

Smiths Detection

Meeting with Analysts and Investors,
Wiesbaden, Thursday, 23 March 2006

Presentation by: Stephen Phipson, Group Managing Director, Smiths Detection





Market developments



Products and technology



Sector by sector analysis



Summary

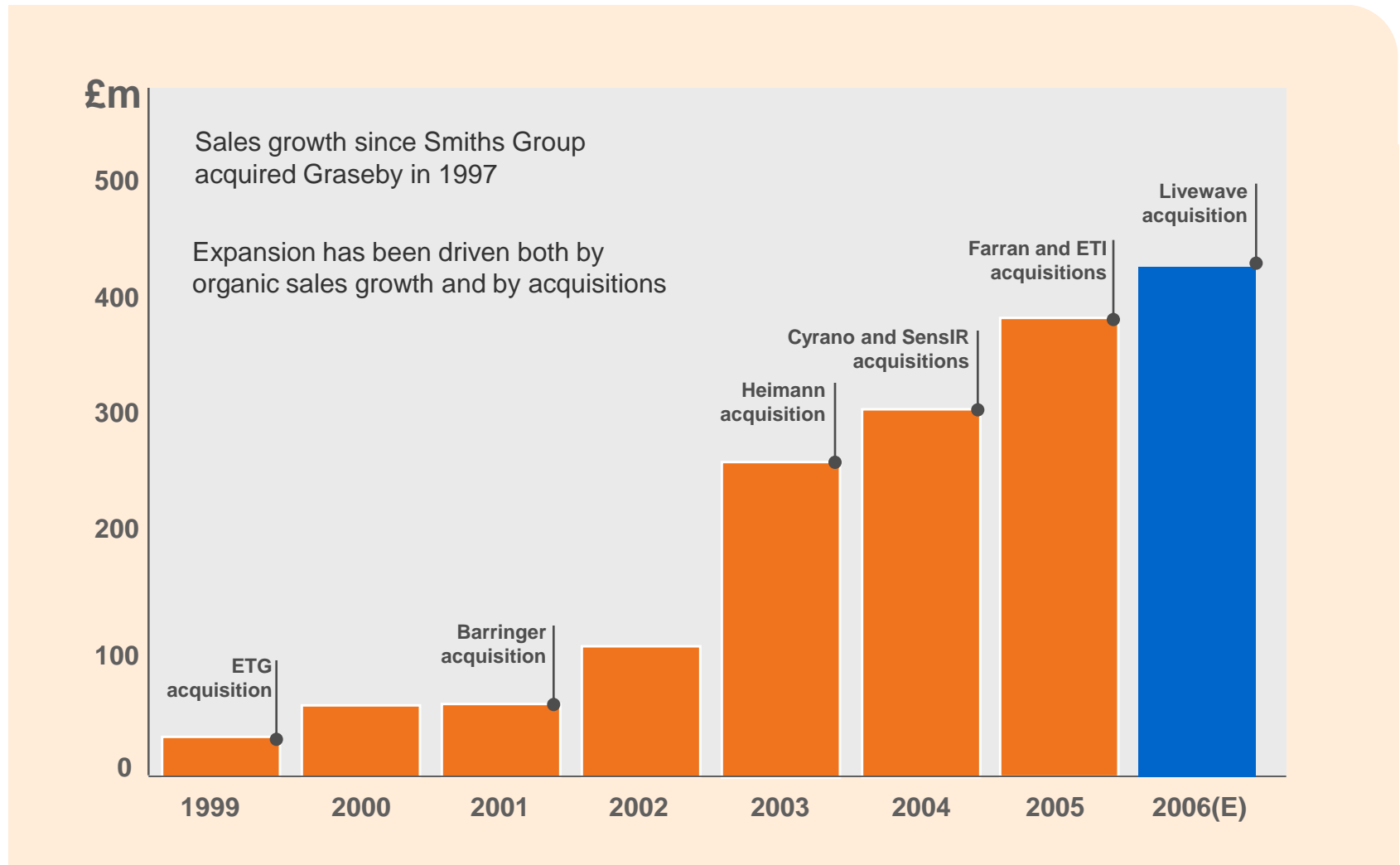
Smiths Detection is:

- A leading supplier of detection systems for Homeland Security and Defence
- A global business with development and manufacturing in six countries and a worldwide market presence

