SMITHS GROUP INVESTOR DAY – 28 June 2011

John Crane Presentation by Paul Cox and Doug Volden

SLIDE – TITLE

SLIDE- JOHN CRANE – PAUL COX

Thank you, Philip.
Good afternoon, everybody.

I would like to introduce the John Crane team that travelled here to meet with you today.

My co-presenter is Doug Volden. Doug is our Vice President of Product Line Management and has over 29 years of experience with John Crane. Doug will be presenting our technologies and product applications.

Also present today are Keith Russell and Mike Kraus.

Keith leads the John Crane Production Solutions business unit. He has over 30 years of experience in the international and domestic oil and gas industry.

Mike Kraus leads our global marketing team.

We will all be available to you at our display stand.

We are here to talk with you about John Crane and explain why we are excited to be a part of this great business. John Crane has steadily evolved over the course of the past several years - from being known exclusively for seals and sealing products – to today providing a more extensive line of rotating equipment and artificial lift technologies and services. Roughly two thirds of our revenues arise from the servicing of our installed base using a growing network of service centers across the globe.

SLIDE – AN ATTRACTIVE INVESTMENT CASE

So why do we think John Crane is an attractive investment case? We will show you where we are geographically, where our products fit in the markets, where in particular our revenues are coming from, in terms of the legacy seals business and the complementary product lines we have added to augment our offering and our growth opportunities.

We'd like you to have a deeper understanding of our aftermarket support business and our market leading service infrastructure. We'd like you to understand the evolution of our products - what we have today and also where we're going.

With the addition of the artificial lift business we have created the John Crane Production Solutions brand and we'd like you to understand the expansion into this segment.

While the past three years have been difficult due to the global economic climate the John Crane business has proven robust – the team has strengthened the business moving the margin from 17% to the most recent reported year at 20.7%.

We feel in more normal economic conditions this business is still capable of producing organic growth between 6% and 8% whilst keeping in the upper end of the margin range. Additionally our team has demonstrated capabilities to integrate acquisitions - and there are acquisitions available to develop further value.

Recall that in our latest IMS, we noted that since January of this year, the order book has continued to grow, and our restructuring programs are on schedule and delivering savings.

SLIDE – WHAT WE DO – INVISIBLE CONTRIBUTION

John Crane products are found in applications that touch our everyday life. Our products are tucked away from view to the consumers - either in processing facilities or within pumps – so we invisibly contribute to provide the safe creation and delivery of many products you use every day. Examples include fuels – both liquid and gas, power, paper goods, pharmaceuticals, water, and the occasional tasty beverage.

SLIDE – JOHN CRANE FACT FILE – THE MARKET PLACE

This chart gives insight into the nature of John Crane for the last fiscal year.

We have updated the metrics below the sales figure to represent our current capabilities with respect to personnel and facilities. Looking at the centre chart our regional sales distribution last year shows the global nature of the business, with the majority of sales occurring in the Europe and North American markets.

We have a large installed base in these two regions and the majority of our Original Equipment manufacturer customers. The Middle East and Asia-Pac have been growing well from both existing service and new installations so over time the shape of this distribution will continue to grow in favour of the Middle East and Asia-Pacific.

Looking at sales by market sector, you can see the OPEX driven end user segments represented 63% of the revenues last year. Within this the oil and gas segment is a very important to us with 38% of our revenues.

We break out the OEM market which is mainly CAPEX driven at 37% -
it is worth noting that a significant portion of this segment is associated to oil and Gas. We estimate that roughly 55% of the overall revenues are associated with the overall oil and gas market.

Chemical processing is our next largest segment and has been hit harder during the downturn and has recovered more slowly.

The general industry contains a mix of our power, water, pulp and paper, food and beverage and other industrial customers.

We have over 200 sales and service facilities in 51 countries and sell actively into 128 countries.

Our slogan is "Around the world – around the corner".

SLIDE – JOHN CRANE SERVES A WIDE RANGE OF BLUE CHIP CUSTOMERS

Our global strength is reflected in our mix of customers shown here. It is worth noting that this is a small subset of our customer base and that no customer has typically been larger than 3% of sales in any reporting period. We have strong relationships with original equipment manufacturers that produce PUMPS, COMPRESSORS, AGITATORS, and TURBINES.

In many cases we have joint development programs to develop the technologies to meet market demands for higher pressures, larger sizes as well as products that will operate in new or increasingly corrosive and abrasive environments.

