

**rotork®**

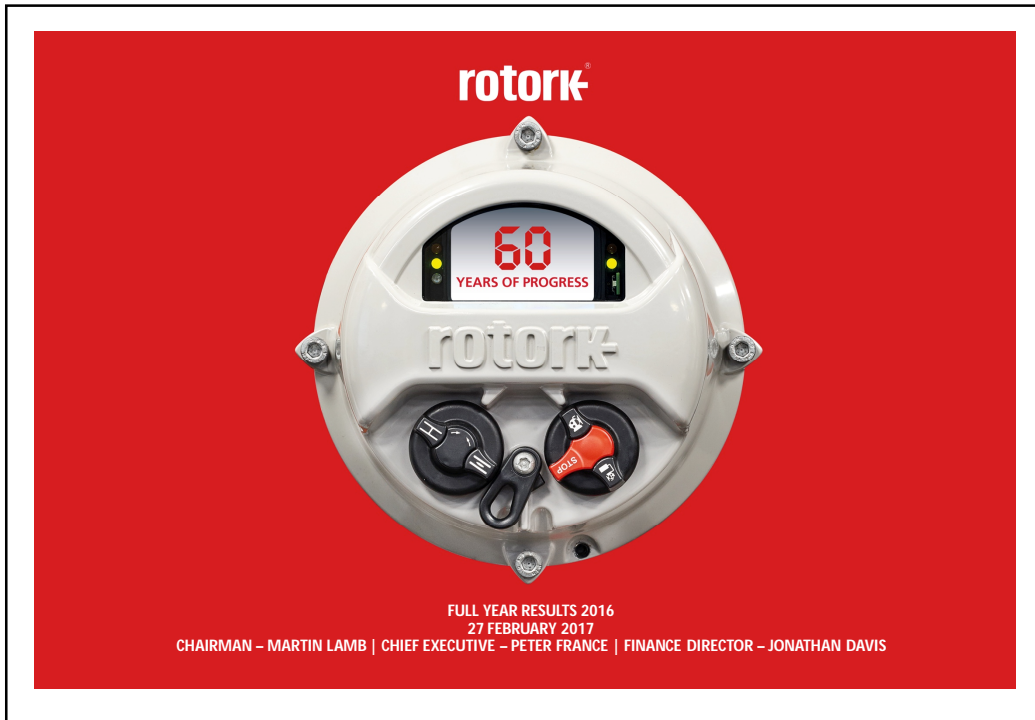
**60**

**YEARS OF PROGRESS**

**rotork**

**FULL YEAR RESULTS 2016  
27 FEBRUARY 2017**

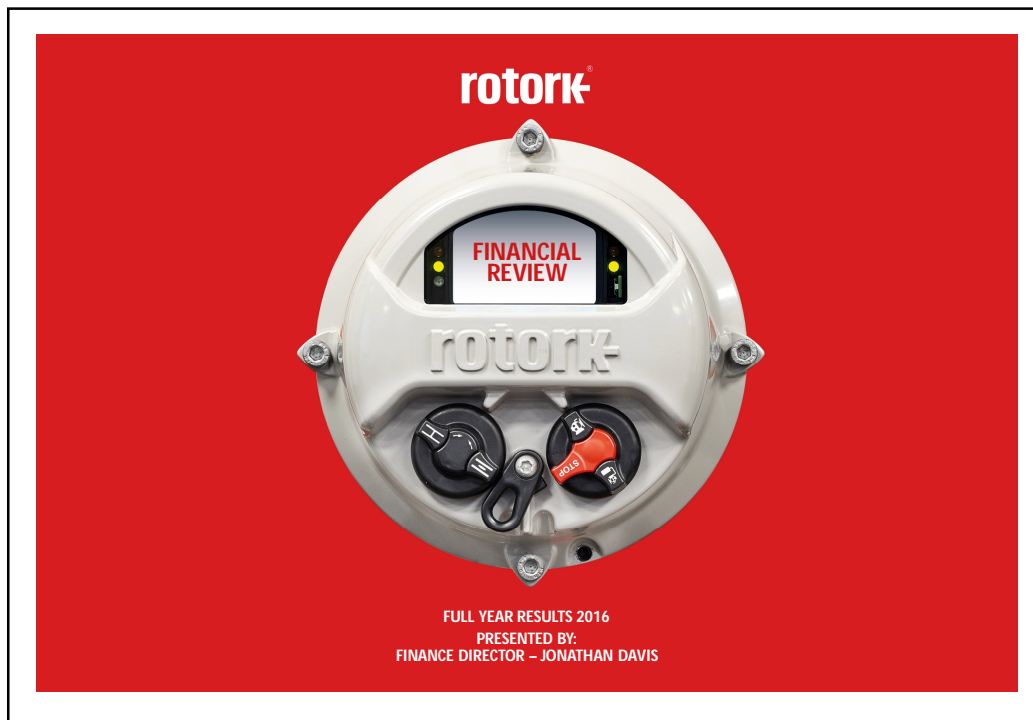
**CHAIRMAN – MARTIN LAMB  
CHIEF EXECUTIVE – PETER FRANCE  
FINANCE DIRECTOR – JONATHAN DAVIS**



## KEY POINTS



- Stabilising trading environment
- 10% currency tailwind
- Successful cost management programme
- Continued expansion of product portfolio
- Acquisition of Mastergear
- Strong cash generation
- Full year dividend of 5.1p



## FINANCIAL REVIEW




	2016	2015	%	OCC <sup>1</sup> %
<b>Order Intake (€M)</b>	<b>€577m</b>	€526m	+9.6%	-6.1%
<b>Order Book (€M)</b>	<b>€181m</b>	€166m	+8.7%	-7.9%
<b>Revenue (€M)</b>	<b>€590m</b>	€546m	+8.0%	-8.0%
<b>Adjusted<sup>2</sup> Operating Profit (€M)</b>	<b>€121m</b>	€125m	-3.7%	-18.4%
<b>Adjusted<sup>2</sup> Operating Margin</b>	<b>20.4%</b>	22.9%	-250bps	-260bps
<b>Adjusted<sup>2</sup> EPS</b>	<b>10.0p</b>	10.4p	-3.8%	-18.7%
<b>Full Year Dividend</b>	<b>5.10p</b>	5.05p	+1.0%	

Note:

<sup>1</sup> OCC are organic constant currency figures which have all acquisitions removed and are restated at 2015 exchange rates.

<sup>2</sup> Adjusted operating profit & EPS are stated before the amortisation of acquired intangible assets.