Smiths Detection's strategy is:

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

The story so far: Organic growth and acquisitions



Understanding the market: Continued growth in Homeland Security spending

United States

- US Department of Homeland security (DHS) 2007 budget - \$43bn (up 6% on 2006).
Focus on:
 - Improved preparedness
 - Bio-terrorism and Radiation detection
 - Cargo security
- Procurement of larger more integrated systems.
- Replacing security manpower with equipment

International

- Increase in air transport driving growth in airports
- Growth particularly strong in Asia
- Russia investing in security



This creates a market of apx. £2bn pa for our existing detection systems

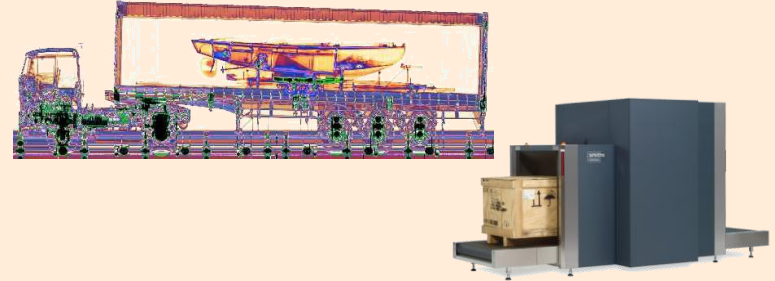
Smiths has the widest range of detection technologies

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Trace detection



X-ray security screening



Bio agent detection



Infra-red chemical analysis



Product Inspection (X-ray)



Millimetre wave



Smart video



Developing the capability

Our broad product range continues to grow

The acquisition of ETI strengthens our existing biological detection product range



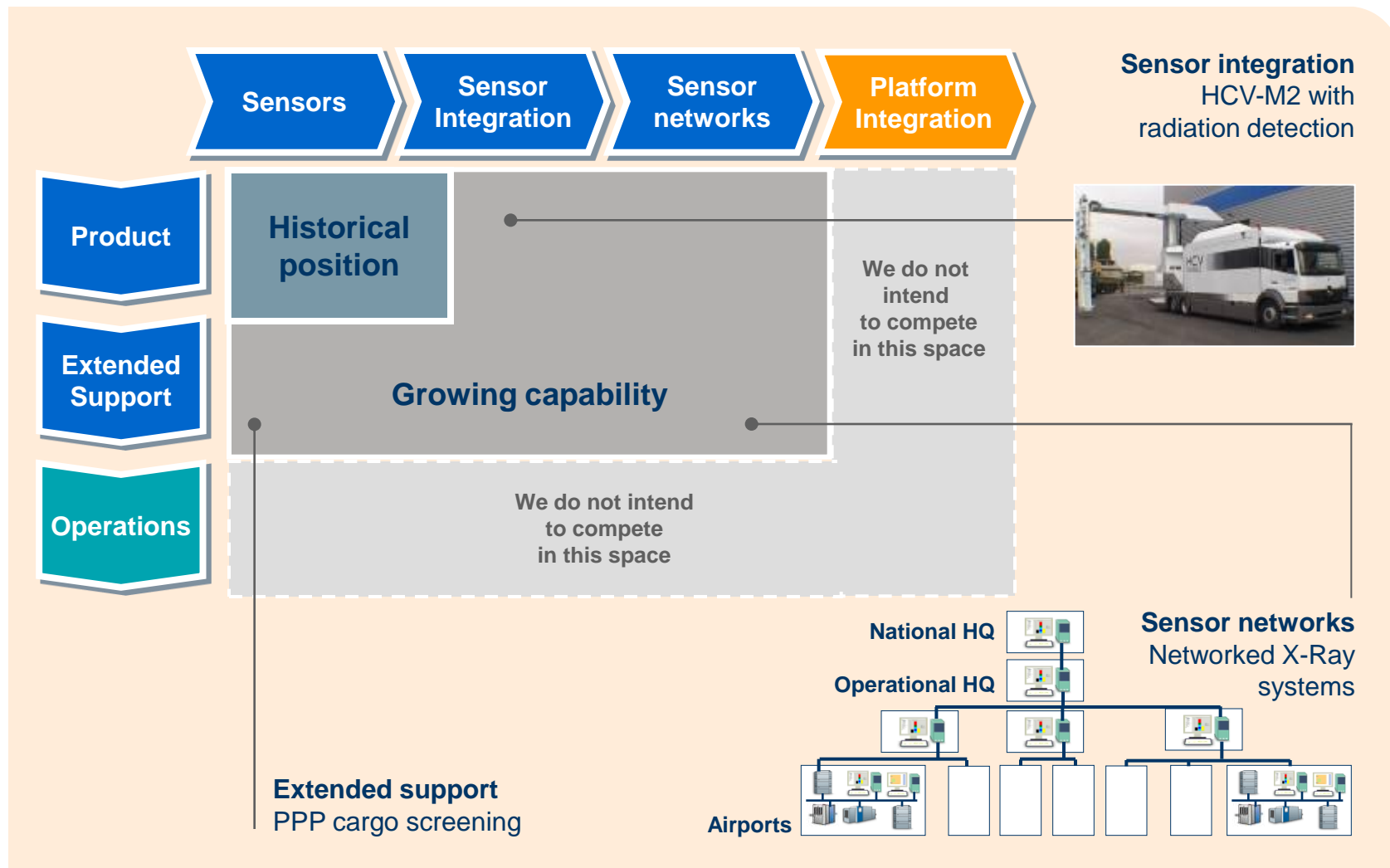
Farran and Livewave add capability in important new areas




