2010 Preliminary Results

3 March 2011

Martin Lamb

Key Priorities

1. Strategic convergence
2. Growth acceleration
3. Margin improvement
4. Balance sheet utilisation

Agenda

• Results overview	Douglas Hurt
• Zimmermann & Jansen	Ian Whiting
• Key priorities	Martin Lamb
• Closing remarks	Norman Askew
• Questions and answers	

Results Overview

Douglas Hurt

Results overview

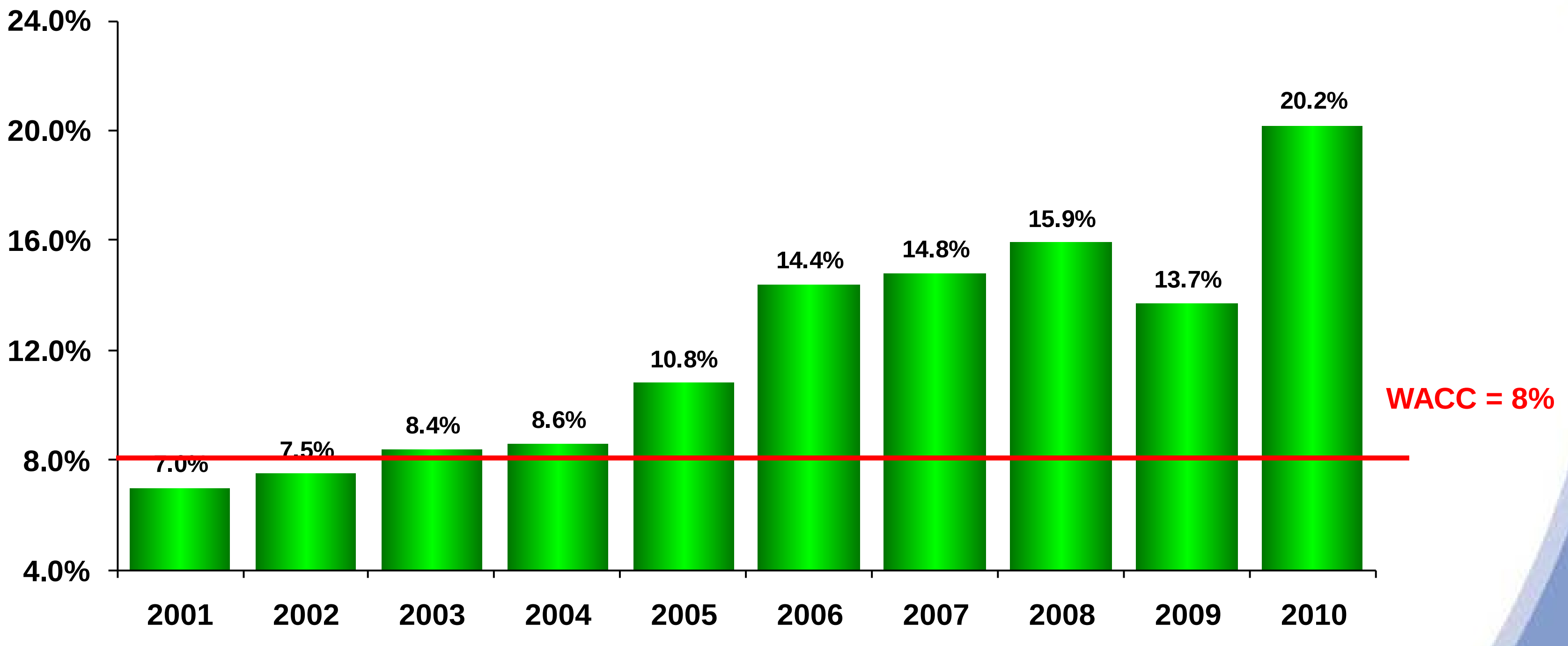
£m	**2010**	2009	*change %*
Revenue	**1,911**	1,792	*7%*
organic revenue growth			*6%*
Segmental operating profit	**319.7**	234.2	*37%*
Segmental operating margins	**16.7%**	13.1%	
Adjusted eps	**66.3p**	45.8p	*45%*
Full year dividend	**26.0p**	21.2p	*23%*

