

# PRESS RELEASE

21 March 2002

**Rotork p.l.c.**  
**Preliminary Announcement**

Rotork p.l.c., the international specialist engineering group, announces audited results for the year ended 31 December 2001.

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	<b>% increase</b>	<b>2001</b>	<b>2000</b>
Turnover	+14.7	£123.7m	£107.9m
Operating profit	+22.7	£24.3m	£19.8m
Profit before taxation	+20.4	£24.8m	£20.6m
- before goodwill amortisation	+19.7	£25.9m	£21.6m
Earnings per share			
- basic	+21.2	18.9p	15.6p
- diluted	+21.2	18.9p	15.6p
- basic before goodwill amortisation	+19.6	20.1p	16.8p
Dividend per share	+6.1	12.95p	12.2p

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**Highlights of the year included:**

- Rotork's three main markets, Oil, Gas and Water, have seen increased investment by customers during the year
- Strong order book up 11% year on year
- Strong net cash position up £6.7m
- US, Canadian and Venezuelan subsidiaries all registered highly creditable performances
- Jordan Controls Inc. acquired in January 2002 - strengthening Group position and allowing access into new markets
- Development of the full IQ2 range of actuators now complete

**Chairman, Roger Lockwood, said:**

*'Overall our worldwide companies have experienced a better year in 2001. We have begun the current year with a strong order book and order intake to date continues to support our targets'.*

For further information, please contact:

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## **PRELIMINARY STATEMENT**

### **INTRODUCTION**

Rotork has experienced a noticeable improvement this year in the market for most of its product lines which has enabled us to achieve significant advances in turnover, profit and earnings. Sales increased by 15% to £123.7m, pre-tax profit by 21% to £24.8m and pre-goodwill earnings per share by 20% to 20.1 pence. Our closing order book was 11% above that of December 2000.

### **OPERATING REVIEW**

Our three main markets have seen increasing investment by customers during the year with projects previously on hold being released and new ones coming on stream.

The strengthening dollar contributed to a highly creditable outcome for our US business, the achievements of which were mirrored by our Canadian and Venezuelan subsidiaries. Whilst Far Eastern results were mixed some companies recorded encouraging performances. In Europe the continued weakness of the euro made trading conditions difficult. However, growth was achieved as we adapted our business processes to prevailing rates while continuing to deliver a full service to our customers.

In line with our stated strategy of expanding the scope of our operations whilst remaining focused on valve actuation, we acquired Jordan Controls Inc. of Milwaukee in January 2002. This strengthens our position in some existing business areas and facilitates entry into new ones. We can derive benefits from the joint development of electronics and Jordan will gain from our international sales capability.

The development of the full IQ2 range is now complete and production issues relating to the introduction of the range were resolved by the end of the summer. As a result we can report a substantially higher second half performance with shortened customer delivery times and the order book reduced to more satisfactory levels. The impact on inventory turns in the second half year has eased as the IQ2 replaced its predecessor.

In addition to the successful introduction of the IQ2 range itself, the Group is also engaged in a number of projects designed to incorporate selected IQ2 features into other products, which will be targeted at specific market sectors.

The overseas sourcing programme has proved a success and we now buy high quality components from a number of Far East suppliers. This initiative will be further developed for future products as part of a sustained drive to enhance margins and deliver cost effective quality products to our customers.

The Fluid System businesses in the US and Italy improved on their prior years performance and we now have a profitable fluid power operation with a more integrated product range. This activity forms a key component of our growth plans and is receiving appropriate levels of emphasis and support within the group. The new management team has recorded a number of successes and views the future with confidence.

#### **DIRECTORS**

I am pleased to report that Bob Arnold was appointed to the board of the company in August. For over 13 years Bob has been, and will remain, President of our operations in the Americas. We look forward to his continued contribution to the overall progress of the group.

#### **DIVIDEND**

The dividend last year had been held at 1999 levels, reflecting the trading position in 2000. At the interim stage we increased the dividend by 5.6% to reflect our improved trading this year, and I am pleased to say that the directors are recommending that the final dividend be increased to 8.3p per share (2000: 7.8p) which will bring the total for the year to 12.95p (2000: 12.2p). This is payable on 27 May 2002 to shareholders on the register on 2 April 2002. This represents an increase of 6.1% for the year, with dividend cover of 1.5 times post-tax earnings.

