Interim results presentation

26 August 2010

Martin Lamb

Agenda

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• Business Review	
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- Indoor Climate	Sean Toomes
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Results overview

• Revenue	£925m	+3%
- *Organic growth*	*+4%*	
• Segmental operating profit	£145.6m	+49%
• Segmental operating margin	15.7%	
• Adjusted earnings per share*	29.8p	+61%
• Net borrowings	£157m	
- *Cash conversion*	86%	
- *Net debt / EBITDA*	*0.5x*	
• Interim dividend	9.0p	+13%

* Before the after tax cost of exceptional items

Trends snapshot

% Change (Organic)	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 H1
Sales	(12%)	(21%)	(19%)	(11%)	+1%	+7%	+4%
Orders	(19%)	(30%)	(22%)	+3%	+4%	+19%	+11%

- Return to strong growth in emerging economies
- Sharp bounce back in depressed cyclicals (automotive, truck, machine tools)
- Later cycle markets (fossil power, building construction) slowing as expected
- Consumer spending patterns stabilising

Management focus in 2010

- Focus commercial and engineering resource on key drivers for growth
- Deliver incremental and sustainable margin improvement
  - Smart pricing initiatives
  - Selective withdrawal from low margin product lines
  - Timely execution of low cost manufacturing transfers
  - Expanded low cost procurement and value engineering initiatives
- Further investment in core skills and values
  - Engineering Advantage
  - Key Account Management
  - The IMI Way