Results overview

£m	2010	2009	*change*
Segmental operating profit	**319.7**	234.2	*+37%*
Interest	**(15.3)**	(18.5)	
Net pension finance expense	**-**	(4.0)	
Profit before tax before exceptional items	**304.4**	211.7	*+44%*
Restructuring costs	**(16.0)**	(34.9)	
UK employee benefit curtailment gain	**15.1**	-	
Acquired intangible amortisation	**(7.0)**	(7.2)	
IAS39 adjustment	**9.6**	16.6	
Profit before tax	**306.1**	186.2	*+64%*
Taxation	**(92.5)**	(53.8)	
Profit from continuing operations	**213.6**	132.4	*+61%*
Discontinued operations, net of tax	**12.8**	-	
Total profit for the year	**226.4**	132.4	*+71%*

Return on capital

Post tax return on invested capital*



* Segmental operating profit after tax divided by the average invested capital of the group

Severe Service

IMI

£m	H1	H2	2010 Year	2009 Year
Sales	**217**	**235**	**452**	512
Organic growth %	***-15***	***-13***	***-14***	*+3*
Operating profit	**38.4**	**40.0**	**78.4**	101.4
Operating margin %	***17.7***	***17.0***	***17.3***	*19.8*

- Revenue decline reflects lower order intake in 2009
- Oil & Gas and Fossil Power shipments significantly down, smaller decline in Nuclear
- Continued growth in Aftermarket
- Opened new low cost manufacturing facilities in the Czech Republic and India

Severe Service
Order Intake

	2010 vs 2009	
Fossil Power	(20%)	Increased quotation activity slow to convert into orders
Oil & Gas	+70%	LNG markets entering new construction cycle
Nuclear	(10%)	H2 2009 included £28m EDF fuel storage racking order
Aftermarket	(5%)	Modest reduction on strong order intake in 2009
Total	+3%	

- Overall Severe Service order book up 17% at year end
- Order book supports return to growth in 2011
- 2011 H1 margin will be impacted by unfavourable mix of lower margin Nuclear and Oil and Gas projects

Fluid Power

£m	**H1**	**H2**	**2010 Year**	2009 Year
Sales	**333**	**352**	**685**	520
Organic growth %	***+31***	***+32***	***+31***	*-31*
Operating profit	**49.8**	**63.9**	**113.7**	32.8
Operating margin %	***15.0***	***18.2***	***16.6***	*6.3*

- Continued strong recovery in volumes in H2 with further improvement in operating margins
- Strong growth and rebound in sector business up 38%
  - Commercial vehicles up 47%
  - Food & Beverage up 39%
  - Life Sciences up 18%
- Positive momentum maintained into 2011

Indoor Climate

£m	**H1**	**H2**	**2010 Year**	2009 Year
Sales	**142**	**154**	**296**	292
Organic growth %	***-1***	***+4***	***+2***	*-4*
Operating profit	**30.8**	**39.5**	**70.3**	60.7
Operating margin %	***21.7***	***25.6***	***23.8***	*20.8*

- Return to organic growth in H2 driven by refurbishment markets
- Further investment in seminars with over 60,000 attendees globally
- Significant margin improvement in H2 and full year
  - Further operational efficiencies
  - Positive sales mix
  - One off legal cost recovery

Beverage Dispense

£m	H1	H2	2010 Year	2009 Year
Sales	**159**	**156**	**315**	297
Organic growth %	***+3***	***+6***	***+5***	*-15*
Operating profit	**16.9**	**15.1**	**32.0**	21.1
Operating margin %	***10.6***	***9.7***	***10.2***	*7.1*

- Organic growth stronger in H2
  - Continued good momentum in North America and China
  - European markets more challenging
- Continued focus on improving the quality of the business
  - Good progress made on operating margins
- Strong pipeline of new product development targeted at variety, convenience, health and indulgence

Merchandising

£m	H1	H2	2010 Year	2009 Year
Sales	**76**	**93**	**169**	164
Organic growth %	***-12***	***+16***	***+2***	*-29*
Operating profit	**9.7**	**15.6**	**25.3**	18.2
Operating margin %	***12.8***	***16.8***	***15.0***	*11.1*

- Good recovery in H2 activity levels, benefiting from project wins in automotive sector
  - Cosmetics sector more challenging
- Significant uplift in H2 operating margins
- Continued prioritisation of higher margin, differentiated project opportunities
- Opening "In-Vision" customer experience centre in US