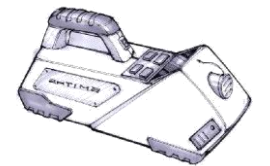



	Military	Homeland Security	Critical Infrastructure	Emergency Response	Ports & Borders
Core technologies at January 2005	Chemical & Bio				
	Explosives trace				
	X-ray				
Added since January 2005	Millimetre-wave				
	Smart video				

Developing the capability

Our integration and networking skills continue to develop

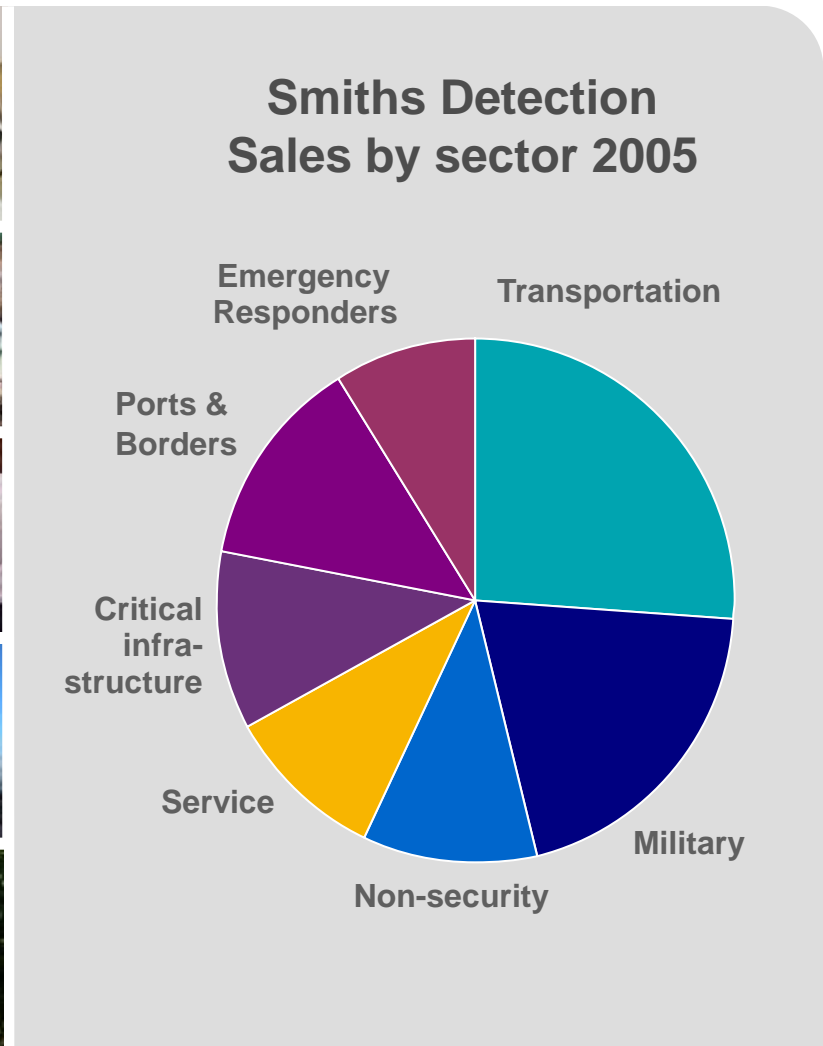


Developing the capability Using a variety of investment vehicles

		Examples	
Internal R & D	£21m invested in 2004/5. Increasing	Sentinel trace portal 6046si X-Ray, 6040aTiX GasID, EPBD, JCAD	
