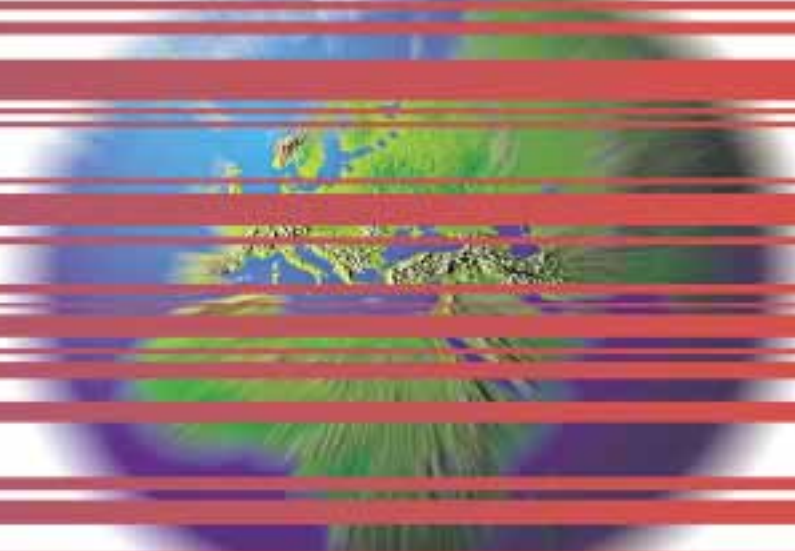


rotork

Global actuation solutions



Interim report 2002

Review of Operations

Financial Results

In the six months to 30 June 2002, the group is pleased to report growth in sales, profits and earnings. Group turnover increased by 13% to £65.0 million (2001: £57.5 million). Operating profit before goodwill amortisation was 14% higher at £12.6 million (2001: £11.1 million) and headline earnings per share increased by 9% to 9.8p (2001: 9.0p).

Cashflow

The group has continued to generate cash and net cashflow from operating activities increased 7% to £10.8 million (2001: £10.1 million). After cash outflows of £7.7 million relating to the acquisition of Jordan Controls Inc, net cash at the half year end was £13.2 million (2001: £17.3m).

Dividend

The interim dividend has been increased to 5p per ordinary share representing a 7.5% increase year on year. This will be paid on 30 September.

Operating Review

Electric Actuators

All of our end user markets, oil and gas, water and power, were reasonably active, albeit with a lower proportion of units being ordered by oil and gas companies, where an increase in demand from the Middle East and Latin America was offset by lower demand in North America and Europe. There was increased demand from the power market that came mainly from the Far East and demand from the water and waste water markets remained constant whilst increased business came from shipboard applications. The profile of our destination regions did not alter markedly; there was however a slight increase in the Far East, Middle East and Europe at the expense of the Americas. While sales in the UK started well, they have, with the exception of retrofit sales, reverted to the lower levels experienced last year.

Sales output and profits from our electric operations excluding Jordan were up 5% and 8.5% respectively on the comparative period for 2001. The results of our main plant in Bath and most of our electric operations are ahead, with the exceptions of the US, which is slightly down on a very strong comparative period and Venezuela, which has suffered due to the severe currency devaluation and economic disruption in that country. Additional losses have arisen due to the adoption of US dollar accounting for the Venezuelan subsidiary in accordance with UITF 9.

Work on our two major development projects the IQT and Mayflower is on target. Key staff have been hired and a manufacturing unit has been leased in Malaysia for the Mayflower project, where initial production is due to commence as planned at the end of this year.

Rotork Fluid System

Our expectations of further progress for the Rotork Fluid System operations have been realised. Order intake was well ahead of our target while sales were 30% above the comparative period. Profits have met our 10% return on sales target for the current year. All of our fluid power operations have performed well with the exception of the US which recorded a loss, although smaller than in the comparative period. New larger production premises have been leased in Italy and these will remove the current capacity constraint. New product introductions over the next few months will further enhance this operation.

Rotork Gears

Rotork Gears has faced a difficult trading environment and its sales and profits are down on the comparative period. Returns on sales, however, have remained above the group's average level and initiatives have been put in place to help reduce costs and expand sales.

Acquisitions

Jordan Controls Inc, which was acquired in January to extend our range of positioning actuators, has met our expectations in what has been a difficult market. Actions to promote its products through the Rotork network worldwide are well underway.

Outlook

The trading conditions and project activity levels remain positive. Order intake in the early part of the year was very strong after a poor December 2001. However, this was not sustained in March and April when expected orders were deferred and order levels were below target as identified at the time of the AGM statement. Input levels improved in May and were above target in June with the order book at the half year standing at 7% above the year end figure on a like for like basis. The healthy level of work in progress and the further development of our electric, fluid power, and gearbox businesses should, subject to no significant changes in the investment plans of our major customers, more than offset the influence of a weakening US dollar.