Operating cash flow summary

£m	**2010**	2009	*Change*
EBITDA*	**369**	262	
Working capital	**33**	61	
Capital expenditure	**(51)**	(42)	
Employee benefit movement	**(21)**	(12)	
Asset sales/other	**5**	9	
Operating cash flow	**335**	278	*+21%*
Interest and derivatives	**(12)**	(27)	
Tax	**(56)**	(53)	
Cash generation	**267**	198	
Severe Service investigation costs	**(4)**	(13)	
Refund of EU fine	**5**	-	
Special pension contributions	**(65)**	(17)	
Cash flow before corporate activity	**203**	168	*+21%*

* After restructuring costs

Net cash flow summary

£m	**2010**	2009	*Change*
Cash flow before corporate activity	**203**	168	*+21%*
Corporate activity:			
Acquisitions	**(130)**	(19)	
Polypipe earnout recovery	**8**	-	
Dividend to minority / others	**(1)**	(2)	
Investment by pension fund	**49**	-	
Shareholder activity:			
Dividends	**(71)**	(66)	
Employee share trust purchases	**(28)**	1	
Net cash flow	**30**	82	*-63%*
Opening net (borrowings)	**(172)**	(299)	
Foreign exchange revaluation	**(3)**	45	
Closing net (borrowings)	**(145)**	(172)	*-16%*

Balance sheet

£m	**Dec 2010**	Dec 2009
Shareholders' funds	**526**	400
Net debt	**145**	172
Gearing	***28%***	*43%*
Continuing businesses:		
EBITDA	**369.2**	262.5
Interest costs	**15.3**	18.5
Net debt / EBITDA	***0.4x***	*0.7x*
EBITDA / interest	***24.1x***	*14.2x*

Pensions – IAS 19

£m	**Dec 2010**	Jun 2010	Dec 2009
Assets	**1,115**	1,031	1,043
Liabilities	**(1,314)**	(1,360)	(1,301)
Deficit	**(199)**	(329)	(258)

- Closed UK pension fund to future accrual with effect from 31 December 2010, curtailment gain in H2 of £15m
- Measures implemented in H1 to reduce volatility and mortality risk
  - £325m bulk annuity “buy-in”
  - Additional contribution made of £49m to cover funding strain
  - Fund invested in SPV to secure £4.4m pa income stream
- Next actuarial valuation March 2011

Summary

• Revenue	£1,911m	+7%
- *Organic revenue growth*	*+6%*	
• Segmental operating profit	£319.7m	+37%
• Segmental operating margin	16.7%	
• Adjusted earnings per share*	66.3p	+45%
• Net debt	£145m	
- *Cash conversion*	*110%*	
- *Net debt / EBITDA*	*0.4x*	
• Full year dividend	26.0p	+23%

* Before the after tax cost of exceptional items

Zimmermann & Jansen

Ian Whiting

Zimmermann & Jansen Overview

	Refining/Petrochem	Iron & Steel	Service
Segments			
Products	Valves for: • Ethylene/propylene production • Fluidized catalytic cracking in refineries • Coking production	Blast furnace focus: • Hot gas valves • Top-gas recovery turbine generator • “No-bell” materials charger	• Field Service • Spare parts • Repairs • 80% petrochemical; 20% steel sector
Major Customers	• Bechtel • Exxon Mobil • Reliance • Indian Oil • BP Oil • Linde	• Arcelor Mittal Steel • Tata Steel • BAOSTEEL • ThyssenKrupp • Siemens VAI • Corus Group	• Servicing all major customers
Global Market Position	#1 or 2	#1 or 2	n/a

