

Tuesday 6th August 2024



Rotork plc

2024 Interim Results

Strong H1 performance, full year expectations unchanged

Adjusted highlights	H1 2024	H1 2023	% change	OCC ³ % change
Order intake ¹	£374.4m	£386.9m	-3.2%	+0.2%
Revenue	£361.4m	£334.7m	+8.0%	+11.6%
Adjusted ² operating profit	£76.5m	£65.3m	+17.1%	+22.3%
Adjusted ² operating margin	21.2%	19.5%	+170bps	+190bps
Adjusted ² basic earnings per share	6.9p	5.8p	+18.0%	+26.1%
Cash conversion ⁴	106%	116%	-	-

Reported highlights	H1 2024	H1 2023	% change
Revenue	£361.4m	£334.7m	+8.0%
Operating profit	£66.9m	£59.4m	+12.5%
Operating margin	18.5%	17.7%	+80bps
Profit before tax	£69.7m	£60.2m	+15.6%
Basic earnings per share	6.0p	5.3p	+13.7%
Interim dividend	2.75p	2.55p	+7.8%

Summary

- The Growth+ strategy is delivering with first half revenue 8.0% higher year-on-year⁴ on a reported basis and 11.6% ahead OCC³, with Oil & Gas and Water & Power sales well ahead and Chemical, Process & Industrial lower as a result of reduced mining sector project activity
- Orders received were 4% above sales and marginally ahead year-on-year OCC despite the prior period including an unusually high number of large orders. Oil & Gas and Water & Power orders were slightly higher whilst Chemical, Process & Industrial orders were slightly lower
- Our Target Segments approach – a key pillar of Growth+ - is delivering. Strong year-on-year revenue growth was reported in our upstream and midstream electrification sector (8% of first half group sales) as well as in water infrastructure and wastewater treatment
- Adjusted operating margins were 170bps higher at 21.2%, reflecting the increased sales and good drop-through. The reported operating margin was 18.5%
- ROCE⁵ was 36.9% (H1 2023: 32.7%). We retain a strong balance sheet with closing net cash of £119.3m (December 2023: £134.4m) reflecting 106% cash conversion and £18.1m of share repurchases under the £50m share buyback programme

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

“I am pleased with our strong first half performance which saw sales up double digits year-on-year at OCC and adjusted operating margins up to 21.2%. Orders grew marginally year-on-year on an OCC basis, against a strong comparison which benefitted from higher levels of large project activity.

The benefits of the Target Segment approach under Growth+ are increasingly apparent. Target Segment sales, which represent around half of group revenue, are growing strongly, particularly in water infrastructure, desalination, chemicals and up- and mid-stream oil & gas electrification. Rotork Site Services is also growing strongly.

The outlook for our end markets remains positive, order intake was encouraging in June and July and our order book gives us good visibility. Our full year expectations are unchanged and we continue to anticipate 2024 to be another year of progress on an OCC basis.”

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

² Adjusted⁵ figures exclude the amortisation of acquired intangible assets and other adjustments (see note 4).

³ OCC⁵ is organic constant currency results which exclude acquired businesses and are restated at 2023 exchange rates.

⁴ Year-on-year refers to the first half of 2024 compared to the first half of 2023.

⁵ 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 statutory measures in note 2.

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There will be a virtual presentation for analysts and institutional investors at 8.30am BST today with access via <https://www.investis-live.com/rotork/666849b2e119530d002cc9f9/jwnj>. Please join the webcast 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 want to help drive the transition to a clean future where environmental resources are used responsibly. We have a major role to play in the transition to a low carbon economy, as well as helping preserve natural resources such as fresh water and eliminating energy sector methane emissions.

Performance

The safety of our people, partners and visitors is our number one priority, and our vision for health and safety is zero harm. In the first half of 2024, we recorded a lost-time injury rate of 0.09, broadly in-line with the 0.08 recorded in 2023. Our Total Recordable Injury Rate was 0.19 (2023: 0.20).

Group order intake was 3.2% lower year-on-year (0.2% higher on an OCC basis) at £374.4m against a strong comparative which benefitted from higher levels of project activity. All three divisions reported broadly similar orders year-on-year on an OCC basis. Orders in the period were driven predominantly by customers' operational spend. In contrast the first half of 2023 had seen more large orders than seen for some time.

Group revenue was 8.0% higher year-on-year (11.6% higher OCC). Oil & Gas sales rose 16.5% (20.4% OCC), with growth across all sectors with the midstream and downstream sectors particularly strong. CPI sales were 8.7% lower (6.1% OCC), with solid growth in EMEA offset by declines in the Americas and APAC. The CPI sales decline largely reflects reduced mining sector large project activity and follows three years of strong sales growth. Water & Power sales were up 15.6% (20.2% OCC), with both sectors delivering double-digit growth.

By geography, EMEA was Rotork's fastest growing region, with sales by destination up double digit year-on-year (OCC). Asia Pacific revenues grew high single-digit year-on-year on an OCC basis with Oil & Gas and Water & Power strongly ahead and Chemical, Process & Industrial lower. Americas revenues were modestly lower.

Rotork Site Services, our global service network and a key differentiator in our industry, performed well with revenues growing faster than the Group overall. Our Lifetime Management and Reliability Services programmes have good momentum, as does our Intelligent Asset Management predictive analytics system. Rotork Site Services contributed 22% of Group sales (2023: 21%).

