Tuesday 8th August 2023

Rotork plc

2023 Interim Results

Good first half, expectations for the full year unchanged

Adjusted highlights	H1 2023	H1 2022	% change	OCC[3] % change
Order intake[1]	**£386.9m**	**£340.1m**	+13.8%	+11.9%
Revenue	**£334.7m**	**£280.0m**	+19.5%	+17.2%
Adjusted[2] operating profit	**£65.3m**	**£53.3m**	+22.5%	+20.2%
Adjusted[2] operating margin	**19.5%**	**19.0%**	+50bps	+50bps
Adjusted[2] basic earnings per share	**5.8p**	**4.8p**	+21.9%	+19.7%
Cash conversion[4]	**116%**	**68%**	-	-

Reported highlights	H1 2023	H1 2022	% change
Revenue	**£334.7m**	**£280.0m**	+19.5%
Operating profit	**£59.4m**	**£44.0m**	+34.9%
Operating margin	**17.7%**	**15.7%**	+200bps
Profit before tax	**£60.2m**	**£44.6m**	+35.1%
Basic earnings per share	**5.3p**	**3.9p**	+34.9%
Interim dividend	**2.55p**	**2.40p**	+6.3%

Summary

- Order intake increased 11.9% year-on-year OCC, largely driven by volume, resulting in a record order book at period end
- Revenue increased 17.2% year-on-year OCC against a more supply-chain disrupted comparative period, and despite some supply-chain challenges continuing. All divisions grew at rates consistent with the Group, with Target Segments delivering premium growth as expected
- Good progress under all Growth+ pillars with new product and digital services launched and a bolt-on technology platform acquisition
- Adjusted operating margins 50bps higher at 19.5% reflecting increased volumes partly offset by Growth+ investments. The reported operating profit margin was 17.7%
- ROCE[4] was 32.7% (up 570bps). Strong balance sheet retained with closing net cash of £97.8m (December 2022: £105.9m) reflecting 116% cash conversion and a £20m special pension contribution which facilitated a buy-in, further de-risking the pension scheme

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

"I'm pleased with our performance in the first half, in particular with double-digit year-on-year growth in orders and sales, the improvement in operating margin and the progress made under the Growth+ strategy.

The outlook for all our divisions is positive and we entered the second half with a record order book. Whilst mindful of residual supply chain challenges, we anticipate delivering further progress in 2023 in line with expectations on an OCC basis."

[1] Order intake represents the value of orders received during the period.
[2] Adjusted[4] figures exclude the amortisation of acquired intangible assets and other adjustments (see note 4).
[3] OCC[4] is organic constant currency results restated at 2022 exchange rates.
[4] Adjusted 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 reported measures in note 2.

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 9.30am GMT 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/64a8143a2be9e4130067c8af/sahka. *Please join the webcast a few minutes before 9.30am to complete registration.*

Summary

Purpose

Our Purpose and sustainability vision are one and the same: keeping the world flowing for future generations. We want to help drive the transition to a sustainable future where environmental resources are used responsibly. We have a major role to play in new energies and technologies that will support the transition to a low carbon economy, as well as helping preserve natural resources such as fresh water and reducing energy sector methane emissions.

Performance

The safety of colleagues, partners and visitors is Rotork's number one priority and the Group's vision for health and safety is zero harm. In the first half of 2023 the lost-time injury rate was 0.07, an encouraging improvement on the 0.20 in the first half of 2022, in part reflecting the extensive work completed across the Group to implement its 12 Global Safety Standards. The Total Recordable Injury Rate in H1 2023 was 0.20 (H1 2022: 0.39).

Order intake increased 13.8% year-on-year to £386.9m (11.9% on an organic constant currency or OCC basis). All three divisions booked higher orders, with Oil & Gas and Water & Power strongly ahead. Oil & Gas order intake was the largest it has been in a six-month period since 2019. Orders, which overall continue to be driven predominantly by customers' operational spend, included more large orders than seen for some time.

Whilst the period saw benefits from supply chain improvement measures, the supply chain challenges faced in recent years have not entirely disappeared. During the period the Group experienced amongst other things disruption to the supply of semi-finished components such as circuit boards. Rotork is working together with its suppliers to improve availability and saw some improvement in deliveries towards the end of the period.

Group revenue was 19.5% higher year-on-year (17.2% higher OCC), benefiting from a lower level of supply chain challenges. Higher volumes contributed around two-thirds of the Group sales increase. Oil & Gas sales rose 19.5% (16.4% OCC), driven by the Americas and Europe, Middle East & Africa ('EMEA') regions. CPI sales were 19.0% ahead (17.2% OCC), with all geographic regions higher. Water & Power sales were up 20.4% (18.7% OCC), with all regions ahead and the Americas seeing a particularly strong improvement.

By geography, Asia Pacific revenues by destination grew mid-single digits year-on-year on an OCC basis driven by solid performances from CPI and Water & Power. EMEA sales grew double digits, benefiting from Oil & Gas strength. Americas revenues were also ahead double digits (OCC) with all divisions delivering strong growth.

Rotork Site Services, Rotork's global service network and a key differentiator in the industry, performed well with revenue growth broadly in-line with the Group overall. The recently launched enhanced Intelligent Asset Management predictive analytics system has been well received by customers and has good momentum.

Adjusted operating profit was 22.5% higher year-on-year (20.2% at OCC) at £65.3m, reflecting volume growth and positive net price/mix which together were partly offset by annual wage inflation, investment in our Growth+ strategy and the bringing forward of salary increases. Adjusted operating margins were 50bps ahead year-on-year at 19.5%. Reported profit before tax was £60.2m.

Return on capital employed was 32.7% (H1 2022: 27.0%), benefiting from the increase in adjusted operating profit. Cash conversion was 116% (H1 2022: 68%). First half cash conversion benefited from the normalisation of receivables balances which were unusually high at the December year-end. Rotork's balance sheet remains strong, with a closing net cash position of £97.8m after a £20m special pension contribution which facilitated a buy-in, further de-risking the pension scheme.