Zimmermann & Jansen Overview

Dueren, Germany

340

Houston, USA

80

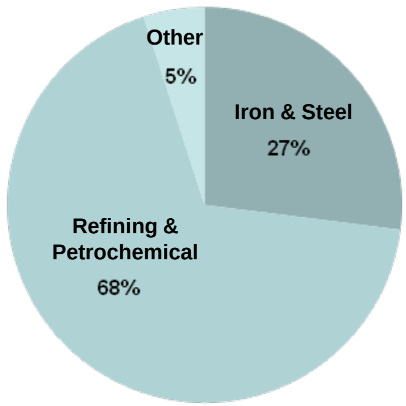
Vanderbijlpark, RSA

50

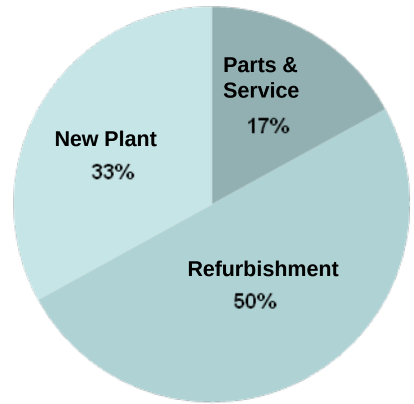
Shanghai, China

10

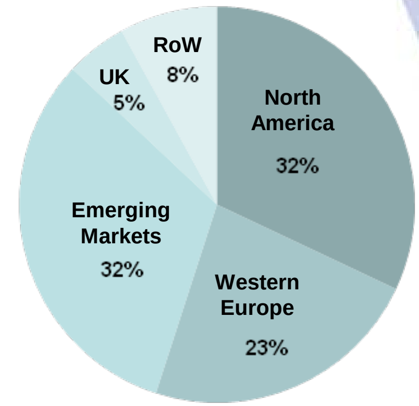
2010 Sales by Sector



2010 Sales by Driver



2010 Sales by Geography



- Consideration c.£110m (net of cash acquired)
- 2010 sales of £83m, operating profit of £14m
- International operational footprint
- High recurring aftermarket content
- Strong emerging markets exposure

IMI

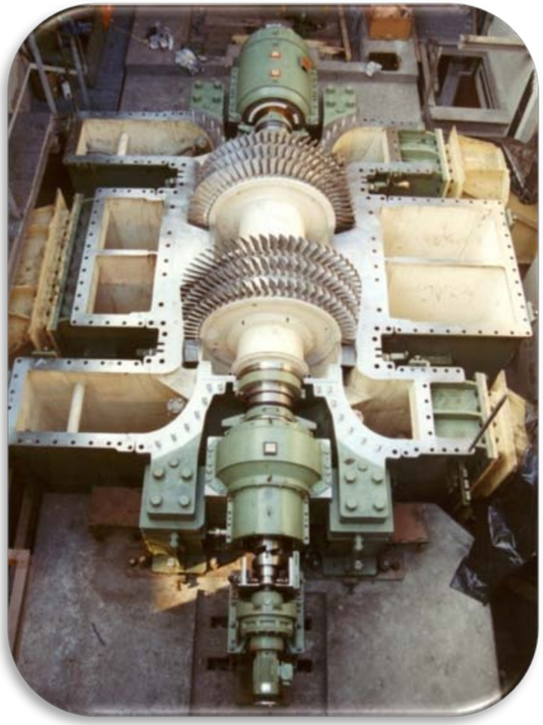
Refining & Petrochemical Sector

Furnace
Isolation Valves
Benecia Refinery
USA

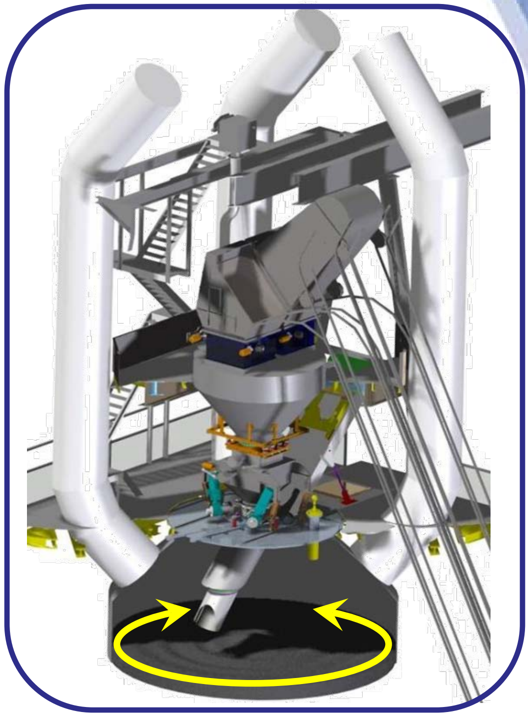
Iron & Steel Sector

Hot Gas Valve

Top-gas Recovery Turbine



Top Charger



- Solutions approach
- Focus on energy efficiency and plant-life costs
- Innovative development capability

