



Rotork plc Interim Results - 2011

2nd August 2011

Presented by **Chairman - Roger Lockwood**
Chief Executive Officer - Peter France
Group Finance Director - Jonathan Davis








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Rotork plc
Half Year Results 2011
2nd August 2011

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Highlights

• Record order intake in each division	• Order input	22.5% ↑
• Order book at record high of £170m	• Order book	22.4% ↑
• Dividend increased by 13.7% plus a second additional dividend declared	• Interim Dividend	14.5p ↑
• Expansion of global presence including acquisitions of Mexico and Norway	• Second special dividend	11.5p ↑
• Broadening of product offering including acquisitions of K-Tork and Centork		

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Outlook



Controls

- Record order book supporting higher H2 revenue.
- Margins to remain strong.
- Positive project activity in Asia.

Fluid Systems

- Margin improvement expected in H2.
- Record order book supporting H2 revenue and into 2012.
- Market activity expected to remain positive in Oil & Gas.

Gears

- Increased capacity will facilitate further revenue growth.
- New product introduction will provide increased revenue in H2.
- Price rises will benefit margins in H2 offsetting material cost pressure.


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Outlook Statement



Strong order intake during the first six months, a record order book and ongoing activity levels in our end markets mean that we expect to achieve full year revenues materially ahead of our prior expectations. Margins for 2011 are expected to be at similar levels to those seen in 2010.

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Financial Review

Finance Director – Jonathan Davis

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Financial Highlights



	2011	2010	%	OCC %		
• Record half year revenue	Order Intake	£228m	£186m	+22.5%	+21.3%	↑
• PBTA up but OCC margin down 40 bps at 25.9%	Order book	£170m	£139m	+22.4%	+20.0%	↑
	Revenue	£199m	£184m	+8.7%	+7.9%	↑
	PBTA	£51m	£48m	+4.9%	+6.3%	↑
• Earnings per share benefits from lower tax rate	EPSA	41.7p	39.5p	+5.6%	+7.6%	↑
	Interim DPS	14.50p	12.75p	+13.7%	-	↑
	2 nd additional dividend	11.5p	-	-	-	↑

Note:
 OCC = Organic constant currency figures have the Hiller, Mexico and Norway acquisitions removed and 2011 restated at 2010 H1 rates
 PBTA & EPSA = adjusted, before the amortisation of acquired intangible assets.

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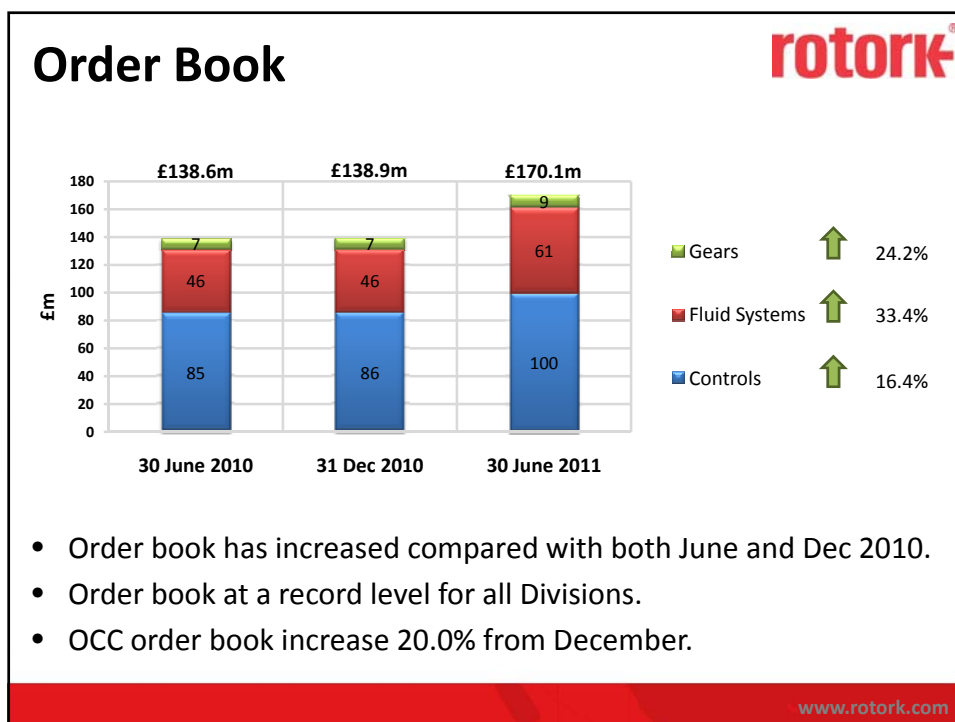
Constant Currency Analysis rotork®

