

rotork

Rotork plc

Audited Preliminary Results

28th February 2006

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Financial Highlights



- **Order intake up 23.7%** *(21.9% at constant currency)*
- **Sales revenue up 19.0%** *(16.8% at constant currency)*
- **Year end order book £63.7m** *(up 40.8% on December 2004)*
- **Operating profit up 20.0%** *(18.6% at constant currency)*
- **EPS was 28.6p, up 16.7%**
- **Additional dividend distribution of £10 million for 2006**

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Revenue



£,000s	H1	H2	2005	2004	% Inc
Order Input	92,879	94,857	187,736	151,796	23.7%
Sales Revenue	78,324	96,515	174,839	146,883	19.0%
By Division					
•Electric	58,243	70,292	128,535	109,345	17.5%
•RFS	13,267	19,054	32,321	23,802	35.8%
•Gears	9,339	9,724	19,063	17,806	7.1%
•Intersegmental elimination	(2,525)	(2,555)	(5,080)	(4,070)	24.8%
Total	78,324	96,515	174,839	146,883	19.0%

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Currency translation effect on revenue

£ millions	H1	H2	Total
US\$	(0.6)	1.7	1.1
€uro	0.5	(0.6)	(0.1)
Other Currencies	<u>0.4</u>	<u>1.8</u>	<u>2.2</u>
	0.3	2.9	3.2
Revenue as Stats	78.3	96.5	174.8
Revenue at constant currency	78.0	93.6	171.6
Revenue 2004	66.8	80.1	146.9
Increase Year on Year	17.2%	20.6%	19.0%
Increase at constant currency	16.8%	16.9%	16.8%

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Operating profit

£ millions	<u>H1*</u>	<u>H2</u>	<u>Total</u>	<u>2004*</u>	% Increase
Electrics	14.3	16.6	30.9	25.7	20.2%
Fluid system	0.7	3.0	3.7	3.0	23.9%
Gears	1.8	2.0	3.8	3.2	19.8%
Unallocated	(0.6)	(1.3)	(1.9)	(1.4)	30.2%
Total	16.2	20.3	36.5	30.4	20.0%

	<u>2005</u>	<u>2004*</u>
Return on sales		
Electrics	24.0%	23.5%
Fluid system	11.4%	12.4%
Gears	20.1%	17.9%
Group	20.9%	20.7%

* restated

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Income Statement – currency effect



	2005	2004
	£m	£m
Operating profit	36.5	30.4
Translation impact	(0.4)	
Transaction impact	(0.1)	
Operating profit at 2004 rates	36.0	30.4

Effective profit increase at constant currency +18.6%

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Income Statement

The logo for rotork, featuring the word "rotork" in a bold, red, lowercase sans-serif font. A thin vertical red line is positioned to the right of the text.

	2005	2004
	£m	£m
Revenue as reported	174.8	146.9
Operating profit	36.5	30.4
Profit before tax	36.7	31.5
Earnings per share	28.6p	24.5p
Effective tax rate	32.9%	33.4%

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Cash

- **Year end cash balance £27.2m (before loans)**
 - **After paying additional pension contributions of £2m in December**
- **During 2006 and Q1 2007 a further £8m additional pension contributions will be made, making a total of £10m additional pension contributions**
- **During 2006 an amount of £10m will be disbursed as Dividend, over and above the “Core” final 2005 (May) and interim 2006 (September)**
 - **This will be made as two dividends, of £5m each, paid in July and December 2006**

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Dividend



A final dividend for 2005 of 9.90pence is being recommended to shareholders. This gives cover of 1.8 times

Payments in 2006

		Total cost	
• May 2006	9.90p	£8.5m	2005 final dividend
• July 2006	5.80p	£5.0m	2006 add'l dividend
• Sept 2006	To be announced with interim results		2006 interim dividend
• Dec 2006	5.80p	£5.0m	2006 add'l dividend
Plus			
• May 2007	To be announced with 2006 results		2006 final dividend

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Balance Sheet

- Addition of PCI acquisition in March added £5.9m to property, plant and equipment and working capital
- Lower capital expenditure in the year, £1.4m compared with £3.1m
- Sales output in Q4 was £53.1m, year end Trade Receivables were £36.5m
- Inventory increased year on year

	2005	2004	
	£'000	£'000	
– WIP & Finished Goods	10,105	6,425	
– Components	<u>16,592</u>	<u>14,590</u>	
Total	<u>26,697</u>	<u>21,105</u>	up 26.5%

Year end cash balances £27.9m, net cash £25.9m (after loans)

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Cashflow Summary
Cash Inflows

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	2005	2004
	£m	£m
Operating profit	36.5	30.4
Add back depreciation & amortisation	3.1	3.0
Add back pension charge versus cash paid	(1.2)	(0.6)
	<hr/>	<hr/>
Cash inflow from operating activities	38.4	32.8
Working capital movement	(0.5)	(4.1)
Cash flows from finance	0.5	0.8
	<hr/>	<hr/>
Net cash inflows from operations	38.4	29.5

