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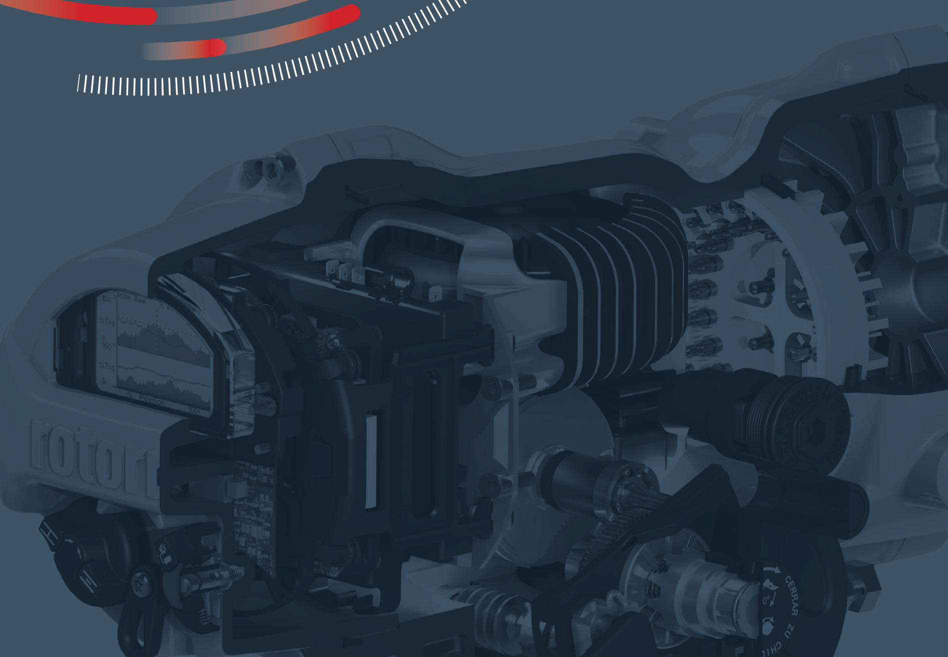
Keeping the World Flowing

BUILDING A BOLD AND SUSTAINABLE FUTURE



2018 HALF YEAR RESULTS
7 AUGUST 2018

PRESENTED BY:
CHAIRMAN – MARTIN LAMB
CHIEF EXECUTIVE – KEVIN HOSTETLER
FINANCE DIRECTOR – JONATHAN DAVIS

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Keeping the World Flowing

BUILDING A BOLD AND SUSTAINABLE FUTURE

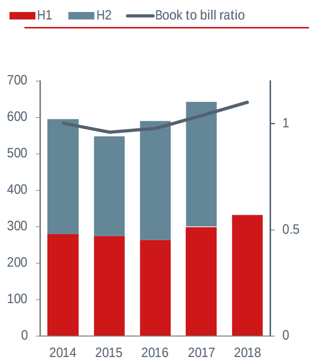
INTERIM RESULTS PRESENTATION
AUGUST 2018
KEVIN HOSTETLER, CHIEF EXECUTIVE | JONATHAN DAVIS, FINANCE DIRECTOR

HIGHLIGHTS

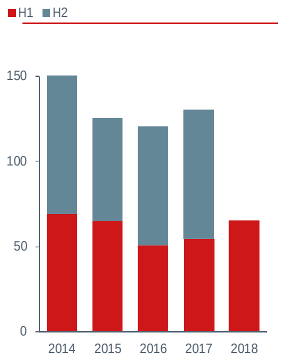
PERFORMANCE

- Market outlook remains positive
- Strong order intake, +13.3% OCC
- Revenue growth +14.8% OCC
- Adjusted operating margin improvement, +160bps
- Growth acceleration plan
  - Review phase complete
  - Transitioning to implementation phase