Customer-funded R & D	£8m won in 2004/5. Increasing	Next generation EDS systems, Rail screening; Rugged explosives detection	
Technology acquisitions	£25m over the last 18 months	Farran - Millimetre Wave portal ETI - Bio sensor LiveWave - Networks	
Partnerships / Licensing	>£2m committed over the last 18 months	Raman spectroscopy Biological agent identification	
Venture capital	£3.3m committed over 2-3 years	Paladin Capital Group – strategic investor	

Driving growth in key markets

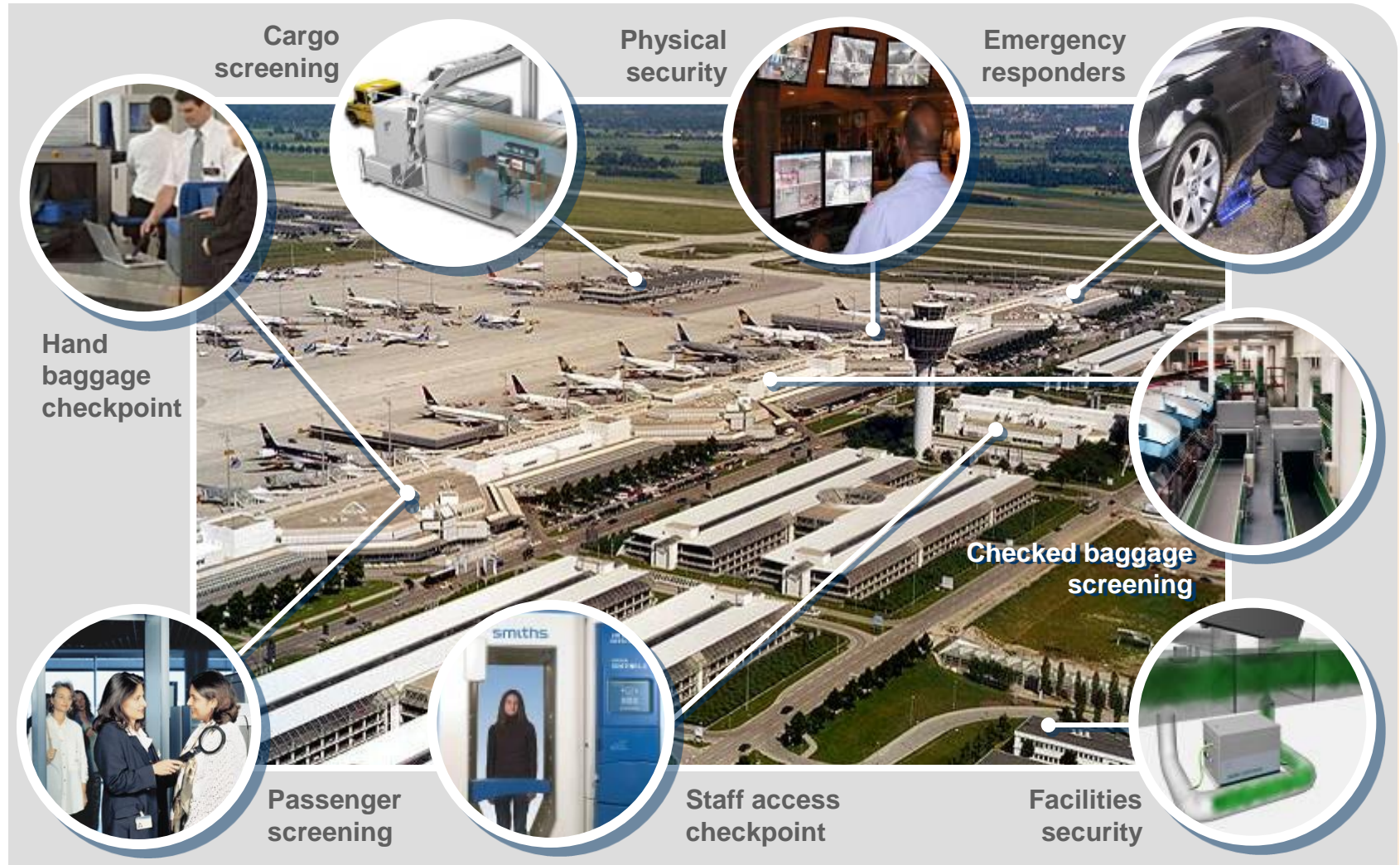
Transportation	
Military	
Critical infrastructure	
Ports and borders	
Emergency responders	



