



Rotork plc

2022 Half Year Results

Encouraging momentum, outlook confirmed

Adjusted highlights	H1 2022	H1 2021 ⁵	% change	OCC ³ % change
Order intake ¹	£340.1m	£298.2m	+14.0%	+12.1%
Revenue	£280.0m	£288.3m	-2.9%	-4.8%
Adjusted ² operating profit	£53.3m	£62.7m	-15.0%	-17.9%
Adjusted ² operating margin	19.0%	21.8%	-280bps	-300bps
Adjusted ² basic earnings per share	4.8p	5.5p	-12.7%	-15.9%
Cash conversion ⁴	68%	94%	-	-
Statutory highlights	H1 2022	H1 2021 ⁵	% change	
Revenue	£280.0m	£288.3m	-2.9%	
Operating profit	£44.0m	£50.6m	-12.9%	
Operating margin	15.7%	17.5%	-180bps	
Profit before tax	£44.6m	£50.7m	-12.0%	
Basic earnings per share	3.9p	4.4p	-11.4%	
Interim dividend	2.40p	2.35p	+2.1%	

Summary

- Orders were up double-digit year-on-year, reflecting an encouraging performance from our Chemical, Process & Industrial and Oil & Gas divisions and price increases which were successfully implemented in January and May
- Our supply chain improvement initiatives are taking effect and deliveries picked up through the period. First half revenues were lower year-on-year as expected due to supply chain challenges in the first quarter
- Our Shanghai site resumed full operation in early June following the COVID-19 lockdown and made good progress delivering delayed shipments to customers
- Adjusted operating profit margin remained resilient at 19.0% despite lower volumes and the phasing of price benefit due to the record order book. Statutory operating margin was 15.7%
- Net cash of £90.4m (December 2021: £114.1m), lower in part due to strategic inventory build
- We reaffirmed our commitment to improving our ESG performance in our Sustainability Report and highlighted how our products and services can enable a sustainable future
- Our continuing work on strategy confirms we are well placed to deliver on our ambition of mid to high single-digit revenue growth and mid 20s adjusted operating profit margins over time

Kiet Huynh, Chief Executive, commenting on the results, said:

“We enter the second half with encouraging momentum, a record order book, and with our supply chain improvement actions taking effect. Whilst forecasting remains challenging due to geopolitical and macroeconomic uncertainties we continue to expect our full year results will have a greater than

usual weighting to the second half, which will be even more pronounced than our previous expectations if recent sterling weakness continues.

Since presenting my first set of results in March I have spent time, together with my senior team, determining how we will deliver on our growth ambition. Our progress to date confirms that we are well positioned to deliver profitable growth. To summarise our thinking on strategy, we will target the segments which offer the greatest opportunities for profitable growth, including those which form part of our eco-transition portfolio, whilst making ourselves as easy to do business with as we can be. We will expand on these themes at our Capital Markets Event in November.”

¹Order intake represents the value of orders received during the period.

²Adjusted⁴ figures exclude the amortisation of acquired intangible assets, restructuring costs and other adjustments (see note 4).

³OCC⁴ is organic constant currency results excluding discontinued businesses and restated at 2021 exchange rates.

⁴Adjusted figures, organic constant currency (“OCC”) figures, cash conversion and ROCE are alternative performance measures and are used consistently throughout these results. They are defined in full and reconciled to the statutory measures in note 2.

⁵As a result of IFRIC agenda guidance in April 2021 on Software as a Service (SaaS) and treatment under IAS38, 2021 has been restated to reflect the updated treatment. The detail on this restatement can be found in note 1.

Rotork plc

Tel: +44 (0)1225 733 200

Kiet Huynh, Chief Executive

Jonathan Davis, Finance Director

Andrew Carter, Investor Relations Director

FTI Consulting

Tel: + 44 (0)20 3727 1340

Nick Hasell / Susanne Yule

There will be a meeting for analysts and institutional investors at 8.30am BST today in the Library at the offices of JPMorgan Cazenove, 60 Victoria Embankment, London, EC4Y 0JP. The presentation will also be webcast, with access via <https://www.investis-live.com/rotork/62cec73f299ad30e007a93d2/eabwq>. Please join the meeting a few minutes before 8.30am to complete registration.

Summary

Purpose

Our purpose and sustainability vision are one and the same: keeping the world flowing for future generations. We play an integral role in enabling the transition to a low-carbon economy as well as helping preserve natural resources such as fresh water through our intelligent products and services.

Operating responsibly

The wellbeing of our people and partners is the number one priority of everyone at Rotork. We are proud of our 'safety first' culture and require our employees to complete safety training each year. We launched our Net Zero targets earlier this year and are working hard to achieve our emissions reduction targets.

Business performance

Group order intake in the period increased 14.0% year-on-year, and 12.1% on an OCC basis, to £340.1m. Orders were strongly ahead at both Chemical, Process & Industrial ("CPI") and Oil & Gas. Water & Power orders were modestly higher despite a tough prior year comparison.

During the period customers continued to spend on upgrade, refurbishment and maintenance as well as automation, electrification and environmental projects. Hydrocarbon prices rose to levels not experienced since 2012 reflecting recovering demand, earlier underinvestment and geopolitical events which have disrupted energy supplies. These events have necessitated a reconsideration of energy security risks globally and there are clear signs of a recovery in related project activity, particularly in the midstream sector. Higher energy prices have contributed to inflation increasing to levels not seen in decades. The resulting pressure on the consumer has caused economists to reduce their forecasts for global growth materially.

The majority of Rotork's activity continues to be driven by customers' operational rather than capital expenditure. We estimate that maintenance, repair and small to mid-sized automation/upgrade projects (individual orders less than £100k) generate 75% of Group orders by value in a typical year, and that orders above £1m represent only 5% of Group order intake.

Our operational teams performed well in what continued to be a challenging environment. As we reported on 29 April, our important Shanghai facility was closed in accordance with local COVID-19 lockdown rules in mid-April. The facility resumed full production in June and made good progress delivering delayed shipments to customers. We thank our team for their efforts during this difficult time.

The COVID-19 pandemic continues to pose significant challenges for global supply chains. During the period we continued to see shortages of semiconductors, electronics and other components, disrupted freight services and elevated costs. Labour rates were higher and we also experienced an increase in the cost of key commodities such as copper, aluminium and steel.

Our self-help initiatives – such as direct purchasing and forward buying of semiconductor chips, the re-certification and re-engineering of products, the securing of contracted logistics routes and tactical inventory build – have started to offset supply chain challenges. Our Global Strategic Sourcing and Global Distribution teams continue to focus on mitigating the impact of higher costs through working with our materials and logistics suppliers. Our Commercial teams remain in close contact with customers, so required price increases are understood and do not come as a surprise. We completed two price increases in the period, one on 1 January, and the other on 1 May, which will deliver greater benefit to revenue in the second half of the year. The delay in price increases impacting revenue due to the record order book also means we saw a price/mix headwind in the first half.

Group revenue was 2.9% lower year-on-year (OCC: -4.8%) at £280.0m with higher price realisation and favourable currency translation more than offset by reduced volumes. The lower deliveries reflected component availability and logistics challenges and the cessation of deliveries to Russia. CPI revenue was ahead double digits, with all three

sectors up year-on-year. Oil & Gas sales were down mid-single digits. Water & Power revenues were down double-digits, particularly impacted by semiconductor shortages.

By geography, Asia Pacific revenues by destination were unchanged year-on-year. Europe, Middle East & Africa (“EMEA”) sales were lower, the result of a significant reduction in activity at Oil & Gas. Americas revenues were ahead, with higher Oil & Gas activity more than offsetting a decline at Water & Power.

Rotork Site Services, our global service network and a key differentiator in our industry, made good progress in the period. Sales were broadly unchanged year-on-year despite disruption due to supply chain issues. Rotork Site Services is managed as a separate unit within Rotork’s divisions and continues to contribute a significant proportion of Group sales (19% in the period).

