

# Rotork plc Audited Preliminary Results - 2007

3<sup>rd</sup> March 2008

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## Audited Preliminary Results Financial Highlights

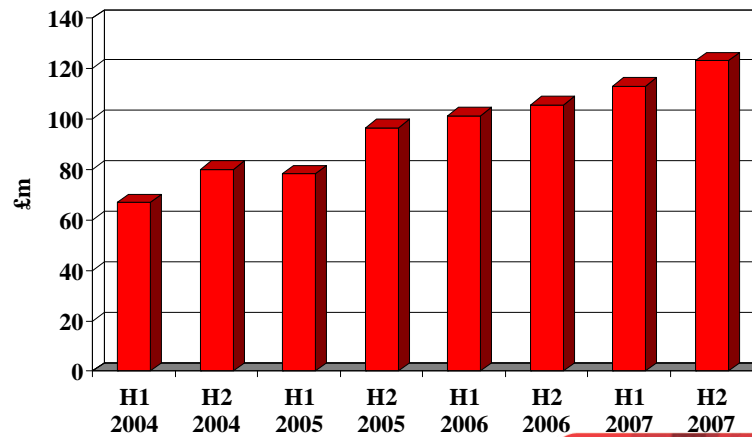
- Order intake up 12.6% (15.4% at constant currency)
- Sales revenue up 14.0% (17.5% at constant currency)
- Year end order book £97.6m
- Profit before tax up 24.3% (30.5% at constant currency)
- EPS was 45.6p, up 25.3% (31.5% at constant currency)
- Recommended final dividend of 14.0p, up 20.2%
- Additional dividend distribution of £10 million for 2008

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## Audited Preliminary Results

**rotronik**

### Sales Revenue Growth by Half Year



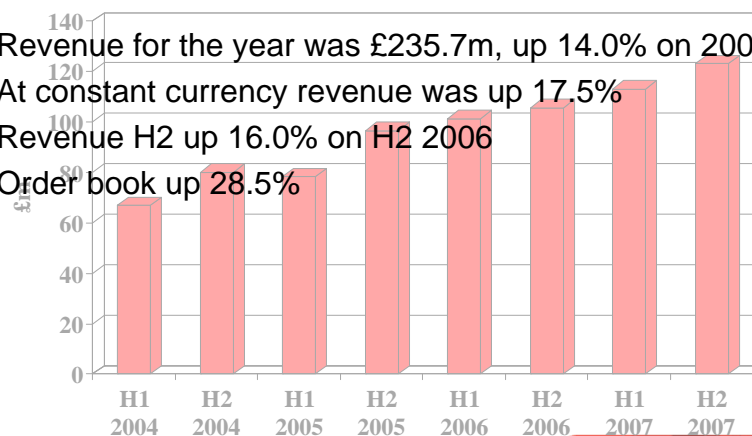
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## Audited Preliminary Results

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### Sales Revenue Growth by Half Year

- Revenue for the year was £235.7m, up 14.0% on 2006
- At constant currency revenue was up 17.5%
- Revenue H2 up 16.0% on H2 2006
- Order book up 28.5%



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## Audited Preliminary Results

### Sales revenue by segment



£m	2007	2006	% Inc.
Order Input	251.6	223.4	12.6%
Sales Revenue	235.7	206.7	14.0%
By Division:			
Controls	164.2	147.8	11.1%
Fluid System	47.9	40.5	18.3%
Gears	31.9	24.3	31.3%
Intersegmental elimination	(8.3)	(5.9)	42.1%
Total	235.7	206.7	14.0%

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## Audited Preliminary Results

### Gross margin improvement



Gross margin in 2006	44.1%
Increase margin of RFS / Gears	0.6%
Increased proportion of RFS / Gears	(0.3)%
Operational gearing – China start up	0.4%
Operational gearing – rest of Group	0.5%
Lower stock / warranty charge	0.2%
Controls product mix and other	0.3%
Gross margin in 2007	45.8%

After the negative impact of currency of approximately 3.6%

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## Audited Preliminary Results Income Statement

