

Rotork plc Preliminary Results 2010

1st March 2011

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



Controls





**Fluid
Systems**



Gears






Rotork plc
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Year Under Review

- Record results
- Pricing pressures in RFS
- Recovery in Gears margin
- Increased investment
- Establishment of RIDECE
- Acquisition of Ralph A. Hiller


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Financial Review

Finance Director – Jonathan Davis

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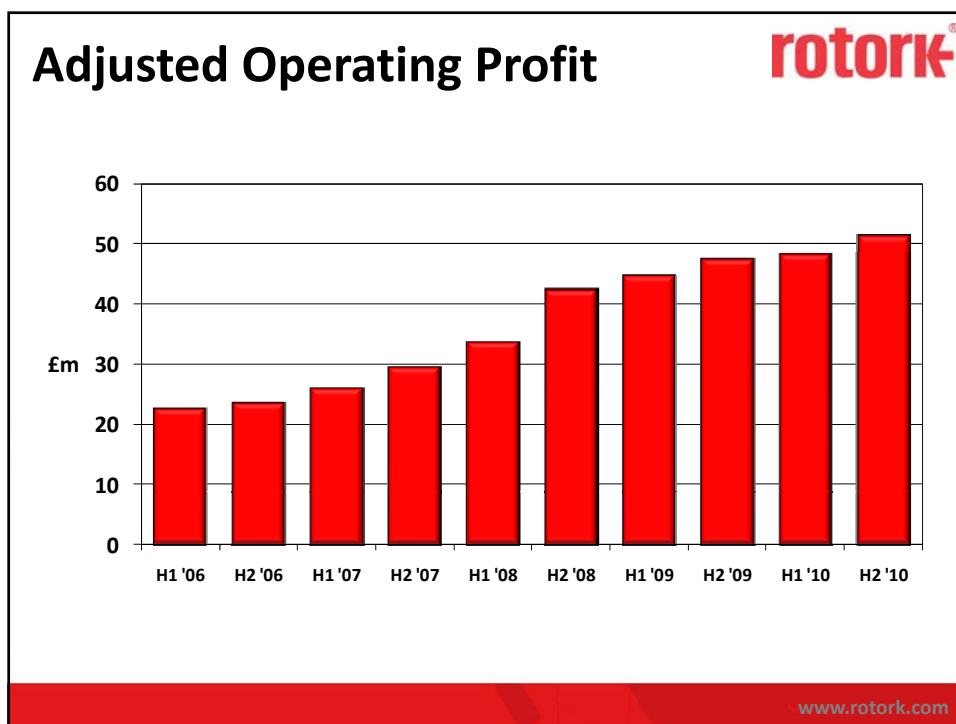
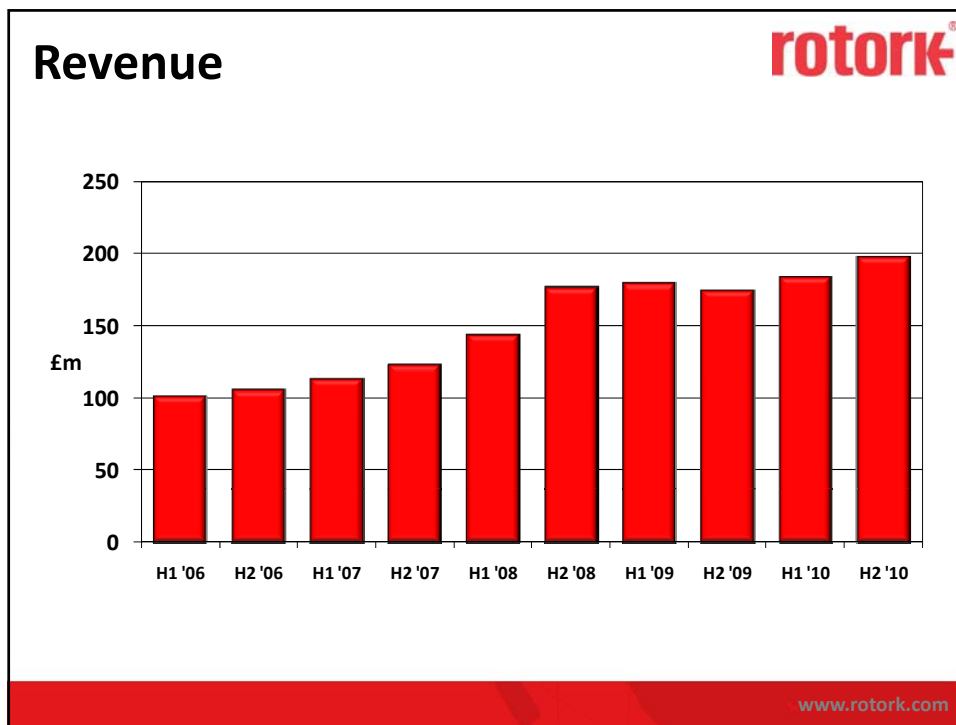


