



Rotork plc Half Year Results - 2008

5th August 2008

CEO Peter France

Worldwide Leaders in Valve Actuation Technology

www.rotork.com

Highlights – H1 2008

- Order intake up 34%
 - Sales revenue up 27%
 - Record Order Book up 38%
 - Interim Dividend up 20%
 - Adjusted basic EPS up 30%
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Highlights – H1 2008

- Management structure strengthened
 - Articulation of Company Objectives
 - Successful integration of Remote Control Sweden (RCS) and Smart Valve Monitor product (SVM)
 - Continued success in new product development
 - +20% revenue growth in over two thirds of sales offices
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Financial Review

Bob Slater

Impact of RCS acquisition

- Acquisition of RCS in January for SEK 165m
- This is our first acquisition since the introduction of IFRS where a material intangible asset has arisen
- The numbers, in summary, for the first 6 months of 2008 are:
 - Revenue £9.0m
 - Profit before tax and amortisation £0.9m
 - Amortisation of acquired intangibles £0.7m
- Other information
 - Amortisation for the full year in 2008 £1.1m
 - Amortisation for 2009 £0.84m

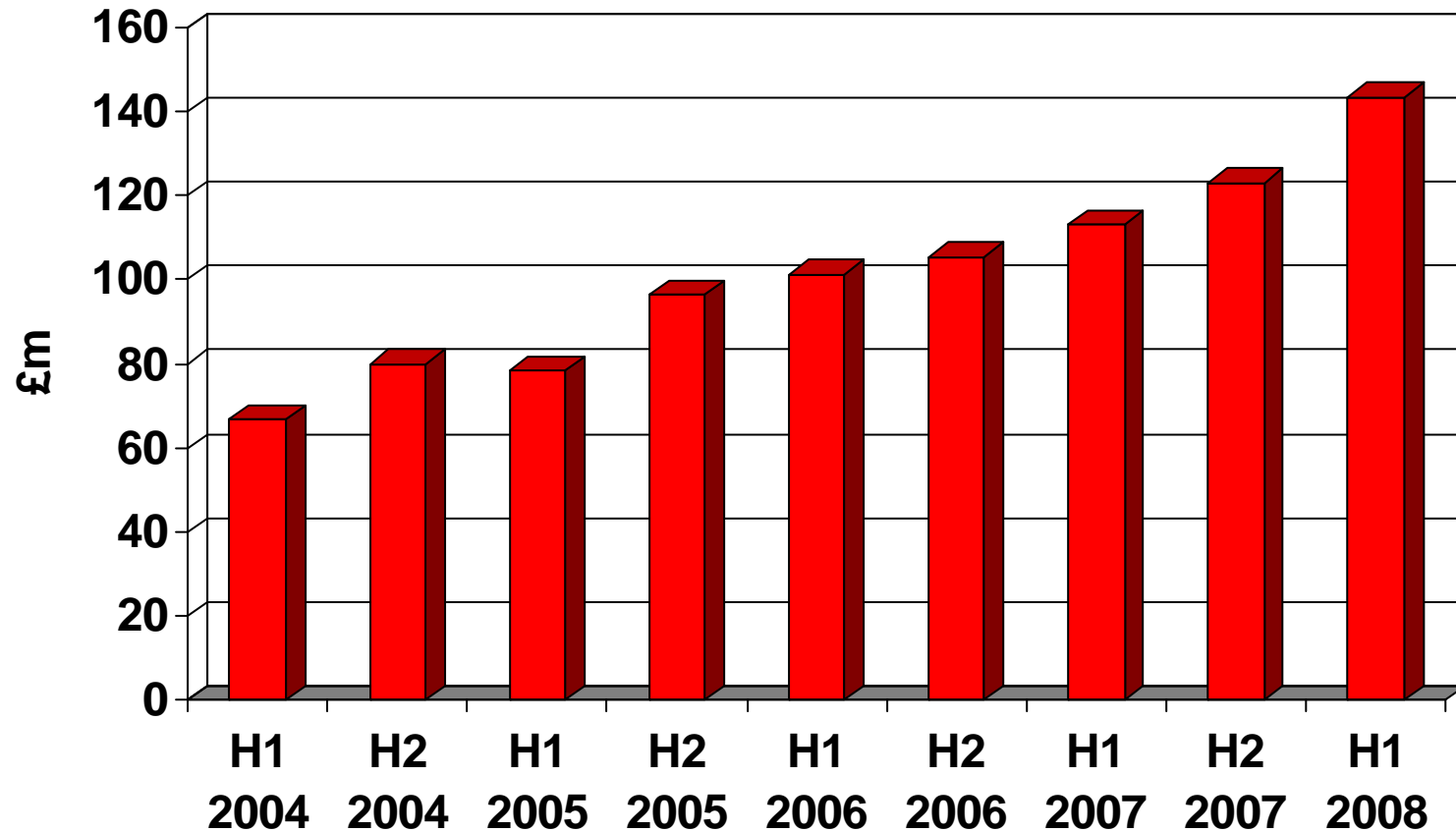


Reconciliation of 'Adjusted' figures

	Operating Profit	Profit before Tax
	£m	£m
As reported on a statutory basis	32.9	33.3
Amortisation of acquired intangible assets	0.7	0.7
Adjusted – as used in this presentation	33.6	34.0

