Rotork plc

2013 Half Year Results

	HY 2013	HY 2012	% change	OCC *[2] % change
Revenue	**£276.1m**	£245.9m	+12.3%	+5.2%
Adjusted*[1] operating profit	**£70.2m**	£61.7m	+13.7%	+5.6%
Adjusted operating margin	**25.4%**	25.1%	+30 bps	+10 bps
Profit before tax	**£63.6m**	£58.1m	+9.5%	+5.5%
Adjusted*[1] profit before tax	**£69.4m**	£61.7m	+12.3%	+4.4%
Basic earnings per share	**52.8p**	47.8p	+10.5%	+6.5%
Adjusted*[1] basic earnings per share	**57.6p**	50.8p	+13.4%	+5.5%
Interim dividend	**18.05p**	16.40p	+10.1%	

*[1] Adjusted figures are before the amortisation of acquired intangible assets
*[2] OCC is organic constant currency

Highlights

- Record first-half revenue and profit in each division
- Order intake up 9.4%
- Order book of £208m, up 15.1% from December
- Successfully integrating Soldo and Schischek
- Acquisitions of Flowco, GTA and Renfro
- Continued expansion of product portfolio
- Interim dividend increased by 10.1%

Peter France, Chief Executive, commenting on the results, said:

"Our strategy of broadening our product offering and investing in our infrastructure has enabled us to grow order intake, revenue and profit all to record levels despite the weak economic conditions in some of our regions.

We continue to invest for further growth and anticipate that, as in previous years, the Group's performance in 2013 will be weighted towards the second half. The order book, project activity in the broad geographic regions we serve and our diverse end market exposure provide the Board with confidence of achieving further progress in the full year."

For further information, please contact:

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Jonathan Davis, Finance Director

FTI Consulting Tel: 020 7269 7291
Nick Hasell / Susanne Yule

Review of operations

Business Review

Rotork has performed well in the six months to 30 June 2013. Order intake has continued to exceed revenue, resulting in a record half year order book of £208.2m, 15.1% higher than last December. Order intake was 9.4% higher than the comparative period, with Rotork Fluid Systems showing the strongest growth (20.2%). Revenue at £276.1m was up 12.3% and adjusted operating profit was 13.7% higher at £70.2m.

Across the divisions, North America and parts of Asia have performed particularly well, and this has resulted in record order intake in the first half of 2013. Project visibility remains good and quote activity in the second quarter was encouraging. Whilst activity levels remain high for Rotork Fluid Systems, ongoing weak economic conditions in certain markets have impacted Controls, our electric actuator business, with weakness in some European markets and the Indian power market being particularly affected.

We have managed our cost base effectively through the period, the higher costs associated with product introductions, product development and the investment in facilities being offset by lower material costs and operational gearing. As a result, margins were slightly ahead of the prior year.

The development of our new facility in Bath is on track and we expect to move in during September. We are also expanding our facilities in Singapore and moving to new sites in Spain, Mexico and Malaysia in the second half of the year. Our Leeds based business has experienced a delay in the development of the new site and some of the costs are now likely to fall into 2014.

The integration of Schischek, acquired in January 2013, and Soldo acquired in November 2012, is going well and both businesses have made a positive contribution in the period. We have announced two further acquisitions today. GT Attuatori Group expands our pneumatic actuator portfolio, whilst Renfro Associates Inc provides a US based valve adaption manufacturer, mirroring the service our UK based Valvekits business offers in Europe.

Rotork Site Services, our after-sales and support activity, continues to grow. Subsequent to the period-end, we also completed the small acquisition of Flowco Ltd, a UK-based valve and actuator service company, which will strengthen our presence in the water utilities market in the south of England.

Financial results

Reported revenue rose by 12.3% to £276.1m, which included a 2.9% (£7.2m) benefit from currency and a 4.2% (£10.4m) benefit from the acquisitions of Soldo and Schischek. Adjusted operating profit grew 5.6% on an organic constant currency (OCC) basis to £65.2m, with the acquisitions adding a further £3.5m between them, and currency a benefit of £1.5m. This represents an OCC margin of 25.2%, a 10 basis points improvement over the same point last year. With the benefit of acquisitions and currency included, adjusted operating profit is 13.7% higher at £70.2m, a 25.4% margin.

The Group effective tax rate remains similar to full year 2012 at 28.0%. Adjusted basic earnings per share is 57.6p, a 13.4% increase. The higher intangible amortisation charge following the acquisition of Soldo and Schischek results in basic earnings per share of 52.8p, an increase of 10.5%.

Net cash balances of £41.6m were £18.3m lower than December 2012, with the acquisitions of Schischek (£34.3m) and payment of the final dividend (£23.1m) representing the largest outflows in the period. Net working capital increased by £17.3m since December 2012, a rise of 14.0%, of which £5.3m is currency related. Net working capital represents 26.8% of annualised revenue compared with 25.5% last year end and, given the anticipated weighting of revenue to the second half of the year, this increase is to be expected.