Financial Highlights

- Order intake up 17.0% (12.9% organic CC)
- Revenue up 7.6% (4.6% organic CC)
- Order book £139m up 7.7% on December 2009 (1.3% organic CC)
- Adjusted profit before tax up 8.8% (3.8% organic CC)
- Adjusted basic EPS was 82.4p, up 10.1%
- Proposed final dividend of 19.75p, up 14.5%
- Additional dividend for 2011 of 11.5p

Note:
 Organic figures have the Hiller acquisition removed
 CC = constant currency
 Adjusted is before the amortisation of acquired intangible assets and property disposal in 2009

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Impact of Hiller Acquisition



- Hiller was acquired in May for \$7.8m / £5.5m
- Hiller contribution for 2010:
 - Revenue £6.64m
 - EBIT £0.84m
 - Margin 12.6%
- Intangible amortisation was £0.4m

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Currency Rates – Income Statement



	US\$	Euro	Other
<u>Average rates - Trading:</u>			
H1 2009	1.46	1.12	
H2 2009	1.64	1.13	
Full Year 2009	1.54	1.13	
H1 2010	1.52	1.15	
H2 2010	1.56	1.17	
Full Year 2010	1.54	1.16	
+ = GBP strengthening / - = GBP weakening	Flat	+3%	-13%

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Constant Currency Analysis rotork®

£m	Group as reported	Adjust to get to CC	Group at 2009 Rates	Remove Hiller	Organic Business at 2009 Rates	2009		
Revenue	380.6	(4.0)	376.6	(6.6)	370.0	353.5		
Cost of Sales	(199.8)	(0.9)	(200.7)	4.3	(196.4)	(187.6)		
Gross Profit	180.8	47.5%	(4.9)	175.9	46.7%	(2.3)	173.6	46.9%
Overheads	(81.4)	1.1	(80.3)	1.5	(78.8)	(73.8)		
Operating profit*	99.4	26.1%	(3.8)	95.6	25.4%	(0.8)	94.8	25.6%
*Adjusted								

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Overheads rotork®

	£m	£m
2009 costs as reported		73.8
Hiller		1.5
		75.3
Headcount costs (excl. R&D and IT)	2.1	
R&D costs	0.8	
Pension charge	0.7	
Travel costs	0.5	
IT costs	0.5	
Acquisition costs (now expensed)	0.2	
Other	1.3	
		6.1
2010 costs as reported		81.4

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Controls Division



£m	2010	2009	% increase
Revenue	243.4	227.3	7.0
Operating Profit*	78.8	72.0	9.4

- Controls makes up 64% of Group revenue
- Order input up 9.1%
- Order book £85.8m, up 1.2% from December 2009
- Operating Margin* 32.4%, up from 31.7% in 2009

*adjusted before amortisation of acquired intangibles and disposal of property in 2009

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Fluid Systems Division



£m	2010	2009	% increase
Revenue	106.8	99.7	7.1
Operating Profit*	14.9	15.3	-2.6

- Order input up 35.1%
- Order book £45.9m, up 17.2% from December 2009
- Operating Margin* 14.0%, down from 15.4% in 2009

*adjusted before amortisation of acquired intangibles and disposal of property in 2009

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Gears Division



£m	2010	2009	% increase
Revenue	39.2	36.8	6.5
Operating Profit*	9.2	8.1	13.3

- Order input up 28.4%
- Order book £7.3m, up 40.7% from December 2009
- Operating Margin* 23.4%, up from 22.0% in 2009

*adjusted before amortisation of acquired intangibles and disposal of property in 2009

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Earnings Per Share



£m	2010	2009	% increase
PBT as reported	97.9	90.9	7.6
Adjusted PBT	99.6	91.5	8.8
Effective tax rates	29.0%	29.6%	
Basic EPS as reported	80.5p	74.2p	8.4
Adjusted basic EPS	82.4p	74.9p	10.1

*adjusted before amortisation of acquired intangibles and disposal of property in 2009

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Dividends



- Proposed final dividend up 14.5% to 19.75p
- Additional dividend of 11.5p
- Core dividend cover is 2.5 times (2009: 2.6 times)

Summary of Dividends

Dividends in 2010	Date paid / payable	Amount	Cost (£)
2009 final	May 2010	17.25p	14.9m
2010 additional	July 2010	11.50p	10.0m
2010 interim	September 2010	12.75p	11.0m
		41.50p	35.9m