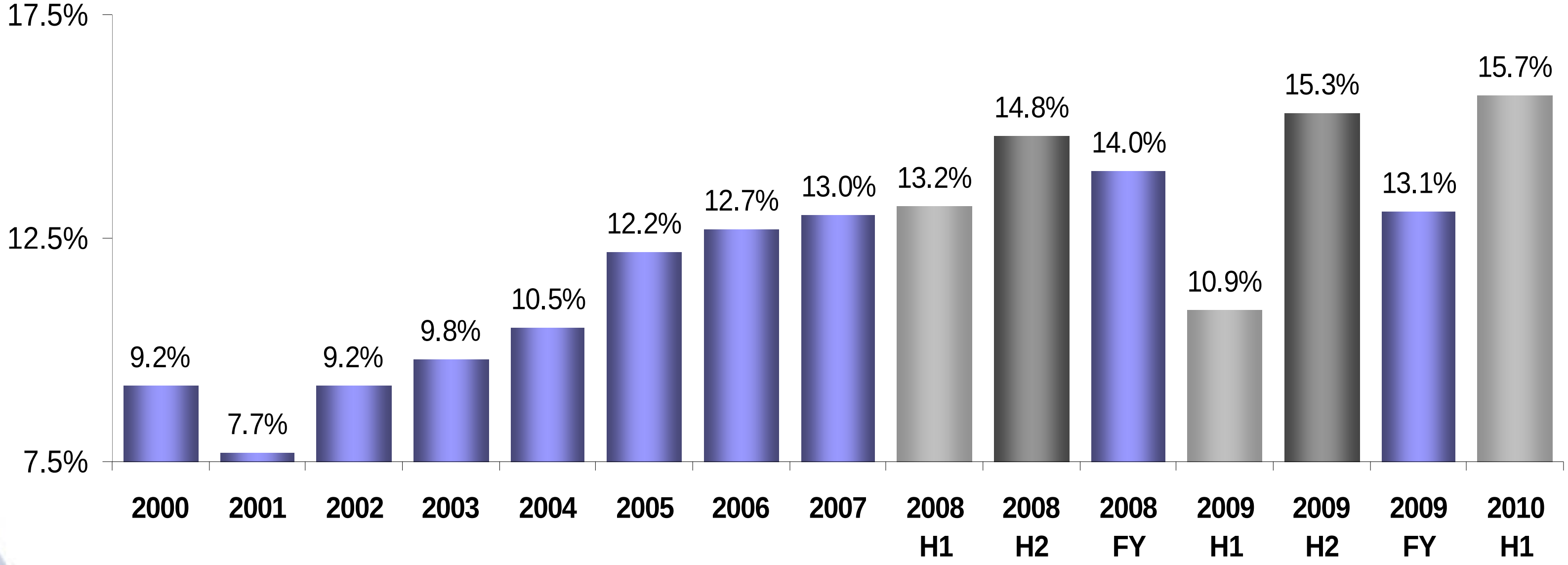
Segmental operating margins

	2008			2009			2010
	H1	H2	FY	H1	H2	FY	H1
Severe Service	16.6%	19.6%	18.4%	19.0%	20.6%	19.8%	17.7%
Fluid Power	14.2%	13.2%	13.7%	2.9%	9.6%	6.3%	15.0%
Indoor Climate	14.0%	18.0%	16.1%	17.0%	24.3%	20.8%	21.7%
Fluid Controls	14.9%	16.4%	15.7%	12.2%	17.1%	14.7%	17.2%
Beverage Dispense	9.1%	9.0%	9.0%	6.8%	7.4%	7.1%	10.6%
Merchandising	8.3%	11.9%	10.3%	8.5%	14.0%	11.1%	12.8%
Retail Dispense	8.8%	10.3%	9.6%	7.4%	9.7%	8.5%	11.3%
IMI Total	13.2%	14.8%	14.0%	10.9%	15.3%	13.1%	15.7%

- Strong H1 margin performance across Group with record H1 margins for Indoor Climate and Merchandising
- All businesses delivering higher margins than in H1 2008