REVENUE £M



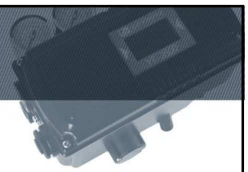
ADJUSTED OPERATING PROFIT £M



FINANCIAL AND OPERATING REVIEW

PRESENTED BY
JONATHAN DAVIS
FINANCE DIRECTOR

FINANCIAL REVIEW



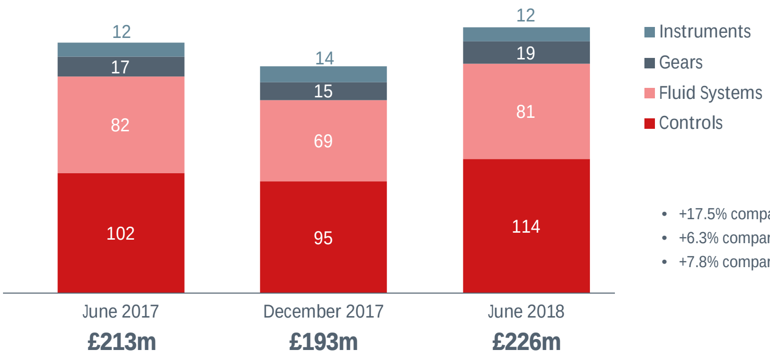
- Second quarter ahead of strong comparatives
- H1 currency impact ~4% headwind to order intake, revenue and operating profit

	H1 2018	H1 2017	%	OCC[1] %
Order Intake	364.7	334.2	+9.1%	+13.3%
Order Book	226.2	212.8	+6.3%	+7.8%
Revenue	331.0	299.7	+10.4%	+14.8%
Adjusted[2] Operating Profit	65.4	54.4	+20.2%	+25.1%
Adjusted[2] Operating Margin	19.8%	18.2%	+160bps	+160bps
Adjusted[2] EPS	5.6p	4.4p	+27.0%	+32.3%
Half Year Dividend	2.20p	2.05p	+7.3%	

Note:
[1] OCC results exclude acquisitions and are restated at 2017 exchange rates
[2] Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

ORDER BOOK

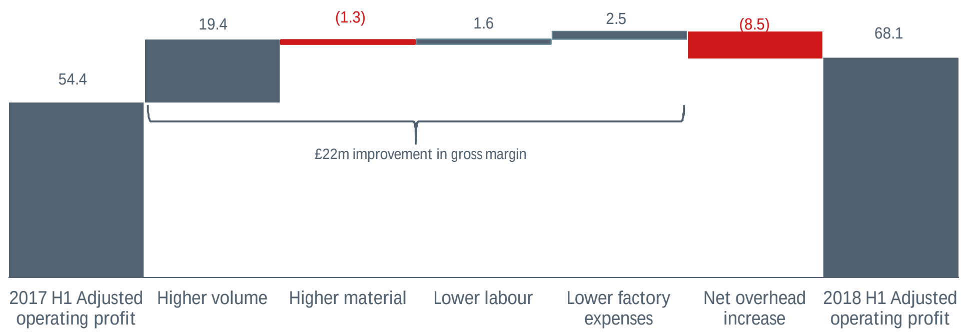
£M



- +17.5% compared with December 2017
- +6.3% compared with June 2017
- +7.8% compared with June 2017 OCC basis

OCC[1] ADJUSTED[2] OPERATING PROFIT BRIDGE

£M



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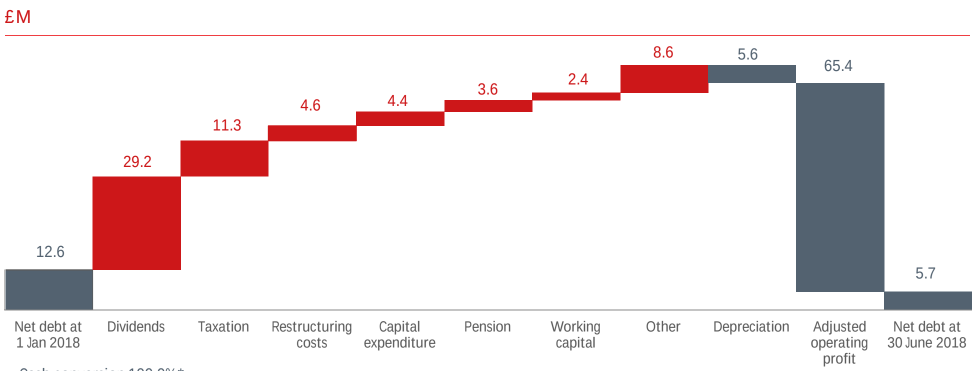
CASH FLOWS