Operating Review

Delivery against our twin-track growth strategy is reflected in these results with the benefit of the Soldo and Schischek acquisitions supplementing the organic growth of our divisions. We continue to look for opportunities to grow both organically and by acquisition that will support our long-term strategic and financial goals.

Rotork Controls

£m	H1 2013	H1 2012	Change	OCC*[2] Change
Revenue	152.6	146.2	+4.4%	-3.3%
Adjusted*[1] operating profit	49.0	46.6	+5.2%	-2.2%
Adjusted operating margin	32.1%	31.9%	+20 bps	+30 bps

Order intake rose by 2.3% against a strong prior year that benefited from the active unconventional gas market in Australia and shale oil and gas market in America. The lack of projects to replace the large Australian orders will have an impact on order intake in the year although revenue will benefit in the second half as product is supplied. India has remained subdued due to the lack of activity in the power sector. The USA market remains active with the UK also performing well. The order book rose 7.9% to £111.1m.

The new products introduced last year are gaining traction and have been well received by customers. We continue to move production from IQ2 to IQ3 as more model sizes within the IQ3 range are launched and we gain certification in more geographic markets. This transition is expected to gather pace in the second half of 2013 and the first half of 2014.

The integration of Schischek is going to plan and we are already benefiting from an increased exposure to the heating, ventilation and air conditioning market.

Rotork Fluid Systems

£m	H1 2013	H1 2012	Change	OCC*[2] Change
Revenue	89.2	71.4	+24.9%	+21.1%
Adjusted*[1] operating profit	14.2	9.2	+54.2%	+50.0%
Adjusted operating margin	15.9%	12.9%	+300 bps	+300 bps

Following on from a very strong performance last year Fluid Systems has continued to grow at the fastest rate of all our divisions. Revenue growth was 24.9% and order intake was 20.2% ahead of the comparative period. The order book is a new high of £82.3m, up 23.8% from December 2012.

Most regional businesses have seen strong demand for fluid systems products with oil and gas still the dominant end-market. Europe has been very strong and has been supported by the European valve industry supplying global oil and gas infrastructure projects. The USA and Latin America markets are also positive and we are starting to make good progress in Asia, a target market for Fluid Systems.

The operating margin was 15.9%, a 300 basis points improvement on the comparable period, reflecting the benefit of operational gearing and effective material cost management.

Rotork Gears

£m	H1 2013	H1 2012	Change	OCC*[2] Change
Revenue	27.1	25.3	+7.1%	+4.5%
Adjusted*[1] operating profit	6.1	5.6	+8.8%	+7.0%
Adjusted operating margin	22.3%	22.0%	+30 bps	+50 bps

Gears order intake was broadly flat compared with the record first half of last year but did exceed output in the period. Our sales effort remains focused on winning new customers in those parts of the world with strong domestic valvemaker industries and we have seen some success in this regard. With revenue 7.1% higher at £27.1m, the order book increased by 28.3% to £12.7m.

Our European operations performed well, with our Italian factory, where our subsea range is made, making progress and our Spanish subsidiary growing as a result of more business from a key account. Deliveries of subsea gearboxes ordered last year were one of the drivers behind the growth in revenue in Europe whilst China also saw a good improvement in revenue. We continue to invest in our sourcing and R&D teams within the division. Material costs are our largest expense and ensuring that these are controlled and, where possible reduced, remains a key focus and, in this regard, we continue to make progress in establishing our Indian supply chain. The increase in our R&D resource last year has already resulted in some new products which are helping broaden our addressable market and the coming months will see the launch of further range expansions and new developments.

<u>Rotork Instruments</u>

£m	H1 2013	H1 2012	Change	OCC*[2] Change
Revenue	12.4	8.3	+48.9%	+10.4%
Adjusted*[1] operating profit	3.9	2.7	+43.8%	+3.7%
Adjusted operating margin	31.4%	32.6%	-120 bps	-200 bps

Order intake was weighted to the first half in Instruments last year and, against this background, Fairchild has grown 10.5% organically. Inclusive of the initial contribution from Soldo, purchased last November, total order input was 53.8% higher. As the division with the shortest lead times, the order book in Instruments is only £2.1m but this is a 31.8% increase since the start of the year. Soldo has been fully integrated with Fairchild in the USA and in the rest of the world the integration of the sales teams is well underway. In addition to the increased investment in sales resources, the engineering team has increased as we look to accelerate product development initiatives. These increased costs are the key factor behind the 120 basis point margin reduction as we invest for future growth. With Soldo generating 35.5% margins, the division as a whole achieved a margin of 31.4%.