Adjusted operating profit was 17.1% higher year-on-year (22.3% higher OCC) at £76.5m benefitting from higher volumes and positive price/mix. Adjusted operating margins were 170bps ahead year-on-year at 21.2% (190bps higher at 21.4% OCC) and back to levels more typically seen in the first half prior to the supply chain impacted 2022 and 2023. Reported profit before tax was £69.7m.

Return on capital employed was 36.9% (2023: 32.7%), benefitting from a greater increase in adjusted operating profit than the increase in capital employed. Cash conversion was 106% (2023: 116%).

Growth+ strategy update

The starting point of our Growth+ strategy is our Purpose, 'keeping the world flowing for future generations'. Our Purpose is a powerful motivator, and it drives everything we do. It also recognises the role we play in making our world a great place to live, and the role we play in helping improve the safety, environmental and social performances of not just ourselves but also 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 ensure safety, are reliable, efficient, easy to

use, and play a vital role in ensuring the uptime of our end users' operations (including through predictive and preventative maintenance).

Our ambition is mid to high single-digit revenue growth and mid 20s adjusted operating margins over time. Three powerful megatrends help drive our growth: automation, electrification and digitalisation, as well as the trends of sustainability, decarbonisation, energy security, water scarcity, water quality and alternative energy. Our Growth+ strategy is designed to drive our growth and to balance our investments with margin progression. At the core of our strategy are three pillars: Target Segments, Customer Value and Innovative Products & Services, each underpinned by our focus on 'Enabling a Sustainable Future'.

Our 'Target Segments' are key areas within each of our divisions where there are significant opportunities for profitable growth. We are investing in business development into these areas, helping us to grow faster than our overall markets. As previously guided, we estimate that the segments targeted by the Oil & Gas division will grow high single-digit in the coming years, those targeted by CPI will grow low double-digit and Water & Power's mid to high single-digit. Our Target Segments represented around half of group sales in the period.

We are also making good progress on our Customer Value pillar, which puts the customer at the forefront of everything we do. One example is the implementation and integration of common systems and processes throughout the Group. This will improve efficiency and ultimately deliver improved lead times and customer experience. Implementation is currently underway in Europe and global implementation will take several years.

Our Innovative Products & Services pillar also has good momentum. Rotork's recently launched modular Electro-Hydraulic (EH) actuators combine our electric, hydraulic and instrumentation expertise and offer customers highly flexible solutions to their emissions reduction challenges. They have applications in both the upstream and the midstream and are particularly suitable for retrofit. The Rotork IQT/IQTF Battery Back Up (BBU) variant is a high-performance electric actuator containing a lithium-ion battery and is zero emission when operated using renewable electricity and is able to operate off-grid. The BBU has applications across all three Rotork divisions. The EH and BBU product families support our customers' decarbonisation initiatives and have been well received.

Post period end we successfully completed the relocation of our Shanghai (China) facility. The new 21,000m² facility is strategically located in Changshu and was developed with sustainability as a key priority. Its 2,500 roof-mounted solar panels will generate an estimated 1,500 MWh of renewable electricity annually.

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 2024. 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. The electrification of upstream and midstream operations to reduce the GHG emissions intensity of processes is of increased priority post COP28 and is benefitting Rotork's Oil & Gas division. The upstream and midstream electrification sector represented 8% of first half Group sales.

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 reverse osmosis desalination sector is forecast to grow at high single-digit over the medium term.

The outlook for the global power market is more positive than it has been for some time driven by electrification, economic growth, and in the United States by the repatriation of manufacturing and data centre build-out. In response to this acceleration in demand growth, the industry is stepping up new build activity as well as plant modernisation, refurbishment and life extension. Renewable energy continues to play an important role including in delivering zero-emission electricity as well as energy security.

The global chemicals and specialty chemicals industries have experienced sluggish demand over the last year or so due to the energy crisis in Europe, recession concerns in North America, and in China a slower than expected recovery from Covid-19 and a property sector downturn. Whilst the outlook remains uncertain there are tentative signs of improvement in North America and China. We remain focused on identifying growth opportunities in structurally growing markets and share gains in areas where we have historically been under-represented.

The critical HVAC market has a positive outlook driven by the data centre, tunnel ventilation and marine sectors. Asia Pacific growth is expected to be the fastest, driven by these sectors. The outlook for activity in North America is also positive, due to data centres, tunnel ventilation and the latest air quality requirements.

Decarbonisation remains a high-potential market for all three of our divisions.

Capital allocation and dividend

We have a clear and disciplined capital allocation framework. Our priorities in order are organic investment, a progressive dividend, acquisitions and return of cash. We have increased our dividend each year for over twenty years and have completed 30 acquisitions since 2000 including most recently Hanbay in 2023 which is performing in-line with expectations and was successfully integrated into the Group in the period. We have demonstrated discipline and flexibility in using buybacks and special dividends to deliver shareholder returns, including in March 2024 the launch of a £50m share buyback programme. After investing £18.1m in Rotork shares during the first half of the year, our net cash at period end was £119.3m (31 December 2023: £134.4m). We remain active in looking for suitable acquisition opportunities, consistent with the Growth+ strategy.