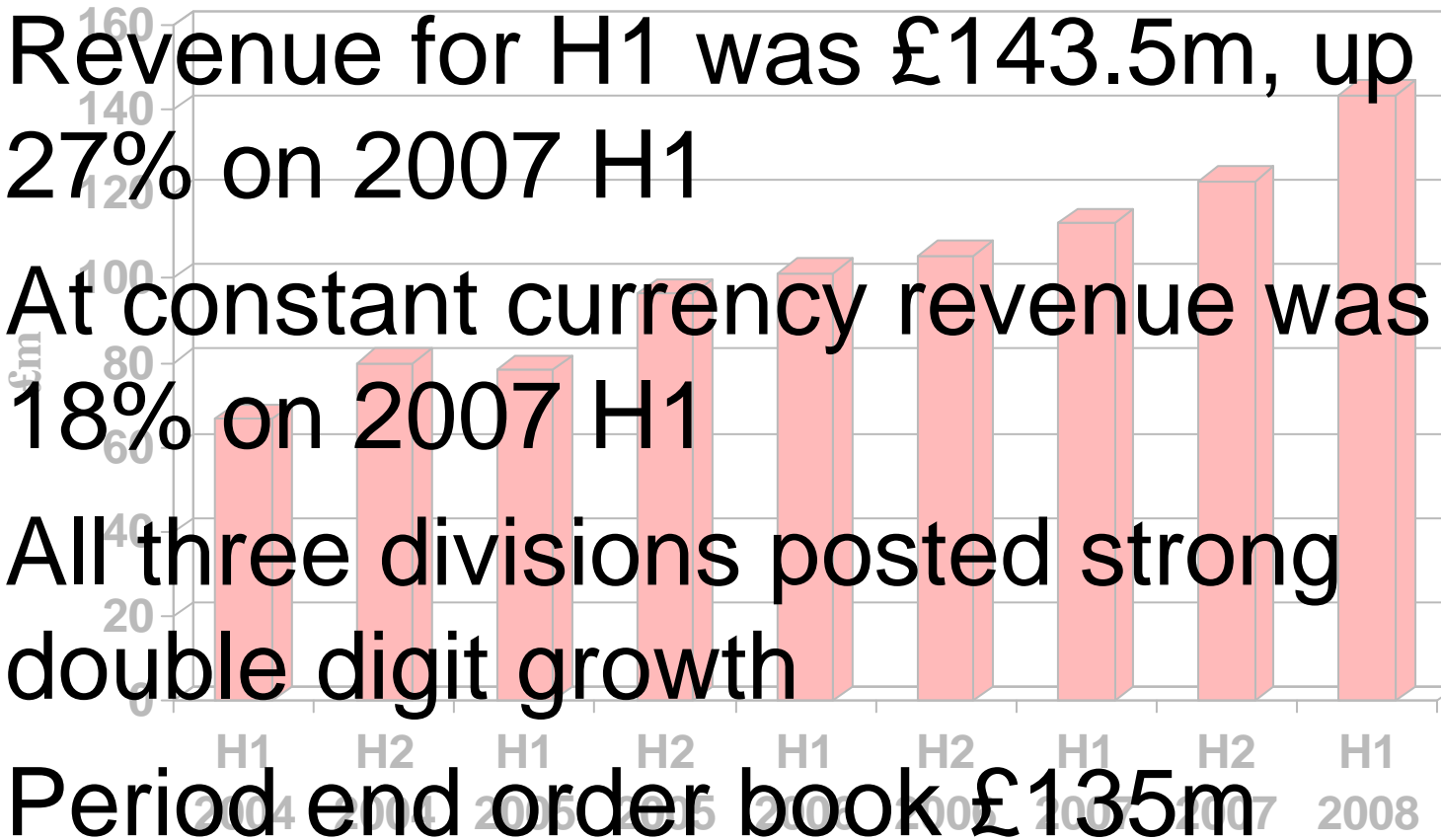
In the segmental analysis, RFS operating profit as reported is £4,696k, the adjusted figure, before the amortisation of acquired intangibles, is £5,395k.