### FIRST HALF VS. SECOND HALF

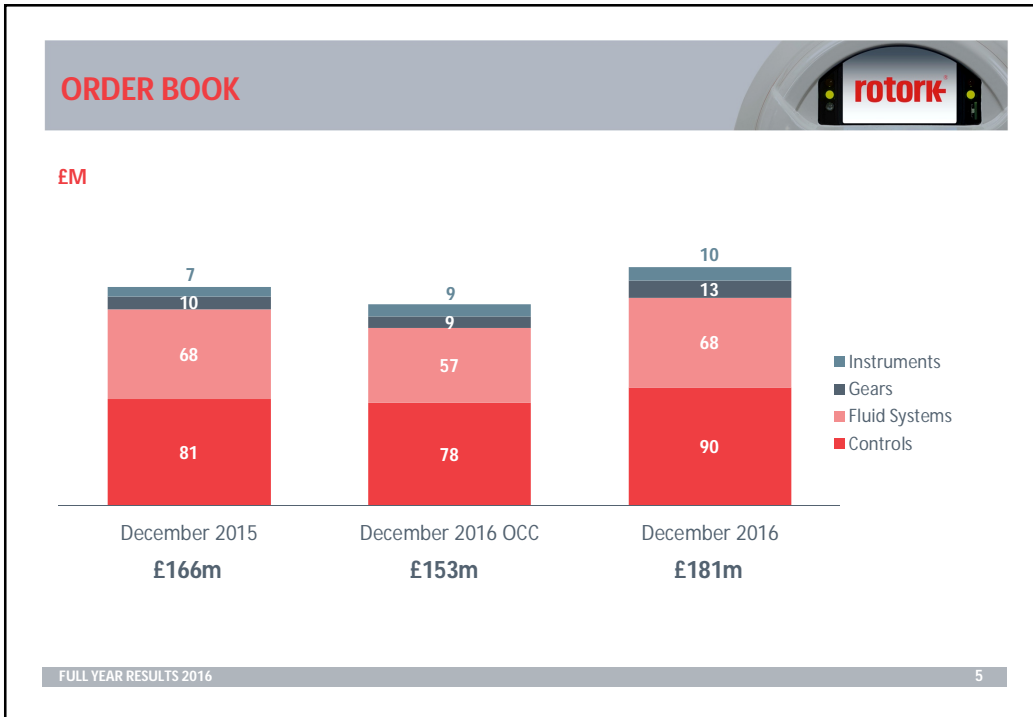


EM	OCC <sup>1</sup> Revenue H1	OCC <sup>1</sup> Revenue H2	OCC <sup>1</sup> Revenue Full Year	OCC <sup>1</sup> 2016 Vs. 2015 H1	OCC <sup>1</sup> 2016 Vs. 2015 H2	OCC <sup>1</sup> 2016 Vs. 2015 Full Year
Controls	126.6	141.5	268.1	-13.3%	+0.5%	-6.5%
Fluid Systems	59.0	71.7	130.7	-23.2%	-1.0%	-12.4%
Gears	28.4	27.9	56.3	-4.7%	-3.3%	-4.0%
Instruments	26.2	38.5	64.7	-9.1%	+0.0%	-3.9%
Intersegment	(8.0)	(9.2)	(17.2)			
<b>Group</b>	<b>232.2</b>	<b>270.4</b>	<b>502.6</b>	<b>-15.3%</b>	<b>-0.7%</b>	<b>-8.0%</b>

- H2 OCC revenue 0.7% lower than prior year & 16.5% higher than H1
- 46:54 OCC revenue weighting compared with 45:55 on a reported basis

Note:  
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<sup>2</sup> Adjusted operating profit & EPS are stated before the amortisation of acquired intangible assets.

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## ANALYSIS OF MOVEMENTS



EM	2016 at OCC <sup>1</sup>	Acqn. benefit	2016 at 2015 Rates	FX benefit	2016 as Reported	2015
<b>Order intake</b>	<b>493.7</b>	29.6	<b>523.3</b>	53.3	<b>576.6</b>	526.0
	-6.1%	+5.6%		+10.1%	+9.6%	
<b>Revenue</b>	<b>502.6</b>	32.6	<b>535.2</b>	54.9	<b>590.1</b>	546.5
	-8.0%	+5.9%		+10.1%	+8.0%	
<b>Adjusted<sup>2</sup> operating profit</b>	<b>102.3</b>	5.4	<b>107.7</b>	12.9	<b>120.6</b>	125.3
	-18.4%	+4.4%		+10.3%	-3.7%	
<b>Adjusted<sup>2</sup> operating margin</b>	<b>20.3%</b>		<b>20.1%</b>		<b>20.4%</b>	22.9%
	-260 bps	-20 bps	-280 bps	+30 bps	-250 bps	

- Revenue split 40% US\$, 30% Euro, 15% GBP and 15% other currencies
- Current exchange rates prevailing for all of 2017 equates to a 6% tailwind (US\$1.24, €1.17)
- 1 cent movement – US\$: £450,000, Euro: £250,000 impact on operating profit

Note:  
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## COST MANAGEMENT PROGRAMME

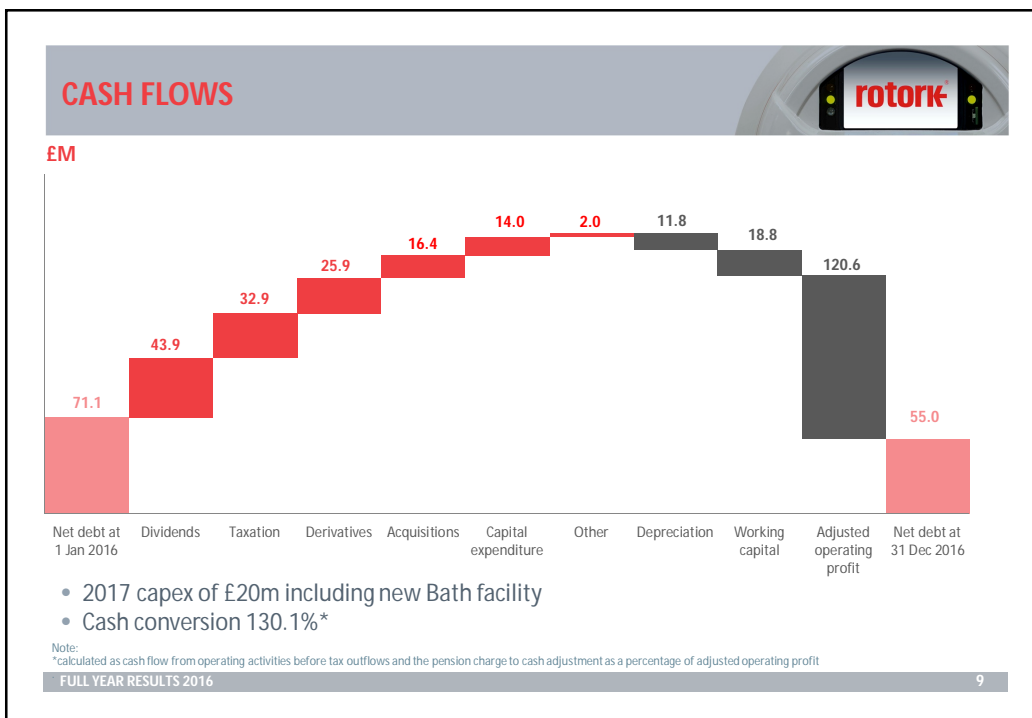
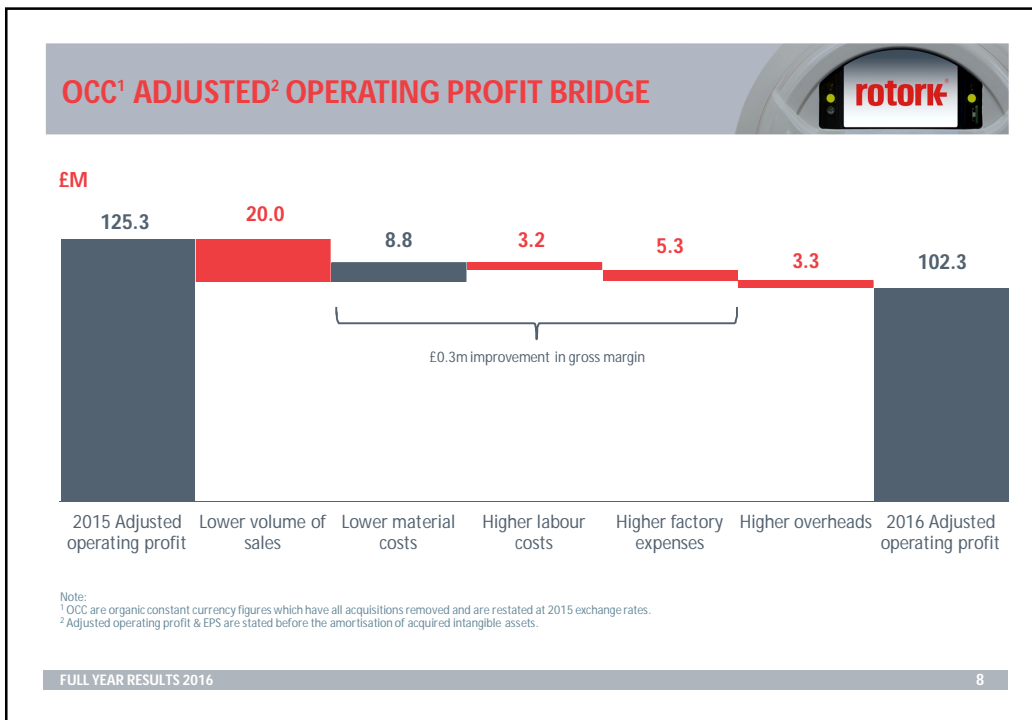