The Board has declared an interim dividend for 2024 of 2.75p per ordinary share which is equivalent to 2.5 times cover based on adjusted earnings per share. The interim dividend will be payable on 23 September 2024 to all ordinary shareholders on the register on 16 August 2024. The last date to elect for the Dividend Reinvestment Plan ('DRIP') is 2 September 2024.

The Rotork DRIP is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at www.shareview.co.uk/info/drip.

Board update

As announced on 12 September 2023, Jonathan Davis stepped down as Group Finance Director and from the Board at the AGM in April 2024, after 21 years with the company. We all wish Jonathan well for his retirement.

We welcomed Ben Peacock to Rotork as our Chief Financial Officer on 11th March. Ben was previously Vice President of Finance & IT – Minerals Division at The Weir Group PLC.

As announced on 1 March 2024, Andrew Heath and Vanessa Simms joined the Rotork Board as Independent Non-Executive Directors during the period. Andrew was appointed Chair of the Safety and Sustainability Committee on 1 May 2024.

As announced on 29 May 2024, Tim Cobbold has advised the Board that he will step down as a Director of Rotork with effect from 31 December 2024. When Tim steps down he will have served on the Rotork Board for 6 years, the final year as the Company's Senior Independent Director. We will announce Tim's replacement in due course.

Outlook

The outlook for our end markets remains positive, order intake was encouraging in June and July and our order book gives us good visibility. Our full year expectations are unchanged and we continue to anticipate 2024 to be another year of progress on an OCC basis.

Divisional review

Oil & Gas

£m	H1 2024	H1 2023	Change	OCC ³ Change
Revenue	£170.2m	£146.1m	+16.5%	+20.4%
Adjusted operating profit	£38.8m	£31.3m	+23.7%	+28.7%
Adjusted operating margin	22.8%	21.4%	+140bps	+150bps

The recovery in oil & gas sector activity which started in the second half of 2021 continued through the first half. Large project activity returned to more typical levels having been elevated in the first half of 2023. Most sectors saw higher customer spend, targeting increased output, improved productivity, electrification and decarbonisation (including carbon capture and storage and hydrogen). The industry's electrification initiative continued with increased activity in the pipeline sector and in well completion.

Divisional revenue was ahead 16.5% year-on-year and 20.4% year-on-year (OCC). All sectors grew with the midstream and downstream sectors growing particularly strongly. Downstream sales represented 53% of the total (49% in the 2023 full year); upstream 24% (27%) and midstream 23% (24%). Downstream sector sales were double-digit higher year-on-year benefiting from increased refinery and storage activity. EMEA sales grew strongly year-on-year and the region was the fastest growing, with Middle East / Africa growing robustly and the upstream and midstream electrification sector particularly active. Americas sales were ahead mid single-digit whilst APAC sales grew double-digit driven by strong sales growth in India.

The division's adjusted operating profit was £38.8m, up 23.7% year-on-year. Increased deliveries more than offset higher people costs and investment in the division's commercial teams and resulted in adjusted operating margins rising 140 basis points to 22.8%. The division's reported operating profit was £38.3m.

Oil & Gas' focus on target segments during the period delivered notable successes in electrification, Asia infrastructure, decarbonisation and Rotork Site Services. Notable wins in the upstream included Rotork IQTF electric actuators for North American upstream wellhead choke valve control and the reduction of incomplete flaring, and electric actuators for upstream production process control applications for a project in Australasia. Oil & Gas also received first orders for electric actuators for well completion applications. In the midstream the division received follow-on orders from a major liquefaction project in Texas, several pipeline electrification projects mainly in Asia Pacific and North America. Downstream successes included major refinery automation / modernisation projects in EMEA and South America.

Chemical, Process & Industrial (“CPI”)

£m	H1 2024	H1 2023	Change	OCC³ Change
Revenue	£100.9m	£110.4m	-8.7%	-6.1%
Adjusted operating profit	£23.7m	£25.0m	-5.1%	-3.1%
Adjusted operating margin	23.5%	22.7%	+80bps	+70bps

CPI is a supplier of specialist actuators and instruments for niche critical applications in the broad chemical, process industry and industrial sectors. The division serves a wide range of end markets including specialty and other chemicals, metals & mining, critical HVAC, pharmaceutical, steel and cement. The automation, electrification, digitalisation and decarbonisation megatrends are important growth drivers. Rotork has historically been under-represented in several of these markets and has the opportunity to win market share in the years ahead.

Divisional revenues were 8.7% lower year-on-year and 6.1% lower year-on-year on an OCC basis, with the decline largely the result of reduced mining sector large project activity and following three years of strong sales growth. By destination, EMEA sales grew mid-teens, with all sub-regions higher and the Middle East / Africa particularly strong. Asia Pacific sales were modestly lower despite good growth in India. China sales declined mid single-digit, largely due to a slowdown in battery value chain related activity. Americas sales were lower due to reduced deliveries to mining customers.

The division’s adjusted operating profit was £23.7m, 5.1% lower than the prior year. Adjusted operating margins rose 80 basis points to 23.5%. Higher margins reflected positive price/mix and improved labour productivity. The division’s reported operating profit was £22.9m.