#### **OUTLOOK**

We have strengthened our operations in a number of key areas during 2001. After a shortfall of orders in the final weeks of 2001, order intake in the first part of the current year has been ahead of target and most of our world-wide operations are reporting good project activity levels. This should allow us to make further progress in spite of the uncertainties of our operating environment.

**Audited Consolidated Profit and Loss Account**  
for the year ended 31 December 2001

	2001 £'000	2000 £'000
<b>Turnover</b>	123,689	107,880
Cost of sales	(65,877)	(59,021)
<b>Gross profit</b>	<u>57,812</u>	<u>48,859</u>
Distribution costs	(2,649)	(2,286)
Administrative expenses	(30,613)	(27,502)
Other operating (expenses)/income	(270)	680
<b>Operating profit</b>	<u>24,280</u>	<u>19,751</u>
Operating profit before amortisation of goodwill	25,307	20,787
Amortisation of goodwill	(1,027)	(1,036)
Operating profit	<u>24,280</u>	<u>19,751</u>
Interest receivable and similar income	793	1,090
Interest payable and similar charges	(230)	(259)
<b>Profit on ordinary activities before taxation</b>	<u>24,843</u>	<u>20,582</u>
Tax on profit on ordinary activities	(8,539)	(7,110)
<b>Profit for the financial year</b>	<u>16,304</u>	<u>13,472</u>
Dividends - including non-equity	(11,147)	(10,504)
<b>Retained profit for the financial year</b>	<u>5,157</u>	<u>2,968</u>
	<b>pence</b>	<b>pence</b>
Basic earnings per share	18.9	15.6
Basic earnings per share before goodwill amortisation	20.1	16.8
Diluted earnings per share	18.9	15.6

All results relate to continuing operations.

**Audited Group Balance Sheet**  
at 31 December 2001

	<b>2001</b> £'000	<b>2000</b> £'000
<b>Fixed assets</b>		
Intangible assets	16,637	18,166
Tangible assets	14,095	15,763
Investments	578	-
	<u>31,310</u>	<u>33,929</u>
<b>Current assets</b>		
Stocks	18,048	14,553
Debtors due within one year	33,409	32,562
Debtors due after more than one year	317	384
Cash at bank and in hand	22,162	16,820
	<u>73,936</u>	<u>64,319</u>
<b>Creditors:</b>		
Amounts falling due within one year	(34,877)	(31,491)
<b>Net current assets</b>	<u>39,059</u>	<u>32,828</u>
<b>Total assets less current liabilities</b>	70,369	66,757
<b>Creditors:</b>		
Amounts falling due after more than one year	(150)	(1,011)
<b>Provisions for liabilities and charges</b>	(2,322)	(3,293)
<b>Net assets</b>	<u>67,897</u>	<u>62,453</u>
<b>Rotork shareholders' funds</b>		
Equity	67,844	62,394
Non-equity	53	59
<b>Capital employed</b>	<u>67,897</u>	<u>62,453</u>

**Note:**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2001 or 2000. The financial information for 2000 is derived from the statutory accounts for 2000 which have been delivered to the Registrar of Companies. The auditors have reported on the 2000 and 2001 accounts; their reports were unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The statutory accounts for 2001 will be delivered to the Registrar of Companies following the company's annual general meeting.

**Audited Statement of Group Cash Flow**  
for the year ended 31 December 2001

	<b>2001</b> <b>£'000</b>	2000 £'000
<b>Operating profit</b>	24,280	19,751
Depreciation and amortisation	3,039	2,995
Loss/(profit) on sale of fixed assets	117	(101)
Movement in working capital	(1,894)	(6,236)
<b>Net cash inflow from operating activities</b>	<hr/> 25,542	<hr/> 16,409
<b>Returns on investments and servicing of finance</b>	685	863
<b>Taxation</b>	(8,753)	(8,539)
<b>Capital expenditure and financial investments</b>	(833)	(3,057)
<b>Acquisitions and disposals</b>	(68)	(394)
<b>Dividends paid on equity ordinary shares</b>	(10,728)	(10,543)
<b>Financing</b>	(422)	(1,615)
<b>Increase/(decrease) in cash and term deposits in the year</b>	<hr/> 5,423	<hr/> (6,876)