

rotork

Rotork plc

Interim Results

2nd August 2006

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INTERIM RESULTS - 2006

Financial Highlights



- **Turnover increased by 29% to £101.3m (2005: £78.3m)**
- **Order intake 28% higher than first half 2005**
- **Profit before tax increased by 38% to £22.5m (2004: £16.3m)**
- **EPS 17.6p up 39% (2005: 12.7p)**
- **Record order book up 24% since December 2005**
- **Interim dividend of 6.50p up over 10% (2004: 5.90p)**

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Turnover by division

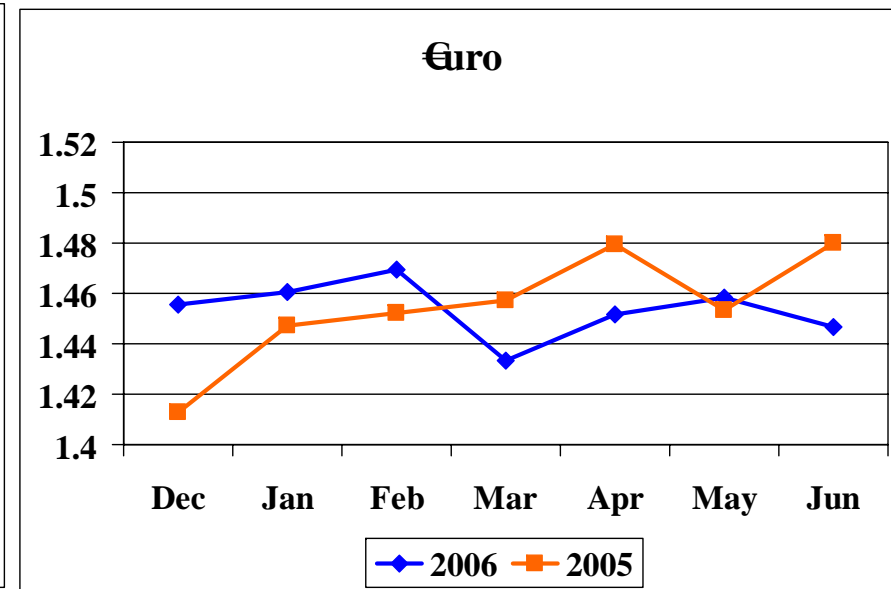
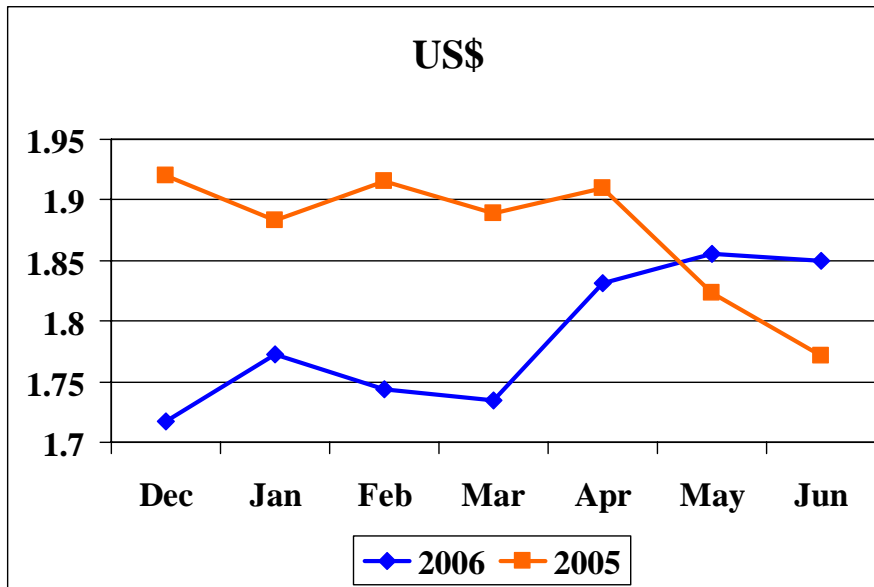
		2006	2005
		£m	£m
Electrics	up 26.0%	73.4	58.2
Gears	up 24.9%	11.7	9.3
Fluid system	up 43.8%	19.1	13.3
Intersegmental elimination		(2.9)	(2.5)
Total	up 29.3%	101.3	78.3