Rotork is targeting net-zero by 2035 for scopes 1 and 2 and to encourage achievement during the period incorporated near-term absolute scope 1 and 2 reduction targets into its long-term incentive plan. Good progress was made securing renewable energy contracts and these are now in place at more than a fifth of Rotork sites. Rotork is targeting net-zero by 2045 for scope 3. This is a medium-term project and the foundations have been laid by building sustainability goals into our product development process.

Market update

The outlook for the end markets we serve remains positive.

The recovery in oil & gas sector activity first experienced in the second half of 2021 continued through the first half of 2023. Hydrocarbons will have an important role in the world's energy mix for years to come and following an extended period of industry under-investment a catch-up is now underway. Whilst hydrocarbon prices have fallen from the highs of 2022, they remain above incentive levels in most regions and large project activity remains elevated. The events in Ukraine have also necessitated a reconsideration of energy security risks with the result that LNG is having a larger role.

Methane emissions reduction remains an industry priority and our IQTF has been established as the leading electric actuator for upstream oil & gas choke valve applications. COP28, to be held in Dubai in November, is expected to call for a step-up in policy and financing efforts directed at methane emissions reduction.

The metals and mining sectors are major beneficiaries of the global mega trends of electrification and decarbonisation, and significant new resources and processing plants are scheduled to be commissioned in the next couple of years. Metals benefiting from the transition include aluminium, cobalt, copper, lithium and nickel.

The United States' Inflation Reduction Act and the European Union's similar initiatives are supporting the carbon capture and storage and hydrogen sectors and we saw a marked pick-up in enquiries and quotation activity in the period. If passed, the United States' Environmental Protection Agency's proposed new carbon pollution standards are expected to provide further stimulus, particularly to the carbon capture sector.

The water and wastewater sector continues to increase investment in new and existing infrastructure. The sector is focused on delivering water availability, improving water quality, reducing leakage and climate change adaptation. The desalination segment remains active, and new market opportunities are presenting themselves (for example, desalination plants in hydrogen facilities).

Growth+ strategy update

In November 2022 we presented our new Growth+ strategy at a Capital Markets Event. The starting point of Growth+ is our purpose, 'keeping the world flowing for future generations'. Our Purpose remains a powerful motivator, and it drives everything we do. It recognises the important part that we play in making our world a great place in which to live, but also the role we can play helping improve the safety, environmental and social performances of not just ourselves, but also those of our end users, customers, suppliers and communities.

Our vision is for Rotork to be the leader in intelligent flow control. This recognises the ever-increasing importance of connectivity to our end users. Today's intelligent flow control systems not only ensure safety, they are also reliable, efficient and easy to use and play a vital role in ensuring the uptime of our end users' operations (including through predictive and preventative maintenance).

Growth+ is designed to deliver our ambition of mid to high single-digit revenue growth and mid 20s adjusted operating profit margins over time. The levers are its three pillars of Target Segments, Customer Value and Innovative Products & Services, each underpinned by our 'Enabling a Sustainable Future' initiatives.

We made good progress in Target Segments, which delivered premium growth in the period. Successes in Oil & Gas included in the North American upstream methane emissions reduction segment, where our IQTF range has established itself as the leading electric actuator for choke valve applications, and in LNG where we won a sizeable order for actuation equipment destined for a major liquefaction project in the United States. Successes in CPI included being chosen to supply a large actuation package to a major nickel/cobalt processing plant in Indonesia. Water & Power won a very significant network automation project in the Middle East.

During the half year we accelerated our business transformation. We are transforming Rotork through implementing and integrating common systems and processes throughout the Group. This will improve efficiency and ultimately deliver improved lead times and an enhanced customer experience. An important milestone was passed in Q1 with the successful first deployment of our new Enterprise Resource Planning system at our Bath site. The Microsoft Dynamics 365 based system integrates into our existing Group-wide Customer Relationship Management application. Implementation across all sites will take place over the next 3-4 years.

Our Innovative Products & Services pillar also has good momentum. During the period we launched the IQ3 Pro and its accompanying smartphone app. The new IQ3 offers greater connectivity than its predecessor and the smartphone app enables intelligent configuration and operation. Our enhanced Intelligent Asset Management condition monitoring and analytics software has been well received by customers who appreciate its expanded diagnostic and predictive functions. After the period end we made a small acquisition adding a compact high torque electric valve actuator range to our product offering.

Capital allocation

We retain a strong balance sheet, with a net cash position of £97.8m at the period end (31 December 2022: £105.9m). This, together with good cash generation, provides us with the financial flexibility to pursue our organic investment plans, pay a progressive dividend and execute our targeted M&A strategy. We regularly review our capital needs, in line with our capital allocation strategy, and have demonstrated discipline and flexibility in our use of buybacks and dividends to deliver returns for shareholders. In the event that in the future we determine we have surplus cash, we will return it to shareholders via share buybacks.

On 4 August Rotork acquired Montreal (Canada) headquartered Hanbay Inc ("Hanbay"). Hanbay designs and manufactures compact, high torque electric valve actuators for both non-hazardous and hazardous applications. The acquisition expands Rotork's electric actuator offering and is fully consistent with all three pillars of the Growth+ strategy and increases the percentage sales contribution of our Eco-transition portfolio. Hanbay sales in 2023 are expected to be in the region of CAD10m with margins in-line with the Rotork Group average.

We recognise the importance of a growing dividend to our shareholders and are committed to a progressive dividend policy subject to satisfying cash requirements. The Board is declaring an interim dividend of 2.55p per share which is equivalent to 2.3 times cover based on adjusted earnings per share.

The interim dividend will be payable on 22 September 2023 to shareholders on the register on 18 August 2023. The ex-dividend date is 17 August 2023. The last date to elect for the Dividend Reinvestment Plan ('DRIP') is 4 September 2023.

Board update

Ann Christin Andersen has decided that due to other commitments she will not seek re-election as a Director of Rotork at the AGM in April 2024. When Ann Christin steps down she will have served Rotork for more than five years. We thank Ann Christin for her service and will announce her replacement in due course.