Principal risks and uncertainties

The Group has an established risk management process as part of the corporate governance framework set out in the 2012 Annual Report & Accounts. We regularly review the principal risks and uncertainties facing our businesses and examine the potential impacts on our processes and procedures. The risk management process is described in detail on pages 30 and 31 of the 2012 Annual Report & Accounts. We identify risks in the form of strategic, operational and financial risks and set out mitigations and improvements to our processes and procedures as necessary to manage these risks. The Group has reviewed these risks and concluded that they remain applicable to the second half of the financial year. The principal risks and uncertainties are:

- Competition on price as a result of a competitor moving to manufacture in a lower cost area of the world;
- Rotork not having the appropriate products, either in terms of features or costs;
- Lower investment in Rotork’s traditional market sectors;
- Major in field product failure arising from a component defect or warranty issue which might require a product recall;
- Failure of a key supplier or a tooling failure at a supplier causing disruption to planned manufacturing;
- Failure of an acquisition to deliver the growth or synergies anticipated, due to incorrect assumptions or changing market conditions, or failure to integrate an acquisition to ensure compliance with Rotork’s policies and procedures;
- Failure of the centralised IT environment, or loss or theft of data;
- Volatility of exchange rates;
- Political instability in a key end-market;
- Defined benefit pension scheme deficit.

Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Rotork plc are listed in the Rotork plc Annual Report & Accounts for 31 December 2012. A list of current directors is maintained in the About Us section of the Rotork website: www.rotork.com.

Dividend

The interim dividend is to be increased by 10.1% to 18.05p per ordinary share and will be paid on 27 September 2013 to shareholders on the register at the close of business on 30 August 2013.

Outlook

We continue to invest for further growth and anticipate that, as in previous years, the Group's performance in 2013 will be weighted towards the second half. The order book, project activity in the broad geographic regions we serve and our diverse end market exposure provide the Board with confidence of achieving further progress in the full year.

By order of the Board

Peter France
Chief Executive
5 August 2013

Independent Review Report to Rotork plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Consolidated Income statement, Consolidated Statement of Comprehensive Income and Expense, Consolidated Balance sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst the company has previously produced a half-yearly report containing a condensed set of financial statements, those financial statements have not previously been subject to a review by an independent auditor. As a consequence, the review procedures set out above have not been performed in respect of the comparative period for the six months ended 30 June 2012.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Philip Cotton
for and on behalf of KPMG Audit Plc

Chartered Accountants
100 Temple Street, Bristol, BS1 6AG
5 August 2013

Consolidated Income Statement

	Notes	First half 2013 £000	First half 2012 £000	Full year 2012 £000
Revenue	*2*	**276,051**	245,871	511,747
Cost of sales		**(143,805)**	(129,992)	(272,199)
Gross profit		**132,246**	115,879	239,548
Other income		**73**	62	908
Distribution costs		**(2,688)**	(2,395)	(4,214)
Administrative expenses		**(65,161)**	(55,416)	(111,743)
Other expenses		**(4)**	(13)	(32)
Operating profit before the amortisation of acquired intangible assets		**70,210**	61,745	131,866
Amortisation of acquired intangible assets		**(5,744)**	(3,628)	(7,399)
Operating profit	*2*	**64,466**	58,117	124,467
Net finance expense	*3*	**(856)**	(2)	(273)
Profit before tax		**63,610**	58,115	124,194
Income tax expense	*4*			
UK		**(4,327)**	(4,284)	(8,686)
Overseas		**(13,500)**	(12,420)	(26,193)
		(17,827)	(16,704)	(34,879)
Profit for the period		**45,783**	41,411	89,315
		pence	pence	pence
Basic earnings per share	*7*	**52.8**	47.8	103.1
Adjusted basic earnings per share	*7*	**57.6**	50.8	109.3
Diluted earnings per share	*7*	**52.6**	47.6	102.6
Adjusted diluted earnings per share	*7*	**57.3**	50.6	108.7

Consolidated Statement of Comprehensive Income and Expense

	First half 2013 £000	First half 2012 £000	Full year 2012 £000
Profit for the period	**45,783**	41,411	89,315
Other comprehensive income and expense			
Items that may be subsequently reclassified to the income statement:			
Foreign currency translation differences	**6,788**	(3,015)	(3,967)
Effective portion of changes in fair value of cash flow hedges net of tax	**(1,829)**	591	399
	4,959	(2,424)	(3,568)
Items that are not subsequently reclassified to the income statement:			
Actuarial loss in pension scheme net of tax	**-**	-	(8,598)
Income and expenses recognised directly in equity	**4,959**	(2,424)	(12,166)
Total comprehensive income for the period	**50,742**	38,987	77,149

Note: The June 2013 results are unaudited and have been subject to review by KPMG. The June 2012 results are unaudited and have not been subject to review. The December 2012 results have been audited by KPMG.