£m	Group as Reported		Adjust to get CC	Group at 2010 Rates		Remove Acqn.	H1 2011 at OCC		H1 2010	
Revenue	199.4		2.9	202.3		(4.3)	198.0		183.5	
Cost of Sales	(104.8)		(2.1)	(106.9)		3.3	(103.6)		(94.5)	
Gross Profit	94.6	47.4%	0.8	95.4	47.1%	(1.0)	94.4	47.7%	89.0	48.5%
Overheads	(44.3)	22.2%	(0.3)	(44.6)	22.0%	1.1	(43.5)	22.0%	(40.8)	22.2%
Operating profit*	50.3	25.2%	0.5	50.8	25.1%	0.1	50.9	25.7%	48.2	26.3%

- OCC gross margins 80 bps lower
- OCC overheads 20 bps lower
- OCC net margin 60 bps lower

* Adjusted before amortisation of acquired intangibles

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Controls Division

£m	2011	2010	Change	OCC Change
Revenue	129.4	120.2	7.7 %	8.8%
Operating Profit*	42.9	39.3	8.9 %	10.5%
Operating margin*	33.1%	32.7%	+40bps	+60bps



- Gross margins maintained
- Overhead growth rate lower than the revenue growth rate
- Organic constant currency margin 33.3%

Note:

OCC = Organic constant currency figures have the Hiller, Mexico and Norway acquisitions removed and 2011 restated at 2010 H1 rates.
* = adjusted, before the amortisation of acquired intangible assets.

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Fluid Systems Division

£m	2011	2010	Change	OCC Change
Revenue	53.1	49.3	7.6 %	2.0%
Operating Profit*	4.9	6.6	-25.7 %	-22.3%
Operating margin*	9.2%	13.3%	-410bps	-310bps



- Gross margins reduced due to pricing pressure in 2010
- Organic overhead increased by less than revenue growth
- Organic constant currency margin 10.2%

Note:

OCC = Organic constant currency figures have the Hiller, Mexico and Norway acquisitions removed and 2011 restated at 2010 H1 rates.
* = adjusted, before the amortisation of acquired intangible assets.

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Gears Division rotork®

£m	2011	2010	Change	OCC Change	
Revenue	21.5	18.2	17.6%	18.0%	↑
Operating Profit*	4.7	4.0	15.5%	10.3%	↑
Operating Margin*	21.7%	22.1%	-40bps	-140bps	↓

- Gross margin under pressure from material cost increases
- Overhead increase ahead of rate of revenue increase but from low base
- Organic constant currency margin 20.7%

Note:
OCC = Organic constant currency figures have the Hiller, Mexico and Norway acquisitions removed and 2011 restated at 2010 H1 rates.
* = adjusted, before the amortisation of acquired intangible assets.

