



Stephen Phipson

Group Managing Director,
Smiths Detection

smiths detection
bringing technology to life

Investor Day: Bringing technology to life, London, Thursday, 3 May 2007

Agenda



Smiths Detection – a strong business in a growing market



Business fundamentals



Our key sectors

- Ports & Borders
- Critical Infrastructure
- Military
- Emergency responders
- Transportation



A new business - Smiths GE Detection - The benefits



Summary

Smiths Detection - How we do what we do

The Smiths Detection vision: To make the world a safer place by ensuring that those charged with our protection are provided with the most advanced detection technology available

In achieving our goals we reflect the six fundamental strengths of Smiths

Operating in sectors of high growth

Double digit growth rates

Reaching deep into global markets

A truly global footprint

Developing technology to help customers succeed

Technology is central to all we do, putting laboratory science in the hands of security specialists

Delivering constant improvement

A culture of delivery and execution

Improving the business mix

New technologies, new products, new markets

Doing business the right way

Meeting the requirements of national governments

Smiths Detection offering widest range of detection technologies

Transportation

Military

Emergency
Responders

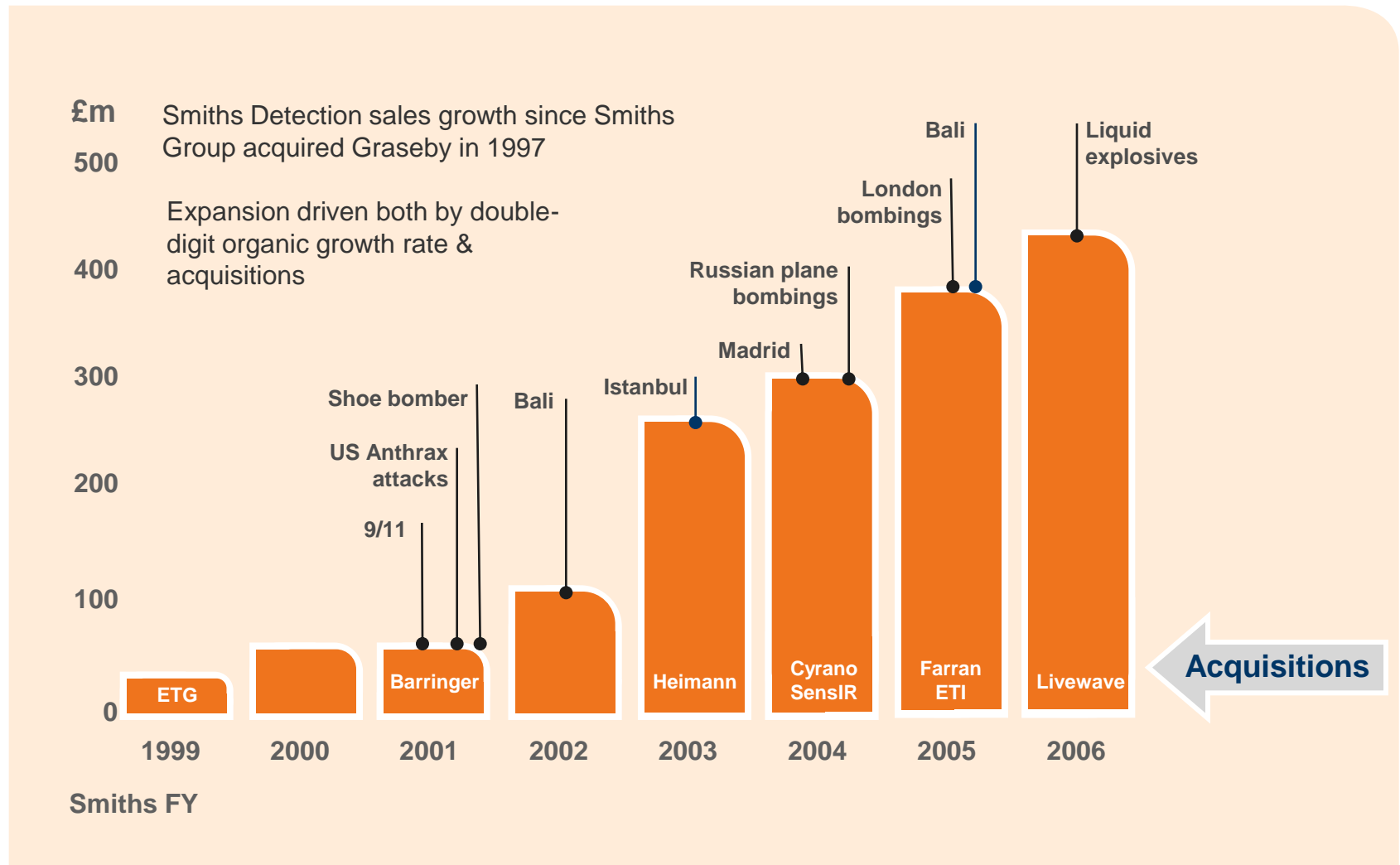
Critical
infrastructure

Ports
& Borders

Chemical agent detection, explosives detection, bio agent detection,
X-ray security screening, infra-red chemical analysis, millimetre-wave,
sensor management systems