Driving Growth: Transportation

Airport security is multi-faceted

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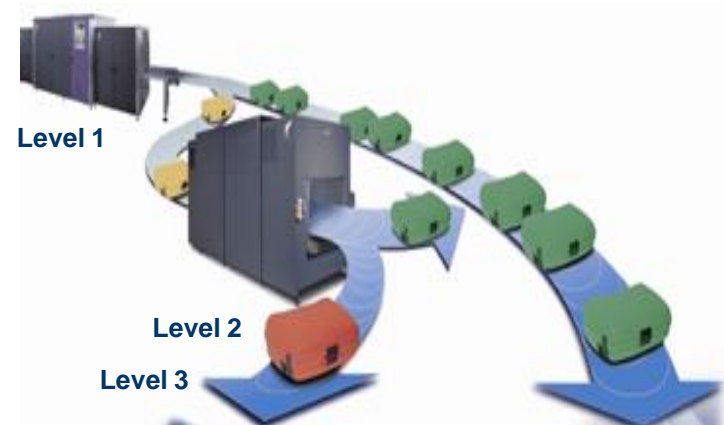


Driving Growth: Transportation

Continuing development of Explosives Detection Systems (EDS)

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- Over 700 Smiths Detection systems deployed or specified for airports worldwide, e.g. recently:
 - **Spain- 42**
 - **Sydney - 15**
 - **Munich - 13**
 - **New Zealand - 11**
- Different approaches in US and RoW
- EDtS provides fast, efficient solution
- Working with US DHS on next generation technology - Manhattan II project



Typical non-US baggage screening system

Supplying explosive detection systems for new airport terminals



Driving Growth: Transportation

Increasing requirement to secure rail networks & stations

- Growing requirement in rail security
- Trials: New York, Jersey City
- Technology development providing new solutions
- Recent Livewave acquisition is strongly positioned



The New York Times

New devices will search for explosives in subways

The Star-Ledger
THE VOICE OF NEW JERSEY

PATH station in Jersey City to test bomb-detection plan

 **Evening Standard**

Scanners bring airport-style security to railway stations

Driving growth: Ports & Borders

Widest product range

Mobile systems



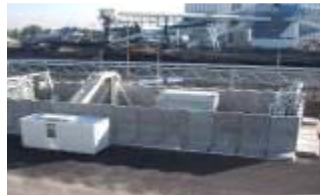
- High growth area
- Can include radiation detection

Relocatable systems



- Cost effective
- Flexible

Single View systems



High energy material discrimination

Double View systems



Single accelerator double-view system

Rail systems



Railroad application ruggedised for continuous use

Driving Growth: Ports and Borders

Major opportunity for Smiths Detection

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Market drivers

- Increased security screening
- Manifest verification
- Contraband detection

Market growth

- >10% growth in container shipping since 2002
- US Container Security Initiative
- Multiple international programmes