IMI

Growth and Synergies

	Refining & Petrochemical	Iron & Steel
Market Expansion	• Americas	• China/India
Product Line Extension	• FCC, Ethylene Valves • TruFlo Isolation Valves	• Tap hole drills • Injector nozzles
Technology Integration	• Actuation • Delayed Coking Solution	• No-Bell Top Charger
Synergies	• Aftermarket – Adopt Severe Service outage model • Procurement – Cross-leverage commodity spend	

Z&J Summary

- Strong fit with IMI Severe Service:
  - Global niche markets – Petrochemicals/Iron & Steel
  - Strong key account customer relationships
  - Attractive aftermarket
  - Strong emerging markets exposure
  - Industry-leading, custom-engineered solutions
  - Good new product development pipeline
- Opportunity for IMI to accelerate growth and invest in bolt-on acquisitions

Martin Lamb

Key Priorities

1. Strategic convergence
2. Growth acceleration
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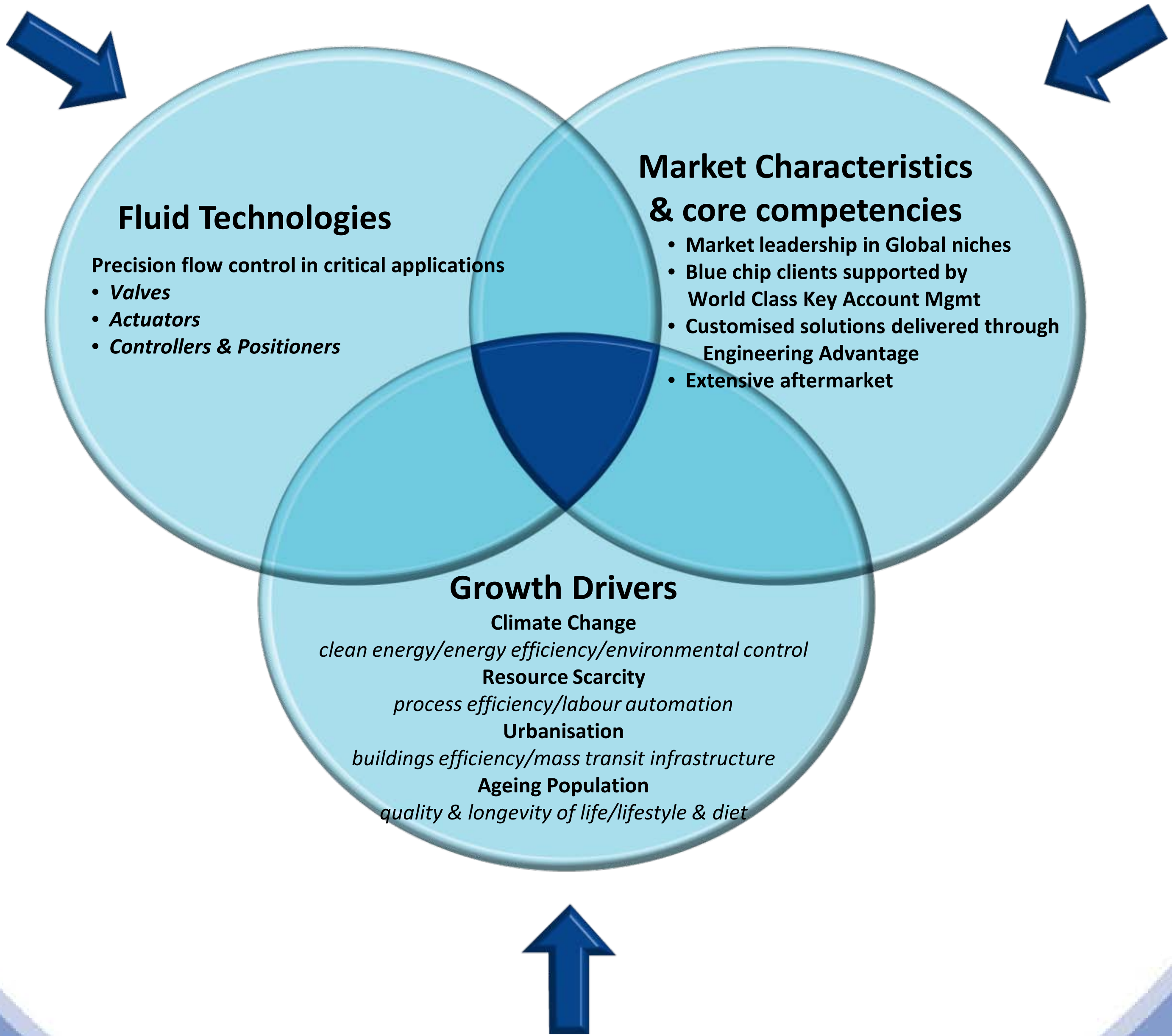
4. Balance sheet utilisation

