, the obsolescence of the equipment installed in the years immediately after this horrific event is starting to have a significant impact on demand. Let's look at replacement and upgrade in more details

SLIDE – MARKET DYNAMICS – REGULATORY DRIVERS

In the US, the majority of the checked baggage inspection systems will require replacement over the next few years, using computed tomography as the standard technology.

Carry-on baggage scanners at passenger checkpoints will also be upgraded to new advanced technology equipment, demanded by the TSA, and further augmented by new trace detection units and body scanners.

Similar replacement cycles will be undertaken in Europe and in turn airports in Asia Pacific and the Rest of the World will follow in order to maintain alignment with the European and American standards.

Outside of the aviation sector similar significant replacement cycles are underway. Here in the US there are 4 particularly significant ones for other federal agencies. We are well placed to support all of these major programmes globally.

Continuing strengthening of government regulation in terms of the coverage and sophistication of screening will further drive demand, particularly for equipment at the cutting edge of technology. The US and the European Union are at the forefront in establishing such new regulations.

In **air cargo**, the attempted attacks of November 2010 have prompted major regulatory bodies to clarify and strengthen their rules, which will drive significant demand growth for scanning equipment.

Passenger screening has become a major focus since the 2009 Christmas Day bomber, arrested in Detroit.

That failed attempt to blow up an aircraft has driven legislation and demand for body scanners – an area where our eqo product will compete.

Legislative attention is now turning to automatic threat recognition in body scanners, to mitigate privacy concerns.

Airport operators are actively lobbying regulators to allow **liquids, aerosols and gels** back in to carry-on luggage to increase passenger throughput at checkpoints.

This will require the upgrade of many systems to Advanced Technology level, which has already been achieved by aTiX – that's our x-ray system capable of automatically detecting explosives in hand baggage.

This increase in regulation is not restricted to aviation – concerns about smuggling of radiological and nuclear materials is driving enhanced regulations for cargo screening. Overall our strong government relations practice, covered by Philip, is actively helping the regulatory authorities to develop and shape these new regulations.

I would now like to hand you over to Mal Maginnis who will talk about our product development process to meet some of these market and regulatory drivers.

SLIDE – INVESTING IN NEW PRODUCTS – MAL MAGINNIS

Good afternoon.

Let me address investment in new products. I was appointed to manage Programs, Products and Technology for Smiths Detection in August 2010. The company made this decision to ensure we have an appropriate single focus on our major market investment. This will lead to faster and more efficient introduction of products into the market place coupled with a deeper understanding of the customers' needs.

SLIDE – LEVERAGING SCALE ACROSS A BROAD RANGE OF TECHNOLOGIES

The critical factor for the product and technology area is the requirement for successful proven technologies which can meet the needs of the customer, while maintaining strong margins during a lengthy approval process.

As you can see, we offer a range of technologies that serve all our main markets and this gives us a considerable competitive advantage, even though we face strong competition in each market and for each technology.

The high cost of entry and the certification criteria require us to be planning well in advance to ensure we have products that meet the market needs. They need to be technically the most appropriate for the task and have an efficient manufacturing and service design.

Therefore we have developed a driven and innovative technology group with clear direction from products linked to the strategy that Duncan described previously. This focus will allow us to maintain our leading position and exploit opportunities in the market.

SLIDE – INVESTING FOR THE FUTURE TO ENHANCE CAPABILITY

The company invests a large proportion of its revenue in R&D, with over 400 staff engaged in the engineering and design process. The total investment was 44 million pounds last year.

This year we have conducted a rigorous review of major projects and removed those not supported by a sufficient business case.

Going forward all developments will have strong business cases, linked to roadmaps and the strategy, looking ahead 5-10 years. We have also refocused our efforts on securing additional customer funding where that fits the strategy. Simply securing funding is of no value if it does not lead to an advantageous position in the market. We are not a university.

We have initiated major product design reviews to enhance service support and manufacturing with a clear view to reducing manufacturing costs, simplifying support and driving value improvement for the customer and the company. Finally, I plan to release a large number of major products in all technology areas in the next year, to increase the momentum and use our position to leverage additional market position.

SLIDE – TECHNOLOGY TO PRODUCTS – OUR CORE COMPETENCY

We have outstanding core technologies which we are able to exploit, to produce the most effective solutions for our customers. We have unique skills in these technologies with the world's leading experts in the design and technical innovation for security solutions.

