JOHN CRANE CAPITAL MARKETS DAY – DUBAI, 17 DECEMBER 2013

SLIDE – JOHN CRANE CAPITAL MARKETS DAY 2013

SLIDE – CAUTIONARY STATEMENT

PHILIP BOWMAN
SLIDE – TODAY'S PROGRAMME

Good morning and welcome to Dubai for today's presentation by the John Crane team. I'm really pleased to see so many of you here. Thank you for taking the time out to join us, particularly so close to the holiday season. A lot of work has gone into preparing for today's session and I believe that you will find it to be a very worthwhile session - providing each of you with valuable new insights into the John Crane business and its important market here in the Middle East.

SLIDE – STRONG OPPORTUNITIES FOR VALUE CREATION

Since joining Smiths Group six years ago, I have never doubted that John Crane is our best business. While its strengths have not always been fully appreciated by the investment community and its valuation overshadowed by the legacy asbestos liability, I think there is a much better understanding today and I am confident this will be further enhanced by today's event.

John Crane is one of our world-leading businesses – with a strong vibrant brand that is globally recognized across its end markets. Many of these markets are in the energy services sector which, given the continuing growth in demand, are set fair for further expansion - particularly in downstream and midstream applications, where John

Crane's products are widely used. There are also attractive opportunities for incremental growth in the emerging markets and as the effects of lower energy costs from shale drive wider infrastructure investment in the US.

John Crane enjoys this leadership position for two main reasons: the unmatched strength of its technologies, and the close customer relationships forged over many years of providing excellent products and service. An intimate knowledge of its customers – both first-fit and end users – coupled with strong problem solving capabilities has helped John Crane develop a highly competitive product and service offering.

I would also highlight John Crane's attractive business model – one that has proved more resilient during the recent economic downturn than many commentators expected. Most importantly, this resilience is underpinned by having two thirds of the business serving the aftermarket with its large installed base, and a diversified mix of end markets and geographies.

A global network of sales and service centres – like the one you see here today – is a key asset. There is a great opportunity to leverage this network by adding complementary products and services in the energy sector. We have already added adjacent products such as bearings and specialist filtration systems through a series of targeted acquisitions.

These typically serve the same customers in our existing portfolio and have a similar aftermarket model. You will hear today how we are targeting the energy services sector in order to expand John Crane's addressable profit opportunity – while leveraging its existing sales and service footprint.

Overall, this is an attractive business with excellent prospects for expansion and with strong and stable cash flows that can fund investment both in growth opportunities and in targeted acquisitions.

So… let me set out the key objectives for today…

SLIDE – OBJECTIVES FOR TODAY

Please look on today as an ideal opportunity for a much closer look at John Crane. Incidentally, as we issued our interim management statement just four weeks ago, we will not be providing any further update on current trading.

The John Crane management team has been considerably strengthened over the past few years and I would encourage you to meet as many of them as you can here today and over dinner this evening. Duncan Gillis joined us as John Crane's President some 14 months ago… Duncan brings a great track record in growing multi-national businesses with experience at Procter & Gamble, McKinsey and United Technologies Corporation. His skills set ideally equips him to take this great business to the next stage in its development.

You will also see a business that has been transformed over the past six years. When I first arrived, John Crane was run as two separate regional businesses with completely separate management teams – one for the Americas and one for the rest of the world. The restructuring that began in 2008 put the two businesses together, and we have been on a journey since. The improvement in performance is evident with margins almost 600 basis points higher and significantly expanded returns on capital. Today is about setting out how we will take this business forward into the next phase of growth and development.

The team will detail the strengths of John Crane's technology and its business model in order to illustrate some of the dynamics and drivers of future growth.

We will also explore John Crane's end markets in greater detail – their growth potential and our competitive position within them. I would particularly stress the significant opportunities we see for growth – whether that is driven by the market backdrop of increasing global demand for energy, by expansion in emerging markets, through new product development, by improving our sales and marketing effectiveness – particularly in the area of cross-selling – or through further targeted acquisitions. The prospects for growth are very attractive – but accessing this growth will inevitably require additional investment.

We will also look at the strengths of John Crane's technology and its aftermarket services – as well as provide an opportunity to see John Crane's products first-hand. By the end of the day I am hoping that each of you will know precisely how a mechanical seal works!

We chose Dubai as the location for this capital markets day because travelling here gives you the opportunity to see one of our new super service centres first-hand – it is also an easier and less uncertain journey than travelling through O'Hare airport in December to visit the Morton Grove site! Opened last year, this is a state-of-the-art example of the type of advanced service centres we are building in key markets better to serve our customers. It is also a tangible demonstration of our commitment to grow market share in the Middle East where, six years ago, we had relatively little exposure.

Coming here also gives us the opportunity to experience a rare, behind-the-scenes tour of Dubai's International Airport. We will visit a very important customer of Smiths Detection and be able to view a variety of products operating in a live environment.

At the end of the presentation, I will moderate a question and answer session. So without more ado, I will now hand you over to the John Crane team who will guide you through the day. Duncan, over to you…

DUNCAN GILLIS

SLIDE – AGENDA

Thank you Philip. We'll start today with a brief overview of the key points we'll cover this morning …and then move into discussing our business model before breaking for the site tour so you can see our operation first-hand.

After the tour we'll discuss where John Crane is headed, and close with the reasons we believe our company is an attractive investment.

SLIDE – KEY MESSAGES FOR TODAY

65% of John Crane's revenue comes from the energy sector…and two thirds of our sales are from our aftermarket services. So John Crane is fundamentally an energy services business.

Managing real complexity and creating value for our customers and barriers for potential new competitors delivers high returns.

We have an established track record of delivering growth in sales and margins, strong cash flows, and improved returns on capital.

You will also hear today about our strategy to accelerate revenue growth.

SLIDE – WHAT WE HAVE ACHIEVED IN THE LAST YEAR

Our achievements over the last year have built a solid platform to collectively fuel the company for mid- and long-term sustainable growth.

We reorganized the business.

We increased our focus on our five foundational elements, or company values. And spent time educating our employees on the importance of these five areas.
We've strengthened new product development, capital allocation decision-making, and financial planning. We moved our corporate headquarters to downtown Chicago, improving our ability to recruit world-class talent.

Now we'll take a look at the John Crane executive team.

SLIDE – JOHN CRANE TEAM

Six members of the executive team are here today…John Donatiello, Dave Hill, David Tallentire, Eric Evans and Mike Rizzo, in addition to me. You will of course have a chance to speak to all of us throughout the day and evening.

Our three business unit leaders here today have between 17 and over 30 years of industry experience. In total, they bring almost 80 years of industry experience to John Crane.

Our executive team is mostly located in our headquarters in Chicago, with a few based in regional offices. Our head of China is based in Tianjin. Our head of Production Solutions is based in Houston, and Dave Hill, head of Global First Fit, is based in Manchester.

SLIDE – GEOGRAPHICALLY DIVERSE PORTFOLIO FOCUSED ON ENERGY SECTOR

We have a geographically diversified portfolio with deep roots in many of our regions and emerging markets.

Sales to emerging markets grew 7% this year, representing about 22% of John Crane's revenue.

On the right side of the slide, you can see how our revenue is broken up by channel and select end markets. About 65% of our revenue comes from the energy sector. The markets which have energy services exposure are highlighted.

SLIDE – LEADING SHARE OF 30% IN SEALS AND SYSTEMS

John Crane is a market leader in our core business—mechanical seals and fluid control systems— with a share of about 30%.

John Crane and two other competitors make up the majority of the market – with around 70% share.

We have more than 90% of what we call a ‘like-for-like product replacement.’ This means that our customers prefer to continue replacing their product with the same highly-specified product they bought from us the first time.

Reliability and technical expertise are key differentiators for John Crane.

SLIDE – KEY TECHNOLOGIES

John Crane is highly recognized and respected with a long and successful history in specialized engineering products. We have outstanding proprietary product technology across our portfolio…and strong risk management.

Our customers operate in extremely challenging conditions and they rely on us to customize products for them. This is just one element of complexity in our business. John Crane has a variety of mechanical seals. Their basic function is to dynamically seal the interface between a rotating shaft and stationary housing. They’re used in pumps and compressors.

It’s important to stress that these are highly engineered products that can withstand very high pressures – equivalent to a jumbo jet on a manhole.

John Crane also invented the first dry gas seal. It uses our advanced spiral groove seal face technology… and today our dry gas seals operate in a large majority of turbo compressors around the world.

On the bottom row of this slide is our packing material. This was the company’s first product - invented in 1917 in Chicago by Mr. John Crane himself.

Today's site tour will be an excellent opportunity for you to get a better understanding of our products and their applications. You'll also see a turbine-driven compressor system model, and a refurbished compressor so you can see how many of these products shown on the slide fit together when in use.

SLIDE – ASSETS

The strength of our business relies on a solid foundation of key assets around the world. We have significant capabilities to serve our customers

In addition to applied engineering, our global service footprint is a key differentiator; we have the largest global sales and service footprint... with more than 230 sales and service facilities around the world.

No competitor has a service network of this scale and it would be hard for a new entrant to replicate.

Our global service and manufacturing capabilities are required to support our customers' operations and again we have far greater testing capabilities than our competitors.

Testing is done during the R&D stages of product development and also for certain customized product offerings. As you will see on the tour, we believe that investment in state-of-the-art test facilities is a key differentiator.

SLIDE – EVOLUTION OF A MARKET LEADER

John Crane was founded almost 100 years ago… in 1917.

Since then, we've scored a number of 'firsts' in our industry, including the design of the world's first automotive mechanical seal in 1939. These were used on water pumps in Chrysler automobiles.

This was soon followed by the development and introduction of the elastomer bellows seal. This product revolutionized sealing technology and is still one of the most widely used seals in the industry.