Currently proposed in 2011

2010 final	May 2011	19.75p	17.1m
2011 additional	June 2011	11.50p	10.0m

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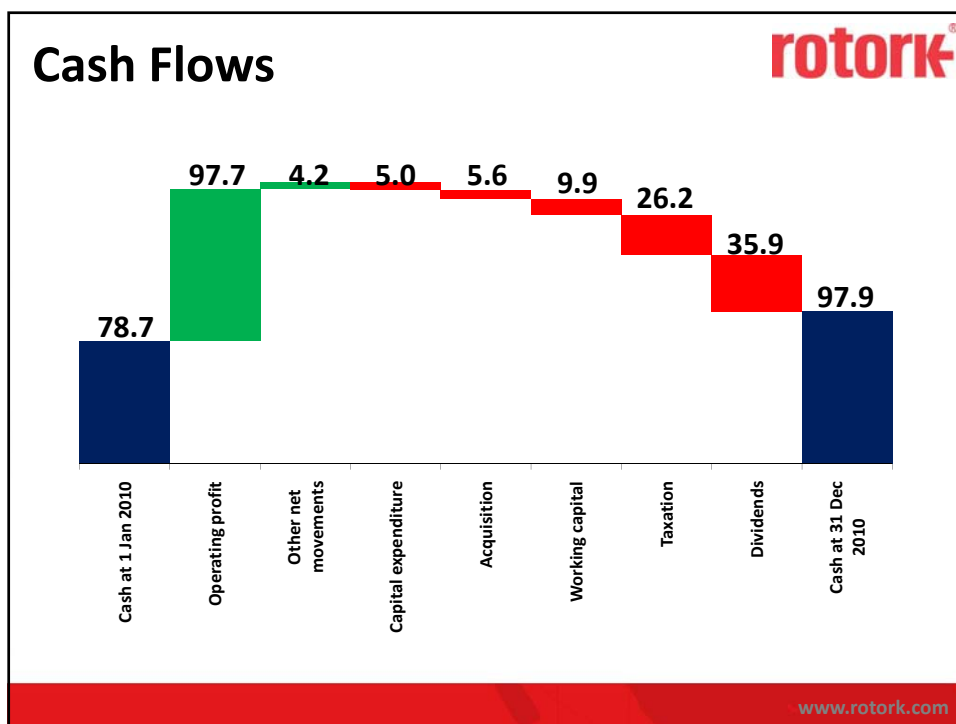
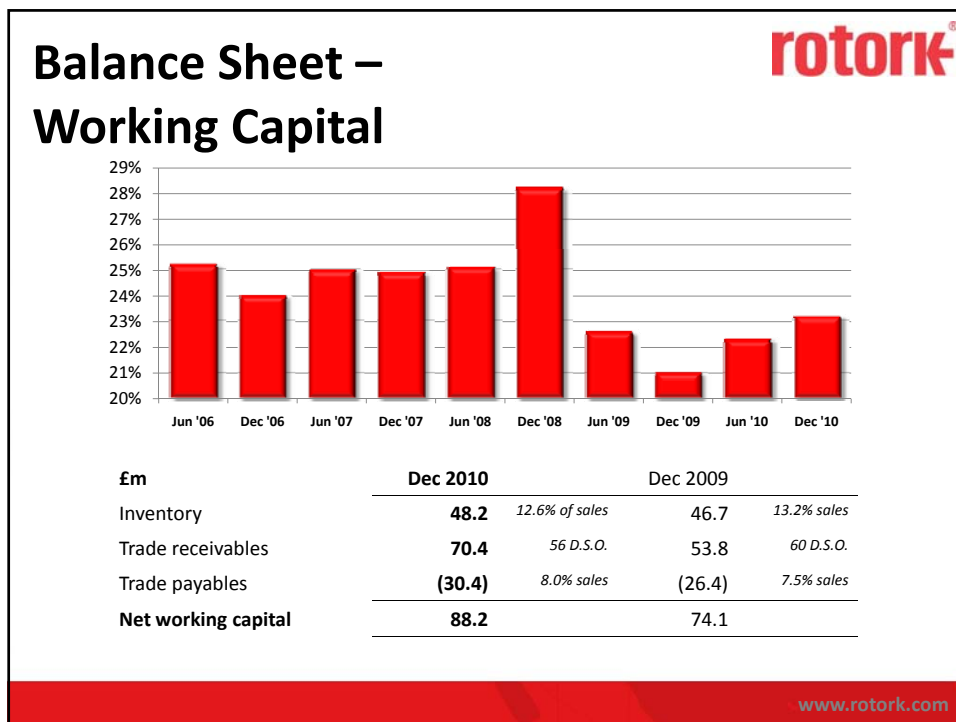
Currency Rates – Balance Sheet