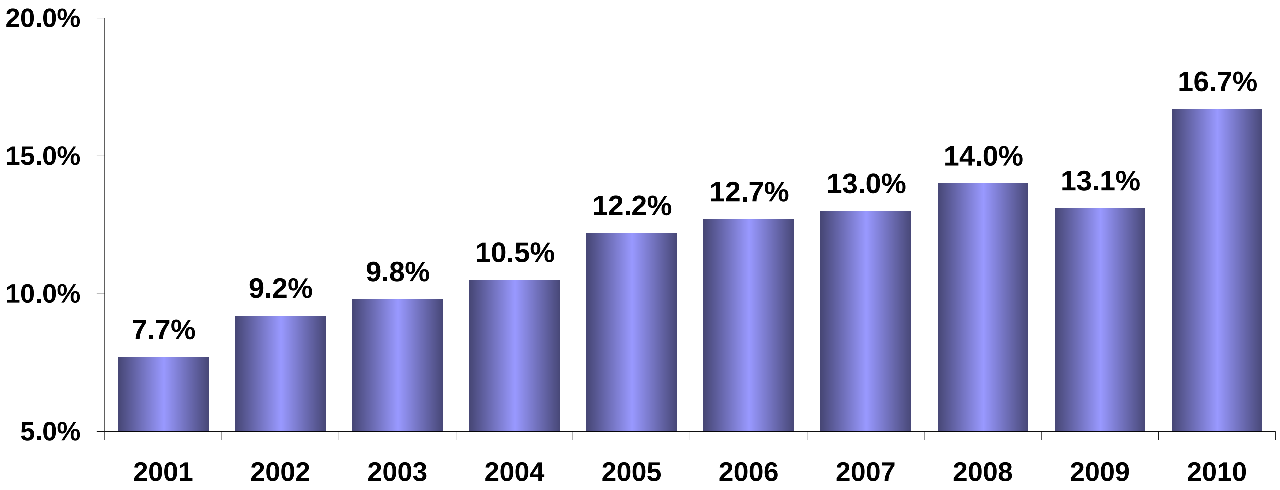
1. Strategic convergence



2. Growth acceleration

- Double sales and engineering resource in selected markets to significantly accelerate emerging markets revenues
- Existing front end resources (sales and engineering) to be targeted at high growth markets
- New product development to be accelerated
  - targeting 20% of revenues to be generated from new products less than 3 years old by 2013

3. Margin improvement



- Product leadership and pricing optimisation
- Improved product mix
  - new products
  - low margin product exits
- Low cost manufacturing
  - to increase from 40% (2010) to over 55% (2014)

Long term objective for three Fluid Controls businesses raised to 20%

IMI

4. Balance sheet utilisation

- Balance sheet capacity
  - Cash conversion > 90%
  - Debt capacity up to 2.5 x EBITDA
- Accelerate acquisitions activity
  - Increased resource
  - Focused on Fluid Controls
  - Growth orientation with high exposure to key global trends
  - EVA positive after 3 years

Investments

- 300 new Key Account Managers over 3 years (200 in emerging markets)
- Smart pricing academy to be established
- 350 new engineers (250 in emerging markets)
- Capex investment to average 1.2x depreciation
- £30m restructuring investment over 2 years to support low cost manufacturing
- Resources focused on acquisitions agenda to double

Summary and trading outlook

- Business emerged from last 2 years in excellent shape
- Ready for next stage of development
- Clear plan to:
  - drive greater strategic convergence
  - invest for accelerated revenue growth
  - accelerate acquisitions activity
  - continue margin improvement
- Group will continue to make good progress in 2011