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Currency translation effect

Average rate	2006 H1	2005 H1	2005 FY	2004 FY	2003 FY
US\$	1.80	1.85	1.80	1.83	1.66
€uro	1.45	1.46	1.46	1.46	1.44



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Currency translation effect on turnover

	2006 H1	2005 H1	2005 FY	2004 FY	2003 FY
Average rate					
US\$	1.80	1.85	1.80	1.83	1.66
€uro	1.45	1.46	1.46	1.46	1.44

Effect on turnover

US\$ increased turnover by	£ 1.1 m
Canadian \$ increased turnover by	£ 0.7 m
€uro increased turnover by	£ 0.2 m
Other currencies increased turnover by	<u>£ 0.4 m</u>
	£ 2.4 m

		2006 £m	2005 £m
Total turnover:	as reported	+29.3% 101.3	78.3
	at constant currency	+26.2% 98.9	78.3

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Operating profit

		2006	2005
		£m	£m
Electrics	up 29.3%	18.8	14.5
Gears	up 21.8%*	2.2	1.9
Fluid system	up 150.3%*	2.0	0.8
Unallocated		(1.0)	(1.0)
Total	up 35.8%	22.0	16.2
Group return on sales		21.8%	20.7%

* After deduction of intangible amortisation under IFRS 3

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Income Statement – currency effect



		2006	2005
		£m	£m
Operating profit	+35.8%	22.0	16.2
Translation impact		(0.4)	-
Transaction impact		(0.6)	-
Operating profit at 2005 rates	+29.1%	21.0	16.2

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Income Statement

		2006	2005
		£m	£m
Turnover as reported	+29.3%	101.3	78.3
Operating profit	+35.8%	22.0	16.2
Profit before tax	+38.5%	22.5	16.3
Earnings per share	+38.6%	17.6p	12.7p
Effective tax rate:	2006 H1	32.6%	
	2005 FY	32.9%	
Dividend		6.50p	5.90p

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IFRS3 Write Down

	2006			2005		
	Underlying trading £m	IFRS3 intangible £m	As reported £m	Underlying trading £m	IFRS3 intangible £m	As reported £m
Turnover as reported	101.3	-	101.3	78.3	-	78.3
Profit from operations	22.1	(0.1)	22.0	16.4	(0.2)	16.2
Profit before tax	22.6	(0.1)	22.5	16.5	(0.2)	16.3
Earnings per share	17.6p		17.6p	12.7p		12.7p