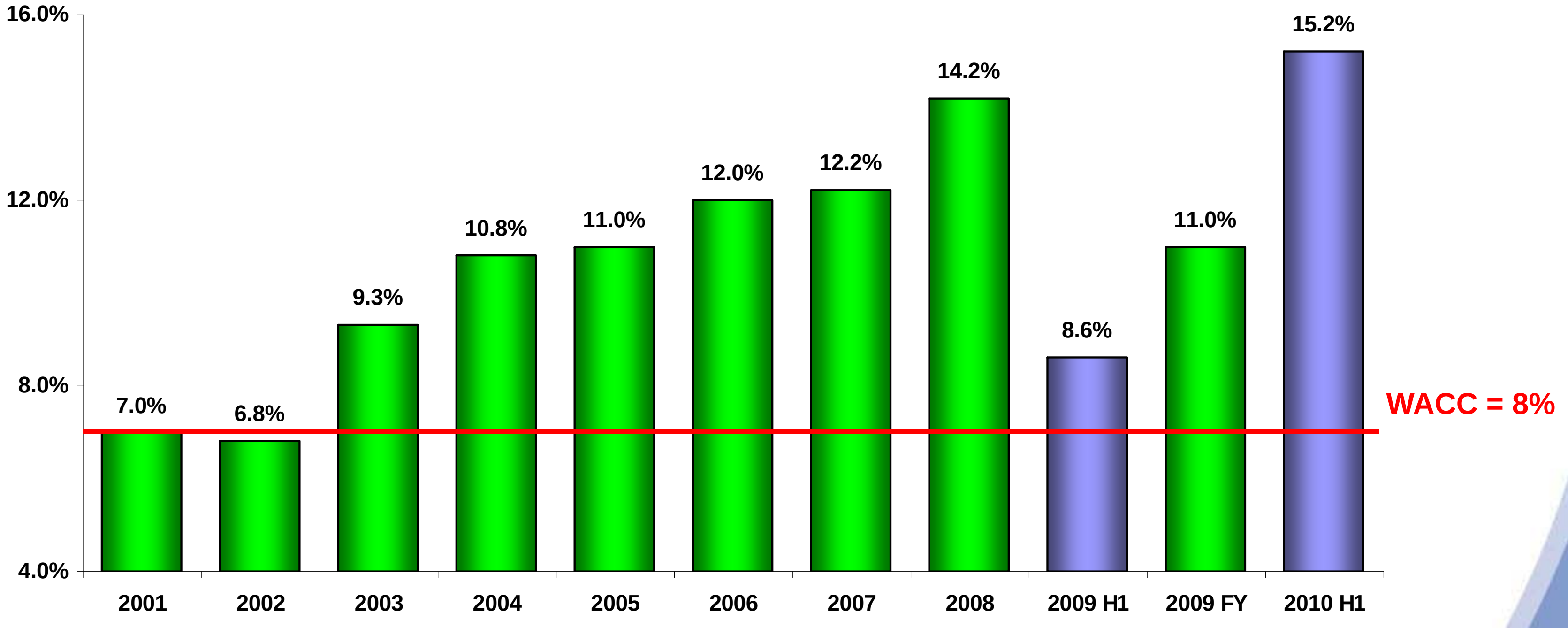
Continued margin progression

Margin development since 2000



Creating value for shareholders

Post tax return on invested capital since 2001



Douglas Hurt

Results overview

£m	**H1 2010**	H1 2009	*change*
Segmental revenue at comparable rates	**927**	893	*+4%*
IAS 39	**(2)**	10	
Exchange impact		(3)	
Revenue as published	**925**	900	*+3%*

Results overview

£m	**H1 2010**	H1 2009	*change*
Segmental operating profit	**145.6**	97.4	*+49%*
Net interest and other income	**(8.3)**	(8.9)	
Net (financing cost)/return on pension plan	**(0.9)**	(2.1)	
IAS39	**6.1**	1.2	
Net financing (costs)	**(3.1)**	(9.8)	
Less IAS39 credit	**(6.1)**	(1.2)	
Profit before tax*	**136.4**	86.4	*+58%*

* Before exceptional items

Results overview

£m	**H1 2010**	H1 2009	*change*
Profit before tax *	**136.4**	86.4	*+58%*
Restructuring costs	**(3.3)**	(17.5)	
Acquired intangible amortisation	**(3.6)**	(3.7)	
Financial instruments excluding economic hedge contracts	**4.0**	14.5	
Profit before tax	**133.5**	79.7	*+68%*
Taxation	**(39.5)**	(24.7)	
Profit after tax	**94.0**	55.0	*+71%*
Adjusted EPS *	**29.8p**	18.5p	*+61%*
Basic EPS, from continuing business	**29.4p**	17.0p	*+73%*

* Before exceptional items

Operating cash flow summary

£m	**H1 2010**	H1 2009	H2 2009	Year 2009
EBITDA*	**168**	119	143	262
Working capital	**(27)**	(18)	79	61
Capital expenditure	**(21)**	(20)	(22)	(42)
Asset sales/other	**(2)**	(5)	2	(3)
Operating cash flow	**118**	76	202	278
Interest and derivatives	**(3)**	(21)	(6)	(27)
Tax	**(29)**	(26)	(27)	(53)
Cash generation	**86**	29	169	198
Severe Service investigation costs and fines	**(3)**	-	(13)	(13)
EU fine refund	**5**			
Special pension contributions	**(49)**	-	(17)	(17)
Cash flow before corporate activity	**39**	29	139	168

* From continuing operations

Net cash flow summary

£m	**H1 2010**	H1 2009	H2 2009	Year 2009
Cash flow before corporate activity	**39**	29	139	168
Corporate activity:				
Acquisitions	**(14)**	(19)	-	(19)
Special purpose vehicle	**49**	-	-	-
Dividend to minority/others	**-**	(2)	-	(2)
Shareholder activity:				
Dividends	**(42)**	(40)	(26)	(66)
Share buyback/issues	**(10)**	-	1	1
Net cash flow	**22**	(32)	114	82
Opening net (borrowings)	**(172)**	(299)	(264)	(299)
Foreign exchange revaluation	**(7)**	67	(22)	45
Closing net (borrowings)	**(157)**	(264)	(172)	(172)

Balance sheet

£m	June 2010	June 2009	Dec 2009
Net debt (£m)	**157**	264	172
EBITDA (£m)	**168**	119	263
Interest costs	**8.5**	8.9	18.5
12 month rolling*:			
Net debt/EBITDA	**0.5x**	1.0x	0.7x
EBITDA/interest	**17.3x**	15.2x	14.2x