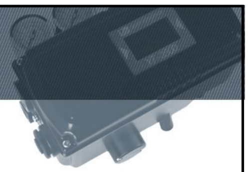
- Cash conversion 100.0%*
- Capex in second half ~£10m

Note:
*calculated as cash flow from operating activities before tax outflows, payments of restructuring costs and the pension charge to cash adjustment as a percentage of adjusted operating profit

BALANCE SHEET

£M	June 2018	December 2017	June 2017
Total assets	**736.4**	738.6	755.2
Total liabilities	**(262.9)**	(281.4)	(297.7)
Equity	**473.5**	457.2	457.5
Net working capital	**192.2**	188.3	175.9
Pension deficit	**32.8**	48.2	45.3
Net debt	**5.7**	12.6	47.1
Net debt/EBITDA	**<0.1x**	<0.1x	0.4x
ROCE	**27%**	25%	23%

ADJUSTMENTS TO PROFIT



- H1 spend in line with guidance, a similar run-rate to H2 2017 (£5.4m)
- Restructuring costs include
  - Consultancy costs associated with the strategic review
  - Asset write-offs associated with operational footprint workstream
- H2 2018 spend at similar run-rate to H1

£M	H1 2018	H1 2017
Adjustments:		
Release of contingent consideration	-	(10.0)
Restructuring costs	5.5	-
Closure of UK DB pension scheme to future accrual	(5.8)	-
	(0.3)	(10.0)
Amortisation of acquired intangible assets	9.9	13.1
Amortisation of acquired intangible assets and adjustments	9.6	3.1

Note:
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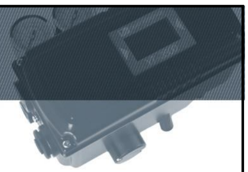
GUIDANCE



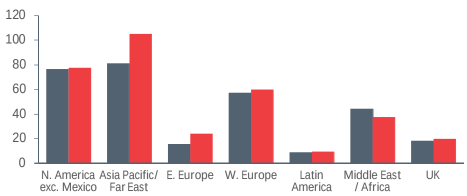
Phasing	• Revenue less H2 weighted than 2017
Overhead growth	• Phasing of increase in H1 lagged guidance given in March of £10m FY • Overall annualised spend target remains unchanged so will increase in H2
Cost savings programmes	• Travel, insurance, components from late Q4 • Business sale / closure savings ~£1m in H2
Adjusted operating margin	• Slightly ahead of prior year
Tax rate	• Effective tax rate on adjusted operating profit for 2018 ~24%, ~100bps lower than 2017
FX sensitivity	• At current rates now 3% full year headwind to revenue and profits

GROUP REVENUE

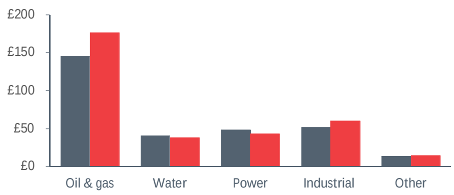
- Revenue increased across all divisions
- Strongest growth in Downstream
- Water and Power both lower
- Good growth in Industrial Process
- All regions up except Middle East

Oil and gas	H1 2017	H1 2018
Upstream	17%	**17%**
Midstream	11%	**9%**
Downstream	21%	**27%**
Contribution to Revenue	49%	**53%**

END DESTINATION H1 (£M)



END USER MARKET H1 (£M)

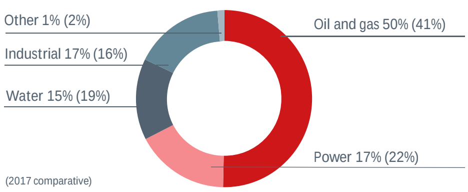


CONTROLS

£M	H1 2018	H1 2017	Change	OCC[1] Change
Order intake	**182.8**	164.7	+11.0%	+16.0%
Revenue	**163.6**	151.1	+8.3%	+13.4%
Gross margin	**51.9%**	51.4%	+50bps	-30bps
Operating profit[2]	**45.2**	40.0	+13.2%	+17.1%
Operating margin[2]	**27.6%**	26.4%	+120bps	+90bps