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Dividend



Payments in 2006

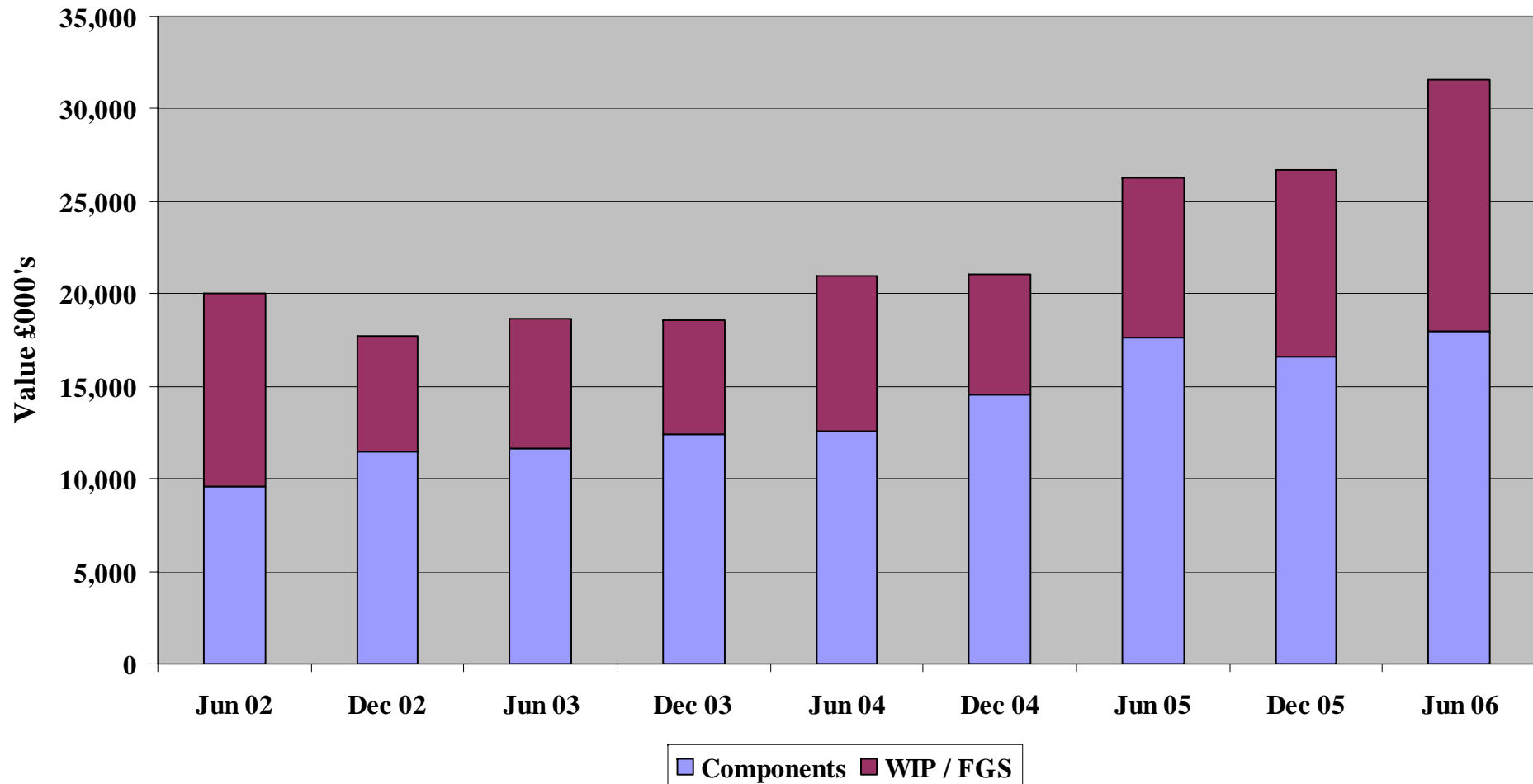
		Total cost	
• May 2006	9.9p	£8.5m	2005 final dividend
• July 2006	5.8p	£5.0m	2006 add'l dividend
• Sept 2006	6.5p	£5.6m	2006 interim dividend
• Dec 2006	5.8p	£5.0m	2006 add'l dividend
Plus			
• May 2007	To be announced with 2006 results		2006 final dividend

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Inventory



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Cash flow – major issues and timing



One-off outflows in 2006 include

First half

- February £1.6m acquisition of Omag Srl (purchase price plus debt)
- March £2m additional pension contribution
- June £2m additional pension contribution

Second half

- July £5m additional dividend
- September £2m additional pension contribution
- December £5m additional dividend

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Cash flow Summary

	2006	2005
	£m	£m
Operating profit	22.0	16.2
Depreciation	1.2	1.4
Capital expenditure	(1.2)	(0.7)
Working capital movement	(2.7)	(1.8)
Non cash IFRS adjustments	(0.1)	(0.4)
Currency on cash held	(0.3)	(0.7)
	<hr/>	<hr/>
Operating cash flow	18.9	14.0
Operating cash flow as a function of operating profit	86%	86%

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Cash flow Summary

	2006	2005
	£m	£m
Operating cash flow	18.9	14.0
Tax paid	(4.8)	(3.9)
	<hr/>	<hr/>
	14.1	10.1
Dividends	(8.5)	(8.3)
Additional pension contribution	(4.0)	-
Acquisitions	(1.6)	(7.3)
Financing	(0.3)	0.9
	<hr/>	<hr/>
Non operating spend	(14.4)	(14.7)
	<hr/>	<hr/>
Net cash inflow	(0.3)	(4.6)
	<hr/>	<hr/>
Cash balances	26.9	20.2