Outlook

The outlook for all our divisions is positive and we entered the second half with a record order book. Whilst mindful of residual supply chain challenges, we anticipate delivering further progress in 2023 in line with expectations on an OCC basis.

Divisional review

Oil & Gas

£m	H1 2023	H1 2022	Change	OCC[3] Change
Revenue	146.1	122.3	+19.5%	+16.4%
Adjusted operating profit	31.3	23.6	+33.0%	+30.3%
Adjusted operating margin	21.4%	19.3%	+210bps	+230bps

Oil & Gas sales were 16% ahead year-on-year (OCC) against a supply-chain disrupted comparative period. Divisional revenues benefited from both volume and selling price increases. All segments grew and downstream sales represented 47% of the total (52% in H1 2022); upstream 29% (24%) and midstream 24% (24%).

The EMEA geographic region reported double-digit revenue growth year-on-year (OCC), with all three segments (upstream, midstream and downstream) strongly ahead, benefiting from increased activity in the Middle East. The Americas reported the strongest growth with US upstream benefiting from the increase in methane emissions reduction related sales. In APAC, double-digit year-on-year revenue growth in the upstream segment was not sufficient to offset lower downstream and midstream sales, reflecting the non-repeat of larger projects.

The division's adjusted operating profit was £31.3m, 33.0% up year-on-year. Positive pricing more than offset adverse product mix and any impact of higher material costs. The benefit of strong volume growth, improved labour productivity and a slower rate of overhead growth resulted in adjusted operating margins rising 210 basis points to 21.4%.

Oil & Gas' focus on target segments delivered notable successes during the period. The Rotork IQTF established itself as the leading electric actuator for wellhead choke valve methane emissions reduction applications in the North American upstream market. In the LNG segment Oil & Gas received a major actuation package order from a liquefaction project in Texas. In India the Rotork team won a large order for electric actuators and controls systems, together with a five-year maintenance and service contract, for a multi-location tank farm automation project.

Chemical, Process & Industrial ("CPI")

£m	H1 2023	H1 2022	Change	OCC[3] Change
Revenue	110.4	92.8	+19.0%	+17.2%
Adjusted operating profit	25.0	22.7	+10.0%	+8.4%
Adjusted operating margin	22.7%	24.5%	-180bps	-180bps

CPI is a supplier of specialist actuators and instruments for niche applications in the broad chemical, process industry and industrial sectors. The division serves a broader range of end markets than Rotork's other divisions and typically has a shorter order backlog.

The division delivered a good sales performance with revenues 19% higher year-on-year. Asia Pacific sales grew year-on-year OCC, benefiting from our coverage expansion initiative and growth in target segments including HVAC and mining. EMEA revenue growth was in the mid-teens. The Americas was CPI's fastest growing geographic region.

The division's adjusted operating profit was £25.0m, 10% higher than the prior year. Adjusted operating margins fell 180 basis points to 22.7%. Particularly strong revenue growth in fluid power actuators contributed to a negative product mix which, even with improved direct labour productivity, meant a decline in gross margin. With overheads then increasing slightly ahead of the Group average this resulted in a 180bps reduction in adjusted operating margin.

CPI is benefiting from the pursuit of its chosen Growth+ target segments such as decarbonisation (hydrogen and carbon capture, usage and storage), chemicals, HVAC (semi-conductor, lithium-ion battery and data centre) and mining. Rotork's electric and fluid power actuators and MasterStation control systems were selected to control fluids at a major new ethylene (chemical) multi-phase project in China. Rotork Schischek explosion proof actuators were specified as part of a HVAC upgrade at a pharmaceutical ingredient plant in Switzerland. Rotork's electric actuators and emergency shutdown duty fluid-powered actuators were chosen to automate a major nickel/cobalt processing plant in Indonesia.

Water & Power

£m	H1 2023	H1 2022	Change	OCC[3] Change
Revenue	78.1	64.9	+20.4%	+18.7%
Adjusted operating profit	17.0	13.4	+27.1%	+25.6%
Adjusted operating margin	21.8%	20.7%	+110bps	+110bps

Water & Power is a supplier of premium actuators, predominantly electric, and gearboxes for applications in the water, wastewater treatment and power generation sectors. The water segment contributed 68% of divisional sales in the period (66% in H1 2022).

Sales in the half were ahead 19% year-on-year (OCC) against a particularly supply-chain disrupted comparative period. Asia Pacific sales were low-teens ahead year-on-year (OCC). Sales in the Americas grew strongly year-on-year driven by higher water sector activity and was the fastest growing geographic region. EMEA sales grew year-on-year benefiting from higher power station refurbishment revenues.

The division's adjusted operating profit was £17.0m, 27.1% higher year on year. Volume accounted for more of the revenue increase in this division than the other two and, with positive product mix, this more than covered any material cost increases. This, together with improved labour productivity, resulted in adjusted operating margins increasing 110 basis points to 21.8% despite overheads growing fastest in this division.

The division made good progress in its target segments of water infrastructure, waste and wastewater treatment, desalination and alternative energy during the period. Rotork actuators were selected by a Middle Eastern end user for a large water infrastructure network automation project. Rotork's IQ3 electric actuator range was picked for a major upgrade project at a drinking water purification plant in the United States Midwest. In the alternative energy space, Rotork IQ series intelligent electric actuators were chosen to control cooling circuits on HVDC platforms destined for North Sea (UK) offshore wind farms.

By order of the Board
Kiet Huynh
Chief Executive
7 August 2023

Financial Key Performance Indicators (KPIs)

	H1 2023	H1 2022	FY 2022
Revenue growth	**19.5%**	-2.9%	12.8%
Adjusted operating margin	**19.5%**	19.0%	22.3%
Cash conversion	**116.4%**	68.1%	76.0%
Return on capital employed	**32.7%**	27.0%	31.3%
Adjusted EPS growth	**21.9%**	-12.7%	13.2%

The KPIs are defined below:

- Revenue growth is defined as the increase in revenue divided by comparative 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 for adjusted items and the pension charge to cash adjustment as a percentage of adjusted operating profit (note 2g).
- 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 and less the pension fund surplus net of related deferred tax liability (note 2d).
- Adjusted EPS growth is defined as the increase/(decrease) in adjusted basic EPS (based on adjusted profit after tax) divided by the comparative period adjusted basic EPS (note 2c).