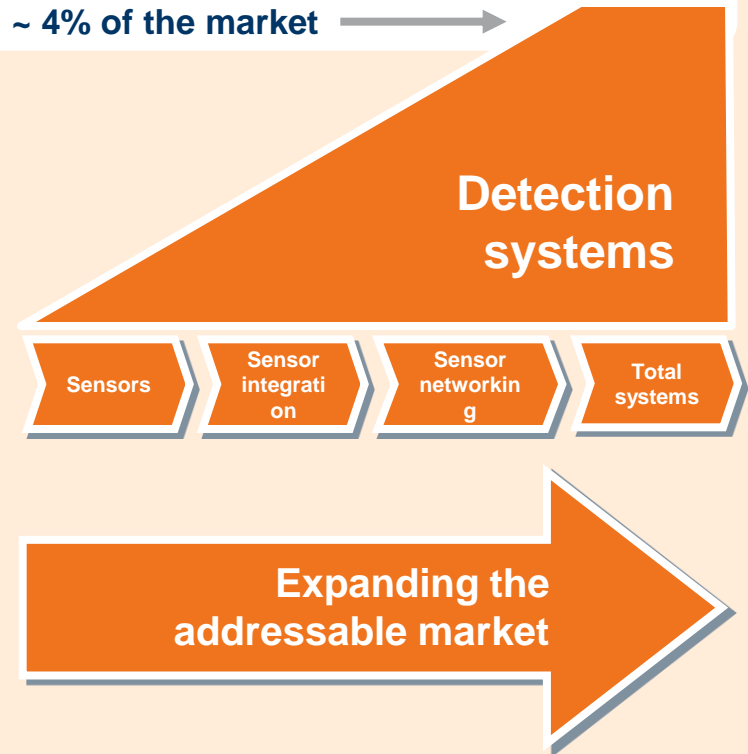
The story so far - Growth driven by acquisitions and the perception of the threat



Where Smiths Detection sits in the security sector



- Growth ~10%
- Strategy: Master the sensor technology level
- Develop more complex multi-technology sensors and networks
- Extend support and services
- Military is different - driven by longer military spending cycles



Increased customer spending creates new opportunities

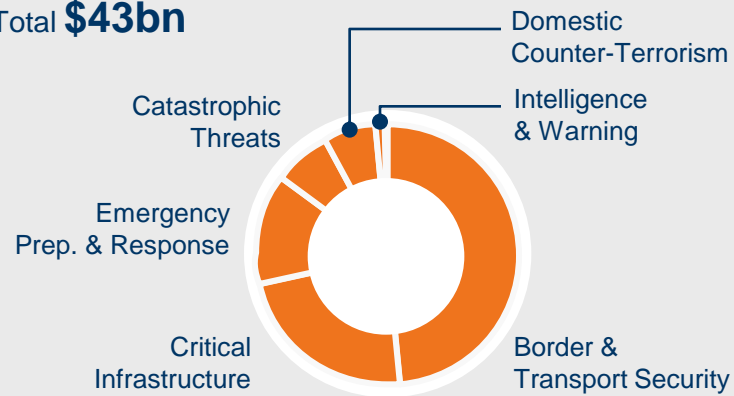
The US DHS plan is focussed in areas where Smiths Detection is strong

DHS 07 budget priorities

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

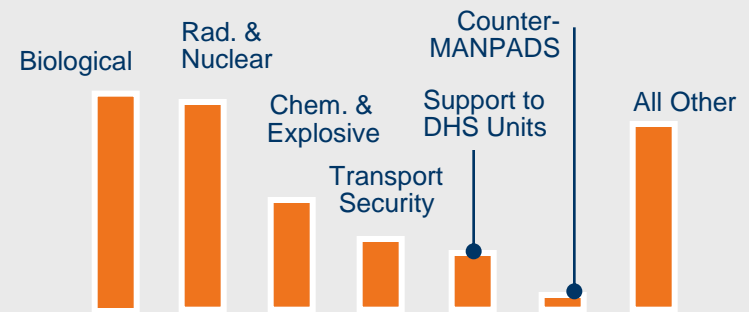
DHS 07 operational budget

Total **\$43bn**



DHS 07 R&D budget funding

Total **\$3.3bn**



Continued profitable growth - Investment in R & D for strong new product programme

Improved explosive devices



aTiX: explosives detection X-ray for hand baggage

Bio Terrorism



Bio-Seeq: laboratory standard identification

Radiation



Mobile cargo scanner radiation detection



RespondIR verifies the identity of an unknown solid or liquid



EPBD -24/7 environment monitoring



Proposed man portable detection system (HPRDS)



Rugged explosives detector for the military



Smart Bio Sensor – Bio alert system

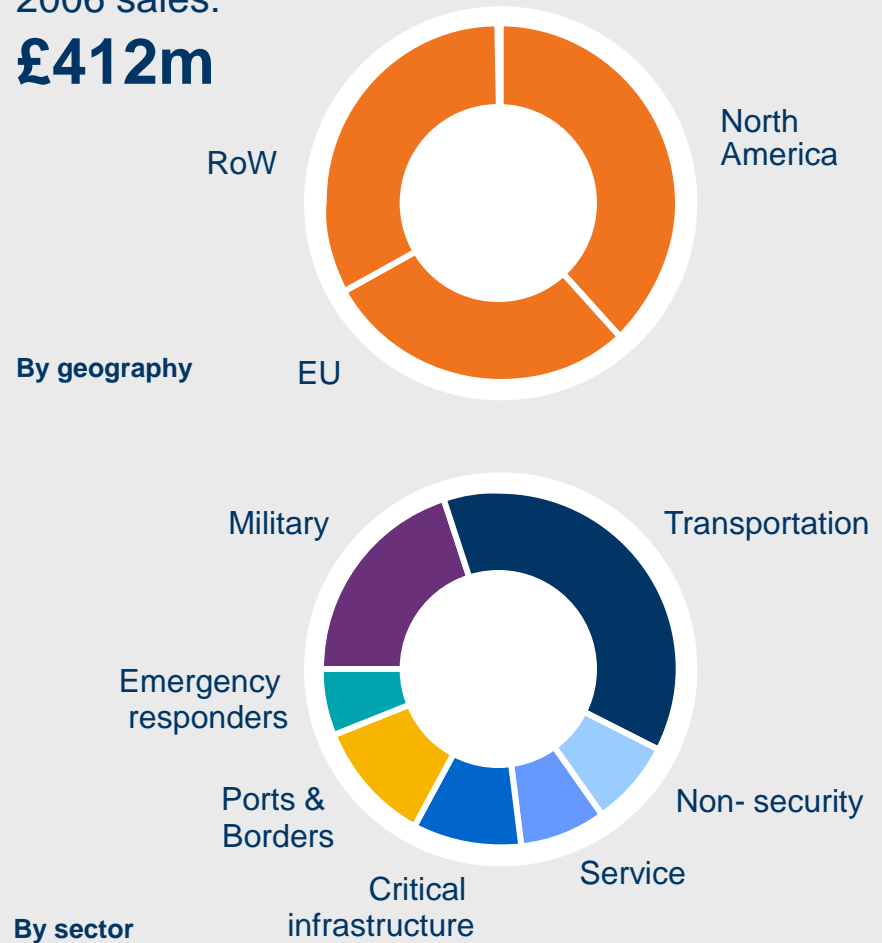


Hand held device for US DHS

Smiths Detection - strong positions in key sectors

Ports & Borders	
Critical infrastructure	
Military	
Emergency responders	
Transportation	