Consolidated Balance Sheet

	Notes	30 June 2013 £000	30 June 2012 £000	31 Dec 2012 £000
Property, plant and equipment		**44,521**	36,379	38,445
Goodwill		**105,547**	67,664	80,729
Intangible assets		**56,435**	34,835	40,743
Deferred tax assets		**13,549**	12,993	12,984
Derivative financial instruments		**-**	545	-
Other receivables		**1,644**	1,490	1,674
Total non-current assets		**221,696**	153,906	174,575
Inventories	*8*	**86,723**	72,239	71,100
Trade receivables		**103,862**	91,558	95,822
Current tax		**2,162**	1,841	1,946
Derivative financial instruments		**582**	1,592	2,254
Other receivables		**12,554**	9,814	9,662
Cash and cash equivalents		**41,594**	56,185	59,868
Total current assets		**247,477**	233,229	240,652
Total assets		**469,173**	387,135	415,227
Ordinary shares	*9*	**4,341**	4,338	4,340
Share premium		**8,301**	7,905	8,258
Reserves		**15,315**	11,500	10,356
Retained earnings		**268,870**	220,793	246,369
Total equity		**296,827**	244,536	269,323
Interest-bearing loans and borrowings		**1,936**	160	116
Employee benefits		**30,727**	24,798	32,060
Deferred tax liabilities		**15,799**	12,305	13,488
Provisions		**1,881**	2,246	2,701
Total non-current liabilities		**50,343**	39,509	48,365
Interest-bearing loans and borrowings		**226**	86	56
Trade payables		**42,710**	40,518	36,355
Employee benefits		**10,312**	6,502	10,742
Current tax		**19,507**	16,427	11,143
Derivative financial instruments		**3,104**	177	96
Other payables		**41,576**	34,979	35,212
Provisions		**4,568**	4,401	3,935
Total current liabilities		**122,003**	103,090	97,539
Total liabilities		**172,346**	142,599	145,904
Total equity and liabilities		**469,173**	387,135	415,227

Note: The June 2013 Balance sheet is unaudited and has been subject to review by KPMG. The June 2012 balance sheet is unaudited and has not been subject to review. The December 2012 balance sheet has been audited by KPMG.

Consolidated Statement of Changes in Equity

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2011	**4,338**	**7,835**	**11,616**	**1,644**	**664**	**198,072**	**224,169**
Profit for the period	-	-	-	-	-	41,411	41,411
Other comprehensive income							
Foreign currency translation differences	-	-	(3,015)	-	-	-	(3,015)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	782	-	782
Tax in other comprehensive income	-	-	-	-	(191)		(191)
Total other comprehensive income	-	-	(3,015)	-	591	-	(2,424)
Total comprehensive income	-	-	(3,015)	-	591	41,411	38,987
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions	-	-	-	-	-	(47)	(47)
Tax on equity settled share based payment transactions	-	-	-	-	-	11	11
Share options exercised by employees	-	70	-	-	-	-	70
Own ordinary shares acquired	-	-	-	-	-	(2,050)	(2,050)
Own ordinary shares awarded under share schemes	-	-	-	-	-	3,114	3,114
Dividends	-	-	-	-	-	(19,718)	(19,718)
Balance at 30 June 2012	**4,338**	**7,905**	**8,601**	**1,644**	**1,255**	**220,793**	**244,536**
Profit for the period	-	-	-	-	-	47,904	47,904
Other comprehensive income							
Foreign currency translation differences	-	-	(952)	-	-	-	(952)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(243)	-	(243)
Actuarial loss on defined benefit pension plans net of tax	-	-	-	-	-	(9,912)	(9,912)
Tax in other comprehensive income	-	-	-	-	51	1,314	1,365
Total other comprehensive income	-	-	(952)	-	(192)	(8,598)	(9,742)
Total comprehensive income	**-**	**-**	(952)	**-**	(192)	39,306	38,162
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions net of tax	-	-	-	-	-	1,139	1,139
Tax on equity settled share based payment transactions	-	-	-	-	-	116	116
Share options exercised by employees	2	353	-	-	-	-	355
Own ordinary shares acquired	-	-	-	-	-	(800)	(800)
Own ordinary shares awarded under share schemes	-	-	-	-	-	21	21
Dividends	-	-	-	-	-	(14,206)	(14,206)
Balance at 31 December 2012	**4,340**	**8,258**	**7,649**	**1,644**	**1,063**	**246,369**	**269,323**

Note: The June 2012 and December 2012 Statement of changes of equity is unaudited and has not been reviewed. The Balance at 31 December 2012 has been audited by KPMG.

Consolidated Statement of Changes in Equity (continued)

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2012	**4,340**	**8,258**	**7,649**	**1,644**	**1,063**	**246,369**	**269,323**
Profit for the period	-	-	-	-	-	45,783	45,783
Other comprehensive income							
Foreign currency translation differences	-	-	6,788	-	-	-	6,788
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(2,383)	-	(2,383)
Tax in other comprehensive income	-	-	-	-	554	-	554
Total other comprehensive income	-	-	6,788	-	(1,829)	-	4,959
Total comprehensive income	-	-	6,788	-	(1,829)	45,783	50,742
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions	-	-	-	-	-	(1,301)	(1,301)
Tax on equity settled share based payment transactions	-	-	-	-	-	302	302
Share options exercised by employees	1	43	-	-	-	-	44
Own ordinary shares acquired	-	-	-	-	-	(3,601)	(3,601)
Own ordinary shares awarded under share schemes	-	-	-	-	-	4,400	4,400
Dividends	-	-	-	-	-	(23,082)	(23,082)
Balance at 30 June 2013	**4,341**	**8,301**	**14,437**	**1,644**	**(766)**	**268,870**	**296,827**

Note: The June 2013 Statement of changes of equity is unaudited and has been subject to review by KPMG.