Adjusted operating profit was 15.0% lower year-on-year (17.9% OCC) reflecting lower volumes and higher materials and labour costs which more than offset increased sales prices and Growth Acceleration Programme savings. Adjusted operating margins were 280 basis points lower at 19.0%.

Return on capital employed was 27.0% (H1 2021: 32.9%), driven by lower operating profit and higher capital employed. Cash conversion was 68% (H1 2021: 94%) reflecting the lower working capital position at the start of this year, the investment in tactical inventory and the phasing of sales activity within the second quarter.

Our balance sheet remains strong, with a net cash position of £90.4m at the period end (December 31: £114.1m). This provides us with optionality in uncertain times and the financial flexibility to implement our organic investment plans, pay a progressive dividend and execute our targeted M&A strategy. We regularly review our capital needs and in the event in the future we determine we have surplus cash, we will look to return it to shareholders.

Dividend

We recognise the importance of a growing dividend to our shareholders and are committed to a progressive dividend policy subject to satisfying cash requirements, which can vary significantly from year to year. The Board is declaring an interim dividend of 2.4p per share which is equivalent to 2.0 times cover based on adjusted earnings per share. The interim dividend will be payable on 23 September 2022 to shareholders on the register on 19 August 2022.

Outlook

We enter the second half with good momentum, a record order book, and with our supply chain improvement actions taking effect. Whilst forecasting remains challenging due to geopolitical and macroeconomic uncertainties we continue to expect our full year results will have a greater than usual weighting to the second half, which will be even more pronounced than our previous expectations if recent sterling weakness continues.

Strategy update

During my first six months as CEO of Rotork I have spent time together with my senior team and the Board reviewing the Group's current shape and formulating our future strategy. Thanks to our Growth Acceleration Programme ("GAP") Rotork's current portfolio is well positioned for the future. GAP has enhanced many aspects of the business: our culture; our commercial front end; our product and services portfolio, our infrastructure and processes; our operations and supply chain. We continue to deliver GAP initiatives including supply chain consolidation, improving and standardising core business processes and continuing our IT development.

Our ambition remains to deliver mid to high single-digit revenue growth through a combination of organic growth and acquisitions and mid 20s adjusted operating margins over time. In delivering our growth ambition, we benefit from the industrial megatrends of automation, electrification and digitalisation. We aim to play our part in helping our customers better their own environmental performance, while at the same time working to improve our own environmental and social performance as well as those of our end users and our suppliers.

We look forward to sharing more detail on our strategy later in the year. Importantly our work to date has confirmed that we are well placed to deliver on our growth ambition. Our strategy will incorporate growth focused initiatives such as the targeting of high potential sectors, including those in our Eco-transition portfolio, greater customer value and the launching of new innovative products and services.

1) Target segments

Key to our thinking is the identification of segments within each of our divisions where we have the right to play and that we believe offer significant opportunities for profitable growth. The most important megatrends are:

- **Opportunities in developing markets.** Industry analysts forecast that more than half of global flow control spend over the next five years will occur in Asia Pacific.
- **Automation, energy efficiency and electrification.** AE&E are the three major megatrends of the industrial world and are forecast to accelerate.
- **Digitalisation and the industrial internet.** Digitalisation is transforming industry and condition monitoring and remote diagnostics are being embraced by more and more of our customers.
- **Infrastructure modernisation.** Global infrastructure investment and modernisation are forecast to grow significantly faster than GDP for decades.
- **Climate change aligned.** It is imperative that our target segments are aligned with our 'enabling a sustainable future' principle. We see significant opportunities in climate change mitigation and adaptation.

2) Customer value

Due to GAP's Commercial and Operational Excellence initiatives we have made good progress in becoming easier to do business with. We can, however, go further and put customer value front and centre of everything we do. We are looking at areas that leverage many of GAP's commercial and operational initiatives, such as:

- **Enhancing our go to market proposition.** Strengthening our relationships with end users and key EPCs, leveraging our earlier salesforce alignment work.
- **Global supply chain improvement.** Developing a supply chain programme which will optimise our transportation network and provide an earlier warning of parts shortages.
- **Customer experience improvement and reduced lead times.** Further streamlining our internal processes allowing us to quote more quickly and be more responsive to customer needs.
- **Leveraging our global service offering.** Identifying opportunities to expand our service footprint and our partner programme.

3) Innovative products and services

Innovation is the lifeblood of Rotork. Over the last several years we have brought our teams together and streamlined how we deliver innovation and new product development. Our teams are focused on projects aligned with our target segments and our 'enabling a sustainable future' principle. Key innovation drivers include electrification (electric alternatives to traditional actuation products), connectivity (wired and wireless communications), predictive analytics (and value-added services such as Lifetime Management) and product efficiency (including both energy consumption and in use GHG emissions). Our engineers remain focused on the affordability of our products and their ease of manufacture. We will continue to innovate and develop new products whilst always weighing 'make versus buy' arguments. Disciplined M&A will be one of the drivers of our growth.

We will provide a further update on each area at our Capital Markets Event in November.

Enabling a sustainable future

Managing Environmental, Social & Governance ("ESG") opportunities and risks is integrated throughout Rotork's business. We have worked hard to articulate our ambitions and underpin our approach, and in June we published our second annual Sustainability Report. In it we reaffirm our full commitment to improving our ESG performance in all areas and highlight the many ways Rotork's products and services can enable a sustainable future. Sustainability is core to our Purpose and a key part of our growth agenda.

- We have a major role to play in the new energies and technologies that will support the transition to a low-carbon economy. Our products and services have applications in the production of low- and no- carbon fuels such as hydrogen and in climate change mitigation technologies, such as carbon capture and storage, and helping customers to tackle methane emissions from their operations.
- Rotork's products and services also have applications in processes that help preserve natural resources such as fresh water, through leak reduction, water recovery, recycling and treatment. Our products are widely used elsewhere to manage water, including in flood protection and desalination.
- In addition, Rotork can support a broad spread of industries as they make greater use of automation, electrification and digitalisation to reduce the environmental impact of their operations, including through facilitating the use of renewable energy.

Key highlights from the report include:

- Our 'Eco-transition portfolio' of products and services, with examples of projects that Rotork is supporting in each of the three sub-portfolios: 'Methane emissions reduction', 'New energies & technologies' and 'Water and wastewater'. Case studies cover our role in global climate agreements, methane emission abatement, lithium production, low-carbon chemical production, hydrogen market opportunities, energy efficiency measures, and water management in desalination, water treatment and purification.
- Further progress in implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), including the outputs of our work to quantify the potential impacts of climate risks and opportunities.
- Our net-zero roadmap and science-based targets for scopes 1 & 2 and scope 3, and how these are being integrated into corporate strategy, new product development and our governance processes.
- Expanded disclosures on environmental, social and governance topics as part of our commitment to transparency and meeting the requirements of our stakeholders.
- Progress on our diversity and inclusion initiatives during the year, including refreshed schemes to develop young talent and our new 'women@rotork' initiative to support female talent.

- Continued good progress in Rotork's own ESG performance, including a reduction of 7% in carbon emissions and 17% in lost time injury rates, as well as achieving high rankings in key external ESG ratings.

Our 2021 Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. It also provides disclosures against the SASB (Sustainability Accounting Standards Board) framework. Alignment to these frameworks has been independently checked by Corporate Citizenship.

Divisional review

Oil & Gas

£m	H1 2022	H1 2021	Change	OCC Change
Revenue	122.3	129.6	-5.6%	-7.4%
Adjusted operating profit	23.6	26.9	-12.5%	-12.9%
Adjusted operating margin	19.3%	20.8%	-150bps	-130bps

During the first half, Oil & Gas experienced a continuation of the recovery in end markets which commenced in the second half of 2021. As hydrocarbon demand recovered to pre-Covid levels, customers increased their spending on upgrade, refurbishment and maintenance as well as automation, electrification and environmental projects. The conflict in the Ukraine saw hydrocarbon prices rise further to levels not experienced since 2008 and triggered an acceleration of large project planning and a reconsideration of global energy security risks. The outlook for oil & gas industry spending is positive for all three segments (upstream, midstream and downstream), with spend expected to grow over the medium term.