- Growth driven by downstream Oil and Gas in the Far East and North America
- Power and Water declined
- Growth in HVAC and Industrial Process

END USER MARKET



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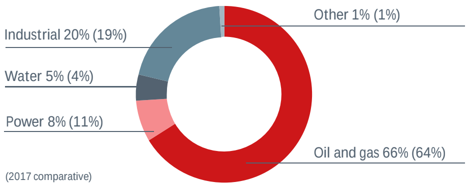
FLUID SYSTEMS

£M	H1 2018	H1 2017	Change	OCC[1] Change
Order intake	**91.7**	82.6	+11.0%	+14.7%
Revenue	**79.4**	68.1	+16.6%	+20.6%
Gross margin	**31.4%**	27.2%	+420bps	+410bps
Operating profit[2]	**5.9**	1.1	+432.5%	+464.1%
Operating margin[2]	**7.4%**	1.6%	+580bps	+590bps

- Division with highest exposure to Oil and Gas
- Growth in upstream and downstream in Europe, Far East and North America
- Improvement in Industrial Processes in Europe

END USER MARKET



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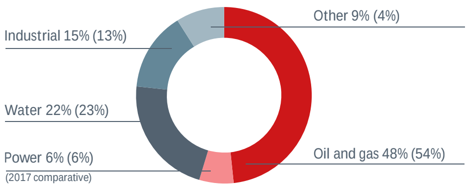
GEARS

£M	H1 2018	H1 2017	Change	OCC[1] Change
Order intake	**46.1**	45.4	+1.7%	+4.2%
Revenue	**41.7**	40.3	+3.7%	+6.1%
Gross margin	**34.0%**	33.4%	+60bps	+80bps
Operating profit[2]	**7.9**	6.3	+25.1%	+29.4%
Operating margin[2]	**18.9%**	15.7%	+320bps	+340bps

- Prior year impacted by integration of Mastergear
- Modest increases across all end markets except oil & gas
- Geographies all positive apart from Europe

END USER MARKET



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INSTRUMENTS

£M	H1 2018	H1 2017	Change	OCC[1] Change
Order intake	**52.4**	51.0	+2.8%	+5.4%
Revenue	**54.5**	48.6	+12.2%	+14.9%
Gross margin	**44.0%**	43.4%	+60bps	+100bps
Operating profit[2]	**11.7**	10.0	+17.0%	+21.8%
Operating margin[2]	**21.4%**	20.5%	+90bps	+130bps

- Growth across Oil and Gas and Industrial Process markets
- Increases across all other end markets
- Increases across all geographies except the Middle East

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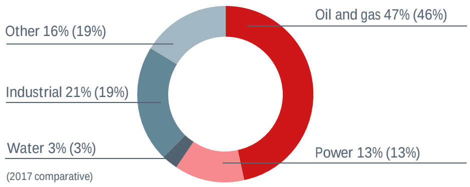
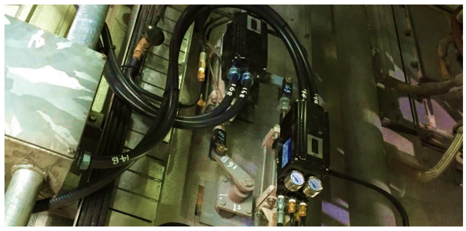
END USER MARKET





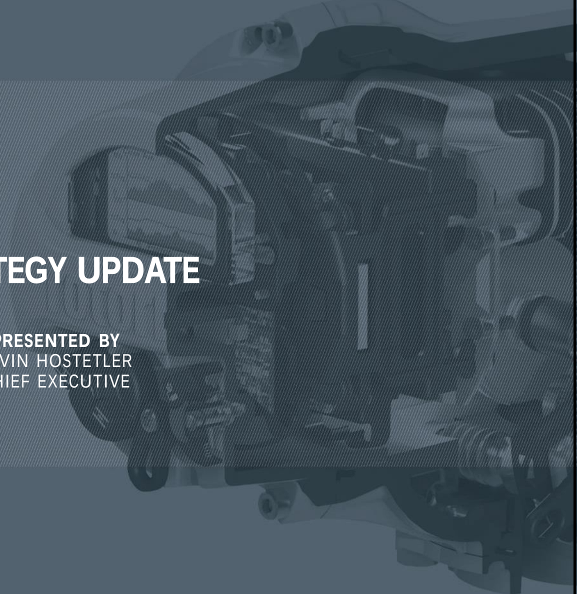
SITE SERVICES

H1 2018 ACTIVITY

- 26 more qualified service engineers
- 185,000 actuators under some form of maintenance agreement

