



rotork

Interim Report 2007



Excellent growth in all three divisions

Financial Highlights

	2007	2006	% change	% change (constant currency)
Revenue	£113.3m	£101.3m	+12%	+18%
Operating profit	£26.0m	£22.0m	+18%	+27%
Profit before tax	£26.9m	£22.5m	+19%	+28%
Earnings per share	21.3 p	17.6 p	+21%	+31%

- Order intake up 10% year on year (15% at constant currency)
- Record order book of £94m, up 23% on the start of year
- Interim dividend at 7.7p up 18%

Profit before tax
up **19%**

Order book
£94m
up **23%**

Review of Operations

Financial Results

We are pleased to report that the Group continued to make excellent progress with revenue and profit before tax increasing by 12% and 19% respectively against a particularly strong first half in 2006. Margins increased from 22.3% to 23.7%. This was in spite of a negative currency background with the US dollar averaging 1.98 against 1.80 in the first half of last year. At constant currency the revenue increased by 18% and profit before tax by 28%.

Operating Review

Our end user industrial markets, the oil & gas, power and water sectors, are very active. The activity has a wide geographical spread and benefited all three of our businesses each of which expanded sales revenue, profit and margins over the comparative period. Order intake was up 10%, 15% at constant currency. This resulted in the order book at 30 June being £94m, up 23% on the start of the year.

Rotork Controls

Revenue for our electric actuator division, Rotork Controls, increased by 8% to £79m whilst operating profit rose by 11% to £21m. At constant currencies these results would have been 14% and 20% respectively.

The mix profile was beneficial and material costs were kept under control due to cost reduction and procurement initiatives. These factors resulted in an increased gross margin despite currency impacts. As a result of this and the operational gearing on the overheads, the operating margin increased to 26.3% from 25.6%.

Strong demand resulting from new plant construction in Asia and the Far East meant that actuator unit input from this region increased from 47% to 52% of the total. The substantial increase in destination of units to this area was principally due to increased

levels of oil & gas business. This was particularly evident in China where increased demand for units going into this sector and the continued strong demand for units for power generation resulted in increased business levels over the first half of 2006. In this region high levels of growth in order intake were also seen in Malaysia, Taiwan, Australia and Vietnam.

Actuators with a UK destination increased from 9% to 10% of the total with a substantial increase in business from the UK water companies, whilst units destined for Continental Europe increased from 14% to 16% of the total input, as activity in oil & gas and water & waste water increased significantly. The Middle East and Africa sector reduced from 13% to 8% due to a reduction of the very high level of oil & gas projects which were entered in the first half of 2006. However, activity levels in the Middle East remain encouraging for the year as a whole.

There was a small reduction in the number of units ordered for North American destination. However our US businesses benefited from additional orders from domestic valvemakers, who were more competitive on the world stage due to the weakness of the US dollar.

High levels of oil & gas activity in Asia and Europe led to an increase in unit sales into this sector but it remained at 38% of the total units sold. Water & waste water increased their share of the total business to 23% with nearly all areas reporting increased activity, while power reduced as a share of the total units sold to 30% despite the quantity of units sold increasing.

The Bath plant continued to perform well and nearly all the European and Asian profit centres achieved growth. The US saw a 10% increase in profits in local currency but when translated into sterling the results were similar to the previous year. Profits of the Canadian operations were down, impacted by lower business levels.

Progress has been made in developing Rotork's Service and Support business. As previously indicated this was restructured to create a single worldwide business, reported predominantly within the Controls division of the Group. Rotork Site Services was created during the period and achieved revenues and profits in the first half of 2007 of £17m and £5m respectively.

The Control Valve actuator project continues to be the focus of our development work. A project sales director has been selected to take responsibility for the commercial aspects of the development. Meanwhile beta samples of the linear product are available which will allow us to further test the market reaction. Design of the remainder of the product range continues. An initial product launch in the second half of 2008 is anticipated.

Rotork Fluid Systems

This division continues to grow strongly and, we believe, increase its market share. Revenue increased by 19% to £23m and operating profits by 51% to £3m. Operating margin reached 13.1% for the half

year, with the expectation that the target of 15% will be achieved for the year as a whole.

The main plant in Italy was very busy and increased revenue by nearly 33% and profits nearly 57%. The two other production plants, in Germany and the US, also saw substantial growth.

The wholly owned 'Centres of Excellence', which provide locally engineered solutions and support for these products to customers around the world, also performed well, with particularly good results from the UK, French and Spanish operations.