In the 1980s, John Crane introduced the non-contacting, gas-lubricated seal. It's been used to seal pipeline compressor stations in locations as geographically and climatically diverse as the mountains of western Canada, the deserts of the Middle East and the jungles of Southeast Asia.

In the 1990s, we developed non-contacting sealing technology for pumps that handle environmentally sensitive liquids. Applying this technology to a standard American National Standards Institute or American Petroleum Institute pump allows users to meet or exceed the U.S. Environmental Protection Agency's stringent regulations for hazardous emissions.

We've grown through acquisition over the past fifteen years, acquiring adjacent product lines in bearings and filtration systems.

We also entered the upstream oil & gas segment in 2007 by creating our Production Solutions business through acquisition.

SLIDE – AGENDA SLIDE

Now we'll look a bit more deeply into our business model with its strong aftermarket and focus on customer service; the market growth trends and how we've generated world-class returns.

SLIDE – OIL AND GAS REMAIN LEADING SOURCE OF ENERGY

Oil and gas is a leading source of energy and will remain so for at least the next 20 years. These charts show you the data behind the megatrends and outlook.

The first chart shows you the breakdown of the energy demand by fuel, and the second shows the change in energy demand by sector and fuel.

Oil and gas will remain the dominant source of energy…approximately 50% in 2030. The "shale revolution" is transforming the hydrocarbon landscape globally—shale gas and tight oil will account for almost one-fifth of the increase in global energy supply through 2030.

Energy used for power generation grows by 49% by 2030, and will account for 57% of global primary energy growth.

SLIDE – DRIVEN BY UNDERLYING MEGATRENDS

Our business is ideally aligned with megatrends…and this is one of the reasons we're bullish about growth. These megatrends are shaping our world today and for the foreseeable future.

By 2030, world population is projected to reach 8.3 billion, which means an additional 1.2 billion people will need energy. Global energy consumption is projected to increase 36% by 2030.

93% of energy consumption is in less developed countries. China and India are committing to investing two trillion US dollars in infrastructure over 5 years. Brazil is allocating 900 Billion US dollars to infrastructure through 2015.

We're becoming more environmentally conscious…and while we don't consider this a driver for our growth, it's important that we address this area as our products can help customers reduce their carbon footprint, energy use, and emissions.

Real income has risen by 87% over the last 20 years and is expected to double in the next 20 years.

SLIDE – WE PARTICIPATE IN A GROWTH MARKET

You're looking at the centrifugal pump market size and growth rates over the past 10 years.

Based on forecasts, we assume growth will continue. Note that we focus on those segments – like oil, gas, petrochemical and power generation – that value our highly engineered solutions and service.

The chemical market is expected to have strong growth driven by cheaper fuels.

SLIDE – MISSION-CRITICAL APPLICATIONS

Our products and services are used for mission-critical operations…or to put it another way…without our products our customers' operations would simply grind to a halt, quite literally in some cases!

We have a large and well-spread global blue-chip customer base.

We work with a fairly fragmented set of customers and influencers and are not heavily focused on any one customer. No customer accounts for more than 3% of revenue. Because of the high expense of downtime, our customers are conservative, and want to eliminate risk of interruption.

The customer quote you see here sums it up…wet seals are mission-critical. If they fail, a customer shuts down their plant at a cost of 1,000 US dollars per minute. Many of our customers are large, global players that need the breadth and coverage we provide through our global network. We see them trending towards signing three- to five-year global framework agreements.

Dave Hill will talk later about our long-standing relationships with our OEM customers. Now let's take a look at our business model.

SLIDE – OUR BUSINESS MODEL

John Crane has long-term relationships with a large group of stakeholders. Our stakeholders fall into two parts of our business model which you see on the right and left hand side of the slide.

Our initial customer contact is with the OEMs—original equipment manufacturing customers. This is the part of our business we refer to as first fit… when we design and supply products to our OEM customers. This is about one-third of our business. In some cases, the OEM customers will work with the engineering procurement and construction contractors or EPCs – Dave Hill will describe their role in more detail later.

The other side of the business is what we refer to as aftermarket, or end users. This refers to the aftermarket servicing and support of existing installed equipment and also repairs. This makes up two thirds of our revenue and illustrates my earlier statement that at the core, John Crane is really a service business.

SLIDE – WE ENGINEER SEALING SOLUTIONS FOR A VARIETY OF CHALLENGING APPLICATIONS

Let me now give you a few real examples of working with customers right here in the Middle East.

We supply mechanical seals for use in the remote deserts of Saudi Arabia. We've worked with a local customer for almost 30 years, and are considered to be a strategic partner and preferred supplier. We currently service about half of their 900 pump plant out of our Yanbu service centre.

We're minimizing energy usage for one of our local customers with some of the largest and most complex refineries. We've also worked with this customer almost 30 years and supply the vast majority of the mechanical seals for their pumps…..almost 1,800 of them.

We’re helping our customers control LNG emissions and we work with the largest LNG producing company in the world. Some of their LNG trains are the world’s highest capacity. We supply the world’s largest diameter gas seals for this customer, at 350 millimetres, while ensuring near-zero emissions.

One of the world’s largest gas and condensate fields is in Northwest Kazakhstan. The compressors there operate at a nominal discharge pressure of 560 atmospheres with gas containing 5% Hydrogen Sulphide. We supply our seals to prevent emissions of this deadly gas to the atmosphere, another example of how making our products are fundamental to the reliability of this critical machinery.

SLIDE – 2/3 QUICK TURN REPAIR AND REFURBISHMENT SERVICES

We’ll now look at our service offering in more detail…we’re really a service business at our core.

You can look at how we service our customers in two ways:

Short lead time services—Our aftermarket engineering services make up two thirds of our business. These services keep day-to-day operations running…quick turn repairs for example. So in this we’re referring to servicing our existing installed base.

Long lead time supply—This is our OEM or first fit business. We’re working to build solutions for large projects that will seed our installed base…fuel our long-term growth. This is when we provide customers with applied engineering services and highly specified product that secures our long-term aftermarket services.

SLIDE – 25+ YEAR LIFECYCLE OF SERVICE OFFERINGS

Here’s a typical life cycle for our service offering.

Starting on the top left side of the slide, you will see that a customer’s capex cycle is a multi-stage process – starting with the feasibility phase that could last 3-5 years. John

Crane becomes engaged early in the design and build stage. This is when we design a customized product for an OEM or EPC that could be in use by the end-user customer for 25 years. We will assist with the commissioning phase and we will usually supply commissioning and operational spares alongside the original equipment.

We then enter the maintenance and repair cycle as you can see on the right side of the slide, where we provide ongoing engineering services, repair and refurbishment services, and inventory and asset management. This is the aftermarket service that comprises two thirds of our revenue.

SLIDE – LIFETIME VALUE OF A SINGLE SEAL APPLICATION

Here you can see the typical lifecycle of a seal over a 25-year span.

A seal is serviced and repaired throughout its lifespan, illustrating the power of our aftermarket annuities.

The first-fit value of a seal generally represents a relatively small fraction of the lifetime revenues. The first fit may generate a profit, it may break even, or we may even experience a loss. However, virtually all have a positive, attractive net present value over the life of the seal.

SLIDE – INSTALLED BASE IS STICKY

As I previously commented, our customers are inherently conservative, risk and change adverse – understandably so given their business.

The cost of downtime is too much to risk for them and it is this sentiment that drives the 90% plus like-for-like product replacement for dry gas and wet seals.

In front of you is data from a recent customer survey we completed. In practice, we usually experience a like-for-like product replacement even higher than the levels perceived here by our customers.

This deeply ingrained customer behavior makes it important for us to focus on growing the installed base as market share tends to be won or lost in the first-fit OEM phase. Growing share in the aftermarket is tough, and our competitors have similar like-for-like replacement with their customers.

SLIDE – MANAGED RELIABILITY – VARYING SERVICES TO MEET OUR CUSTOMER'S NEEDS

We have a customer service model tailored for a variety of needs – as represented by this pyramid.

The base of the pyramid reflects the largest group of our customers, those that are in commercial agreements with us. These customers have a pricing structure, and agreed service levels and lead times. They benefit from procurement savings and reduced transactional costs.

At the integrated service level, we also manage customers' inventory of spare product…and customers benefit from quick turnaround for product and lower downtime risk.

At the next level -- called reliability service --, we track root causes for failure and identify so-called 'bad actors,' or systems that chronically cause problems. Customers benefit from improved seal performance and enhanced reliability.

We've branded our premier service level Performance Plus.

Performance Plus reliability programs cover customers' comprehensive rotating equipment reliability services and asset management, meaning we own their inventory of spare products. Customers have increased production and efficiency, and lower total cost of ownership.

Our strategy is to move customers selectively up the pyramid…move them from a commercial agreement to performance plus where there's a higher value.

SLIDE – OVER A DOZEN APPLICATIONS AND 500- 3,500 PUMPS IN A REFINERY

Moving on to how we manage the complexity of our customers' operations…this is not only a key John Crane competency but also a significant barrier for new entrants to the industry.

We're focused on mission-critical segments with a high density of pumping applications. For example, we ideally target customers that have more than 500 pumps in a single refinery – and may have as many as 3500.

These customers will also have a very high cost of downtime.

SLIDE – CUSTOMIZED SOLUTIONS FOR UNIQUE SEALING APPLICATIONS

We also support a truly massive number of product applications.

At launch, one seal type may have as many as 3,600 variations because of the requirement for different sizes, product arrangements and material types.

However, by the time it's customized for the application, we may be manufacturing tens of thousands of different products – to reflect the varied requirements of pressures, temperatures, rotating speed, among many other variables as shown on the right side of this slide.

We have 154 core product lines, so as you can probably imagine that means a total of hundreds of thousands of products we manage…leading us to the next slide.

SLIDE – MANAGING REAL COMPLEXITY

We manage more than 7000 materials codes, 3.2 million bills of material, and more than 3.4 million part numbers. It goes without saying that we must manage all of this complexity with the utmost precision. There is real value for our customers.