Developing technologies

- Threat image projection
- Material discrimination
- Radiation detection

Major programs recently announced

- US >\$20 million
- Belgium €10 million
- Abu Dhabi

Ports and Borders

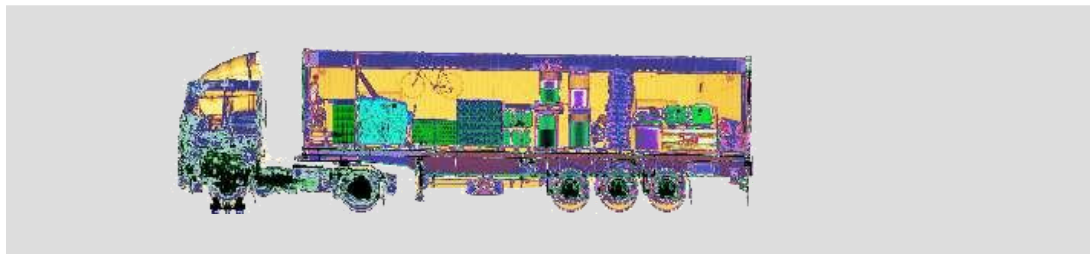


Driving growth: Ports & Borders

Commitment to developing security in Russia

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- Improving national security especially at borders
- Opportunities for cargo screening systems
- Investment in St Petersburg facility for local assembly
- Working with local partners to maximise future growth potential



Driving Growth: Critical infrastructure Protecting vulnerable facilities and buildings

Who are the customers?

- Government buildings
- Courts
- Utilities - power, water
- Major transport centres
- Commercial offices
- Sporting/political events

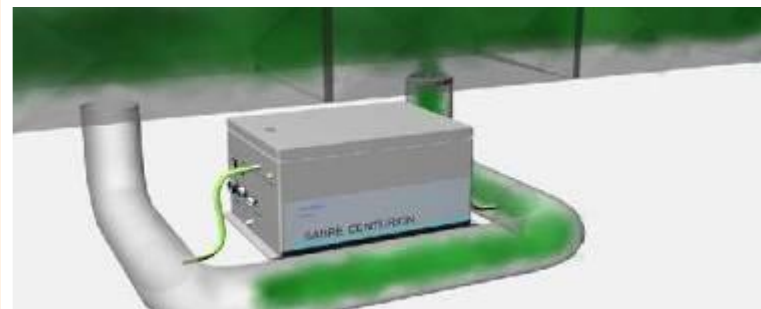
What do we provide?

- Checkpoint screening
- Mail screening
- Bio agents & toxic chemical detection
- Goods scanning
- Smart video integration

Continued growth through Government programmes

Commercial market increasing, globally

Critical Infrastructure



Driving Growth: Emergency Responders

From strong US base now achieving global sales

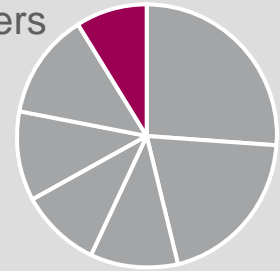
Rapid product development

- GasID
- ResponderR (Raman technology)

New product development

- Integrating multiple sensors on single platform
- Ruggedising existing products

Emergency Responders



Driving Growth: Military

World leader in chemical agent detection

JCAD opportunity for US military

Increased focus on Bio detection

- Prime contractor for integrated Japanese system (delivered)
- Working with MoD on current & future bio programmes
- Investing in new technologies

Military



UK system on which Japanese bio detection system is based



*“There are only a few companies that could be considered as targets as industrial partners...
Smiths Detection (detection and identification)”*

UK MoD Defence Industrial Strategy 2005

Driving growth - New markets

Many products have applications in other markets

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Product Inspection

- Use of X-ray technology in food processing is growing
- Systems ensure product integrity
- New manufacturing facility opened December 2005
- New European sales office opened December 2005

Scientific

- Using trace detection and FT-IR technologies to develop new market
- Our technologies enhance QA/QC procedures
- Growing demand for laboratories/pharma: e.g. Pfizer, GlaxoSmithKlein

Emerging markets

- Opportunities in commercial bio detection





Global leadership will be maintained by investment and innovation



There are strong growth prospects in all areas of Homeland Security, particularly Ports & Borders



We will selectively expand our product range and develop new markets

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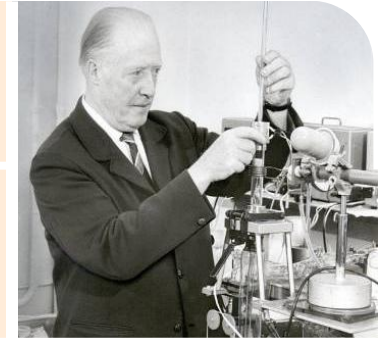
Presentation by: Roland Müsse, CEO Smiths Heimann GmbH



Smiths Heimann history

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1946 Prof. Dr. Heimann founds company
“Heimann“ in Wiesbaden