Divisional revenues fell 5.6% year-on-year (-7.4% OCC), reflecting supply chain challenges and our withdrawal from Russia. All three segments (upstream, midstream and downstream) reported lower sales. In EMEA, growth in Lifetime Management revenue was insufficient to offset these headwinds and the region reported the largest year-on-year decline in sales. Asia Pacific sales were lower, with a significant increase in upstream activity insufficient to offset a decrease in the downstream. Americas revenues were double digits ahead with both the downstream and the midstream ahead. Sales of our electric products into upstream wellhead applications grew.

Adjusted operating profits were £23.6m, 12.5% lower year-on-year (-12.9% OCC). The decline in profits reflected reduced volumes and higher component costs partly offset by efficiency savings. The benefit from increased selling prices was reduced by the relative size of the orderbook entering the period. Adjusted margins fell 150 basis points to 19.3%, reflecting the above factors plus a positive product mix.

We consider the energy transition to be a significant opportunity where Oil & Gas plays an important role. The production, distribution, and utilisation of low and zero carbon fuels (including hydrogen and biofuels such as HVO) is valve and actuator intensive. We have an important part to play in climate change mitigation technologies such as methane emissions reduction and carbon capture usage and storage. The focus on the oil & gas industry's methane emissions is high on the climate policy agenda. We believe that electrification has an important role to play in emissions reduction across upstream, midstream and downstream processes, and that as the world leader in electric actuation we are well placed to assist the industry on this journey. Gasification / fuel switching in the power generation sector in the US and Europe and in the residential and industrial sectors in Asia Pacific is expected to benefit the midstream sector.

Chemical, Process & Industrial (“CPI”)

£m	H1 2022	H1 2021	Change	OCC Change
Revenue	92.8	81.2	14.3%	12.4%
Adjusted operating profit	22.7	20.6	10.2%	10.4%
Adjusted operating margin	24.5%	25.4%	-90bps	-40bps

CPI delivered an encouraging performance in the first half. The division serves a broad range of end markets and has a higher proportion of short-cycle sales and a shorter order book than Rotork’s other divisions. CPI is benefiting from global growth as well as earlier GAP initiatives such as focusing on new opportunities in new markets including mining, hydrogen, semi-conductor, li-ion battery and data centres.

Revenues grew 12.4% year-on-year on an OCC basis demonstrating the benefits of the division’s strategic focus. Asia Pacific saw the strongest growth, with all segments well ahead of the prior period and instruments particularly strong. EMEA sales were ahead year-on-year with the chemical segment strong. Americas revenues were unchanged despite good growth in the mining market.

The process sector represents a substantial proportion of CPI overall. Process revenues were ahead in all geographic regions. EMEA saw particularly strong growth in the UK. In Asia Pacific, we continued to see strong demand from control valve OEMs in China. Americas process sales were slightly higher. Both chemical and industrial sector revenues were higher year-on-year.

The division’s adjusted operating profit was £22.7m, 10.2% up year-on-year. The shorter lead time nature of many CPI sales ensured price increases had the greatest benefit here and this was combined with volume growth. Despite operational gearing and efficiency improvements, higher component costs and a higher share of common costs as a result of the division’s growth resulted in a net decline in margins. Adjusted operating margins were 24.5%, 90bps lower year-on-year.

The decarbonisation trend presents a key opportunity for CPI – through new industrial processes such as hydrogen, carbon capture usage and storage and plastic recycling, as well as the substitution of high maintenance and inefficient pneumatic systems with electric actuators.

Water & Power

£m	H1 2022	H1 2021	Change	OCC Change
Revenue	64.9	77.5	-16.2%	-18.4%
Adjusted operating profit	13.4	21.0	-36.2%	-37.4%
Adjusted operating margin	20.7%	27.1%	-640bps	-630bps

Water & Power's products and services, and those of its customers, are generally considered essential, and customer activity largely continued without any significant disruption throughout the pandemic. The world's governments have identified water infrastructure investment as a priority, not only for population health and safety reasons but also for economic development and the division is well placed to support these efforts.

The division has the highest proportion of electric actuator sales amongst Rotork's divisions and was again the most impacted by electronics and semiconductor shortages and cost increases in the period. Revenues decreased 16.2% year-on-year (18.4% OCC) with lower sales in all geographic regions on an OCC basis reflecting component shortages and to a lesser extent the non-repeat of power sector project business in Asia Pacific and the Americas. Water and power segment sales were both lower in Asia Pacific. In the Americas, both segments reported a decline with power sales down the most due to a strong comparison. In EMEA, both segments saw sales reduce as a result of component shortages and logistics challenges. For the division overall, water sales were down mid-single digits year-on-year on an OCC basis.

The division's adjusted operating profits were £13.4m, 36.2% lower year-on-year. The two major power projects in the first half of 2021 combined with delays to deliveries of electric actuators have had a negative mix and operational gearing impact. Adjusted margins were 20.7%, down from 27.1% the prior year. The margin decline reflected the factors highlighted above together with the higher component costs noted across all divisions in respect of electric actuators.

We see significant growth opportunities in Water & Power driven by the water sector's need to achieve higher water quality standards, lower operational costs, reduce water leakage and increase the lifecycle of assets above- and under- ground. In power, our teams are targeting environmental opportunities such as waste-to-energy investments, flue-gas desulphurisation retrofits and seeking refurbishment opportunities within our large installed base.

Financial Key Performance Indicators (KPIs)

	H1 2022	H1 2021 (Restated) ⁵	FY 2021
Revenue growth	-2.9%	1.8%	-5.9%
Adjusted operating margin	19.0%	21.8%	22.5%
Cash conversion	68.1%	94.0%	108.0%
Return on capital employed	27.0%	32.9%	30.1%
Adjusted EPS growth	-12.7%	1.9%	-9.6%

The KPIs are defined below:

- Revenue growth is defined as the increase in revenue divided by prior period revenue.
- Adjusted operating margin is defined as adjusted operating profit as a percentage of revenue (note 2a).
- Cash conversion is defined as cash flow from operating activities before tax outflows, payments of restructuring charges and the pension charge to cash adjustment as a percentage of adjusted operating profit (note 2a).
- Return on capital employed is defined as adjusted operating profit as a percentage of average capital employed. Capital employed is defined as shareholders' funds less net cash held, with the pension fund surplus net of related deferred tax liability removed (note 2d).
- Adjusted EPS growth is defined as the increase/(decrease) in adjusted basic EPS (based on adjusted profit after tax) divided by the prior year adjusted basic EPS (note 2c).

Adjusted items

Adjusted profit measures are presented alongside statutory results as the directors believe they provide a useful comparison of business trends and performance from one period to the next.

The statutory profit measures are adjusted to exclude amortisation of acquired intangibles and other adjustments. Other adjustments to profit items may include but are not restricted to: costs of significant business restructuring, significant impairments of intangible or tangible assets, software as a service configuration costs and other items due to their significance, size or nature. The costs of ceasing operations in Russia and the impairment of the gross assets of the Russian entity have been recognised in other adjustments during the first half of 2022.

£m	Statutory results	Amortisation	Software as a Service	Russia market exit	Other Adjustments	Adjusted results
Operating profit	44.0	3.1	3.5	3.6	(0.9)	53.3
Profit before tax	44.6	3.1	3.5	3.6	(0.9)	53.9
Tax	(10.9)	(0.8)	(1.3)	-	0.1	(12.9)
Profit after tax	33.7	2.3	2.2	3.6	(0.8)	41.0

Financial position

The balance sheet remains strong and we ended the period with net cash of £90.4m (Dec 2021: £114.1m). Net cash comprises cash balances of £100.4m less loans and borrowings and leases of £10.0m.