Rotork’s electric and fluid power actuators and instruments are selected by leading customers across the chemical, critical HVAC, mining and decarbonisation sectors for automation and electrification projects. During the period CPI won several important projects in the Chemical sector, particularly in Asia Pacific. Critical HVAC activity was strong globally driven by the tunnel ventilation sector as well as increasing demand for specialty HVAC technology across various industries. Decarbonisation remains a high potential future sector for CPI. Decarbonisation activity in the period included deliveries to green ammonia, methanol and hydrogen projects as well as to battery plants and a solar material plant in EMEA.

Water & Power

£m	H1 2024	H1 2023	Change	OCC ³ Change
Revenue	£90.3m	£78.1m	+15.6%	+20.2%
Adjusted operating profit	£24.3m	£17.0m	+42.8%	+50.4%
Adjusted operating margin	26.9%	21.8%	+510bps	+550bps

Water & Power is a supplier of premium actuators, predominantly electric, and gearboxes for applications in the water, wastewater and treatment and power generation sectors. Rotork has significant growth opportunities including through helping solve customers' water quality and water scarcity challenges as well as the automation, electrification and digitalisation trends. Water and wastewater contributed 68% of divisional sales in the half year.

Divisional sales in the half year were ahead 15.6% year-on-year and 20.2% ahead year-on-year (OCC), with both water and power sector sales growing at similar rates. Asia Pacific sales were ahead mid-teens year-on-year (OCC), with the 'Water for All' initiative driving very strong revenue growth in India. Americas sales grew robustly year-on-year with Latin America particularly strong. EMEA was Water & Power's fastest growing geographic region in the period.

The division's adjusted operating profit was £24.3m, 42.8% higher year-on-year. Water & Power is the division with the highest proportion of electric actuator sales and in the prior period was most impacted by circuit board shortages. Availability was much improved in the first half. Higher deliveries, together with improved labour productivity, resulted in adjusted operating margins increasing 510 basis points to 26.9%. The division's reported operating profit was £24.2m.

In the water sector, Rotork is focused on helping to ensure access to water and sanitation to all. Growth of the water sector is driven by the tailwinds of network automation, aging infrastructure, urbanisation and climate change as well as water scarcity, quality and affordability challenges. The division made good progress in its target segments of water infrastructure (including irrigation), water and wastewater treatment, desalination and alternative energy during the year. Rotork is supplying electric and fluid power actuators to a number of desalination projects around the world which will provide potable water, including new order wins in the Middle East and in South America. Rotork's sales force expansion and earlier realignment, product positioning and Rotork Site Services' offering have significantly improved the division's competitive positioning in recent years.

By order of the Board

Kiet Huynh

Chief Executive

5 August 2024

Financial Key Performance Indicators (KPIs)

	H1 2024	H1 2023	FY 2023
Revenue growth	8.0%	19.5%	12.0%
Adjusted operating margin	21.2%	19.5%	22.9%
Cash conversion	106.3%	116.4%	120.3%
Return on capital employed	36.9%	32.7%	33.9%
Adjusted EPS growth	18.0%	21.9%	14.8%

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 (Cash and cash equivalents less Interest-bearing loans and borrowings) and less the pension fund surplus net of related deferred tax liability (note 2d).
- Adjusted EPS growth is defined as the increase 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 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	H1 2024 Reported results	Amortisation	Business Transformation cost	Other costs	H1 2024 Adjusted results	H1 2023 Adjusted results
Operating profit	66.9	1.3	7.6	0.7	76.5	65.3
Profit before tax	69.7	1.3	7.6	0.7	79.3	66.1
Tax	(17.7)	(0.3)	(1.9)	(0.2)	(20.1)	(16.2)
Profit after tax	52.0	1.0	5.7	0.5	59.2	49.9

Financial position

The balance sheet remains strong and we ended the period with net cash of £119.3m (Dec 2023: £134.4m). Net cash comprises cash balances of £131.2m less lease liabilities of £11.9m.

Net working capital (note 2e) has decreased by £5.3m since the year end to £190.9m; this was largely driven by trade receivables. December 2023 trade receivables were higher due to sales being weighted towards the end of the year, and this has unwound driving the reduction which has in part been offset by an increase in inventory. In total, net working capital as a percentage of sales was 26.4% compared with 27.3% in December 2023 and 25.9% in June 2023. The movement in working capital has resulted in cash conversion of 106.3% of adjusted operating profit into operating cash. This is down from 116.4% in the first half of 2023 principally due to higher employee bonuses being paid out in H1 2024 relative to H1 2023.

Taxation

The estimated effective tax rate used for the year ending 31 December 2024 is 25.3% (2023 actual rate: 24.7%). Removing the impact of the adjusted items provides a more comparable measure and, on this basis, the adjusted effective tax rate is 25.3% (2023: 24.5%).

Retirement benefits

The Group operates defined benefit pension schemes in the US and UK, the larger of which is in the UK. Both the schemes are closed to future accrual and during 2023 a bulk annuity covering the UK scheme's existing pensioner liabilities was purchased. During the period, the pension scheme surplus increased to £12.8m from £9.3m at 31 December 2023 principally due to company contributions into the UK scheme.