Sales Revenue by Half Year

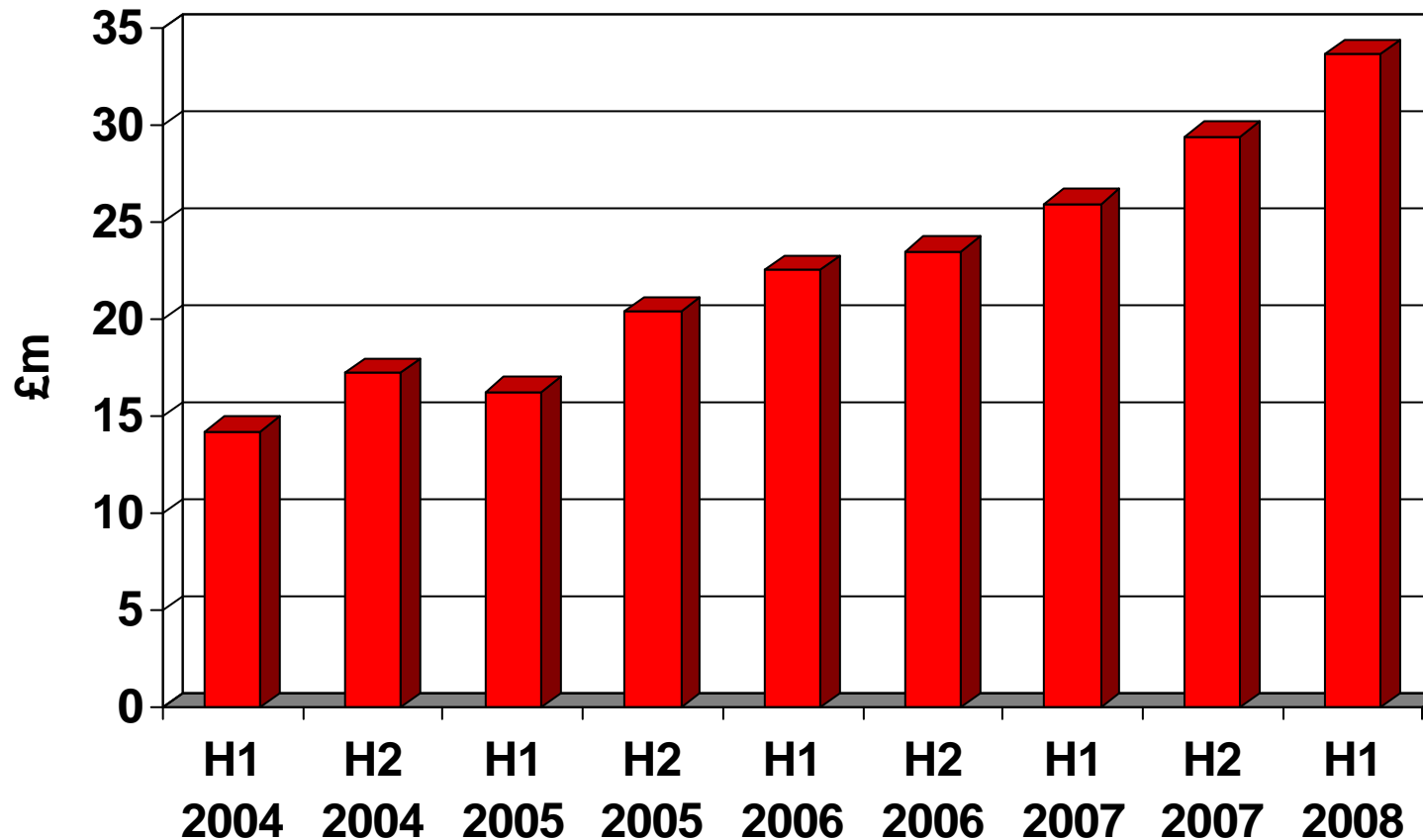


Sales Revenue by Half Year

- Revenue for H1 was £143.5m, up 27% on 2007 H1
- At constant currency revenue was up 18% on 2007 H1
- All three divisions posted strong double digit growth
- Period end order book £135m