We work closely with customers and I have enhanced our direct linkage to major national and private laboratories worldwide. This will be expanded this year to the emerging markets to ensure we remain balanced for the future and gain advice and input from all the major global testing and regulatory advisers.

The focus of the customers and the market is on better performance, lower alarm rates, and reductions in both manpower requirements and overall lifecycle costs. We have listened closely to that advice and we are implementing it rigorously in our product designs.

While we normally will use in house resources, we are comfortable in working with technology or OEM partners where we can use that technology to enhance our overall product offering.

Recent excellent examples include

Analogic for computed tomography, **Symetrica** for advanced Radiological Detection and **Varian** for high energy accelerators.

We are pursuing a series of further enhancements in this field.

SLIDE – BRINGING NEW PRODUCTS TO MARKET – X-RAY SCREENING SYSTEMS

I want to give you a couple of examples to demonstrate the key issues I have discussed. Continuous improvement of our x-ray products is critical to the growth of Smiths Detection. The most important technology development in recent years has been our ATIX system for automatic detection of explosives in hand baggage.

Coming soon is an equally vital development, our next generation high-speed checked baggage screening system, using CT technology.

In both cases we have focused on developing platforms that meet the needs today and the identified regulations of the future. Given the length of development time and the cost to entry it has been a critical design approach to ensure the products have the ability to grow as the market dynamics adjust.

ATIX has been successfully deployed worldwide and is approved under the US advanced technology program and the EU Standard 2 Type C regulation for liquids detection. It's ATIX technology that will eventually lead to faster throughput at the airport checkpoint, by allowing you to leave your laptops in your brief cases. Our advanced baggage screening program, partnering with Analogic, is going very well and has achieved all the milestones.

I look forward to briefing you further on the success of this program soon.

SLIDE – BRINGING NEW PRODUCTS TO MARKET - RADSEEKER

Now our most recent product launch - the RadSeeker.

It's a hand-held detector for radiological and nuclear materials. Development was driven by our identification of the future importance of this market. Nuclear materials, that could be used to make a dirty bomb, were seen as a major

concern by the US Government. The particular risk is such material hidden in containers shipped to US ports.

This led to an award to Detection of some 13 million US dollars to develop a next generation radiation detection and identification system. We also invested significant internal resources and efforts in building this outstanding product.

The development has been successfully completed and is the only product of this type in this field approved by the US Government's Domestic Nuclear Detection Office. Our partner in the development was Symetrica, a company spun out of a UK university.

You should note though both the high cost of a co-operative development and the time to complete the product and have it cleared through the major agencies - 5 years is not abnormal. But the sales potential justifies the time and dollars invested in such a programme.

Smiths Detection is a technology company and our future growth and success is closely linked to our ability to deliver the right solution at the right cost and at the right time. We are better positioned than ever to achieve that goal.

SLIDE – SERVING THE DEFENSE MARKET

Finally I want to mention military products and programmes, referenced earlier by Duncan in the context of the 2.4 billion pounds defense market, in which we have some very good niche positions.

I want to give you 2 examples of how my team successfully develops technologies and products to win very big military programme opportunities.

LCD is a small chemical agent detector that we developed in response to a UK requirement more than 10 years ago. It's now in service with the armed forces of several countries and most significantly it became the basis for the DoD's Joint Chemical Agent Detector programme for the US Army. It's the Military's main chemical agent detector.

Another order last month brought the total value awarded to Smiths Detection so far to more than 350 million dollars. We believe that there's a lot more to come.

On a different scale is CBPS - the Chem-bio Protective System. It's a highly mobile, self-contained system that provides a contamination free working area for medical combat services. The programme has a contract ceiling of 333 million dollars. It highlights an area of development which is yielding significant benefits – large programs.

Here we have developed successful products linked by our roadmaps, our strategy and the customer's major program needs. With the linkage in the business between programs, products and technology we will further enhance that successful strategy.

I thank you for your attention and will hand over to Cherif Rizkalla to address our sales initiatives.

SLIDE – MANAGING PROFITABLE SALES – CHERIF RIZKALLA

Good Afternoon.

As you have heard, I am responsible for the sales organization.

I will try to give you a brief overview of our current market position as well as explain how we leverage our technology and market leadership position to fuel future growth in this dynamic market place.