Net working capital has increased by £33.5m since the year end to £157.3m at the period end; this was largely driven by inventory and trade receivables. Inventory levels have increased following the tactical decision to hold higher levels of components to help mitigate the risk of supply chain disruption. Days sales outstanding has

reduced by 5 days since December 2021 to 51 days. However, trade receivables have increased due to a greater weighting of sales being towards the end of the period in H1. In total, net working capital as a percentage of sales was 28.1% compared with 21.8% in December 2021 and 22.9% in June 2021.

The increase in working capital has resulted in cash conversion of 68.1% of adjusted operating profit into operating cash, down from 94.0% in H1 2021.

The estimated effective tax rate used for the year ending 31 December 2022 is 24.4% (2021 actual rate: 24.2%) and the estimated adjusted effective tax rate for the year ending 31 December 2022, based on adjusted profit before tax, is 23.9% (2021 actual: 23.8%).

Retirement benefits

The Group operates two defined benefit pension schemes, the larger of which is in the UK. Both the UK and US schemes are closed to future accrual.

The pension scheme has moved from a deficit of £7.6m at 31 December 2021 to a surplus of £11.2m at 30 June 2022, principally due to an increase in the discount rate, used to determine the present value of future obligations.

Currency

Overall, currency tailwinds increased revenue by £5.5m (2.0%) compared with the first half of 2021. The average US dollar rate was \$1.30 (H1 2021: \$1.39) and the average Euro rate was €1.19 (H1 2021: €1.15), whilst the rates at 30 June 2022 were \$1.22 and €1.16 respectively (30 June 2021: \$1.38 and €1.17).

Dividend

The Board has declared an interim dividend of 2.40p per ordinary share. The interim dividend will be paid on 23 September 2022 to shareholders on the register at the close of business on 19 August 2022.

Ukraine conflict

Deliveries to Russia ceased at the start of March. Rotork had no manufacturing presence in Russia and is suspending the activities of its sales and service operations in the country in an orderly manner, with a small number of employees retained to manage this process. The Russia, Ukraine and Belarus region contributed around 3% to group sales in 2021. The costs associated with exiting the Russian market and impairing the assets have been recognised in other adjustments in the period.

Non-controlling interest

The Group invested £4,059,000 for 75% of the share capital in a newly-established entity in Saudi Arabia during April 2022, with the remaining 25% owned by a third party. Owing to this third party shareholding, a "Non-controlling interests" position is now reported in the financial statements.

Principal risks and uncertainties

The Group has an established risk management process as part of the corporate governance framework set out in the 2021 Annual Report and Accounts. The principal risks and uncertainties facing our businesses are monitored on an ongoing basis in line with the Corporate Governance Code. The risk management process is described in detail on pages 83 to 85 of the 2021 Annual Report and Accounts. The Group's principal risks and uncertainties have been reviewed by the Board and the Board have concluded that they remain applicable for the second half of the financial year. A more detailed description of the Group's principal risks and uncertainties is set out on pages 86 to 92 of the 2021 Annual Report and Accounts.

Risk update

Whilst there has been no change in the principal risks and uncertainties under review by the business, the following risks have increased.

- Geopolitical instability - we have seen an increase in geopolitical instability and continue to monitor potential impacts such as forecasting challenges or disruption to the business.
- Supply chain disruption - we continue to see this risk as elevated due to component shortages and constraints driving uncertainty in supply. Management actions to improve the reliability of logistics and secure the supply of key components have mitigated potentially more severe outcomes including key initiatives such as the global transportation programme and the global shortages programme.

Impacts of COVID-19 on Rotork's risk profile

We continue to monitor the impact of COVID-19 across our principal risks and uncertainties. Many of the risks associated with COVID-19 are now part of our business as usual risk management practices.

Climate risk

We continue to monitor climate risk closely given its significance internally and externally. As we noted in our 2021 Sustainability Report, we have performed both a qualitative and quantitative analysis of our climate-related risks and opportunities and the results of our analysis provide detailed information about the magnitude of potential impacts of climate change on our business and operations. Understanding these impacts will enable us to strengthen the business case for investment in mitigation and adaptation measures and address those risks that have the largest potential impacts first.

Emerging risks

We continue to monitor and review emerging risks that may impact our business including people, market, environmental, climate and sustainability risks.

Principal risks and uncertainties

1. Decline in market confidence: A decline in government and private sector confidence and spending will lead to cancellations of expected projects or delays to existing expenditure commitments. This lower investment in Rotork's traditional market sectors would result in a smaller addressable market, which in turn could lead to a reduction in revenue from that sector.

2. Increased competition: Increased competition on price or product offering leading to a loss of sales globally or market share.

3. Geopolitical instability: Increasing social and political instability, including Brexit, results in disruption and increased protectionism in key geographic markets. Business disruption would impact our sales and might ultimately lead to loss of assets located in the affected region.

4. Failure of an acquisition to deliver value: Failure of an acquisition to deliver the growth or synergies anticipated, either due to unforeseen changes in market conditions or failure to integrate an acquisition effectively. Significant financial underperformance could lead to an impairment write down of the associated intangible assets.

5. Health, Safety and the Environment: The nature of Rotork's core business and geographical locations involves potential risks to the Health and Safety of our employees or other stakeholders. A failure of our products or internal processes could have an impact on the environment.

6. Compliance with laws and regulations: Failure of our staff or third parties who we do business with to comply with law or regulation or to uphold our high ethical standards and values.

7. Major in-field product failure: Major in-field failure of a new or existing Rotork product potentially leading to a product recall, major on-site warranty programme or the loss of an existing or potential customer.

8. Supply chain disruption: Supply chain disruption which may arise such as a lack of availability of key components, tooling failure at a key supplier, logistics issues or severe weather events impacting key suppliers which would cause disruption to manufacturing at a Rotork factory.

9. Critical IT system failure and cybersecurity: Failure to provide, maintain and update the systems and infrastructure required by the Rotork business. Failure to protect Rotork operations, sensitive or commercial data,

technical specifications and financial information from cybercrime.

10. Growth Acceleration Programme: The Growth Acceleration Programme and other change projects lead to business disruption or have a negative effect on day-to-day operations.

Statement of Directors' Responsibilities

The directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the United Kingdom, the interim financial statements give a true and fair view of the consolidated assets, liabilities, financial position and profit of the Company and its group companies taken as a whole; and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, 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.

These interim financial statements and the interim management report are the responsibility of, and have been approved by, the directors. A list of the current directors can be found in the "About Us" section of the Rotork website: www.rotork.com.

By order of the Board

Kiet Huynh

Chief Executive

1 August 2022

Independent Review Report to Rotork plc

Conclusion

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 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and expense, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 16.

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 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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.

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 formed.