RFS has been at the forefront of developing actuators for high integrity safety and protection systems. It has recently won a large contract for its Electro-Hydraulic product range, which is designed to operate at SIL3, the most demanding of the recently introduced safety standards for valve actuators. It has also been successful in providing solutions for HIPPS, High Integrity Pressure Protection Systems, valves which are used in applications demanding guaranteed rapid operation.

Rotork Gears

Rotork Gears had a very successful six months' trading. Revenue was up 33% to £16m and operating profit up 55% to £3m on the comparative period. The strong growth was based on an active worldwide valvemaking market and strong demand from the in-house Controls Division where a high percentage of electric units required secondary reduction gearboxes. This division is also reaping the benefits of the work it has put into reducing component costs and increasing the efficiency of its operations.

Particularly strong performances were delivered from the Leeds plant and Gears b.v. in The Netherlands.

Dividend

The interim dividend is to be increased by 18% to 7.7p and will be payable on 28 September 2007 to all shareholders on the register at 7 September 2007. Rotork has already paid over £18m of dividends in the first half of 2007 (88% of its free cash flow in the period) with the £10m 2006 final dividend paid in May and an £8m additional dividend paid in June.

Outlook

The increasing weakness of the US dollar provides an unfavourable trading backdrop compared with 2006. However, the strength of all of our end user markets and the ability of our international sales and operational units to leverage these opportunities should ensure further growth in the second half of the year.



Bill Whiteley
Chief Executive
30 July 2007

Consolidated Income Statement

Unaudited

	Notes	First half 2007 £'000	First half 2006 £'000	Full year 2006 £'000
Revenue	2	113,346	101,255	206,709
Operating profit	2	25,969	22,030	45,089
Financial income	3	3,302	2,774	5,568
Financial expenses	3	(2,370)	(2,265)	(4,596)
		932	509	972
Profit before tax		26,901	22,539	46,061
Tax expense				
UK		(3,386)	(2,711)	(6,690)
Overseas		(5,116)	(4,639)	(8,038)
		(8,502)	(7,350)	(14,728)
Profit for the period	7	18,399	15,189	31,333
		pence	pence	pence
Basic earnings per share	5	21.3	17.6	36.4
Diluted earnings per share	5	21.2	17.5	36.1

Consolidated Statement of Recognised Income and Expense

Unaudited

	First half 2007 £'000	First half 2006 £'000	Full year 2006 £'000
Foreign exchange translation differences	(186)	(2,165)	(3,748)
Effective portion of changes in fair value of cash flow hedges	461	470	(80)
Actuarial gain in pension scheme	-	-	6,743
Movement on deferred tax relating to actuarial gain	-	-	(2,023)
Income and expenses recognised directly in equity	275	(1,695)	892
Profit for the period	18,399	15,189	31,333
Total recognised income and expense for the period	18,674	13,494	32,225

Consolidated Balance Sheet

Unaudited

		30 June	30 June	31 December
		2007	2006	2006
	Notes	£'000	£'000	£'000
Property, plant and equipment		16,722	16,978	16,616
Intangible assets		22,288	22,627	22,225
Deferred tax assets		4,606	6,898	5,739
Other receivables		849	660	735
Total non-current assets		44,465	47,163	45,315
Inventories	6	34,434	31,535	29,027
Trade receivables		40,961	38,520	37,385
Current tax		2,107	2,331	1,219
Other receivables		5,134	5,006	4,104
Cash and cash equivalents		22,371	26,912	28,460
Total current assets		105,007	104,304	100,195
Total assets		149,472	151,467	145,510
Issued equity capital	7	4,321	4,314	4,314
Share premium	7	6,346	5,841	5,857
Reserves	7	(1,146)	712	(1,421)
Retained earnings	7	80,862	75,640	80,386
Total equity	7	90,383	86,507	89,136
Interest-bearing loans and borrowings		178	769	180
Employee benefits		5,002	17,829	8,186
Deferred tax liabilities		1,203	416	1,225
Provisions		1,016	748	941
Total non-current liabilities		7,399	19,762	10,532
Bank overdraft		314	19	62
Interest-bearing loans and borrowings		90	280	526
Trade payables		18,796	19,008	16,835
Employee benefits		3,332	2,716	3,941
Current tax		8,570	6,916	6,236
Other payables		18,125	14,318	15,923
Provisions		2,463	1,941	2,319
Total current liabilities		51,690	45,198	45,842
Total liabilities		59,089	64,960	56,374
Total equity and liabilities		149,472	151,467	145,510