2006 sales:
£412m



Security Detection

- Detection of Special Nuclear Materials
- Automated explosives detection
- Weapons detection

Contraband & Narcotics Detection

- Contraband detection, including:
 - Narcotics - Cash
- Systems need to be sophisticated & mobile

Competitors:

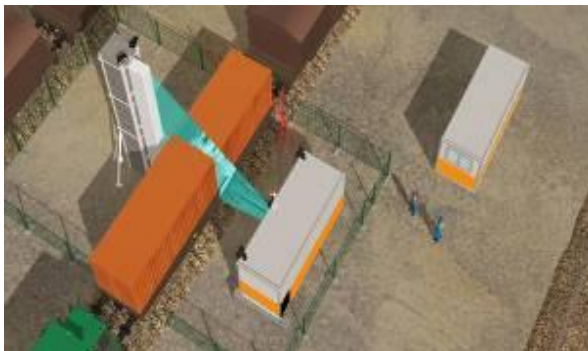
- NucTech
- L-3
- OSI
- AS&E
- SAIC



Strategy 1: More flexible product range

- Modular system with multiple configurations
- Radiation detection option
- Increased connectivity
- Standard components to facilitate transfer of manufacture
- Reduced manufacturing cost

Train scanner



Gantry system



Portal system

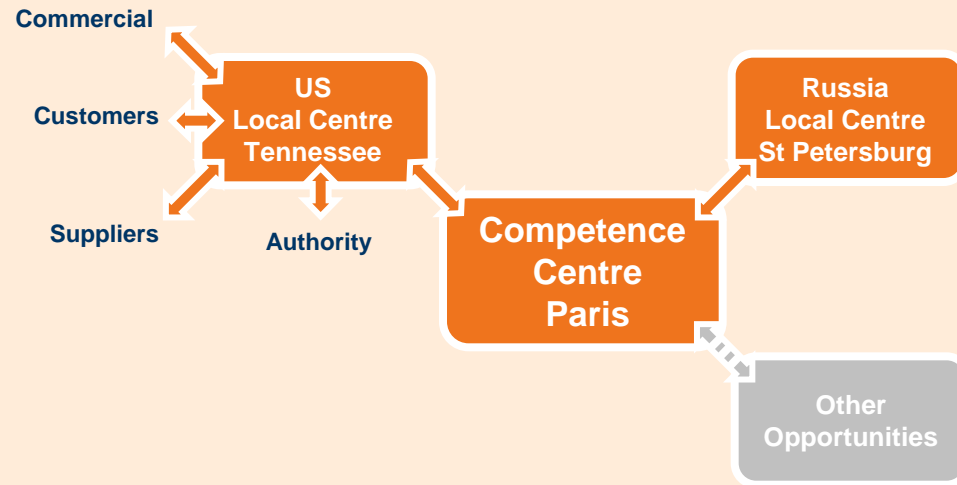


Growing the Ports & Borders business

Strategy 2:

International manufacturing

- Local manufacturing in US & Russia
- Establish local supply base



US HCV Mobile



Standard HCV Mobile



Russian HCV Mobile



Major opportunity in Russia

STATUS REPORT

- Installation of 1 fixed system for RF Customs at Russian-Ukrainian border Nov 2005
- St Petersburg factory opened June 2006.
- Installed 4 fixed and 2 mobile systems in late 2006/early 2007
- Currently tendering for multiple additional fixed and mobile systems
- St Petersburg factory also manufacturing conventional X-ray systems for Russian customers



St Petersburg factory



Mobile systems



Model of proposed border crossing installation

A good opportunity for which a strong presence in Russia is essential



Diversified sector - many segments, with varying growth rates

The strategy will focus on three key areas

Critical
Infrastructure

Mass Transit

Opportunities

Over 2300 major subway stations worldwide with multiple entrances. Potential for integrated chemical detection and video systems



Sports & Events

Opportunities

Numerous high profile events. Potential rental opportunity. High visibility business



Facilities

Opportunities

Government buildings. Military base protection. Many target groups. Highly fragmented market



Applicable technologies

- Internet Video
- Sensor integration
- X-ray
- Explosives detection
- Mail screening
- HVAC chemical detection
- Emergency response equipment

Providing CBRNE capability

- Strong track record of supplying chemical & biological warfare detection capability
- More than 125,000 chemical agent detectors supplied globally
- Market size: c£500m pa
- Market growth: c10%
- Increased emphasis on:
 - Systems integration
 - Bio detection
- Key competitors include:
 - General Dynamics (US),
 - Bruker (Ger.), Environics (Fin.)

