

# Tomkins 2008 Preliminary Results Presentation

25 February 2009



**Tomkins**

# Agenda

**Introduction:** David Newlands

Financial Review: John Zimmerman

Operational Review: Jim Nicol

# Agenda

Introduction: David Newlands

**Financial Review:** John Zimmerman

Operational Review: Jim Nicol

# Forward Looking Statements

*Forward-looking statements are identified by the words “expect”, “believe”, “intend”, “anticipate”, “estimate”, “will”, “may”, “could”, “should” and similar expressions. Under the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995, the Company cautions that any forward-looking statements made by the Company, including those made in this announcement in relation to the outlook for 2009, are subject to risks and uncertainties that may cause actual results to differ materially from those predicted. Risks and uncertainties that may affect the Group’s operations include, but are not limited to, those described in the Company’s Annual Report on Form 20-F and in other filings with the US Securities and Exchange Commission. The Company disclaims any obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.*

# Introduction

## ➤ 2008 was a challenging year:

- Rapid declines in end markets in Q4
- Global financial crisis
- Raw material price volatility

## ➤ Performance adversely impacted by:

- Decline in volumes
- Lag between raw material price increases and selling price actions
- Manufacturing variances related to inventory reduction efforts

## ➤ Reacted quickly and decisively:

- Cash generation
- Pricing actions
- Further restructuring initiatives

# 2008 Results Summary <sup>(1)</sup>

US\$ million	2008	2007
Sales	5,515.9	5,886.1
Adjusted operating profit <sup>(2)</sup>	403.4	530.5
<i>Margin (%)</i>	7.3%	9.0%
Adjusted EBITDA	621.9	763.5
<i>Margin (%)</i>	11.3%	13.0%
Adjusted profit before tax <sup>(3)</sup>	328.4	469.6
Operating cash flow <sup>(4)</sup>	442.8	441.8
Net debt	476.4	591.5
Dividend per share (cents)	13.02	27.68
Adjusted diluted earnings per share (cents) <sup>(3)</sup>	26.02	37.14

(1) 2008 comprises a 53-week period to 3 January 2009 and 2007 comprises a 52-week period to 29 December 2007.

(2) Operating profit before restructuring initiatives, impairment and the amortisation of intangible assets arising on acquisitions.

(3) Based on adjusted operating profit.

(4) Operating cash flow is cash generated from operations less capital expenditure.

# Summary Income Statement

## Statutory Format – Continuing Operations

US\$ million	2008	2007
<b>Sales</b>	<b>5,515.9</b>	<b>5,886.1</b>
<b>Adjusted operating profit <sup>(1)</sup></b>	<b>403.4</b>	<b>530.5</b>
Restructuring costs	(26.0)	(27.6)
Net gain on disposals and exit of businesses	43.0	91.4
Intangible asset amortisation	(10.6)	(7.2)
Impairment	(342.4)	(0.8)
<b>Operating profit</b>	<b>67.4</b>	<b>586.3</b>
Net finance costs	(75.0)	(60.9)
<b>(Loss)/profit before tax</b>	<b>(7.6)</b>	<b>525.4</b>

(1) Operating profit before restructuring initiatives, impairment and the amortisation of intangible assets arising on acquisitions.

# Group Sales & Adjusted Operating Profit

## Continuing Operations

US\$ million	2008	2007	%
<b>Sales</b>			
Industrial & Automotive	4,060.8	4,312.7	(5.8)
Building Products	1,455.1	1,573.4	(7.5)
Total sales	<b>5,515.9</b>	<b>5,886.1</b>	<b>(6.3)</b>
<b>Adjusted operating profit <sup>(1)</sup></b>			
Industrial & Automotive	359.7	477.4	(24.7)
<i>Margin %</i>	8.9%	11.1%	
Building Products	80.2	106.5	(24.7)
<i>Margin %</i>	5.5%	6.8%	
Total adjusted operating profit	<b>439.9</b>	<b>583.9</b>	
Central costs	(36.5)	(53.4)	
<b>Total Group</b>	<b>403.4</b>	<b>530.5</b>	<b>(24.0)</b>
<i>Margin %</i>	7.3%	9.0%	

(1) Operating profit before restructuring initiatives, impairment and the amortisation of intangible assets arising on acquisitions.