OPPORTUNITIES

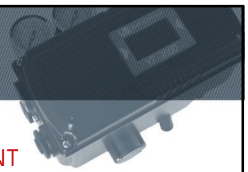
- Client Support Programme
- Intelligent Asset Management
- Strengthening global presence



STRATEGY UPDATE

PRESENTED BY
KEVIN HOSTETLER
CHIEF EXECUTIVE

KEY IMPRESSIONS



STRONG FUNDAMENTALS…

- Strong Margins (> 20%)
- Strong ROCE
- Strong balance sheet
- Loyal and dedicated workforce
- Exceptional brand recognition and reputation
- Product quality and reliability
- Breadth and depth of sales team
- Differentiating field service capabilities

…BUT ROOM FOR IMPROVEMENT

- In some cases, it's not easy doing business with Rotork
  - Quote turnaround times
  - On-time delivery
  - Client communications
- Complex structure and cumbersome processes
- Operational improvement opportunities
- Underleveraged/underdeveloped supply chain
- Required investment in training and development of our people
- Initiatives are classified as:
  - Sand – easier and quicker to execute, fewer layers of approval, many in number
  - Pebbles – medium scale initiatives requiring inter-business or inter-discipline cooperation
  - Boulders – larger, more complex initiatives

Next 18 Months Focus

GROWTH ACCELERATION PROGRAMME

Now defined in 4 Pillars coupled with an underlying Strategy, Portfolio and Product-line assessment

1 Commercial Excellence
- Channel optimization – shifting to end-market orientation
- Key account and end-user focus
- Innovation & NPD
- Services expansion

2 Operational Excellence
- Targeted manufacturing improvements
- Supply chain globalization
- Footprint optimization

3 Talent Acquisition & Development
- Internalizing our talent review process
- Aligning our strategy, behaviours, and rewards systems
- Re-defining our Rotork culture

4 IT & Core Business Processes
- Improving and standardizing core business processes enabling back office leverage
- IT/Systems enhancements
- Emphasizing operating efficiencies

Strategy, Portfolio, and Product Line Assessment
Simplifying our core business and preparing for acceleration

Growth *Margin Enhancement* *Key Enablers*

GROWTH ACCELERATION PROGRAMME

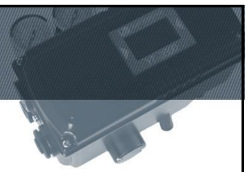
1 Commercial Excellence

ROUTE TO MARKET & SERVICE EXPANSION
- Phased transition from product to market segment orientation
- Re-allocation of resources towards higher growth markets and geographies
- Working directly with end users and targeted key accounts
- Refreshed focus on channel partners and ease of doing business
- Leveraging our installed base through continued expansion of our service programs

INNOVATION & NEW PRODUCT DEVELOPMENT
- Framework for analysing ongoing and new opportunities
- Assessment of required engineering competencies
- Plan to strengthen competencies through building, partnering or acquiring
- Innovation focus on key market drivers of lower energy consumption, reduced emissions, increasing operating efficiencies and advanced and secure communications protocols

H2-2018 KEY ACTIONS
- Leverage key account management structure
- Phasing in of revised market facing organisation structure
- Continued focused services growth (NA, Middle East and Asia)
- Appointment of Group Strategy and M&A resource

GROWTH ACCELERATION PROGRAMME



2 Operational Excellence

OPERATIONAL IMPROVEMENTS & FOOTPRINT RATIONALIZATION

- Performance improvements initiated – Bath, Lucca, Manchester, Rotork China, Rotork India, Rochester, Houston, Leeds and Winston-Salem
- Developing mixed-model lean approach to be implemented consistently across the Group with phased rollout across remaining sites
- Standardized operational KPIs launched company-wide
- Delivering results and driving a new culture of Continuous Improvement
- Footprint assessed, clear opportunities for reduction in footprint, details to be announced as appropriate