SLIDE – GLOBAL SALES PRESENCE

As a global leader, Smiths Detection's largest single market is the USA with around 50% of our sales to the Government, principally to the Department of Defense and many of the Department of Homeland Security agencies, such as the Transportation Security Administration – the TSA.

Smiths Detection has a truly global presence and uses a variety of routes to market. We sell directly into 48 countries and use a network of agents and distributors to cover the others.

When a geographic market becomes attractive enough either because of its annual sales volume or growth potential we prefer the direct model. In the past few years several emerging markets have met this criterion.

Building on a recent successful experience in Russia, we now have our own entities in both India and Brazil as a result of investments this year. Integration plans are now underway to enhance value capture. These two fast-growing economies offer tremendous potential.

For example in Brazil, the many events of the next few years including the 2014 World Cup and the 2016 Olympic Games require a complete overhaul of the entire Brazilian security infrastructure.

SLIDE – CUSTOMER INTIMACY

We earned our leadership position through excellence in Products and Technology. But we face the unavoidable challenge of competing against lesser value and lower quality products in a market where budgets are tight.

Our intimate knowledge of the market and our customer base means we continue to be successful in this environment. For example our aTiX multi view x-ray unit for airports. Developed as a true platform, to meet future needs, rather than as a product, this new technology is truly best in class.

This has helped secure multiple major contracts including all Canadian Airports, a significant share of the TSA next generation systems, the entire new Berlin Airport, and many more. In every case, price was not the determining factor. Customer Intimacy is what has allowed us to make technical performance the primary criterion.

Our Conventional X-ray business has grown by 15% year-over-year. This strategy is replicated in the Ports and Borders market where the early influencing of technical specification and customer buy-in to our value proposition, have a significant impact on both win rates and margins.

In the military market, the bottom-up selling combined with top-down, Government Relations-related influencing is the perfect recipe for success.

One shows the prowess of our technology and the other assists customers in securing appropriate funds for procurement of our products.

I would like to share with you an example, in a short extract from a video, of how the combination of a strong customer relationship and superior product offering lead to success in the market place.

VIDEO

This is a good example of how both our products and service offerings influence decision makers.

SLIDE – MANAGING THE ORDER BOOK

One of the great challenges we face is managing our order book. This market is highly event driven and, in addition, 60% of our revenue is derived from large contracts with long sales cycles.

As a result, many variables could influence the timing of the cycle - such as Government budget approvals, construction delays etc. We have faced this challenge by adopting some simple but effective strategies.

First, we are significantly expanding our product offering to our core markets. The RadSeeker radiation detector Mal described is one example.

We are also investing in smaller, decentralized markets. For example in the Critical Infrastructure space where an increasing number of smaller orders will help to increase our base business. We are also expanding our global footprint. Emerging markets will continue to fuel our growth and compensate for the industrialized world's tightening budgets.

Finally, we are investing significant resources in our Global Service Delivery Organization to increase our recurring revenue from existing customers. We currently generate around 17% of our revenues from after-sales service. 40% of this derives from very stable and predictable service contracts. We aim at significantly increasing both service revenue and contracts.

I hope that I have demonstrated how our growing global presence, our focus on customer intimacy and our pro-active approach to better management of the order book will help drive sustainable and profitable growth as well as strengthen

Smiths Detection's market leadership position.

Now I will hand you over to John Burton who is doing a great job to complement the sales growth by improving the operational efficiency of Smiths Detection.

**SLIDE – DRIVING EFFICIENCIES AND IMPROVING RETURNS –
JOHN BURTON**

Thank you Cherif.

I am a recent hire into Smiths, joining in August 2010 and I bring 40 plus years of manufacturing experience, especially lean expertise, to the company. What I found on arrival was a typical organisation that had grown by acquisition – multiple manufacturing sites, fragmentation, lack of standardization and we weren't leveraging our assets.

On the positive side, I am very excited by the talent, energy, diversity and potential in all of our global sites. The combination of those factors presents a huge opportunity to take this business forward.

SLIDE – INITIATIVES TO ENHANCE MARGINS AND WORKING CAPITAL

So I'm going to look at what we have been working on. We are managing many initiatives but today I will concentrate mainly on how we are rationalizing the organization and supply chain and embedding a lean enterprise culture.

SLIDE – GLOBAL APPROACH TO OPERATIONS

This slide highlights that organizational alignment was the first important step in developing a strategy to improve our performance. We have globalized our structure and established a functional leadership team that will leverage our expertise, skills and talent around the globe.