CBRNE:

Chemical, biological, radiological, nuclear, explosives



Building capability - developing new business

Military

Maintain current position
in chemical & biological
protection



Winning DoD contracts, ACADA,
ICAM. Major opportunity – JCAD
(Damian Tracey)

Expand systems
integration activity



Japanese bio-system

Collective protection



Chem/bio protective shelter -
prime contractor, \$333m
contract ceiling

Introduce new technologies



- Creating opportunities for government funded contracts
- Forming partnerships (eg Telops)



US sales are more than 50% of global addressable demand

In US, funding is “top-down.” DHS grants provide £1.8bn to support emergency responders

Strategy based on a strong product pipeline

Emergency Responders

Expand product range



New portable bio agent detector (launch 2007)



Radiation detector (launch 2007)

Multi-sensor chemical detector (launch 2007)

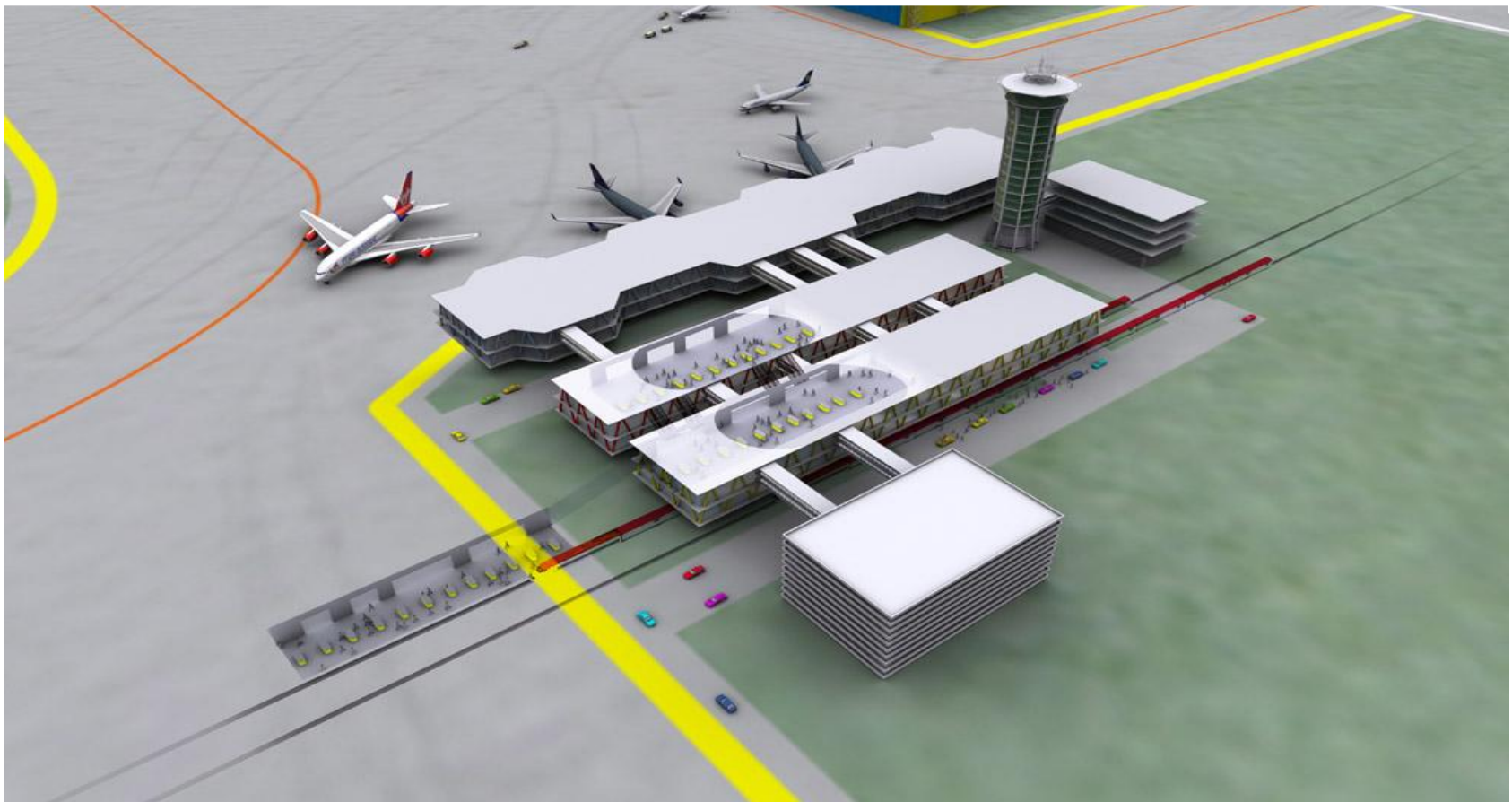


(Bill Mawer)



Grow non-US sales

Our focus: Screening systems to prevent explosives/weapons being taken onto aeroplanes
Primary Areas: Checkpoint, hold baggage, air cargo



Airport security demand will grow at around 10%p.a

Sources of growth:

Traffic growth

New threats

Move from lobby inspection to “in-line”

New EU standards

Replacement of systems procured immediately after 9/11

Global installed base of screening systems:

- 10,800 checkpoint X-ray machines
- 9,000 Trace machines
- 3,400 Hold baggage explosives inspection systems



There will be further growth in both ‘new build’ and replacement systems at checkpoints and in hold baggage screening

Airport Checkpoints - Major drivers in technology development

Laptops

aTiX
Automated Explosives
Detection

Status: in customer trials



Coats

Trace/MMW

Trace: Sentinel deployed

MMW people screening:

- Tadar launched
- 'Walk-through' in development



Shoes

Shoe scanner

NQR explosives detection.

Status:

- In airport trials with VIP



A strong range of technologies for future checkpoints

Checkpoint screening systems – The main players in airport checkpoints

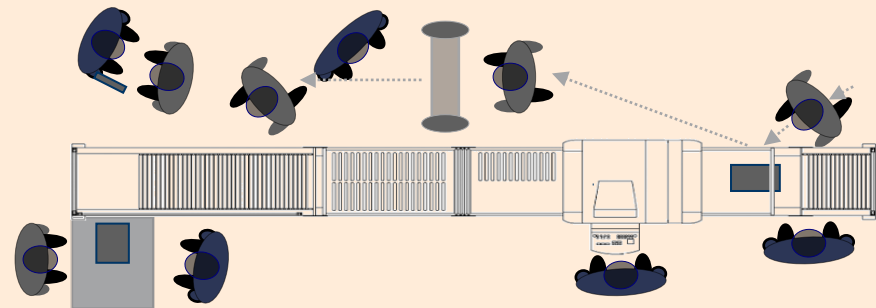
Capability	Smiths	GE	L3	OSI	Thermo
X-ray	✓		✓	✓	
Trace	✓	✓			✓
Metal detector	✓*			✓	
MMW/Backscatter People screening	✓		✓	✓	
Shoe Scanner		✓			



