

Rotork plc Full Year Results - 2008

3rd March 2009

CEO Peter France



Worldwide Leaders in Valve Actuation Technology

www.rotork.com

Financial Highlights 2008

- Order intake up 37%
- Sales revenue up 36%
- Operating Profit up 35%
- Record Order Book up 66%
- Basic EPS up 36%
- Final Dividend up 20%

Operational Highlights 2008

- Robust growth in Rotork Controls
- Exceptional growth in Rotork Fluid Systems
- Successful integration of Remote Control (RC)
- Divisional management and structure strengthened
- New Control Valve Actuator (CVA) launched

Financial Review

Bob Slater

Financial Highlights

- Order intake up 36.8% (21.4% organic c.c.)
- Sales revenue up 35.9% (14.3% organic c.c.)
- Year end order book £162m up 66.0% (30.7% organic cc)
- Adjusted Profit before tax up 34.1% (14.9% organic c.c.)
- Adjusted Basic EPS was 63.0p, up 37.7% (18.0% organic c.c.)
- Final dividend of 16.75p, up 19.6%

Note: Adjusted figures are before the amortisation of acquired intangible assets
 Organic figures have the RC acquisition removed
 CC = constant currency

Impact of Remote Control Acquisition

- Acquisition of RC in January for SEK 165m
- The numbers, in summary, for the year 2008 are:

£m	H1	H2	Year
Revenue	9.1	9.2	18.3
EBIT	0.9	1.3	2.2
Margin	9.9%	14.1%	12.0%
- Other information
 - Amortisation for the full year in 2008 £1.0m
 - Amortisation for 2009 £0.8m

Reconciliation of 'Adjusted' figures

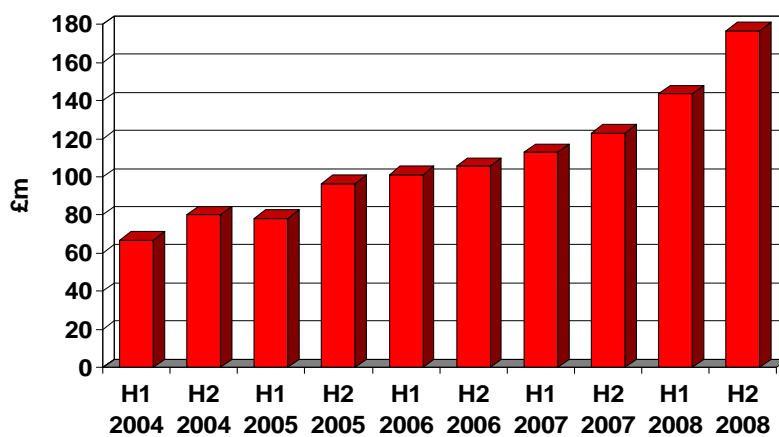
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	Operating Profit	Profit before tax
	£m	£m
As reported on a statutory basis	74.9	75.8
Amortisation of acquired intangible assets	1.1	1.1
Adjusted – as used in this presentation	76.0	76.9

In the segmental analysis, RFS operating profit as reported is £12.1m, the adjusted figure, before the amortisation of acquired intangibles, is £13.1m.

Sales Revenue by half year

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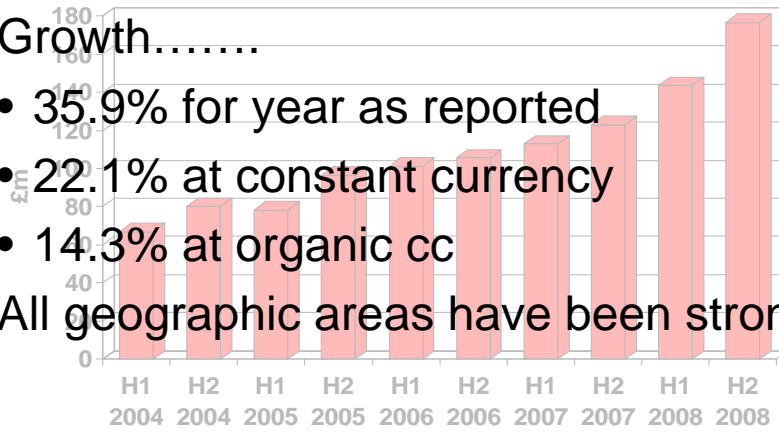