Because our seals are highly specified for a customer application, our engineering department may be required to pull out a product specification and engineering drawing from 30 years ago because it is still relevant for a customer's operations.

SLIDE – PROVEN HISTORY OF GROWTH

We've continually proven our ability to grow the business… with a compounded annual growth rate of 9% over the past ten years at actual foreign exchange rates… or 7% at constant foreign exchange rates.

Organic growth over the same timeframe was about 5% at constant currencies. But we think we can do better and are determined to do so… Revenues were at an all-time high last year. Margins also reached an all-time high at 23.4%.

SLIDE – PROVEN HISTORY OF HIGH RETURN ON CAPITAL

Historically, we have a capital light business model. Our growth capex is extremely low.

Of the 180 million Pounds, about 90% of that is maintenance capex and 10% of it is growth capex. Looking ahead, we see opportunities to increase our investment in growth initiatives and we will be increasing our capex rate accordingly.

SLIDE – PROVEN HISTORY OF STRONG CASH FLOW GENERATION

We are also a stable company. The red line on this chart shows our history of strong and improving cash flows. In this chart, we're comparing our operating cash flow over the past ten years vs. the world economy.

We've consistently converted operating profit to cash over a long period of time…even throughout the global financial crisis.

So far we've talked about the life cycle of our service offerings, illustrating why two thirds of our revenue is from services. We've talked about how we manage complexity for our customers, and barriers for new competitors. And we've illustrated how we deliver world-class financial returns.

SLIDE – SITE TOUR; INTRODUCTION TO WHY WE'RE IN JEBEL ALI DUBAI

On the tour, you'll get a very good idea of why we brought you to Dubai. It's a facility we're proud of and it has enabled us to support our growing business across the Middle East and Africa, one of our most important.

We opened this site in 2012 and it's no surprise that we consider the Middle East and Africa—and Saudi Arabia in particular—a high-growth region.

There are 90 employees here, a mix of professional staff, machinists, engineers and technical service.

We consider this a service super center, because of the extensive quick-turn service capabilities it offers customers.

We service more than 20 countries from this site, some being Bahrain, Yemen, Iraq, Algeria, Kazakhstan, and Pakistan.

We'll reconvene after the tour and switch gears to talk about our company's future plans. Now I'll hand it over to Stefano Rossi, our managing director of the Middle East and Africa region to lead you on the tour.

SLIDE – SITE TOUR COLOR CODING FOR GROUPS

SITE TOUR

SLIDE – AGENDA

Welcome back. I hope you enjoyed the tour and developed an appreciation of the complexity of our products, and an understanding of the services we provide our customers.

Now we'll concentrate on where John Crane is headed and you'll hear from some of the other members of the executive team. We'll review our growth strategy and the key value drivers over the medium term. We'll explain our business priorities and give you insight into new product development initiatives.

SLIDE – OUR VISION

Our vision is to become a global leader in energy services—expert in delivering mission-critical engineered solutions.

This is our deliberate strategic positioning for the very long term and will guide us towards what we aspire to become.

While we'll have an increased emphasis on energy services, a very broad area, our focus will not waiver from our core business and mission-critical engineered solutions, where we excel.

Now let's have a look at the energy value chain…

SLIDE – THE ENERGY VALUE CHAIN COVERS A BROAD AREA

There are attractive segments across the energy value chain, from upstream extraction down through the processing of the vast range of products that result from hydrocarbons.

We've significantly expanded our addressable market.

The energy services market you see here represents a subset of the significantly larger 500 billion pound energy value chain. We narrowed this and screened it for attractiveness and fit, to arrive at the 60 billion pound addressable market.

The 5 billion pound market we do business in today is made up of rotating equipment and artificial lift.

This increase is deliberately a broad spectrum to allow flexibility to investigate high-growth, profitable segments. We can exploit this expanded market through a combination of organic investment and targeted acquisitions and I will discuss this in more detail in a moment.

SLIDE – HIGHLIGHTS OF OUR GROWTH STRATEGY

First let's review our growth strategy and on the right side you can see our four financial metrics.

To help develop these metrics, we analyzed approximately 75 publicly owned industrial goods companies to identify a subset of aspirational benchmarks. Among the characteristics used were size, margin structure, global scale, aftermarket revenue mix, and market leadership.

We aim to be in the top quartile and our targets are set to lift us there. In fiscal year 2013, our return on sales, return on capital and cash flow put us pretty close to our goals, but we want to do better.

We'll continue to build our core mechanical seal business and use reliability programs to maximize the cash flow annuity. We expect market share gain through products and service innovation and sales force transformation.

We'll also prioritize focus on cross-selling—couplings, bearings, and filtration systems to our sealing solution customers.

Second, we'll focus on select emerging markets as well as penetrating on-trend sectors…shale, and power generation for example. We'll execute on gap-filling opportunities within our core business, those with high capital returns.

Third, we'll leverage our global scale and focus on continuous productivity, quality improvement and global operational excellence—strategic sourcing, plant operations, and lean initiatives. We are also determined to focus on recruiting and retaining world-class talent to support these initiatives.

Fourth, we'll evaluate entering attractive adjacencies and segments within the energy value chain. As we just saw, the energy services addressable market is significant.

SLIDE – BUSINESS HAS BEEN REORGANIZED TO EXECUTE STRATEGY…
During the past year, we have undertaken a significant global reorganization to support the execution of our growth strategy.

We took the decision to eliminate the historical regional structure and create 3 global business units. Global first fit customer sales & projects, global end-user sales & service, and global operations.

We also now have a strategic business unit solely focused on Greater China, which we've targeted as a high-growth region. This business unit includes China, Hong Kong and Taiwan. Elevation of Greater China will help drive focus on the growth agenda to build this business.

John Crane Production Solutions will remain a separate strategic business unit as it has in the past.

Separation of the end user and first fit customer businesses will drive enhanced customer focus, better global coordination and increased sharing of best practices. Combining our factories and supply chain operations into a Global Operations business unit should drive better quality, lower costs, improve delivery to promise and enhance safety performance.

We also have created three commercial excellence platforms: First, a new expanded quality improvement team, to focus on our target of improving quality 10 times.

The second – strategic marketing and product management. While John Crane may have been good at engineering, we knew we could do better at marketing. We have already taken steps to strengthen our marketing capabilities and product line management and we see further opportunity here.

The third is Research, Development and Engineering, which we're expanding.
And finally, you can see we have five areas of functional expertise.

SLIDE – … AND TO ENHANCE COMPETITIVE ADVANTAGE
The reorganization will drive a number of benefits.

We'll extend our lead in customer intimacy…this is already a strength of ours because of our global network and long-standing relationships with customers. But we'll continue to improve. We'll do this through better global coordination, key account management, multi-level relationships, solutions-selling and enhanced service responsiveness.

We've also reduced layers and increased spans of control to make the business more agile and our people better able to make faster decisions closer to the customer.
We're working on closing gaps in operating efficiencies to improve competitiveness.
At the same time, we will enhance our focus on product and service leadership – particularly through new products and reliability improvement programs.

SLIDE – EMERGING MARKET PRESENCE IS A STRONG PLATFORM FOR GROWTH

Emerging and high-growth markets remain a strong platform for growth for us. I say “remain” because it's worth remembering that we already derive 22% of sales from the emerging markets. For example, we’ve been doing business in Brazil and Mexico for more than 50 years, and 27 years in China.

In fiscal year 2013, revenue was up 12% in our Middle East & Africa region, 15% in China, 13% in India, and 21% in Russia.

We continue to build infrastructure in our targeted growth regions; preparing for future growth in China, Asia Pacific, the Middle East, and North America. I just mentioned that China is now a separate business unit so we can dedicate resources and attention on building infrastructure there.

SLIDE – SHALE TRANSFORMING HYDROCARBON LANDSCAPE

Earlier I mentioned the shale revolution is transforming the hydrocarbon landscape, this is particularly true in the U.S. But there is also tremendous worldwide potential, as there are shale reserves all over—as depicted on this map—and the U.S. is the only country actively taking advantage of their reserves.

We have every reason to believe that John Crane is well positioned to benefit from these shale developments and we anticipate near-term opportunity in the U.S., where we see shale oil and gas already changing the energy mix.

We also expect to see more development activity in countries with large reserves such as China, Argentina, Mexico and Romania.

SLIDE – SIGNIFICANT OPPORTUNITIES DRIVEN BY U.S. SHALE OIL & GAS GROWTH

Let’s discuss the growth driven by shale in more detail. We see opportunity across all market segments we serve…up-, mid- and downstream. Although the biggest driver is from Production Solutions, our upstream business.

We expect midstream to gain momentum over the next two to three years, considering that in two years, the U.S. will be producing more gas than can be used domestically and many downstream projects have been announced or are in evaluation.

After looking deeply at this opportunity, we estimate U.S. shale will add 15-25 million Pounds on the top line, on average, for the next fifteen years as we build out our installed base over the next five, and then capture the aftermarket service opportunity in the following 10 years.

This is based on the current technology we offer and what is currently being used in the upstream market, but as you are certainly aware the technology used for upstream production is evolving quickly.

While our upstream business is predominantly U.S. based today, our large global network again positions us to take advantage of future international opportunities.

SLIDE – STRENGTHENING THE BUSINESS THROUGH ACQUISITIONS

We also see scope to grow the business and take a greater share of the addressable market through targeted acquisitions.

As you’ve already heard, over the past seven years or so we have added adjacent products such as bearings and filtration systems, and expanded into the upstream through the Production Solutions business. We continue to seek targeted acquisitions – that meet our strategic and financial criteria.

On strategic criteria – we’re looking for complementary products and technologies that are used by our existing customer base. This in turn will enable us to lever our existing infrastructure and scale by exploiting our market-leading global sales and service network. At the same time we will seek to accelerate our presence in high growth markets.

We're also looking for specific rates of return…to complement existing sales growth, margins and cash generation.