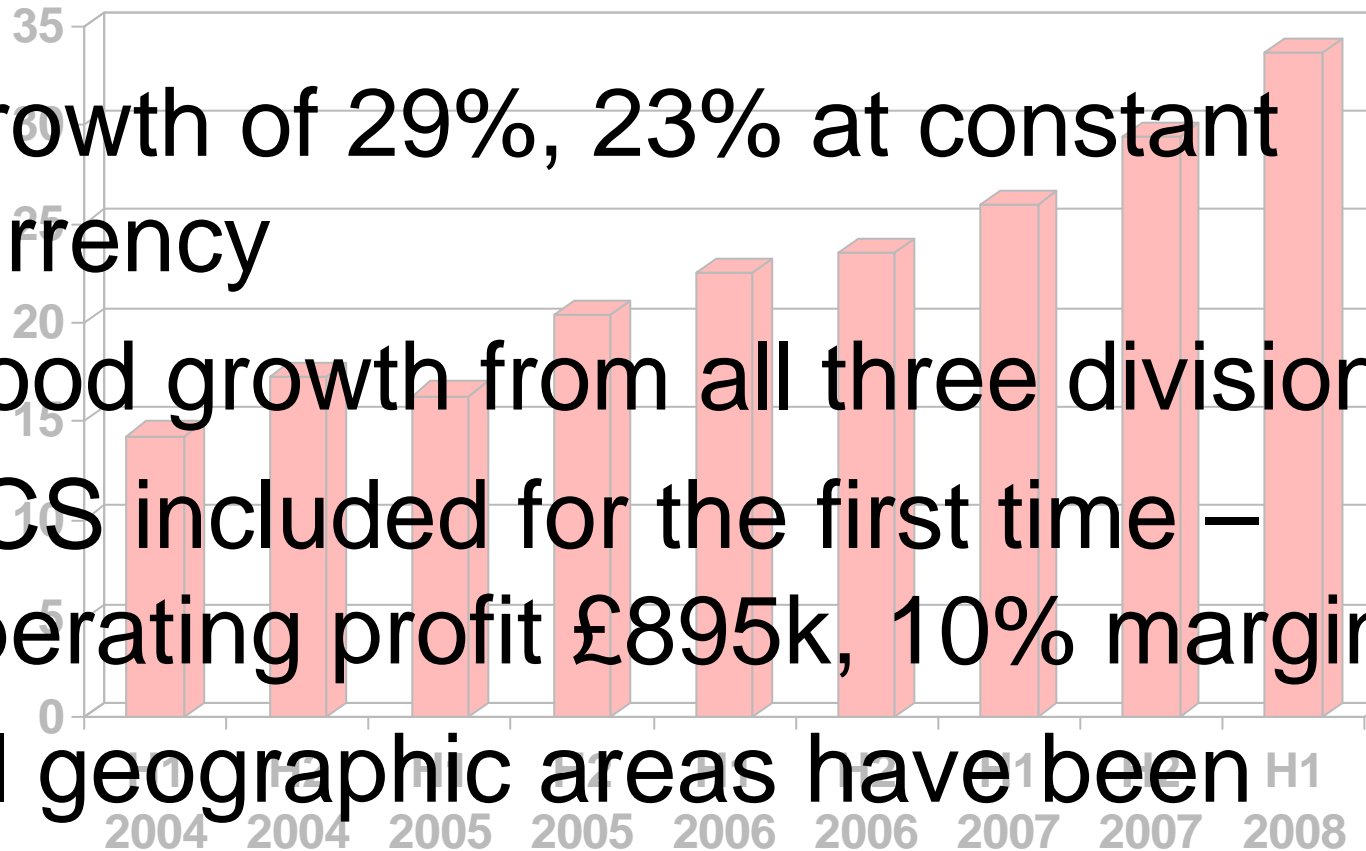


Adjusted Operating Profit



Adjusted Operating Profit

- Growth of 29%, 23% at constant currency
- Good growth from all three divisions
- RCS included for the first time – operating profit £895k, 10% margin
- All geographic areas have been strong



Controls Division

£m	H1 2008	H1 2007	% inc
Group Sales Revenue	143.5	113.3	27
Controls Sales Revenue	91.1	79.3	15
Group Operating Profit (adjusted)	33.6	26.0	29
Controls Operating Profit	25.8	20.9	24

- Revenue up 15%
- Order input up 28%
- Order book £78.7m, up 38% on December '07
- Operating Profit up 23.8% on H1 '07
- Margin was 28.4%, up from 26.3% on '07

Fluid Systems Division

£m	H1 2008	H1 2007	% inc
Group Sales Revenue	143.5	113.3	27
RFS Sales Revenue	39.7	22.6	75
Group Operating Profit (adjusted)	33.6	26.0	29
RFS Operating Profit (adjusted)	5.4	3.0	81

- Revenue up 75%, but excluding RCS it was up 35%
- Order input was £48m up 62%
- Order book £50.7m, up 39% on December '07
- Adjusting for RCS acquisition, order book up 26%
- Adjusted Operating Profit up 81% on H1 '07, before RCS it was up 51%
- Adjusted Operating margin 13.6%, before RCS 14.7%

Rotork Gears Division

£m	H1 2008	H1 2007	% inc
Group Sales Revenue	143.5	113.3	27
Gears Sales Revenue	17.2	15.5	11
Group Operating Profit (adjusted)	33.6	26.0	29
Gears Operating Profit (adjusted)	4.0	3.5	13

- Revenue up 11%
 - Order input up 7%
 - Order book £5.5m, up 31% on December '07
 - Adjusted operating Profit up 13% on H1 '07
 - Adjusted operating margin 23%
-

Group Income Statement

£m	H1 2008	H1 2007	inc %
Revenue	143.5	113.3	27
Adjusted operating profit	33.6	26.0	29
PBTA	34.0	26.9	26
PBT as reported	33.3	26.9	24
Effective tax rate	30.8%	31.6%	
Adjusted EPS	27.6p	21.3p	30