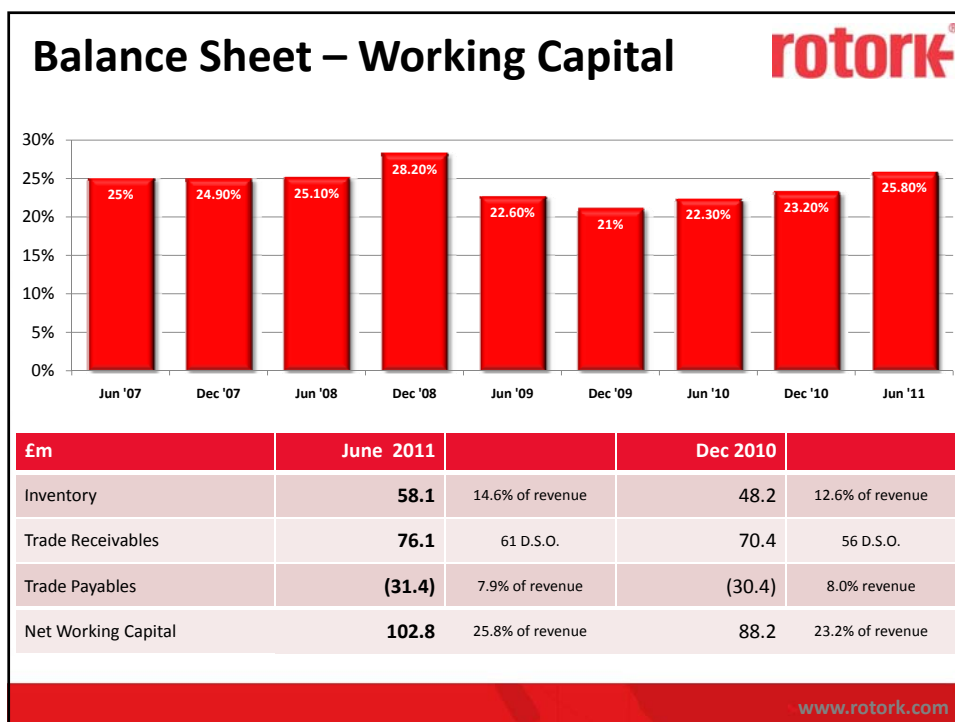
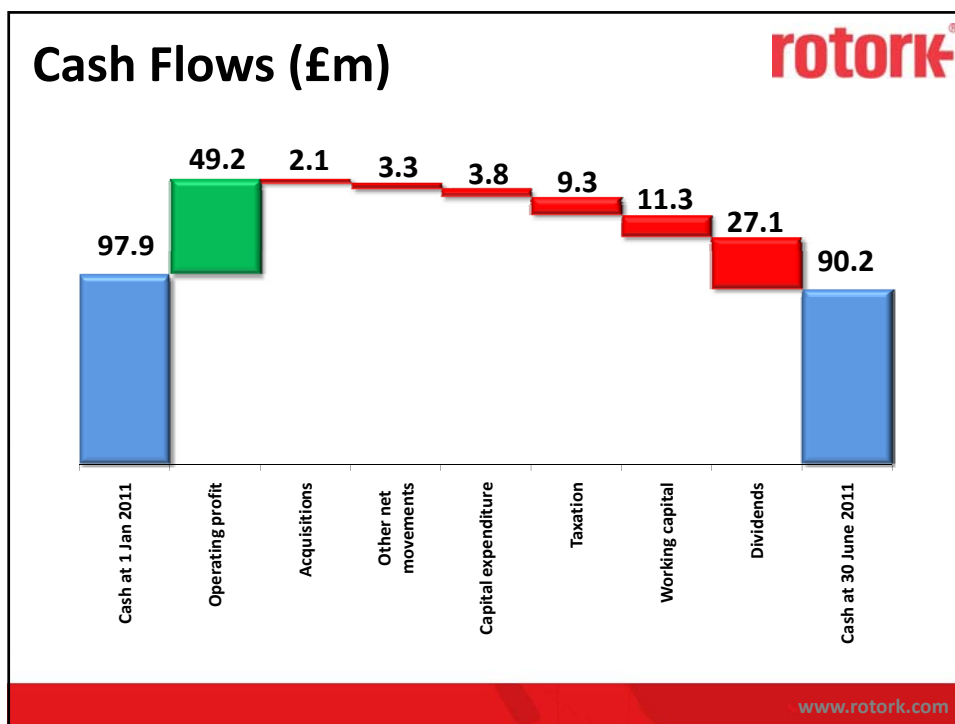
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Dividend rotork®