We have strong relationships with our end user customer base – indeed our business is driven from a customer intimacy model. We have several Global supply agreements with major End User customers.

These customers are increasingly looking to improve their own operational performance and require suppliers that can directly contribute to these improvements. With the increasing range of products and technical solutions - and the ability to supply higher performing and more reliable products, John Crane is able to achieve a primary or preferred business partner status with many of our customers.

SLIDE – LEADING SERVICE NETWORK

Our leading service network - filled with trained and capable service personnel- is one of our core strengths. We have continued to build our network to capture service revenues arising from our customers' new installations.

This chart indicates our network five years ago ----- where we are today ------- and where we anticipate to expand in the next five years.

Today we are on track open a major capability in Dubai to greatly enhance our service capabilities in the Middle East, approvals to move ahead with an expanded presence in Russia and plans being developed for additional installations or enhancements to China, India, Malaysia, South Korea and Australia among others.

True to our slogan of “Around the World, around the corner” – we will continue to enhance this capability particularly in the areas experiencing or set to experience growth of our installed products.

SLIDE – JOHN CRANE HISTORICAL OVERVIEW

This chart indicates John Crane’s recent historical performance, with last year's sales of £786 million and margins of 20.7%. Organic growth over the last three years is around 1%, which is below the normal long-term growth target - but the trading conditions in this period were anything but normal. In the period 2005 through 2008 we experienced organic growth of 6.5%.

Margins have been progressed during the past several years assisted greatly through the re-structuring of John Crane into a single business and the team’s relentless focus on operational improvements as well as taking advantage of opportunities to leverage scale with other Smiths group companies.

The animation on the lower portion of the chart steps through how we have changed the addressable market through additions of new bolt on acquisitions. You can see that we started the move to expand the product range at an addressable market of 2B - and through acquisitions we have more than doubled our addressable markets. We will cover our additional opportunities for value creation in acquisitions later today.

SLIDE – GLOBAL INFRASTRUCTURE INVESTMENTS – KEY DRIVERS

Demand for John Crane service and products is driven by the operations needs of the global infrastructure and the continued investment to support demand. We believe there are several key drivers present that give rise to our demand,
such as an increased desire for energy independence as security of energy supply is becoming important for states around the world. Regulatory and environmental requirements - For instance, carbon emissions. Either from a reduction of carbon or the potentially movement and storage.

There is certainly a need to renew or improve the existing infrastructure to gain more efficiency or to handle different crude supplies. Demographics drive underlying demand for the end products which in turn drives use and eventually servicing of our products. Of course demand also drives the size of the infrastructure and capital spending

I will now spend a few moments reviewing the growth drivers of our key markets.

SLIDE – MARKET UPDATE: OIL INDUSTRY

Our biggest market sector is oil and gas. A good bit of our recent order book growth is coming from investments in the oil market. The oil market driver for John Crane is related to the amount of demand for oil and oil derived products in the world.

The July 2010 EIA forecast for the demand is shown on this chart and the production curve represents why we believe that this market remains attractive now and for the long term. What's not shown in the production forecast is the increased complexity of the mix of oils being processed and the demands for decreased environmental impact from oil and gas operations – which drives upgrades in addition to capacity requirements.

In the oil market, John Crane has historically been mainly in refining because that's where you'll find the majority of the pumps.

With our expansion of products, we are able to sell the full line into the customers and leverage our installations out in the network and our service network to capture opportunities that these acquired companies could not afford to address in the past.

In the upstream segment of the oil market our winning combination of services and fibreglass sucker rod products is gaining traction. The John Crane brand has creating credibility in addition to the leverage we have in our supply chain.

Our Romanian contract is going well and we are actively seeking similar opportunities with other National Oil companies using our Romanian experience as a reference.

SLIDE – JOHN CRANE: OIL PRICE HAS LIMITED IMPACT

This chart shows the relationship of oil price and our business.

Oil price has had a wild ride over the last few years. It drives some changes in our demand, but it's not a linear or straightforward relationship. We thrive best in a mid-range oil price scenario.

In this range our full spectrum of customers, from our upstream, midstream, and downstream customers, all enjoy the kind of margins that they want and are encouraged to operate their maintenance programs on time, invest in upgrades or new capacity. High oil prices drive the upstream to pump and expand as much as possible.

The midstream is more or less indifferent, being more purely demand driven.