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Order input and order book

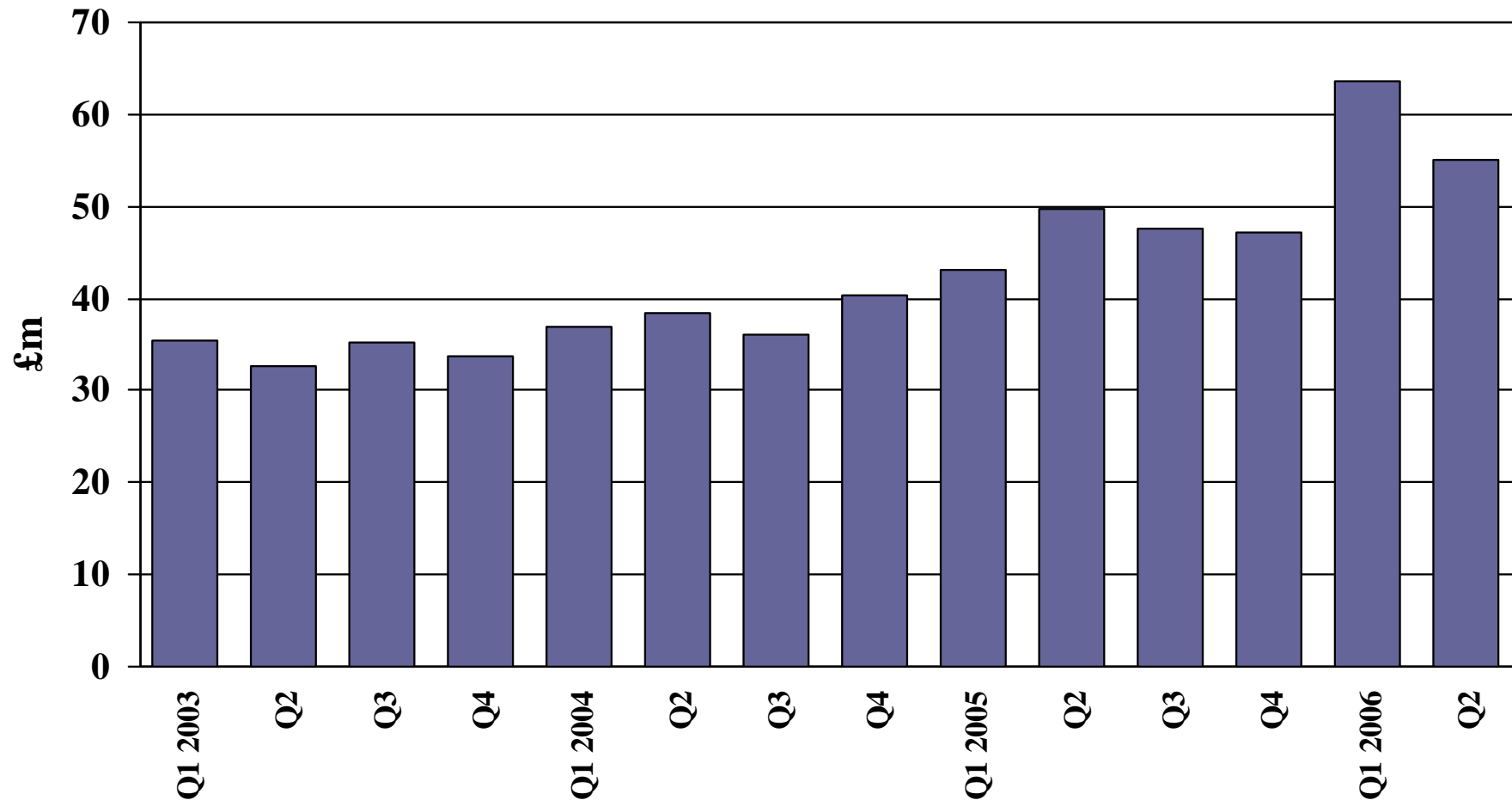
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- 
- **Input** **£119m** **+28%**
 - **Order book** **£ 79m**
 - **On 1st Jan 2006** **+24%**
 - **On 30th June 2005** **+26%**