EM	Impact over 2015 to 2017		P&L impact in		
	TARGET	ACTIONS COMPLETED	2015	2016	2017
2015 initiatives	10.3	10.3	5.4	4.9	
2016 initiatives	7.0	8.5		4.3	4.2
<b>Combined total</b>	<b>17.3</b>	<b>18.8</b>	<b>5.4</b>	<b>9.2</b>	<b>4.2</b>

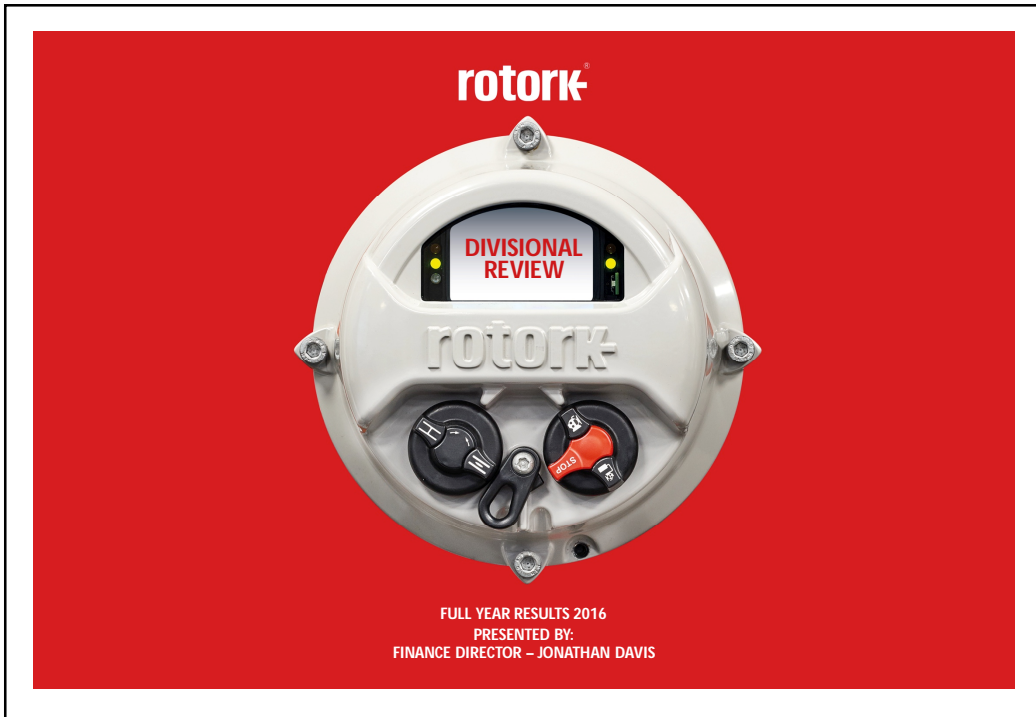
- Savings delivered through:
  - Material cost initiatives
  - Headcount reduction
  - Site consolidation

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<b>BALANCE SHEET</b>			
<b>£M</b>	<b>December 2015</b>	<b>June 2016</b>	<b>December 2016</b>
Total assets	701.3	766.8	<b>775.4</b>
Total liabilities	(293.5)	(348.3)	<b>(341.3)</b>
Equity	407.8	418.5	<b>434.1</b>
Net working capital	169.3	177.1	<b>178.0</b>
Pension deficit	23.3	41.2	<b>58.5</b>
Net debt	(71.1)	(86.9)	<b>(55.0)</b>
Net debt/EBITDA	(52%)	(76%)	<b>(41%)</b>
ROCE	29%	20%	<b>23%</b>



## CONTROLS



EM	2016	2015	Change	OCC <sup>1</sup> Change
Order intake	<b>295.2</b>	277.0	+6.6%	-4.3%
Revenue	<b>298.4</b>	286.7	+4.1%	-6.5%
Gross margin	<b>52.3%</b>	52.8%	-60bps	+40bps
Adjusted <sup>2</sup> operating profit	<b>87.3</b>	85.5	+2.1%	-8.4%
Adjusted <sup>2</sup> operating margin	<b>29.3%</b>	29.8%	-50bps	-60bps

- Oil & gas 45% of sales (2015: 48%)
- Water & waste water 18% of sales (2015: 16%)
- Power 21% of sales (2015: 22%)
- Americas and Far East most challenging
- Europe, Middle East, Africa and SE Asia positive

Note:  
<sup>1</sup> OCC are organic constant currency figures which have all acquisitions removed and are restated at 2015 exchange rates.  
<sup>2</sup> Adjusted operating profit & EPS are stated before the amortisation of acquired intangible assets.

## FLUID SYSTEMS



EM	2016	2015	Change	OCC <sup>1</sup> Change
Order intake	<b>134.7</b>	141.5	-4.8%	-14.2%
Revenue	<b>145.3</b>	149.2	-2.6%	-12.4%
Gross margin	<b>27.9%</b>	30.9%	-300bps	-250bps
Adjusted <sup>2</sup> operating profit	<b>6.2</b>	15.2	-59.4%	-64.1%
Adjusted <sup>2</sup> operating margin	<b>4.3%</b>	10.2%	-590bps	-600bps

- Oil & gas 69% of sales
- Midstream the only growth market
- Far East and Latin America slow-down
- Middle East, India and Eastern Europe show growth

Note:  
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## GEARS



EM	2016	2015	Change	OCC <sup>1</sup> Change
Order intake	<b>70.5</b>	57.5	+22.7%	-4.8%
Revenue	<b>72.4</b>	58.6	+23.4%	-4.0%
Gross margin	<b>35.0%</b>	35.3%	-30bps	+40bps
Adjusted <sup>2</sup> operating profit	<b>14.1</b>	12.0	+17.2%	-14.1%
Adjusted <sup>2</sup> operating margin	<b>19.4%</b>	20.5%	-110bps	-220bps

- Oil & gas 54% of sales (2015: 50%) boosted by acquisitions
- Water and waste water 14% higher (excl. currency & acquisitions)
- USA and Europe boosted by acquisitions

Note:  
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## INSTRUMENTS



EM	2016	2015	Change	OCC <sup>1</sup> Change
Order intake	<b>92.5</b>	65.0	+42.3%	+5.7%
Revenue	<b>91.2</b>	67.3	+35.4%	-3.9%
Gross margin	<b>43.7%</b>	46.3%	-260bps	-10bps
Adjusted <sup>2</sup> operating profit	<b>20.1</b>	18.3	+10.0%	-16.6%
Adjusted <sup>2</sup> operating margin	<b>22.1%</b>	27.2%	-510bps	-360bps

- Oil & gas 50% of sales (2015: 44%)
- Industrial and other market growth
- New product launches

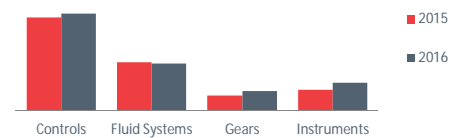
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## GROUP REVENUE

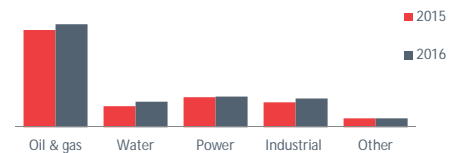
- Controls, Gears and Instruments up
- Fluid Systems down
- Upstream oil and gas up due to Bifold
- All major end user markets up