Average Currency Rates

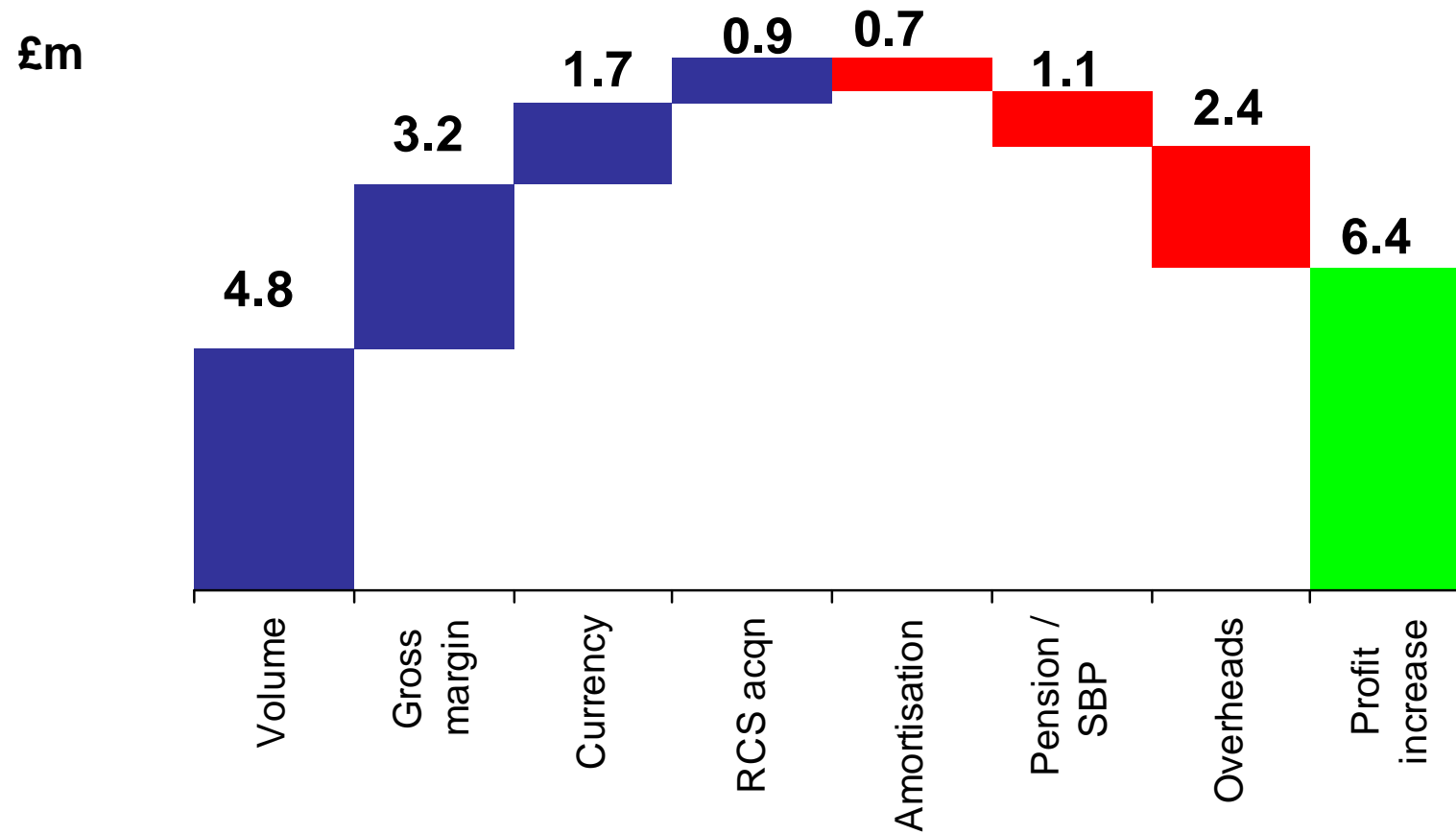
	US\$	Euro
H1 2007	1.98	1.48
2007 Full Year	2.01	1.45
H1 2008	1.98	1.29



Constant Currency Analysis

£m	Group as reported		Adjust to get to CC	Group at 2007 Rates		Remove RCS	Organic Business at 2007 Rates		2007	
Revenue	143.5		(10.3)	133.2		(9.1)	124.1		113.3	
Cost of Sales	(78.1)		7.4	(70.7)		6.4	(64.3)		(61.8)	
Gross Profit	65.4	45.6%	(2.9)	62.5	46.9%	(2.7)	59.8	48.2%	51.5	45.4%
Overheads	(31.8)		1.2	(30.6)		1.8	(28.8)		(25.5)	
Adjusted Operating Profit	33.6	23.4%	(1.7)	31.9	24.0%	(0.9)	31.0	25.0%	26.0	22.9%
Interest	0.4		-	0.4		-	0.4		0.9	
PBTA	34.0	23.7%	(1.7)	32.3	24.3%	(0.9)	31.4	25.3%	26.9	23.7%

Profit Bridge - Movement in Profit Before Tax



Dividend

Interim dividend for 2008 of 9.25 pence (+20%)

An additional dividend of £9.9m was paid in July 2008

Total dividend paid in 2008 will comprise of:

		Total cost	
May 2008	14.00p	£12.1m	2007 final dividend
July 2008	11.50p	£ 9.9m	2008 additional dividend
September 2008	9.25p	£ 8.0m	2008 interim dividend