Our downstream customers suffer on a margin basis, which causes them to minimize operational costs and delay any upgrades. Low oil prices basically drive the upstream reduce or in some cases stop pumping, which reduces maintenance needs and delay projects. And the midstream, again, is more or less not driven by the price; they're driven by the demand.

You can see, depending on where the price of oil goes, it either pinches the refinery or it pinches the upstream, but it reflects in our business in terms of stretching out maintenance contracts, maintenance periods, or delaying new infrastructure buys.

When we see a protracted stay on one side or the other of this range is when we see a change in customer demand. Either a drive to get projects in place or paring back maintenance programs.

SLIDE – MARKET UPDATE: GAS INDUSTRY

For the gas market we've got an expanded range of products and the technology position to address this market. Similar to the oil story, gas demand is forecast to continue to grow, with liquid natural gas, or LNG capacity, forecasted to continue to grow.

Some additional interest is coming through the doubts surrounding the future builds in nuclear power which may add some drive to this area. This is an opportunity for us in our Artificial Lift business, as artificial lift can be used to remove water from gas fields.

We have a technology leadership position for LNG projects with our gas seals and we're expanding the sales force and service networks to capture aftermarket support to reach key installations.

SLIDE – MARKET UPDATE: POWER INDUSTRY

The power market is another sector which while not large today for John Crane - holds the prospects for good growth. There are major expansions planned and underway in Asia and the Middle East, with renewed interest in nuclear power, and carbon capture, driven by environmental impact initiatives.

Much of our bearing business is in the power market and we seek ways to expand this business through leveraging our relationships in the OEMs and building a capability to address the service market. I expect our team to deliver more growth in power moving forward.

SLIDE – MARKET UPDATE: CHEMICAL PROCESSING INDUSTRY

Our chemical and pharmaceutical processing market was one of the hardest hit by the economy. These producers are more directly linked to GDP, automotive demand and consumer activity. The only bright spot over the last few years have been some new build activity in the Middle East and Asia-Pac.

SLIDE – MARKET UPDATE: GENERAL INDUSTRY

Wrapping up the market segments is general industry. Here we place pulp, paper, water, refrigeration and other pump markets, which all have ties in some way to GDP and population growth.

The highlights of this sector going forward are water and the migration of manufacturing from pulp and paper to shift more capacity to the Asia-Pac region.

When it comes to a broader base of general industry, we're selective about what we go after because the margins are less interesting.

I will hand the next portion of the presentation over to Doug Volden, Vice president of product line management for John Crane.

SLIDE – JOHN CRANE - TECHNOLOGY – EXPERTISE – GLOBAL SERVICES – DOUG VOLDEN

Thank you Paul, and good afternoon everyone,

Within the fluid handling industry, the John Crane brand is highly recognized and respected with a long successful history as a specialized engineered products company.

Founded in Chicago, not far from our current global headquarters in Morton Grove Illinois, we are proudly closing in on our 100 year anniversary. Over the next few minutes I will cover the expanded scope of products we offer today, the select markets we serve and most importantly the direct end user customer service interface that drives our aftermarket business model.

John Crane is the market leader, providing high value, reliability enhancing, rotating equipment solutions for critical customer applications across the process industries.

SLIDE – 2011 CURRENT MARKETS STRATEGIC EXPANSION POTENTIAL

We estimate the total worldwide industrial process equipment market at roughly c£50b. This covers a broad range of products from pumps to valves to seals.

Within our traditional product lines of seals, systems and high performance couplings John Crane is the market leader with a 30% share in an estimated c£2.3b market.

The addition of our recent product line adjacencies have expanded the addressable market we serve to c£5b. With a market share of only 3-5% in these products areas this provides significant opportunities for future growth.

Strategically the new product line adjacencies fit with our rotating equipment expertise, are high value engineered technologies, have an aftermarket service cycle and avoid competitive conflict with our OEM customers. (pumps in particular).

SLIDE – ROTATING EQUIPMENT BUSINESS MODEL – INSTALLED EXPANSION CYCLE

The basic business model of John Crane centers around globally expanding the aftermarket base of equipment into which our products are specified and installed.

The primary channels to market are CAPEX driven through the OEM on the new equipment side or direct to the end user at the plant level into existing equipment. The sales revenue split as noted earlier by Paul is historically about 1/3 OEM and 2/3 direct to the end user.