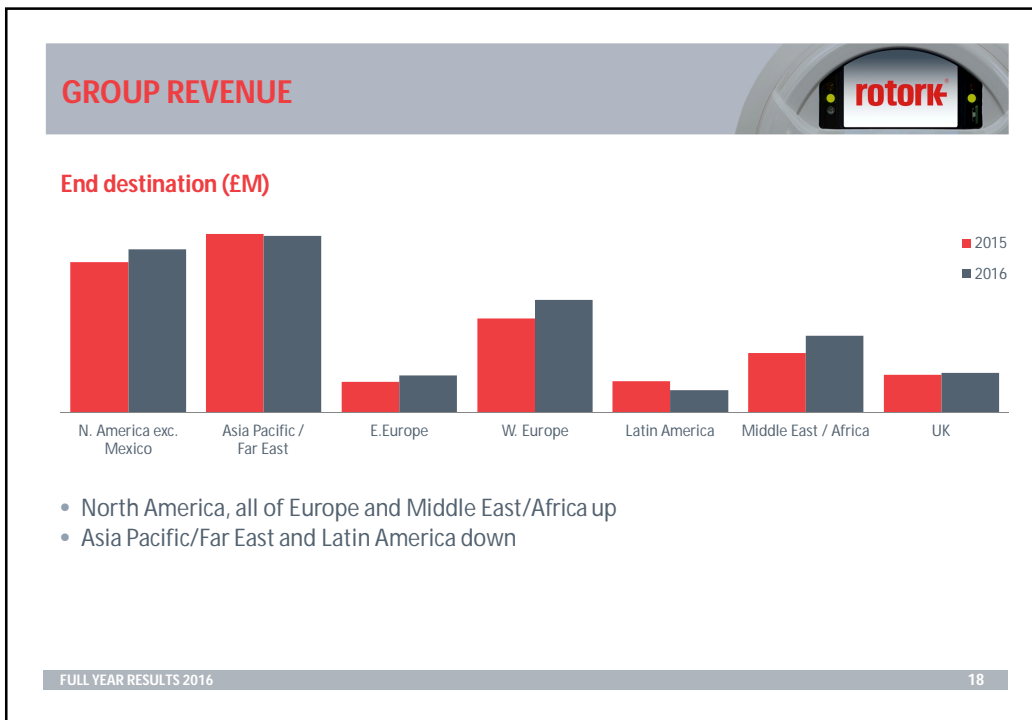
Division (€M)




Oil and gas	2015	2016
Upstream	15%	16%
Midstream	13%	13%
Downstream	25%	23%
<b>Contribution to Revenue</b>	<b>53%</b>	<b>52%</b>


End user market (€M)





## ACQUISITIONS

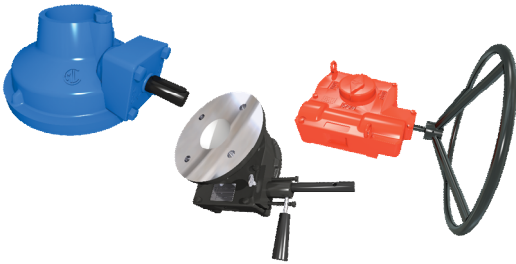




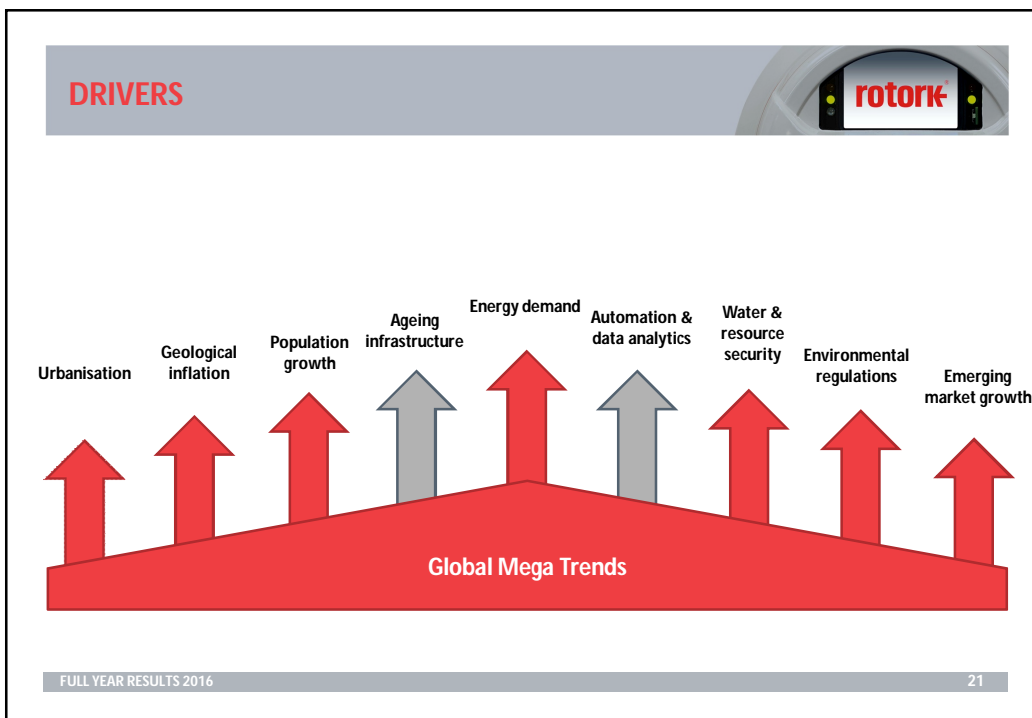
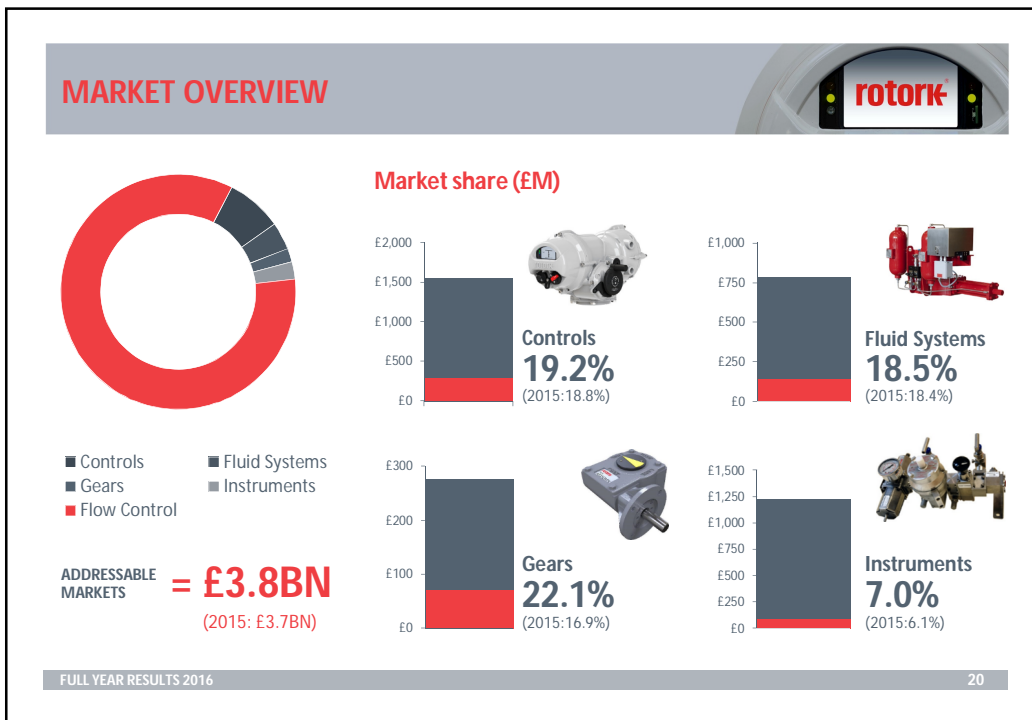
**MASTERGEAR**  
A rotork Brand