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Cashflow Summary

	2005	2004
	£m	£m
Cash inflows	38.4	29.5
<u>Outflows</u>		
Dividends	(13.4)	(17.8)
Additional Pension contribution	(2.0)	(5.0)
Taxation	(11.3)	(10.4)
Capital expenditure	(1.4)	(3.1)
Purchase/issue own shares	(1.6)	(0.2)
Other	0.9	0.6
	<hr/>	<hr/>
Cash inflow / (outflow)	9.6	(6.4)
Acquisitions & disposals	(7.2)	(0.9)
Net cash inflow / (outflow)	2.4	(7.3)
	<hr/>	<hr/>
Cash balances	<u>27.2</u>	<u>24.8</u>
Net cash	25.9	24.3

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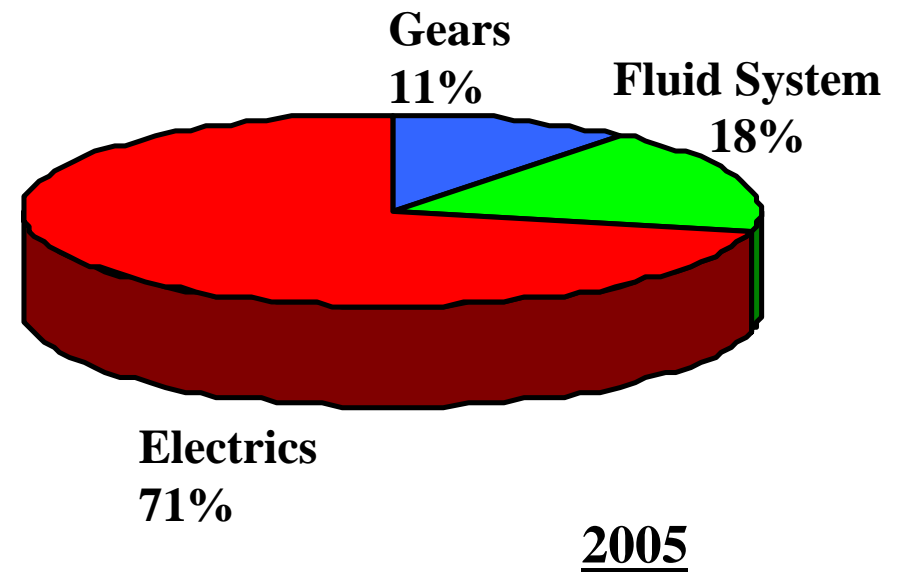
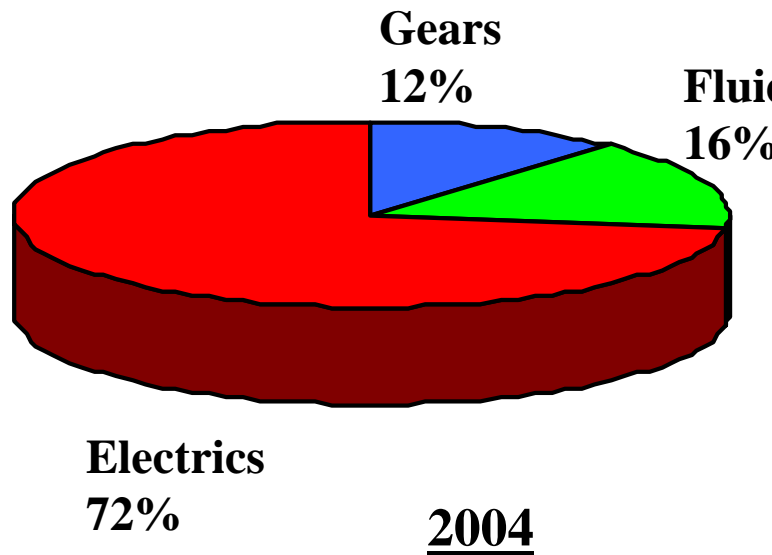
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Revenue by Operation