* Debt covenants are based on 12 month pro forma analysis for EBITDA and interest comprising H2 2009 and H1 2010

Pensions – IAS 19

£m	**Jun 2010**	Jun 2009	Dec 2009
Assets	**1,031**	915	1,043
Liabilities	**(1,360)**	(1,196)	(1,301)
Deficit	**(329)**	(281)	(258)

- IAS19 deficit increase results principally from reduction in AA corporate bond yields and from weaker equity returns
- Next triennial actuarial valuation to take place as at 31 March 2011
- Actively working with Trustee to manage future risk

Pensions risk management

- Closure of UK pension fund to future accrual confirmed with effect from 31 December 2010
  - Pension curtailment gain in H2 of c.£10m
- Fund has acquired two bulk annuity agreements for £325m to insure over 40% of total pensioner liabilities as at June 2010
- Group has agreed to provide additional £4.4m pa to the fund via an SPV structure for up to 20 years

Pensions risk management

Combined effect of these actions:

- Allows Company to provide additional funding over a longer period
- Returns the capital that secures the funding stream to the Group after 20 years
- Improvement in funding position of c.£25m (under technical provisions)
- Reduction of 25% in volatility risk
- Reduction of 20% in mortality risk
- Favourable impact on Group's UK tax cashflows

Business Review

Ian Whiting

Severe Service

£m	**H1 2010**	H1 2009	*change*	Year 2009
Revenue	**217**	252	*-14%*	512
Organic growth %	***-15***	*+11*		*+3*
Operating profit	**38.4**	47.9	*-20%*	101.4
Operating margin %	***17.7***	*19.0*		*19.8*

- Organic revenue decline in H1 of 15%
  - Lower order intake in 2009
  - Some shipments deferred to H2 2010
- Oil & gas and fossil power revenues down significantly, offset partially by aftermarket
- Margins supported by further progress on low cost manufacturing moves (Czech & India), but impacted by lower volumes

Severe Service

Order Intake

	H1 2010 vs H1 2009	
Fossil Power	(30%)	Increased quotation activity slow to convert into orders
Oil & Gas	+70%	LNG markets entering new construction cycle
Nuclear	+45%	Very strong long term prospects; new construction moving ahead
Aftermarket	(10%)	Modest reduction on strong order intake in H1 2009, but still buoyant
Total	+3%	

- H2 order intake expected to be comfortably ahead of H2 2009, supporting a return to growth for Severe Service in 2011
- H2 shipments expected to be slightly down on H2 2009

Roy Twite

Fluid Power

£m	H1 2010	H1 2009	*change*	Year 2009
Revenue	**333**	255	*+31%*	520
Organic growth %	***+31***	*-36*		*-31*
Operating profit	**49.8**	7.4	*+573%*	32.8
Operating margin %	***15.0***	*2.9*		*6.3*

- Good recovery in volumes with organic revenue growth of 31% in H1
- Strong profit drop-through on higher volumes drove operating margins up to 15%
  - Full benefits from 2009 rationalisation programme
  - Increased percentage of low cost manufacturing
  - Additional product margin initiatives

Fluid Power

- Good growth in sector business up 36% in H1
  - Commercial vehicles up 50%
  - Life sciences up 25%
  - Rail up 30%
- Overall sectors now represent 41% of total revenues
- Further good progress with Norgren Express
- H2 revenues expected to match H1

Sean Toomes

Indoor Climate

£m	**H1 2010**	H1 2009	*change*	Year 2009
Revenue	**142**	142	*+0%*	292
Organic growth %	***-1***	*-4*		*-4*
Operating profit	**30.8**	24.2	*+27%*	60.7
Operating margin %	***21.7***	*17.0*		*20.8*

- First half revenues continue to be resilient
  - Continued focus on energy efficiency
  - Resilient renovation now more than 60% of sales
- Strong uplift in H1 margins to over 20%
  - Full year benefits from 2009 cost saving initiatives
  - Positive mix and lower material costs
- Higher metals costs expected H2