Deloitte LLP

Statutory Auditor

London, United Kingdom

1 August 2022

Condensed consolidated Income Statement

		First half 2022	First half 2021 (Restated) ¹	Full year 2021
	<i>Notes</i>	£000	£000	£000
Revenue	3	280,014	288,261	569,160
Cost of sales		(155,222)	(155,081)	(306,394)
Gross profit		124,792	133,180	262,766
Other income		374	220	587
Distribution costs		(2,939)	(2,504)	(5,397)
Administrative expenses		(78,160)	(80,311)	(152,064)
Other expenses		(39)	(34)	(182)
Operating profit	3	44,028	50,551	105,710
Finance income	5	1,791	1,341	2,442
Finance expense	6	(1,229)	(1,196)	(2,221)
Profit before tax		44,590	50,696	105,931
Income tax expense	7	(10,882)	(12,398)	(25,686)
Profit for the period		33,708	38,298	80,245
Attributable to:				
Owners of the parent		33,741	38,298	80,245
Non-controlling interests		(33)	-	-
		33,708	38,298	80,245
Basic earnings per share	9	3.9p	4.4p	9.2p
Diluted earnings per share	9	3.9p	4.4p	9.2p
Operating profit		44,028	50,551	105,710
Adjustments:				
- Amortisation of acquired intangible assets		3,096	4,655	9,001
- Other adjustments	4	6,179	7,529	13,369
Adjusted Operating profit		53,303	62,735	128,080
Adjusted basic earnings per share	2	4.8p	5.5p	11.3p
Adjusted diluted earnings per share	2	4.8p	5.5p	11.2p

1 See note 1 for details of the prior period restatement

Condensed consolidated Statement of Comprehensive Income and Expense

	First half 2022 £000	First half 2021 (Restated) ¹ £000	Full year 2021 £000
Profit for the period	33,708	38,298	80,245
Other comprehensive income and expense			
<i>Items that may be subsequently reclassified to the income statement:</i>			
Foreign currency translation differences	19,676	(8,559)	(8,899)
Effective portion of changes in fair value of cash flow hedges net of tax	(1,786)	342	(88)
	17,890	(8,217)	(8,987)
<i>Items that are not subsequently reclassified to the income statement:</i>			
Actuarial gain in pension scheme net of tax	11,412	10,241	19,469
Income and expenses recognised directly in equity	29,302	2,024	10,482
Total comprehensive income for the period	63,010	40,322	90,727
<i>Attributable to:</i>			
Owners of the parent	64,043	40,322	90,727
Non-controlling interests	(33)	-	-
	63,010	40,322	90,727

1 See note 1 for details of the prior period restatement

Condensed consolidated Balance Sheet

		30 June 2022	30 June 2021 (Restated) ¹	31 Dec 2021
	Notes	£000	£000	£000
Goodwill		224,575	218,283	216,778
Intangible assets		24,337	28,459	25,722
Property, plant and equipment		79,507	80,593	77,798
Deferred tax assets		10,428	12,511	10,183
Other receivables		41	332	-
Defined benefit scheme surplus	11	11,233	-	-
Total non-current assets		350,121	340,178	330,481
Inventories	10	90,521	63,077	68,447
Trade receivables		108,117	104,104	94,189
Current tax		10,255	5,740	9,558
Derivative financial instruments	16	288	1,676	1,896
Other receivables		40,281	33,308	35,824
Assets classified as held for sale		-	-	2,884
Cash and cash equivalents		100,382	153,361	123,474
Total current assets		349,844	361,266	336,272
Total assets		699,965	701,444	666,753
Issued equity capital	12	4,302	4,371	4,302
Share premium		19,266	17,153	18,828
Other reserves		29,909	12,717	12,019
Retained earnings		509,810	518,705	498,931
Equity attributable to owners of the parent		563,287	552,946	534,080
Non-controlling interests		1,382	-	-
Total equity		564,669	552,946	534,080
Interest bearing loans and borrowings	13	6,454	5,051	5,464
Employee benefits	11	4,064	22,042	11,336
Deferred tax liabilities		2,696	1,906	1,580
Derivative financial instruments	16	403	40	106
Other payables		-	314	-
Provisions		1,524	1,707	1,559
Total non-current liabilities		15,141	31,060	20,045
Interest bearing loans and borrowings	13	3,505	4,038	3,872
Trade payables		41,332	35,385	38,800
Employee benefits		10,771	19,006	14,440
Current tax		14,071	13,074	12,226
Derivative financial instruments	16	1,024	-	-
Other payables		45,902	38,316	37,986
Provisions		3,550	7,619	5,304
Total current liabilities		120,155	117,438	112,628
Total liabilities		135,296	148,498	132,673
Total equity and liabilities		699,965	701,444	666,753

1 See note 1 for details of the prior period restatement

Condensed 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	Attributable to owners of the parent £000	Non- controlling interest £000	Total £000
Balance at 31 December 2021	4,302	18,828	9,475	1,716	828	498,931	534,080	-	534,080
Profit for the period	-	-	-	-	-	33,741	33,741	(33)	33,708
<i>Other comprehensive (expense)/income</i>									
Foreign currency translation differences	-	-	19,676	-	-	-	19,676	-	19,676
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(2,205)	-	(2,205)	-	(2,205)
Actuarial gain on defined benefit pension plans	-	-	-	-	-	15,500	15,500	-	15,500
Tax in other comprehensive (expense)/income	-	-	-	-	419	(4,088)	(3,669)	-	(3,669)
<i>Total other comprehensive (expense)/income</i>	-	-	19,676	-	(1,786)	11,412	29,302	-	29,302
Total comprehensive income	-	-	19,676	-	(1,786)	45,153	63,043	(33)	63,010
Non-controlling interest on newly-established subsidiary	-	-	-	-	-	-	-	1,415	1,415
<i>Transactions with owners, recorded directly in equity</i>									
Equity settled share based payment transactions	-	-	-	-	-	(869)	(869)	-	(869)
Tax on equity settled share based payment transactions	-	-	-	-	-	164	164	-	164
Shares issued to satisfy employee awards	-	438	-	-	-	-	438	-	438
Own ordinary shares acquired	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)
Own ordinary shares awarded under share schemes	-	-	-	-	-	2,818	2,818	-	2,818
Dividends	-	-	-	-	-	(34,787)	(34,787)	-	(34,787)
Balance at 30 June 2022	4,302	19,266	29,151	1,716	(958)	509,810	563,287	1,382	564,669

Condensed 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	Attributable to owners of the parent £000	Non- controlling interest £000	Total £000
Balance at 31 December 2020 (Restated)¹	4,370	16,826	18,374	1,644	916	528,624	570,754	-	570,754
Profit for the period	-	-	-	-	-	38,298	38,298	-	38,298
<i>Other comprehensive (expense)/income</i>									
Foreign currency translation differences	-	-	(8,559)	-	-	-	(8,559)	-	(8,559)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	422	-	422	-	422
Actuarial gain on defined benefit pension plans	-	-	-	-	-	12,837	12,837	-	12,837
Tax in other comprehensive (expense)/income	-	-	-	-	(80)	(2,596)	(2,676)	-	(2,676)
<i>Total other comprehensive (expense)/income</i>	-	-	(8,559)	-	342	10,241	2,024	-	2,024
Total comprehensive income	-	-	(8,559)	-	342	48,539	40,322	-	40,322
<i>Transactions with owners, recorded directly in equity</i>									
Equity settled share based payment transactions	-	-	-	-	-	(4,325)	(4,325)	-	(4,325)
Tax on equity settled share based payment transactions	-	-	-	-	-	817	817	-	817
Shares issued to satisfy employee awards	1	327	-	-	-	-	328	-	328
Own ordinary shares acquired	-	-	-	-	-	(5,409)	(5,409)	-	(5,409)
Own ordinary shares awarded under share schemes	-	-	-	-	-	5,455	5,455	-	5,455
Dividends	-	-	-	-	-	(54,996)	(54,996)	-	(54,996)
Balance at 30 June 2021 (Restated)¹	4,371	17,153	9,815	1,644	1,258	518,705	552,946	-	552,946