Balance Sheet

- CAPEX in the period was £2.2m
 - RCS included for the first time
 - Working capital constant as a percentage of revenue
 - 2008 25%
 - 2007 25%
 - 2006 24%
 - 2005 28%
 - Within this, receivables were 60 days, and inventory increased
 - Period end cash balance £26m
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Cash Flow Summary - Inflows

	£m	H1 2008	H1 2007
Operating Profit		32.9	26.0
Add back depreciation & amortisation		2.9	1.6
Less pension charge versus cash paid		(0.8)	(0.5)
Cash inflow from operating activities		35.0	27.1
Working capital movement		(10.8)	(5.4)
Cash flows from finance		0.3	0.4
Operating cash inflows		24.5	22.1

Cash Flow Summary - Outflows

	£ m	2008	2007
Cash inflows		24.5	22.1
<u>OUTFLOWS</u>			
Taxation		(7.0)	(5.8)
Capital Expenditure		(2.6)	(1.3)
Purchase/issue own shares under share schemes		(2.2)	(0.7)
Other		(0.1)	(0.5)
Net operating cash flow		12.6	13.8
Additional Pension contribution		-	(2.0)
Acquisitions		(12.7)	-
Dividends		(12.1)	(18.1)
Net cash outflow		(12.2)	(6.3)
Cash balances		26.0	22.1
Net funds		25.7	21.8

Major Cash Outflows in 2008

In summary – 2008 major cash outflows will include:

- 2007 final dividend of £12.1m in May
 - Acquisition of RCS in January £12.7m
 - Acquisition of Drallim business in February £0.7m
 - Additional dividend of £9.9m in July
 - Interim dividend in September of £8m
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Operating Review

Peter France

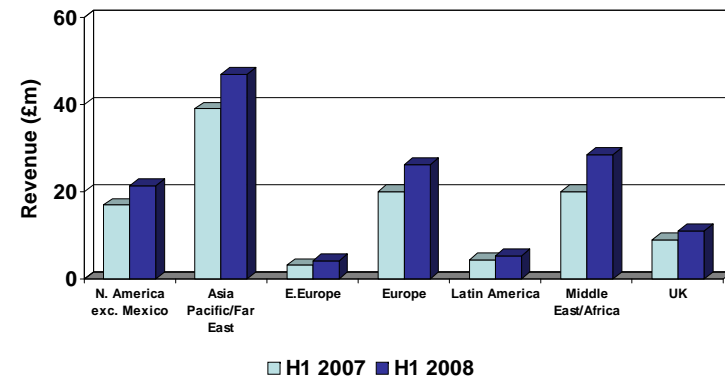


Group

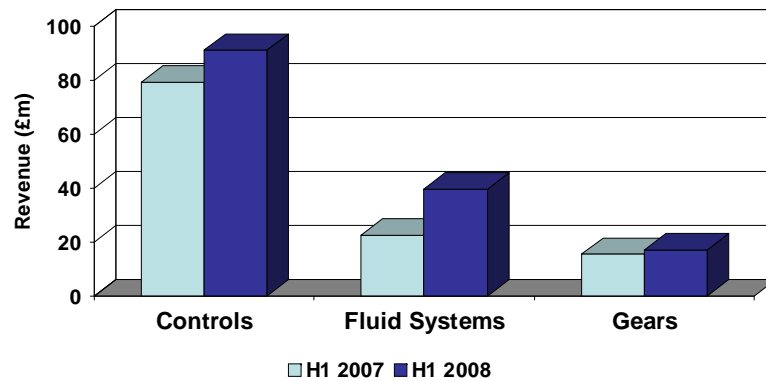
Results

- Growth in all divisions
- Growth in all markets
- Growth in all territories

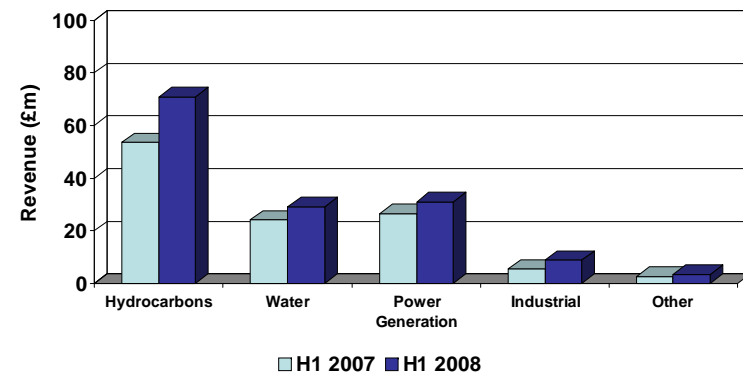
End Destination H1 2008 vs H1 2007



Revenue H1 2008 vs H1 2007



End User Markets H1 2008 vs H1 2007



Rotork Controls

Results

- Revenue up 15%
- Operating profit up 24%
- Operating margin up from 26.3% to 28.4%
- Order book at end of H1 2008 up 38% compared to 2007 year end.