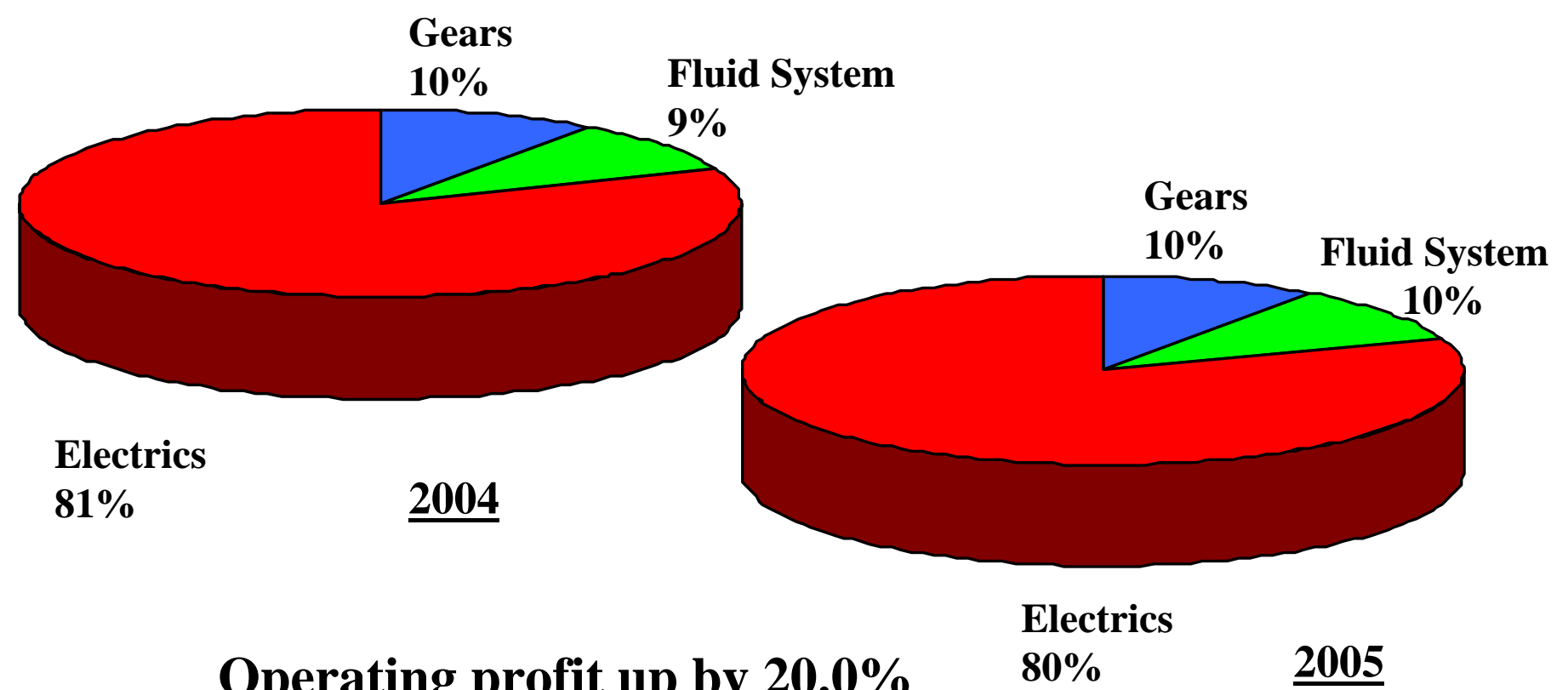


Total revenue up by 19%

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Operating Profit by Operation*