# Sales - Continuing Operations

US\$ million	2007	Currency translation	Disposals	Like-for-like basis	Acquisitions	Underlying change	2008
Industrial & Automotive	4,312.7	159.2	(255.0)	4,216.9	22.4	(178.5) (4.2)%	4,060.8
Building Products	1,573.4	(1.3)	(13.8)	1,558.3	41.1	(144.3) (9.3)%	1,455.1
Group	5,886.1	157.9	(268.8)	5,775.2	63.5	(322.8) (5.6)%	5,515.9

# Adjusted Operating Profit (1)

## Continuing Operations

US\$ million	2007	Currency translation	Disposals	Like-for-like basis	Acquisitions	Underlying change	2008
<b>Industrial &amp; Automotive</b>	<b>477.4</b>	18.9	(20.3)	<b>476.0</b>	7.2	(123.5) (25.9)%	<b>359.7</b>
<b>Building Products</b>	<b>106.5</b>	(0.2)	(1.9)	<b>104.4</b>	3.1	(27.3) (26.1)%	<b>80.2</b>
<b>Central costs</b>	<b>(53.4)</b>	1.7	0.1	<b>(51.6)</b>	-	15.1	<b>(36.5)</b>
<b>Group</b>	<b>530.5</b>	20.4	(22.1)	<b>528.8</b>	10.3	(135.7) (25.7)%	<b>403.4</b>

(1) Operating profit before restructuring initiatives, impairment and the amortisation of intangible assets arising on acquisitions.

# I&A – Sales & Adjusted Operating Profit <sup>(1)</sup>

## Continuing Operations

US\$ million	Sales			Adjusted Operating Profit <sup>(1)</sup>		
	2008	2007	%	2008	2007	%
<b>Power Transmission</b>	<b>2,106.4</b>	2,063.2	2.1	<b>229.6</b>	266.8	(13.9)
<i>Margin %</i>				10.9	12.9	
<b>Fluid Power</b>	<b>832.3</b>	769.1	8.2	<b>46.2</b>	71.0	(34.9)
<i>Margin %</i>				5.6	9.2	
<b>Fluid Systems</b>	<b>501.2</b>	583.8	(14.1)	<b>39.9</b>	55.0	(27.5)
<i>Margin %</i>				8.0	9.4	
<b>Other I&amp;A</b>	<b>620.9</b>	896.6	(30.7)	<b>44.0</b>	84.6	(48.0)
<i>Margin %</i>				7.1	9.4	
<b>Total I&amp;A</b>	<b>4,060.8</b>	4,312.7	(5.8)	<b>359.7</b>	477.4	(24.7)
<i>Margin %</i>				8.9	11.1	

(1) Operating profit before restructuring initiatives, impairment and the amortisation of intangible assets arising on acquisitions.

# BP – Sales & Adjusted Operating Profit <sup>(1)</sup>

## Continuing Operations

US\$ million	Sales			Adjusted Operating Profit <sup>(1)</sup>		
	2008	2007	%	2008	2007	%
<b>ASC</b>	<b>1,112.3</b>	1,083.6	2.6	<b>104.2</b>	102.5	1.7
<i>Margin %</i>				9.4	9.5	
<b>Other Building Products</b>	<b>342.8</b>	489.8	(30.0)	<b>(24.0)</b>	4.0	NA
<i>Margin %</i>				(7.0)	0.8	
<b>Total BP</b>	<b>1,455.1</b>	1,573.4	(7.5)	<b>80.2</b>	106.5	(24.7)
<i>Margin %</i>				5.5	6.8	

(1) Operating profit before restructuring initiatives, impairment and the amortisation of intangible assets arising on acquisitions.