- Completed in June 2016
- Consideration of £16.3m
- Leading manufacturer of manual and motorised gearboxes for valves
- Located in the US, China and Italy
- ~55 employees joined Rotork
- Integration proceeding to plan


Enhance position in an end user market	✓
Enhance or extend product offering	✓
Enhance position in a geographic market	

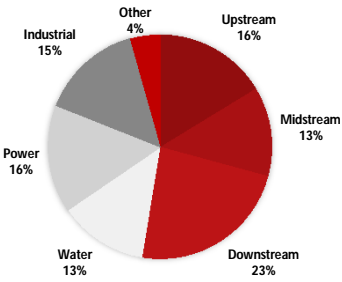


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## MARKET DRIVERS





**2016 Revenue Split**


Category	Percentage
Downstream	23%
Upstream	16%
Power	16%
Industrial	15%
Water	13%
Midstream	13%
Other	4%

- **Upstream** – OPEC deal and US positive sentiment promoting market stabilisation. New products and acquisitions provide opportunity
- **Midstream** – Gas pipelines still expected to be positive, oil slow
- **Downstream** – Driven by emerging markets and low raw material costs. Geographical mismatch on capacity versus demand
- **Water** –7%\* compound annual growth forecast in automation and control until 2020
- **Power** – Renewables growing fast, investment in “clean” coal, gas and nuclear
- **Industrial** – Forecast increase in industrial automation. Opportunities in commercial vehicles and life sciences process control
- **HVAC** – Continuing to see good growth levels. Compound annual growth rate forecast of 4.4% until 2020
- **Marine** – New build opportunities, broadening of product portfolio and sales focus on sector

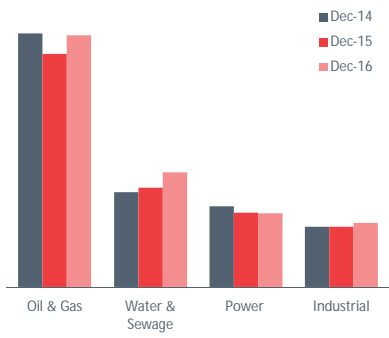
\* Source: GWI Global Water Report 2017

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## PROJECT ACTIVITY

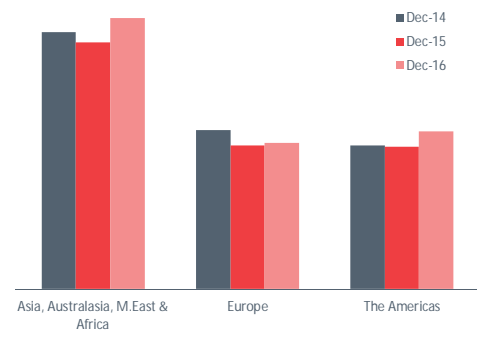


**Project activity: Industry type**  
No. of projects



Industry Type	Dec-14	Dec-15	Dec-16
Oil & Gas	~10	~8	~10
Water & Sewage	~4	~5	~6
Power	~3	~3	~3
Industrial	~2	~2	~2

**Project activity: End destination**  
No. of projects



End Destination	Dec-14	Dec-15	Dec-16
Asia, Australasia, M. East & Africa	~10	~9	~11
Europe	~5	~4	~4
The Americas	~4	~4	~5

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## CONTROLS



### Market trends

- Increased activity levels
- Steady flow of smaller orders
- Water active
- China and Middle East positive

### Opportunities

- Centork CK (power and water)
- IQ3/IQT3 extensions
- Develop sales channels
- Service growth



## FLUID SYSTEMS



### Market trends

- Oil and gas market stabilisation
- Increased reliability requirement
- Middle East and North America active

### Opportunities

- Oil and gas market
- Developing broader end markets
- Collaboration with other divisions
- Site consolidation



## GEARS



### Market trends

- Manual valve market continues to grow
- Customers looking for global brand
- Water and industrial processes growing
- Growth in USA, China and Europe

### Opportunities

- Mastergear integration
- Product range expansion
- Market expansion
- New Tulsa facility



## INSTRUMENTS

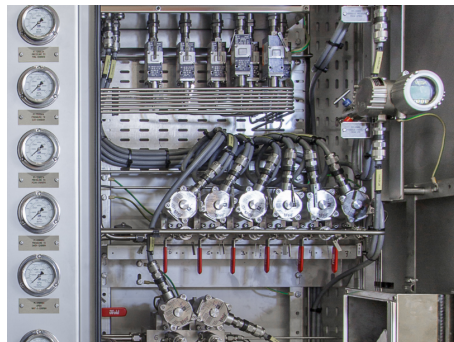


### Market trends


- Wide variety of markets including industrial automation, commercial vehicles, rail and life sciences
- Increasing automation
- Lower energy usage
- Environmental impact reduction

### Opportunities

- Product range expansion
- Sales channel development
- Rotork synergies
- Bifold – R&D catalyst



## SITE SERVICES



**2016 activity**


- 7% more qualified service engineers, >430
- 6% more actuators under some form of maintenance agreement now >170,000

**Market trends**

- More efficient asset management
  - Avoid unplanned plant shutdowns
- Extending plant life


**Opportunities**

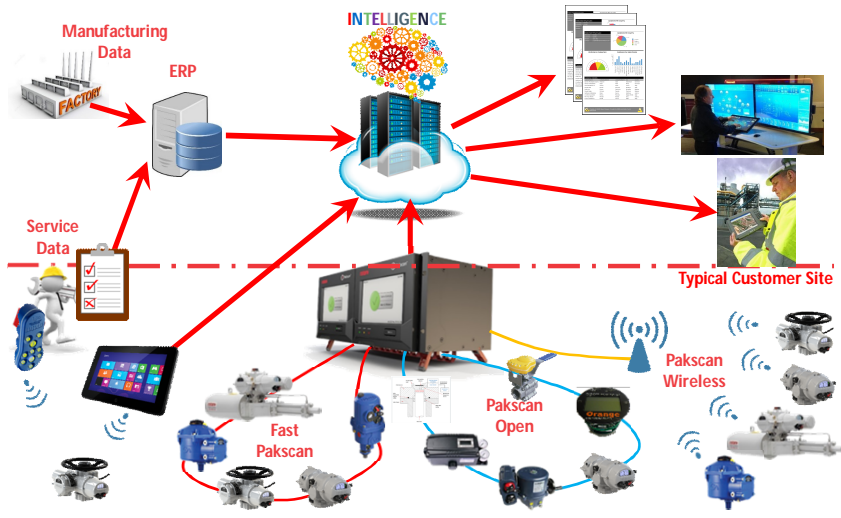
- Strengthening of global presence
- Client support programme
- Intelligent Asset Management



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## INTELLIGENT ASSET MANAGEMENT





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2017 PRIORITIES



**Cost management**

- 2015/2016 delivered ahead of expectations
- £14.6m cost savings realised to date
- £4m 2017 cost saving initiative targeted

**Project Energise 2017**

- Customer experience


**Investment for growth**

- ERP system
- New product development
- New Bath site



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SUMMARY



Competitive position in our chosen markets

Electric actuators  
**No.1**

Pneumatic and hydraulic actuators  
**No.2**

Gears  
**No.1**

Instrumentation and controls  
**No.1-5<sup>1</sup>**

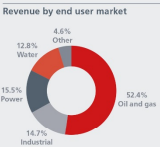
High margins

Adjusted\* operating margin  
**20.4%**

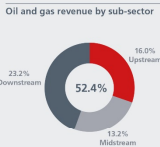
High return on capital employed (ROCE)  
**23.4%**