<u>Period end rates – Balance Sheet</u>	US\$	Euro	Other
December 2009	1.61	1.13	
December 2010	1.57	1.17	
+ = GBP strengthening / - = GBP weakening	-3%	+4%	-10%

- In aggregate assets generally little different due to currency
- Net working capital as reported £88.2m (£86.3m at December 2009 rates)
- Order book as reported £138.9m (£135.7m at December 2009 rates)

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Operating Review

Chief Executive - Peter France

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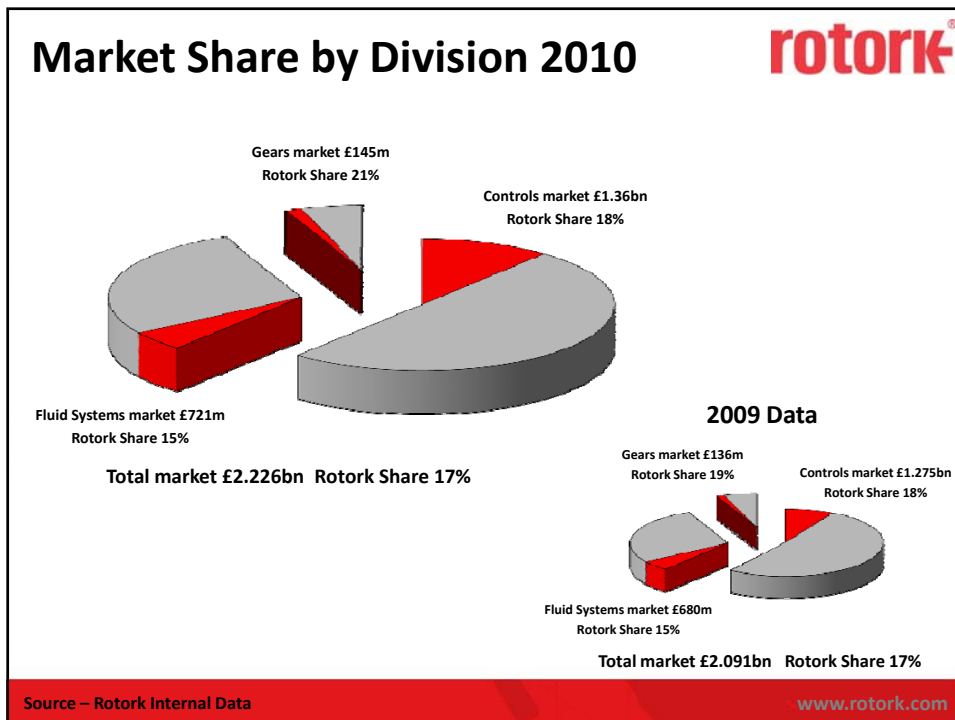
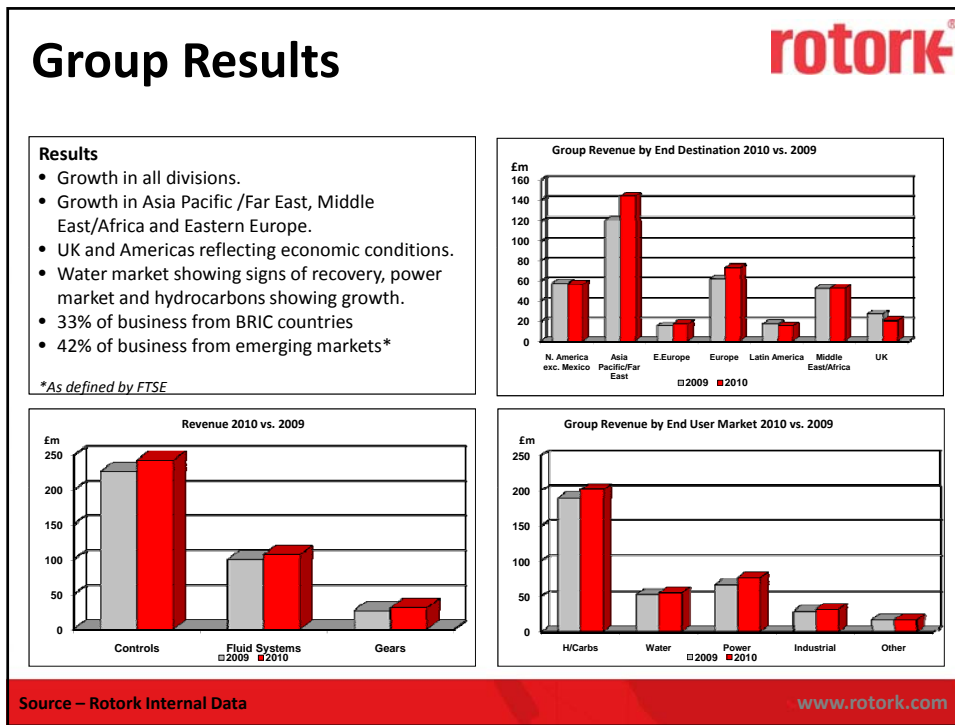