# Restructuring Initiatives

US\$ million	2008	2007
<b>Restructuring costs <sup>(1)</sup>:</b>		
• Industrial & Automotive	(19.1)	(14.4)
• Building Products	(6.6)	(12.2)
Central costs	(0.3)	(1.0)
<b>Total restructuring costs</b>	<b>(26.0)</b>	<b>(27.6)</b>
Net gain on disposals and exit of businesses	43.0	91.4
<b>Net charges relating to restructuring initiatives</b>	<b>17.0</b>	<b>63.8</b>

(1) Restructuring costs are from continuing operations and relate to costs of plant closure or substantial rationalisation. Severance costs associated with headcount reductions are charged in arriving at adjusted operating profit

# Net Finance Costs

## Continuing Operations

US\$ million	2008	2007
Net interest payable	47.1	52.9
Dividends payable on preference shares	-	1.2
Post-employment benefits	2.9	1.2
Fair value changes on derivatives	25.0	5.6
<b>Net finance costs</b>	<b>75.0</b>	<b>60.9</b>

# Taxation

## Continuing Operations

US\$ million	Profit Before Tax	Tax
<b>Reported</b>	(7.6)	38.4
Gain on disposals	(43.0)	0.3
Impairment	342.4	31.4
<b>Underlying</b>	291.8	70.1
<b><i>Effective Tax Rate</i></b>		<b>24.0%</b>

**Expected 2009 Effective Tax Rate of around 25%**

# Operating Cash Flow

US\$ million	2008	2007
<b>Adjusted operating profit from total operations <sup>(1)</sup></b>	<b>403.4</b>	<b>534.2</b>
Depreciation and amortisation	218.5	229.3
<b>EBITDA <sup>(1)</sup></b>	<b>621.9</b>	<b>763.5</b>
<b>Restructuring initiatives</b>		
• Restructuring costs	(17.8)	(29.2)
• Fixed asset proceeds	1.5	28.0
<b>Business operations</b>		
• Capital expenditure	(187.4)	(224.9)
• Working capital <sup>(2)</sup>	68.9	(37.8)
• Provisions	(9.8)	(3.6)
Post retirement benefits	(49.0)	(72.0)
Other operating cash flows	14.5	17.8
<b>Cash flow from operations after restructuring initiatives</b>	<b>442.8</b>	<b>441.8</b>

**Capex for 2009 expected to be around US\$150 million**

(1) Operating profit before restructuring initiatives, impairment and the amortisation of intangible assets arising on acquisitions.

(2) Excluding the effect of restructuring costs.

# Free Cash Flow

US\$ million	2008	2007
<b>Cash flow from operations after restructuring initiatives</b>	<b>442.8</b>	<b>441.8</b>
Tax	(84.5)	(86.2)
Interest and minority interest	(57.4)	(66.6)
Other	-	1.0
<b>Free cash flow to equity</b>	<b>300.9</b>	<b>290.0</b>
Ordinary dividends	(246.2)	(247.3)
Acquisitions and disposals	49.9	202.0
Ordinary share movements	(4.5)	(4.5)
Redemption of preference shares	-	(1.2)
Currency	16.1	(39.3)
<b>Net funds movement</b>	<b>116.2</b>	<b>199.7</b>
Non-cash movements	(1.1)	(2.4)
Net debt, start of period	591.5	788.8
<b>Net debt, end of period</b>	<b>476.4</b>	<b>591.5</b>

# Balance Sheet

US\$ million (unless otherwise stated)	2008	H1 2008	2007
Net debt	476.4	702.8	591.5
<b>Financial Covenant Ratios on Revolving Credit Facility <sup>(1)</sup></b>			
Net debt / EBITDA	0.8	1.2	0.9
• Less than 2.5 x			
Profit from operations / net interest charge	7.5	8.6	8.1
• Not less than 3 x			

**Minimum headroom in 2008 >US\$550 million**

(1) Calculations based on frozen UK GAAP as at 31 December 2002

# Financial Summary

## ➤ Strong cash flow generation

- Operating cash flow of \$442.8 million
- Improvement in net debt to \$476.4 million
- Remaining comfortably within covenant limits

## ➤ Protect financial fundamentals

- Cash and balance sheet

## ➤ Protect existing business operations

- Forecasting, anticipation and quick, decisive reaction
- Tight expense management
- Execution of Eagle and Cheetah

# Agenda

Introduction: David Newlands

Financial Review: John Zimmerman

**Operational Review: Jim Nicol**

# Group Priorities

- **Managing the cost base**
- **Managing the balance sheet**
- **Driving top-line growth**
- **Re-shaping the portfolio**

