

10 November 2016

IMI plc Interim Management Statement

IMI, the specialist engineering company, issues the following Interim Management Statement, which covers the third quarter from 1 July to 30 September 2016.

Current trading and outlook

Progress with the Group's strategic initiatives continues and expectations for the year remain consistent with market estimates. Based on current exchange rates, IMI's full year sales and profits are likely to reflect a gain from foreign currency translation of about 12%.

During the third quarter economic and market conditions have continued to be challenging. Organic revenues were 8% lower than the same period last year and, reflecting the benefit from foreign exchange movements, were comparable on a reported basis.

As previously indicated, organic revenues and margins in the second half are expected to improve when compared with the first half of 2016 but will be lower than last year. Adjusted constant currency earnings per share for the full year remain in-line with the expectations outlined at the Group's 2016 interim results presentation.

Strategic progress

Despite difficult market conditions, our various initiatives to harness the Group's potential are progressing well. We remain committed to investment in new product development to fuel growth, improving operational performance to enhance our competitiveness and investing to modernise our IT infrastructure.

To mitigate where practical the impact of current market weakness, we are reviewing a number of cost-reduction initiatives. These actions will support the near term financial results of the Critical Engineering and Precision Engineering divisions, without compromising our long-term strategic agenda.

IMI Critical Engineering

Critical Engineering third quarter order input was 12% below the same period last year with on-going project delays impacting the phasing of new orders in the period. Lower aftermarket order input in both the Oil & Gas and Power sectors was principally driven by continuing oil price weakness and reduced outages and spares activity in Power. Further project slippage in the market may impact order intake and revenues through the balance of the year.

While the value of the division's order book at the end of September 2016, at £509m, was 6% below the same point last year margins are slightly higher, reflecting the benefits of value engineering and project mix.

Organic revenues in the three months to the end of September were 15% lower compared with the same period last year and, on a reported basis, were down 8%. Revenues in the quarter reflected an 11% reduction in aftermarket activity and an 18% reduction in new construction.

As previously outlined, 2016 organic revenues and profits will be significantly improved in the second half compared to the first half and we continue to expect second half margins to reflect a good improvement over the first half of the year.

IMI Precision Engineering

Precision Engineering organic revenues in the three months to the end of September were 3% lower compared to the same period last year and on a reported basis were 4% higher.

Sales in Industrial Automation were 4% lower when compared to the third quarter of 2015, with growth in the Americas offset by softer markets in Europe and Asia. While Commercial Vehicle sales remained comparatively good in Europe, sales in North America and Brazil continued the significant deterioration that was experienced in the first half of the year. The Energy sector continued to be impacted by lower oil prices while both Life Sciences and Rail delivered growth in the quarter.

In the second half, organic revenues are expected to be slightly lower than the second half of last year with margins broadly equivalent to the same period last year.

IMI Hydronic Engineering

Hydronic Engineering organic revenues in the three months to the end of September were 2% lower compared to the same period last year and 6% higher on a reported basis.

New construction project delays were evident in China and North America and the European market has experienced a slow start to the heating season. Underlying market conditions across Europe remain mixed. We continue to make good progress with new product development and operational improvements. Customer and market reaction to our market-leading new products continues to be positive.

In the second half, assuming a normal fourth quarter heating season, we expect organic revenues to be slightly lower with an associated small decline in margins when compared to the second half of last year.

Exchange rates

As detailed in the Group's 2016 interim results, IMI's financial results are being favourably impacted by the effects of exchange rate movements compared to 2015, and in particular by the weakening of Sterling against the US Dollar and the Euro. At current rates, this would translate to an exchange rate tailwind for the full year of around 12% on both revenues and profits.

Preliminary results

IMI will issue its preliminary results announcement in respect of the year ending 31 December 2016 on 24 February 2017.

A conference call for analysts and investors will be held at 08:30 GMT today to discuss this statement. To access the call, please dial: +44 (0)1452 555 566, Toll Free (UK) 0800 694 0257– Conference call id: 99956484.

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Cautionary Statement:

This Interim Management Statement contains forward-looking statements which are made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated.

Notes to editors

IMI plc

IMI plc, the specialist engineering company, designs, manufactures and services highly engineered products that control the precise movement of fluids. IMI has manufacturing facilities in more than 20 countries and operates a global service network. The Company is listed on the London Stock Exchange. Further information is available at www.imiplc.com.