Dividend	Date Paid/Payable	Amount	Cost (£m)
2009 Final	May 2010	17.25p	14.9
2010 Additional	July 2010	11.50p	10.0
2010 Interim	September 2010	12.75p	11.0
		41.50p	35.9
2010 Final	May 2011	19.75p	17.1
2011 Additional	June 2011	11.50p	10.0
2011 Interim	September 2011	14.50p	12.6
2011 Second Additional	December 2011	11.50p	10.0
		57.25p	49.7

- Total dividend paid in the year increased by 38%
- Core dividend cover 2.4 times (June 2010 = 2.6 times)

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Operating Review

Chief Executive - Peter France

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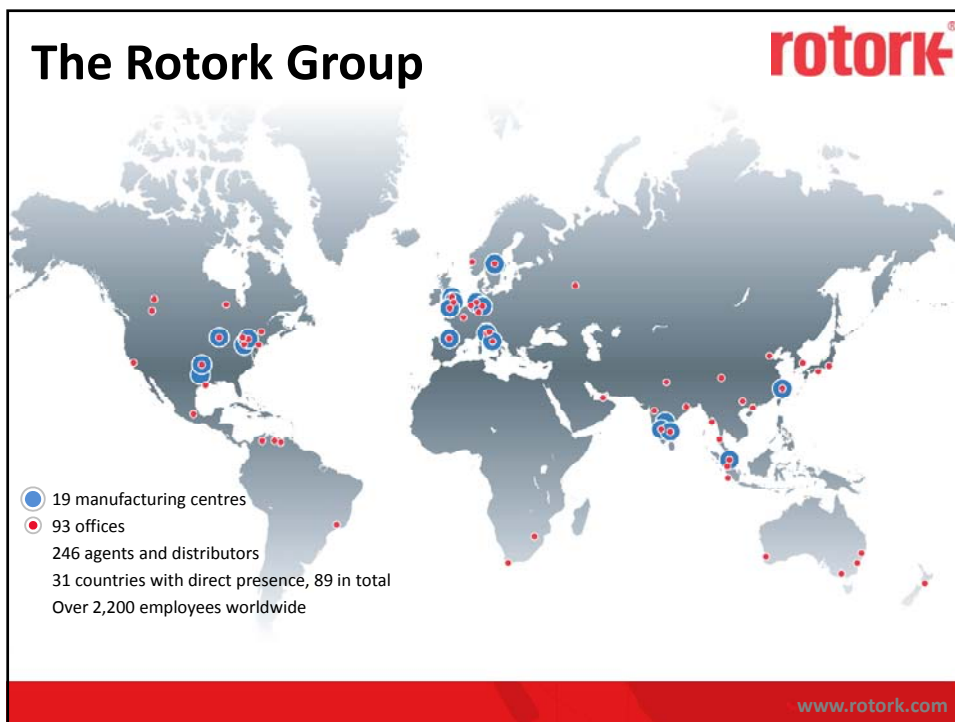
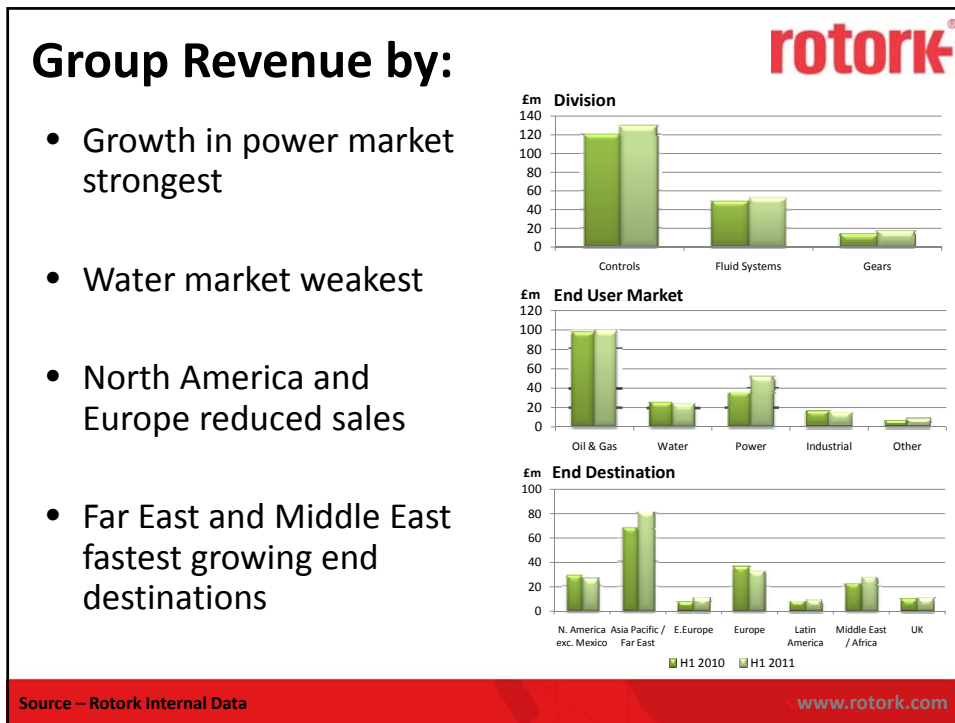
Key Messages