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Input per Quarter from 2003



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Rotork Electric

- 
- A faded background image of industrial machinery, including large gears and a worker in a white hard hat and safety vest, overlaid with a semi-transparent blue filter.
- **Order Input** + **24%**
 - **Order Book** + **16%** [on 1.1.2006]
 - **Revenue** + **26%**
 - **Operating Profit** + **29%**
 - **Profit Margin** **25.6%**

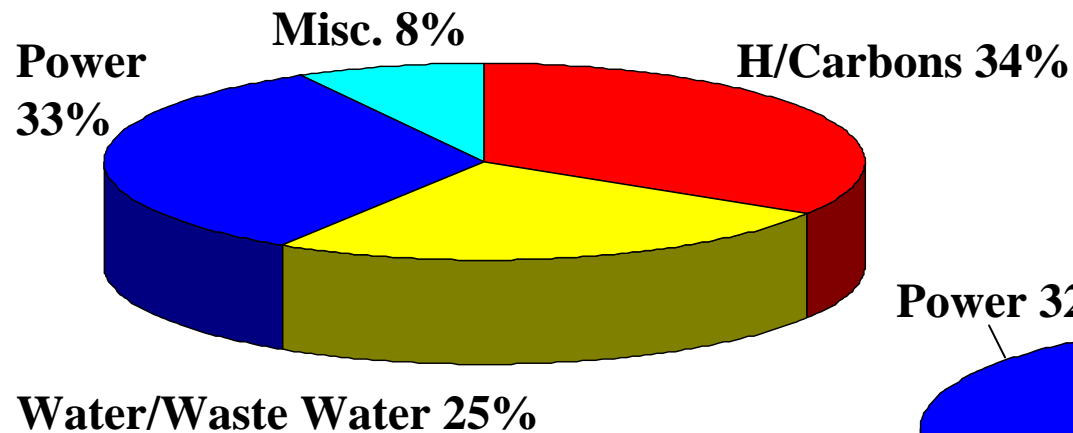
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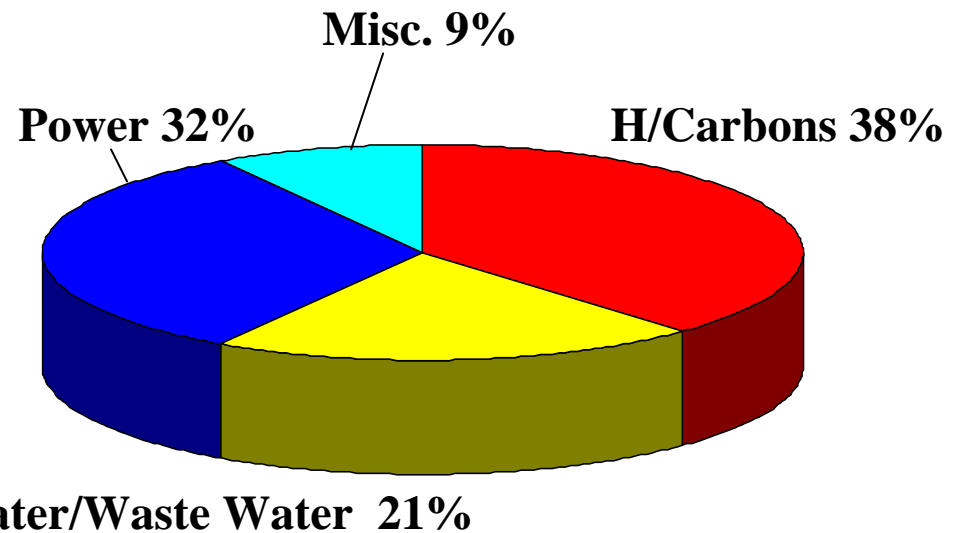
Electric Actuator Unit Input by Industry