Operating profit up by 20.0%
*before unallocated expenses

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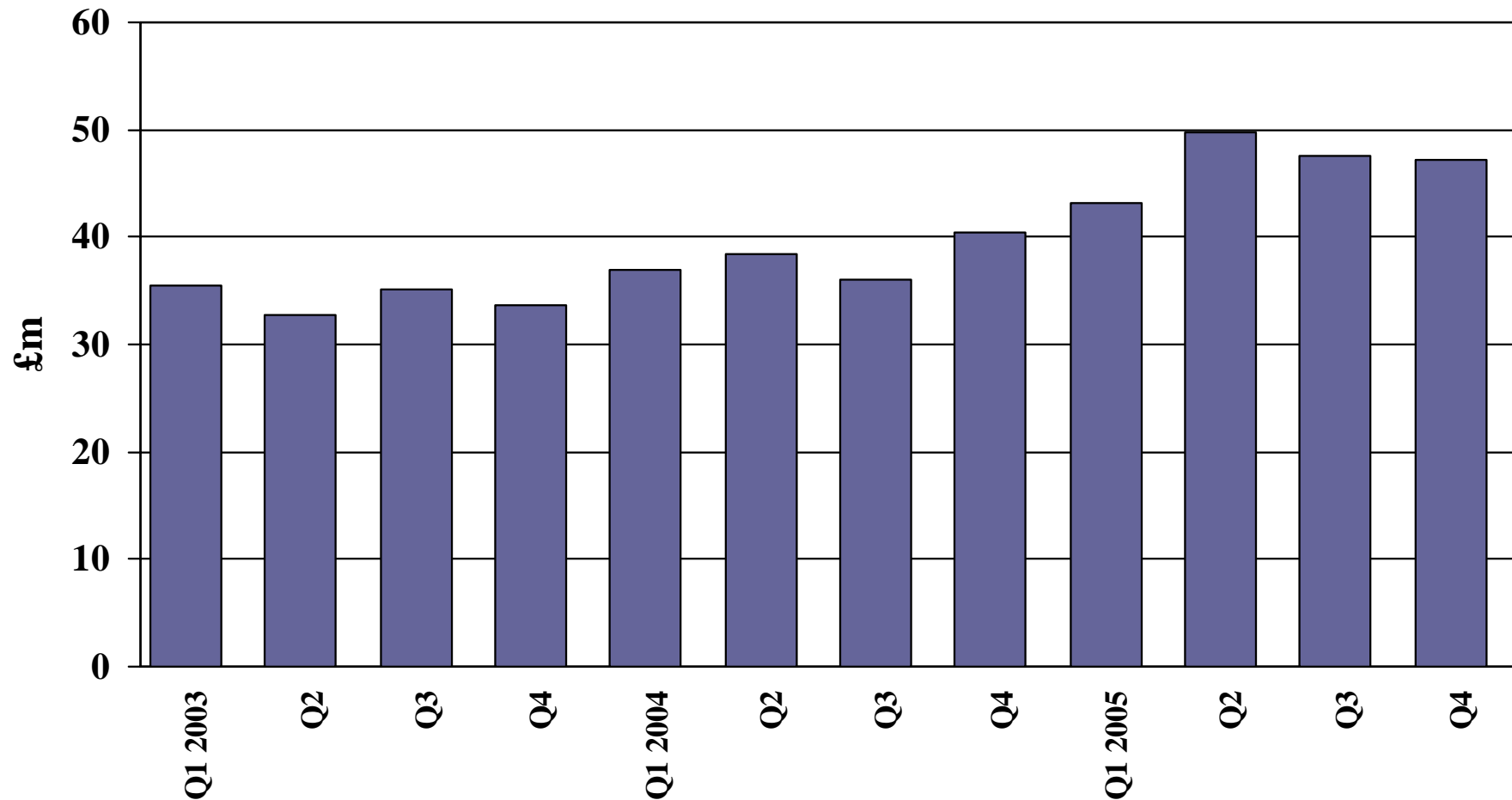
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Order input and order book growth



	2005
Input	+ 23.7%
Excl PCI	+ 21.1%
Order book	£63.7m
adj for PCI	+ 35.6%

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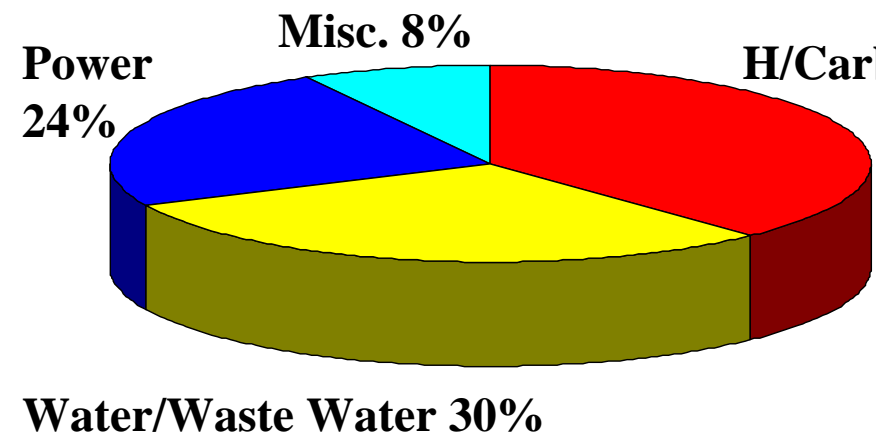
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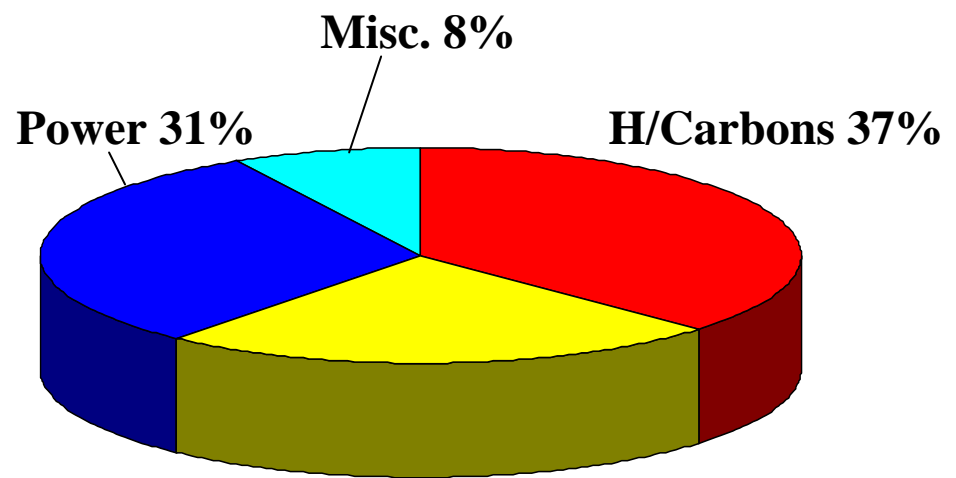
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Electric Actuator Unit Input by Industry