These include: Procurement, Supply chain, Quality and Lean enterprise.

This matrix allows us to have focused daily management by operational site leaders, working with functional leaders who connect all sites together to leverage best practice around the globe.

This is already providing benefits, for example standardizing our processes across all of our sites allows easy transfer of production to meet international customer demands.

We have implemented this already, with a successful move for some military products from our UK site and X-ray products from our German site, to our facility in Edgewood, Maryland.

We have also improved the collection and interpretation of metrics to allow us to understand and recognize performance improvement. All this allow us to leverage our assets around the globe every day.

SLIDE – INITIATIVES TO ENHANCE MARGINS

One of the key initiatives we have been focusing on is to reduce our operational footprint. Ensuring we have the leanest facilities is important for us in lowering our structural cost base.

It is also important to be building product in the most cost effective locations in the world, bringing positive returns on our investments. That flexibility also helps us to minimize the risks associated with exchange rate fluctuations.

As you can see, we have made considerable progress and we are reducing our footprint by around 40% compared to 2009. We are now developing a five year plan that will enable us to build upon our current momentum.

As this plan takes hold, later in 2012, further structural cost savings will benefit the bottom line. To complement these improvements, we are now focusing on our procurement and supply chain activity. There are significant opportunities to move from our traditional supply base to lower cost countries.

Initiatives are already under way in this area, supporting the footprint reduction activity, that will reduce lead times and costs.

SLIDE – OPERATIONS – INITIATIVES TO ENHANCE MARGINS

Let me move on to operational efficiency. This fiscal year has seen a steady improvement in operational efficiency as measured by our Direct Labour Efficiency. This has been a direct result of the global organizational alignment having a positive effect on the business.

The next objective is to maintain continuous improvement. This will be underpinned by lean manufacturing, by lean thinking and by the continuous elimination of waste in the business. We need to build this into the DNA of the business.

We are building expertise in the company by embracing lean in the way we plan, execute, and deliver products. We are embracing team work at all levels. Cross functional teams plan cost reduction activity at the design stage.

Standardizing our launch activity is bringing products to market faster, at a lower cost. This lean thinking extends into manufacturing. We are working on efficiency and quality, using cross functional teams for faster problem solving. We aim to drive first time quality rates up to world class levels.

We are extending the focus into our service teams, to ensure real world data is speedily coming back from the field. This is allowing quick analysis and prioritisation, for faster and more robust resolution. And we are not neglecting the vital asset of people. There's a sharper focus on training, and on individual development, with improved communications. We ensure people are informed, engaged and motivated.

Of course all this comes with an effective, proactive, unwavering focus on safety. Lean is a never ending process of continuous improvement eliminating wastage, always improving quality & delivery performance, and reducing cost.

SLIDE – SUSTAINABLE STRUCTURAL IMPROVEMENT

Our team focus, through organizational alignment, will bring many benefits to the business as we get further traction through 2012.

Bottom line improvements will follow, year on year, with this enhancement of the business model. We have already achieved savings averaging 7 million pounds per year and there are further areas we will continue to improve.

Alignment in procurement will help us achieve even greater synergies within Smiths Group strategy, along with commodity management and low cost sourcing. Expertise can be focused around reductions and short lead time deliveries of raw materials.

Vendor involvement in direct delivery, plus KANBAN delivery are all focused around reduced work in process. There's an important focus on value engineering, on selected product lines.

Cross functional teams are engaged in root and branch reviews of materials, assembly processes, and sub assemblies. They are challenging all aspects of the product, to reduce cost whilst maintaining our reputation for quality.

Global parts logistics are being optimized and we have outsourced this to a world-class logistics provider. This will allow us to maximize service parts delivery to our customers.

I strongly believe we are in great shape to face the challenges of the future. We are driving cost savings and efficiencies across the business, through teams who are organized and motivated to develop a truly world class operation.

Thank you for your attention and I would now like to hand you back to Philip Bowman.

SLIDE – SUMMARY – PHILIP BOWMAN

Thank you John – and to the other presenters.

SLIDE - INCREASING OUR MARKET SHARE - ACTIONS

I hope the team has demonstrated how we will drive this business forward, by focusing on increasing our share of a growing market. We have instituted a more disciplined approach to the market, concentrating on those products and customers that will maximise our returns.