Note 2006 Units are up 15% on 2005



Jan to June 05

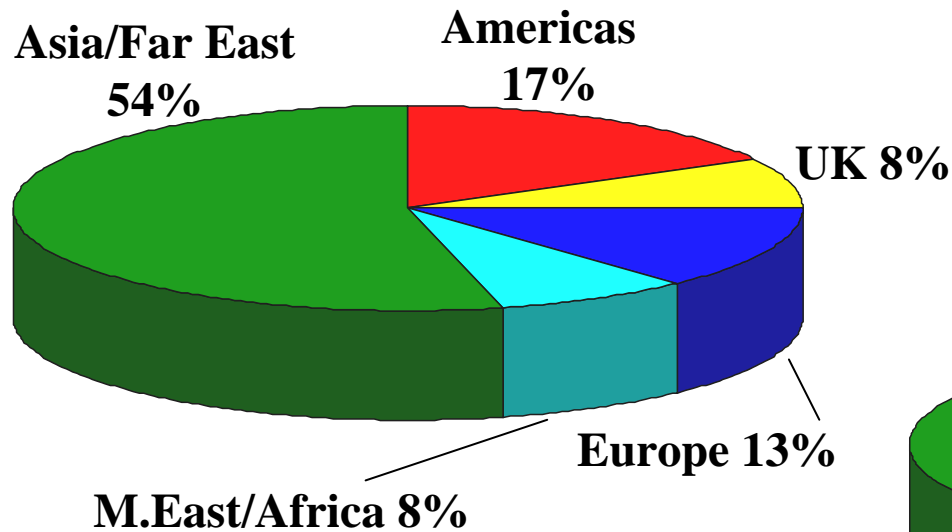


Jan to June 06

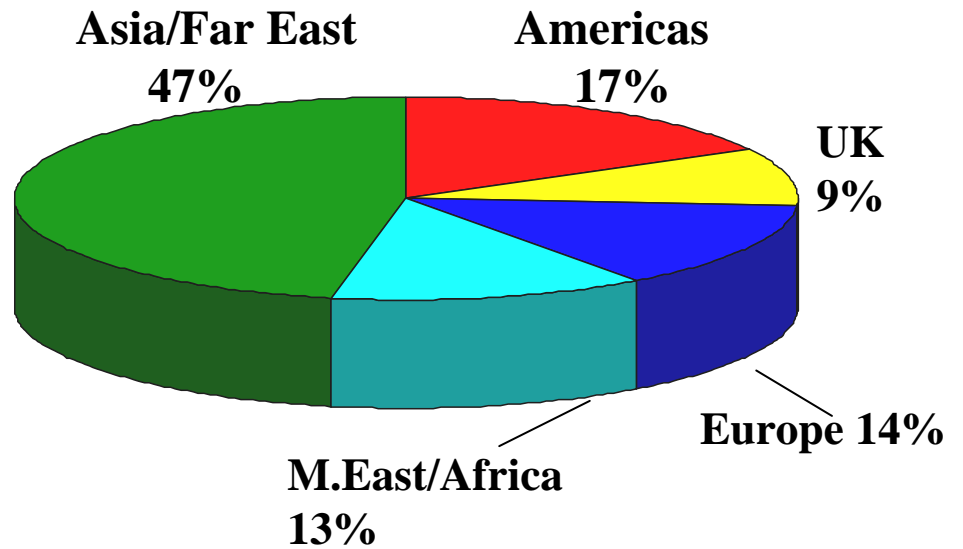
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Electric Actuator Unit Input by Final Destination



Jan to June 2005



Jan to June 2006

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SHANGHAI FACTORY



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Pakscan 3



- Major upgrade to Rotork’s proprietary Pakscan system to be rolled out during Q3 2006

- Backwards compatible with earlier dual redundant network

- Fully integrated web support allowing remote system monitoring and upgrade

- Enhanced user interface

- Prepares the way for new higher speed network topologies such as wireless



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Rotork Fluid System

- 
- The background of the slide is a photograph of industrial equipment. On the left, there is a large red piece of machinery, possibly a valve actuator. On the right, there is a yellow piece of machinery, likely a valve or actuator. In the background, a building with a sign that reads "rotork fluid system" is visible. The overall scene is outdoors with some greenery.
- **Order Intake** +36%
 - **Order Book** +36% [on 1.1.2006]
 - **Revenue** +44%
 - **Operating profit** +150%
 - **Profit margin** 10.3%

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“Largest to date” the GP350 pipeline shutdown actuator at Rotork Fluid System’s factory in Lucca, Italy.