Total Units in 2005 up by 21%



2004



Water/Waste Water 24%

2005

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Audited Preliminary Results LNG Supply Chain

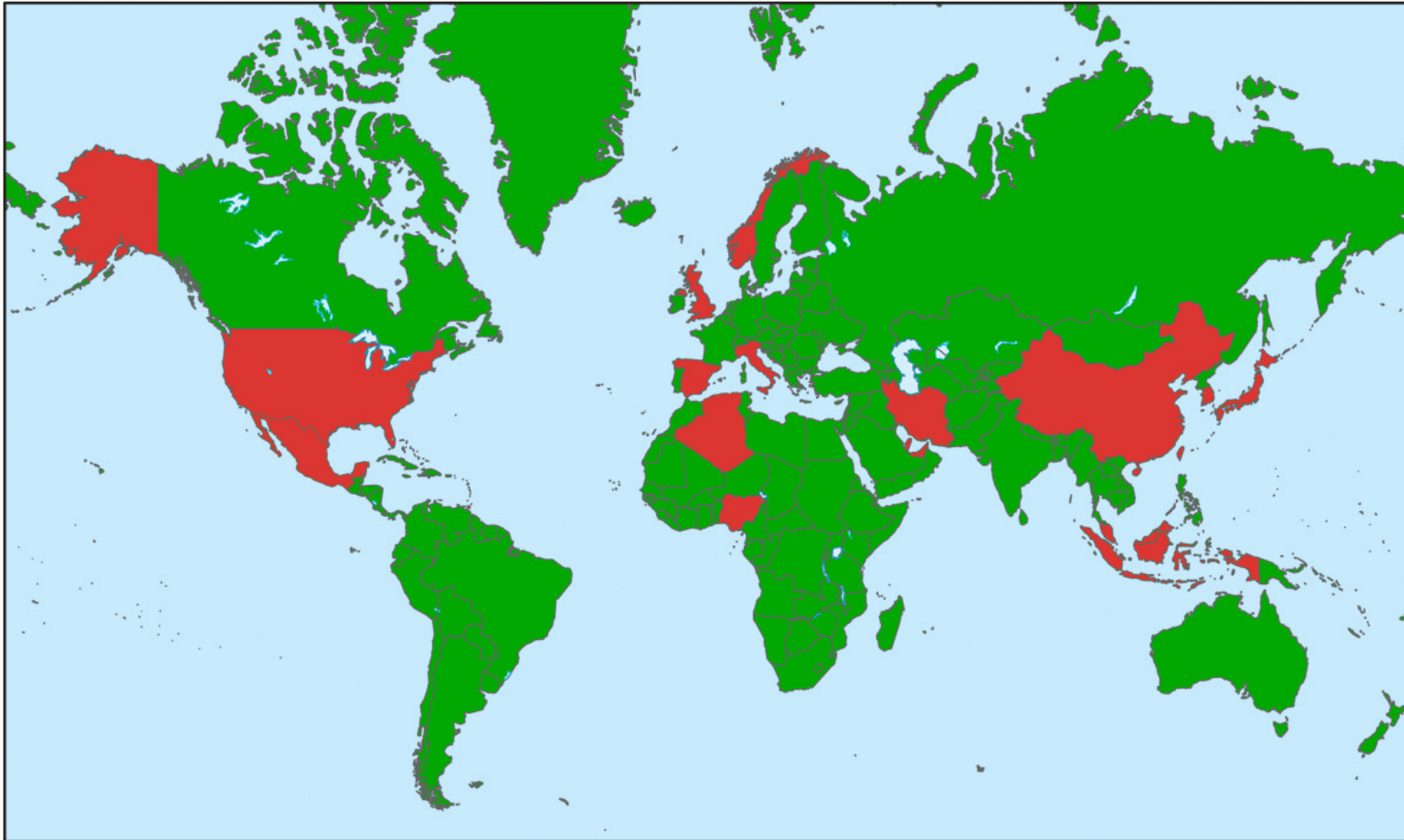
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Audited Preliminary Results LNG Project Locations