Consolidated Statement of Cash Flows

	First half 2013 £000	First half 2012 £000	Full year 2012 £000
Profit for the period	**45,783**	41,411	89,315
Amortisation of acquired intangible assets	**5,744**	3,628	7,399
Amortisation of development costs	**602**	464	924
Depreciation	**3,130**	2,567	5,452
Equity settled share based payment expense	**1,037**	877	2,030
Net profit on sale of property, plant and equipment	**(40)**	(38)	(859)
Net finance expense	**856**	2	273
Income tax expense	**17,827**	16,704	34,879
	74,939	65,615	139,413
Increase in inventories	**(11,633)**	(10,456)	(9,474)
(Increase) / decrease in trade and other receivables	**(5,409)**	2,075	(2,220)
Increase / (decrease) in trade and other payables	**7,910**	1,183	(3,341)
Difference between pension charge and cash contribution	**(285)**	(3,242)	(7,211)
(Decrease) / increase in provisions	**(421)**	494	(264)
(Decrease) / increase in employee benefits	**(1,021)**	(3,224)	1,711
	64,080	52,445	118,614
Income taxes paid	**(13,617)**	(14,442)	(37,641)
Cash flows from operating activities	**50,463**	38,003	80,973
Purchase of property, plant and equipment	**(4,453)**	(7,649)	(12,564)
Development costs capitalised	**(714)**	(924)	(2,075)
Proceeds from sale of property, plant and equipment	**91**	74	1,007
Acquisition of subsidiaries, net of cash acquired	**(34,255)**	280	(20,674)
Contingent consideration paid	**(200)**	(150)	(200)
Interest received	**469**	403	623
Cash flows from investing activities	**(39,062)**	(7,966)	(33,883)
Issue of ordinary share capital	**44**	70	425
Purchase of ordinary share capital	**(3,601)**	(2,050)	(2,850)
Interest paid	**(292)**	(20)	(163)
Repayment of amounts borrowed	**(193)**	(49)	(64)
Repayment of finance lease liabilities	**(7)**	(25)	(68)
Dividends paid on ordinary shares	**(23,082)**	(19,718)	(33,924)
Cash flows from financing activities	**(27,131)**	(21,792)	(36,644)
Net (decrease) / increase in cash and cash equivalents	**(15,730)**	8,245	10,446
Cash and cash equivalents at 1 January	**59,868**	48,519	48,519
Effect of exchange rate fluctuations on cash held	**(2,544)**	(579)	903
Cash and cash equivalents at end of period	**41,594**	56,185	59,868

Note: The June 2013 Statement of cash flows is unaudited and has been subject to review by KPMG. The June 2012 Statement of cash flows is unaudited and has not been subject to review. The December 2012 Statement of cash flows has been audited by KPMG.

Notes to the Half Year Report

1. Status of condensed consolidated interim statements, accounting policies and basis of significant estimates

General information

Rotork plc is a company domiciled in England and Wales.

The Company has its premium listing on the London Stock Exchange.

The condensed consolidated interim financial statements for the 6 months ended 30 June 2013 are unaudited and the auditors have reported in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

The comparative consolidated interim financial statements for the 6 months ended 30 June 2012 are unaudited and the auditors have not reported in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

The information shown for the year ended 31 December 2012 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006, statutory accounts for the year ended 31 December 2012 were approved by the Board on 4 March 2013 and delivered to the Registrar of Companies. The Auditors' report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 31 December 2012 are available from the Company's registered office or website, see note 16.

Basis of preparation

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as 'the Group').

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial information. In forming this view, the directors have considered trading and cash flow forecasts, financial commitments, the significant orderbook with customers spread across different geographic areas and industries and the significant net cash position.

1. Status of condensed consolidated interim statements, accounting policies and basis of significant estimates (continued)

Critical accounting estimates and judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are discussed in the financial statements for the year ended 31 December 2012.

Accounting policies

The accounting policies applied and significant estimates used by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2012.

New accounting standards and interpretations

The amendments to IAS19 Employee benefits have been applied from 1 January 2013. The principal change relates to the requirement to use the schemes' discount rate to calculate the return on assets rather than using a rate of return appropriate to the various asset classes.

The application of the standard in the 2012 financial year would have increased the net pension interest cost to £1,092,000 from £390,000 (six months to 30 June 2012: increase to £546,000 from £192,000), reducing the pre-tax profit by £702,000 (six months to 30 June 2012: reducing by £354,000). The impact on basic earnings per share would be a reduction of 0.6p to 102.5p (six months to 30 June 2012: 0.3p to 47.5p). As a result of the adjustments not being material to the income statement, balance sheet or shareholders' equity prior year balances have not been restated.