Adjusted items

Adjusted profit measures are presented alongside reported results as we believe they provide a useful comparison of underlying business trends and performance from one period to the next. The Group believes alternative performance measures, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business.

The reported profit measures are adjusted to exclude amortisation of acquired intangibles, business transformation costs associated with the implementation of a new ERP system and integration with business processes, 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 of adjusted items are provided in note 4.

£m	Reported results	Amortisation	Gain on property disposal	Business transformation cost	Other Adjustments	Adjusted results
Operating profit	59.4	0.6	(0.7)	5.9	0.1	65.3
Profit before tax	60.2	0.6	(0.7)	5.9	0.1	66.1
Tax	(14.7)	(0.1)	0.1	(1.4)	-	(16.1)
Profit after tax	45.5	0.5	(0.6)	4.5	0.1	50.0

Financial position

The balance sheet remains strong and we ended the period with net cash of £97.8m (Dec 2022: £105.9m). Net cash comprises cash balances of £105.3m less loans and borrowings and leases of £7.5m.

Net working capital (note 2e) has decreased by £10.8m since the year end to £173.5m at the period end; this was largely driven by trade receivables. December 2022 trade receivables were higher due to sales being weighted towards the end of the year, and this has unwound driving part of the reduction together with a reduction in days sales outstanding, which is two days lower compared with the year end at 56 days. In total, net working capital as a percentage of sales was 25.9% compared with 28.7% in December 2022 and 28.1% in June 2022. The decrease in working capital has resulted in cash conversion of 116.4% of adjusted operating profit into operating cash, up from 68.1% in the first half of 2022.

Taxation

The estimated effective tax rate used for the year ending 31 December 2023 is 24.5% (2022 actual rate: 24.9%). Removing the impact of the adjusted items provides a more comparable measure and, on this basis, the adjusted effective tax rate is 24.5% (2022: 23.9%).

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. During the period the Group made a special contribution of £20m to the Rotork Pension and Life Assurance Scheme. This contribution, together with some of the existing assets, were used to purchase a bulk annuity covering the UK scheme's existing pensioner liabilities. This has been accounted for as a buy-in. The pension scheme has moved from a deficit of £8.0m at 31 December 2022 to a surplus of £9.3m at 30 June 2023, principally due to the special contribution.

Currency

Overall, currency tailwinds increased revenue by £6.6m (2.3%) compared with the first half of 2022. The average US dollar rate was $1.23 (H1 2022: $1.30) and the average Euro rate was €1.14 (H1 2022: €1.19), whilst the rates at 30 June 2023 were $1.27 and €1.16 respectively (30 June 2022: $1.22 and €1.16).

Dividend

The Board has declared an interim dividend of 2.55p (H1 2022: 2.40p) per ordinary share. The interim dividend will be paid on 22 September 2023 to shareholders on the register at the close of business on 18 August 2023.

Principal risks and uncertainties

The Group has an established risk management process as part of the corporate governance framework set out in the 2022 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 86 to 89 of the 2022 Annual Report and Accounts. The Group's principal risks and uncertainties were 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 90 to 97 of the 2022 Annual Report and Accounts.

Risk update

Whilst there has been no change in the principal risks and uncertainties under review by the business since the risks disclosed in the 2022 Annual Report, the following risk updates are noted:

- Geopolitical instability – remains at an elevated level with potential knock-on impacts to other risks such as supply chain disruption. The Group continues to monitor potential impacts and where possible put in place mitigations to reduce the impact in those underlying risks.
- Supply chain disruption – remains as one of our key risks with component shortages and constraints driving delays in specific areas. This is a change to prior periods where the shortages and constraints were more widespread. Management actions to secure the supply of key components have mitigated potentially more severe outcomes.
- Cybersecurity – we are responding to the external threat of increasingly sophisticated cyberattacks by investing in our cyber strategy.

- Various strategic initiatives continue to respond to our risks and in the period the Group has seen positive engagement on People and Health & Safety risks in particular.

Emerging risks

We continue to monitor and review emerging risks, which are those risks that are hard to determine the severity. Risks under review include those in relation to geo-political events, technological, social, 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, product or technology offering leading to a loss of sales globally or market share.
3. Geopolitical instability: Increasing social and political instability results in disruption and increased protectionism in key geographic markets. Business disruption could impact our sales and might ultimately lead to loss of assets located in the affected region.
4. Health & Safety: The nature of Rotork's core business and geographical locations involves potential risks to the health and safety of our employees or other stakeholders.
5. 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.

6. Climate commitments: We do not deliver against our commitment to enable a sustainable future and Rotork is not recognised by our stakeholders as being part of the solution, leading to reputational damage.
7. People: Our people, epitomised through our Stronger Together value, are critical to delivering our culture and plans. An inability to attract, retain and develop key and diverse talent could mean we fail to successfully deliver our strategic goals.
8. 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.
9. Supply chain disruption: Supply chain disruption which may arise such as a tooling failure at a key supplier, logistics issue, severe weather events impacting key suppliers which would cause disruption to manufacturing at a Rotork factory.
10. 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.
11. Business change management: The delivery of our strategic initiatives relies upon our ability to deliver a series of key change programmes without causing business disruption or having a negative impact to our 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
7 August 2023

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 2023 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 cash flow statement and related notes 1 to 17.