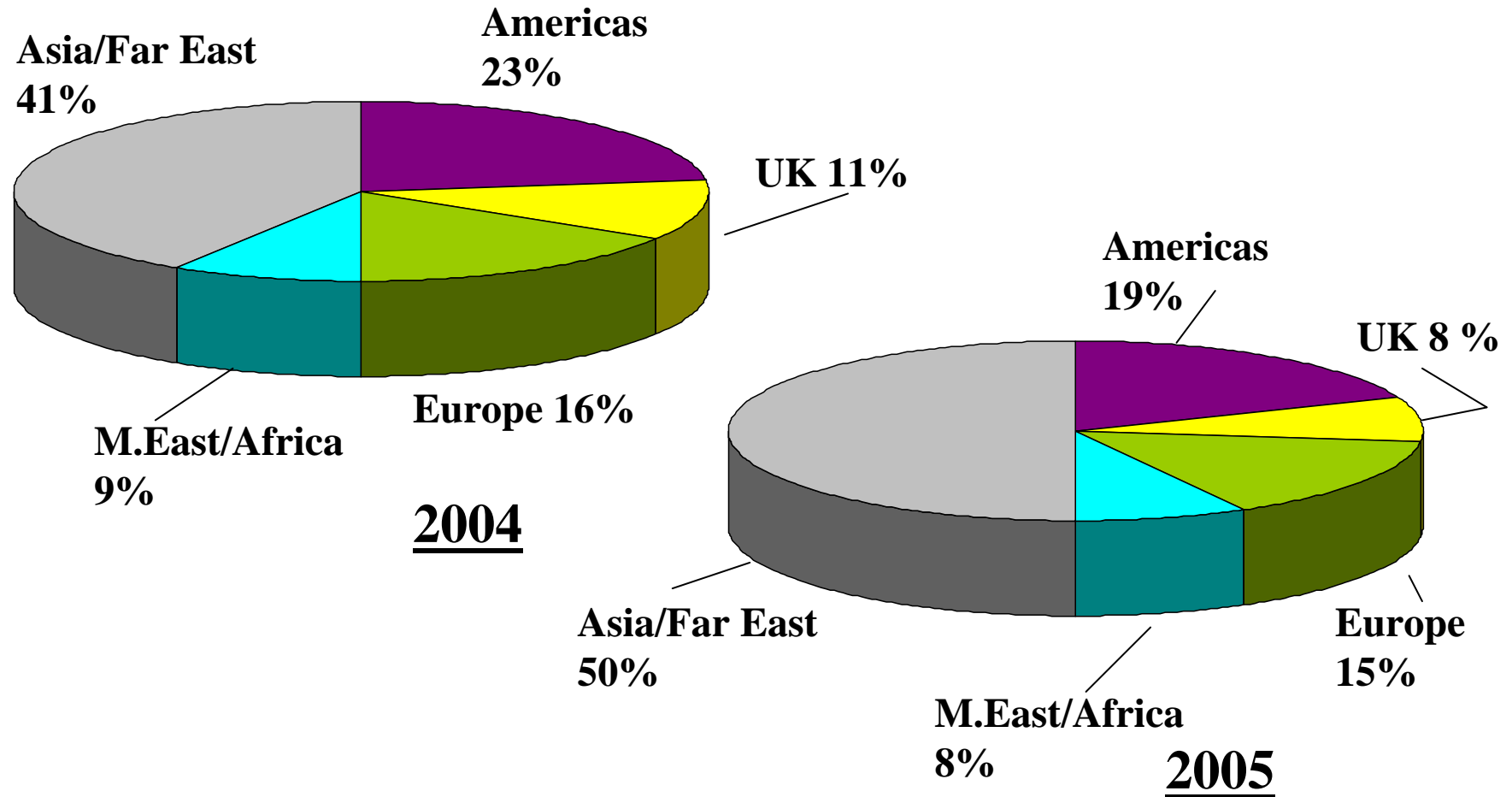
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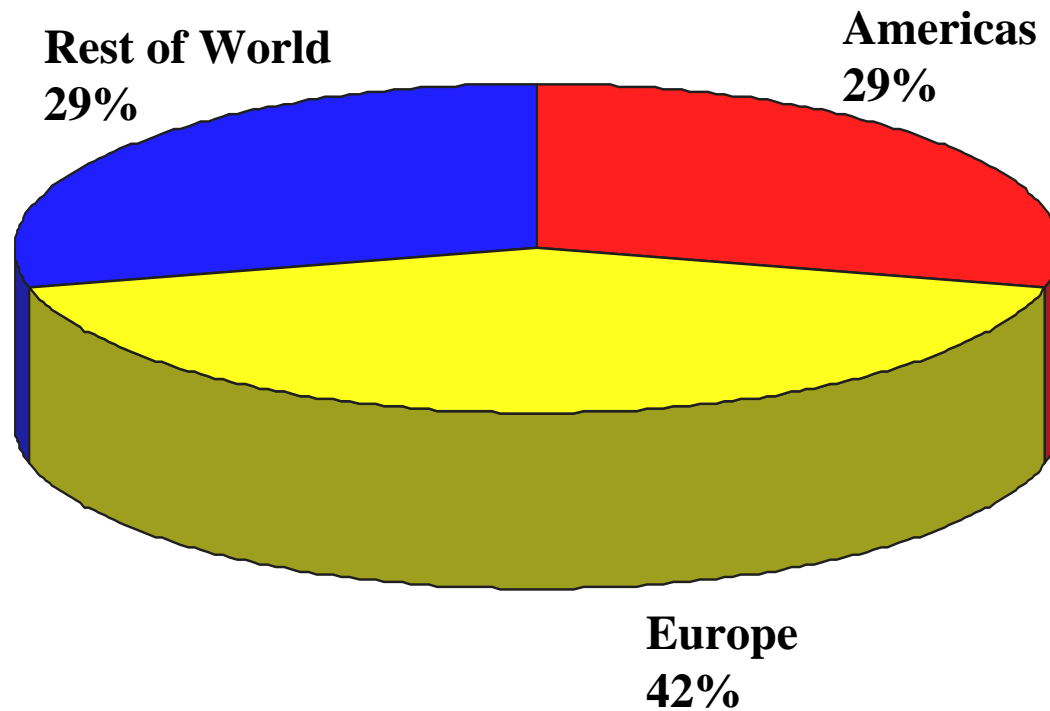
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Electric Actuator Unit Input by Final Destination