* Marketing partnership with CEIA

Key drivers:

- Higher security
- Higher throughput
- Integration
- Reduced manpower



The Future Checkpoint - Automation to reduce manpower & increase throughput

Transportation

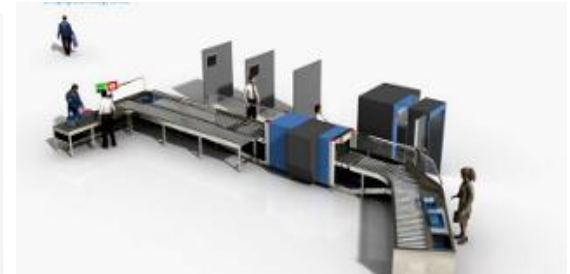
The future checkpoint will:

- be passenger friendly, increasing throughput
- provide complete screening, inc. explosives in bags
- offer full integration to increase: screening information, passenger information, biometric ID confirmation

Trials already underway

- US Registered Traveler program
- UK trial of Smiths Detection system

Example of automation:
Glasgow Airport

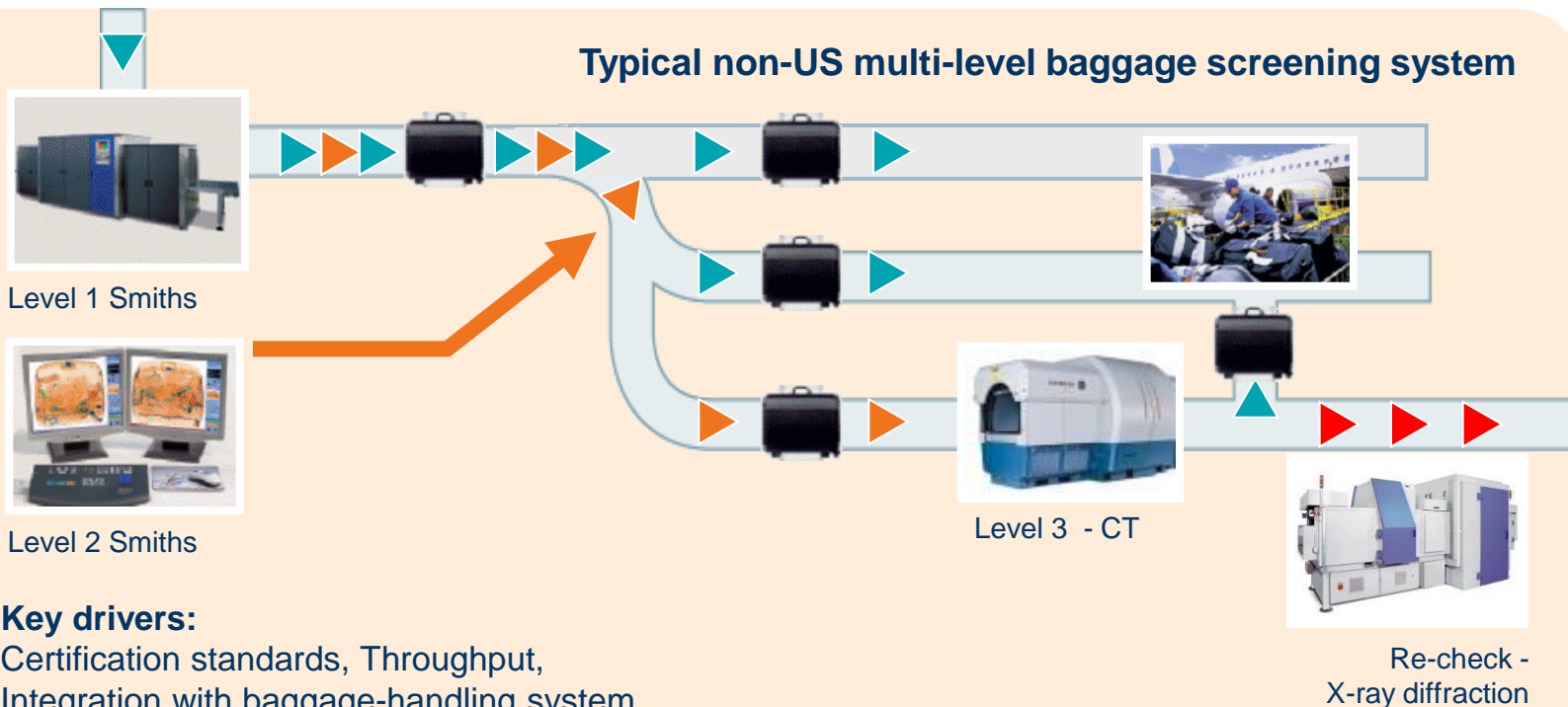


Reduced checkpoint staffing requirements will release funds
for new generations of screening equipment