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 2023 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 (ISRE (UK) 2410). 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 are 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) 2410; 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 Conclusion 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 ISRE (UK) 2410. 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
7 August 2023

Condensed consolidated Income Statement

	Notes	First half 2023 £000	First half 2022 £000	Full year 2022 £000
Revenue	*3*	**334,691**	**280,014**	641,812
Cost of sales		**(182,890)**	**(155,222)**	(350,079)
Gross profit		**151,801**	**124,792**	291,733
Other income		**929**	**374**	1,620
Distribution costs		**(2,922)**	**(2,939)**	(6,197)
Administrative expenses		**(90,265)**	**(78,160)**	(163,177)
Other expenses		**(144)**	**(39)**	(372)
Operating profit	*3*	**59,399**	**44,028**	123,607
Finance income	*5*	**3,235**	**1,791**	3,049
Finance expense	*6*	**(2,388)**	**(1,229)**	(2,554)
Profit before tax		**60,246**	**44,590**	124,102
Income tax expense	*7*	**(14,749)**	**(10,882)**	(30,901)
Profit for the period		**45,497**	**33,708**	93,201
Attributable to:				
Owners of the parent		**45,687**	**33,741**	93,243
Non-controlling interests		**(190)**	**(33)**	(42)
		45,497	**33,708**	93,201
Basic earnings per share	*9*	**5.3p**	**3.9p**	10.9p
Diluted earnings per share	*9*	**5.3p**	**3.9p**	10.8p

Operating profit		**59,399**	**44,028**	123,607
Adjustments:				
- Amortisation of acquired intangible assets		**618**	**3,096**	7,051
- Other adjustments	*4*	**5,277**	**6,179**	12,587
Adjusted operating profit		**65,294**	**53,303**	143,245
Adjusted basic earnings per share	*2*	**5.8p**	**4.8p**	12.7p
Adjusted diluted earnings per share	*2*	**5.8p**	**4.8p**	12.7p

Condensed consolidated Statement of Comprehensive Income and Expense

	First half 2023 £000	**First half 2022 £000**	Full year 2022 £000
Profit for the period	**45,497**	**33,708**	93,201
Other comprehensive income and expense			
Items that may be subsequently reclassified to the income statement:			
Foreign currency translation differences	**(22,669)**	**19,676**	21,928
Effective portion of changes in fair value of cash flow hedges net of tax	**1,250**	**(1,786)**	(1,627)
	(21,419)	**17,890**	20,301
Items that are not subsequently reclassified to the income statement:			
Actuarial (loss)/gain in pension scheme net of tax	**(5,340)**	**11,412**	(4,932)
Income and expenses recognised directly in equity	**(26,759)**	**29,302**	15,369
Total comprehensive income for the period	**18,738**	**63,010**	108,570
Attributable to:			
Owners of the parent	**18,861**	63,043	108,561
Non-controlling interests	**(123)**	(33)	9
	18,738	63,010	108,570

Condensed consolidated Balance Sheet

	Notes	30 June 2023 £000	30 June 2022 £000	31 Dec 2022 £000
Goodwill		**219,292**	**224,575**	228,005
Intangible assets		**21,022**	**24,337**	20,579
Property, plant and equipment		**70,260**	**79,507**	78,726
Derivative financial instruments		**-**	**-**	74
Deferred tax assets		**15,277**	**10,428**	15,965
Other receivables		**9**	**41**	-
Defined benefit scheme surplus	*11*	**9,317**	**11,233**	-
Total non-current assets		**335,177**	**350,121**	343,349
Inventories	*10*	**91,088**	**90,521**	92,306
Trade receivables		**125,019**	**108,117**	134,279
Current tax		**8,272**	**10,255**	7,877
Derivative financial instruments	*16*	**913**	**288**	62
Other receivables		**43,924**	**40,281**	39,112
Assets classified as held for sale		**-**	**-**	211
Cash and cash equivalents		**105,307**	**100,382**	114,770
Total current assets		**374,523**	**349,844**	388,617
Total assets		**709,700**	**699,965**	731,966
Issued equity capital	*12*	**4,304**	**4,302**	4,304
Share premium		**20,267**	**19,266**	19,959
Other reserves		**10,917**	**29,909**	32,269
Retained earnings		**536,487**	**509,810**	531,951
Equity attributable to owners of the parent		**571,975**	**563,287**	588,483
Non-controlling interests		**1,167**	**1,382**	1,424
Total equity		**573,142**	**564,669**	589,907
Interest bearing loans and borrowings	*13*	**5,280**	**6,454**	5,405
Employee benefits	*11*	**3,994**	**4,064**	11,955
Deferred tax liabilities		**4,101**	**2,696**	4,028
Derivative financial instruments	*16*	**21**	**403**	215
Provisions		**1,331**	**1,524**	1,439
Total non-current liabilities		**14,727**	**15,141**	23,042
Interest bearing loans and borrowings	*13*	**2,254**	**3,505**	3,431
Trade payables		**42,605**	**41,332**	42,314
Employee benefits		**14,239**	**10,771**	15,200
Current tax		**12,684**	**14,071**	11,893
Derivative financial instruments	*16*	**616**	**1,024**	2,729
Other payables		**45,352**	**45,902**	39,084
Provisions		**4,081**	**3,550**	4,366
Total current liabilities		**121,831**	**120,155**	119,017
Total liabilities		**136,558**	**135,296**	142,059
Total equity and liabilities		**709,700**	**699,965**	731,966

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 2022	4,304	19,959	31,352	1,716	(799)	531,951	588,483	1,424	589,907
Profit for the period	-	-	-	-	-	45,687	45,687	(190)	45,497
Other comprehensive (expense)/income									
Foreign currency translation differences	-	-	(22,602)	-	-	-	(22,602)	(67)	(22,669)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	1,634	-	1,634	-	1,634
Actuarial loss on defined benefit pension plans	-	-	-	-	-	(6,501)	(6,501)	-	(6,501)
Tax in other comprehensive (expense)/income	-	-	-	-	(384)	1,161	777	-	777
Total other comprehensive (expense)/income	-	-	(22,602)	-	1,250	(5,340)	(26,692)	(67)	(26,759)
Total comprehensive income	-	-	(22,602)	-	1,250	40,347	18,995	(257)	18,738
Transactions with owners, recorded directly in equity									
Equity settled share-based payment transactions	-	-	-	-	-	(763)	(763)	-	(763)
Tax on equity settled share-based payment transactions	-	-	-	-	-	191	191	-	191
Shares issued to satisfy employee awards	-	308	-	-	-	-	308	-	308
Own ordinary shares acquired	-	-	-	-	-	(1,694)	(1,694)	-	(1,694)
Own ordinary shares awarded under share schemes	-	-	-	-	-	3,381	3,381	-	3,381
Dividends	-	-	-	-	-	(36,926)	(36,926)	-	(36,926)
Balance at 30 June 2023	**4,304**	**20,267**	**8,750**	**1,716**	**451**	**536,487**	**571,975**	**1,167**	**573,142**