- Record results
- Strong market activity
- Continued investment
- Broadening product portfolio and geographic reach



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Acquisitions – VVA

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Details

- Rotork agent in Norway
- 10 employees
- 2010 revenue £3m
- Consideration £0.7m

Benefits

- Develop opportunities in a strong oil and gas sector
- Expand focus from electric actuators to all products
- Capitalise on site service opportunities, large installed base



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Acquisitions – K-Tork

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Details

- Founded 1973 in Dallas, USA
- 40 employees
- 2010 revenue \$13m
- Consideration \$10.6m

Benefits

- New products - pneumatic vane actuator and damper controls
- US power and water end market focus
- International expansion



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Acquisitions – Centork

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Details

- Formed 1994 in Northern Spain
- 20 employees
- 2010 revenue €2m
- Consideration €3.6m

Benefits

- New electric actuator range
- Modular compact and efficient design
- Water market focus
- Independent brand



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Rotork Controls

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First half highlights

- Project activity strong
- Improved performance from RPC
- Good performances in the Netherlands, India, China and Flow-Quip

Markets

- New acquisitions
- Oil & Gas infrastructure spend positive
- Power market to remain strong
- Water market showing signs of improvement
- Domestic European market expected to remain slow



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Rotork Fluid Systems

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First half highlights

- Strong order intake
- Good performance from Italy
- Indian and Chinese new facilities operational

Markets

- Acquisitions
- Broadening end market focus
- Oil & Gas investment remains strong
- LNG market active



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Rotork Gears

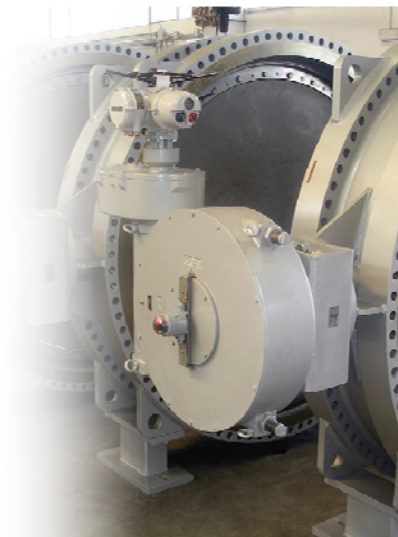
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First half highlights

- US and expanded Chinese facilities operational
- Improved trading performance from Italy
- Increased valvemaker activity

Markets

- High potential in India and Russia
- Major customisation centre in Houston
- New product introductions



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Rotork Site Services



First half highlights

- Continued high utilisation of increased labour force
- Acquisition of strong service teams in Norway and Mexico
- Development of our own service operation in New Zealand
- Significant PM service contracts awarded



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Research and Development



First half highlights


- Expansion of our RIDEC facility in India
- Continued investment in our wireless networking system
- Completion of the upgrade to the SI product to include our IQpro technology
- Introduce new ranges to improve competitiveness of manual gearbox ranges