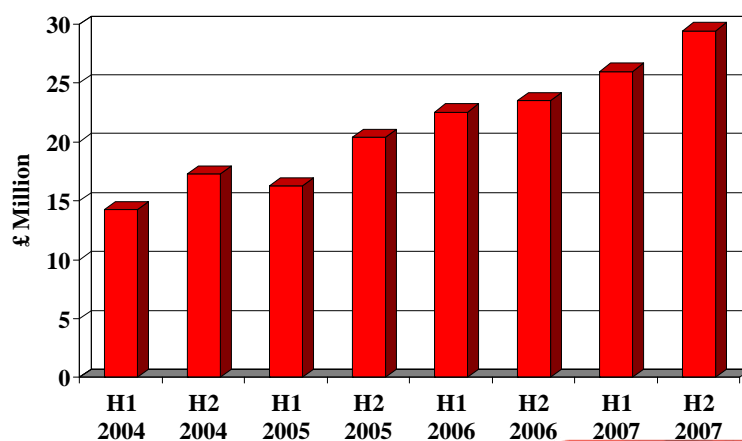
**rotonk®**

		2007 £m	2006 £m
Operating profit	+22.8%	55.4	45.1

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## Audited Preliminary Results Operating profit

**rotonk®**

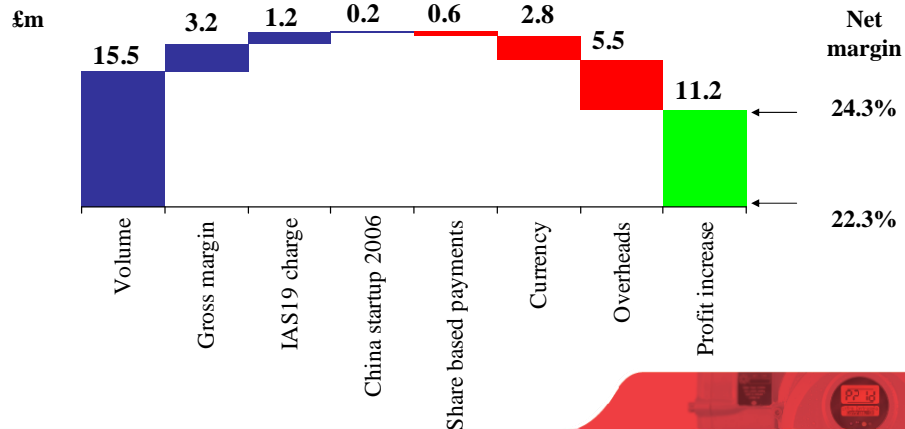


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## Audited Preliminary Results

### Profit bridge – Movement in Profit before tax

**rotron**

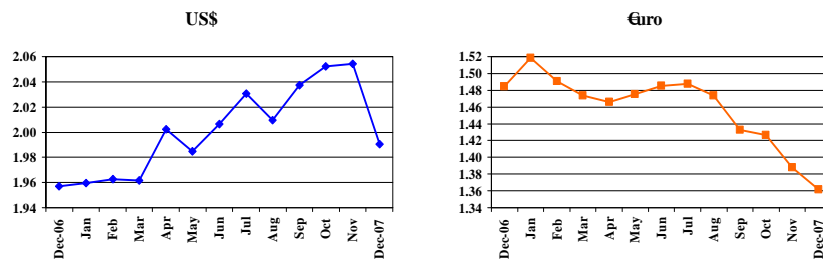


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## Audited Preliminary Results

### Currency Rates

**rotron**



Rotork average rates – US\$  
- Euro  
Rotork closing rates – US\$  
- Euro

2007 H1	2007 H2
1.98	2.03
1.49	1.41

2007	2006	2005	2004	2003
2.01	1.84	1.80	1.83	1.66
1.45	1.47	1.46	1.46	1.44
1.96	1.96	1.72	1.92	1.79
1.36	1.48	1.46	1.41	1.42

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## Audited Preliminary Results Currency Rates



	US\$	Euro
H1 2006	1.80	1.45
H2 2006	1.90	1.49
2006 average rate	1.84	1.47
H1 2007	1.98	1.48
H2 2007	2.03	1.41
2007 average rate	2.01	1.45