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The Rotork Group

- 54 years of providing actuation solutions
- 3 Divisions
 - Controls
 - Fluid Systems
 - Gears
- Over 2,100 employees worldwide
- 17 manufacturing centres
- 356 sales offices covering 87 countries
 - Direct operations: 109 locations in 30 countries
 - Representation: 247 locations

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Rotork Controls



Results

- Revenue £243.4m up 7.0%
- Operating profit £78.8m up 8.5%
- Operating margin up from 31.9% to 32.4%
- Order book £85.8m up 1.2%



Year under review


- Mid and down stream market positive
- Excellent performance in Holland and Australia
- Strong results from BRIC countries
- Production commenced in new Bangalore factory
- Improved performance from RPC
- Positive material cost management

Business Opportunities

- New products
- Brazil, Russia, India and China with the Middle East
- Rotork Process Controls including CVA
- Mexico
- Nuclear


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Rotork Fluid Systems



Results

- Revenue £106.8m up 7.1%
- Operating profit £13.3m down 6.8%
- Operating margin down from 14.3% to 12.4%
- Order book £45.9m up 17.2%



Year under review

- Strong recovery in order intake
- Margin Pressure
- Successful integration of Flow-quip
- Acquisition of Ralph A Hiller
- Good performance from Sweden and China
- Investment in engineering resource
- Commenced direct operations in India

Business Opportunities

- Increased investment announced by oil majors
- New products and broader market focus
- Nuclear
- Safety and information diagnostics
- Site services

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Ralph A. Hiller Acquisition



Details

- Established in Pittsburgh, Pennsylvania, in 1950.
- 45 employees.
- 3,098m² (33,350 sq ft) building complex.
- Purchase price \$7.8m



Benefits

- Good reputation and known brand name in the nuclear industry.
- Nuclear qualified product range.
- Large installed base in North America and a growing base internationally.
- Focus on China nuclear opportunities.



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Rotork Mexico



Details

- Sole Rotork representative agent in Mexico
- Established in Mexico City in 1977
- 29 Employees
- Annual revenue USD 8.3m
- Total consideration £2m




Benefits

- Full control of Rotork name in key market
- Strong platform for growth of RSS
- Opportunity to expand into power, water, mining, industrial
- Ability to fully exploit the many opportunities in a strong oil & gas sector




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Rotork Gears



Results

- Revenue £39.2m up 6.5%
- Operating Profit £9.1m up 13.4%
- Operating margin up from 21.8% to 23.2%
- Order book £7.3m up 40.7%



Year under review


- Growth of 3rd party order intake
- Over £1.5m from new customers
- Increase of market share
- Very strong performance from China
- Margin recovery

Business Opportunities

- Russia, India , China and Japan
- USA
- Developing sales through Rotork offices
- Development of new markets
- Supply chain management


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Rotork Site Services



Activities

- Preventative Maintenance
- Retrofitting
- Factory Fitting
- Workshop Overhaul
- Technical support
- Field service
- Training