H2-2018 KEY ACTIONS

- Deployment of one Rotork lean model
- Targeted "Big 9" site improvements
- Initiating small facility consolidations
- Full deployment of centralized procurement team and "Wave 2" execution

SUPPLY CHAIN

- Reviews completed across range of categories
- Wave 1 (Test) categories completed
  - Included travel, insurance, supply of certain electronic components
- Investment in centralised procurement team
- Wave 2 categories commencing

GROWTH ACCELERATION PROGRAMME

3 Talent Acquisition & Development

GLOBAL TALENT DEVELOPMENT

- Phase 1 completed - assessed development needs of a cross section of senior leaders throughout our organization (~140)
- Internalizing a robust talent review process
- New training and development suite being constructed
- Driving a stronger linkage between strategy, behaviours, and rewards system

H2-2018 KEY ACTIONS

- Internalizing our talent review process
- Onboarding of our Talent Acquisition and Development Manager
- Establish change management & communication programme
- Revised performance management system

4 IT & Core Business Processes

IT / SYSTEMS

- Current framework mapped and understood
- Requirements driven by route to market, operations workstreams and customer feedback
- Confirmed use of current system with modifications in certain areas
- Phased rollout plan beginning with Business Intelligence Platform (BI) launch by end of year

H2-2018 KEY ACTIONS

- Group-wide BI dashboards (KPIs with drill-downs to root cause)
- Value-Stream Mapping front-end process through to production hand-off

GROWTH ACCELERATION PROGRAMME

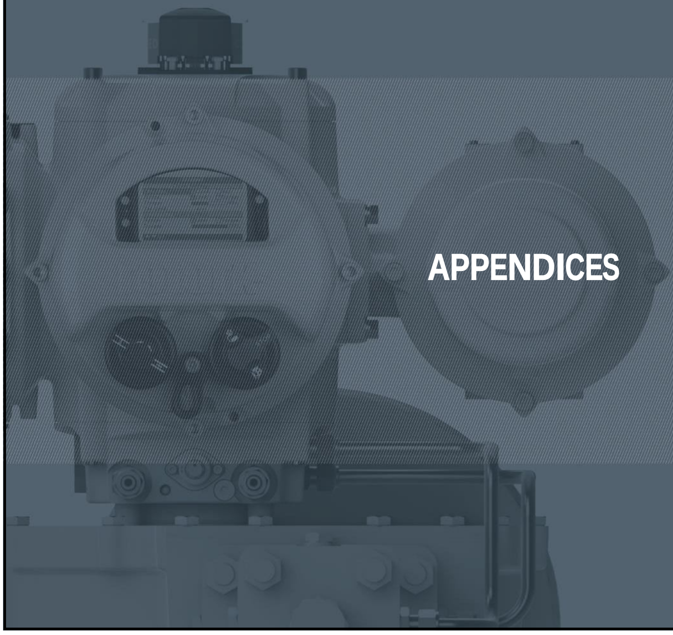
Strategy, Portfolio, and Product Line Assessment
Simplifying our core business and preparing for acceleration

PORTFOLIO AND PRODUCT LINE RATIONALIZATION

- Exit/discontinuance of three businesses within the portfolio
  - Nuclear island actuators
  - US and UK Valvekits
  - Regional engineering centre
- Announced the discontinuance of over 15 product lines – largely superseded by newer generation products

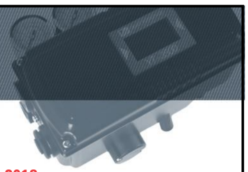
OUTLOOK

- End markets remain strong
- Growth acceleration programme moving to execution phase
- Management expectations for OCC growth are unchanged
- Adjusted operating margins slightly ahead of the prior year



APPENDICES

ANALYSIS OF MOVEMENTS



£M	2018 at OCC[1]	Acqn. benefit	2018 at 2017 Rates	FX	2018 as Reported	2017
Order intake	**378.7**	-	**378.7**	(14.0)	**364.7**	334.2
	+13.3%	-		-4.2%	+9.1%	
Revenue	**344.1**	-	**344.1**	(13.1)	**331.0**	299.7
	+14.8%	-		-4.4%	+10.4%	
Adjusted[2] operating profit	**68.1**	-	**68.1**	(2.7)	**65.4**	54.4
	+25.1%	-		-4.9%	+20.2%	
Adjusted[2] operating margin	**19.8%**	-	**19.8%**	-	**19.8%**	18.2%
	+160 bps	-		-	+160 bps	