# Repositioning Tomkins

- **Sold 22 non-strategic businesses and closed over 45 plants**
- **Reduced exposure to bad auto and NA D3 – 6.3% sales**
- **Expanded:**
  - Emerging market footprint
  - Gates Engineering and Services business
  - Aftermarket and distribution
- **Developed energy efficient, green products**

# 2008 – Operating Review

## ➤ Decline in global end markets impacted Group performance

- Global Auto production declined by 4% in 2008 (16% North America)\*
- US Residential construction declined by 33%\*\*

## ➤ Key Operating Highlights

- Strong cash generation – US\$442.8m
- I&A – Good performance in Gates E&S, South America
- BP – Good performance in Non-Residential business
- Resilient Aftermarket

## ➤ Acquisition of A.E. Hydraulics, Rolastar and Trion

- New JV's in S. Korea and UAE

## ➤ Disposal of Stant and Standard Thomson

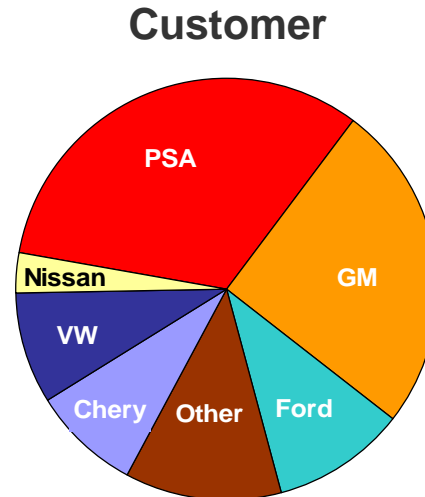
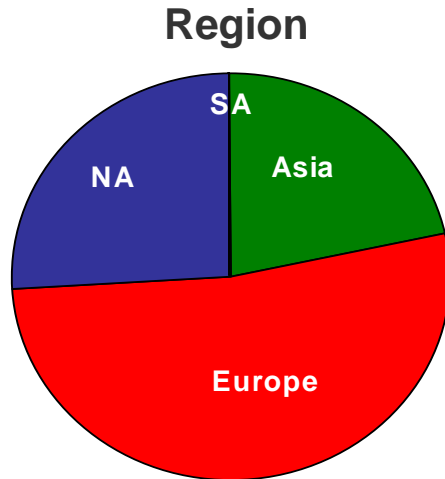
\* CSM, light vehicle production