1 See note 1 for details of the prior period restatement

Condensed consolidated Statement of Cash Flows

	First half 2022 £000	First half 2021 (Restated) ¹ £000	Full year 2021 £000
Cash flows from operating activities			
Profit for the period	33,708	38,298	80,245
Adjustments for:			
Amortisation of acquired intangible assets	3,104	4,655	9,001
Other adjustments	6,179	7,529	13,369
Amortisation and impairment of development costs	741	978	1,657
Depreciation	7,426	7,905	15,673
Equity settled share-based payment expense	2,118	1,951	3,333
Net profit on sale of property, plant and equipment	(60)	(27)	-
Finance income	(1,791)	(1,341)	(2,442)
Finance expense	1,229	1,196	2,221
Income tax expense	10,882	12,398	25,686
	63,536	73,542	148,743
(Increase) in inventories	(16,852)	(3,070)	(8,330)
(Increase)/decrease in trade and other receivables	(9,439)	(1,070)	5,944
Increase/(decrease) in trade and other payables	2,514	(1,667)	2,583
Cash impact of other adjustments	(5,030)	(5,320)	(13,346)
Difference between pension charge and cash contribution	(3,474)	(3,733)	(7,562)
Increase/(decrease) in provisions	341	(162)	(937)
(Decrease) in employee benefits	(3,823)	(8,615)	(9,632)
	27,773	49,905	117,463
Income taxes paid	(12,053)	(15,245)	(32,021)
Net cash flows from operating activities	15,720	34,660	85,442
Investing activities			
Purchase of property, plant and equipment	(3,887)	(7,541)	(13,170)
Purchase of intangible assets	(1,041)	(2,507)	(5,174)
Development costs capitalised	(1,327)	(815)	(1,806)
Sale of property, plant and equipment	4,097	3,028	3,808
Settlement of hedging derivatives	(474)	205	4,102
Interest received	499	540	857
Net cash flows from investing activities	(2,133)	(7,090)	(11,383)
Financing activities			
Issue of ordinary share capital	438	328	2,006
Own ordinary shares acquired	(1,600)	(5,409)	(7,809)
Share buyback programme	-	-	(50,324)
Interest paid	(440)	(458)	(881)
Decrease in bank loans	(686)	(34)	(67)
Repayment of lease liabilities	(2,536)	(2,380)	(4,904)
Dividends paid on ordinary shares	(34,787)	(54,996)	(75,515)
Receipt for non-controlling interest	1,415	-	-
Net cash flows from financing activities	(38,196)	(62,949)	(137,494)
Net decrease in cash and cash equivalents	(24,609)	(35,379)	(63,435)
Cash and cash equivalents at 1 January	123,474	187,204	187,204
Effect of exchange rate fluctuations on cash held	1,518	1,536	(295)
Cash and cash equivalents at end of period	100,383	153,361	123,474

1 See note 1 for details of the prior period restatement

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 six months ended 30 June 2022 are unaudited and the auditor has 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 2021 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Board on 28 February 2022 and delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006. The consolidated financial statements of the Group for the year ended 31 December 2021 are available from the Company's registered office or website.

Basis of preparation

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2022 comprise the results for 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 United Kingdom. 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 2021, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted by the United Kingdom.

Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, we continue to adopt the going concern basis in preparing the condensed consolidated interim financial information.

In forming this view, the ongoing impact of COVID-19, supply chain disruption and geo-political instability on the Group has been considered. The directors have reviewed: the current financial position of the Group, which has net cash of £90m and unused overdraft facilities of £32m as at the period end; the significant order book, which contains customers spread across different geographic areas and industries; and the trading and cash flow forecasts for the Group. The directors are satisfied that any downside scenarios are considered remote and that the Group would continue to have headroom within current cash balance and overdraft facilities. The Group also has a number of mitigating actions that it can take at short notice to preserve cash, for example reduction in capital programmes, dividend deferral and other reductions in discretionary spend.

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 2021.

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 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders is initially measured at the non-controlling interests' proportion of the share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

New accounting standards and interpretations

Change in accounting policy – Software as a Service ('SaaS') arrangements

As noted and restated within the Annual Report for the year ended 31 December 2021, the Group has changed its accounting policy related to the capitalisation of certain software costs. This change follows the IFRIC Interpretation Committee's agenda decision published in April 2021, which clarifies the accounting treatment of the costs of configuring or customising application software under Software as a Service arrangements.

The Group's accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as assets in the Balance Sheet. Following the adoption of the above IFRIC agenda guidance, current SaaS arrangements, principally relating to the Group's ongoing transformation programme, were identified and assessed to determine if the Group has control of the software and associated configured and customised elements. For those arrangements where the Group does not have control of the developed software, the Group derecognised the asset previously capitalised.

This change in accounting policy led to adjustments in the 30 June 2021 reported financial results. Accordingly, the prior period Balance Sheet at 30 June 2021 has been restated in accordance with IAS 8, together with related notes. The tables on the following page show the impact of the change in accounting policy on previously reported financial results.

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

Impact on the consolidated balance sheet

	(As previously reported) First half 2021 £000	Impact of restatement £000	(Restated) First half 2021 £000
Intangible assets	46,450	(17,991)	28,459
Deferred tax assets	8,036	4,475	12,511
Other assets	660,474	–	660,474
Total assets	714,960	(13,516)	701,444
Retained earnings	533,067	(14,362)	518,705
Deferred tax liabilities	1,060	846	1,906
Other equity and liabilities	180,833	–	180,833
Total equity and liabilities	714,960	(13,516)	701,444

Impact on the consolidated income statement and statement of comprehensive income

	(As previously reported) First half 2021 £000	Impact of restatement £000	(Restated) First half 2021 £000
Adjusted operating profit	62,735	–	62,735
Adjustments			
- Amortisation of acquired intangible assets	(4,655)	–	(4,655)
- Other adjustments	(4,076)	(3,453)	(7,529)
Operating profit	54,004	(3,453)	50,551
Profit before tax	54,149	(3,453)	50,696
Income tax expense	(13,265)	867	(12,398)
Profit for the year	40,884	(2,586)	38,298
Estimated effective tax rate	24.5%	–	24.5%
Total comprehensive income for the year	42,908	(2,586)	40,322

Impact on basic and diluted earnings per share

	(As previously reported) First half 2021	Impact of restatement	(Restated) First half 2021
Basic earnings per share	4.7p	(0.3)p	4.4p
Adjusted basic earnings per share	5.5p	–	5.5p
Diluted earnings per share	4.7p	(0.3)p	4.4p
Adjusted diluted earnings per share	5.5p	–	5.5p

Impact on the consolidated statement of cash flows

	(As previously reported) 2021 £000	Impact of restatement £000	(Restated) First half 2021 £000
Net cash flows from operating activities	38,317	(3,657)	34,660
Net cash flows from investing activities	(10,747)	3,657	(7,090)
Net cash flows from financing activities	(62,949)	–	(62,949)
Cash and cash equivalents at 30 June	153,361	–	153,361

No impact on the overall increase in cash and cash equivalents for the year.

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

Other amendments

A number of other amended standards became applicable for the current reporting period. The application of these amendments has not had any material impact on the disclosures, net assets or results of the Group.

New standards and interpretations not yet adopted

Further narrow scope amendments have been issued which are mandatory for periods commencing on or after 1 January 2022. The application of these amendments will not have any material impact on the disclosures, net assets or results of the Group.

2. Alternative performance measures

The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS, as management believe these measures facilitate greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance.

The key alternative performance measures used by the Group include adjusted profit measures and organic constant currency (OCC). Explanations of how they are calculated and how they are reconciled to IFRS statutory results are set out below.

a. Adjusted operating profit

Adjusted operating profit is the Group's operating profit excluding the amortisation of acquired intangible assets and other adjustments that are considered to be significant and where treatment as an adjusted item provides stakeholders with additional useful information to assess the trading performance of the Group on a consistent basis. Further details on these adjustments are given in note 4.

b. Adjusted profit before tax

The adjustments in calculating adjusted profit before tax are consistent with those in calculating adjusted operating profit above.

	First half 2022 £000	First half 2021 (Restated) £000	Full year 2021 £000
Profit before tax	44,590	50,696	105,931
<i>Adjustments:</i>			
Amortisation of acquired intangible assets	3,096	4,655	9,001
Gain on disposal of property	(1,209)	(1,569)	(1,569)
Software as a Service configuration costs	3,549	3,453	8,493
Redundancy costs	254	2,863	3,871
Other restructuring costs	29	2,782	2,574
Russia market exit	3,555	-	-
Adjusted profit before tax	53,864	62,880	128,301

2. Alternative performance measures (continued)

c. Adjusted basic and diluted earnings per share

Adjusted basic earnings per share is calculated using the adjusted net profit attributable to the ordinary shareholders and dividing it by the weighted average ordinary shares in issue.