Bill Whiteley

Chief executive
7 August 2002

Financial Highlights

Further growth, significant increases in revenues, profits and earnings

- Operating profit before goodwill amortisation increased by **14%** to **£12.6m** (2001: £11.1m)
-

- Group turnover increased by **13%** to **£65.0m** (2001: £57.5m)
-

- Headline earnings per share increased by **9%** to **9.8p** (2001: 9.0p)
-

- Interim dividend increased by **7.5%** to **5.0p** (2001: 4.65p)
-

- Cash generated from operating activities increased by **7%** to **£10.8m** (2001: £10.1m)
-

- Fluid System businesses making strong progress with increased orders and profitability
-

- The acquisition of Jordan Controls Inc has been completed and its integration into the group is well underway and progressing smoothly
-

Rotork Group Interim Results 2002

Unaudited

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Turnover			
Continuing operations	61.2	57.5	123.7
Acquisitions	3.8	–	–
	65.0	57.5	123.7
Operating profit			
Continuing operations	11.6	10.6	24.3
Acquisitions	0.3	–	–
	11.9	10.6	24.3
Operating profit before amortisation of goodwill	12.6	11.1	25.3
Amortisation of goodwill	(0.7)	(0.5)	(1.0)
Operating profit	11.9	10.6	24.3
Net interest and similar income	0.2	0.4	0.5
Profit before taxation	12.1	11.0	24.8
Taxation			
UK	(1.5)	(1.4)	(4.0)
Overseas	(2.9)	(2.3)	(4.5)
Profit after taxation	7.7	7.3	16.3
Dividend	(4.3)	(4.0)	(11.1)
Retained profit	3.4	3.3	5.2
	pence	pence	pence
Earnings per share	9.0	8.4	18.9
Earnings per share before goodwill amortisation	9.8	9.0	20.1
Diluted earnings per share	9.0	8.4	18.9

Rotork Group Balance Sheet

Unaudited

	30 June 2002 £m	30 June 2001 £m	31 Dec 2001 £m
Fixed assets			
Intangibles	21.3	17.1	16.6
Tangibles	14.8	15.6	14.1
Investments	0.3	–	0.6
	36.4	32.7	31.3
Current assets			
Stock	20.0	17.3	18.0
Debtors	36.2	33.8	33.7
Cash	13.2	17.3	22.2
	69.4	68.4	73.9
Creditors and provisions	(35.6)	(34.1)	(37.3)
	33.8	34.3	36.6
Net assets	70.2	67.0	67.9
Share capital	4.4	4.4	4.4
Reserves	65.8	62.6	63.5
Shareholders' funds	70.2	67.0	67.9

Rotork Group Cash Flow

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Operating profit	11.9	10.6	24.3
Depreciation and amortisation	1.8	1.6	3.0
Loss on sale of fixed assets	–	–	0.1
Increase in stock	(0.5)	(2.5)	(3.7)
Decrease/(increase) in debtors	0.5	0.9	(1.2)
(Decrease)/increase in creditors	(2.9)	(0.5)	3.0
Net cash flow from operating activities	10.8	10.1	25.5
Returns on investments and servicing of finance	0.2	0.4	0.7
Taxation	(4.6)	(3.4)	(8.8)
Net capital expenditure and financial investments	(0.9)	(0.8)	(0.8)
Acquisitions and disposals	(7.7)	0.1	(0.1)
Dividends paid	(7.1)	(6.7)	(10.7)
Financing	0.3	0.8	0.6
(Decrease)/increase in cash and term deposits	(9.0)	0.5	6.4

Notes to the Interim Report

1. Basis of preparation

The financial information for the six months to 30 June 2002 and the comparative figures for the six months to 30 June 2001 are unaudited and have been prepared on the basis of the accounting policies set out in the group's statutory accounts for the year ended 31 December 2001. In addition UITF 9: 'Accounting for operations in hyper-inflationary economies' has been adopted for the six months to 30 June 2002 for the group's operations in Venezuela.

The financial information for the year ended 31 December 2001 is an abridged version of the full accounts for that year, which received an unqualified report from the auditors and which have been filed with the Registrar of Companies.

2. Geographical analysis

Turnover, operating profit before goodwill amortisation and net operating assets can be analysed by geographical origin as follows:

Turnover

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Europe	33.3	30.2	66.2
Americas	22.2	17.9	38.2
Rest of the world	9.5	9.4	19.3
	65.0	57.5	123.7

Operating profit before goodwill amortisation

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Europe	7.7	6.4	15.0
Americas	2.7	3.0	6.6
Rest of the world	2.2	1.7	3.7
	12.6	11.1	25.3

Net assets

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Europe	21.4	23.3	22.1
Americas	14.5	10.4	10.7
Rest of the world	4.1	3.7	3.5
Net unallocated assets	30.2	29.6	31.6
	70.2	67.0	67.9

Net unallocated assets comprise goodwill, net cash and dividends.

Notes to the Interim Report

3. Dividends

An interim dividend of 5.0p per ordinary share (2001: 4.65p) will be paid on 30 September to shareholders on the register at the close of business on 16 August 2002.

4. Earnings per share

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 86.0 million shares (six months to 30 June 2001: 86.0 million; year to 31 December 2001: 86.0 million) being the weighted average ordinary shares in issue.

The adjusted earnings per share is based on the profit for the period attributable to the ordinary shareholders before the amortisation of goodwill. The adjusted numbers provide a more consistent measure of operating performance.

Diluted earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and the weighted average ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares under the group's option schemes.

5. Acquisition

On 7 January 2002 the entire share capital of Jordan Controls Inc. of Milwaukee, Wisconsin, USA was acquired. The cash consideration was £7.2 million. A maximum sum of £0.7 million will be added to or deducted from the initial consideration dependent on the confirmed orders received in the calendar year 2002.

6. Shareholder information

This interim report is being sent to all shareholders and copies are available to the public from the Registered Office at the address below. The interim report is also available on the company's website at www.rotork.com.

We offer shareholders a dividend reinvestment plan (DRIP) under which shareholders can reinvest their cash dividends in the company, by buying shares in the market at competitive dealing rates. If you have already elected to join the DRIP, there is no further action for you to take.

If you would like to join for the first time, please contact our registrars below.

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

Share dividend helpline number - 0870 241 3018

7. Group information

Secretary and registered office:

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Company website:

www.rotork.com

rotork



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