This builds on our recent actions to strengthen our government relations activity, globalise our business structures and to drive the benefits from our investment in information systems. We are continuing to invest heavily in a new product pipeline while sharpening the focus and effectiveness of the whole product development process.

We must improve our understanding of our customers and their long term goals in order to respond effectively to their needs.

And finally there are the actions we are taking to improve our operational efficiency that will deliver enhanced margins for the business.

SLIDE – AN ATTRACTIVE INVESTMENT CASE

In summary, we will build on our position as the market leader in a growth sector driven by the continuing demand for better security solutions. Terror events and the requirement for a technology-led response characterise this industry.

Smiths Detection has a strong portfolio of technologies and products. Competition is strong but the barriers to entry are high. Our leading position is strengthened through the diversity of the markets we serve and the truly global spread of our sales presence.

Improved management information and an unremitting focus on reducing fixed costs and improved operational efficiency will provide real benefit to shareholders.

QUESTIONS AND ANSWERS

MARTIN WILKIE – DEUTSCHE BANK

Thank you. It's Martin, again, from Deutsche Bank. In terms of the cost savings you -- a chart slide 32 giving us some of the cost reduction benefits -- should we (inaudible) that, that you reap the full benefits of some of these programs by fiscal '12 or just to give us the sense of the time scale on these improvements?

And then, secondly, just in terms of some of the restrictions you might have, like some other industries like aerospace, are there site-specific manufacturing requirements or Buy America requirements or things like that that prevent you from, perhaps, reaping as much cost benefit that you might have done otherwise?

PHILIP BOWMAN – CEO – SMITHS GROUP

I think the second part of the question is actually a very interesting one, and it doesn't just affect detection. It will increasingly I suspect affect the other ones of our businesses and other companies around the world.

Clearly, the Buy America Act has had a significant impact -- for example, the JCAD product for the DOD, we have transferred the manufacturer of that from the UK into the US, into our Edgewood facility. In the terms of aTiX to go into the North American market, that is not made in (inaudible) any longer, it is made in the USA.

Now, the reason behind that primarily was Buy America, but there are other benefits. As we said in the presentations, it does help us in terms of managing foreign exchange exposure, and, actually, it's a cheaper place to do business that we can down our unit costs.

What we've seen is pressure in other countries. So, for example, there was -- there was talk of the success we have had in Russia, particularly with the Russian's customs authorities. The reason we have a manufacturing or at least an assembly facility in St. Petersburg was driven by not in quite the same way as a Buy Russian Act, but something very similar.

And, increasingly, we are, for example, under pressure in Brazil and perhaps one or two other countries going forward to do some form of assembly or value-added work in those countries.

So in answer to your question, yes, it is quite complex. And added to that, of course, is we are dealing with restrictive technologies in many cases, so you have the export licensing issues and you may not be able to sensibly manufacture in certain places.

I think in terms of a cost savings, what I would say to that is, as I said in my opening remarks on Detection, I have challenged the Detection team to deliver a very significant saving in fixed costs. They are away working with that at the moment. It's an area that we will update on in September. And I would hope that we are able to find rather more in the way of savings than perhaps we're showing for 2012 in that chart.

Next question? Yes, about six rows back on the right-hand side?

WAYNE PINSENT – GABELLI & COMPANY

I know it's pretty recent -- Wayne Pinsent for Gabelli and Company. I know it's pretty recent, the management change, I just wanted to see if we can get an update on that. And, also, I believe there's an act that protects you in the United States, but is there any potential liabilities if one of your machines wasn't to -- were to not detect a bomb or something along those lines?

PHILIP BOWMAN – CEO – SMITHS GROUP

In the US -- you're correctly right, provided we register our products appropriately; we are protected by the US Safety Act. At the present time, there's no equivalent within the EU. We have been instrumental through our government affairs operation in lobbying for an EU equivalent of the US Safety Act. There is now a commitment from the EU that they will legislate to provide a similar degree of protection.

The timeframe of that, like most things with the EU, is slightly uncertain. But I think we're hopeful we may see something within the next 18 months and, certainly, we're continuing the pressure.

In terms of the management change, clearly, we are in the process of a search for replacement for the previous general manager of the division. We will announce that at such time as that process comes to its natural conclusion.

And I don't think there's any more I can add to that other from the fact that I'm enjoying getting my hands dirty running it on the day-to-day business.

Next question? Yes, second row.