The key takeaway here is that any acquisition we make will have a strategic fit.

Now I'll turn it over to Dave Hill, our Vice President of the Global First Fit Business Unit.

DAVE HILL

SLIDE – FIRST FIT: MULTIPLE STAKEHOLDERS IN CAPITAL PROJECTS CYCLE

Thank you, Duncan. I intend to cover our OEM or First-Fit Business in a little more detail.

As Duncan mentioned earlier, the capital project cycle starts with our End Users engaging the services of Engineering Procurement and Construction contractor, or EPC, to construct a facility—this is step one on this chart. These Companies are international in nature and have offices all over the world.

The EPCs in turn purchase equipment from Original Equipment Manufacturers, or OEM's, who again are invariably International in nature with sales offices and factories located around the globe.

In the bidding phase of a project, we will provide bids and technical support to multiple EPCs and OEMs around the world who are trying to win the project—as shown by steps 3 and 4 here.

Let's consider an example…A large single project may typically consist of more than 500 pumps and 20 compressors.

On a project of this size, at the point we receive the order to supply product, we will typically have made over 300 multi item quotations to more than 15 EPCs and 25 OEMs.

This is just one project…And at any single point in time, we may have more than 100 active projects across the organization. We manage this complexity within our OEM Projects organization, which includes sales and technical expertise at the customer locations around the world, supported by a central hub in Bangalore for bidding on large international projects.

When we receive the orders, we work with our stakeholders to engineer and supply our product to the OEM for installation into their equipment before shipment to the End User for installation and commissioning—shown here as steps 5 and 6.

Prior to commissioning, we will supply spares to the End User—in the final step 7.

Later in the presentation John will talk about the ongoing maintenance and support after the product is commissioned.

SLIDE – PRIORITIES FOR GLOBAL FIRST-FIT ORGANIZATION

We have long-standing relationships with our OEM customers. In some cases these have been developed over decades.

Here are two of many examples:

Today in the U.S. we have a strategic partnership with a global Turbo OEM, which started in 1981 with our introduction of the Turbo Gas Seal technology.

In the 1970's when the UK North Sea was being developed, we worked with a major global pump OEM to supply sealing technology on the main oil line pumps on a major North Sea installation. I am very pleased to say that 40 years later the relationship with the OEM remains strong and the John Crane seals continue in service.

These long term relationships have enabled us to build up extensive reference or experience lists which are used to help secure today's new capital investment projects.

We don't take these relationships for granted and we work hard to maintain and enhance multi-level and functional relationships with our OEM's customers.

This allows us to continue to develop the products and services we offer through customer-focused new product development, with operational strategies that are aligned to our customers' future needs.

The ability to work with an EPC to help them develop and fix the design specification for a project as early in the process as possible creates competitive advantage as the project progresses into the procurement phase. As a result, we are increasing our investment in resources to support this activity.

In recent years John Crane has broadened its product and service offering particularly in the Turbo machinery area and we see good opportunities to cross sell these products into existing and new OEM customers. This is something I'll talk more about in a few minutes.

SLIDE – ROBUST FORWARD LOOKING OUTLOOK FOR CAPITAL PROJECTS

On this slide we're looking at the projects in energy services that have been announced. You can see why we have a positive outlook on our market.

We believe the underlying drivers for capital investments in energy related projects are encouraging.

Simply put - There's a wealth of opportunity for us out there.

We have large investments around the world and traction on new large projects.

SLIDE – INTEGRATED SOLUTIONS HAVING AN IMPACT ON THE MARKETPLACE

On a previous slide, I spoke briefly about how one of the First Fit organization's priorities is to continue to drive cross selling of our expanded product portfolio.

Customers buy a variety of products from us…couplings, filtration systems and bearings, and where the opportunity exists; our objective is to sell our complete product portfolio to any given customer.

This is a customer case study showing 35% account growth from fiscal year 2012 to 2013. We've been successful in expanding the product offering supplied to the customer to include all of our major product groups.

If you ask this customer why they buy across our portfolio, it's because they trust the reliability, expertise and service they're receiving from us. We see good opportunities to replicate this with other OEM's.

Now I would like to hand over to John Donatiello who will bring some focus to our End User organization.

JOHN DONATIELLO

SLIDE – GLOBAL SERVICE NETWORK AS A KEY ENABLER FOR AFTERMARKET SERVICES

Thank you Dave. Our strong global network and largest service footprint in the industry are crucial because our customers' operations are global and they operate in both urban and remote locations all over the world.

Our factories source and manufacture components, and assemble and test when customer lead times allow for it.

The CPW, or our central parts warehouse, is the first stop for components from inventory and is tightly linked to the service super centres and branch network.

Service Super Centres, like this one here in Dubai, provide localized application engineering and drafting that support our "quick-turn" service response. Moreover, the Super Centres have machining capabilities, technical repair and upgrade expertise.

They also have the trust and confidence of our customers because of the knowledge of our people, our geographic positioning and established customer intimacy.

We utilize technology and world-class service to preserve and protect our installed base, concentrating on critical service and severe duty applications.

SLIDE – KEY OBJECTIVES IN DRIVING AFTERMARKET PRODUCTIVITY

We have very clear objectives for the end-user business. First, we will aggressively expand our installed base and capture growth as a result of new first-fit installations. We'll do this by cross-selling and creating value added solutions. We'll also expand outside oil and gas into other profitable niche markets.

Secondly, we will maximize our customers' aftermarket service performance, by promoting global solutions and Performance Plus contracts and extending our expertise into new predictive maintenance solutions.

Thirdly, we will build-out select fast growth businesses, investing in “frontier” growth areas, expand the engineered bearings aftermarket model, and use technology to connect our installed base to an intelligent network.

Finally, we will drive continuous improvement—optimizing our service network and geographical footprint and maintain pricing leadership through value creation. Driving Quality improvement, which David Tallentire will discuss in a moment, is also a priority. We’re aiming beyond industry leading response times and delivery performance towards achieving world class performance.

SLIDE – RELIABILITY IS A KEY CUSTOMER NEED

This is real data from customers which shows their high expectations for reliability in product and service. When compared to other attributes, the need for reliability is rated as the most important quality for end user customers… as can be seen on the left-hand chart. More importantly, the chart on the right shows that John Crane has the highest rating across nearly all the attributes.

We have a hard-earned premium and the best reliability comes at a higher price. We also measure our performance using customer feedback – and net promoter scores – which is a standard measurement of customer loyalty and satisfaction. John Crane has very high net promoter scores with a combined score for both first fit and end user globally greater than +20.

SLIDE – CONTINUING TO INVEST IN QUICK RESPONSE CAPABILITIES ACROSS THE NETWORK

We have 16 service super centers supported by more than 230 sales and service locations around the world, a footprint that is the envy of our competitors and one that gives us a strategic advantage when servicing our installed base.

Our super centers have full machining capabilities, expert engineers and drafters, sophisticated root-cause analytics and gas seal capabilities.

It’s important for us to have the right mix of supercenters around the world and in targeted geographies to support our installed base—which again, is the largest in the industry.

We also need to support our operations in high-growth regions and in emerging markets.

SLIDE – PERFORMANCE PLUS RELIABILITY PROGRAMS

We mentioned that Performance Plus is one of our service offerings, in fact, our premiere high value service offering.

For these customers, we commonly assign one of our John Crane engineers on-site. These engineers know our customers inside and out, work in their operations every day and have intimate knowledge and immediate access to key customer personnel.

Among the benefits to our Performance Plus customers, is the focus we place beyond maintenance costs to improve the environment, health & safety, productivity and reliability. We offer standardization and equipment upgrades to meet the best available current technology. And we work intimately with our customers to develop new technology for specific applications, usually in critical service or harsh environments.

SLIDE – CASE STUDY: PERFORMANCE PLUS DELIVERS BREAKTHROUGH RELIABILITY INCREASE

This slide illustrates a case study of one of our Performance Plus customers --This is a customer we’ve partnered with for many years and one that has recently signed a further five-year contract.

We are a preferred supplier and we work very hard to ensure that our goals are mutual, truly aligned and that we maximize cooperation. We facilitate a relationship built on trust which then feeds future (upgrade) opportunities for John Crane and increased reliability and lower overall costs for our partner -- truly a Win/Win scenario.

In truth, it's all about reliability. What differentiates John Crane is our understanding of process applications and harsh environments, establishing a local presence and then building trust and confidence through the knowledge and expertise of our people. In effect, we promote an end-to-end solution and facilitate a holistic view of the system over the life of the equipment.

In this instance, a 27% reliability improvement resulted in the customer increasing their mean time between repair from 74 months to 94 months over a five-year life span. Mean time between repair, sometimes called MTBR, is a common and recognized industry term, and is tracked in months and defines the time between repairs or replacing parts. The higher the MTBR, the lower their total cost of ownership.

The customer also enjoyed a significant reduction in inventory thus releasing working capital for other purposes.

These are the results we aim to deliver to our customers... through capturing more Performance Plus reliability programs.

Now I'll turn it over to David Tallentire to discuss our global operations organization and priorities.

DAVID TALLENTIRE
SLIDE – OVERVIEW OF GLOBAL OPERATIONS

Thank you John. Here is our John Crane factory network. A global factory is defined as one which has a significant component of intercompany supply, a large portion of first fit supply, or is strategically important to us operationally.

We have organized our core operations along product and process lines to maximize the synergies between plants and to ensure sharing of best practice.

John Crane has a solid network of lower-cost manufacturing hubs distributed across the globe. Part of our strategy is to shift higher volume, lower value components to lower-cost hubs that are highlighted here to ensure we manage our cost base.
We will also develop key hubs like Tianjin to expand its capabilities into the more technologically demanding products to better serve the local market.

SLIDE – OPERATIONAL PRIORITIES
Our operational focus will be in the following key areas…

Maximizing delivery performance to our first fit customers, by stabilizing and reducing our lead times through a global Sales and Operations Planning process.