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Rotork Gears

A large, semi-transparent gear is centered in the background. Inside the gear's central hub, a small globe of the Earth is visible. The overall color scheme is light blue and white.

•Order Intake	+46%
•Order book	+99%
•Revenue	+25%
•Operating Profit	+22%
•Profit Margin	19.4%

Excl Gears Srl

A detailed view of a gear assembly, showing a grey metal housing with a gear mounted inside. A small component is shown to the right.

+16%

+46%

A blue gear assembly with a black handwheel attached to the side.

+12%

+12%

19.9%

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Large Gearboxes

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INTERIM RESULTS - 2006



OUTLOOK

The level of business has exceeded our expectations in the first half of the year. Most of our markets continue to be healthy with significant levels of investment planned for the future. With buoyant markets and record order books we anticipate delivering a strong performance for the year as a whole. Nevertheless as indicated at the time of our AGM we continue to expect the financial results of the two halves of the current year to be more evenly balanced than in the recent past. This view, which was based on the timing of projects and the improvements in productivity, has been reinforced by the recent movement of the US dollar.

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Appendices

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Cashflow Slide 1 reconciliation to cash flow

	June 2006 £000	June 2006 £000	June 2005 £000	June 2005 £000
Profit for the year	15,189		10,905	
Financial income	(2,774)		(2,169)	
Financial expenses	2,265		2,116	
Income tax expense	7,350		5,372	
Operating profit		22,030		16,224
Depreciation		1,235		1,357
Purchase of tangible fixed assets	(1,246)		(738)	
(Profit) / loss on sale of fixed assets	(1)		42	
Sale of tangible fixed assets	48		11	
Capital expenditure		(1,199)		(685)
Increase in inventories	(5,326)		(3,680)	
(Increase) / decrease in trade and other receivables	(4,029)		4,225	
Increase / (decrease) in trade and other payables	7,086		(1,551)	
Increase / (decrease) in provisions	322		(16)	
Decrease in other employee benefits	(750)		(794)	
Working capital		(2,697)		(1,816)
Amortisation of intangibles	55		169	
Amortisation of development costs	130		146	
Equity settled share based payments	231		134	
Development costs capitalised	(151)		(120)	
Difference between pension charge and cash contribution	(4,379)		(753)	
Exclude pension lump sum	4,000		0	
Non cash IFRS adjustments		(114)		(424)
Effect of exchange rate fluctuations on cash held		(352)		(657)
Operating cash flow		<u>18,903</u>		<u>13,999</u>

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INTERIM RESULTS - 2006



Cashflow Slide 2 reconciliation to cash flow

	June 2006 £000	June 2006 £000	June 2005 £000	June 2005 £000
Operating cash flow		18,903		13,999
Income taxes paid		(4,791)		(3,933)
Pension lump sum		(4,000)		0
Dividends on ordinary shares		(8,537)		(8,342)
Acquisition of subsidiary net of cash acquired		(1,590)		(7,256)
Interest received	510		285	
Issue of ordinary share capital	236		513	
Purchase of ordinary share capital	(700)		(913)	
Purchase of own preference shares	(6)		0	
Interest paid	(76)		(75)	
Repayment of amounts borrowed	(177)		1,184	
Repayment of finance lease liabilities	(59)		(53)	
Financing		(272)		941
Net movement in cash and cash equivalents		(287)		(4,591)
Cash and cash equivalents at 1 January		27,181		24,825
Cash and cash equivalents at end of period		26,893		20,234

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