- Revenue split 36% US$, 26% Euro, 11% GBP and 27% other currencies
- Adjustments relate to intangible amortisation of £9.9m (H1 2017: £13.1m), restructuring costs of £5.5m (H1 2017: nil), a £5.8m credit resulting from the closure of the UK defined benefit scheme to future accrual (H1 2017: nil) and a release of Bifold contingent consideration provision of £10.0m in H1 2017.

Note:
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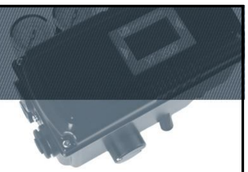
CONSTANT CURRENCY ANALYSIS



£M	H1 2018 as Reported		Adjust to CC	2018 at 2017 rates		Remove Acqn.	H1 2018 at OCC[1]		H1 2017	
Revenue	331.0		13.1	344.1		-	344.1		299.7	
Cost of Sales	(183.0)		(8.4)	(191.4)		-	(191.4)		(169.0)	
Gross Profit	148.0	44.7%	4.7	152.7	44.4%	-	152.7	44.4%	130.7	43.6%
Overheads	(82.6)	25.0%	(2.0)	(84.6)	24.6%	-	(84.6)	24.6%	(76.3)	25.5%
Adjusted[2] operating profit	**65.4**	**19.8%**	**2.7**	**68.1**	**19.8%**	**-**	**68.1**	**19.8%**	**54.4**	**18.2%**

- OCC[1] gross margins increased
- OCC[1] overheads decreased 90 bps
- OCC[1] net margin 160 bps higher

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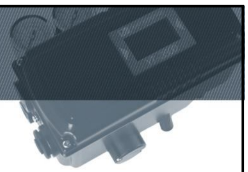
ADJUSTED OPERATING MARGINS



£M	H1 2018	H1 2018 OCC[1]	H1 2017	FY 2017
Controls	27.6%	27.3%	26.4%	28.6%
Fluid Systems	7.4%	7.5%	1.6%	6.0%
Gears	18.9%	19.1%	15.7%	18.7%
Instruments	21.4%	21.8%	20.5%	20.3%
Group	**19.8%**	**19.8%**	**18.2%**	**20.3%**

Note:
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[2] Adjusted figures exclude the amortisation of acquired intangible assets and adjustment for contingent consideration

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EARNINGS PER SHARE

£M	2018	2017	Change
PBT as reported (£m)	**54.7**	**48.8**	12.1%
Adjusted[2] PBT (£m)	**64.3**	**52.0**	23.8%
Effective tax rate	**24.7%**	**23.6%**	
Adjusted effective tax rate	**24.3%**	**25.9%**	
Basic EPS as reported	**4.7p**	**4.3p**	10.3%
Adjusted[2] basic EPS	**5.6p**	**4.4p**	27.0%

- Net finance expenses £1.1m (H1 2017: £2.5m)
  - Decrease due to lower foreign exchange loss and decrease in loan interest

Note:
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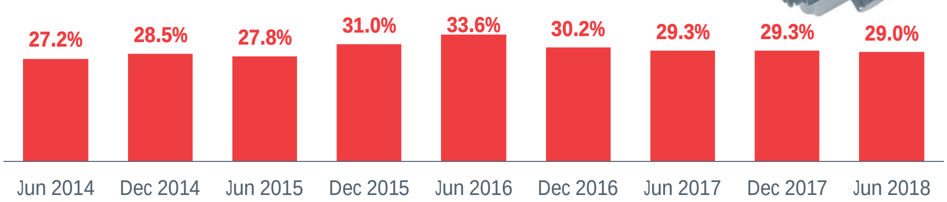
WORKING CAPITAL