\*\* NAHB, housing starts

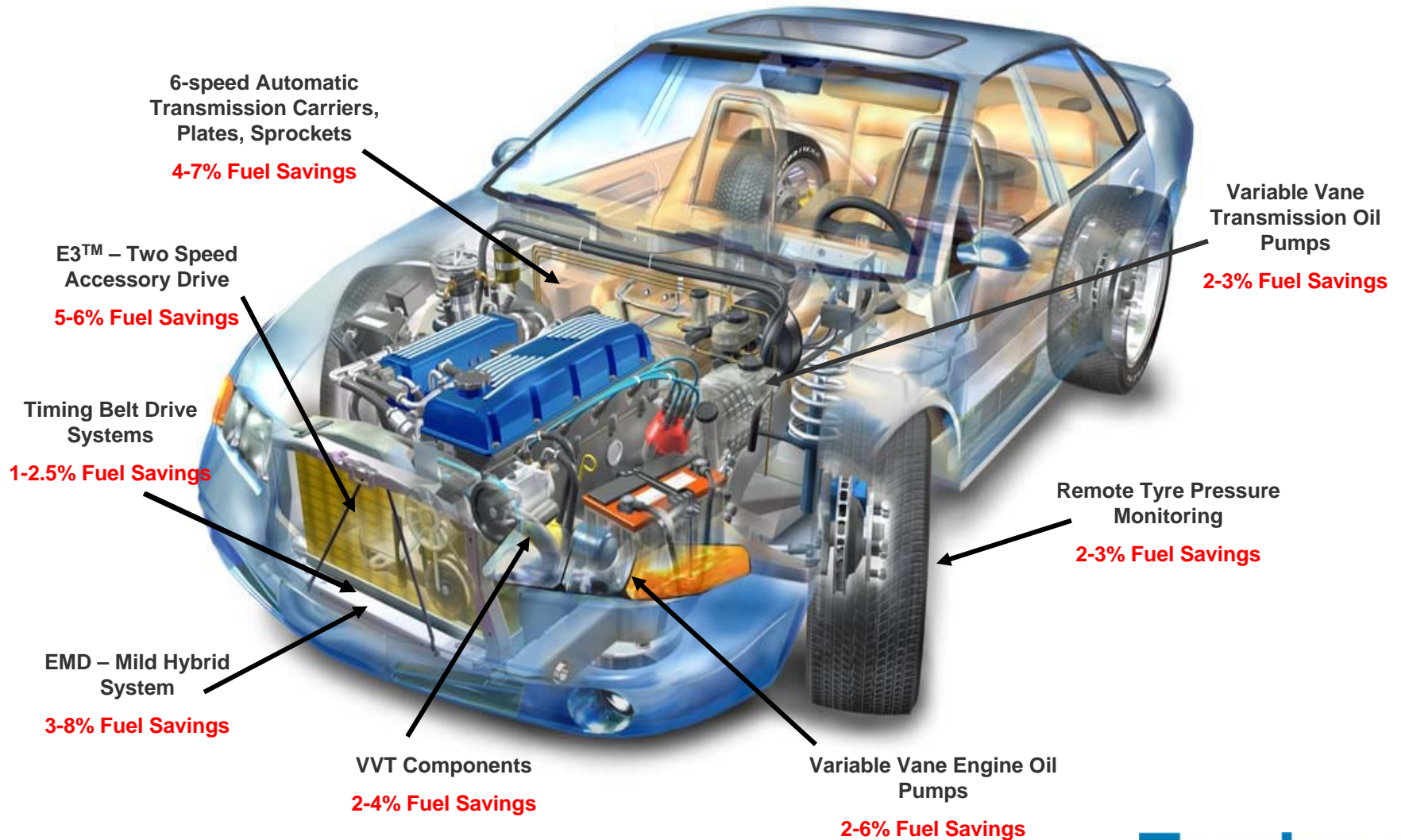
# Driving Top Line Growth – I&A - Automotive

- 2008 - Gates' most successful year for new Automotive OE contracts (\$233M)
- Gates involved in over 41 different EMD programs in Asia, NA and Europe
- Total Variable Vane oil pump awards of over \$82m

## New Contracts Won



# Focus on Energy-Efficient Green Products



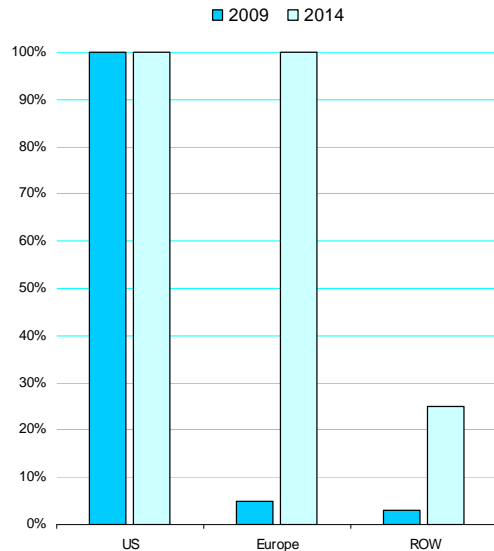
# Driving Top Line Growth – I&A – Schrader Electronics Ltd

## The Schrader RTPMS business provides growth for the future

- European Legislation for RTPMS expected next month
- AOE revenue projected to double in five years to US\$355m
- Aftermarket RTPMS business already emerging in USA – US\$150m

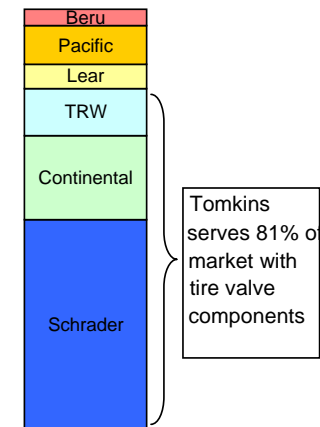
With large potential to increase the penetration of this market...