Hold baggage screening systems

Transportation

Typical non-US multi-level baggage screening system



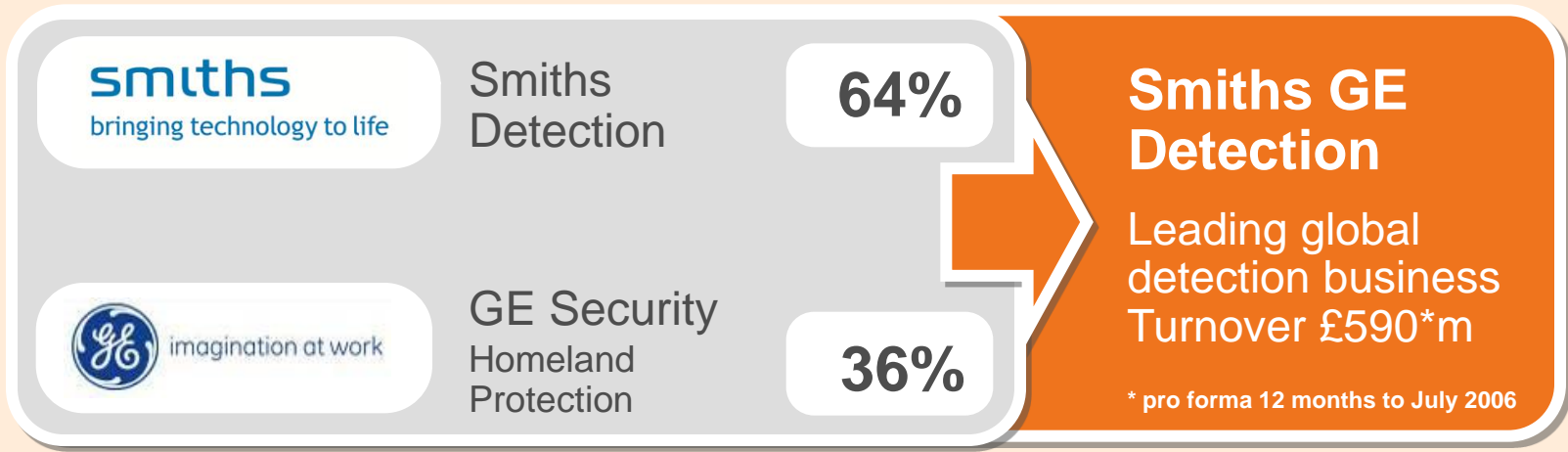
Key players in hold baggage screening

	L3	GE	Smiths	OSI
High Throughput	X		X	X
US certified CT	X	X		
Recheck - XRD		X		

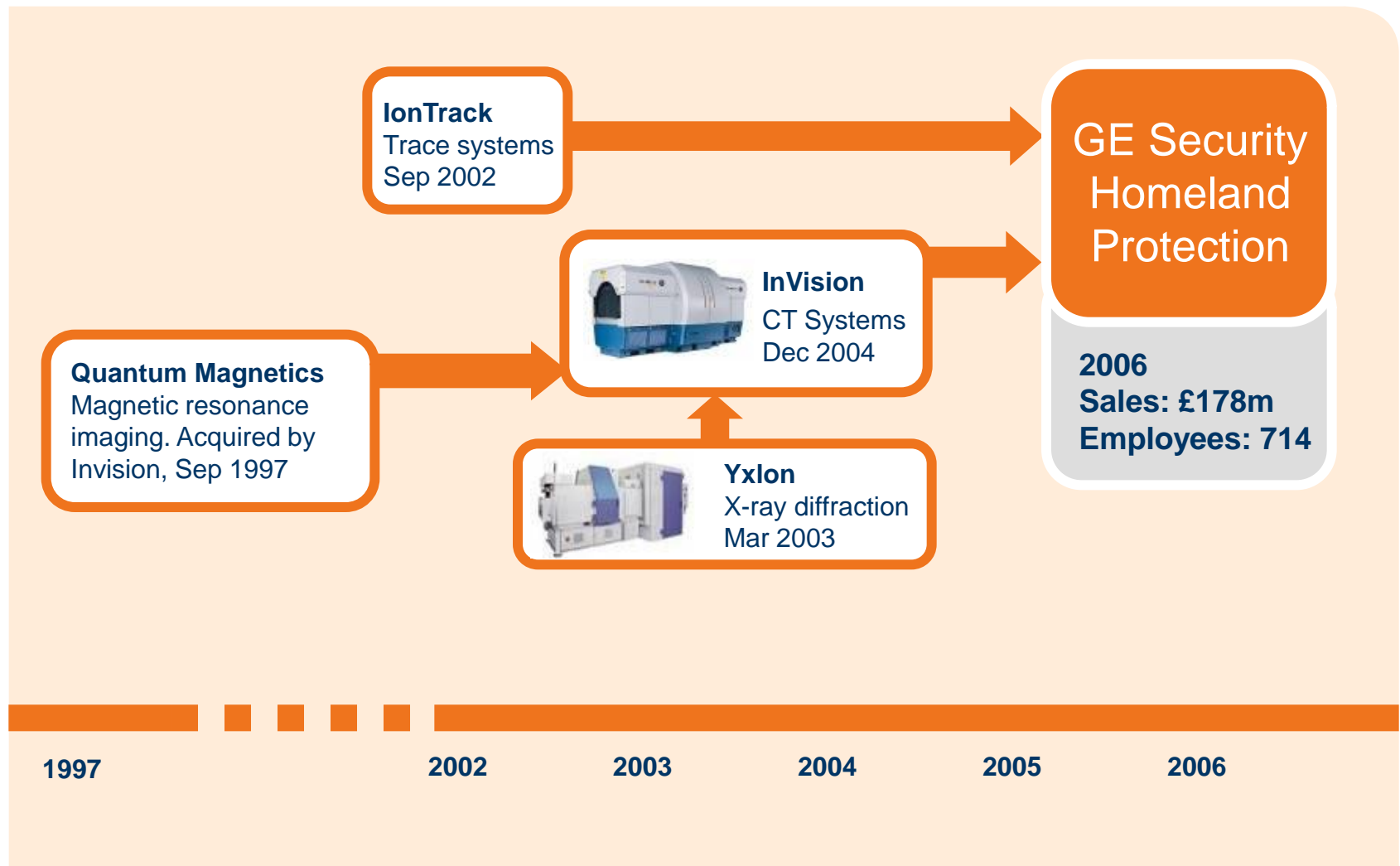
Hold baggage screening systems - Moving Smiths Detection towards complete systems provider

- The one gap in our airport security product range – CT technology
- We aim to offer a total solution for airport hold baggage screening
- Preferred solution – a partnership between GE Homeland Protection and Smiths Detection