Improving operational productivity through network optimization and implementation of a common operations excellence blueprint. This is based on lean methodologies and sharing/implementation of best practice processes across the operations network.

We'll focus on driving a "quality first" culture to make John Crane the recognized leader in this aspect of what we do, via standardized global manufacturing practices and processes.

Finally, we'll also prioritize focus on developing a more defined sourcing strategy that ensures the right products come from the right source to meet our quality, service and cost targets.

SLIDE – IMPLEMENTING AGGRESSIVE QUALITY TARGETS

Quality is one of our five foundational elements, or values. We have a near-term goal of 10 times quality improvement over 5 years –this may sound unrealistic but I can assure you that -- though challenging -- it is definitely attainable.

You will already have seen that achieving and maintaining a high level of quality is critical to our success and is part of the core value proposition in a safety critical market.

Although feedback from our customers would indicate we are doing okay at the very least, we believe quality can be a differentiator for us. If you like, “we’re the ‘best looking kid in an ugly family,’ but we still want to do better”.

As part of our re-organization, we have established a new Global Quality function whose role will be to lead this endeavor and work with the business units to deliver this target.

SLIDE – CONTINUED PROGRESS IN OPTIMIZING NETWORK

We are well aware that we must provide customers the right level of quality and service at the lowest possible cost.

Generally this is channel specific—OEMs require delivery consistency and the best cost. End-users require short cycle times and responsiveness.

This slide is a good example of how we have optimized the European supply chain to meet the quality, service and cost objectives for both of the channels.

Prior to SAP, the European business was predominantly serviced via the local country businesses. The bulk of the order fulfillment activity was done in country in a decentralized, incoherent and inefficient way. SAP allowed us to analyze and understand the situation more effectively and to re-design the supply chain accordingly.

This re-design of the supply chain resulted in:

1) Greater clarity on the requirements of the OEM and End user channels in terms of lead times by product and service requirements.

2) Better data on demand patterns leading to the implementation of a central parts warehouse for all core components used across the regions' service centres. This allows us to focus procurement and manufacturing activities to reduce cost and to optimize stock levels in order to hit the demanding service levels required by the service centers.

3) Also, a focus of all OEM metalwork volume into our lower cost hub in Lutin in the Czech Republic. The final phase of the supply chain re-design is to move the OEM seal assembly activities into Lutin. This will be completed by February next year.

SLIDE – DRIVING PROCUREMENT PRODUCTIVITY

A crucial component of our continuous productivity strategy is our external supply chain. It represents approximately 450 million Pounds of annual spend.
We are targeting 3-5% procurement productivity annual net savings, this is on addressable spend which is 75% of our external spend in Fiscal year 2014.

We have made some good progress in this area since globalization in 2008, specifically in levering our volume in the main direct material spend categories. However our external supply chain remains too broad and fragmented with more than 2700 suppliers.

As part of our global reorganization – which Duncan reviewed earlier – we created global category teams and strengthened the procurement function by adding resources. We’ll focus this new team on levering our indirect supply chain harder, an area that is still relatively untapped. This will improve our ability to benchmark costs globally, and thereby improve our negotiating positions, and consolidate suppliers and lever our scale more effectively.

SLIDE – EHS

Safety, like quality, is a foundational element, or value, that our employees live by.

You can see our 2013 recordable incident rate was at a record low.

Our lost time incident rate was already exceptionally low in 2012.

2013 results are more in line with the improvement trends that we expect.

This will be an area where we will continue to drive improvement. Specifically in fiscal year 2014, we plan to drive the concept of “zero harm” across our organization and extend our risk assessment process across the business.

We’re also creating a Global Risk Register that will allow us to identify and manage the most significant common risks in our business.

SLIDE – COMMITTED TO INVESTMENT IN NEW PRODUCT DEVELOPMENT

We continue to focus on investing in new product development, a commitment we have reiterated many times and I make no apology for returning to it.

We have two R&D centers, one in Morton Grove, Illinois and another in Slough in the UK.

Here you see a few key areas we’re focusing on.

Our customers are continually pushing the envelope in terms of operating conditions: pressures and speeds continue to get more severe as our customers look to exploit more difficult environments or increase economies of scale.

We therefore need to focus on improving product performance in these most challenging conditions.

SLIDE –TARGETING A 2 TO 3X VITALITY IMPROVEMENT INCREASE

We're changing our culture to be more focused on new product development. We have a revamped new product development process in place, with defined stage gates.

We're heavily focused on idea generation and we're getting our employees more and more involved with the process. A more disciplined approach to new product development is driving the increase in our new product vitality index you see on this slide.

The new product vitality index is a measure indicating how much of our revenue is from new products launched over the past five years. For John Crane specifically, it is revenue from new products as a % of first fit revenue only.

Basically, it's a measurement of innovation and effectiveness of new product development activities. When reviewing the John Crane vitality index, you should also bear in mind that we have slow new product adoption by customers.

SLIDE – RECENT NEW PRODUCT LAUNCHES FOR A VARIETY OF APPLICATIONS

We've had a number of new products launch over the past few years.

We introduced one of the first unitized cartridge seals. It's typically used in hard to install environments because the split seal design makes it easy to assemble, taking

15 minutes rather than hours or days, while still delivering high performance and reliability. It's used on ships, cooling towers or fire pumps.

A high temperature seal was introduced for pure refining, when very high temperatures are required for crude oils that may have corrosive hydrogen Sulfide. The design withstands high temperatures while delivering consistent performance. It's still in its early stages of the launch.

Now over to Eric Evans, our divisional CFO.

ERIC EVANS

SLIDE – AGENDA SLIDE

Thank you, David. I'll now discuss some of our restructuring activities and present our mid-term operating ranges.

SLIDE – RESTRUCTURING INVESTMENTS TO 'FUEL' FUTURE GROWTH

As you know, historically John Crane has been very effective at taking out cost and improving margins. Some of these past efforts have been "low hanging fruit" while others have been more challenging to accomplish.

Going forward, we have a rich portfolio of improvements we're making under our Fuel For Growth program. The improvements focus around 3 broad areas which have been touched upon already today:

Manufacturing Efficiency – evaluating how and where we make products and adjusting the plant network accordingly, focusing as much production as we can on lower cost, efficient HUBs.

Talent – Delayering the organization, promoting and empowering our most promising leaders, and augmenting that existing talent base with new skillsets and perspectives.

And three - Information Systems – Finally tackling some of the more challenging, yet fundamental IT opportunities we have before us including Master Data Management, Customer Relationship Management, and in the future harmonizing our ERP environments across the globe, likely under SAP which is used today across Europe, the Middle East and Asia Pacific.

It is important to remember, that until five years ago, John Crane was run as two separate regional businesses with fragmented business systems. We see an opportunity to improve customer service and improve our decision making by implementing a more integrated global approach – particularly as customers become more global themselves.

We are confident in the value these programs will create. While some of these gains will surely find their way to the bottom-line, our intention is to utilize them to drive further top line growth beyond what we have historically seen, or what is expected of the industry.

SLIDE – MEDIUM-TERM OPERATING RANGES

Presented here are our medium-term operating ranges we're looking to achieve. Clearly we operate in a robust industry which provides meaningful tailwinds to our performance. But in addition to this, we're utilizing the gains from our Fuel For Growth programs to exploit a number of strategic growth initiatives.

This leads us to believe we can achieve mid-single digit organic revenue growth – around 4-6%. This will be augmented by M&A activity. Clearly, many factors will influence whether or not we're at the high or low end of this range. However, we expect the growth rate to improve over time as the growth initiatives gain traction.

From a margin perspective as well, we have many opportunities ahead of us. However, as noted earlier, our intention is to reinvest improvements to try and ensure we have higher growth on the top-line. Therefore, our aim is to achieve margins which drift slightly higher from current levels, but not dramatically so.

From a cash conversion perspective, we have historically had very strong performance. We forecast somewhat lower levels of conversion to take into account the roughly 10 million Pounds of additional incremental investment, predominantly in IT, which we intend to make in the coming years.

Now I'll hand it back over to Duncan.

DUNCAN GILLIS
SLIDE – A HIGHLY COMPELLING BUSINESS
Thank you Eric.

I'll summarize the key points from today using the investment case for John Crane.

We have sustainable competitive advantage as the market leader with the largest installed base in our industry. We have the largest global network, with more than 230 sites, that enables us to quickly service our installed base.

We have an attractive business model with two thirds of our revenue coming from our high-margin aftermarket services, contributing to our world-class financial returns…strong cash generation, high returns on capital and industry leading high margins.

We have a distinctive customer proposition with a highly specified product offering that is valued by our customers in their mission-critical operations. This is underpinned by strong proprietary product technology that our customers rely on: we currently have more than 230 active patents and patent applications, and in total, we've been granted more than 1100 patents since we were founded.

We are exposed to markets – such as energy – that have opportunities for attractive long term growth. We are well-positioned to grow at or above the market as we pursue our growth strategy in emerging markets, new product development and by levering our global scale. There is also scope to expand our addressable market through targeted acquisitions.

We have a proven track record in delivering strong financial returns and value for shareholders.

Such a positive blend of business dynamics fills us with both enthusiasm and confidence about the prospects for John Crane. We look forward to building on the considerable success we have already achieved.

Now I'll hand it back over to Philip to lead our Q&A session.

PHILIP BOWMAN – CONCLUDING REMARKS

Duncan, thank you very much for that. And thank you to all the John Crane team who are in the room now and of course, all of those on the site here in Dubai who's made today's visit possible.

Before we go into the Q&A, I just thought I might make one or two observations based on some of the conversations I've had with you this morning and just thinking about the broader picture of Smiths Group as opposed to just John Crane.