Currency

Overall, currency headwinds decreased revenue by £14.3m (3.8%) compared with the first half of 2023. The average US dollar rate was \$1.27 (H1 2023: \$1.23) and the average Euro rate was €1.17 (H1 2023: €1.14), whilst the rates at 30 June 2024 were \$1.26 and €1.18 respectively (30 June 2023: \$1.27 and €1.16).

Share buyback programme

The share buyback programme that was announced on 5 March 2024 commenced during the period. By 30 June 2024 shares totalling £18.1m had been purchased and cancelled by the Group.

Dividend

The Board has declared an interim dividend of 2.75p (H1 2023: 2.55p) per ordinary share. The interim dividend will be paid on 23 September 2024 to ordinary shareholders on the register at the close of business on 16 August 2024. The last date for ordinary shareholders to elect for the Dividend Reinvestment Plan ('DRIP') is 2 September 2024.

Principal risks and uncertainties

The Group has an established risk management process as part of the corporate governance framework set out in the 2023 Annual Report and Accounts. The principal risks and uncertainties facing our businesses are monitored on an ongoing basis in line with the prevailing Corporate Governance Code. The risk management process is described in detail on pages 68 to 79 of the 2023 Annual Report and Accounts. The Group's principal risks and uncertainties were reviewed by the Board and the Board has 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 71 to 79 of the 2023 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 2023 Annual Report and Accounts, the following developments have been observed:

- Geopolitical instability risk remains at an elevated level. The Group continues to monitor potential impacts and put in place mitigations to reduce the impact in those underlying risks, for example in relation to supply chain strategies.
- Supply chain disruption remains one of our key risks. Management actions to secure the supply of key components have mitigated the risk during the first half.
- Health and safety risk continues to be a priority for the business. Our ongoing continuous improvement actions reflect our commitment to having a safe workplace.
- Cybersecurity external threats are increasingly sophisticated and we continue to respond to the threat by investing in our cyber strategy.

Emerging risks and opportunities

We continue to monitor and review emerging risks and opportunities, as described in the 2023 Annual Report and Accounts on page 71. Emerging risks and opportunities are those where severity is hard to determine. Risks under review include those in relation to geopolitical 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

5 August 2024

Independent Review Report to Rotork plc

Conclusion

We have been engaged by Rotork plc (“the Company”) to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 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 the related explanatory notes.

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 2024 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

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 (“ISRE (UK) 2410”) issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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.

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 that causes us to believe 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 have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors’ Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, 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 Group or to cease operations, or have no realistic alternative but to do so.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. 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 section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 reached.

Huw Brown

for and on behalf of KPMG LLP

Chartered Accountants

66 Queen Square

Bristol

BS1 4BE

5 August 2024

Condensed consolidated Income Statement

		First half 2024 £000	First half 2023 £000	Full year 2023 £000
	<i>Notes</i>			
Revenue	3	361,434	334,691	719,150
Cost of sales		(187,545)	(182,890)	(380,054)
Gross profit		173,889	151,801	339,096
Other income		529	929	1,405
Distribution costs		(3,179)	(2,922)	(6,314)
Administrative expenses		(104,277)	(90,265)	(184,630)
Other expenses		(109)	(144)	(790)
Operating profit	3	66,853	59,399	148,767
Finance income	5	3,731	3,235	5,301
Finance expense	5	(922)	(2,388)	(3,430)
Profit before tax		69,662	60,246	150,638
Income tax expense	6	(17,626)	(14,749)	(37,150)
Profit for the period		52,036	45,497	113,488
Attributable to:				
Owners of the parent		51,709	45,687	113,135
Non-controlling interests		327	(190)	353
		52,036	45,497	113,488
Basic earnings per share	8	6.0p	5.3p	13.2p
Diluted earnings per share	8	6.0p	5.3p	13.2p
Operating profit		66,853	59,399	148,767
Adjustments:				
- Amortisation of acquired intangible assets		1,334	618	2,110
- Other adjustments	4	8,292	5,277	13,598
Adjusted operating profit		76,479	65,294	164,475
Adjusted basic earnings per share	2	6.9p	5.8p	14.6p
Adjusted diluted earnings per share	2	6.8p	5.8p	14.6p

Condensed consolidated Statement of Comprehensive Income and Expense

	First half 2024 £000	First half 2023 £000	Full year 2023 £000
Profit for the period	52,036	45,497	113,488
Other comprehensive income and expense			
<i>Items that may be subsequently reclassified to the income statement:</i>			
Foreign currency translation differences	(11,271)	(22,669)	(20,271)
Effective portion of changes in fair value of cash flow hedges net of tax	335	1,250	1,397
	(10,936)	(21,419)	(18,874)
<i>Items that are not subsequently reclassified to the income statement:</i>			
Actuarial gain/(loss) in pension scheme net of tax	(53)	(5,340)	(7,722)
Income and expenses recognised directly in equity	(10,989)	(26,759)	(26,596)
Total comprehensive income for the period	41,047	18,738	86,892
Attributable to:			
Owners of the parent	40,661	18,995	86,609
Non-controlling interests	386	(257)	283
	41,047	18,738	86,892