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Audited Preliminary Results Customer Revenue Location - 2005



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Audited Preliminary Results Electric Actuators

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- 
- **Order Input** + **20.8%**
 - **Order Book** + **34.2%**
 - **Turnover** + **17.5%**
 - **Operating Profit** + **20.2%**
 - **Net Margin** **24.0% up from 23.5%**

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**Audited Preliminary Results
Rotork in China**

SHANGHAI FACTORY



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Audited Preliminary Results Rotork Service & Support



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Audited Preliminary Results Rotork Fluid System

	<u>Actual</u>	<u>Excl PCI</u>
• Order Intake	+45.8%	+30.4%
• Order Book	+70.6%	+54.7%
• Turnover	+35.8%	+18.4%
• Operating profit	+23.9%	+21.1%
• Profit margin	11.4%	12.7%
• Prior year	12.4%	12.4%

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- **Order Intake**
- **Order Book**
- **Turnover**
- **Operating Profit**
- **Net Margin**

Actual

+6.4%

+17.3%

+ 7.1%

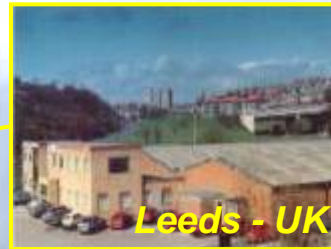
+19.8%

20.1% up from 17.9%



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Audited Preliminary Results Rotork Gears



Audited Preliminary Results



OUTLOOK

Conditions in most of our end user and geographic markets continue to be buoyant as reflected in the size of the order book at the start of the year and the strength of the order input since then. Based on this we are looking forward to further good progress in 2006

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PCI acquisition



Appendix 1

Completion	2 March 2005
Purchase price	€9.8 million (up to €0.7m still to pay)
Results March to December 2005	£000
Turnover	4,163
EBIT	232
Less: IFRS3 amortisation of opening order book intangible	(151)
Impact on Group Balance Sheet	
Adds £4.3m to property, plant and equipment	
Adds £1.7m to goodwill	
Adds £1.4m to inventory	
Adds £(0.6)m net credit to other balance sheet items	