This ratio has a somewhat cyclical nature but maintaining this balance is a key element to investing in projects to seed our installed base, sustaining profitability and keeping highly engaged at the end user interface in the aftermarket.

Dedicated, direct on-site customer service coupled with the technical expertise and product technologies we offer, drives our value proposition and differentiates John

Crane from competition. As we develop closer relationships and partnerships with our end user customers it allows us to further add value through new products and adjacent lines.

As a supplier partner we are often hard specified up front on new projects or at least the preferred supplier of choice.

SLIDE – A STRATEGIC PORTFOLIO OF PRODUCTS & SERVICES

John Crane's primary business was built around and continues to be engineered sealing systems. While we are diversifying our product portfolio, seals still represents over 75% of our total sales revenue.

Leveraging our rotating equipment technical expertise and strong aftermarket customer base position we have added high performance couplings, hydrodynamic bearings, filtration systems and artificial lift systems.

We internally segment these into two categories of products "Rotating Equipment" which is about 90% of the business and "Production Solutions" or Artificial Lift the other 10%. A key element common to each of these product areas is the scale-ability of the aftermarket service potential through our global infrastructure footprint.

SLIDE – ROTATING EQUIPMENT TECHNOLOGIES AND PRODUCTS

This slide illustrates graphically how the addition of the new product adjacencies have not only expanded the product offering on a typical piece of rotating equipment that we service but have increased the ongoing aftermarket value to John Crane associated with that customers equipment installed base.

This example is for a typical centrifugal gas compressor train, of which a scaled down model can be viewed out in the exhibit area, however this could just as well be a pumping system platform.

So as we evolve from being primarily a seal company we've effectively increased the first fit potential value of John Crane supplied product by more than 40%.

SLIDE – PRODUCT SOLUTIONS – PRODUCTS AND SERVICES

The other developing area of our business is Production Solutions. This segment is solely focused on the on-shore Upstream Oil and Gas industry. Specifically they provide artificial lift pumping system products and services.

Their primary products include steel and fiberglass sucker rods, tubing and pump inserts which are essentially "downhole pumps" and automated pump systems that deliver significantly improved well efficiencies.

SLIDE - ARTIFICIAL LIFT GROWING OPPORTUNITIES

The advantages that Production Solution products provide include lower lifting costs, the fiberglass sucker rods are lighter and stronger than steel and non-corrosive.

These are key elements to maximizing production on new wells and up-rating the production on older established fields.

For more specific information about this important product and market growth area our Oil Field expert Keith Russell who Paul introduced earlier is available to answer your questions.

SLIDE – CUSTOMER INTIMACY IS JOHN CRANE DIFFERENTIATOR

We've talked a lot about our product technologies and service network footprint however we really consider the direct on-site customer relationship as the foundation to our business.

As noted earlier we estimate that over 40% of our employees are in some form of customer facing role. Within the processing industries proven field performance and the ability to provide cooperative solutions to problem applications form the basis for long term mutually beneficial relationships.

SLIDE – CUSTOMER INTIMACY – CHEVRON GLOBAL PARTNERSHIP

An example of this is our partnership with Chevron.

We initially signed a global preferred supplier agreement with them back in 2002. This agreement today provides John Crane with primary supplier status on project, upgrades, conversions and new seals and couplings. Over this period we have moved our installed base of seals from approximately 40% to 75%.

Chevron benefits though special discounting and dedicated services including in plant engineers. Projected sales to Chevron for 2011 will exceed £10m.

John Crane is rated on site metrics and achievement of specific program goals while working cooperatively on inventory optimization and action plans for bad actors. John Crane's supplier rating by Chevron is "Outstanding".

We are now further leveraging this relationship to Production Solution opportunities at upstream sites. In particular Chevron Australia where 300+ beam pumps are being evaluated for well upgrading.

SLIDE – STRATEGY FOR VALUE CREATION

At John Crane we have had great support from Smiths Group to strengthen the business and deliver improved margins. From here we see the following main themes for Value creation.

First revenue growth arising from the expanded opportunities with the expanded solutions and products we offer our customers. We have customers today who purchase multiple product lines but the majority are not purchasing our full range when they could.

While this is a risk adverse user community we have made progress in the past few years making inroads and we will continue to bring the full solution set to bear to produce more revenue growth opportunities. The product lines are not static and as I will cover in a moment we have some exciting developments ongoing which will bring further opportunities.

Our service network continues to evolve and expand to position us for service revenues from new installations. We are also still leveraging our restructuring and data systems to bring some additional cost savings to support the margins going forward.