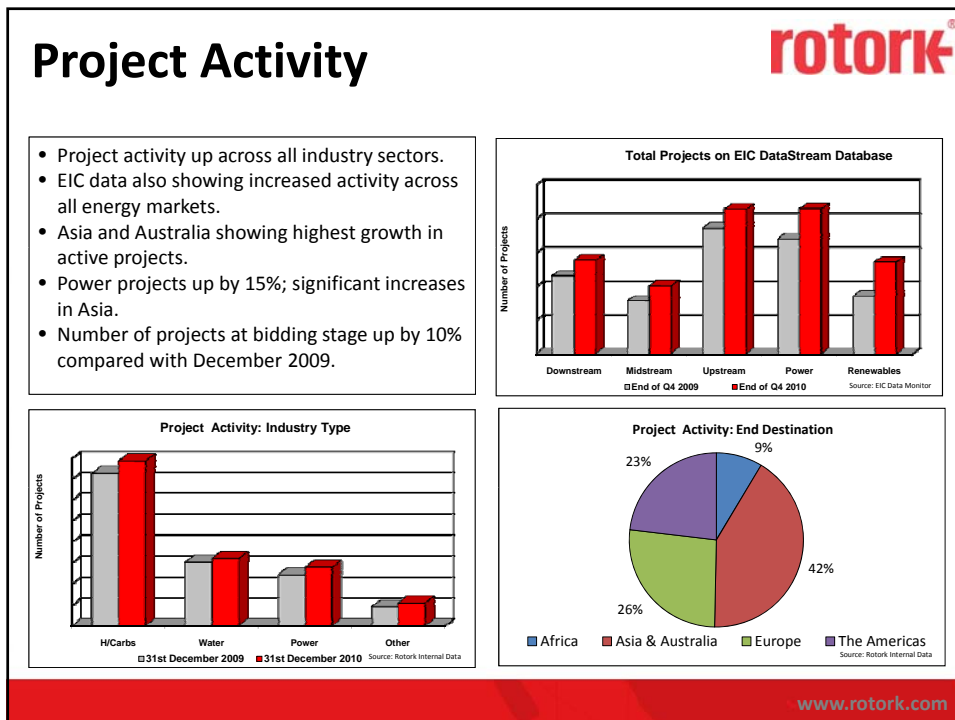
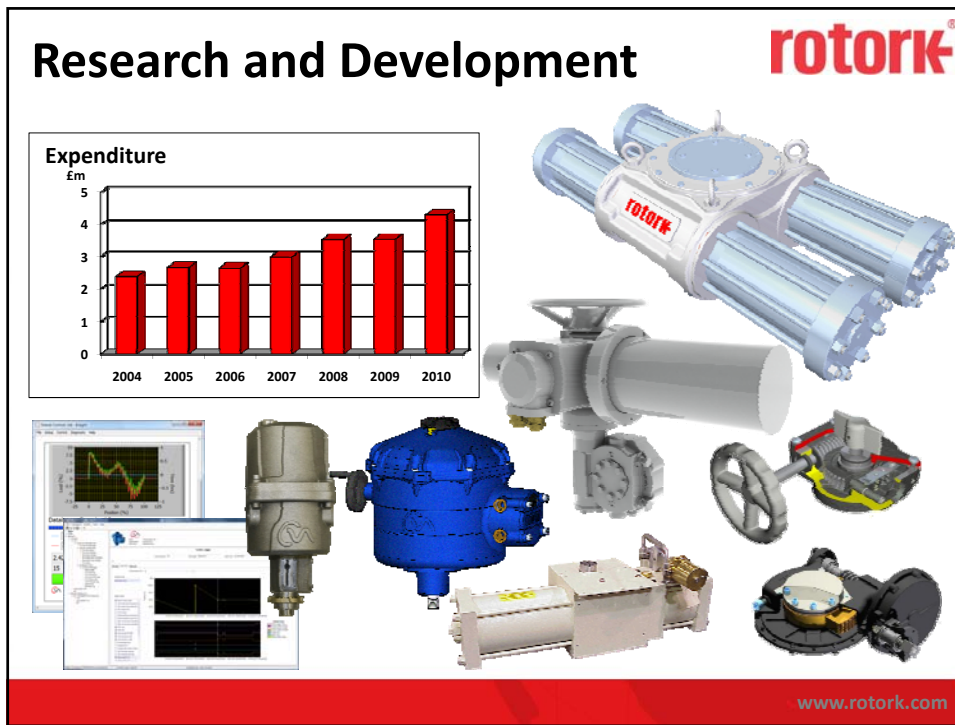
Year under review

- Number of actuators on PM contracts up 4%
- No of workshop overhauls up 8%
- Retrofit volumes up 18%
- Factory fit volumes up 17%
- High utilisation rates
- Number of service engineers increased by 8%
- Investment in facilities

Business Opportunities

- RFS
- End user cost reduction initiatives
- Increased focus on plant safety
- Optimisation of plant
- New service centres
- Development of product offering
- Introduction of integrated sales and service system for subsidiaries

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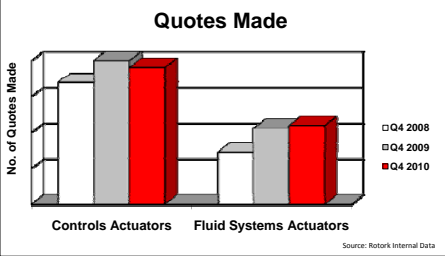
Quote Activity

Q4 2010 v Q4 2009

- Controls quotes made - down by 4.6%
- Controls units quoted - up by 12.9%
- Fluid Systems quotes made - up by 4.0%
- Fluid Systems units quoted - up by 8.6%