Sales Revenue

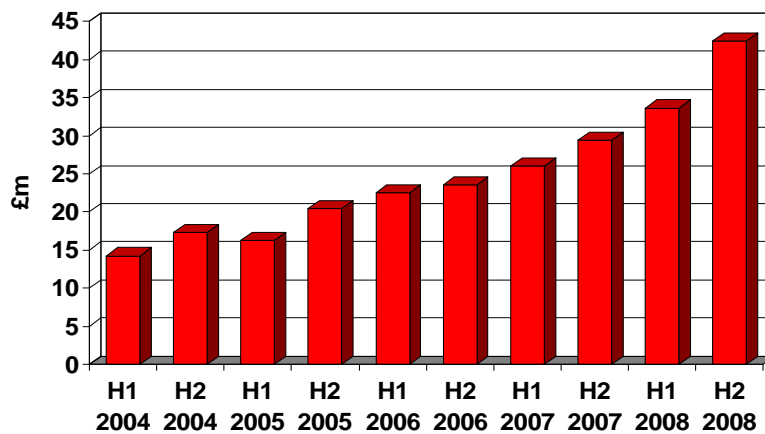
Growth.....

- 35.9% for year as reported
- 22.1% at constant currency
- 14.3% at organic cc

All geographic areas have been strong



Adjusted Operating Profit

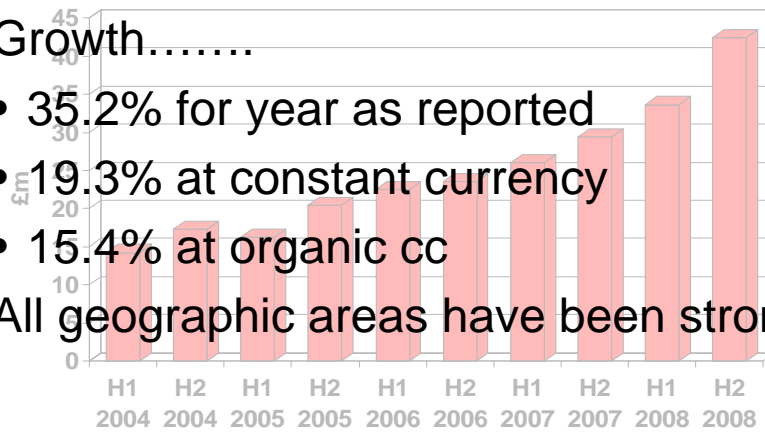


Adjusted Operating Profit

Growth.....

- 35.2% for year as reported
- 19.3% at constant currency
- 15.4% at organic cc

All geographic areas have been strong



Controls Division

£m	2008	2007	% inc
Group Sales Revenue	320.2	235.7	35.9
Controls Sales Revenue	204.5	164.2	24.5
Group Operating Profit *	76.0	55.5	37.1
Controls Operating Profit	57.5	43.5	32.0

- Revenue up 24.5%
- Order book £99.5m, up 75% on December '07
- Operating Profit up 32.0% on 2007
- Operating Margin was 28.1%, up from 26.5% in '07

* before amortisation

Fluid Systems Division

£m	2008	2007	% inc
Group Sales Revenue	320.2	235.7	35.9
RFS Sales Revenue	88.6	47.9	84.8
Group Operating Profit *	76.0	55.5	37.1
RFS Operating Profit *	13.1	7.2	82.8