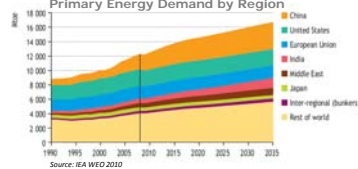


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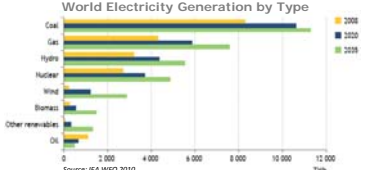
Market Growth

- Oil**
 IEA predict global oil product demand growth will be 3.2% per year driving upstream investment .
- Gas**
 Investment required to expand inter- and intra-regional transport capacity, particularly in Asia, to support demand growth.
- LNG**
 Increased regasification project activity to support global trade.
- Power**
 World electricity demand is projected to grow by 2.2% per year between 2008 and 2035 to replace obsolete capacity and to meet demand growth. Power generation remains the main driver behind gas demand growth.
- Water**
 Global water/wastewater market growing 6-8% per year driven by population growth, rising living standards, industrialization, and the disrepair of existing waster systems.

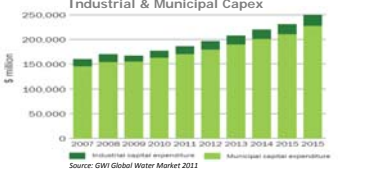




Source: IEA WEO 2010



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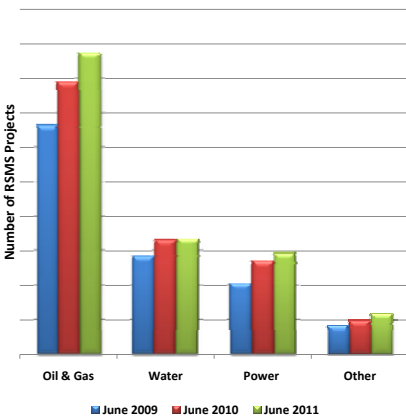



Source: GWI Global Water Market 2011

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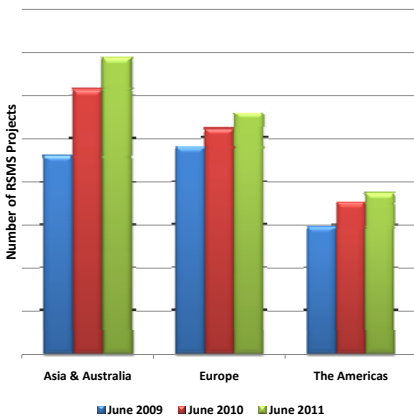
Market Growth