Consolidated Statement of Cash Flows

Unaudited

	First half	First half	Full year
	2007	2006	2006
	£'000	£'000	£'000
Profit for the period	18,399	15,189	31,333
Amortisation of intangibles	36	55	98
Amortisation of development costs	154	130	259
Depreciation	1,399	1,235	2,554
Equity settled share based payment expense	327	231	496
Profit on sale of fixed assets	(42)	(1)	(33)
Financial income	(3,302)	(2,774)	(5,568)
Financial expenses	2,370	2,265	4,596
Income tax expense	8,502	7,350	14,728
	27,843	23,680	48,463
Increase in inventories	(5,510)	(5,326)	(3,610)
Increase in trade and other receivables	(4,322)	(4,029)	(3,786)
Increase in trade and other payables	5,450	7,083	6,691
Increase in provisions	247	322	731
Difference between pension charge and cash contribution	(2,468)	(4,379)	(6,801)
(Decrease)/increase in employee benefits	(1,316)	(750)	776
	19,924	16,601	42,464
Income taxes paid	(5,819)	(4,791)	(11,247)
Cash flows from operating activities	14,105	11,810	31,217
Purchase of tangible fixed assets	(1,311)	(1,246)	(2,425)
Development costs capitalised	(328)	(151)	(372)
Sale of tangible fixed assets	78	48	116
Acquisition of subsidiary net of cash acquired	-	(1,589)	(1,589)
Interest received	474	510	876
Cash flows from investing activities	(1,087)	(2,428)	(3,394)
Issue of ordinary share capital	489	236	252
Purchase of ordinary share capital	(1,186)	(700)	(2,047)
Purchase of own preference shares treated as debt	-	(4)	(4)
Interest paid	(62)	(76)	(147)
Repayment of amounts borrowed	(430)	(177)	(467)
Repayment of finance lease liabilities	(31)	(59)	(212)
Dividends paid on ordinary shares	(18,087)	(8,537)	(24,140)
Cash flows from financing activities	(19,307)	(9,317)	(26,765)
Net (decrease)/increase in cash and cash equivalents	(6,289)	65	1,058
Cash and cash equivalents at 1 January	28,398	27,180	27,180
Effect of exchange rate fluctuations on cash held	(52)	(352)	160
Cash and cash equivalents at end of period	22,057	26,893	28,398

Notes to the Interim Report

1. Status of Interim Report and accounting policies

The interim report was approved by the Directors on 30 July 2007. It should be read in conjunction with the 2006 Annual Report, which contains the most recent audited financial statements.

The financial information for the six months to 30 June 2007 and the comparative figures for the six months to 30 June 2006 are unaudited and have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2006.

The financial information for the year ended 31 December 2006 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. Analysis of revenue, profit and net assets

	First half 2007 £'000	First half 2006 £'000	Full year 2006 £'000	First half 2007 £'000	First half 2006 £'000	Full year 2006 £'000
	Revenue			Operating profit		
Analysis by operation						
Controls	79,278	73,377	147,795	20,885	18,820	37,024
Gears	15,535	11,660	24,282	3,494	2,261	4,638
Fluid Systems	22,637	19,079	40,504	2,962	1,962	5,374
Unallocated costs	–	–	–	(1,372)	(1,013)	(1,947)
Inter-segmental elimination	(4,104)	(2,861)	(5,872)	–	–	–
	113,346	101,255	206,709	25,969	22,030	45,089

	Segment assets			Segment liabilities		
Controls	68,759	66,732	67,969	33,815	42,168	34,557
Gears	17,547	15,756	12,325	5,117	4,032	4,146
Fluid Systems	34,082	32,838	29,796	9,802	10,360	9,442
Unallocated	29,084	36,141	35,420	10,355	8,400	8,229
	149,472	151,467	145,510	59,089	64,960	56,374

Revenue from external customers by location of customer

	First half 2007 £'000	First half 2006 £'000	Full year 2006 £'000
Europe	54,521	44,117	89,992
Americas	27,295	28,224	58,398
Rest of world	31,530	28,914	58,319
	113,346	101,255	206,709

Segment assets by location of assets

	First half 2007 £'000	First half 2006 £'000	Full year 2006 £'000
Europe	81,948	79,918	72,810
Americas	21,123	19,726	21,849
Rest of world	17,317	15,682	15,431
Unallocated	29,084	36,141	35,420
	149,472	151,467	145,510