- Revenue up 84.8%, but excluding RC it was up 46.6%
 - Order book £55.8m, up 52.9% on December '07
 - Order book excluding RC acquired order book up 50.0%
 - Adjusted Operating Profit up 82.8% on 2007, before RC it was up 52.2%
 - Adjusted Operating margin 14.8%, before RC 15.6%
- * before amortisation

Gears Division

£m	2008	2007	% inc
Group Sales Revenue	320.2	235.7	35.9
Gears Sales Revenue	36.8	31.9	15.3
Group Operating Profit *	76.0	55.5	37.1
Gears Operating Profit *	8.7	7.3	18.8

- Revenue up 15.3%
 - Order book £6.6m, up 57.0% on December '07
 - Operating Profit up 18.8% on 2007
 - Operating margin 23.6% up from 22.9% in 2007
- * before amortisation

Group Income Statement



£m	2008	2007	inc %
Revenue	320.2	235.7	35.9
Operating Profit	74.9	55.4	35.2
Adjusted PBT	76.9	57.3	34.1
PBT as reported	75.8	57.3	34.1
Effective tax rate	29.5%	31.4%	
Adjusted EPS	63.0p	45.7p	37.7
EPS as reported	62.0p	45.6p	36.0

Currency Rates



	US\$	Euro
Average rates:		
Full year 2007	2.01	1.45
H1 2008	1.98	1.29
H2 2008	1.72	1.19
Full Year 2008	1.81	1.24
Year end closing rate	1.44	1.03

Constant Currency Analysis

£m	Group as reported		Adjust to get to CC	Group at 2007 Rates		Remove RC	Organic Business at 2007 Rates		2007	
Revenue	320.2		(32.5)	287.7		(18.3)	269.4		235.7	
Cost of Sales	(176.0)		19.1	(156.9)		13.6	(143.3)		(127.8)	
Gross Profit	144.2	45.0%	(13.4)	130.8	45.5%	(4.7)	126.1	46.8%	107.9	45.8%
Overheads	(68.2)		4.6	(63.6)		2.5	(61.1)		(52.4)	
EBITA	76.0	23.7%	(8.8)	67.2	23.4%	(2.2)	65.0	24.1%	55.5	23.5%
Interest	0.9		-	0.9		-	0.9		1.8	
PBTA	76.9	24.0%	(8.8)	68.1	23.7%	(2.2)	65.9	24.5%	57.3	24.3%

Dividend for 2008

Final dividend for 2008 up 19.6% to 16.75 pence (£14.5m)
recommended to be paid in May 2009

Interim dividend of 9.25p (£8.0m)
was paid in September 2008

An additional dividend of 11.5p (£9.9m)
was paid in July 2008

Cover for the three dividends is 1.65

Balance Sheet

- CAPEX in the period was £4.9m
- The impact of RC was to add assets and working capital
- Working capital as a percentage of revenue
 - 2008 28%
 - 2007 25%
 - 2006 24%
 - 2005 28%
 - Within this, receivables were 64 days, and inventory increased
- Year end cash balance £41.4m

Cash Flow Summary - Inflows

	£m	2008	2007
Operating Profit		74.9	55.4
Add back depreciation & amortisation		4.8	3.0
Less pension charge versus cash paid		(0.8)	(0.9)
Cash inflow from operating activities		78.9	57.5
Working capital movement		(5.3)	0.4
Cash flows from finance		0.3	0.8
Operating cash inflows		73.9	58.7

Cash Flow Summary - Outflows

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	£ m	2008	2007
Cash inflows		73.9	58.7
<u>OUTFLOWS</u>			
Taxation		(22.5)	(15.1)
Capital Expenditure		(5.8)	(3.5)
Purchase/issue own shares under share schemes		(3.3)	(3.6)
Other		-	-
Net operating cash flow		42.3	36.5
Additional Pension contribution		-	(2.0)
Acquisitions		(12.7)	-
Dividends		(30.0)	(24.7)
Net cash outflow		(0.4)	9.8
Foreign exchange		3.5	0.1
Cash balances		41.4	38.3
Net funds		41.1	38.0