Adjusted net profit attributable to ordinary shareholders is calculated as follows:

	First half 2022 £000	First half 2021 (Restated) £000	Full year 2021 £000
Net profit attributable to ordinary shareholders	33,708	38,298	80,245
<i>Adjustments:</i>			
Amortisation of acquired intangible assets	3,096	4,655	9,001
Gain on disposal of property	(1,209)	(1,569)	(1,569)
Software as a Service configuration costs	3,549	3,453	8,493
Redundancy costs	254	2,863	3,871
Other restructuring costs	29	2,782	2,574
Russia market exit	3,555	-	-
Tax effect on adjusted items	(2,000)	(2,595)	(4,785)
Adjusted net profit attributable to ordinary shareholders	40,982	47,887	97,830

Diluted earnings per share is calculated by using the adjusted net profit attributable to ordinary shareholders and dividing it by the weighted average ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares (see note 9).

d. Return on capital employed

The return on capital employed ratio is used by management to help ensure that capital is used efficiently.

	First half 2022 £000	First half 2021 (Restated) £000	Full year 2021 £000
Adjusted operating profit			
<i>As reported</i>	-	-	128,080
<i>Rolling 12 months</i>	118,648	144,041	-
Capital employed			
Shareholders' funds	564,669	552,946	534,080
Cash and cash equivalents	(100,382)	(153,361)	(123,474)
Interest bearing loans and borrowings	9,959	9,089	9,336
Pension (surplus)/deficit net of deferred tax	(8,747)	17,228	6,023
Capital Employed	465,499	425,902	425,965
Average capital employed	439,122¹	438,348 ¹	424,815 ²
Return on capital employed	27.0%	32.9%	30.1%

¹ defined as the average of the capital employed at June 2021, December 2021 and June 2022 (2021: June 2020, December 2020, and June 2021).

² defined as the average of the capital employed at December 2020 and December 2021.

2. *Alternative performance measures (continued)*

e. Working capital as a percentage of revenue

Working capital as a percentage of revenue is monitored as control of working capital is key to achieving our cash generation targets. It is calculated as inventory plus trade receivables, less trade payables, divided by revenue.

f. Organic constant currency (OCC)

OCC results remove the results of businesses acquired or disposed of during the period that are not consistently presented in both periods' results. The 2022 half year results are restated using the average exchange rates applied for the 2021 comparative period.

For businesses acquired, the full results are removed from the year of acquisition. In the following year, the results for the number of months equivalent to the pre-acquisition period in the prior year are removed. For disposals and closure of businesses, the results are removed from the current and prior periods.

There are no acquisitions or disposals in the current and prior periods.

Key headings in the income statement are reconciled to OCC as follows:

	First half 2022	Currency adjustment	OCC First half 2022	First half 2021 (Restated)
Revenue	280,014	(5,549)	274,465	288,261
Cost of sales	(155,222)	3,208	(152,014)	(155,081)
Gross margin	124,792	(2,341)	122,451	133,180
Net overheads	(71,489)	563	(70,926)	(70,445)
Adjusted operating profit	53,303	(1,778)	51,525	62,735
Adjusted operating margin	19.0%		18.8%	21.8%
Adjusted profit before tax	53,865	(1,816)	52,049	62,880
Adjusted basic earnings per share	4.8p	-	4.8p	5.5p

3. Analysis by operating segment

The Group has chosen to organise the management and financial structure by the grouping of end markets. The three identifiable operating segments where the financial and operating performance is reviewed monthly by the chief operating decision maker are as follows:

- Oil & Gas
- Chemical, Process & Industrial
- Water & Power

Unallocated expenses comprise corporate expenses.

Half year to 30 June 2022

	Oil & Gas	Chemical, Process & Industrial	Water & Power	Unallocated	Group
	£000	£000	£000	£000	£000
Revenue	122,287	92,813	64,914	-	280,014
Adjusted operating profit	23,560	22,730	13,405	(6,392)	53,303
Amortisation of acquired intangibles assets	(2,195)	(613)	(288)	-	(3,096)
Segment result before other adjustments	21,365	22,117	13,117	(6,392)	50,207
Other adjustments					(6,179)
Operating profit					44,028
Net financing income					562
Income tax expense					(10,882)
Profit for the period					33,708

3. Analysis by operating segment (continued)

Half year to 30 June 2021 (Restated)

	Oil & Gas £000	Chemical, Process & Industrial £000	Water & Power £000	Unallocated £000	Group £000
Revenue	129,562	81,203	77,496	-	288,261
Adjusted operating profit	26,924	20,627	21,019	(5,835)	62,735
Amortisation of acquired intangibles assets	(3,300)	(922)	(433)	-	(4,655)
Segment result before other adjustments	23,624	19,705	20,586	(5,835)	58,080
Other adjustments					(7,529)
Operating profit					50,551
Net financing expense					145
Income tax expense					(12,398)
Profit for the period					38,298

Full year to 31 December 2021

	Oil & Gas £000	Chemical, Process & Industrial £000	Water & Power £000	Unallocated £000	Group £000
Revenue	260,153	160,454	148,553	-	569,160
Adjusted operating profit	56,342	42,775	40,430	(11,467)	128,080
Amortisation of acquired intangibles assets	(6,381)	(1,782)	(838)	-	(9,001)
Segment result	49,961	40,993	39,592	(11,467)	119,079
Other adjustments					(13,369)
Operating profit					105,710
Net financing income					221
Income tax expense					(25,686)
Profit for the year					80,245

Revenue by location of subsidiary

	First half 2022 £000	First half 2021 £000	Full year 2021 £000
UK	25,120	29,569	55,971
Italy	23,855	27,440	49,150
Rest of Europe	44,750	51,860	102,501
USA	54,861	51,619	96,565
Other Americas	17,890	19,560	40,152
China	54,527	46,109	98,011
Rest of World	59,011	62,104	126,810
	280,014	288,261	569,160

4. Other adjustments

The other adjustments are adjustments that management consider to be significant and where separate disclosure enables stakeholders to assess the underlying trading performance of the Group on a consistent basis.

The other adjustments to profit included in statutory profit are as follows:

	First half 2022 £000	First half 2021 (Restated) £000	Full year 2021 £000
Gain on disposal of properties	1,209	1,569	1,569
Redundancy costs	(255)	(2,863)	(3,871)
Other restructuring costs	(29)	(2,782)	(2,574)
Russia market exit	(3,555)	-	-
Software as a Service configuration costs	(3,549)	(3,453)	(8,493)
	(6,179)	(7,529)	(13,369)

The £1,209,000 (2021: £1,569,000) gain on disposal of properties relates to the sale of one property in the period.

The Russia market exit costs are in relation to the ceasing of operations in Russia and the impairment of the gross assets of the Russian entity.

During the period, £3,549,000 of Software as a Service configuration costs were expensed as part of the multi-year IT transformation programme. This brings the total amount expensed through the income statement as part of this programme to £26,504,000. These costs were expensed as they do not meet the capitalisation criteria under IAS 38.

All adjustments are included in administrative expenses. The adjustments are taxable or tax deductible in the country in which the expense is incurred.

5. Finance income

	First half 2022 £000	First half 2021 £000	Full year 2021 £000
Interest income	592	697	1,123
Foreign exchange gains	1,199	644	1,319
Finance Income	1,791	1,341	2,442

6. Finance expense

	First half 2022 £000	First half 2021 £000	Full year 2021 £000
Interest expense	370	376	818
Interest expense on lease liabilities	197	206	404
Interest charge on pension scheme liabilities	17	275	522
Foreign exchange losses	645	339	477
Finance Expense	1,229	1,196	2,221

7. 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 effective tax rate used for the year ending 31 December 2022 is 24.4%. This is higher than the effective tax rate for the year ended 31 December 2021 of 24.2%, reflecting the mix of taxable profits in group companies worldwide.