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Pension schemes

Appendix 2

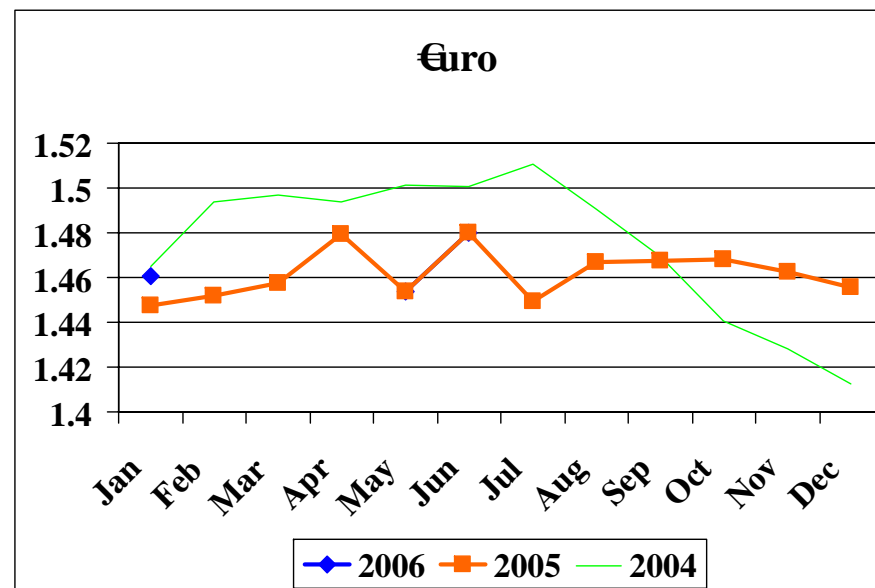
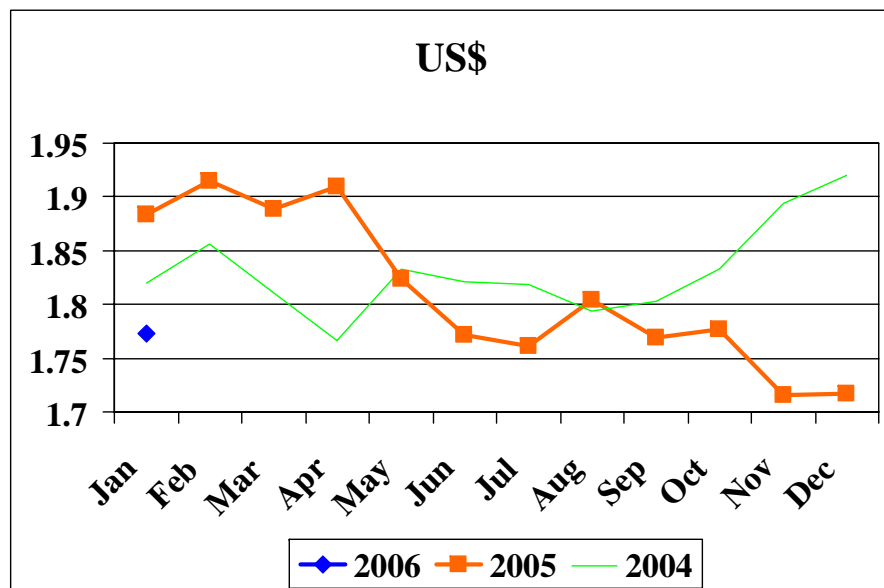


- **The main defined benefit scheme is the UK scheme. There is a smaller US scheme.**
- **The UK scheme has not admitted new members since 2002**
- **Member contributions were increased in 2003 and 2004**
- **The last actuarial valuation showed a deficit of £9.4m**
- **IAS19 shows a deficit of £20.4m**
- **Likely that the next actuarial valuation will show a deficit closer to IAS19**
- **Annual cash contribution to UK scheme is £2.2m**
- **Annual Current service cost for all schemes is £1.4m**
- **Additional cash contribution made in 2005 - £5m**
- **Additional cash contribution made now - £10m**

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Currency Rates

Appendix 3



	2005	2004	2003	2002
Rotork average rates - US\$	1.7984	1.8288	1.6605	1.5193
- €uro	1.4626	1.4603	1.4384	1.5824
Rotork year end rates - US\$	1.7168	1.9199	1.7901	1.6099
- €uro	1.4554	1.4125	1.4192	1.5342

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Cash Flow reconciliation - inflows

Appendix 4



Cash Flow	2005 £000	2005 £000	2004 £000	2004 £000
Profit for the year	24,614		20,998	
Financial income	(4,479)		(4,854)	
Financial expenses	4,352		3,780	
Income tax expense	12,043		10,508	
Operating profit		36,530		30,432
Amortisation of intangibles	179		70	
Amortisation of development costs	293		322	
Depreciation	2,671		2,577	
Add back depreciation		3,143		2,969
Difference between pension charge and cash		(1,243)		(633)
Cash inflow from operating activities		38,430		32,768
Inventories	(3,359)		(2,600)	
Trade and other receivables	(685)		(6,228)	
Trade and other payables	1,325		4,130	
Provisions	709		(130)	
Employee benefits	1,509		748	
Working capital movements		(501)		(4,080)
Interest received	776		973	
Interest paid	(232)		(136)	
Cash flows from finance		544		837
Cash inflow from operations		38,473		29,525

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Cash Flow reconciliation - outflows

Appendix 5

Cash Flow	2005	2005	2004	2004
	£000	£000	£000	£000
Cash inflow from operations		38,473		29,525
Dividends		(13,437)		(17,755)
Additional pension contributions		(2,000)		(5,000)
Taxation		(11,296)		(10,441)
Capital expenditure		(1,396)		(3,099)
Issue of ordinary share capital	626		458	
Purchase ordinary capital	(2,236)		(691)	
Purchase preference shares			(5)	
Purchase /issue shares	<u> </u>	(1,610)	<u> </u>	(238)
Acquisitions		(7,227)		(912)
Equity settled share based payment expense	312		208	
Profit on sale of fixed assets	22		(72)	
Development costs capitalised	(291)		(102)	
Sale of fixed assets	94		295	
Increase in borrowings	677		188	
Repayment of finance leases	(100)		(58)	
Effect of exchange rate fluctuations	134		152	
Other		848		611
		<u>2,355</u>		<u>(7,309)</u>
Opening cash		24,825		32,134
Closing cash		<u>27,180</u>		<u>24,825</u>