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 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
Other comprehensive (expense)/income									
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)
Total other comprehensive (expense)/income	-	-	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
Transactions with owners, recorded directly in equity									
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 Cash Flows

	Notes	**First half 2023 £000**	First half 2022 £000	Full year 2022 £000
Cash flows from operating activities				
Profit for the period		**45,497**	33,708	93,201
Adjustments for:				
Amortisation of acquired intangible assets		**618**	3,104	7,051
Other adjustments	*4*	**5,277**	6,179	12,587
Amortisation and impairment of other intangible assets		**1,082**	741	1,436
Depreciation		**6,169**	7,426	14,933
Equity settled share-based payment expense		**3,125**	2,118	4,601
Net profit on sale of property, plant and equipment		**(582)**	(60)	(159)
Finance income		**(3,235)**	(1,791)	(3,049)
Finance expense		**2,388**	1,229	2,554
Income tax expense		**14,749**	10,882	30,901
		75,088	63,536	164,056
(Increase) in inventories		**(2,962)**	(16,852)	(19,479)
(Increase) in trade and other receivables		**(2,551)**	(9,439)	(32,591)
Increase/(decrease) in trade and other payables		**7,621**	2,514	(2,902)
Cash impact of other adjustments		**(4,662)**	(5,030)	(12,056)
Difference between pension charge and cash contribution		**(23,490)**	(3,474)	(6,979)
(Decrease)/increase in provisions		**(498)**	341	(383)
(Decrease)/increase in employee benefits		**(685)**	(3,823)	67
Operating cash flow		**47,861**	27,773	89,733
Income taxes paid		**(12,758)**	(12,053)	(30,221)
Net cash flows from operating activities		**35,103**	15,720	59,512
Investing activities				
Purchase of property, plant and equipment		**(3,435)**	(3,887)	(8,291)
Purchase of intangible assets		**(140)**	(1,041)	(2,066)
Development costs capitalised		**(889)**	(1,327)	(2,541)
Sale of property, plant and equipment		**1,306**	4,097	4,629
Settlement of hedging derivatives		**886**	(474)	9
Interest received		**1,936**	499	751
Net cash flows from investing activities		**(336)**	(2,133)	(7,509)
Financing activities				
Issue of ordinary share capital		**308**	438	1,133
Own ordinary shares acquired		**(1,694)**	(1,600)	(3,475)
Interest paid		**(283)**	(440)	(817)
Decrease in bank loans		**-**	(686)	(694)
Repayment of lease liabilities		**(1,661)**	(2,536)	(3,966)
Dividends paid on ordinary shares		**(36,926)**	(34,787)	(55,384)
Receipt for non-controlling interest		**-**	1,415	1,415
Net cash flows from financing activities		**(40,256)**	(38,196)	(61,788)
Net decrease in cash and cash equivalents		**(5,489)**	(24,609)	(9,785)
Cash and cash equivalents at 1 January		**114,770**	123,474	123,474
Effect of exchange rate fluctuations on cash held		**(3,974)**	1,518	1,081
Cash and cash equivalents at end of period		**105,307**	100,383	114,770

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 2023 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 2022 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board on 27 February 2023 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 2022 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 2023 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 2022, 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 macroeconomic conditions, the impact of 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 £97.8m and unused overdraft facilities of £24m 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 the Group has adequate resources to continue operating as a going concern for the foreseeable future, and that no material uncertainties exist with respect to this assessment. 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 2022.

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 2022, except for the adoption of new standards effective as of 1 January 2023. 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

Other amendments

A number of 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

There are no further narrow scope amendments which have been issued where the application of the amendments would have a 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 provide stakeholders with additional useful information to facilitate greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance.

The Group believes alternative performance measures, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These alternative performance measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

The key alternative performance measures that the Group use include adjusted profit measures and organic constant currency (OCC).

Explanations of how they are calculated and how they are reconciled to IFRS reported 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 as defined below. Adjustments to profit are items of income and expense which, because of the nature, size and/or infrequency of the events giving rise to them, merit separate presentation. These specific items are presented as a footnote to the income statement to provide greater clarity and an enhanced understanding of the impact of these items on the Group's financial performance. In doing so, it also facilitates greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

Adjustments to profit items may include but are not restricted to: costs of significant business restructuring including any associated significant impairments of intangible or tangible assets, adjustments to the fair value of acquisition related items such as contingent consideration, acquired intangible asset amortisation and other items considered to be significant due to their nature or the expected infrequency of the events giving rise to them.

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 2023 £000	First half 2022 £000	Full year 2022 £000
Profit before tax	**45,497**	44,590	124,102
Adjustments:			
Amortisation of acquired intangible assets	**618**	3,096	7,051
Gain on disposal of property	**(723)**	(1,209)	(1,208)
Business transformation costs	**5,925**	3,549	8,868
Redundancy and other restructuring costs	**75**	283	1,372
Russia market exit	**-**	3,555	3,555
Adjusted profit before tax	**51,392**	53,864	143,740

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 2023 £000	First half 2022 £000	Full year 2022 £000
Net profit attributable to ordinary shareholders	**45,497**	33,708	93,201
Adjustments:			
Amortisation of acquired intangible assets	**618**	3,096	7,051
Gain on disposal of property	**(723)**	(1,209)	(1,208)
Business transformation costs	**5,925**	3,549	8,868
Redundancy and other restructuring costs	**75**	283	1,372
Russia market exit	**-**	3,555	3,555
Tax effect on adjusted items	**(1,488)**	(2,000)	(3,440)
Adjusted net profit attributable to ordinary shareholders	**49,904**	40,982	109,399