SLIDE – INVESTMENT IN NEW PRODUCT DEVELOPMENT

Investment in technology through research and new product development is a key component underpinning John Crane's overall growth and customer value creation strategy.

We continue to support and build on the industry recognized technical leadership position that we have established across each of our product lines.
Today's investments include research and development of enabling technologies such as advanced materials and proprietary analytical tools, the building of new high performance testing equipment, customer specific joint product development programs and new product solutions addressing emerging market needs like CO_2 storage and transport, Enhanced Oil Recovery, energy efficient products through reducing the energy consumption requirements of rotating equipment, condition monitoring predictive "smart" systems and zero emission seals.

Providing service expertise and improving reliability through technology based solutions is core to satisfying our customers primary business need and value generation driver; keeping their processing equipment "up and running".

SLIDE – INVESTING IN GLOBAL MARKETS

Earlier we covered our extensive capabilities in service – as this map recalls we see significant opportunities to build this capability through organic investment to service new installations as well as enhance existing service centers.

This does not require substantial incremental investment but positioning our service capabilities close to our customers' operations is an important part of the

John Crane model. The focus areas for these expansions are in markets with growth in installed base.

In addition to investing in growth opportunities, we have also made significant progress in delivering operational efficiencies and enhancing our margins.

SLIDE – RESTRUCTURING FOR BETTER CUSTOMER SERVICE AND LOWER COSTS

We restructured and went to one global organisation in August of 2008.The restructuring program has gone extremely well and we are pleased to be delivering on the goals set three years ago. You can see the restructuring costs through January 2011 were at £15 million.

We expect to have about £4 million more of costs and we're indicating
£6 million in additional savings for a total program of £25 million in benefits as we exit the year. We see further opportunities to deliver savings – particularly as we look to rationalise some of our support functions. In addition we have been building a culture of continuous improvement to enhance our margins.

SLIDE – STRATEGY FOR VALUE CREATION

The strategy around driving values from our acquisitions is stated here.

We look for acquisition opportunities that allow us to either:

Leverage our current customer relationships or theirs,
Bring service revenues either today or the possibility tomorrow,
Bring a new solution set to discuss with our customers, or extends our installed base for the current set.

We think these criteria drive value through John Crane as the best owners and gaining the leverage of the combination. Hopefully you have had some time to examine the product displays.

What I'd like to do is discuss some of the strategy related to the recent acquisitions. First of all, if you look at the engineered bearings companies Sartorius and Orion, the key thing that you should take away is these are wear products that are part of the total process flow or the skid that our customers operate.

If you press the model buttons, you see a typical skid has a motor, a coupling, multiple bearings, mechanical seals, a seal support system, and the filters across the skid.

So by buying the bearing companies, it allowed us to play in the same market, in the same industries, with the same customers.

Sartorius was our first acquisition and then we followed up with Orion.

What that did was it allowed us to get two good players, one in Europe and one in the Americas with good customers like Siemens, MAN Turbo, and GE.

By adding bearings, we can address some nice penetration opportunities by combining our supply base and the global sales and service network. The acquisition of Indufil brought added the filter product line.

Filter products are actually a key component in our sealing support systems and in several of the systems in the processing plants – we sourced this component as did our customers.

By getting into the filter business we are able to leverage both the John Crane Sealing Support business demand and the customer demand through the John Crane global sales team to create a nice growth opportunity.

The filter is a complementary technology used by our customers and contains a nice aftermarket opportunity and you can see how it's tied to the whole skid by examining the model in the back of the room.

The next technology area we expanded into is a technique used in oil and gas production called artificial lift where we created john crane production solutions. The nice thing about the business is that the basic John Crane service model existed in what we acquired – only smaller.

You can see in our displays we have fibreglass and steel sucker rods as well as pumps as product offerings but that's just part of the business. The real opportunity is service and repair of the customers artificial lift environment.

The reason John Crane is a great owner is that we have strong customer contacts and references with the major oil companies or the national oil companies.

We do very well with them, and we seek to leverage this upstream business into these customers to create further opportunities to grow. Our best example is the first one we did with Petrom in Romania where we've been able to grow the business to over £10 million, providing them a service solution, and also leveraging our parts and components in with them.

There are a number of potential international customers in this area where we'll seek to grow this business model.