The following standards and amendments have also been applied from 1 January 2013:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements(amendments)

Application of these standards and amendments has not had any material impact on the disclosures, net assets or results of the Group.

Recent accounting developments

IFRS 9 Financial Instruments has been issued but is not yet effective and has not been adopted as application was not mandatory for the year. The directors anticipate that the adoption of this standard will not have a material impact on the disclosures, net assets or results of the Group.

2. Analysis by Operating Segment:

Half year to 30 June 2013

	Controls £000	**Fluid Systems £000**	**Gears £000**	**Instruments £000**	**Elimination £000**	**Unallocated £000**	**Group £000**
Revenue from external customers	**152,619**	**89,241**	**22,051**	**12,140**	**-**	**-**	**276,051**
Inter segment revenue	**-**	**-**	**5,088**	**217**	**(5,305)**	**-**	**-**
Total revenue	**152,619**	**89,241**	**27,139**	**12,357**	**(5,305)**	**-**	**276,051**
Operating profit before amortisation of acquired intangible assets	**49,020**	**14,163**	**6,063**	**3,886**	**-**	**(2,922)**	**70,210**
Amortisation of acquired intangibles assets	**(2,024)**	**(810)**	**(109)**	**(2,801)**	**-**	**-**	**(5,744)**
Operating profit	**46,996**	**13,353**	**5,954**	**1,085**	**-**	**(2,922)**	**64,466**
Net financing expense							**(856)**
Income tax expense							**(17,827)**
Profit for the period							**45,783**

Half year to 30 June 2012

	Controls £000	Fluid Systems £000	Gears £000	Instruments £000	Elimination £000	Unallocated £000	Group £000
Revenue from external customers	146,221	71,438	19,915	8,297	-	-	245,871
Inter segment revenue	-	-	5,419	-	(5,419)	-	-
Total revenue	146,221	71,438	25,334	8,297	(5,419)	-	245,871
Operating profit before amortisation of acquired intangible assets	46,611	9,182	5,575	2,702	-	(2,325)	61,745
Amortisation of acquired intangibles assets	(368)	(1,196)	(109)	(1,955)	-	-	(3,628)
Operating profit	46,243	7,986	5,466	747	-	(2,325)	58,117
Net financing income							(2)
Income tax expense							(16,704)
Profit for the period							41,411

Full year to 30 December 2012

	Controls £000	Fluid Systems £000	Gears £000	Instruments £000	Elimination £000	Unallocated £000	Group £000
Revenue from external customers	293,342	160,946	41,039	16,420	-	-	511,747
Inter segment revenue	-	-	11,844	-	(11,844)	-	-
Total revenue	293,342	160,946	52,883	16,420	(11,844)	-	511,747
Operating profit before amortisation of acquired intangible assets	94,773	24,628	12,088	5,103	-	(4,726)	131,866
Amortisation of acquired intangibles assets	(733)	(2,249)	(218)	(4,199)	-	-	(7,399)
Operating profit	94,040	22,379	11,870	904	-	(4,726)	124,467
Net financing income							(273)
Income tax expense							(34,879)
Profit for the year							89,315

2. *Operating segments (continued)*

Revenue from external customers by location of customer

	First half 2013 £000	First half 2012 £000	Full year 2012 £000
UK	**15,521**	19,337	28,448
Rest of Europe	**88,408**	70,228	156,525
USA	**58,621**	54,869	106,027
Other Americas	**26,059**	21,784	53,323
Rest of the World	**87,442**	79,653	167,424
	276,051	245,871	511,747

3. *Net finance expense*

	First half 2013 £000	Restated First half 2012 £000	Restated Full year 2012 £000
Interest income	**469**	349	616
Expected return on assets in the pension schemes	**-**	-	-
Foreign exchange gain	**144**	129	30
	613	478	646
Interest expense	**(292)**	(59)	(162)
Interest charge on pension scheme liabilities	**(584)**	(192)	(390)
Foreign exchange loss	**(593)**	(229)	(367)
	(1,469)	(480)	(919)
Net finance expense	**(856)**	(2)	(273)

The comparatives balances for expected return from pensions scheme assets have been reclassified to interest charge on pension schemes to reflect the change in IAS19 which are explained in Note 1.

4. *Income taxes*

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2013 is 28.0% (the effective tax rate for the year ended 31 December 2012 was 28.1%).

The Group continues to expect its effective corporation tax rate to be higher than the standard UK rate due to higher tax rates in the US, China, Canada, France, Germany, Italy, Japan and India.

5. Acquisitions

On 15 January 2013 the Group acquired 100% the entire share capital of the operating companies of the Schischek group of companies ("Schischek") for £35,865,000. Schischek designs and manufactures explosion-proof electric actuators, principally for the heating, ventilation, and air conditioning markets with its main sites in Germany and Switzerland. The acquired business will be reported within the Controls division. In the period since acquisition Schischek has contributed £7,755,000 to Group revenue and £2,497,000 to consolidated operating profit before amortisation. The amortisation charge in the period since acquisition from the acquired intangible assets was £1,636,000.