Diverse end markets

Revenue by end user market



Oil and gas revenue by sub-sector



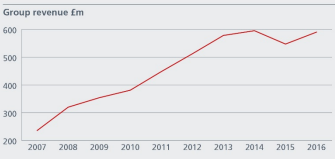
Strong balance sheet

Cash conversion  
**130.1%**

Debt/equity  
**11.3%**

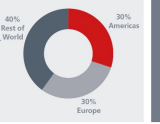
Track record for sustainable growth

Group revenue £m





Wide international coverage

Revenue by end destination



Investment in innovation  
**£10.2m**

Strong culture where sustainability matters

<sup>1</sup>There are multiple markets for instrumentation and control products

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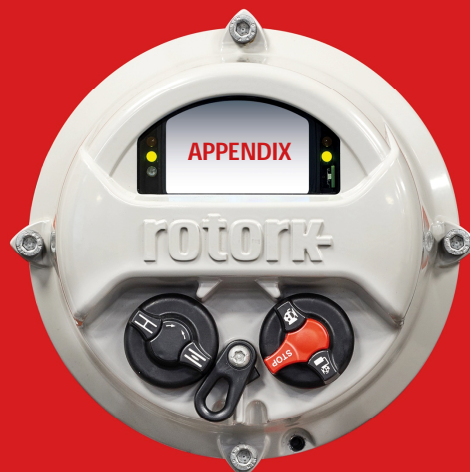
## OUTLOOK



- Growth in energy markets to remain modest
- Targeted investments to support long term growth
- Continued cost management
- Diverse end-market and geographic exposure
- Rotork well placed to make progress in 2017



rotork®



## OUTLOOK STATEMENT



We anticipate that any near term growth in energy markets will remain modest. Our focus will remain on providing our customers with innovative, high quality products and services, reducing their cost of ownership and improving plant efficiency.

Cost management will remain a priority in the current year as we look to mitigate any inflationary pressures through our highly flexible operating base.

We continue to target growth through organic development and acquisition, that will enhance our broad product portfolio, diverse end market exposure and wide geographic presence.

Whilst mindful of continued macroeconomic uncertainties, at this stage of the year the Board believes Rotork is well placed to make progress in 2017.

## IMPACT OF ACQUISITIONS



EM	Mastergear	2015 Acquisitions	Total Adjustment
Revenue	7.8	24.8	32.6
Adjusted <sup>2</sup> operating profit	1.0	4.4	5.4
Adjusted <sup>2</sup> operating margin	12.8%	17.9%	16.7%

- Full year contribution of the Mastergear acquisition would have been £13.6m revenue (+£5.8m vs 2016) and £1.5m profit (+£0.5m vs 2016)
- Intangible amortisation £26.8m (2015: £20.9m)

Note:

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## IMPACT OF CURRENCY



EM	Revenue H1	Revenue H2	Revenue Full Year	Adjusted <sup>2</sup> Operating Profit H1	Adjusted <sup>2</sup> Operating Profit H2	Adjusted <sup>2</sup> Operating Profit Full Year
Controls	4.8	24.3	29.1	1.3	7.5	8.8
Fluid Systems	2.8	11.9	14.7	0.4	0.3	0.7
Gears	1.4	4.6	6.0	0.6	1.1	1.7
Instruments	1.0	4.1	5.1	0.5	1.2	1.7
<b>Group</b>	<b>10.0</b>	<b>44.9</b>	<b>54.9</b>	<b>2.8</b>	<b>10.1</b>	<b>12.9</b>

- US\$ and related currencies were 40% of revenue, £26m tailwind
- Euro was 30% of revenue, £18m tailwind
- Other currencies 15% of revenue, £10m tailwind

Note:  
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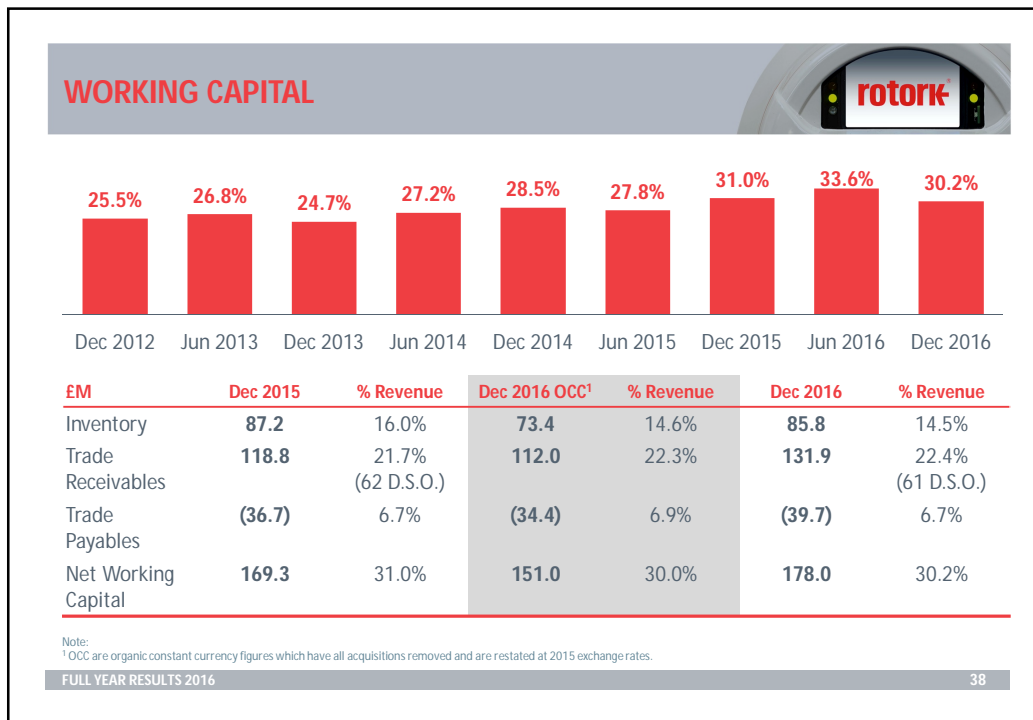
## EARNINGS PER SHARE



EM	2016	2015	Change	OCC <sup>1</sup> Change
PBT as reported (£m)	<b>91.1</b>	101.9	-10.6%	-20.5%
Adjusted <sup>2</sup> PBT (£m)	<b>117.9</b>	122.8	-4.0%	-18.9%
Effective tax rate	<b>26.2%</b>	26.5%		
Basic EPS as reported	<b>7.7p</b>	8.6p	-10.5%	-19.9%
Adjusted <sup>2</sup> basic EPS	<b>10.0p</b>	10.4p	-3.8%	-18.7%

- Net finance expenses £2.7m (2015: £2.5m)
  - £1.3m increase due to bank borrowings
  - Offset by £1.1m decrease in pension costs and foreign exchange losses

Note:  
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<sup>2</sup> Adjusted operating profit & EPS are stated before the amortisation of acquired intangible assets.



### CONSTANT CURRENCY ANALYSIS

EM	2016 as Reported		Adjust to get CC	2016 at 2015 rates		Remove Acqn.	2016 at OCC <sup>1</sup>		2015	
Revenue	590.1		(54.9)	535.2		(32.6)	502.6		546.5	
Cost of Sales	(328.4)		33.7	(294.7)		21.9	(272.8)		(297.0)	
Gross Profit	261.7	44.3%	(21.2)	240.5	44.9%	(10.7)	229.8	45.7%	249.5	45.7%
Overheads	(141.1)	23.9%	8.3	(132.8)	24.8%	5.3	(127.5)	25.4%	(124.2)	22.7%
Adjusted <sup>2</sup> operating profit	120.6	20.4%	(12.9)	107.7	20.1%	(5.4)	102.3	20.4%	125.3	22.9%

- OCC<sup>1</sup> gross margins flat
- OCC<sup>1</sup> overheads increased ahead of revenue, up 270 bps
- OCC<sup>1</sup> net margin 250 bps lower

Note:  
<sup>1</sup> OCC are organic constant currency figures which have all acquisitions removed and are restated at 2015 exchange rates.  
<sup>2</sup> Adjusted operating profit & EPS are stated before the amortisation of acquired intangible assets.