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## Audited Preliminary Results Income Statement – currency effect



	£m	2007	2006	
Operating Profit as reported		55.4	45.1	+22.8%
Translation impact		0.5		
Transaction impact		2.3		
Total currency impact		2.8		
Operating profit at 2006 rates		58.2	45.1	+29.1%

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## Audited Preliminary Results Currency Rates



	US\$	Euro
H1 2006	1.80	1.45
H2 2006	1.90	1.49
2006 average rate	1.84	1.47
H1 2007	1.98	1.48
H2 2007	2.03	1.41
2007 average rate	2.01	1.45
Mid February 2008	1.95	1.34

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## Audited Preliminary Results Income Statement



		<u>2007</u>	<u>2006</u>
Revenue as reported	£m	235.7	206.7
Operating Profit	£m	55.4	45.1
Profit before tax	£m	57.3	46.1
Effective tax rate		31.4%	32.0%
Earnings per share		45.6p	36.4p

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## Audited Preliminary Results Dividend



Recommended final dividend for 2007 of 14.0 pence (+20.2%)

2007 cover is

- 2.1 times on core dividend
- 1.5 times on total dividend

It is being recommended that an additional dividend of £10m be paid in July 2008

Dividend in 2008 would be:

		Total cost	
May 2008	14.00p	£12.1m	2007 final dividend
July 2008	11.50p	£10.0m	2008 additional dividend
September 2008		to be announced with interim results	

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## Audited Preliminary Results Balance Sheet



- CAPEX in the year was £3.0m
- £0.7m of development costs capitalised in the year
- £0.3m prior year development costs amortised in the year
- Working capital consistent as a percentage of revenue
  - 2007 25%
  - 2006 24%
  - 2005 28%
- Year end cash balance £38.3m

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## Audited Preliminary Results



### Cash flow summary - inflows

	£m	2007	2006
Operating Profit		<b>55.4</b>	<b>45.1</b>
Add back depreciation & amortisation		<b>3.0</b>	<b>2.9</b>
Less pension charge versus cash paid		<b>(0.9)</b>	<b>(0.8)</b>
Cash inflow from operating activities		<b>57.5</b>	<b>47.2</b>
Working capital movement		<b>0.1</b>	<b>0.8</b>
Cash flows from finance		<b>0.8</b>	<b>0.7</b>
Operating cash inflows		<b>58.4</b>	<b>48.7</b>

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## Audited Preliminary Results



### Cash flow summary - outflows

	£ m	2007	2006
Cash inflows		<b>58.4</b>	<b>48.7</b>
<u>OUTFLOWS</u>			
Taxation		<b>(15.1)</b>	<b>(11.2)</b>
Capital Expenditure		<b>(2.8)</b>	<b>(2.4)</b>
Purchase/issue own shares under share schemes		<b>(3.6)</b>	<b>(1.8)</b>
Other		<b>(0.4)</b>	<b>(0.4)</b>
Net operating cash flow		<b>36.5</b>	<b>32.9</b>
Additional Pension contribution		<b>(2.0)</b>	<b>(6.0)</b>
Acquisitions		<b>-</b>	<b>(1.6)</b>
Dividends		<b>(24.7)</b>	<b>(24.1)</b>
Net cash inflow		<b>9.8</b>	<b>1.2</b>
Cash balances		<b>38.3</b>	<b>28.4</b>
Net cash		<b>37.9</b>	<b>27.7</b>

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## Audited Preliminary Results

### 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 £13m
- Acquisition of Drallim business in February £0.6m
- Additional dividend of £10m in July

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## Audited Preliminary Results

### UK defined benefit pension scheme



- **2004 actuarial valuation showed an 84% funding position**
- **2007 actuarial valuation shows a 98% funding position**
- **Charge to P&L account down in 2007 due to additional funding**
- **Charge to P&L account in 2008 back up due to new mortality assumptions**

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## Audited Preliminary Results Impact of Pension charge on Profit before tax