If the acquisition had occurred on 1 January 2013 the results would not have been materially different. It is not practicable to disclose profit before tax or profit attributable to equity shareholders as the Group manages its Treasury function on a Group basis.

The acquisition had the following effect on the Group's assets and liabilities.

	Book value	Provisional Adjustments	Provisional Fair values
Current assets			
Inventory	1,353	(135)	**1,218**
Trade and other receivables	2,195	(81)	**2,114**
Cash	1,610	-	**1,610**
Current liabilities			
Trade and other payables	(2,308)	(144)	**(2,452)**
Loans and borrowings	(295)	-	**(295)**
Corporation tax	(745)	(418)	**(1,163)**
Non-current assets/liabilities			
Property, plant and equipment	3,239	-	**3,239**
Loans and borrowings	(1,824)	-	**(1,824)**
Intangible assets	-	18,541	**18,541**
Deferred tax	-	(5,043)	**(5,043)**
Total net assets	**3,225**	**12,720**	**15,945**
Goodwill			**19,920**
Purchase consideration paid in cash			**35,865**
Purchase consideration			**35,865**
Cash held in subsidiary			**(1,610)**
Cash outflow on acquisition			**34,255**

The provisional adjustments shown in the table above represent the alignment of accounting policies to Rotork Group policies and the fair value adjustments of the assets and liabilities at the acquisition date.

Goodwill has arisen on the acquisition as a result of the value attributed to staff expertise and the assembled workforce, which did not meet the recognition criteria for a separate intangible asset.

The intangible assets identified are customer relationships, the Schischek brand, product design patents and the acquired order book

6. *Dividends*

	First half 2013 £000	First half 2012 £000	Full year 2012 £000
The following dividends were paid in the period per qualifying ordinary share:			
26.6p final dividend *(2012: 22.75p)*	**23,082**	19,718	19,718
16.4p interim dividend	**-**	-	14,206
	23,082	19,718	33,924
The following dividends per qualifying ordinary share were declared / proposed at the balance sheet date:			
26.6p final dividend	**-**	-	23,091
18.05p interim dividend declared *(2012: 16.4p)*	**15,670**	14,229	-
	15,670	14,229	23,091

The interim dividend of 18.05 pence will be payable to shareholders on 27 September 2013 to those on the register on 30 August 2013.

7. *Earnings per share*

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 86.7m shares *(six months to 30 June 2012: 86.6m; year to 31 December 2012: 86.6m)* being the weighted average ordinary shares in issue.

Diluted earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and the weighted average ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares under the Group's option schemes, Sharesave plan and Long-term incentive plan.

Adjusted basic and diluted earnings per share is calculated using the profit attributable to the ordinary shareholders for the year after adding back the after tax amortisation charge.

	First half 2013 £000	First half 2012 £000	Full year 2012 £000
Net profit attributable to ordinary shareholders	**45,783**	41,411	89,315
Amortisation	**5,744**	3,628	7,399
Tax effect on amortisation at effective rate	**(1,610)**	(1,043)	(2,078)
Adjusted net profit attributable to ordinary shareholders	**49,917**	43,996	94,636

8. Inventories

	30 June 2013 £000	30 June 2012 £000	31 Dec 2012 £000
Raw materials and consumables	**56,478**	43,832	48,279
Work in progress	**14,577**	12,146	11,474
Finished goods	**15,668**	16,261	11,347
	86,723	72,239	71,100

9. Share capital and reserves

The number of ordinary 5p shares in issue at 30 June 2013 was 86,814,000 (30 June 2012: 86,763,000; 31 December 2012: 86,808,000).

The Group acquired 123,509 of its own shares through purchases on the London Stock Exchange during the period, (30 June 2012: 101,010; 31 December 2012: 136,253). The total amount paid to acquire the shares was £3,601,000 (30 June 2012: £2,050,000; 31 December 2012: £2,850,000), and this has been deducted from shareholders equity. The shares are held in trust for the benefit of Directors and employees for future payments under the Share Incentive Plan and Long-term incentive plan. All issued shares are fully paid.

Awards under the Group's long-term incentive plan and share investment plan vested during the period and 100,589 and 101,706 shares respectively were transferred to employees.

Employee share options schemes: options exercised during the period to 30 June 2012 resulted in 5,393 ordinary 5p shares being issued (30 June 2012: 12,817 shares), with exercise proceeds of £44,000 (30 June 2012: £70,000). The weighted average market share price at the time of exercise was £27.19 (30 June 2012: £20.14) per share.

10. Loans and borrowings

The following loans and borrowings were issued and repaid during the six months ended 30 June 2013:

	Year of maturity	**Interest rate**	**Carrying value £000**
Balance at 1 January 2013			172
Movement in the period:			
Acquired as part of business combination	2017-32	2.12%	2,119
Repayment of loans	2013-32	1.95%	(193)
Repayment of finance leases	2013-15	1.5% - 6.7%	(7)
Exchange differences			71
Balance at 30 June 2013			**2,162**

11. Related parties

The Group has a related party relationship with its subsidiaries and with its directors and key management. A list of subsidiaries is shown in the 2012 Annual Report & Accounts. Transactions between key subsidiaries for the sale and purchase of products or between the subsidiary and parent for management charges are priced on an arms length basis.