The estimated adjusted effective tax rate for the year ending 31 December 2022, based on the adjusted profit before tax, is 23.9% (2021 actual: 23.8%).

The Group continues to operate in many jurisdictions where local profits are taxed at their national statutory rates. As a result, the Group income tax charge will be subject to fluctuation depending on the actual profit mix. The Group continues to expect its effective tax rate to be higher than the standard UK corporation tax rate of 19% due to higher tax rates in the majority of overseas subsidiaries.

8. Dividends

The following dividends were paid in the period per qualifying ordinary share:

4.05p final dividend (2021: 6.30p)
2.40p interim dividend (2021: 2.35p)

The following dividends per qualifying ordinary share were declared/proposed at the balance sheet date:

4.05p final dividend proposed
2.40p interim dividend declared (2021: 2.35p)

First half 2022 £000	First half 2021 £000	Full year 2021 £000
34,787	54,996	54,996
-	-	20,519
34,787	54,996	75,515
-	-	34,780
20,613	20,523	-
20,613	20,523	34,780

In 2020 in response to the COVID-19 pandemic the recommendation to pay a 3.90 pence per share final dividend in respect of 2019 was withdrawn and no dividend was paid in the period to 30 June 2020. An interim dividend of 3.90 pence was declared in the second half of 2020, which was equivalent to the previously deferred 2019 final dividend. In March 2021 a dividend, reflecting the combined interim and final dividends, was proposed in respect of the year to 31 December 2020 and this was paid in May 2021. In 2021 we returned to the regular schedule of dividend payments.

9. Earnings per share

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 858.9m shares (six months to 30 June 2021: 873.1m; year to 31 December 2021: 869.5m) being the weighted average ordinary shares in issue.

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 859.7m shares (six months to 30 June 2021: 874.2m; year to 31 December 2021: 870.5m). The number of shares is equal to the weighted average number of ordinary shares in issue (net of own ordinary shares held) adjusted to assume conversion of all potentially dilutive ordinary shares.

10. Inventories

	30 June 2022 £000	30 June 2021 £000	31 Dec 2021 £000
Raw materials and consumables	69,810	49,461	52,083
Work in progress	5,551	3,755	3,871
Finished goods	15,160	9,861	12,493
	90,521	63,077	68,447

11. Defined benefit pension schemes

The defined benefit asset at 30 June 2022 of £11,233,000 (30 June 2021: liability of £22,184,000 included within employee benefits; 31 December 2021: liability of £7,625,000 included within employee benefits) is estimated based on the latest full actuarial valuations at 31 March 2019 for UK and US plans. The valuation of the most significant plan, namely the Rotork Pension and Life Assurance Scheme in the UK, has been updated at 30 June 2022 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values. The full actuarial valuation updated to 31 March 2022 is currently in progress.

	30 June 2022 %	30 June 2021 %	31 Dec 2021 %
Discount rate	3.8	1.8	1.9
Rate of inflation	3.0	3.2	3.3

In addition, the defined benefit plan assets and liabilities have been updated to reflect the regular payments and the £3.4 million payment made in respect of past service.

12. Share capital and reserves

The number of ordinary 0.5p shares in issue at 30 June 2022 was 860,467,000 (30 June 2021: 874,147,000; 31 December 2021: 860,276,000). All issued shares are fully paid.

The Group acquired 482,000 of its own shares through purchases on the London Stock Exchange during the period (30 June 2021: 1,468,000; 31 December 2021: 2,154,000). The total amount paid to acquire the shares was £1,600,000 (30 June 2021: £5,409,000; 31 December 2021: £7,809,000), and this has been deducted from shareholders' equity. At 30 June 2022 the number of shares held in trust for the benefit of directors and employees for future payments under the Share Incentive Plan and Long-term incentive plan was 1,177,000 (30 June 2021: 814,000; 31 December 2021: 1,500,000). In the period 488,000 shares were transferred from the trust to employees in respect of the share investment plan and the overseas profit linked share plan.

During the second half of 2021, the Group bought back a total of 14,404,000 Ordinary shares of 0.5p each for a total value of £50,324,000 including costs of £324,000. These repurchased shares were then cancelled in the same period.

In respect of the SAYE scheme, options exercised during the period to 30 June 2022 resulted in 190,486 ordinary 0.5p shares being issued (30 June 2021: 193,000 shares), with exercise proceeds of £438,000 (30 June 2021: £328,000). The weighted average market share price at the time of exercise was £3.13 (30 June 2021: £3.46) per share.

The share based payment charge for the period was £2,178,000 (30 June 2021: £1,951,000; 31 December 2021: £3,333,000).

13. Loans and borrowings

The following loans and borrowings were issued and repaid during the six months ended 30 June 2022:

	Lease liabilities £000	Bank loans £000	Preference shares £000	Total £000
Balance at 31 December 2021	8,611	685	40	9,336
Additions/drawdowns	3,430	-	-	3,430
Repayment	(2,536)	(686)	-	(3,222)
Disposals	(145)	-	-	(145)
Exchange differences	559	1	-	560
Balance at 30 June 2022	9,919	-	40	9,959

	Lease liabilities £000	Bank loans £000	Preference shares £000	Total £000
Current	3,505	-	-	3,505
Non-current	6,414	-	40	6,454
Balance at 30 June 2022	9,919	-	40	9,959

The £60,000,000 committed loan facility in place on 30 June 2021 (31 December: £60,000,000) expired on the 25 June 2022 and the Group decided not to renew the facility past this date given the strong cash position. Of the £60,000,000 loan facility £nil was drawn down at 30 June 2021 and 31 December 2021.

14. Share-based payments

A grant of share options was made on 24 March 2022 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	Equity Settled ROIC condition
Grant date	24 March 2022	24 March 2022	24 March 2022
Share price at grant date	£3.33	£3.33	£3.33
Shares awarded under scheme	438,831	438,831	438,831
Vesting period	3 years	3 years	3 years
Expected volatility	33.5%	N/A	N/A
Risk free rate	1.4%	N/A	N/A
Expected dividends expressed as a dividend yield	nil	nil	nil
Probability of ceasing employment before vesting	5% p.a.	5% p.a.	5% p.a.
Fair value	£1.49	£2.41	£2.41

The basis of measuring fair value is consistent with that disclosed in the 2021 Annual Report & Accounts.

15. 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 2021 Annual Report and 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 arm's length basis.

There were no significant changes in the nature and size of related party transactions for the period to those reported in the 2021 Annual Report and Accounts.

16. Financial instruments fair value disclosure

The Group held forward currency contracts designated as hedge instruments in a cash flow hedging relationship. At 30 June 2022 the fair value of these contracts was a net liability of £1,139,000 (30 June 2021: a net asset of £1,636,000; 31 December 2021: a net asset of £1,790,000). The fair value was estimated using period end spot rates adjusted for the forward points to the appropriate value dates, and gains and losses are taken to equity estimated using market foreign exchange rates at the balance sheet date. All derivative financial instruments are categorised at Level 2 of the fair value hierarchy. There was no ineffectiveness to be recorded from the use of foreign exchange contracts.

The other financial instruments, comprising trade and other receivables/payables and contingent consideration, are classified as Level 3 in the fair value hierarchy and their carrying amount is deemed to reflect the fair value. The Group had no derivative financial instruments in the current or previous year with fair values that would be classified as Level 3 in the fair value hierarchy.

Shareholder information

The interim report and half year results presentation is available on the Rotork website at www.rotork.com.

General shareholder contact numbers:

Shareholder General Enquiry Number (UK): 0371 384 2280

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: 0371 384 2280

Group information

Secretary and registered office:

Stuart Pain

Rotork plc

Rotork House

Brassmill Lane

Bath

BA1 3JQ

Company website:

www.rotork.com

Investors section:

<http://www.rotork.com/en/investors/>