One of the conversations over coffee just now was of people saying, looking at me and saying, well, you've been calling it low growth environment and a difficult environment for a long time, do you see any significant change? And I think what we saw in 2013, certainly in terms of the businesses which were dependent to any significant extent on government spend. And that would be primarily Interconnect, Detection and Medical.

There has not been a great deal of relief and I don't believe that there will be in 2014. Certainly, events in Washington in February of this year when the question of the debt ceiling that was live [history] again are going to be very interesting. And while, I think we saw a small amount of common sense prevail in recent days, I guess, it's somewhat strange to be standing here and saying actually, we're just sort of rather pleased that the two sides of the table have actually spoken to each other in a realistic way. But I'm not sure that that's actually going to continue.

One of the great things about the John Crane business from the Smiths portfolio perspective is of course the relative lack of dependence on government funding. And that was certainly being clear as if you look back over the results over the last five years.

Second point I wanted to talk about is ERP systems because Duncan made a point which some of you, particularly, I could guess, Sandy will remember, I made almost when I arrived at Smiths, which was -- I inherited that most horrible of things. We had three divisions putting in new ERP systems at the same time. Putting in one ERP system has terminated the careers of many executives. Putting three in at the same is really cruel and unusual punishment.

In the case of John Crane, I said at the time, we were doing half the job. We were taking SAP and putting SAP into the business outside the Americas and we were left with MFG/Pro in the Americas. And I said, as an interim solution, what would be doing is effectively putting a further layer on top of both MFG/Pro and SAP to enable one to get some of the benefits that you would get from having a single ERP system across the whole business.

Well guys, the time has come. We have to address this because while it has enabled us to run the business better, we need to complete that transition to SAP across the business. While we're doing that we need also to harmonize the CID systems across the world and we also need to harmonize the customer relationship management systems.

For the next three or four years, we are going to see a significant investment in IT which was commented on by Eric Evans. But I believe wholeheartedly that the benefits in terms of better customer service, better management information are going to be very significant from that investment.

There was also talk during the presentation about the importance that we attached in John Crane to both health and safety and to quality. And I think that is an area which applies equally to all of the businesses within the Smiths portfolio. Over the last six years, we've made significant progress with health and safety having inherited a health and safety record which was frankly unacceptable. We have progressed a long way and we continue to focus on making this business, every site, every office the safest we can for all those who work in the business or visit those sites and offices.

In terms of quality, I've said to many of you over the last several years, I see this a tremendous opportunity across the whole of Smiths. If you look at the cost of poor quality as a percentage of our operating profit, it is a very significant number. And when the John Crane team said they were looking for a 10 times improvement, that's a realistic target to go for and it's a big number. And it's a big number in some of the other businesses within the Smiths portfolio.

The other area I would touch on is the area of value engineering. If you look at the improvement in margins in medical over the last six years, a lot of that has been driven by value engineering in an environment where price pressure is negative. We have that opportunity and detection which we're beginning to grasp. There is that opportunity also with John Crane and some of the other businesses. We must not compromise quality but nevertheless, there are opportunities there which will seep through to margin.

In terms of new product development, I focused very much over the six years with the company on increasing our investment in new product development. Benefits of that I think are coming through. It's always a challenge. The lead time for some of these developments particularly in medical and in detection are very long. And in John Crane, I'm delighted that Duncan has embraced the need for greater investment and greater focus in this area.

It is true. This is a slowly changing industry. Customers are very conservative. My hope the presentations today and the walk around the factory has illustrated why that is the case. But we are the industry leader and as industry leader, we should be shaping how the market develops. We should be doing that by investing in new products, new technologies, influencing what our customers do.

I think finally, in terms of the last five or six years, we look at the story of value generation across John Crane, which significantly increase in margins. We have seen on average about a 9% compounded growth rate over that period depending on the assumptions you make. We've generated probably around GBP800 million or so of value. The challenge which Duncan has, and Duncan, I am sure will deliver is to continue and exceed that challenge over the next five years and that's what the presentation today was very much been about.

So with those few comments, what I'd like to do now is open the session up to questions and answers. And could I ask you to just identify yourself for the record before asking your question, so very much over to you. Yes, front row.

QUESTION AND ANSWER SESSION

Steve Wilson – Lapides Asset Management
Duncan, can you talk a little bit more about the other third of the business, the non-energy. There' a lot of applications where your capabilities seem to be well suited and

yet, we didn't have any real discussion about areas like pharmaceuticals, general chemicals and food and beverage and areas like that.

Could you just talk about what you need to do that's playing off of the themes that you illustrated and what you need to do differently to be more successful in those venues.

Duncan Gillis – President, John Crane

There is really three components at a high level to the rest of the business. One is the kind of the general industry component and there, it says much about getting a reach, increasing our reach in the market place typically through some type of distribution agreement in order to get out to more small sites.

Secondly, there are, I call it, non-energy related -- I guess, there's really two. Second is kind of non-energy related end use sites, and so we would count health and paper for instance as being part of the energy value chain because they're such a large consumers of energy.

Pharma, maybe a little bit different. And for those, it's just a matter of continuing to go after those opportunities in a thoughtful way. But I would say that the likelihood that we're going to be spending a lot of or investing a lot in terms of either R&D or kind of sales force effort incrementally to where we are today is a lesson.

I guess the third part that we should probably mention here is something that we call our commercial OEM business. These are applications that are not particularly highly engineered tend to be more volume driven and they can be sealing a variety of things, everything from air conditioning and refrigeration compressors to hot tub pumps to beverage machines. So these are small kind of less valuable seals, a little bit like what you were given on a key chain when you're off through here.

And that's a piece of our business that we like but it's not particularly strategic in terms of areas where we plan to invest going forward.

Philip Bowman – CEO, Smiths Group plc
Okay. From the front row.

Alex Virgo – Berenberg
Hi. Alex from Berenberg. Duncan, given you've now been in place for 12 months, I'm curious as to what you would say the difference in reality versus perception and to what it was when you joined the team. What do you think has changed the most and what do you think compared to what you thought the stakes were when you joined in, whether that's changed. So two parts of the question but I was wondering if you could comment on that.

Duncan Gillis – President, John Crane
I think I'll answer kind of a little bit about what I perceived coming in and some of the strength and I'm going to let the rest of the team comment on what's changed the most because they have a better sense of kind of the before and after.

My perceptions coming in was that we had a very, very strong core business model. And the reality is that is absolutely correct. My perception was that we were a customer, kind of driven organization and as I think -- I hope you saw it today and talking to our people around the site, tremendous passion to serve customers.

My sense coming was this was a business that could use a little bit of direction in terms of where to focus on the future and where to grow, and I'll let the team kind of comment on that later. And I felt that there was generally a decent level of talent in the organization and I would say, generally that's the case although there had been pockets where we probably need to beef up some of our talent areas like quality, marketing, some of the areas that we highlighted here.

Part of my perception coming in and probably the single biggest surprise to me was what happened last year. Coming in, I was under the impression that this was a market that was just going to grow and grow and grow. And after I was here about a month, some of the guys on my right came to me and said, "Hey, Duncan, we think that we're past the peak of the cycle," kind of hears the data and to demonstrate that.

And I wasn't quite prepared for that but to our credit, we quickly, kind of took a step back, assess where we -- what we thought the length of the downturn would look like as well as the depth of the downturn. And then based upon that, putting in place a pretty good plan to reduce our cost base and resize the business. And you see that evidenced in the margin expansion and earnings growth that we delivered last year.

Now, the next big surprise for me was that our crystal ball wasn't quite perfect and the market has come back a bit earlier than we expected. And the depth of the downturn was less than we expected. And we have looked at two or three previous downturns to kind of figure out where things were going.

So because of that, we've been caught a little bit short in terms of our ability to service an ever increasing number of orders that we're receiving in our core business. And so we've got a few customers who are a bit upset with us because we're delaying delivery. And so we've got a little bit of work to do there. That's really been the big area.

You guys want to talk a little bit about changes and kind of the before and after?

Dave Hill – VP, Global First Fit, John Crane
Sure. Alex, great question. I guess what I would say in terms of the after, I think since Duncan has joined the business, I think one of the things that we've been able to do is be a little bit more focused. And I think we spent a good deal of time when Duncan joined the organization just focusing on some of the things that we wanted to do. The pace of the decision making, having gone through that process for me has speeded it up. And that's a positive thing.

And I think you can see that evidenced in the presentation that we made today. So I guess from a sales and service perspective, which is really the side of the business that I come from and I'm sure Dave will comment a little bit more on the operational side. I think the way we will now organize the business into a first fit channel and an end user channel is a good move. I think the drivers of those two customer stats are different. And I think our ability to work through that and get that done since Duncan joined the business has been very positive.

David Tallentire – VP, Global Operations, John Crane
Yes. I suppose from my perspective, I would observe greater emphasis one execution. I think that's something that is definitely sharpened up. I think we talked about quality and Philip, before Duncan, came in, Philip was giving us his opinions that our quality wasn't good enough which I think we all accepted. But I think it was -- Duncan came in with a good triangulation point and reinforced that observation I suppose. So I think that's reinvigorated us from that perspective.

And I think we all now genuinely recognized that quality should be a differentiator for us. I mean, if we can get this really good, this could be massive for us. And I think, I would just add, and maybe with Duncan's sort of product background, much more focused on the R&D and the product side and trying to fill that pipeline with new ideas and sort of gathering ideas from the whole organization rather than it being seen as just a pure R&D type of activity.

Philip Bowman – CEO, Smiths Group plc
Thank you. Next question.

Martin Wilkie – Deutsche Bank
Thank you. Martin Wilkie from Deutsche Bank. This is a question of your productivity savings. You're talking about 3% to 5% of net savings, which is quite high compared to a lot of engineering companies. I was wondering if you can let us know, how is that compared to what you have achieved historically.

And then second, just to clarify, you talked about net savings, is that a net of just price or mix and inflation presumably but not net of the investment you're making in ERP systems.