Major Cash Outflows in 2008

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In summary – 2008 major cash outflows included:

- 2007 final dividend of £12.1m in May
- Acquisition of RC in January £12.7m
- Acquisition of Drallim product in February £0.7m
- Additional dividend of £9.9m in July
- Interim dividend in September of £8.0m

Operating Review

Peter France

Worldwide Leaders in Valve Actuation Technology


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The Rotork Group

- 
- Over 50 years of providing actuation solutions
 - 3 Divisions
 - Controls
 - Fluid Systems
 - Gears
 - Approximately 1,700 employees worldwide
 - 14 manufacturing centres
 - 300 sales offices
 - Direct operations - 76 locations in 30 countries
 - Representation – 214 locations in 76 countries

Vision & Mission Statements

Vision

To be the recognised global leader in electric, fluid power, manual valve actuation and associated services.

Objectives

Provide our customers with superior solutions to their valve automation and associated activities by developing high quality, innovative products and services.

Provide products and a working environment where health and safety is paramount for the benefit and protection of our staff and customers.

Maximize shareholder value every year.

Employee Ethos Statement

Every employee is valued and respected as part of our global family. They are expected to act with integrity and honesty both to each other and to those with whom they come into contact.

Mission

We will:

...grow the company both **organically and through acquisitions**, whilst maintaining the focus on profitability and **return on sales**.

...further develop our **global sales and service network** providing local support to our customers around the world.

...listen to our customers and provide them with the benefits of **innovative, technically advanced, high quality** products and associated services.

...be a fair, equal opportunities employer with **high ethical standards** aiming to provide **safe working conditions** across our businesses worldwide.

...be a good corporate citizen, acting with **integrity** and **honesty** whilst always considering ways of further reducing our operational impact on the **environment**.

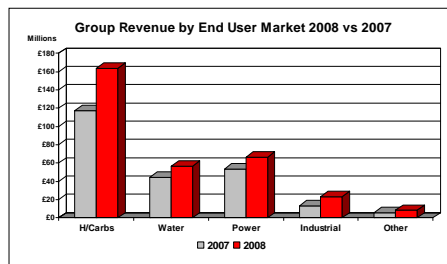
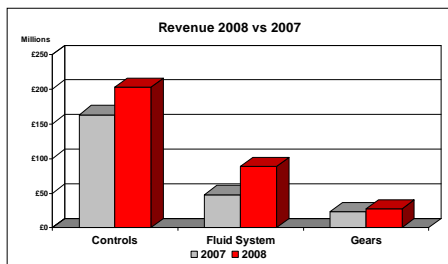
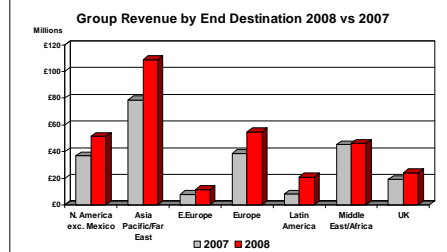
Rotork Strengths

- Breadth of product and markets
- Reach of international network
- Flexible cost base
- Innovative products and strong R&D base
- Large installed base
- Highly regarded with strong brand recognition
- A fantastic culture