GLEN LIDDY – JPMORGAN

Hi, it's Glen Liddy from JPMorgan. Recently, in the UK, one of the package delivery services was stopped from screening its own packages. If that happens to others, does it create a bigger opportunity, or does it limit your opportunities if the consignment rules change?

PHILIP BOWMAN – CEO – SMITHS GROUP

I think the frustration we've had over the course of certainly this fiscal year had been in the aftermath of the exploding ink cartridge saga of the end of last year. Both the US and the EU have been looking at the regulations surrounding air cargo. And in the case of the EU, that has been a relatively slow process.

What you saw in the UK is that effectively the DFT decided that this particular company did not have the appropriate -- either systems or technology in place.

Where we are heading in the UK is a lot of the air cargo companies for small package use single view x-ray equipment. A lot of that equipment is very old. The way the standard is going to go in regulation is that they will have to use multi-view equipment. That particular company didn't have that equipment. And as best we can read, that was the reason that that decision was made.

I think at such time as the regulations are clarified, then, clearly, there will be the scope for further orders. That's something I know that we're looking at.

And, perhaps, now you'd like to comment on that particularly?

JOHN BURTON – VP GLOBAL OPERATIONS, SMITHS DETECTION

Yes. On the technology side, given our spread of equipment, there is a requirement in the market to increase the detection capability -- and that's specifically around multi-view x-ray. We have about 11 machines that are multi-view at the moment and several in the final stages of the next stage of development.

And as far as I can see, we'll be able to meet all the regulatory requirements. And they're coming up once those regulatory requirements are defined to the customers. Once that's defined, we should be able to make that.

PHILIP BOWMAN – CEO – SMITHS GROUP

So we are at something of a hiatus at the moment as the customers say, well, why do we actually buy anything until we know what the specifications are going to be? And it may be frustrating, but, I mean, that's just, as I said the way, it is at the moment.

GLEN LIDDY – JPMORGAN

And another one on the EU. The [lax], where regulations for (inaudible) were supposed to change, practically at the last minute they didn't. Is there any progress on when they're actually going to relax the regulations?

PHILIP BOWMAN – CEO – SMITHS GROUP

Chris, have you been following this one, because there's been an announcement today?

CHRIS SWONGER – SENIOR VP GOVERNMENT RELATIONS, SMITHS DETECTION

Okay. Hi. My name is Chris Swonger. I'm with Smiths' government relations in the US. And there was an announcement today that the EU was going to do some pilot tests in various cities. So, there is some movement. That announcement just came out today.

The US government and the EU have been working closely on this. And, of course, Smiths Detection is advocating assurances that we're well positioned to support the EU marketplace.

GLEN LIDDY – JPMORGAN

Thank you.

PHILIP BOWMAN – CEO – SMITHS GROUP

So, I mean, I think I would have said this morning there was no progress. During the course of the morning session, it looks as though there was a bit, which is encouraging.

Next question? Third row back on the right.

ALEX TOMS – BANK OF AMERICA MERRILL LYNCH

Hi, it's Alex from Bank of America, Merrill Lynch. A couple of questions from me. First of all, can you talk about your competition -- you kind of mentioned it at the start and particularly, your competitor environment in ports and borders, and how you see that panning out over a medium, long-term view?

And the second thing -- you talked about service. Can you just run through actually what you do for customers in the service side of the business and, actually, what you could potentially do for them, and how quickly you could get that into the material part of the business?

PHILIP BOWMAN – CEO – SMITHS GROUP

Okay. I think I'll ask Duncan to respond on the question of competitors. And, perhaps, before he does that, Cherif can talk a little bit about the service organization given he's responsible for it.

CHERIF RIZKALLA – CHIEF COMMERCIAL OFFICER, SMITHS DETECTION

So on the service organization side, what we offer to our customers is basically service, service contracts over a period of time, typically one year renewable, which includes maintenance on site as well as the spare parts. Now, that is really interesting for us because it's really monthly revenue that's extremely predictable and stable.

We also offer through that service organization, we offer additional options on existing unit -- install base, basically, trying to increase our revenue generated from our install base. And because we have 65,000 x-ray units, for example, installed globally, that is a tremendous opportunity for us in the marketplace.

So, we're increasing that. Right now, it's about 40% of the equipment installed is supported by service contracts. 40% of our service revenue is by service contracts and we're increasing that. That's -- that is already an increase from previous year, and we expect that to grow another 10% over the next year.