Indoor Climate

- Increasing demand for more energy efficient buildings and increasing legislation worldwide
- Renovation continues to prove resilient at attractive margins
- Increased investment in the well proven “pull model”
- Market activity improving, H2 expected to return to growth

Martin Lamb

Beverage Dispense

£m	**H1 2010**	H1 2009	*change*	Year 2009
Revenue	**159**	154	*+3%*	297
Organic growth %	***+3***	*-20*		*-15*
Operating profit	**16.9**	10.5	*+61%*	21.1
Operating margin %	***10.6***	*6.8*		*7.1*

- Volumes strengthened in Q2
  - Improvement in N America (bottlers & QSRs)
  - Buoyant Asia (especially China)
  - Improved performance in UK
  - Europe remains challenging
- Selective & progressive withdrawal from lower margin product lines
  - Underlying H1 growth on ‘retained’ product lines +5%
  - Strong improvement in margins

Beverage Dispense

- New products targeted at key end market drivers
  - Non carbonated drinks, frozen, smoothies
  - Customer sustainability priorities (energy and carbon footprint)
  - Emerging markets restaurant expansion
- Expansion of 3Wire US parts business
  - Geographic territories and new national chain customers
- Second half revenues expected to be broadly in line with H2 2009
  - Continued market and new product momentum
  - Offset by further low margin product exits

Merchandising

£m	**H1 2010**	H1 2009	*change*	Year 2009
Revenue	**76**	87	*-13%*	164
Organic growth %	***-12***	*-22*		*-29*
Operating profit	**9.7**	7.4	*+31%*	18.2
Operating margin %	***12.8***	*8.5*		*11.1*

- Organic revenue decline of 12% broadly in line with expectations
  - Lower order intake in H2 2009
  - Growth in cosmetics, and international beverage business
  - Automotive markets lower, but improved prospects and good order intake
- Focus on project & product selection
  - Prioritisation of high margin, differentiated, project opportunities
  - Strong H1 margin improvement (assisted by one off property and insurance benefits (2%))

Merchandising

- Strong pipeline of new projects
  - Automotive showroom programmes
  - Innovative and flexible front end merchandiser displays
  - Next generation beverage gravity feed displays
  - Interactive displays
- Second half revenues expected to be significantly ahead of H1 2010 and H2 2009
- Margins to show further progression

Summary and Outlook

Summary

- Good organic growth given mix of early and late cycle businesses
- Record H1 operating profits and earnings
- Margins above Group's long term target of 15%
- Good cash generation and balance sheet remains strong
- Proactive approach to pensions
- Interim dividend increased by 13%

Long term margin sustainability

- Fundamental reshaping of the group
  - Leading global positions, niche markets
  - High % of bespoke or differentiated product
  - Preferred supplier status with global key accounts
  - Significant aftermarket content
  - Low cost manufacturing and supply chain

	2001	2010
% of revenue from customised or highly engineered products	20%	70%
% of revenue from new products	4%	18%
% of revenue from the aftermarket	<15%	>35%
% of low cost manufacturing	<5%	>35%

IMI

Long term growth

- Good exposure to attractive market segments
  - Clean energy (nuclear, LNG)
  - Sustainability (energy efficiency, emissions control)
  - Health & wellness
- Increasing emerging market exposure (2010: 19%)
- Attractive and successful blue chip customers
  - Preferred supplier / increased share opportunities

Outlook

- Global macro-economic uncertainty remains but optimistic H1 momentum will continue in H2
- Continued focus on margin improvement
  - Further transfers to low cost manufacturing
  - Improving sales mix (new products & low margin exits)
- Strong balance sheet
  - Acquisitions / investment in new products