Sales to subsidiaries and associates of BAE Systems plc, a related party by virtue of non-executive director IG King's directorship of that company, totalled £49,253 during the period to 30 June 2013 (First half 2012: £2,000; Full year 2012: £34,000) and £16,032 was outstanding at 30 June 2013 (30 June 2012: £2,000; 31 December 2012: £15,000).

UBS Investment Bank are a related party by virtue of non-executive director SA James' directorship of UBS Limited. UBS Investment Bank provides the Group financial advice and stockbroking services. The current arrangement with UBS Investment Limited is that out of pocket expenses will be reimbursed and no fees will be charged for their regular advisory or broking services. Expenses of £3,000 have been reimbursed during the period to 30 June 2013 (First half 2012: nil: Full year 2012: £4,000) and no balance was outstanding at 30 June 2013 (30 June 2012: £nil; 31 December 2012: £nil).

12. Key management emoluments

The emoluments of those members of the management team, including directors, who are responsible for planning, directing and controlling the activities of the Group are:

	First half 2013 £000	First half 2012 £000	Full year 2012 £000
Emoluments including social security costs	**2,469**	2,138	4,510
Post employment benefits	**244**	227	457
Share based payments	**697**	591	1,418
	3,410	2,956	6,385

13. Share-based payments

A grant of shares was made on 7 March 2013 to selected members of senior management at the discretion of the Remuneration Committee. The key information and assumptions from this grant were:

	Equity Settled TSR condition	**Equity Settled EPS condition**
Grant date	7 March 2013	7 March 2013
Share price at grant date	£29.05	£29.05
Shares awarded under scheme	49,416	49,416
Vesting period	3 years	3 years
Expected volatility	25.7%	25.7%
Risk free rate	0.3%	0.3%
Expected dividends expressed as a dividend yield	1.5%	1.5%
Probability of ceasing employment before vesting	5% p.a.	5% p.a.
Fair value	£17.02	£28.19

The basis of measuring fair value is consistent with that disclosed in the 2012 Annual Report & Accounts.

14. Events Post Balance Sheet Date

On 5 July 2013 the Group acquired 100% of the share capital of Flowco Limited, a valve and actuator service company based near our headquarters in Bath, United Kingdom. The acquired business will be reported within the Rotork Controls division.

On 2 August 2013 the Group acquired 100% of the share capital of the GT Attuatori companies, a manufacturer of pneumatic actuators with operations based in Italy and Germany. The acquired businesses will be reported within the Rotork Fluid Systems division.

On 2 August 2013 the Group acquired 100% of the share capital of Renfro Associates Inc, a valve adaption manufacturer based in Broken Arrow, USA. The acquired business will be reported within the Rotork Gears division.

The combined provisional consideration of the above acquisitions is £13,900,000 of which £13,050,000 was paid in cash on completion. If performance criteria are met a further £450,000 will be payable in 2014 and the remaining £400,000 in 2015. The businesses will contribute to Group revenue and operating profit in the second half of the year from the dates the individual businesses were acquired.

The provisional net assets are £5,200,000, including net cash of £300,000. If these acquisitions had occurred on 1 January 2013 the businesses would have contributed £7,200,000 to Group revenue and £1,100,000 to Group operating profit in the six months to 30 June.

Due to the proximity of the acquisitions to the date of approval of the interim financial statements the initial accounting for these business combinations is incomplete and therefore the disclosures regarding the fair value of the assets acquired and liabilities assumed, the valuation of the goodwill and other intangibles, the amount of goodwill expected to be deductible for tax purposes, the fair value of contingent liabilities and assets and the amount and treatment of acquisition costs cannot be made.

15. Shareholder information

This interim report is being sent to shareholders who requested it and copies are available to the public from the Registered Office at the address below. The interim report is also available on the Rotork website at www.rotork.com.

General shareholder contact numbers:

Shareholder General Enquiry Number (UK):	0871 384 2030
International Shareholders – General Enquiries:	(00) 44 121 415 7047

For enquires regarding the Dividend Reinvestment Plan (DRIP) contact:

The Share Dividend Team
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Tel: 0871 384 2268

16. Group information

Secretary and registered office:
Stephen Rhys Jones
Rotork plc
Rotork House
Brassmill Lane
Bath
BA1 3JQ

Company website:
www.rotork.com

Investor Section:
http://www.rotork.com/en/investors/index/

17. Financial Calendar

6 August 2013	Announcement of half year financial results for 2013
28 August 2013	Ex-dividend date for 2013 interim dividend
30 August 2013	Record date for 2013 interim dividend
27 September 2013	Payment date for 2013 interim dividend