3. Net financing income

	First half 2007 £'000	First half 2006 £'000	Full year 2006 £'000
Interest income	503	512	982
Expected return on assets in the pension schemes	2,779	2,204	4,518
Foreign exchange gain	20	58	68
	3,302	2,774	5,568
Interest expense	(81)	(101)	(121)
Interest charge on pension scheme liabilities	(2,272)	(2,149)	(4,309)
Foreign exchange loss	(17)	(15)	(166)
	(2,370)	(2,265)	(4,596)

4. Dividends

	First half 2007 £'000	First half 2006 £'000	Full year 2006 £'000
The following dividends were paid in the period per qualifying ordinary share:			
11.65p (2006: 9.9p) final dividend	10,051	8,537	8,537
6.5p interim dividend	-	-	5,601
5.8p 2006 first additional dividend	-	-	5,004
5.8p 2006 second additional dividend	-	-	4,998
9.3p 2007 additional dividend	8,036	-	-
	18,087	8,537	24,140

The following dividends per qualifying ordinary share were declared/proposed at the balance sheet date:

11.65p final dividend proposed	-	-	10,019
7.7p (2006: 6.5p) interim dividend declared	6,654	5,603	-
5.8p first additional dividend declared	-	5,000	-
5.8p second additional dividend declared	-	5,000	-
9.3p 2007 additional dividend declared	-	-	8,000
	6,654	15,603	18,019

5. Earnings per share

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 86.2 million shares (six months to 30 June 2006: 86.1 million; year to 31 December 2006: 86.1 million) being the weighted average ordinary shares in issue.

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, Sharesave plan and Long-Term Incentive Plan.

6. Inventories

	First half 2007 £'000	First half 2006 £'000	Full year 2006 £'000
Raw materials and consumables	18,733	17,955	16,815
Work in progress and finished goods	15,701	13,580	12,212
	34,434	31,535	29,027

7. Capital and reserves

	Share capital £'000	Share premium £'000	Translation reserve £'000	Capital redemption reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2007	4,314	5,857	(2,770)	1,639	(290)	80,386	89,136
Profit for the period	-	-	-	-	-	18,399	18,399
Other items in the statement of recognised income and expense	-	-	(186)	-	461	-	275
Equity settled transactions net of tax	-	-	-	-	-	236	236
Share options exercised by employees	7	489	-	-	-	-	496
Treasury shares purchased	-	-	-	-	-	(1,186)	(1,186)
Treasury shares issued	-	-	-	-	-	2,007	2,007
Loss on re-issue of treasury shares	-	-	-	-	-	(893)	(893)
Dividends to shareholders	-	-	-	-	-	(18,087)	(18,087)
Balance at 30 June 2007	4,321	6,346	(2,956)	1,639	171	80,862	90,383
Balance at 1 January 2006	4,310	5,609	978	1,637	(210)	68,241	80,565
Profit for the period	-	-	-	-	-	15,189	15,189
Other items in the statement of recognised income and expense	-	-	(2,165)	-	470	-	(1,695)
Equity settled transactions net of tax	-	-	-	-	-	213	213
Share options exercised by employees	4	232	-	-	-	-	236
Treasury shares purchased	-	-	-	-	-	(700)	(700)
Treasury shares issued	-	-	-	-	-	1,238	1,238
Own preference shares acquired	-	-	-	2	-	(4)	(2)
Dividends to shareholders	-	-	-	-	-	(8,537)	(8,537)
Balance at 30 June 2006	4,314	5,841	(1,187)	1,639	260	75,640	86,507
Balance at 1 January 2006	4,310	5,609	978	1,637	(210)	68,241	80,565
Profit for the period	-	-	-	-	-	31,333	31,333
Other items in the statement of recognised income and expense	-	-	(3,748)	-	(80)	4,720	892
Equity settled transactions net of tax	-	-	-	-	-	915	915
Share options exercised by employees	4	248	-	-	-	-	252
Treasury shares purchased	-	-	-	-	-	(2,047)	(2,047)
Treasury shares issued	-	-	-	-	-	1,368	1,368
Own preference shares acquired	-	-	-	2	-	(4)	(2)
Dividends to shareholders	-	-	-	-	-	(24,140)	(24,140)
Balance at 31 December 2006	4,314	5,857	(2,770)	1,639	(290)	80,386	89,136

8. 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

9. Group information

Secretary and registered office:

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Company website:

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