Duncan Gillis – President, John Crane

Sure. It's net of inflation. The gross number is obviously somewhat higher taking upon inflation rates. The historical rates have been sort of a third to a half of kind of what we're looking at going forward.

And I will say that under David's leadership, the program is off to a very good start this year. And correct me if I'm wrong, I think we're already at last year's savings number, year to date. So we're in pretty good shape.

We have the skills and capabilities, I think we just needed a little bit of a higher bar to set and maybe a little bit more investment in procurement resources and then the quality support that goes with that.

Philip Bowman – CEO, Smiths Group plc

Yes. On my right, in the second row.

Glen Liddy – JP Morgan Cazenove

This is Glen Liddy from JP Morgan Cazenove. You gave a growth rate expectation of 6%. What do you think the market is going to grow at over same time horizon? In terms of the pyramid you gave, what proportion of your revenues from the top end of the pyramid now and where would it be in five years and will that have a significant impact on your margin as you go forward.

And finally, inventory, if we didn't go upstairs, your inventory rating. It doesn't seem to be a great deal of immaterial round presumably for service center representative and most of the others. As the growth rate picks up, do you need to invest much in inventory?

Philip Bowman – CEO, Smiths Group plc
I like the last question.

Duncan Gillis – President, John Crane
Let's see. In terms of the market, there's multiple components to quote the market as we talked about today. So there's a piece about our wet seal business which is driven on the first bid side by new installations of centrifugal pumps. We talked earlier in the morning about historical growth rate which has been in kind of the -- call it the 4% to 6% range and we thought that would probably continue.

Then the second part is around turbine driven compressors. Now you're all expert in this technology so we can talk about a little bit more depth. Turbine driven compressors is a little bit trickier and we think that will be growing kind of best in the, I would say, the low single digits. Do you agree with that?

Dave Hill – VP, Global First Fit, John Crane
Yes.

Duncan Gillis – President, John Crane
And then on our upstream business, really we have a pretty small share of a pretty big market particularly in the US and Romania. We have all of it. It's not growing because we have all the pumps. And I think there's a pretty wide range but generally, kind of high single to low double digits. I'm looking at Eric just to confirm that. I think it's kind of our latest number.

So in general, we think we're -- when you kind of bring all of that together, I think on our mid and downstream business, we're probably at the top end of our range. We'll be taking a little bit of share and we probably be looking to hold share in our upstream business which is a little bit tougher but again, that's over a longer period of time.

Your second question was around performance plus and their performance plus is about 15% of the revenue in our after-market business which you'll recall is about 60% of the overall business.

And then your third question was around, will we need more inventory when we grow -- yes. Will we need significantly more inventory, I mean, I would expect it to be proportionate to what we've been doing historically.

Philip Bowman – CEO, Smiths Group plc
Thank you, Duncan. Second row, third person in, on my left.

Alex Toms – Bank of America/Merrill Lynch
Alex Toms – Bank of America/Merrill Lynch. And just a couple of questions for me. First of all, on general oil and gas capex spending, there seems to be some concerns that that's actually slowing down now just given some of the warnings and with Shell cancelling projects in the US.

Where do you think we are kind of big picture? I know you kind of talked about some of the anticipation of a slowdown, maybe that didn't happen. Can you talk about where we think we are in the cycle.

And the second question, I guess is kind of related but it talks about market potential, market-size company, 5 billion and the energy services in general is 60 billion. Can you talk about maybe some specific areas, be it product-wise or end-market wise that are interesting for acquisitions? Thanks.

Duncan Gillis – President, John Crane

So, the way we kind of think about forward look is through a proprietary model that we developed over the last year that's got 15 metrics or 15 leading indicators that we used. And we've taken the world and we broke it up into eight regions. And we look at leading indicators for both OEM and aftermarket in each region. And it's a pretty decent model that we validated through historical data.

That says that the outlook is pretty decent. It depends on which market you're looking at. But in general, it's a pretty decent outlook.

In terms of the specific question around capex, what you're seeing is primarily upstream oil and gas capex that's not declining but the forecast is at growth rate will be slowing. We've taken a look at our revenues relative to kind of the historical trend, year-on-year trend and there's not much of a correlation because at the end of the day, no one asked us. But we've had a bit of a change in mix in our business and 15% of business is in upstream, 15% is in the midstream and then 70% is downstream.

So the real applicable number for us is capex spending downstream. Now I was looking at this just the other day, some data that we had from HPI. And in it, it said that downstream total budgets next year, '14 versus '13 are going to be up about 21%. That's operating maintenance in capex and capex is up about 35% is what the forecast is.

So all in all, we don't see a lot of reason why we ought to be concerned about that. I know some of you have raised that issue in relation to happened in mining. So what we've done is taken a look at kind of upstream capex and what happened with big drop offs. While there's been some declines in our business, it's nothing like what you see in mining.

Again, it's driven by that strong annuity that we have in the aftermarket that we've been talking about all morning. Remind me again your second question.

Philip Bowman – CEO, Smiths Group plc

I don't think you asked it.

Alex Toms – Bank of America/Merrill Lynch

Did I not?

Alex Toms – Bank of America/Merrill Lynch

The second question was just really on -- when we talked about market size in terms of the company being about GBP5 billion...

Duncan Gillis – President, John Crane

Oh, about the targets.

Alex Toms – Bank of America/Merrill Lynch

Yes and you are now looking at GBP60 billion.

Duncan Gillis – President, John Crane

So, right now, we operate in an about GBP5 billion market and we've identified segments that we're interested in that are valued about GBP60 billion. I won't get in to the specifics there because they're kind of competitively sensitive in terms of what we plan to do. But you can think about it as you saw it today, the idea of expanding our position on a skid. You can think about it as concentric circles around our core business.

As we stay in closer, there are opportunities. As you get further away, there are opportunities that will evaluate and put probably a higher risk adjusted discount factor on rate because they're a little bit further away from the core.

But they're in the areas you would think to look at in terms of our current energy services customers and products and services that are good compliments to what we do today. And there's a lot of them and we're kind of evaluation one at a time to determine, whether we like the segment first and then within the segment, do we like any of the players. And then of course, are any of them available. And then they got to meet all of or hurdles and not be too dilutive.

Philip Bowman – CEO, Smiths Group plc
Okay. Same row, two places on.

Andre Kukhnin – Credit Suisse
Hi. It's Andre from Credit Suisse. On the retention ratios, just to check I understood it correctly, you quoted these numbers of 92% to 91%. Can we think about it is that sort of 10th of your install base or the market install base for rotates every year. I know you said for John Crane these numbers are higher.

Duncan Gillis – President, John Crane
Yes. So for John Crane, we're kind of 95% little bit north of that in terms of actual. So you can assume then that the market is rotating and kind of the 4% to 8% range annually, if you think about it that way.

Andre Kukhnin – Credit Suisse
For you but the market rotation suggests that this model is not so sticky for your competitors and that there is quite a substantial opportunity for you if you were to go after it with maybe specific --

Duncan Gillis – President, John Crane
It's still quite sticky for our competitors as well.

Andre Kukhnin – Credit Suisse
And is there anything in your new product pipeline that it is geared towards that or is mainly a new first-fit product?

Duncan Gillis – President, John Crane

Well, I don't get in to specifics of the new product pipeline. It's largely about first fit. There are some new service offerings that we have in there that we think will create additional value for our existing customers. It's not so much targeting, replacing the business of our competitors although certainly, when we're in a customer where there is more than one competitor, which is quite -- where there is a competitor, more than one supplier, just quite common.

We're always looking for opportunities to help them out with the competitor's products that are not providing the value that they're looking for. Either, they're bad actors or the competitor is not providing the service either. I mean, I'll let John Donatiello talk a little bit more about that piece.

John Donatiello – VP, Global End User, John Crane

As we talked a little bit about on the tour, changing out competitor seals, from an end-user perspective is a difficult challenge. Typically, we do it one a time where we have identified an opportunity because it's not performing as it should be.

And so that being the case, that cycle is typically taking us -- it will typically take some weeks to do that. From a competitor standpoint, if one thing is about flow serve for example, it's not just the seal, it's that pump too that's providing that stickiness in that particular case. So if it's someone other than flow serve, again, it is all about the install base and very much so our competitors to figure that out as well.

Andre Kukhnin – Credit Suisse

Got it. And if I may, just a final very broad question. Can you tell me, in terms of new product introductions, when was the last time John Crane introduced a product that you would say was sort of borderline revolutionary, i.e. maybe improve customer's efficiency by 10%, 15% or more. And then the newer pipeline, where do you think that next kind of launch could happen and what timeframe?

Duncan Gillis – President, John Crane

The word in the company -- and I'll let these guys jump in is that the last truly revolutionary development in the industry was the invention of the dry gas seal, which John Crane invented, patented and then brought to market in the early 1980s. Kind of the work was done during the late '70s. So again, this is a slow moving market.

In terms of when the next one will be, I think for competitive reasons, I probably won't answer that. I will tell you that we've got on our road map, two to three, what we would call big ideas that we plan to bring to market between now and the end of the decade. We've got one identified for sure. One that we think maybe but we've got to qualify and the third was still searching. If that helps.

Philip Bowman – CEO, Smiths Group plc

Duncan, thank you for that. Next question from the front row at the extreme left.

Sean McLoughlin - HSBC

Thank you. It's Sean McLoughlin, HSBC. Just one question on margin range. So I understand, you're in the middle of that range already. So look at the low end and the high end, what this kind of more IT spending you say. But what are the factors should be considered in terms of margin erosion for the low end and where you're gaining in margin for the high end?

Duncan Gillis – President, John Crane

So let me just back up and talk a little bit about the targets. I'll offer my perspective and then I'll let the rest of the team jump in and I'm sure, Eric Evans who tends to be a little bit more conservative than me, we'll offer his perspective as well.