SLIDE – JOHN CRANE – BUSINESS PRIORITIES

Our business priorities are aligned with the strategies described today – We will continue to leverage our expanded set of solutions through our global footprint

The current CAPEX cycle presents us with many opportunities to secure new installations of equipment for later servicing – we are tracking these and capturing our share of opportunities.

As we discussed earlier the service network and products offered continue to evolve to improve the customer experience.

We must continue to improve leveraging of our manufacturing footprint

And we feel there are acquisition opportunities that meet our criteria available – and we are increasing our focus in this area

We feel, given the acquisitions potential, given the globalization of John Crane, that in normal economic conditions we are capable to be able to grow our sales growth between 6% and 8%.

You can see the last three year period hasn't produced our target growth – however the first half of this year, we grew 12% organically.

Since then we issued an RNS indicating we continue to see order book strengthening. Our profitability has risen since we started the restructuring three years ago from 16% to a last full report reported 20.7%.

Through further efficiencies we see scope to improve our margins further to the upper end of the target range set out here.

SLIDE – JOHN CRANE – AN ATTRACTIVE INVESTMENT CASE

I hope that today gave you an idea of our market leadership, the long term strength of the end markets, the opportunities we have to leverage our expanded product range, the opportunities to further expand our product and service range and the kind of barriers to entry that exist.

This is a resilient business – the majority of revenue is in the aftermarket which we consider more defensive because it's more opex driven rather than capex driven.

We have an excellent geographic coverage and we've given you some metrics and maps to demonstrate how we are expanding our footprint in emerging markets.

I hope someday you might get a chance to visit one of our facilities,
you'll get a sense of the quality of facilities we have around the globe and you can get an idea the strength of our service infrastructure.

Our leading technologies give us competitive advantage and I hope the presentation gave you some initial insights into our technological strengths.

You can see more on the displays and get a sense of the kind of engineering that goes into our products.

We have shown an ability to both weather the economic storm and to produce good growth when available.

Thanks for your attention.

I will now hand over to Philip to chair the Q&A session.

QUESTIONS AND ANSWERS

PHILIP BOWMAN – CEO – SMITHS GROUP

Paul, thank you very much. And thank you also, Doug, for your part of the presentation. Division 5 Q & A.
Yes? Fourth row back, from the left-hand side, please.

UNIDENTIFIED AUDIENCE MEMBER

Two questions, if you can -- has the current unrest in the Middle East and North Africa impacted your business? Have you seen anything changing over the last few months as the situation has developed?

And if you can just talk a little bit about the asbestos liability and how that is developing at the moment, loss ratios, and potential maybe to expand that question into back to the beginning of the presentation this morning when we talked about managing the liabilities and any options that are there for setting off that liability?

PHILIP BOWMAN – CEO – SMITHS GROUP

I think I'll respond to the questions on the JCI asbestos liability. But, Paul, do you want to take the other question first?

PAUL COX – PRESIDENT, JOHN CRANE

Certainly - The North Africa unrest -- even certainly we have facilities in Libya, we have facilities in Egypt, et cetera. As they said, we're around the world, around the corner, so that's a double-edged sword.

We did see pause in activity perhaps in Bahrain. We're back to work. In Egypt, we're kind of back to work, and we had a more (inaudible) there. And we had higher hopes -- I think we had some real opportunities in (inaudible) so that's more impacting – delaying some (inaudible). But, it's not substantial in terms of what we saw in this year because we were back to work with them a week or two weeks, [with] each of them.

PHILIP BOWMAN – CEO – SMITHS GROUP

And it's not only for that matter, John Crane has been affected by that, for example, Detection had a contract to re-equip part of Tripoli Airport. And I have to say I'm not leading the charge to go out there and do that at the moment.

In terms of asbestos, I did talk this morning about the management of these legacy liabilities and I talked about it to some extent in the context, firstly, of the cash drain, and secondly, in terms of the impact it has on strategic flexibility. The area I didn't mention is just the sheer amount of management time that does go into managing these.

Michael Herlihy, our General Counsel who's not here, plus other people in the legal function spend a significant amount of time on this legacy issue. And I have to say I have learned more about asbestos litigation than I ever hoped to or ever wanted to in this process.

The starting premise, as I said, this morning is that we assert the safe product defense. And candidly, given the number of cases that have been filed against us and the number of cases that have gone to trial over the past 25 years that has stood us in very good standing.