Additional Information

Exchange rates

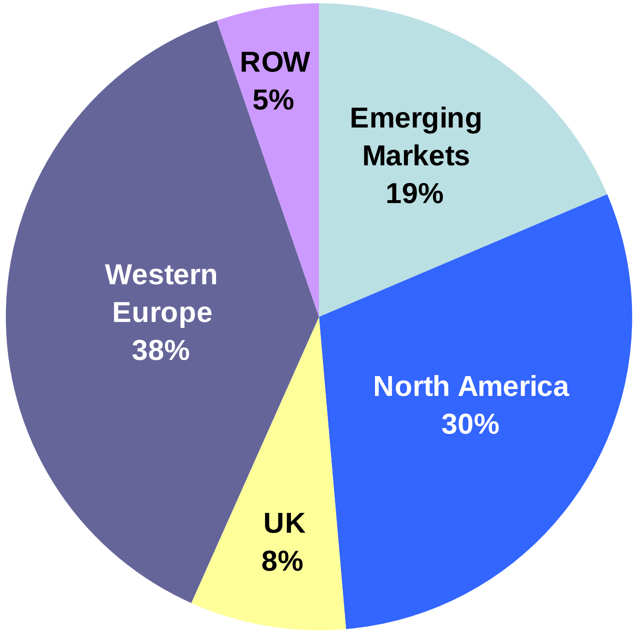
	2010	2009	*Change*
Average rates			
Euro	**1.15**	1.12	*-3%*
US$	**1.52**	1.50	*-1%*
Closing rates			
Euro	**1.22**	1.17	*-4%*
US$	**1.50**	1.65	*+9%*

Impact on H1 2010:	Revenue	*+0.3%*
	Segmental operating profit	*+1.0%*
Estimated impact on FY*:	Revenue	*+0.4%*
	Segmental operating profit	*+0.8%*

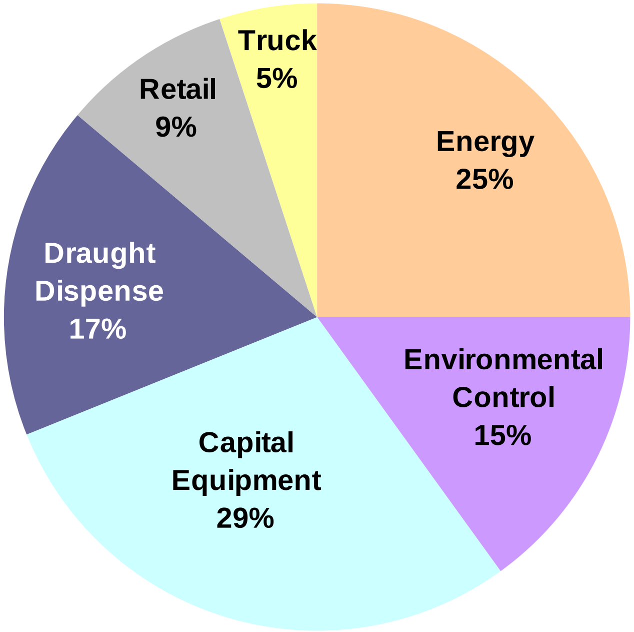
* Based on average exchange rates to 20 August 2010 with current spot rates assumed for remainder of 2010

H1 Sales

By Geography:



By end market:



IMI

Sales bridge

£m	H1 2009	Translation	Organic	**H1 2010**
Severe Service	252	3	(38)	**217**
Fluid Power	255	-	78	**333**
Indoor Climate	142	1	(1)	**142**
Beverage Dispense	154	-	5	**159**
Merchandising	87	(1)	(10)	**76**
Segmental revenue	890	3	34	**927**
IAS39 adjustment				**(2)**
Group revenue				**925**

Profits bridge

£m	H1 2009	Translation	Organic	**H1 2010**
Severe Service	47.9	0.8	(10.3)	**38.4**
Fluid Power	7.4	0.2	42.2	**49.8**
Indoor Climate	24.2	0.2	6.4	**30.8**
Beverage Dispense	10.5	(0.1)	6.5	**16.9**
Merchandising	7.4	(0.1)	2.4	**9.7**
Segmental operating profit	97.4	1.0	47.2	**145.6**

Restructuring - costs / benefits

2009/10 Low Cost Manufacturing programme

£m	2009	2010	2011	2012
Annual costs	35	10	-	-
Cumulative benefits*:				
Permanent	19	40	55	62
Temporary	16	8	-	-
Total	35	48	55	62
Low Cost Manufacturing	35%	→	→	50%

* From base year 2008