Condensed consolidated Balance Sheet

		30 June 2024 £000	30 June 2023 £000	31 Dec 2023 £000
Goodwill		224,363	219,292	231,703
Intangible assets		30,810	21,022	31,126
Property, plant and equipment		74,197	70,260	74,411
Derivative financial instruments	15	273	-	206
Deferred tax assets		12,348	15,277	15,454
Other receivables		-	9	-
Defined benefit scheme surplus	10	12,830	9,317	9,144
Total non-current assets		354,821	335,177	362,044
Inventories	9	93,916	91,088	83,963
Trade receivables		137,399	125,019	152,842
Current tax		4,362	8,272	4,187
Derivative financial instruments	15	1,037	913	673
Other receivables		25,271	43,924	23,701
Cash and cash equivalents		131,225	105,307	146,372
Total current assets		393,210	374,523	411,738
Total assets		748,031	709,700	773,782
Issued equity capital	11	4,279	4,304	4,306
Share premium		21,278	20,267	21,004
Other reserves		2,497	10,917	13,465
Retained earnings		578,360	536,487	581,813
Equity attributable to owners of the parent		606,414	571,975	620,588
Non-controlling interests		1,819	1,167	1,707
Total equity		608,233	573,142	622,295
Interest-bearing loans and borrowings	12	8,366	5,280	8,826
Employee benefits	10	4,686	3,994	4,197
Deferred tax liabilities		3,058	4,101	3,872
Derivative financial instruments	15	29	21	15
Provisions		1,249	1,331	1,371
Total non-current liabilities		17,388	14,727	18,281
Interest-bearing loans and borrowings	12	3,558	2,254	3,131
Trade payables		40,429	42,605	40,585
Employee benefits		18,229	14,239	29,754
Current tax		11,359	12,684	12,387
Derivative financial instruments	15	271	616	538
Other payables		44,160	45,352	42,536
Provisions		4,404	4,081	4,275
Total current liabilities		122,410	121,831	133,206
Total liabilities		139,798	136,558	151,487
Total equity and liabilities		748,031	709,700	773,782

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 2023	4,306	21,004	11,151	1,716	598	581,813	620,588	1,707	622,295
Profit for the period	-	-	-	-	-	51,709	51,709	327	52,036
<i>Other comprehensive (expense)/income</i>									
Foreign currency translation differences	-	-	(11,330)	-	-	-	(11,330)	59	(11,271)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	459	-	459	-	459
Actuarial gain on defined benefit pension plans	-	-	-	-	-	872	872	-	872
Tax in other comprehensive (expense)/income	-	-	-	-	(124)	(925)	(1,049)	-	(1,049)
<i>Total other comprehensive (expense)/income</i>	-	-	(11,330)	-	335	(53)	(11,048)	59	(10,989)
Total comprehensive income	-	-	(11,330)	-	335	51,656	40,661	386	41,047
<i>Transactions with owners, recorded directly in equity</i>									
Equity settled share-based payment transactions	-	-	-	-	-	1,524	1,524	-	1,524
Tax on equity settled share- based payment transactions	-	-	-	-	-	(305)	(305)	-	(305)
Shares issued to satisfy employee awards	-	274	-	-	-	-	274	-	274
Own ordinary shares acquired	-	-	-	-	-	(1,347)	(1,347)	-	(1,347)
Own ordinary shares awarded under share schemes	-	-	-	-	-	3,049	3,049	-	3,049
Share buyback programme	(27)	-	-	27	-	(18,149)	(18,149)	-	(18,149)
Dividends	-	-	-	-	-	(39,881)	(39,881)	(274)	(40,155)
Balance at 30 June 2024	4,279	21,278	(179)	1,743	933	578,360	606,414	1,819	608,233

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

	Notes	First half 2024 £000	First half 2023 £000	Full year 2023 £000
Cash flows from operating activities				
Profit for the period		52,036	45,497	113,488
Adjustments for:				
Amortisation of acquired intangible assets		1,334	618	2,110
Other adjustments	4	8,292	5,277	13,598
Amortisation and impairment of other intangible assets		1,864	1,082	2,352
Depreciation		6,697	6,169	13,533
Equity settled share-based payment expense		3,987	3,125	5,670
Net profit on sale of property, plant and equipment		(75)	(582)	(342)
Finance income		(3,731)	(3,235)	(5,301)
Finance expense		922	2,388	3,430
Income tax expense		17,626	14,749	37,150
		88,952	75,088	185,688
(Increase)/decrease in inventories		(11,215)	(2,962)	5,490
Decrease/(increase) in trade and other receivables		9,529	(2,551)	(10,488)
Increase in trade and other payables		3,504	7,621	1,399
Cash impact of other adjustments		(7,920)	(4,662)	(13,496)
Difference between pension charge and cash contribution		(3,400)	(23,490)	(26,628)
Increase/(decrease) in provisions		62	(498)	216
(Decrease)/increase in employee benefits		(9,558)	(685)	15,538
Operating cash flow		69,954	47,861	157,719
Income taxes paid		(17,100)	(12,758)	(32,825)
Net cash flows from operating activities		52,854	35,103	124,894
Investing activities				
Purchase of property, plant and equipment		(5,784)	(3,435)	(7,306)
Purchase of intangible assets		(1,241)	(140)	(2,089)
Development costs capitalised		(1,650)	(889)	(2,411)
Sale of property, plant and equipment		87	1,306	1,883
Acquisition of business (net of cash acquired)		-	-	(18,399)
Settlement of hedging derivatives		1,315	886	937
Interest received		2,212	1,936	3,927
Net cash flows from investing activities		(5,061)	(336)	(23,458)
Financing activities				
Issue of ordinary share capital		245	308	1,047
Own ordinary shares acquired		(1,347)	(1,694)	(2,444)
Share buyback programme		(18,149)	-	-
Interest paid		(599)	(283)	(936)
Repayment of lease liabilities		(1,822)	(1,661)	(3,699)
Dividends paid on ordinary shares		(39,881)	(36,926)	(58,820)
Dividends paid to non-controlling interest		(274)	-	-
Net cash flows from financing activities		(61,827)	(40,256)	(64,852)
Net (decrease)/increase in cash and cash equivalents		(14,034)	(5,489)	36,584
Cash and cash equivalents at 1 January		146,372	114,770	114,770
Effect of exchange rate fluctuations on cash held		(1,113)	(3,974)	(4,982)
Cash and cash equivalents at end of period		131,225	105,307	146,372