Project Activity: Industry Type



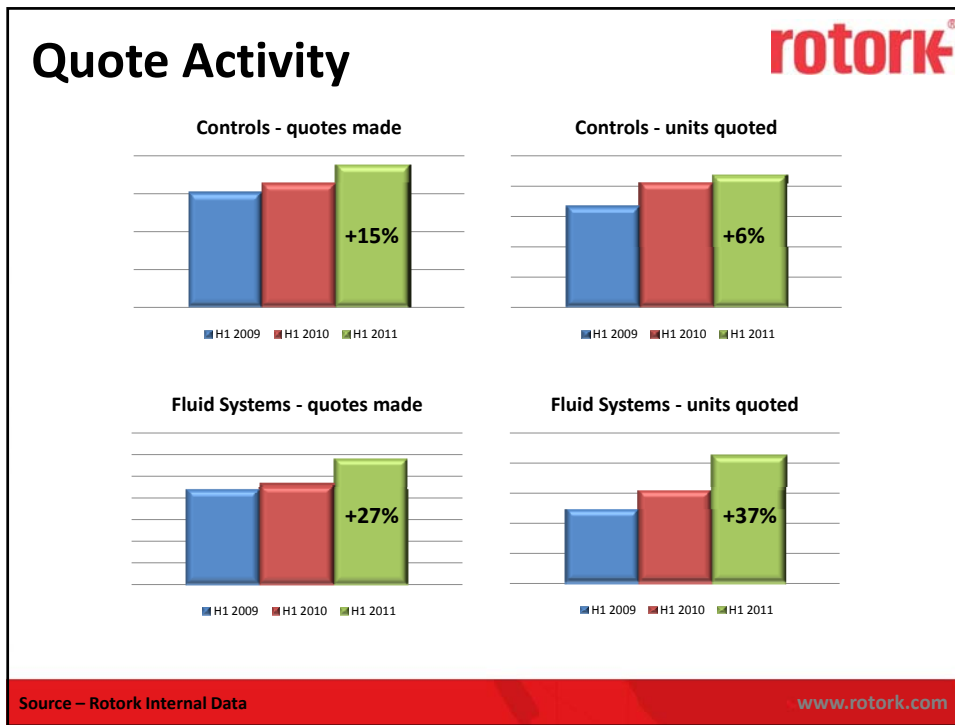


Project Activity: End Destination



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Source – Rotork Internal Data



Outlook - positive rotork®

Long Term View

- New products H2 / 2012
- Continued broad-based infrastructure spend
- New acquisitions

Capital Markets Day - 4th November

Short Term View

- Organic growth
- Strong market activity especially in Oil & Gas
- BRIC countries and Middle East very active
- Broader product portfolio

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Outlook Statement



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Appendix



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Appendix - Adjusted Operating Profit by Segment

£'000	2011		2010		% Change
	As reported	Adjustments	Adjusted	As reported	
Controls	42,781	80	42,861	39,348	8.9
Fluid Systems	3,910	975	4,885	5,809	-25.7
Gears	4,658	-	4,658	4,004	15.5
Unallocated Costs	(2,131)	-	(2,131)	(1,750)	-21.8
Total	49,218	1,055	50,273	47,411	4.3

Notes:

- Adjustments relate to amortisation of acquired intangible assets.
- Adjustments to profit before tax are the same as those to operating profit.

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Appendix - Cash Flow Statement

	2011 £000	2011 £000	2010 £000	2010 £000
Operating profit		49,218		47,411
Acquisitions		(2,070)		(5,621)
Interest received	338		154	
Sale of tangible fixed assets	169		26	
Issue of ordinary share capital	42		86	
Other cash inflows	549		266	
Amortisation of intangibles	1,055		798	
Amortisation of development costs	366		346	
Depreciation	2,139		1,882	
Equity settled share base payment expense	609		436	
Profit on the sale of fixed assets	(26)		(28)	
Provisions	(614)		417	
Effect of exchange rate fluctuations	1,709		3,228	
Other non-cash items	5,238		7,078	
Interest paid	(20)		(48)	
Difference between pension charge and cash	(2,490)		(293)	
Repayment of finance leases	(35)		(45)	
Purchase of own share capital	(2,184)		(1,426)	
Employee benefits	(4,365)		(1,619)	
Other cash outflows	(9,094)		(3,431)	
Other net movements		(3,307)		3,914
Capital expenditure (inc intangible)		(3,811)		(2,623)
Taxation		(9,307)		(12,782)
Inventories	(8,625)		3,513	
Trade and other receivables	(5,538)		(8,931)	
Trade and other payables	2,812		(1,316)	
Working capital movements		(11,351)		(6,734)
Dividends		(27,050)		(14,928)
Net (decrease)/increase in cash and cash equivalents		(7,679)		8,636

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Currency Rates – Income Statement **rotork**[®]

Average rates trading:	US\$	Euro
H1 2010	1.52	1.15
H2 2010	1.56	1.17
Full Year 2010	1.54	1.16
H1 2011	1.62	1.13
+ = GBP strengthening / - = GBP weakening	+6%	-2%

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Currency Rates – Balance Sheet **rotork**[®]

Period end rates:	US\$	Euro
June 2010	1.50	1.22
December 2010	1.57	1.17
Period end June 2011	1.61	1.11
+ = GBP strengthening / - = GBP weakening	+3%	-5%

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Gearboxes and Gear Operators
Projects, Services and Retrofit

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