	L3	GE	Smiths	OSI
High Throughput	X		X	X
US certified CT	X	X		
Recheck - XRD		X		

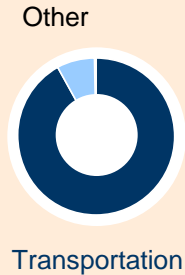


GE Security Homeland Protection - History

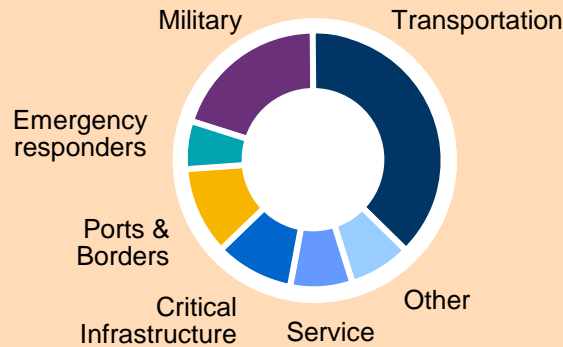


The shape of Smiths GE Detection - Over 50% of revenue will be from airport security

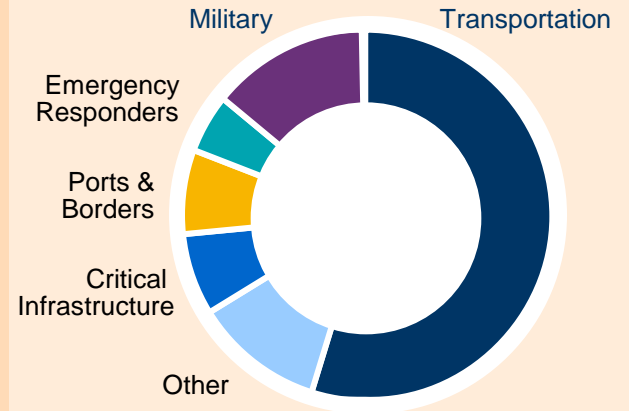
Sales by sector



GE HLP (£178m)

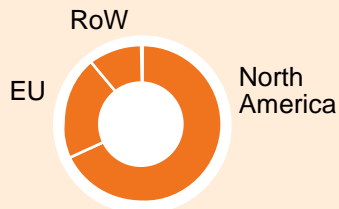


Smiths Detection (£412M)

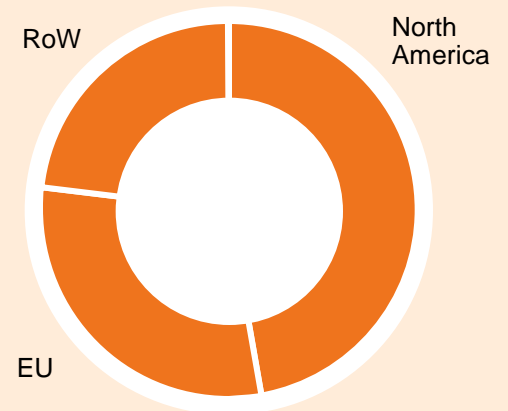
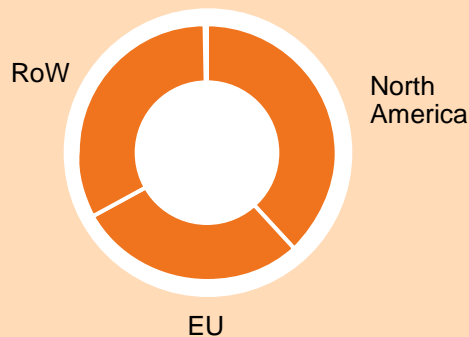


Smiths GE Detection (£590m)