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 2023 £000	**First half 2022 £000**	Full year 2022 £000
Adjusted operating profit			
As reported	**-**	**-**	143,245
Rolling 12 months	**155,236**	**118,648**	-
Capital employed			
Shareholders' funds	**573,142**	**564,669**	589,907
Cash and cash equivalents	**(105,307)**	**(100,382)**	(114,770)
Interest bearing loans and borrowings	**7,534**	**9,959**	8,836
Pension (surplus)/deficit net of deferred tax	**(7,254)**	**(8,747)**	6,065
Capital Employed	**468,115**	**465,499**	490,038
Average capital employed	**474,551**[1]	**439,122**[1]	458,002[2]
Return on capital employed	**32.7%**	**27.0%**	31.3%

[1] defined as the average of the capital employed at June 2022, December 2022 and June 2023 (2022: June 2021, December 2021, and June 2022).

[2] defined as the average of the capital employed at December 2021 and December 2022.

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 2023 half year results are restated using the average exchange rates applied for the 2022 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 2023	Currency adjustment	**OCC First half 2023**	First half 2022
Revenue	**334,691**	(6,561)	328,130	280,014
Cost of sales	**(182,890)**	4,232	(178,658)	(155,222)
Gross margin	**151,801**	(2,329)	149,472	124,792
Net overheads	**(86,507)**	1,129	(85,378)	(71,489)
Adjusted operating profit	**65,294**	(1,200)	64,094	53,303
Adjusted operating margin	**19.5%**		19.5%	19.0%
Adjusted profit before tax	**66,141**	(1,200)	64,941	53,865
Adjusted basic earnings per share	**5.8p**	-	5.7p	4.8p

g. Cash conversion

Cash conversion is calculated as adjusted operating cash flow as a percentage of adjusted operating profit. It is monitored to illustrate how efficiently adjusted operating profits are converted into cash. Adjusted operating cash flow is calculated as follows:

	First half 2023 £000	First half 2022 £000	Full year 2022 £000
Adjusted operating cash flow			
Operating cash flow	**47,861**	27,773	89,733
Operating cash flow impact of other adjustments	**4,662**	5,030	12,056
Difference between pension charge and cash contribution	**23,490**	3,474	6,979
Adjusted operating cash flow	**76,013**	36,277	108,768
Adjusted operating profit	**65,294**	53,303	143,245
Cash conversion	**116%**	68%	76%

3. Analysis by operating segment

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 2023

	Oil & Gas	Chemical, Process & Industrial	Water & Power	Unallocated	Group
	£000	£000	£000	£000	£000
Revenue	**146,138**	**110,406**	**78,147**	**-**	**334,691**
Adjusted operating profit	**31,328**	**25,010**	**17,041**	**(8,085)**	**65,294**
Amortisation of acquired intangibles assets	**(444)**	**(123)**	**(51)**	**-**	**(618)**
Segment result before other adjustments	**30,884**	**24,887**	**16,990**	**(8,085)**	**64,676**
Other adjustments					**(5,277)**
Operating profit					**59,399**
Net financing income					**847**
Income tax expense					**(14,749)**
Profit for the period					**45,497**

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)*

Full year to 31 December 2022

	Oil & Gas £000	Chemical, Process & Industrial £000	Water & Power £000	Unallocated £000	Group £000
Revenue	283,266	198,355	160,191	–	641,812
Adjusted operating profit	63,960	51,206	40,293	(12,214)	143,245
Amortisation of acquired intangibles assets	(5,063)	(1,410)	(578)	–	(7,051)
Segment result	58,897	49,796	39,715	(12,214)	136,194
Other adjustments					(12,587)
Operating profit					123,607
Net financing income					495
Income tax expense					(30,901)
Profit for the year					93,201

Revenue by location of subsidiary

	First half 2023 £000	First half 2022 £000	Full year 2022 £000
UK	**34,501**	25,120	55,146
Italy	**34,073**	23,855	52,997
Rest of Europe	**47,911**	44,750	96,627
USA	**72,808**	54,861	129,499
Other Americas	**24,770**	17,890	44,161
China	**50,522**	54,527	120,188
Rest of World	**70,106**	59,011	143,194
	334,691	280,014	641,812

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 reported profit are as follows:

	First half 2023 £000	First half 2022 £000	Full year 2022 £000
Gain on disposal of properties	**723**	1,209	1,208
Redundancy and other restructuring costs	**(75)**	(284)	(1,372)
Business transformation costs	**(5,925)**	(3,549)	(8,868)
Russia market exit	**-**	(3,555)	(3,555)
	(5,277)	(6,179)	(12,587)

4. *Other adjustments (continued)*

The £723,000 (2022: £1,209,000) gain on disposal of properties relates to the sale of two properties (2022: one property) in the period which were exited as part of the Growth Acceleration Programme, footprint optimisation.

During the period £5.9m of costs were incurred on business transformation. The multi-year transformation includes the implementing and integrating of common systems and processes throughout the Group, including a new cloud-based ERP system. This brings the total expensed under the programme to £37.7m. These costs were expensed as they do not meet the capitalisation criteria under IAS38.

The new ERP system launched at the Bath, UK factory in Q1 2023 and is due to go live at the Head Office site in Q3 2023. The next phase of the programme is the implementation of the new ERP system and integration of common business processes across the other Group entities. It is estimated that a further £50m to £55m will be incurred over the next 3 - 4 years to complete the implementation. These costs will continue to be reported in adjusted items.

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 2023 £000	First half 2022 £000	Full year 2022 £000
Interest income	**2,163**	592	1,235
Foreign exchange gains	**1,072**	1,199	1,814
Finance Income	**3,235**	1,791	3,049

6. *Finance expense*

	First half 2023 £000	First half 2022 £000	Full year 2022 £000
Interest expense	**386**	370	744
Interest expense on lease liabilities	**191**	197	406
Interest charge on pension scheme liabilities	**102**	17	110
Foreign exchange losses	**1,709**	645	1,294
Finance Expense	**2,388**	1,229	2,554

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 2023 is 24.5% (2022 actual: 24.9%).
The estimated adjusted effective tax rate for the year ending 31 December 2023, based on the adjusted profit before tax, is 24.5% (2022: 23.9%). The adjusted effective tax rate has increased from 23.9% in 2022 to an estimated 24.5% principally because of the increase in the blended UK corporation tax rate from 19% in 2022 to 23.5% in 2023.