ALEX TOMS – BANK OF AMERICA MERRILL LYNCH

And how much have of your installed based you service at the moment -- that 65,000? How many machines do you actively kind of go in and get monthly revenues from?

CHERIF RIZKALLA – CHIEF COMMERCIAL OFFICER, SMITHS DETECTION

If you look at the United States alone, we have service contracts covering all of the x-ray equipment deployed in the airports and all of the trace equipment in the airports as well. That is -- the biggest area of service contract is in the United States.

But you have places that are -- or have very, very high percentages. The UK, for example, 75% of the equipment installed in the United States -- is covered by service contracts. So the total number of units is about 10,000 covered by service contracts. So there's a significant potential to increase that number.

PHILIP BOWMAN – CEO – SMITHS GROUP

Duncan, do you want to talk a little bit about the competitors particularly in cargo screening?

DUNCAN EMERY – STRATEGY DIRECTOR, SMITHS DETECTION

Indeed. The attractiveness of that particular segment in the play growth within it driven by -- particularly regulatory requirements from here in the US is attracting in new players. Many of those who have sought to come in at the lower technology part of the market, and are actively competing on price.

However, the increasing level of sophistication that we're seeing from many of our customers, together with the increased regulation is actually driving that market to require a more sophisticated offering.

We're increasingly seeing much more requirement for radiological and nuclear material detection. We're looking for a much more sophistication in terms of material differentiation and that drive to an increased sophistication of detection requirement, you know, we believe, positions us very well in the longer term to benefits in that particular segment.

Similarly, their requirements for unit up time, for reliability and for mobility of the systems, again, we believe, positions us well to compete in, you know, a rapidly expanding albeit contested market.

PHILIP BOWMAN – CEO – SMITHS GROUP

Okay. I think we've got time for one last question on detection before we move on to John Crane. So, on the left-hand side, four rows back, please?

ADAM KRAMER – PERMIAN INVESTMENT PARTNERS

Hi, Adam Kramer from Permian Investment Partners. I was wondering if you could comment on port protection. I know that I had looked -- I think it was back in 2009, the US government said that they were going to be looking to protect about 100% of the ports by 2012 which was viewed as an extremely optimistic number, considering it was at 5% to 10% in 2009.

And I wanted to just know if you had an update on that, and what you thought the revenue opportunity was from there.

PHILIP BOWMAN – CEO – SMITHS GROUP

I think, in terms of the update, it was quite interesting. I was in Washington earlier this year with the senior staff of CBP. And they were sitting there saying, well, on the one hand was legislation that says we have to make sure 100% of containers are screened. And currently, it's well under 5% and we're not -- we're not going to make that.

What we're beginning to see, I think, Chris, is movement on the Hill in terms of changing that. Do you want to just give a brief word if -- pass the microphone over to you.

CHRIS SWONGER – SENIOR VP GOVERNMENT RELATIONS, SMITHS DETECTION

There is legislation that's being crafted as we speak, as a matter of fact, on readjusting the cargo screening. So, I think, as Philip just referred to from the customers' point-of-view, particularly with Customs Border and Protection that the likelihood of being able to achieve that 100% screening, it's just really not feasible as they're trying to manage cargo and transportation back and forth in an efficient manner.

So, I think, there's going to be a dialogue between Congress and the administration on how to find some middle ground. And I think Smiths Detection will be well-positioned to support that.

PHILIP BOWMAN – CEO – SMITHS GROUP

Chris, thank you very much.

ADAM KRAMER – PERMIAN INVESTMENT PARTNERS

In terms of the revenue opportunity you guys see from that.

PHILIP BOWMAN – CEO – SMITHS GROUP

I think the answer to that would be let's wait to see what the legislation looks like when the change comes through. Clearly, the opportunity, when it was 100%, was a very, very large figure, but I think all of us discounted it.

My guess is we will end up seeing somewhere around 25% or so screened, and they will effectively be seeking to profile shippers to target that screening as effectively as they can. But that's only hypothesis based on random conversations I've had. So, I think we need to see the legislation before we make an estimate.

Good. I'd like to thank my colleagues for their part in the presentation. Thank you for the questions. And we will now move on to John Crane.

SLIDE – APPENDICES

SLIDE – CORE TECHNOLOGY STREAMS

SLIDE - SMITHS DETECTION HAS TRUE GLOBAL PRESENCE

SLIDE - GLOSSARY