1970 Start of X-ray inspection systems business

1978 Installation of first check-in
counter system (CXS)



1982 First X-ray scanner (Manchester, UK)



1991 Installation of first container
inspection system (CIS)



1996 Installation of first explosives
detection system (EDS)



Smiths Heimann Locations in Wiesbaden

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Smiths Detection E/ME/A Headquarters Erbenheim – Im Herzen

- Production Automated Inspection Systems
- X-ray generator production, X-ray sensor production,
- R&D, PDM & Sales, Project Management, other administration



Nordenstadt – Borsigstraße

- Total Floor Space: Approx. 16,000 sqm
- Production Conventional X-ray Inspection Systems



Nordenstadt – Siemensstrasse

- Total Floor Space: Approx. 9,000 sqm
- Production Mobile & Cargo Inspection Systems



Competence Centres



**Smiths
Heimann GmbH,
Wiesbaden
(Germany)**

**Smiths
Heimann S.A.S.,
Paris (France)**

**Smiths
Heimann
Production
Inspection Alcoa,
Tennessee (USA)**

**Farran
Technologies
mm-w imaging
Cork (Ireland)**

- X-ray systems for mail, parcels, luggage and freight inspection
 - Customised standard
 - Mobile
- Automatic X-ray inspection systems for explosives and narcotics detection
- Sales and Service Centre

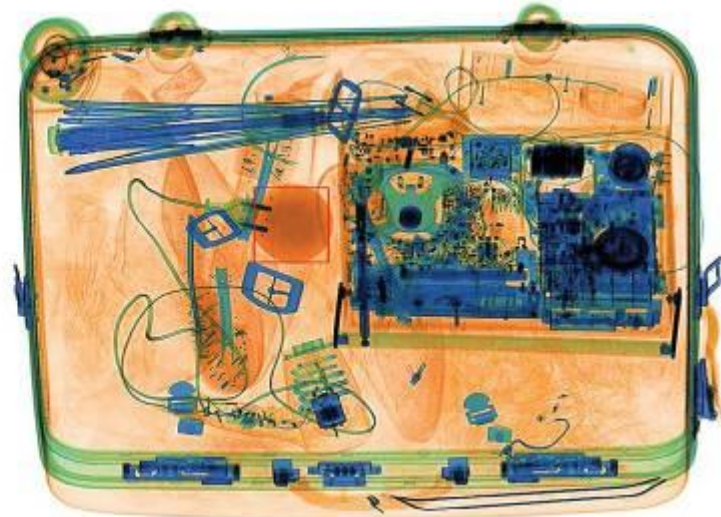
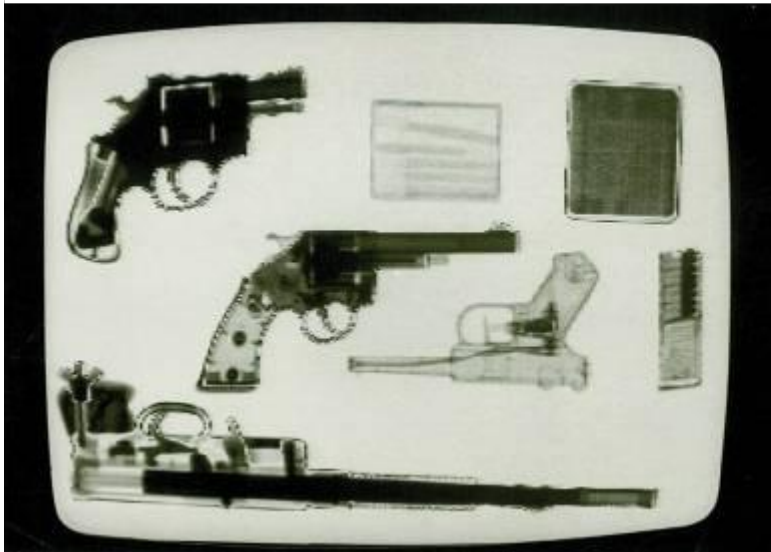
- Cargo Inspection Systems
 - Stationary
 - Relocatable
 - Mobile
- Sales and Service Centre

- X-ray systems for product inspection
 - Foodstuffs
 - Other products

- People Screening mm-w imaging Products

Smiths Heimann history

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