Group Results

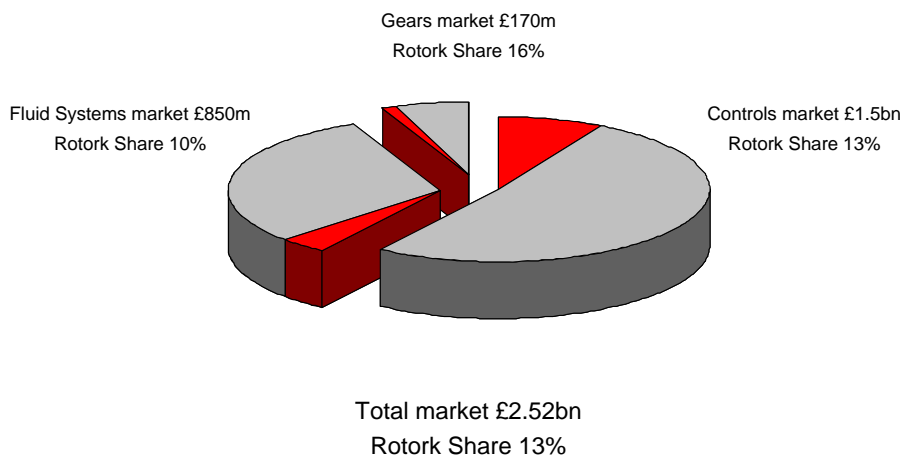
Results

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



Source – Rotork Internal Data

Market share by Division



Source – Rotork Internal Data

Rotork Controls

Results

- Revenue up 25%
- Operating profit up 32%
- Operating margin up from 26.5% to 28.1%
- Order book up 75% compared to 2007 year end.



Operational Highlights

- Continued strong demand in North America and China
- Strong growth in Spain and Holland
- Successful introduction of CVA
- Increase in engineering resource
- Effective material cost management

Business Opportunities

- Rotork Process Controls
- Lower cost material sourcing
- Focused sales force
- New products and markets
- Competitive advantage (currency)
- Greater accessible market identified

Solar Market

- Parabolic Trough
- Linear Fresnel Lenses
- Dish/Engine
- Central Receiver/tower

- Trough projects until 2012 will total 2500MW

- 50MW plant
- 108 Actuators + Pakscan



Rotork Fluid Systems

Results

- Revenue up 85%
- Adjusted operating profit up 83%
- Adjusted operating margin 14.8% compared to 15.0% in 2007.
- Order book up 53% compared to 2007 year end.



Operational Highlights

- Integration and performance of Remote Control
- Increased capacity in Falun and Melle
- GP/GH introduction into Melle plant
- All COEs witnessed growth providing local automation for their markets
- Increased demand for high torque actuators

Business Opportunities

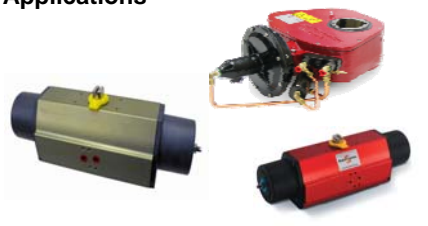
- Further develop the Latin American market
- Middle East Office
- Rotork Site Services
- Continued expansion of COEs
- Continued growth of RC product
- Increase focus on subsea

RC Acquisition

Details

- Gross Assets 87m SEK
- Revenue 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



Benefits

- Multiple growth opportunities
- Additional to product portfolio
- Strength of brand name
- Independent
- Quality
- Use of own automation centres
- RFS international offices – interco sales
- Extends RFS sales coverage

Results 2008

- Revenue £18.3m
- Adjusted operating profit of £2.2m
- Adjusted operating margin of 12.1%
 - H1 9.9%
 - H2 14.3%

Rotork Gears

Results

- Revenue up 15%
- Operating profit up 19%
- Operating margin up from 22.8% to 23.6%
- Order book up 57% compared with 2007 year end.