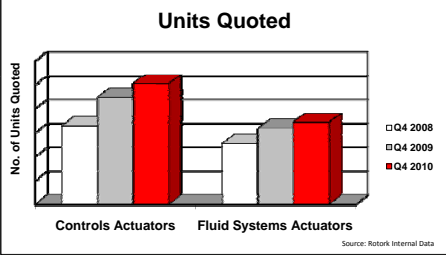
Quotes Made



Category	Q4 2008	Q4 2009	Q4 2010
Controls Actuators	~100	~105	~100
Fluid Systems Actuators	~100	~105	~110

Source: Rotork Internal Data

Units Quoted



Category	Q4 2008	Q4 2009	Q4 2010
Controls Actuators	~100	~105	~120
Fluid Systems Actuators	~100	~105	~115

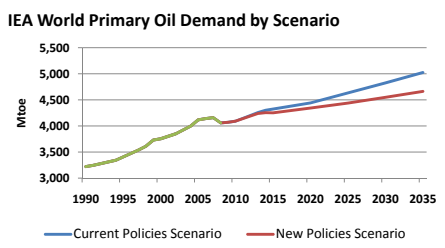
Source: Rotork Internal Data

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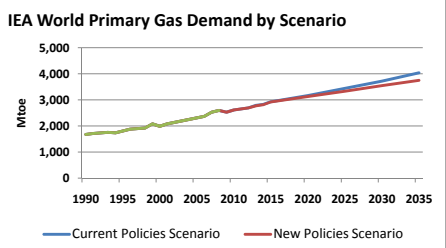
Market Drivers

IEA World Primary Oil Demand by Scenario



Year	Current Policies Scenario	New Policies Scenario
1990	~3,200	~3,200
1995	~3,500	~3,500
2000	~3,800	~3,800
2005	~4,100	~4,100
2010	~4,200	~4,200
2015	~4,300	~4,300
2020	~4,400	~4,400
2025	~4,500	~4,500
2030	~4,600	~4,600
2035	~4,700	~4,700

IEA World Primary Gas Demand by Scenario



Year	Current Policies Scenario	New Policies Scenario
1990	~1,500	~1,500
1995	~1,600	~1,600
2000	~1,700	~1,700
2005	~1,800	~1,800
2010	~1,900	~1,900
2015	~2,000	~2,000
2020	~2,100	~2,100
2025	~2,200	~2,200
2030	~2,300	~2,300
2035	~2,400	~2,400

Oil & Gas

- China and India will drive demand for both oil and gas.
- Developments in unconventional oil and gas extraction methods will create opportunities for market growth.
- LNG
- Favourable commodities prices will support downstream investment.

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Market Drivers rotork®

IEA World Installed Power Generation Capacity by Type New Policies Scenario

GW

2008 2015 2020 2025 2030 2035

■ Capacity end-2008 ■ Capacity Requirement

Global Capital Expenditure on Water

\$ million

2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

■ Municipal Capital Expenditure ■ Industrial Capital Expenditure

Power

- Demand growth will be led by the emerging economies.
- Capacity additions will be required to replace obsolete plant and to meet demand growth.
- Emissions reduction and energy security policies will underpin investment in nuclear and other renewables.

Water & Wastewater

- Scarcity and urbanisation are the underlying drivers for water and wastewater investment.
- Higher standards of living in developing economies and increased regulation will drive demand for increased investment in water infrastructure.

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Organisation rotork®

Rotork PLC

Rotork Management Board of Directors (RMB)

Peter France (Group CEO)
Jonathan Davis (Group Finance Director)
Carlos Elvira (Group Sales & Marketing Director)
Graham Ogden (Group R&D Director)
Alastair Spurr (Group Operations Director)
Bob Arnold (President Americas)
Grant Wood (Divisional Managing Director, Controls)
Alex Busby (Divisional Managing Director, RFS)
David Littlejohns (Divisional Managing Director, Gears)
Stephen Jones (Group Legal Director)

Rotork Controls Rotork Fluid Systems Rotork Gears

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Facilities



Rotork Gears, Shanghai



Rotork Office, Saudi Arabia



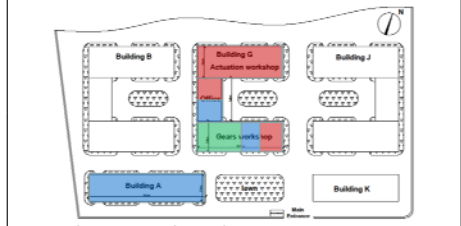

Rotork Office, Houston




Rotork Factory, Chennai

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Facilities




Rotork Gears, Shanghai



Rotork Office, Saudi Arabia



Rotork Office, Houston



Rotork India and RIDE, Chennai

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Key Objectives 2011



Within the Group Strategy the following objectives have been identified as the Key Objectives for 2011:

Objective	Description
Sales Growth	Grow market share and enter new geographies and sectors. Focus on the BRIC countries (Brazil, Russia, India, China) as well as the Middle East and Latin America.
Development of RSS	Continue progress with RSS offering and further develop our site services capability under a recognisable global brand.
Nuclear	Increase sales in the Nuclear market.
Product Development	Commence operation of RIDEC (Rotork Innovation Design and Engineering Centre) in India. Increase investment in product development.
Acquisitions	Execute acquisition of identified suitable opportunities.