£m	2005	2006	2007	2008 expected
Impact on Operating profit	1.4	2.1	1.7	2.0
Impact on Finance expense / (income)	0.3	(0.2)	(1.0)	(0.4)
Impact on Profit before tax	1.7	1.9	0.7	1.6

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## Audited Preliminary Results Appendix - Currency translation effect on revenue



	£m	H1	H2	Total
US\$		3.3	3.8	7.1
Euro		0.9	(1.9)	(1.0)
Other Currencies		1.7	(0.8)	0.9
		5.9	1.1	7.0
Revenue as Stats		113.3	122.4	235.7
Revenue at constant currency		119.2	123.5	242.7
Revenue 2006		101.3	105.4	206.7
Increase year on year		11.9%	16.0%	14.0%
Increase at constant currency		17.8%	17.1%	17.5%

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## Audited Preliminary Results Appendix - Operating profit



	£m	H1	H2	Total	2006	% Increase
Controls		20.9	18.2	43.5	37.0	17.6%
Fluid System		3.0	3.4	7.2	5.4	33.3%
Gears		3.5	2.4	7.3	4.6	56.5%
Unallocated		(1.4)	(0.9)	(2.6)	(1.9)	32.1%
Total		26.0	23.1	55.4	45.1	22.8%
Operating profit to Sales ratio				<u>2007</u>	<u>2006</u>	
Controls				26.5%	25.1%	
Fluid System				15.0%	13.3%	
Gears				22.8%	19.1%	
Group				23.5%	21.8%	

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## Audited Preliminary Results



### Appendix - Cash Flow reconciliation - inflows

	2007 £000	2007 £000	2006 £000	2006 £000
Profit for the year	39,296		31,333	
Financial income	(6,607)		(5,568)	
Financial expenses	4,741		4,596	
Income tax expense	17,957		14,728	
<b>Operating profit</b>		<b>55,387</b>		<b>45,089</b>
Amortisation of intangibles	74		98	
Amortisation of development costs	309		259	
Depreciation	2,630		2,554	
<b>Add back depreciation</b>		<b>3,013</b>		<b>2,911</b>
<b>Difference between pension charge and cash</b>		<b>(938)</b>		<b>(801)</b>
<b>Cash inflow from operating activities</b>		<b>57,462</b>		<b>47,199</b>
Inventories	(5,580)		(3,610)	
Trade and other receivables	(4,873)		(3,786)	
Trade and other payables	7,001		6,691	
Provisions	713		731	
Employee benefits	2,875		776	
<b>Working capital movements</b>		<b>136</b>		<b>802</b>
Interest received	932		876	
Interest paid	(112)		(147)	
<b>Cash flows from finance</b>		<b>820</b>		<b>729</b>
<b>Cash inflow from operations</b>		<b>58,418</b>		<b>48,730</b>

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## Audited Preliminary Results



### Appendix - Cash Flow reconciliation - outflows

<b>Cash inflow from operations</b>	<b>58,418</b>	<b>48,730</b>
<b>Additional pension contributions</b>	<b>(2,000)</b>	<b>(6,000)</b>
<b>Taxation</b>	<b>(15,071)</b>	<b>(11,247)</b>
<b>Capital expenditure</b>	<b>(2,762)</b>	<b>(2,425)</b>
Issue of ordinary share capital	671	252
Purchase ordinary capital	(4,249)	(2,047)
Purchase preference shares	0	(4)
<b>Purchase /issue shares</b>	<b>(3,578)</b>	<b>(1,799)</b>
<b>Acquisitions</b>	<b>(8)</b>	<b>(1,589)</b>
<b>Dividends</b>	<b>(24,732)</b>	<b>(24,140)</b>
Equity settled share based payment expense	680	496
Profit on sale of fixed assets	(159)	(33)
Development costs capitalised	(687)	(372)
Sale of fixed assets	228	116
Increase in borrowings	(456)	(467)
Repayment of finance leases	(95)	(212)
Effect of exchange rate fluctuations	77	160
<b>Other</b>	<b>(412)</b>	<b>(312)</b>
	<b>9,855</b>	<b>1,218</b>
Opening cash	28,398	27,180
Closing cash	38,253	28,398

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