Operational Highlights

- Increased revenue from manufacturing plants in Holland and China
- Increased activity in subsea markets
- Over £1.6 million from new customers
- Improved management structure
- Focussed material cost management

Business Opportunities

- Product Rationalisation
- New products
- 25,000 valve manufacturers in the world
- Manufacturing in India
- Sales focus on Russia, China, Japan and Korea
- Further inter-divisional collaboration

Rotork Site Services

Continued Growth

- Number of Service jobs up 14%
- No of Workshop Overhauls up 10%
- Number of Retrofit Actuators up 15%
- Number of Actuator on PM Contracts up 21%



Operational Highlights

- Extending RFS service capabilities to match Controls' capabilities
- Poland Service Operation opened
- Brisbane Service Operation opened
- Extension of service offerings across existing 37 Service Centres. Especially good performance from USA, Spain, France and Australia

Business Opportunities

- 50 years of installed base - 1.5m actuators
- De-manning drives retrofit opportunities
- Improved Safety drives Preventative Maintenance and Retrofit opportunities
- Customers optimising plant drives Overhaul, Retrofit and Maintenance business
- New Service Centres

Research & Development

Graham Ogden

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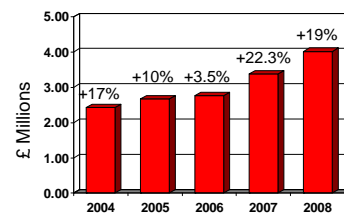


Research & Development

Objectives

- Retain market leadership through technological product differentiation and innovation
- Facilitate organic growth of the business through the development of new products

Expenditure



Unique Features of Actuation Business

- Long product life cycle
- Complex approvals process
- Risk conscious users/customers
- High value processes demand reliability

Opportunities

- Safety Integrity
- Communications
- Plant Asset Management
- Process Control Actuation
- Extending Product Coverage
- Cross Divisional Development

Research & Development

Smart Valve Monitor

- Product successfully upgraded & integrated into Rotork's manufacturing system
- Joint project between Controls & RFS engineers
- Product IP could be incorporated into other products



Subsea Actuator & Gearbox

- Clutch arrangement facilitates installation
- ROV & diver operation possible
- Joint development between RFS and Gears engineers



Research & Development

SM6000-2

- Increased ruggedness
- Cost reduction
- Rotork look & feel



ROM Pak

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



Pakscan Wireless

- Field trials underway



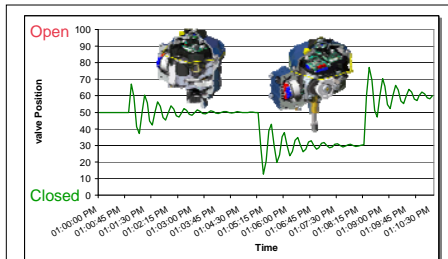
CVA

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



Research & Development

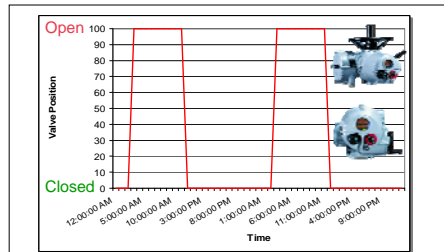
Continuous Process Control



CVA

- Continuous operation
- 0.1% resolution, 1½" stroke, 6s operation
- Life 20 million movements
- Dual Sensor™ positioning technology
- Instant response
- Minimal position overshoot
- Fail safe capability
- Valve & process diagnostics

Isolating Duty



IQ/IQT

- Infrequent operation
- 0.1% resolution in typ. 25 turns
- Operating time typically minutes
- Life typically 10,000 isolating cycles
- Sophisticated diagnostics

Summary of Business Opportunities

- Larger accessible market identified
- Continuous product portfolio development
- Widening our geographic reach
- Deeper penetration of developing markets
- Continue to monitor acquisition opportunities
- Purchasing initiatives to further improve our cost base
- Rotork Site Services

Market Drivers

- **Oil & Gas**

- infrastructure requires €350bn annual maintenance spend*
- investment levels will be similar or increased in 2009 and beyond**

- **Power**

- generation to grow 3.2% annually between 2006-2015*
- renewables to be second largest power source by 2015*

- **Water & Wastewater**

- capital investment growth in India and China***
- \$6 billion US projects could be fast-tracked by government stimulus package.**

* IEA data

** Various sources including company reports, the Times the Financial Times

*** Global Water Intelligence

Outlook Statement

Rotork started 2009 with an order book at record levels and a strong balance sheet. We continue to invest in our future and have identified a number of growth opportunities as part of our business development plans.