Norman Askew

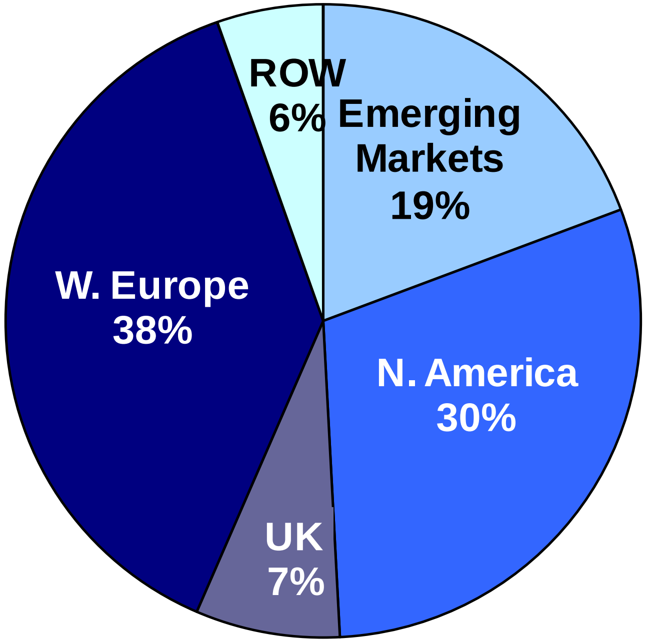
Summary

- Record results in 2010
- Final dividend increased by 29%
- Investing to accelerate growth
- New margin objective for Fluid Controls
- Consistency of strategy and delivery

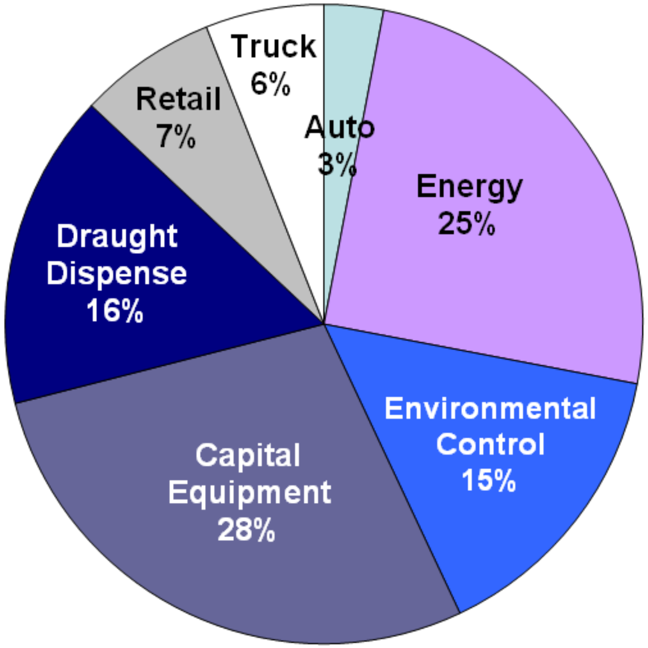
Additional information

2010 Sales

By Geography:



By end market:



Exchange rates

	2010	2009	*Change*
Average rates			
Euro	**1.17**	1.12	*-4%*
US$	**1.54**	1.57	*+2%*
Closing rates			
Euro	**1.17**	1.13	*-4%*
US$	**1.57**	1.61	*+2%*

Impact on FY 2010:	Revenue	*+1%*
	Segmental operating profit	*+2%*
Projection for 2011*:	Revenue	*-1.3%*
	Segmental operating profit	*-0.4%*

* Compares impact on 2010 results of using current exchange rates (as at 1 March 2011) versus average exchange rates for 2010

Sales bridge

£m	2009	Translation	Organic	**2010**
Severe Service	512	12	(72)	**452**
Fluid Power	520	1	164	**685**
Indoor Climate	292	(1)	5	**296**
Beverage Dispense	297	4	14	**315**
Merchandising	164	3	2	**169**
Segment revenue	1,785	19	113	**1,917**
IAS39 adjustment	7			**(6)**
Group revenue	1,792			**1,911**

Profit bridge

£m	2009	Translation	Organic	**2010**
Severe Service	101.4	2.5	(25.5)	**78.4**
Fluid Power	32.8	0.6	80.3	**113.7**
Indoor Climate	60.7	0.0	9.6	**70.3**
Beverage Dispense	21.1	0.5	10.4	**32.0**
Merchandising	18.2	0.4	6.7	**25.3**
Segmental operating profit	234.2	4.0	81.5	**319.7**

Investments

£m	2011	2012	2013	2014
Incremental sales and engineering resources	(15)	(15)	(15)	-
Restructuring investments - Annual costs - Cumulative benefits	 (15) 2	 (15) 6	 (5) 10	 - 12