Notes to the Half Year Report

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

General information

Rotork plc is a company domiciled in England and Wales, its ordinary shares have a commercial companies (equity shares) category listing on the London Stock Exchange.

The condensed consolidated interim financial statements for the six months ended 30 June 2024 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 2023 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2023 were approved by the Board on 4 March 2024 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 2023 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 2024 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 2023, which have been prepared in accordance with international accounting standards in conformity with UK adopted international accounting standards (UK Adopted IFRS).

Going concern

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

In forming this view, the macroeconomic conditions and the impact of geopolitical instability on the Group have been considered. The directors have reviewed: the current financial position of the Group, which has net cash of £119m and unused uncommitted overdraft facilities of £33m 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 a period of not less than 12 months from the date of this report, 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 financial 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 2023.

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 2023, except for the adoption of new standards effective as of 1 January 2024 and Income taxes as explained in note 6. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2024 £000	First half 2023 £000	Full year 2023 £000
Profit before tax	69,662	60,246	150,638
<i>Adjustments:</i>			
Amortisation of acquired intangible assets	1,334	618	2,110
Gain on disposal of property	-	(723)	(723)
Business Transformation costs	7,556	5,925	13,097
Other costs	736	75	1,224
Adjusted profit before tax	79,288	66,141	166,346

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	First half	Full year
	2024	2023	2023
	£000	£000	£000
Net profit attributable to ordinary shareholders	51,709	45,497	113,488
<i>Adjustments:</i>			
Amortisation of acquired intangible assets	1,334	618	2,110
Gain on disposal of property	-	(723)	(723)
Business Transformation costs	7,556	5,925	13,097
Other costs	736	75	1,224
Tax effect on adjusted items	(2,428)	(1,488)	(3,567)
Adjusted net profit attributable to ordinary shareholders	58,907	49,904	125,629

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 8).

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	First half	Full year
	2024	2023	2023
	£000	£000	£000
Adjusted operating profit			
<i>As reported</i>	-	-	164,475
<i>Rolling 12 months</i>	175,660	155,236	-
Shareholders' funds	608,233	573,142	622,295
Cash and cash equivalents	(131,225)	(105,307)	(146,372)
Interest-bearing loans and borrowings	11,924	7,534	11,957
Pension (surplus) net of deferred tax	(9,610)	(7,254)	(6,904)
Capital employed	479,322	468,115	480,976
Average capital employed	476,138¹	474,551 ¹	485,507 ²
Return on capital employed	36.9%	32.7%	33.9%

¹ Defined as the average of the capital employed at June 2023, December 2023 and June 2024 (2023: June 2022, December 2022, and June 2023).

² Defined as the average of the capital employed at December 2022 and December 2023.

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 2024 half-year results are restated using the average exchange rates applied for the 2023 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.

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

	First half 2024	Currency adjustment	Acquisition adjustment	OCC First half 2024	First half 2023
Revenue	361,434	14,311	(2,184)	373,561	334,691
Cost of sales	(187,545)	(7,713)	731	(194,527)	(182,890)
Gross profit	173,889	6,598	(1,453)	179,034	151,801
Adjusted operating profit	76,479	4,445	(1,098)	79,826	65,294
Adjusted operating margin	21.2%			21.4%	19.5%
Adjusted profit before tax	79,288	4,487	(1,089)	82,686	66,141
Adjusted basic earnings per share	6.9p			7.3p	5.8p

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 2024	First half 2023	Full year 2023
	£000	£000	£000
Adjusted operating cash flow			
Operating cash flow	69,954	47,861	157,719
Operating cash flow impact of other adjustments	7,920	4,662	13,496
Difference between pension charge and cash contribution	3,400	23,490	26,628
Adjusted operating cash flow	81,274	76,013	197,843
Adjusted operating profit	76,479	65,294	164,475
Cash conversion	106.3%	116.4%	120.3%

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 2024

	Oil & Gas	Chemical, Process & Industrial	Water & Power	Unallocated	Group
	£000	£000	£000	£000	£000
Revenue	170,243	100,853	90,338	-	361,434
Adjusted operating profit	38,761	23,722	24,339	(10,343)	76,479
Amortisation of acquired intangible assets	(460)	(778)	(96)	-	(1,334)
Segment result before other adjustments	38,301	22,944	24,243	(10,343)	75,145
Other adjustments					(8,292)
Operating profit					66,853
Net financing income					2,809
Income tax expense					(17,626)
Profit for the period					52,036