Cont.../

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Key Objectives 2011 continued



Objective	Description
Manufacturing and Facilities	Continue to develop world class manufacturing facilities.
Corporate and Social Responsibility	Delivery of our corporate and social responsibility strategy including the continued drive to improve the safety performance of the group.
Material cost management	Leverage global supply chain.
IT	Commence roll out of the global management system solution for the sales and service offices.

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Summary of Business Opportunities



- International presence
- New products 2011/2012
- Increased acquisition activity
- Operational efficiencies
- Rotork Site Services
- Market growth

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Outlook Statement




The long-term growth prospects continue to be positive for Rotork as we benefit from infrastructure investment in both new and existing plant. The need for automation is increasing as our customers drive plant safety improvements through their organisations and seek greater operating efficiencies.

Our wide geographic presence, especially in the countries experiencing the greatest growth in demand, the breadth of our product portfolio and strength of our customer relationships, puts us in a strong position to benefit from a continued increase in business activity.

Following several years of favourable movements in foreign exchange, currency may provide a headwind in the current year. However, the current order book and market activity support the Board's expectation of making further progress in 2011.

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Appendix

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Appendix - Adjusted Operating Profit by Segment

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£'000	2010	2010	2010 Adjusted	2009	2009	2009 Adjusted	% increase
	As reported	Adjustments		As reported	Adjustments		
Controls	78,786	-	78,786	72,620	(587)	72,033	9.4
Fluid Systems	13,252	1,659	14,911	14,220	1,093	15,313	-2.6
Gears	9,102	59	9,161	8,026	60	8,086	13.3
Unallocated costs	(3,416)	-	(3,416)	(3,329)	-	(3,329)	-2.6
Total	97,724	1,718	99,442	91,537	566	92,103	8.0

Adjustment details:

£'000	2010	2009
Intangible amortisation	1,718	1,153
Property disposal	-	(587)
Total adjustments	1,718	566

Adjustments to Profit before tax are the same as those to operating profit.

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Appendix - Adjusted Operating Profit



Adjusted Operating Profit to Revenue

%	2010	2009
Controls	32.4	31.7
Fluid Systems	14.0	15.4
Gears	23.4	22.0
Group	26.1	26.1

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Appendix - Cash Flow Statement - Inflows



	2010 £000	2010 £000	2009 £000	2009 £000
Profit for the Year	69,521		64,032	
Financial income	(6,931)		(5,784)	
Financial expenses	6,800		6,405	
Income tax expense	28,334		26,884	
Operating profit		97,724		91,537
Interest received	483		270	
Sale of fixed assets	154		908	
Issue of ordinary share capital	360		371	
Other cash inflows	997		1,549	
Amortisation of intangibles	1,718		1,153	
Amortisation of development costs	639		402	
Depreciation	3,972		3,549	
Equity settled share based payment expense	1,086		872	
Profit on sale of fixed assets	(12)		(598)	
Effect of exchange rate fluctuations	1,163		(5,914)	
Other non - cash items	8,566		(536)	
Interest paid	(88)		(175)	
Difference between pension charge and cash	(844)		(1,350)	
Development costs capitalised	(1,018)		(768)	
Movement in borrowings	(464)		(27)	
Repayment of finance leases	(102)		(94)	
Purchase of own share capital	(2,876)		(3,700)	
Purchase preference shares	(4)		-	
Other cash outflows	(5,396)		(6,114)	
Other net movements		4,167		(5,101)
Carried forward onto next page		101,891		86,436

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	2010 £000	2010 £000	2009 £000	2009 £000
Appendix -				
Cash Flow Statement - Outflows				
Brought forward from previous page		101,891		86,436
Inventories	489		9,680	
Trade and other receivables	(14,503)		5,967	
Trade and other payables	3,189		(4,032)	
Provisions	385		(257)	
Employee benefits	507		272	
Working capital movements		(9,933)		11,630
Taxation		(26,186)		(27,548)
Capital expenditure (inc intangible)		(5,034)		(4,238)
Acquisitions		(5,621)		(4,892)
Dividends		(35,912)		(24,102)
		19,205		37,286
Opening cash		78,676		41,390
Closing cash		97,881		78,676


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