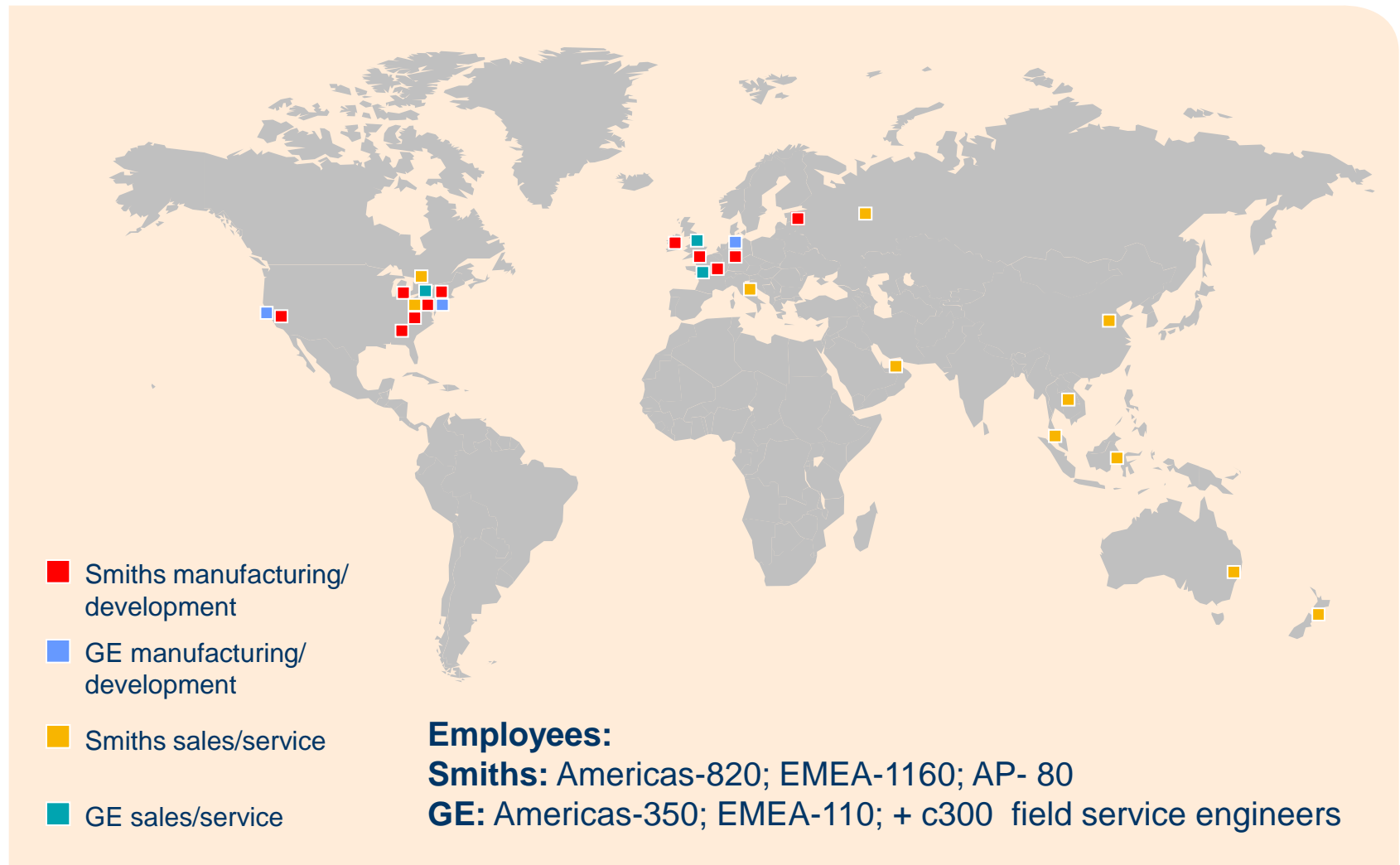
Sales by region



Sales are pro forma 12 months to July 2006



The shape of Smiths GE Detection - true global presence, GE HLP adds strong US engineering base + global service organisation



Smiths GE Detection - Linking to GE Research Centres

- Access to GRC research programmes
- Opportunities to bring in other technologies

GRC

- 2600 researchers
- 5 research centres world wide
- \$500m annual research spend



Establishing Smiths GE Detection

Process

- Regulatory review process underway in US, EU and other jurisdictions
- EGM target: Q3 calendar year
- Completion target: H2 calendar year

Management and Governance

Smiths Detection

smiths

bringing technology to life

64%

GE Security: Homeland Protection



imagination at work

36%

Smiths GE Detection Board Chairman:

Keith Butler-Wheelhouse

President: Stephen Phipson

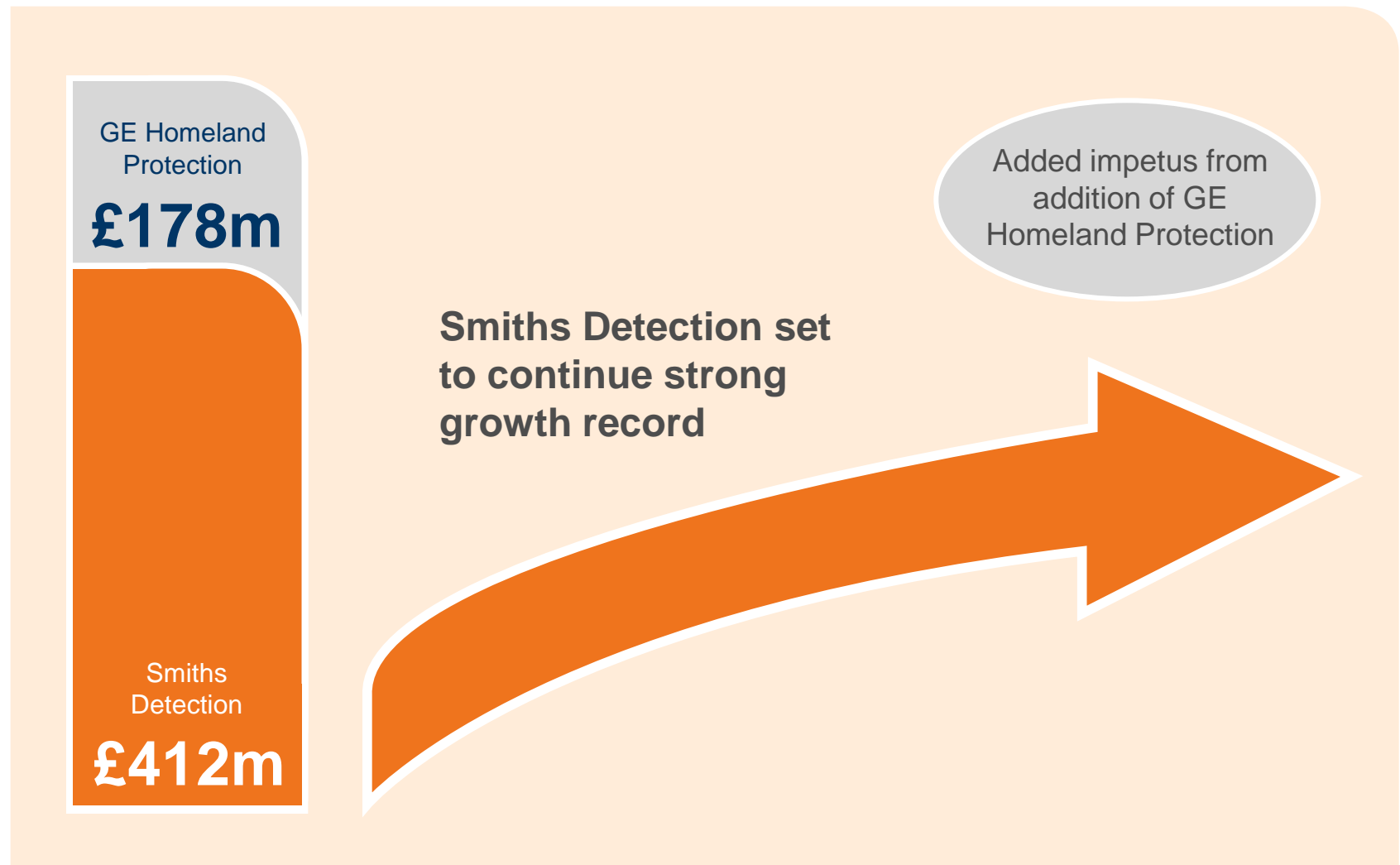
Plus 2x Smiths

Group Board nominees

2x GE Inc. Board nominees

**Operational
Management
team**

The creation of Smiths GE Detection will strengthen the Smiths growth story



Summary



Smiths Detection - Advanced technologies in rugged systems supplied to military and civil markets



A business with a broad market spread and global reach actively involved in government security initiatives



Continuous growth through R&D investment, innovation and increasing systems integration role



Opportunity to add GE HLP business - offers total solution for hold baggage screening