TPMS Penetration on new vehicles by region



...and an already leading market share...

TPMS global market share 2009



Tomkins

# Driving Top Line Growth – Aftermarket

- **Global Aftermarket remains resilient**
  - North American sales flat
  - Asia & South America sales up
- **Global expansion continues**
  - Russia, Kazakhstan & Belarus
  - China grew by 9%
- **Benefit from consolidation in North America aftermarket**



# Driving Top Line Growth – Gates Industrial

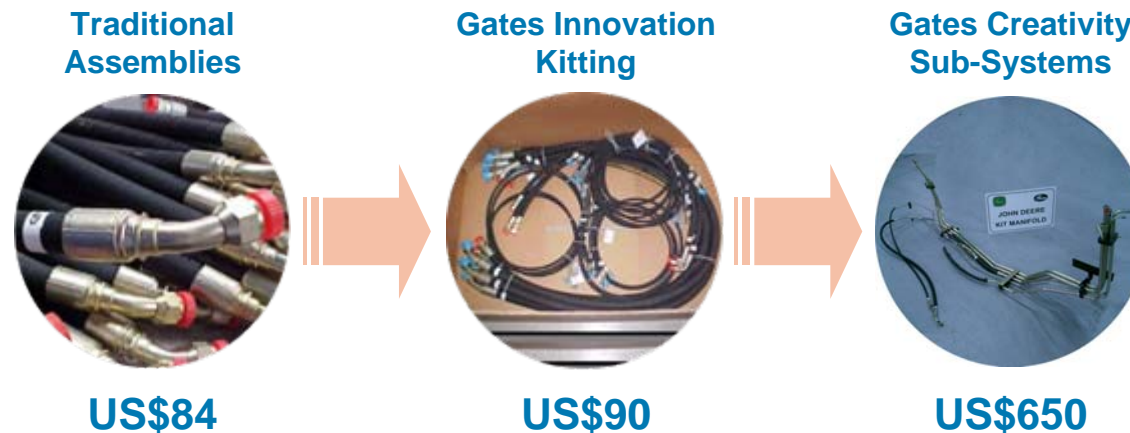
## ➤ Solid full year performance despite weak NA OE markets

- Gates PT up 6.1% / Gates FP up 8.8%
- Growth in Replacement market – up 8.1%

## ➤ Continued growth at Gates Engineering & Services

- Acquisition of AE Hydraulics – Singapore
- New locations in UAE, Kuwait, Saudi Arabia

## ➤ Increasing product value



# Driving Top Line Growth – I&A - Emerging Markets

## ➤ Good growth in emerging markets

- China sales up 27%
- India sales up 19%
- E. Europe sales up 30%
- South American sales up 15%
- Middle East sales up 36%