The provision, as I noted, gets updated every six months, Provision 4 Adverse Judgments, that's based on effectively historical data and it's refreshed each time. And you will have seen over the last three years, actually, we have experienced a rather better set of results in terms of litigation than was the case in some other years.

The reality, though, is this is a money-making operation for the plaintiffs bar. And where they see the opportunity to make money, they will continue to litigate. The positives, I think, are firstly, we have been quite successful over the course of the last three years in clearing down the number of outstanding cases against the company. Many of those were effectively dormant and have now been struck out, a number of other steps have been taken.

The other area we worked harder on is to refresh our approach to the litigation and how we defend the litigation. And the results of that is very frequently we get dismissed. Although we get named in the suit, we get dismissed before it goes to trial. It's not necessarily helpful for the plaintiffs to have somebody who is going to fight every inch of the way.

The question you really asked is, one, can we do anything to defuse this liability? And I think my answer to you is you can always do something but be careful what you wish for if you do it.

Firstly, to bid off the spread, to defease asbestos litigation liabilities is very wide. And certainly, the discussions I have had in the time I've been here to look at the possibility of effectively either disposing of the liability or insuring it is not one that looks particularly attractive or indeed even remotely attractive.

The other issue is that if you were to seek to divest or dispose of this liability, the very likely arrangement would be that you would get a certain level of cover. And then if you blew through that level of cover, it would come back to you.

One of the great strengths of continuing to control the litigation process ourselves is that we are able to set a consistent method of defending these cases and that would not necessarily be something if there was an insurance underwriter or someone else there.

I commented this morning that we forecast 10 years ahead, but we are likely to be fighting these cases for longer. Certainly, the statistics suggest that we should be not entirely out of the woods by 20 years but it will certainly be getting towards the end then.

So, I think it's something we continue to manage actively. We continue to look at any opportunities to defease this. But it is something that is not particularly apparent to the outside world, it does take a lot of resource to manage it effectively. And if you don't manage it effectively, clearly, that would be unfortunate.

Next question? Yes? On the right-hand side.

UNIDENTIFIED AUDIENCE MEMBER

Given the outstanding performance of this division not only within your company, but obviously industry-wide and throughout a very difficult period, would it be safe to assume that your incremental investment in this sector would be a high priority, vis-à-vis some of the other sectors we've talked about today?

PHILIP BOWMAN – CEO – SMITHS GROUP

I can only really comment in terms of what we've done over the past four years. And in those figures I quoted this morning, approximately half of our investment has gone into John Crane and a bit short of that went into Interconnect. So certainly, Crane is a very attractive business to us given the high level of annuity-style revenue that comes from the aftermarket, and it's certainly an area where we continue to look on -- look for bolt on acquisitions.

Any other questions on John Crane?

Oh, I can't. No, he's in the shadow again. Sandy?

SANDY MORRIS – RBS

Yes, so I seemed prudent.

PHILIP BOWMAN – CEO – SMITHS GROUP

A twilight dweller.

SANDY MORRIS – RBS

Yes. Well, this is getting increasingly dark where I (inaudible). And this is just a fairly blunt and horrible question. I mean, having looked at Crane for years, our market share has been 30%. And when we bought Sartorius, Orion and everything, our market shares were 3% to 5%. And two or three years on, we same to have exactly the same numbers. So, there's sort of a question mark there as to the success of the strategy.

And if someone would bear with me as a layman, why is it called artificial lift? And what will be the big driver that makes people actually change over? I mean, is it issues with the recoverability out of the wells, or is it just when the existing kit wears out then you can get them to adopt a new solution?

PHILIP BOWMAN – CEO – SMITHS GROUP

I'm going to ask Keith to address the second of those questions, Sandy, while Paul and Doug meditate on the first one. So, Keith, do you want to go first?

KEITH RUSSELL – VP, JOHN CRANE

Great, thank you. Yes. Well, I guess –

PHILIP BOWMAN – CEO – SMITHS GROUP

Could we have a microphone up here, please? You got one? It didn't sound as though you did.

KEITH RUSSELL – VP, JOHN CRANE

I guess the first part of that question is why is it called artificial lift. The whole segment is called artificial lift, and it's in wells that don't have sufficient pressure to lift fluid to the surface. You artificially add pressure, hence, the name artificial lift. And I guess why you would select ours over others, I think each different type of artificial lift is more driven by the well and the nature of the reservoir than any competitive strategy between artificial lift types.