Markets

- Price of oil and tight supply at refineries driving investment.
- Global demand for improved water standards
- Economic growth in developing markets continues to drive demand for power
- Pressure to reduce emissions and increase efficiency of ageing plant will maintain spending levels

Operational Highlights

- Strong demand in North America and China
- Material Cost Management
- Re-branding of Jordan Controls to Rotork Process Controls (RPC)
- Increased capacity

Rotork Fluid Systems

Results

- Revenue up 75%
- Operating profit up 59%
- Operating margin up from 13.1% to 13.6%
- Order book at end of H1 2008 up 26% compared to 2007 year end.



Markets

- Oil price and tight supply driving exploration particularly the deepwater fleet
- Forecast growth in the FPSO market over the next 5 years
- Increased demand for gas and delays on some LNG liquefaction terminals underpinning major pipeline projects

Operational Highlights

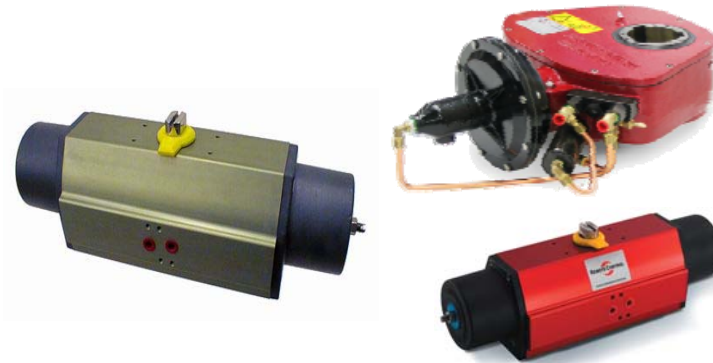
- Integration of RCS
- Acquisition of SVM
- Expansion of Lucca manufacturing site
- Extension of Customer base
- Growth of COE contribution

Acquisitions - RCS

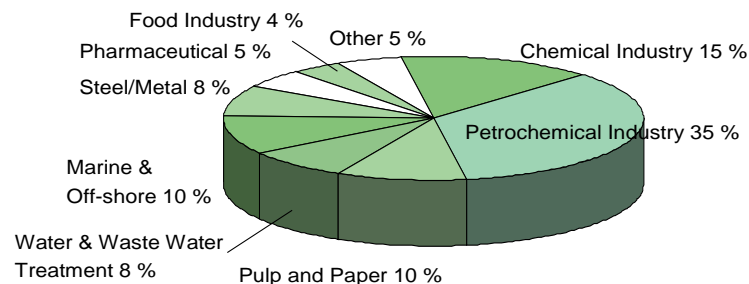
Details

- Gross Assets 87m SEK
- Turnover 182m SEK
- Profit before tax 10.5m SEK
- Purchase Price 165m SEK
- Headquarters, Engineering, Design & Production in Falun, Sweden
- Subsidiaries in US, Singapore, Germany

Applications





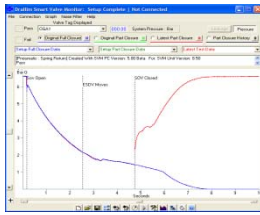
Markets



Benefits

- Product portfolio addition
- Independent
- Brand name
- Use of own automation centres
- Quality
- Opportunity for growth
- RFS international offices – interco sales
- Extends RFS sales coverage

Acquisitions - SVM

<p style="text-align: center;">Details</p> <ul style="list-style-type: none"> • Purchase Price £630,000 	<p style="text-align: center;">Applications</p> <p style="text-align: right;">Safe Area SVM 200</p> <div style="display: flex; justify-content: space-around; align-items: center;">   </div> <p style="text-align: center;">Analysis Software SW803</p>  <p>Provides diagnostic data for pneumatic and hydraulic actuators</p>
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Improves reliability of final elements • Extends plant shut down intervals • Improves plant productivity • Complementary technology to existing products • Saves customer money 	<p style="text-align: center;">Achievements</p> <ul style="list-style-type: none"> • Successful transfer of base technology. • First in house design development complete providing:- <ul style="list-style-type: none"> – Cost reductions by porting to new processor card – Developed 'black box' technology that allows capture of event diagnostics during shutdown (no power) • Shipped first order to new design



Rotork Gears

Results

- Revenue up 11%
- Operating profit up 13%
- Operating margin up 22.6% to 23.1%
- Order book at end of H1 2008 up 31% compared with 2007 year end.



Markets

- Long term supplier to Valve Industry
- Project Activity
- China
- India
- Specialist applications – Subsea / USA AWWA

Operational Highlights

- Increased revenue from Shanghai and Losser
- Over £1 million revenue from new customers
- Large size gearboxes

Rotork Site Services

Continued Growth

- In all divisions
- World wide coverage
- Volumes of services increasing 10%p.a
- Over 200 service technicians



Activities

- Preventative Maintenance
- Retrofitting
- Factory Fitting
- Workshop Overhaul
- Technical Support
- Field Service
- Training

Operational Highlights

- 20% growth in Maintenance Contracts.
- New service operations opened in Poland and various in USA.
- Refurbished workshop facility in Bath

Research & Development

CVA

- User friendly interfaces and diagnostics
- High performance
- Fail safe
- Reliable
- Durable