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 blended UK corporation tax rate of 23.5% due to higher tax rates in overseas subsidiaries.

8. Dividends

	First half 2023 £000	First half 2022 £000	Full year 2022 £000
The following dividends were paid in the period per qualifying ordinary share:			
4.30p final dividend (2022: 4.05p)	**36,926**	34,787	34,787
2.40p interim dividend	**-**	-	20,597
	36,926	34,787	55,384
The following dividends per qualifying ordinary share were declared/proposed after the balance sheet date:			
4.30p final dividend proposed	**-**	-	37,013
2.55p interim dividend declared (2022: 2.40p)	**21,906**	20,613	-
	21,906	20,613	34,780

9. Earnings per share

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 859.0m shares (six months to 30 June 2022: 858.9m; year to 31 December 2022: 858.9m) 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 862.3m shares (six months to 30 June 2022: 859.7m; year to 31 December 2022: 860.6m). 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 2023 £000	30 June 2022 £000	31 Dec 2022 £000
Raw materials and consumables	**71,443**	69,810	72,182
Work in progress	**5,408**	5,551	5,091
Finished goods	**14,237**	15,160	15,033
	91,088	90,521	92,306

11. Defined benefit pension schemes

The defined benefit asset at 30 June 2023 of £9,317,000 (30 June 2022: asset of £11,233,000 included within defined benefit asset; 31 December 2022: liability of £8,006,000 included within employee benefits) is estimated based on the latest full actuarial valuations at 31 March 2022 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 2023 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values.

	30 June 2023 %	30 June 2022 %	31 Dec 2022 %
Discount rate	**5.2**	3.8	4.8
Rate of inflation	**3.2**	3.0	3.1

11. Defined benefit pension schemes (continued)

The Group made a special contribution of £20m to the Rotork Pension and Life Assurance Scheme in May 2023. In June 2023 the scheme used this contribution and some existing assets to purchase a bulk annuity covering the UK scheme's existing pensioner liabilities. This has been accounted for as a buy-in as it is an investment decision to reduce risk of the scheme. The deferred member pension liabilities remain outstanding under the scheme. In addition, the defined benefit plan assets and liabilities have been updated to reflect the £3.4 million regular contributions made.

12. Share capital and reserves

The number of ordinary 0.5p shares in issue at 30 June 2023 was 860,899,000 (30 June 2022: 860,467,000; 31 December 2022: 860,771,000). All issued shares are fully paid.

The Group acquired 387,000 of its own shares during the period (30 June 2022: 482,000; 31 December 2022: 1,124,000). The total amount paid to acquire the shares was £1,694,000 (30 June 2022: £1,600,000; 31 December 2022: £3,475,000), and this has been deducted from shareholders' equity. At 30 June 2023 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 1,325,000 (30 June 2022: 1,177,000; 31 December 2022: 1,831,000). In the period 1,036,000 shares were released to satisfy share plan awards.

In respect of the SAYE scheme, options exercised during the period to 30 June 2023 resulted in 127,000 ordinary 0.5p shares being issued (30 June 2022: 190,000 shares), with exercise proceeds of £308,000 (30 June 2022: £438,000). The weighted average market share price at the time of exercise was £3.26 (30 June 2022: £3.13) per share.

The share-based payment charge for the period was £3,125,000 (30 June 2022: £2,178,000; 31 December 2022: £4,601,000).

13. Loans and borrowings

The following loans and borrowings were issued and repaid during the six months ended 30 June 2023:

	Lease liabilities £000	Preference shares £000	Total £000
Balance at 31 December 2022	8,796	40	8,836
Additions/drawdowns	807	-	807
Repayment	(1,661)	-	(1,661)
Disposals	(127)	-	(127)
Exchange differences	(321)	-	(321)
Balance at 30 June 2023	**7,494**	**40**	**7,534**

	Lease liabilities £000	Preference shares £000	**Total £000**
Current	2,254	-	2,254
Non-current	5,240	40	5,280
Balance at 30 June 2023	**7,494**	**40**	**7,534**

14. Share-based payments

A grant of share options was made on 24 March 2023 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	**EPS condition**	**ROIC condition**	**Emissions condition**
Grant date	24 March 2023	24 March 2023	24 March 2023	24 March 2023
Share price at grant date	£3.07	£3.07	£3.07	£3.07
Shares awarded under scheme	462,945	462,945	462,945	154,313
Vesting period	3 years	3 years	3 years	3 years
Expected volatility	28.4%	N/A	N/A	N/A
Risk free rate	3.3%	N/A	N/A	N/A
Expected dividends expressed as a dividend yield	nil	nil	nil	nil
Probability of ceasing employment before vesting	5% p.a.	5% p.a.	5% p.a.	5% p.a.
Fair value	£1.89	£3.05	£3.05	£3.05

The basis of measuring fair value is consistent with that disclosed in the 2022 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 2022 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 2022 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 2023 the fair value of these contracts was a net asset of £276,000 (30 June 2022: a net liability of £1,139,000; 31 December 2022: a net liability of £2,808,000). 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.

17. Post balance sheet events

On 4 August 2023 Rotork acquired 100% of the equity interest in Hanbay Inc, who are headquartered in Montreal, Canada. The acquisition expands Rotork's electric actuator offering and is fully consistent with all three pillars of the Growth+ strategy and increases the percentage sales contribution of our Eco-transition portfolio.
Due to the proximity of the completion date of the acquisition and the issuing of the condensed consolidated interim financial statements, the initial accounting for the business combination is incomplete. Further information will be provided in the consolidated financial statements of the Group for the year ended 31 December 2023.

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/