The way I think about it is we are targeting the high end of the range, right. And so, when I do the math, 6% growth over the next four years against last year's base adds about GBP245 million of revenue to the topline. And add a 25% margin by FY '17, we'd create about GBP80 million of additional earnings. All right, our [D-hop]. From there, if you use kind of a 10x multiplier, you'll add GBP800 million of value to tie that back to Philip's earlier comment about how do you continue the value creation.

My own view, and I was happy to see recently that one of sell side analyst started to move in this direction as well is that that 10x number is -- 10 turns number is a little bit low and it probably ought to be closer to 12, 12.5 for an energy services player like us. And you've kind of seen the case for why that is today, which means the value creation is closer to a GBP1 billion at 2017, which we think is a pretty good aspiration for our business.

So let me just pause there and check with my colleagues and make sure they're in agreement that that's we're going after. John?

John Donatiello – VP, Global End User, John Crane
I'm with you.

Duncan Gillis – President, John Crane
Right there. David?

Dave Hill – VP, Global First Fit, John Crane
How could I not say yes.

Duncan Gillis – President, John Crane
I saved Eric for last because he may be a little bit more tempered than I am in my enthusiasm. Eric?

Eric Evans – VP, Finance, John Crane
Yes. I think that to sort of dovetail on a question that came before around what your surprise was because I've been here about two and a half years now, so I come on the different side sort of the board, Duncan cited a coin of coming in from the outside and having impressions, I think you can look at the margin expansion that's taking place

over the last five years and rightfully question whether there is more opportunity within the business.

And I think I've been surprise with the degree of opportunity that remains in our operations pretty much across the board. So I think that from the ability to push things up if we wanted to, I feel pretty comfortable that that exist there.

The flip side is that I think we need to really focus hard on investing in the areas that we haven't invested in in the past, of getting the talent in, getting the IT spend where it needs to be. And furthermore, being more aggressive and competitive on the new projects that are out there.

So clearly, we have short term and long term goals that we balance. So to the extent that we can free up margin internally and then refocus that internal margin if you will to invest in additional projects, I think that we need to do that. So I think there's a degree of control that we have and we're in a very good place to move forward.

Duncan Gillis – President, John Crane
I think the -- sorry, Philip. I haven't answered your question yet and what's going to drive the margin. We'll get there. The only other thing I would add is while this isn't a trading update, I would say that in our core business, our order rate through the first part of this fiscal year, gives us, in terms of the year-on-year growth, gives us very good comfort that the top part of that range is something that looks pretty good and now are achievable.

However, that's offset by businesses outside of our core business that are growing at a lower rate or even declining. So we've got to temper that a little bit, which is why I say we're targeting the top. We're kind of continuing to put our plans in place to get there over time.

In terms of what will drive the margin, it's the things you would expect, right. There will be some room for selective price increases in our aftermarket. There will continued focus on procurement productivity and factory productivity as well as just overall kind of this operational gearing against our fixed cost base. That will give us that room. And then, there will likely be some mix, favorable mix as well that will help us.

Philip Bowman – CEO, Smiths Group plc

Duncan, thank you for that. Yes. The extreme right from the second row. That's you.

Sandy Morris – Jefferies

Right. So just a couple of things. I mean, curiously, you're might well beyond 12 times within the Smiths Group for all you know, which is just a sort of an interesting debate to have. Sorry to be really agricultural but if upstream is from 25% of your sales, even in 2011 and now it is 15%, it must have gone backwards quite a bit in absolute terms.

Duncan Gillis – President, John Crane

The growth rate of our mid-stream and down-stream business has been faster than what we've seen in our upstream.

Sandy Morris – Jefferies

Yes. I know. You can't wriggle out of it quite like that. I mean, if one part of the business has come 25% to 15% and you still achieved the growth and mid and downstream, then your 6% target -- I begin to understand why it's not ridiculous even you're an accountant. I mean, sorry, upstream must have gone backwards.

Duncan Gillis – President, John Crane

Upstream relative to what year?

Sandy Morris – Jefferies

2011 which was probably referencing --

Duncan Gillis – President, John Crane

No. I think it's been more flattish.

Sandy Morris – Jefferies

Right. Well, either way, you've achieved what growth you have through 2012, 2013 with one hand behind your back.

Duncan Gillis – President, John Crane

It's coming from downstream. So to the extent the upstream business starts to return to any growth or market level growth that will be quite helpful to us.

Sandy Morris – Jefferies

And unless someone's stolen your technology, this [carbon fiber] (inaudible) and all the rest of us, someone -- unless you got lots of new entrants, you must be able to show there.

Duncan Gillis – President, John Crane

There is a new entrant and it's been much more competitive than it's been in the past.

Sandy Morris – Jefferies

Yes. Just going back to another sort of way that you're used to present this, the sort traditional John Crane seal's market was 2.1 billion, 2.3 billion within that 5. And the 5 billion, 3 billion off of it was bearing, filters, other stuff.

Duncan Gillis – President, John Crane

Three and a half is bearings, filters, couplings and seals and one and a half is the upstream rods business. That's how you get to the five.

Sandy Morris – Jefferies

It feels like that, I have to look back on it. But the big thing is either way, a huge chunk of the addressable market was represented by bearings and filters where you had a sort of 3% or 5% market share. So you don't need to go often to new products in terms of your adjacencies to give you a big opportunity.

Duncan Gillis – President, John Crane

We've talked a lot about organic -- I think you're talking about organic growth or acquisitions now.

Sandy Morris – Jefferies

Well, it could be both. I mean, frankly, if you buy another thing the size of a (inaudible) or something else, you can't. This acquisition growth, it's just another way of building out could be geographically or adding another product. I mean it's almost quasi R&D but quicker to market given the stickiness. So I would have thought -- sorry, rambling different questions. Bolt-ons were quite a quick way of making progress here. We've just not actually done very many.

Duncan Gillis – President, John Crane

I'm not sure what your question is.

Sandy Morris – Jefferies

Go back to what you use to tell us which was of the five, three were adjacent products like bearings, filters, couplings with market shares were just 3% or 5%.

Duncan Gillis – President, John Crane

Correct.

Sandy Morris – Jefferies

So we can make hay and the seals are more defined but it's only two out of the five. So three is a hell of an opportunity. If we can cross sell, if we can get stuff quicker to market in the phase of the stickiness. Well, we haven't done many bolt-on which would seem to be the short cut.

Duncan Gillis – President, John Crane

I'm not sure what you mean by the short cut. I'm not arguing with you about the cross sell. It's part of our strategy. It's an important part of our growth plan going forward. So I agree with that completely. Maybe I'm just being thick, I don't quite understand the shortcut.

Philip Bowman – CEO, Smiths Group plc

Sandy, does it help if I say that the range of 4% to 6% which we've been debating is an organic range?

Sandy Morris – Jefferies

So. Yes. Never mind, I do the thick a bit here. So I'll probably need to go back and compare it. It just seemed like there's a big growth opportunity in this cross selling, really big growth opportunity in this cross sell.

Duncan Gillis – President, John Crane

Beyond the 4% to 6%, you're saying.

Sandy Morris – Jefferies

Yes.

Duncan Gillis – President, John Crane

So you haven't asked the question but 25% of our customers today buy more than one product. So it's another way to think about the opportunity.

Sandy Morris – Jefferies

That's a great answer to the question I should have asked.

Philip Bowman – CEO, Smiths Group plc

Next question. Question is exhausted. Last chance.

Sandy Morris – Jefferies

Right. We used to split the markets out separately. When we look at those projects that you listed on one of the slides or the numbers, is FLNG and everything in there, how much LNG is in that? I've forgotten what slide.

Duncan Gillis – President, John Crane

You're talking about the slide with new projects that Dave Hill showed?

Sandy Morris – Jefferies

Probably, it is. I mean, it was bar chart and it has got no particular scale or anything. Yes. Whatever it was, 47.

Philip Bowman – CEO, Smiths Group plc

Can we go back to slide 47, please.

Sandy Morris – Jefferies

Because the other thing that's new in this presentation with respect -- we now talk about going through the EPCs in previous John Crane presentations, we kind of skipped them out. And the big thing for LNG in particular, if say, the BP process get settled, and you're in with BP then the odds are that other people are going to (inaudible) for LNG or FLNG and then really, that would be very helpful.

Duncan Gillis – President, John Crane

LNG would be -- the answer is, on this chart, yes, LNG is in those numbers. And if the US starts to export gas, that would be good for us. As LNG terminals are built around the world, that's very good for us as well because we're in virtually all of the LNG terminals today, we have fantastic reference projects and a fantastic track record. I mean, Dave Hill, you want to --

Dave Hill – VP, Global First Fit, John Crane

Yes, Sandy, I think the point you're making around gain in end user specification on a particular process and you sort of referenced that to FLNG is a good point. And I think to the point that Duncan raised, if you look at the FLNG install base today, irrespective of whose process it is, then the John Crane sales on those large applications.

So we did bring in the EPC piece into the discussion today. It's an important piece but that's not to the sort of detriment of working with the end users on the process side or the OEMs at the other end of the project funnel. So yes, FLNG is in the numbers and we're feeling pretty good about where we're positioned from a technology perspective. It's really a question about that market growth.

Philip Bowman – CEO, Smiths Group plc

Any other questions? If not, Duncan, do you want to say a few final words to wrap up?

Duncan Gillis – President, John Crane

Well, first of all, if we just think about the objectives that we set out for today, a big objective was to help all of you kind of better understand what we do and how we do it. And speaking with people after the tour, it seemed like in general, that went pretty well.

Secondly, in terms of disclosing our future plans, I hope you got a good sense for where we're taking this company as we go into the next chapter and how we plan to do that. I think that we've made good progress in terms of getting the skills and capabilities in place, although we have a little bit more to do. But I do think this is a very kind of exciting point in the history of John Crane and I hope that you'll agree with me that there is some exciting things to come as we go forward.

And Philip, thank you for all your support for the business over the past year.

Philip Bowman – CEO, Smiths Group plc

Duncan, thank you very much.