So most often, a pump that would be on rod lift is defined by a certain fluid property and flow rate characteristic. The good news is that many of the new wells being drilled especially in North America, the shale oil plays, fit very tightly in the niche of artificial lifts. So it's a very rapidly expanding market for our type of artificial lift. Thank you.

SANDY MORRIS – RBS

So, that's just all driven by pressure? I'm sorry, but the last bit -- we were joking about this the other day, you causing earthquakes around [Blackpool] and so on. I mean, that's --

PHILIP BOWMAN – CEO – SMITHS GROUP

I don't think it was Keith personally.

SANDY MORRIS – RBS

But that's just some low pressure absolutely suits you. And the application for this is, what sort of depth just so I'll understand where this is going?

KEITH RUSSELL – VP, JOHN CRANE

Okay. Yes. Really, any well of any depth can deplete in pressure to the point where it needs a pump in the bottom to lift the liquid out. We can setup pump anywhere in the well from a few feet down to -- it could be 15,000 feet down. So, it applies to almost any well. The typical range is more in the less than 10,000-foot range.

SANDY MORRIS – RBS

And does that cover really deepwater off-shore stuff then, or is that not your patch?

KEITH RUSSELL – VP, JOHN CRANE

Artificial lift is used off-shore. Our beam pump technique or the type that where we supply is most typically used on land.

SANDY MORRIS – RBS

And we're not on the [offshore drilling].

PHILIP BOWMAN – CEO – SMITHS GROUP

And never will be.

KEITH RUSSELL – VP, JOHN CRANE

Very rare. And in a few countries, they put a beam pump on a platform but it's very unusual. So, typically, no.

PHILIP BOWMAN – CEO – SMITHS GROUP

Paul, answer the first question, why is your market share apparently stuck at 30?

PAUL COX – PRESIDENT, JOHN CRANE

Well, I think the (inaudible) I think you have to look at the installed base. We're operating [over] a very large installed base. So with [A30], we need a variety of industry reports, the (inaudible) European Association –

PHILIP BOWMAN – CEO – SMITHS GROUP

FSA.

PAUL COX – PRESIDENT, JOHN CRANE

The FSA reports, which are all part of industry -- anonymous industry reports that go in an and report the sales. Right now, that's -- that is roughly we're at, 30%. It's been, as you said, were the major seal manufacturer (inaudible) docking around the same sort of level performance for some period of time. But we are going against a fairly substantial install base. I'd say moving the needle on a very large install base is a difficult thing to do.

On the 3% to 5%, I think, you have to look at the context of when these businesses. And I think, we need a bit more of a chance on it because this wasn't exactly the greatest time to swing into gear here in the last two or three years in terms of really gaining share.

It's proven -- I will say it's proven more difficult to get seals sales people to fully embrace the wide range of technologies. We're much further prepared for that now than we were when we first started, with probably -- potentially naive [believe it] a little bit easier than it's going to be. But we have the technical experts in the field. And I feel that we'll start seeing the needle moving.

SANDY MORRIS – RBS

(inaudible) laboring this. We needed to try and -- I mean, I felt we were just bounce in, with all my naiveté. And the customers like Chevron would say, hey, fine, great, just one supplier rather than three or four. It doesn't cut that way by the looks of it. And we've been talking about trying to reach some arrangement with OEMs or something to further this along.

But which I think we were discussing down in the Czech Republic whenever that was, two years ago. And I haven't actually seen anything -- good time -- a bad time I understand. You know, I'm not trying to be short-term, it's just that when you're at my age, two to three years is kind of the expiry date.

PAUL COX – PRESIDENT, JOHN CRANE

Well, I don't don't blame your impatience. But I would say this isn't a (inaudible) presentation. This is a risk adverse (inaudible). And so, if you look at the OEM side, we are actually making some progress in terms of selling and cross-selling our bearings into several OEMs who didn't purchase the bearings before and are purchasing now because of the seals (inaudible).

On the replacement cycle, we're looking at cycles that are two or three years long. So, it's going to take some time to build the momentum. It's a slow crawl, not a burst of energy. People don't switch over immediately because they are trained or they have experience (inaudible). So, we have to get qualified and get the (inaudible) as well. It's a slow (inaudible).

PHILIP BOWMAN – CEO – SMITHS GROUP

Thank you, Sandy.

Any other questions on John Crane? Paul, I think you have exhausted the questions. So thank you to you, Keith, and to Doug. And I think you can sit back down.