## ➤ Emerging markets

- Represent 18% of I&A sales
- Increased 25% YOY



## ➤ Key contract wins in emerging markets

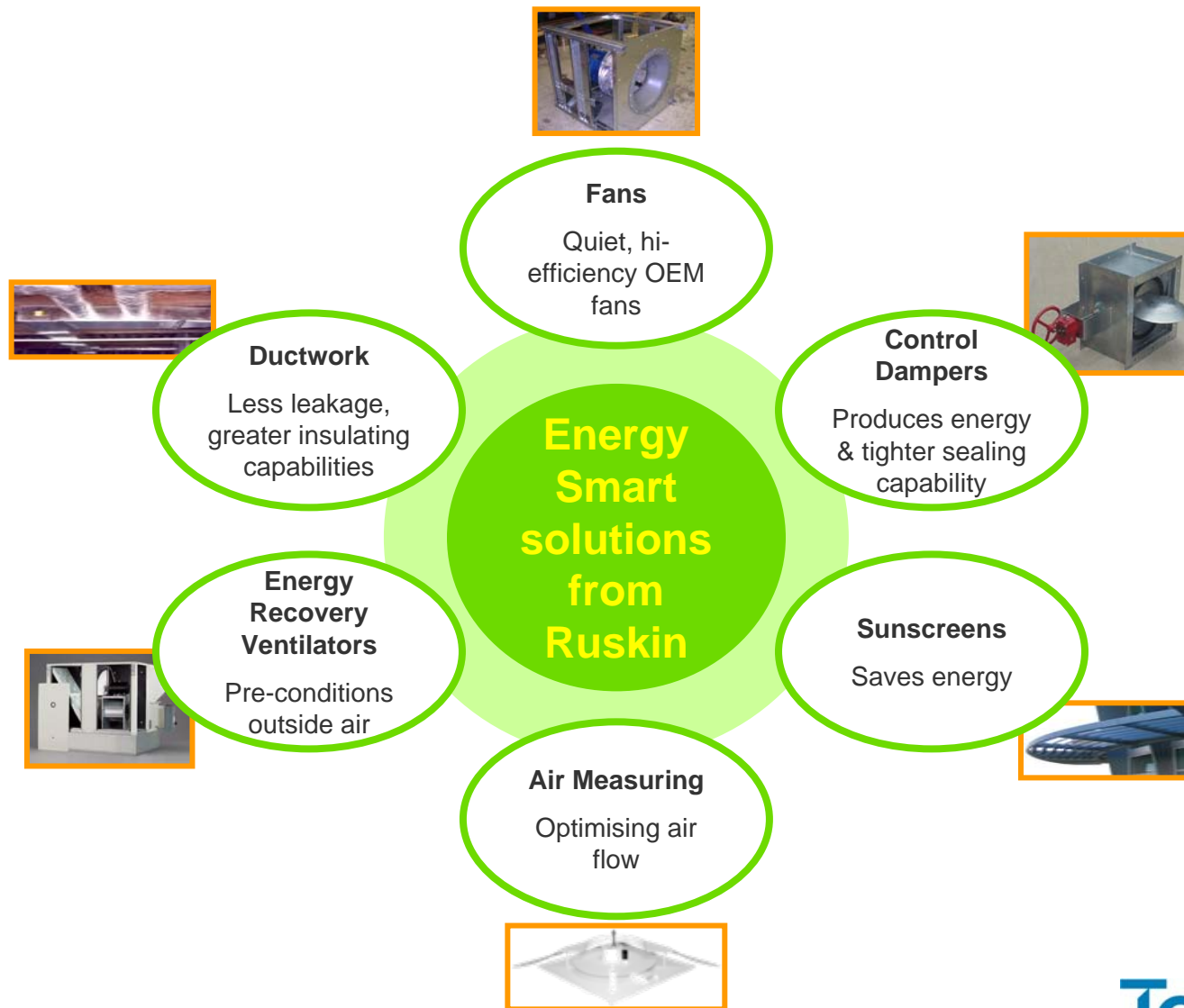
- Brazil, China, India

# Operations Update – Building Products

- **Growth in Air Systems**
- **Continued decline in Residential**
  - Consolidated H&C and Selkirk
  - Reduced headcount by approximately 1,600 / closed 7 plants
- **Global expansion progressing well**
  - Indian acquisitions fully integrated
  - JV in UAE operational by March 2009
- **Focus on Green & Energy Efficiency**



# Focus on Energy-Efficient Green Products



# Managing the Cost Base - 2008 - Project Eagle

- **Reaction to decline in North American markets**
- **US\$100m benefit by 2010**
- **Savings generated from**
  - Strategic pricing initiatives
  - LCC sourcing
  - Outsourcing
  - Strategic manufacturing initiatives
- **2008 headcount reductions of approx 3,500 (~ 10% of workforce)**

# Managing the Cost Base - 2009 - Project Cheetah

- **Reaction to unprecedented decline in global markets**
- **Restructure the group to:**
  - Enable the company to outperform when markets recover
  - Eliminate underperforming businesses and plants
  - Re-establish manufacturing footprint to lower cost regions
  - Continue to exit commodity AOE businesses
- **Benefit of US\$50m by 2011**
- **Considering closing 15 plants**
  - 4 facilities in Europe
- **Consulting as appropriate for 2,500 positions**
  - 1,400 in North America
  - 1,100 in Europe

# Summary

## Position for the future

 Projects Eagle and Cheetah

 Maintain a strong balance sheet

 Focus on green, energy efficient products

# QUESTIONS