

OUR BUSINESS MODEL

MAKING US ESSENTIAL TO OUR CUSTOMERS



OUR BUSINESS MODEL IS BUILT ON THE
THREE "ESSENTIALS" - PRODUCTS,
SOLUTIONS AND VALUES

WHAT WE PUT IN

ESSENTIAL PRODUCTS



Our businesses focus on supplying essential products and services funded by customers' operating rather than capital budgets and supplied across a range of specialised industry segments.

The majority of the Group's revenues are generated from consumable products. In many cases, the products will be used in repair and maintenance applications and refurbishment and upgrade programmes, rather than supplied to original equipment manufacturers.

ESSENTIAL SOLUTIONS



Our businesses design their individual business models to provide solutions that closely meet the requirements of their customers:

Highly responsive customer service, such as the next day delivery from stock of essential, but low value items.

Deep technical support, where we work closely with our customers in designing our products into their specific applications.

Added value services which, if we did not provide these services, customers would have to pay others to provide or would require investment in additional resources of their own.

ESSENTIAL VALUES



We encourage an entrepreneurial culture across our businesses, through a decentralised management structure.

We want our managers to feel that they have the freedom to run their own businesses, while being able to draw upon the support and resources of a larger group where this is beneficial.

Within our businesses we have strong, self-standing management teams who are committed to and rewarded according to the success of their businesses.

HOW WE'VE MADE PROGRESS



Performance is measured by the underlying growth in revenue, after adjusting for currency and acquisitions/disposals:

This year, the underlying growth has been 7%.

Over five years, the average underlying growth has been 5% p.a.

For more information See page 13



Performance is measured by the level and stability over time of gross and operating margins:

Gross margins have remained broadly stable over many years, excluding shorter term currency effects.

This year, adjusted operating margin improved 20bps to 17.5%.

Over five years, the average adjusted operating margin has been 17.7%.

For more information See page 13



Performance is more difficult to measure directly, but non-financial KPIs can give an indication of organisational stability and health. Over the last five years:

Average length of service for all employees has been ca. 7 years (ca. 11 years for the senior management cadre).

Number of working days lost to sickness has consistently been ca. 1% a year.

For more information See page 13

WHAT WE GET OUT

RECURRING INCOME AND STABLE REVENUE GROWTH

Our focus on essential products and services contributes to the Group's record of stable revenue growth over the business cycle.

Our businesses target "GDP plus" levels of underlying revenue growth over the economic cycle, with higher growth rates achieved at the Group level, through carefully selected value enhancing acquisitions.

SUSTAINABLE AND ATTRACTIVE MARGINS

By supplying solutions, not just products, we build strong long term relationships with our customers and suppliers, supporting sustainable and attractive margins.

Our businesses achieve sustainable and attractive gross margins by offering strongly differentiated products and customer focused solutions within specialised market segments. By running efficient operations, these gross margins are converted into healthy operating margins.

AGILITY AND RESPONSIVENESS

Our decentralised organisational model ensures that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment.

Agility and responsiveness in the businesses ensure close management of operating costs and working capital and deliver strong free cash flow.