Smart Valve Monitor 2

- SVM2 developments
- Electronic line-break
- Valve controller



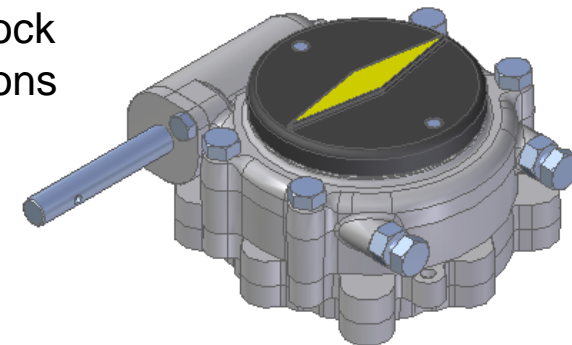
ROM Pak

- Rotork Controls Options packaged with ROM actuator
- Local Controls
- Bluetooth
- Bus Options



Windmill Project

- Cost reduction
- Easy to stock
- More Options



Business Opportunities

- New Products
 - Product Rationalisation
 - Inter-Divisional Collaboration
 - Service (RSS)
 - New Markets
 - Subsidiary Development
 - Acquisitions
 - Purchasing Initiatives
-

Summary First Half 2008

- Solid Platform
- Strong Performance
- Record Order book
- Continued Product and Sales developments



Outlook

Rotork is well positioned to capitalise on the exciting growth prospects in our key markets.

We continue to improve our market share and actively search for further growth opportunities.

Our order book is at a record high level and market and project activity is strong with investment in infrastructure around the world encouraging.

The strong order book, continued good order intake and project activity give us confidence that the outcome for the full year will be at the upper end of the current range of market expectations.

Appendix

Appendix - Adjusted Operating Profit

	£m	<u>H1 2008</u>	<u>H1 2007</u>	<u>% Increase</u>
Controls		25.9	20.9	23.8%
Fluid Systems		5.4	3.0	81.3%
Gears		4.0	3.5	13.1%
Unallocated		(1.6)	(1.4)	
Total		33.6	26.0	29.3%

Adjusted operating profit to revenue ratio	<u>H1 2008</u>	<u>H1 2007</u>
Controls	28.4%	26.3%
Fluid Systems	13.6%	13.1%
Gears	23.1%	22.6%
Group	23.4%	22.9%

Appendix - Cash Flow Reconciliation - Inflows

Cash Flow	H1 2008 £000	H1 2008 £000	H1 2007 £000	H1 2007 £000
Profit for the year	23,027		18,399	
Financial income	(3,410)		(3,302)	
Financial expenses	3,037		2,370	
Income tax expense	10,248		8,502	
Operating profit		32,902		25,969
Amortisation of intangibles	725		36	
Amortisation of development cos	484		154	
Depreciation	1,685		1,399	
Add back depreciation		2,894		1,589
Difference between pension charge and cash		(771)		(468)
Cash inflow from operating activities		35,025		27,090
Inventories	(9,253)		(5,510)	
Trade and other receivables	(7,355)		(4,322)	
Trade and other payables	6,549		5,450	
Provisions	634		247	
Employee benefits	(1,378)		(1,316)	
Working capital movements		(10,803)		(5,451)
Interest received	382		474	
Interest paid	(98)		(62)	
Cash flows from finance		284		412
Cash inflow from operations		24,506		22,051

Appendix - Cash Flow Reconciliation - Outflows

Cash inflow from operations		<u>24,506</u>	<u>22,051</u>
Additional pension contributions		0	(2,000)
Taxation		(7,054)	(5,819)
Capital expenditure		(2,558)	(1,311)
Issue of ordinary share capital	91		489
Purchase ordinary capital	<u>(2,261)</u>		<u>(1,186)</u>
Purchase /issue shares		(2,170)	(697)
Acquisitions		(12,714)	0
Dividends		(12,075)	(18,087)
Equity settled share based payment	380		327
Profit on sale of fixed assets	(46)		(42)
Development costs capitalised	(1,023)		(328)
Sale of fixed assets	264		78
Change in borrowings	(65)		(430)
Repayment of finance leases	(59)		(31)
Effect of exchange rate fluctuations	<u>403</u>		<u>(52)</u>
Other		(146)	(478)
		<u>(12,211)</u>	<u>(6,341)</u>
Opening cash		<u>38,253</u>	<u>28,398</u>
Closing cash		<u>26,042</u>	<u>22,057</u>



Appendix - Adjusted Operating Profit by Segment

	£m	H1 2008	Am'tion	Adjusted H1 2008	H1 2007	% Inc.
Operating profit		32.9	0.7	33.6	26.0	29%
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By Division:						
Controls		25.8		25.8	20.9	24%
Fluid Systems		4.7	0.7	5.4	3.0	81%
Gears		4.0		4.0	3.5	13%
Unallocated costs		(1.6)		(1.6)	(1.4)	16%
<hr/>						
Total		32.9	0.7	33.6	26.0	29%
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