£M	Dec 2017	% Revenue	June 2018 OCC[1]	% Revenue	June 2018	% Revenue
Inventory	**91.9**	14.3%	**101.8**	14.9%	**101.6**	15.3%
Trade Receivables	**145.6**	22.7% (63 D.S.O.)	**143.2**	21.0% (65 D.S.O.)	**142.7**	21.5% (66 D.S.O.)
Trade Payables	**(49.2)**	7.7%	**(52.2)**	7.6%	**(52.1)**	7.9%
Net Working Capital	**188.3**	29.3%	**192.8**	28.2%	**192.2**	29.0%

Note:
[1] OCC results exclude acquisitions and are restated at Dec 2017 exchange rates

EXCHANGE RATES

	US$	Euro
Average rates		
H1 2017	1.26	1.16
H2 2017	1.32	1.12
Full Year 2017	1.29	1.14
H1 2018	1.38	1.14
+ = GBP STRENGTHENING / - = GBP WEAKENING		
H1 2018 v H1 2017	+10%	-2%
H1 2018 v FY 2017	+7%	0%
Period end rates		
June 2017	1.30	1.14
December 2017	1.35	1.13
June 2018	1.32	1.13
+ = GBP STRENGTHENING / - = GBP WEAKENING		
June 2018 v December 2017	-2%	0%

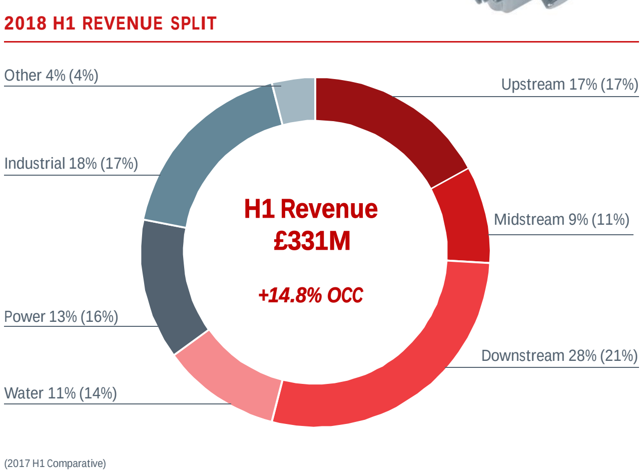
DIVIDENDS

Core Dividend	Month Paid / Payable	Amount (pence)	Cost (£m)
2016 Final	May 2017	3.15p	27.4
2017 Interim	September 2017	2.05p	17.8
Paid in 2017		5.20p	45.2
2017 Final	May 2018	3.35p	29.2
2018 Interim	September 2018	2.20p	19.1
Payable in 2018		5.55p	48.3

- 2018 interim dividend increased by 7.3% to 2.20 pence
- Dividend cover 1.7 times on H1 results

MARKET ENVIRONMENT

- Order intake up driven by a return to normalized maintenance spending and an improvement in larger projects release
- We experienced moderate growth in upstream and significant growth in our downstream markets.
- Midstream growth in Asia and the Middle East was offset by declines in the Americas and Western Europe.
- Growth in industrial process markets, water and power remain flat to slightly down
- Growth in Asia and Eastern Europe, while the Americas are up slightly and the Middle East down slightly from prior year



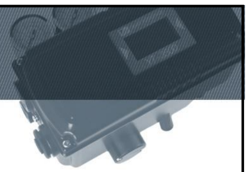
REVENUE ANALYSIS

By division (%)	Controls	Fluid Systems	Gears	Instruments	Total
H1 2018	**49.4**	**24.0**	**11.0**	**15.6**	**100.0**
H1 2017	50.4	22.7	11.7	15.2	100.0

By end user market (%)	Oil & Gas	Power	Water	Industrial	Other	Total
H1 2018	**53.3**	**13.0**	**11.4**	**18.0**	**4.3**	**100.0**
H1 2017	48.5	16.2	13.6	17.2	4.5	100.0

By end destination (%)	Asia Pac / Far East	Europe	Middle East / Africa	N. America exc. Mexico	UK	Eastern Europe	Latin America
H1 2018	**31.6**	**18.0**	**11.2**	**23.5**	**5.9**	**7.1**	**2.7**
H1 2017	27.0	19.0	14.7	25.3	6.0	5.2	2.8

DISCLAIMER



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