Rotork is not immune to wider economic trends and we may see some slowing in the growth of order intake. However quotation activity and project visibility for medium and long term projects are up on levels seen one year ago.

In addition, the Group's trading results would be expected to benefit from a continued weakness of sterling against the US dollar and the Euro.

Taken together, these factors underpin our confidence in making progress during 2009.

Appendix

Appendix - Adjusted Operating Profit

£m	2008	2007	% increase
Controls	57.5	43.5	32.0
Fluid Systems	13.1	7.2	82.8
Gears	8.7	7.3	18.8
Unallocated	(3.3)	(2.5)	
Total	76.0	55.5	37.1

Adjusted Operating Profit to Revenue %

%	2008	2007
Controls	28.1	26.5
Fluid Systems	14.8	15.0
Gears	23.6	22.9
Group	23.7	23.5

Appendix – Cash Flow Statement - Inflows

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	2008 £000	2008 £000	2007 £000	2007 £000
Profit for the year	53,420		39,296	
Financial income	(7,073)		(6,607)	
Financial expenses	6,216		4,741	
Income tax expense	<u>22,331</u>		<u>17,957</u>	
Operating profit		74,894		55,387
Amortisation of intangibles	1,125		74	
Amortisation of development costs	352		309	
Depreciation	<u>3,281</u>		<u>2,630</u>	
Add back depreciation		4,758		3,013
Difference between pension charge and cash		(823)		(938)
Cash inflow from operating activities		78,829		57,462
Inventories	(8,621)		(5,580)	
Trade and other receivables	(4,293)		(4,873)	
Trade and other payables	5,955		7,001	
Provisions	1,554		713	
Employee benefits	<u>(299)</u>		<u>2,875</u>	
Working capital movements		(5,704)		136
Interest received	564		932	
Interest paid	<u>(300)</u>		<u>(112)</u>	
Cash flows from finance		264		820
Cash inflow from operations		73,389		58,418

Appendix - Cash Flow Statement - Outflows

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	2008 £000	2008 £000	2007 £000	2007 £000
Cash inflow from operations		73,389		58,418
Additional pension contributions		0		(2,000)
Taxation		(22,547)		(15,071)
Capital expenditure (incl intangible)		(5,019)		(2,762)
Issue of ordinary share capital	149		671	
Purchase ordinary capital	(3,517)		(4,249)	
Purchase preference shares	<u>(5)</u>		<u>0</u>	
Purchase /issue shares		(3,373)		(3,578)
Acquisitions		(12,714)		(8)
Dividends		(29,970)		(24,732)
Equity settled share based payment expense	718		680	
Loss/(Profit) on sale of fixed assets	25		(159)	
Development costs capitalised	(817)		(687)	
Sale of fixed assets	90		228	
Increase in borrowings	(82)		(456)	
Repayment of finance leases	(87)		(95)	
Effect of exchange rate fluctuations	<u>3,524</u>		<u>77</u>	
Other		3,371		(412)
		<u>3,137</u>		<u>9,855</u>
Opening cash		<u>38,253</u>		<u>28,398</u>
Closing cash		<u>41,390</u>		<u>38,253</u>

Appendix - Adjusted Operating Profit by Segment



£m	2008	2008	2008	2007	% increase
		Amortisation	Adjusted		
Operating profit	74.9	1.1	76.0	55.5	37.1
By Division:					
Controls	57.5	-	57.5	43.5	32.0
Fluid Systems	12.1	1.0	13.1	7.2	82.8
Gears	8.6	0.1	8.7	7.3	18.8
Unallocated costs	(3.3)	-	(3.3)	(2.5)	-
Total	74.9	1.1	76.0	55.5	37.1