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## ADJUSTED OPERATING MARGINS



EM	H1 2016	H2 2016	FY 2016	FY 2016 OCC <sup>1</sup>	FY 2015
Controls	27.4%	30.8%	29.3%	29.2%	29.8%
Fluid Systems	1.3%	6.4%	4.3%	4.2%	10.2%
Gears	20.0%	18.9%	19.4%	18.3%	20.5%
Instruments	22.8%	21.4%	22.1%	23.6%	27.2%
<b>Group</b>	<b>19.2%</b>	<b>21.4%</b>	<b>20.4%</b>	<b>20.3%</b>	<b>22.9%</b>

- H2 margins 220 bps higher than H1 from 55% of full year revenue

Note:  
<sup>1</sup>OCC are organic constant currency figures which have all acquisitions removed and are restated at 2015 exchange rates.  
<sup>2</sup>Adjusted operating profit & EPS are stated before the amortisation of acquired intangible assets.


## REVENUE ANALYSIS




By division (%)	Controls	Fluid Systems	Gears	Instruments	Total
<b>2016</b>	<b>50.6</b>	<b>24.6</b>	<b>10.3</b>	<b>14.5</b>	<b>100.0</b>
2015	52.5	27.3	8.4	11.8	100.0

By end user market (%)	Oil & Gas	Power	Water	Industrial	Other	Total
<b>2016</b>	<b>52.4</b>	<b>15.4</b>	<b>12.9</b>	<b>14.7</b>	<b>4.6</b>	<b>100.0</b>
2015	53.3	16.4	11.6	13.7	5.0	100.0

By end destination (%)	Asia Pac / Far East	Europe	Middle East / Africa	N. America exc. Mexico	UK	Eastern Europe	Latin America
<b>2016</b>	<b>28.2</b>	<b>17.9</b>	<b>12.2</b>	<b>26.0</b>	<b>6.3</b>	<b>5.8</b>	<b>3.6</b>
2015	30.8	16.2	10.2	25.9	6.4	5.2	5.3

<b>AVERAGE EXCHANGE RATES</b>		
		
<b>Average rates trading</b>	<b>US\$</b>	<b>Euro</b>
H1 2015	1.52	1.36
H2 2015	1.54	1.40
<b>Full Year 2015</b>	<b>1.53</b>	<b>1.38</b>
H1 2016	1.43	1.29
H2 2016	1.28	1.17
<b>Full Year 2016</b>	<b>1.36</b>	<b>1.22</b>
<b>+ = GBP STRENGTHENING / - = GBP WEAKENING</b>		
H1	-5.9%	-5.1%
H2	-16.9%	-16.4%
<b>Full year</b>	<b>-11.1%</b>	<b>-11.6%</b>

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<b>PERIOD END EXCHANGE RATES</b>		
		
	<b>US\$</b>	<b>Euro</b>
June 2015	1.57	1.41
<b>December 2015</b>	<b>1.47</b>	<b>1.36</b>
June 2016	1.34	1.20
<b>December 2016</b>	<b>1.24</b>	<b>1.17</b>
<b>+ = GBP STRENGTHENING / - = GBP WEAKENING</b>	<b>-15.6%</b>	<b>-14.0%</b>

Note:  
\*Adjustments relate to amortisation of acquired intangible assets.

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## DIVIDENDS



Core Dividend	Month Paid / Payable	Amount (pence)	Cost (£m)
2014 Final	May 2015	3.09p	26.8
2015 Interim	September 2015	1.95p	17.0
<b>Paid in 2015</b>		<b>5.04p</b>	<b>43.8</b>
2015 Final	May 2016	3.10p	27.0
2016 Interim	September 2016	1.95p	16.9
<b>Paid in 2016</b>		<b>5.05p</b>	<b>43.9</b>
<b>2016 Final</b>	<b>May 2017</b>	<b>3.15p</b>	<b>27.4</b>

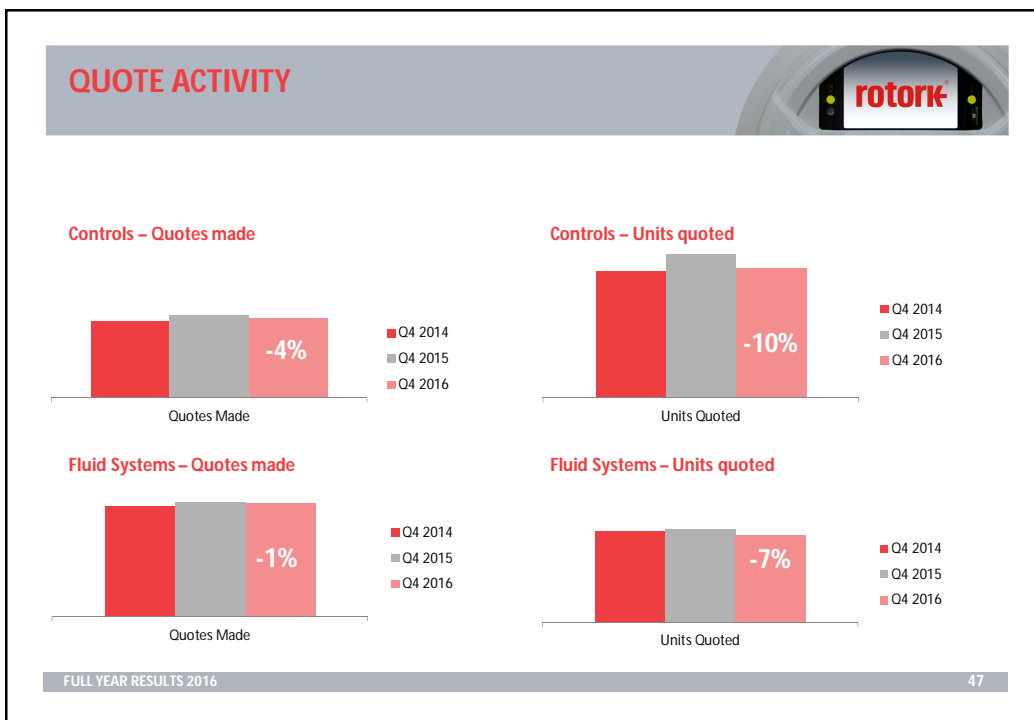
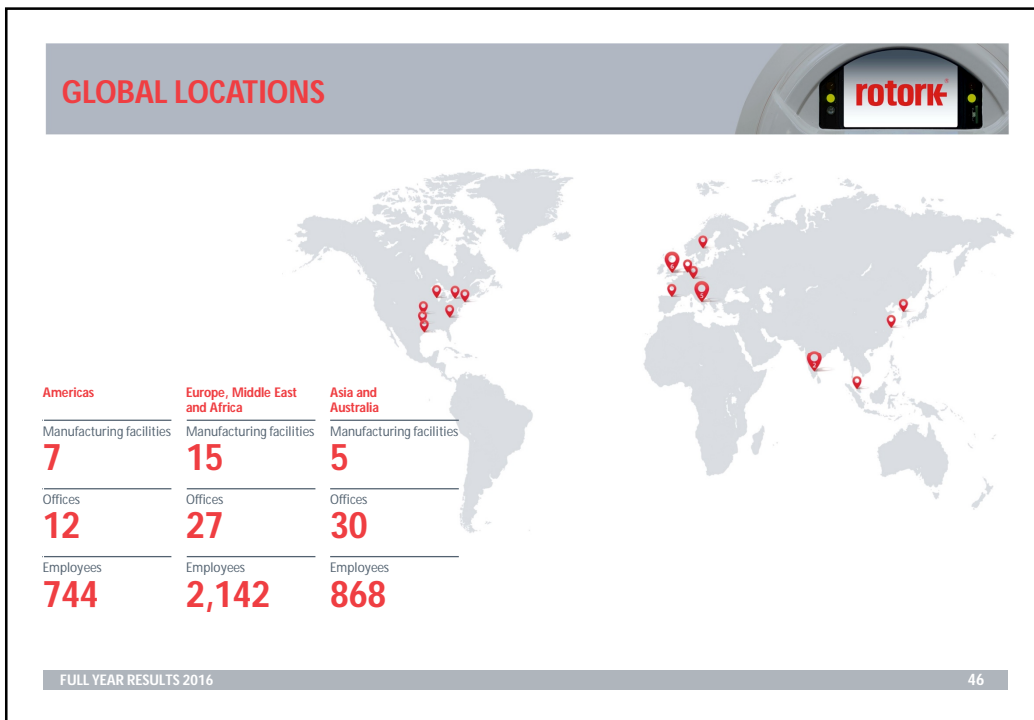
- 2016 dividend increased by 1.0% to 5.10 pence
- Dividend cover 1.5 times

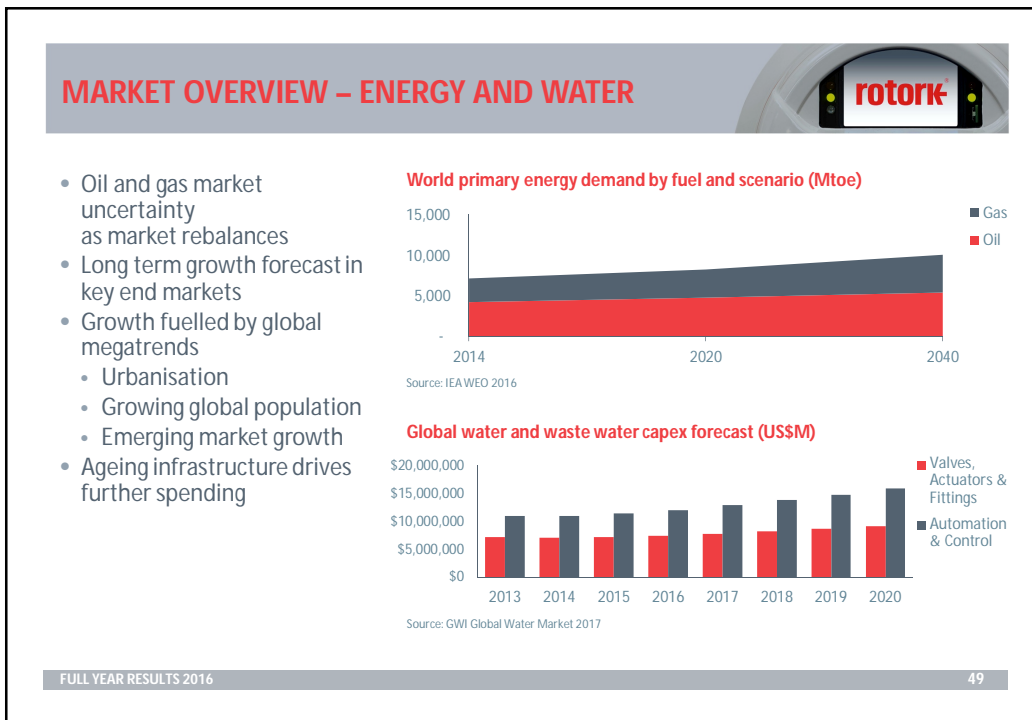
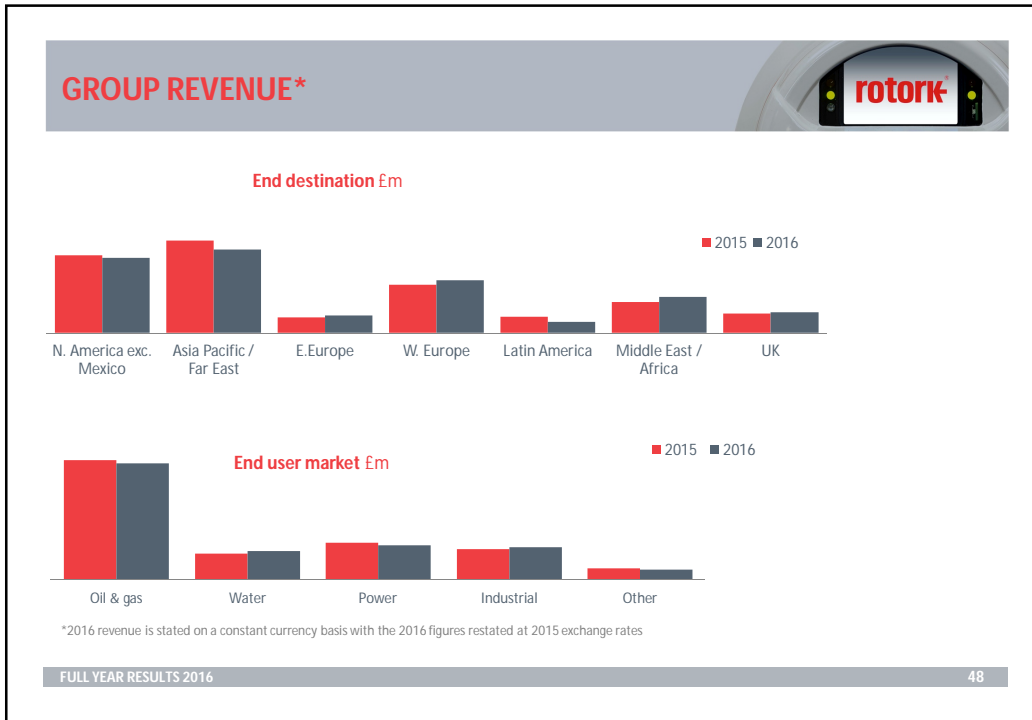
## KEY OBJECTIVES 2017



Objective	Description
Positive Customer Experience	Enhance our customer facing processes to reflect current market requirements.
Sales Growth	Deliver profitable sales growth by strengthening international coverage, broadening end markets and leveraging the expanding product portfolio.
Service Growth	Further develop aftermarket services capability, including the Client Support Programme.
Employee Development	Invest to support growth strategy and promote diversity and inclusion throughout the Group.
Innovation	Develop and introduce new products in each of the divisions and research new technologies which would improve the way flow control is delivered.
Acquisitions	Continue to pursue suitable acquisitions / Execute acquisition plan of identified opportunities.
Manufacturing Excellence	Consolidate and develop world-class manufacturing facilities.
Corporate & Social Responsibility	Continue to drive safety improvement and deliver the CSR strategy.
Global Business System	Develop and roll out our global business systems.
Cost Management	Continued cost management, reflecting current market conditions, and development of the global supply chain.





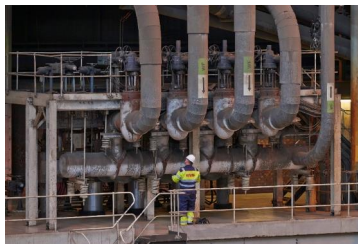


## MARKET OVERVIEW – POWER

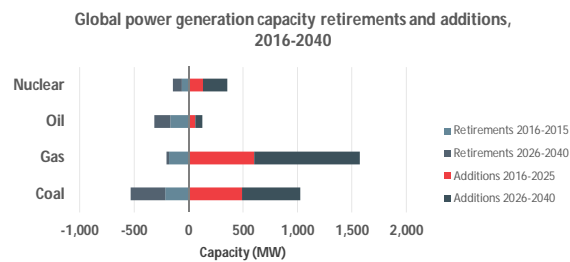


### Market Drivers

- Long term energy security
- Urbanisation and population growth
- Industrial growth in developing countries
- Emissions reductions - plant obsolescence; renewable energy
- Demand for increased generation efficiency
- Replacement of retired units



Power Station United Kingdom



Source: Rotork Internal Data / IEA WEO 2016

## DISCLAIMER



This information includes 'forward-looking statements'. All statements other than statements of historical fact included in this presentation, including, without limitation, those regarding Rotork's ("the Company") financial position, business strategy, plans (including development plans and objectives relating to the Company's products and services) and objectives of management for future operations, are forward-looking statements. These statements contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Past business and financial performance cannot be relied on as an indication of future performance.



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