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 intangible 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

3. Analysis by operating segment (continued)

Full year to 31 December 2023

	Oil & Gas £000	Chemical, Process & Industrial £000	Water & Power £000	Unallocated £000	Group £000
Revenue	328,391	213,712	177,047	—	719,150
Adjusted operating profit	83,627	51,253	46,445	(16,850)	164,475
Amortisation of acquired intangible assets	(1,100)	(848)	(162)	—	(2,110)
Segment result	82,527	50,405	46,283	(16,850)	162,365
Other adjustments					(13,598)
Operating profit					148,767
Net financing income					1,871
Income tax expense					(37,150)
Profit for the year					113,488

Revenue by location of subsidiary

	First half 2024 £000	First half 2023 £000	Full year 2023 £000
UK	42,801	34,501	75,568
Italy	35,006	34,073	65,553
Rest of Europe	54,876	47,911	105,293
USA	66,577	72,808	141,046
Other Americas	29,234	24,770	59,419
China	52,718	50,522	102,133
Rest of World	80,222	70,106	170,138
	361,434	334,691	719,150

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 2024 £000	First half 2023 £000	Full year 2023 £000
Gain on disposal of properties	-	723	723
Business Transformation costs	(7,556)	(5,925)	(13,097)
Other costs	(736)	(75)	(1,224)
	(8,292)	(5,277)	(13,598)

4. Other adjustments (continued)

Business Transformation costs

During the period £7,556,000 (2023: £5,925,000) of costs were incurred on Business Transformation. The multi-year transformation programme includes the implementation and integration of common systems and processes throughout the Group, including a new cloud-based ERP system. This brings the total expensed under the programme to £52,476,000. These costs were expensed as they do not meet the capitalisation criteria under IAS 38. Costs include an allocation of personnel expenses in respect of employees directly involved in the programme. Over the next 2.5 – 3 years the Group will deploy the Business Transformation programme, including the new ERP system, across all other Group entities at an estimated further cost of £40,000,000 to £45,000,000.

Income statement disclosure

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 and expense

	First half 2024 £000	First half 2023 £000	Full year 2023 £000
Interest income	2,314	2,163	4,203
Interest income on pension scheme liabilities	260	-	352
Foreign exchange gains	1,157	1,072	746
Finance Income	3,731	3,235	5,301

	First half 2024 £000	First half 2023 £000	Full year 2023 £000
Interest expense	419	386	807
Interest expense on lease liabilities	278	191	495
Interest charge on pension scheme liabilities	-	102	-
Foreign exchange losses	225	1,709	2,128
Finance Expense	922	2,388	3,430

6. 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 2024 is 25.3% (2023 actual: 24.7%).

The estimated adjusted effective tax rate for the year ending 31 December 2024, based on the adjusted profit before tax, is 25.3% (2023: 24.5%). The adjusted effective tax rate has increased from 24.5% in 2023 to an estimated 25.3% principally because of increases in tax rates in jurisdictions in which Rotork operate, including the blended UK corporation tax rate which increased from 23.5% in 2023 to 25.0% in 2024. The consequent increase in the adjusted effective tax rate has been partially offset by an adjustment to reflect recoverable withholding tax.

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 UK corporation tax rate of 25.0% due to higher tax rates in overseas subsidiaries.

7. Dividends

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

4.65p final dividend (2023: 4.30p)
2.55p interim dividend

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

4.65p final dividend proposed
2.75p interim dividend declared (2023: 2.55p)

First half 2024 £000	First half 2023 £000	Full year 2023 £000
39,881	36,926	36,926
-	-	21,894
39,881	36,926	58,820
-	-	40,046
23,518	21,906	-
23,518	21,906	40,046

8. Earnings per share

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 858.3m shares (six months to 30 June 2023: 859.0m; year to 31 December 2023: 859.3m) 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 861.8m shares (six months to 30 June 2023: 862.3m; year to 31 December 2023: 862.4m). 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.

9. Inventories

Raw materials and consumables
Work in progress
Finished goods

30 June 2024 £000	30 June 2023 £000	31 Dec 2023 £000
64,760	71,443	67,381
6,452	5,408	5,687
22,704	14,237	10,895
93,916	91,088	83,963

10. Defined benefit pension schemes

The defined benefit asset at 30 June 2024 of £12,830,000 (30 June 2023: £9,317,000; 31 December 2023: £9,144,000) is estimated based on the latest full actuarial valuations at 31 March 2023 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 2024 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values.

Discount rate
Rate of inflation

30 June 2024 %	30 June 2023 %	31 Dec 2023 %
5.2	5.2	4.6
3.1	3.2	3.0

11. Share capital and reserves

The number of ordinary 0.5p shares in issue at 30 June 2024 was 855,823,000 (30 June 2023: 860,899,000; 31 December 2023: 861,201,000). All issued shares are fully paid.

The Group acquired 406,000 of its own shares during the period (30 June 2023: 530,000; 31 December 2023: 773,000). The total amount paid to acquire the shares was £1,347,000 (30 June 2023: £1,694,000; 31 December 2023: £2,444,000), and this has been deducted from shareholders' equity. At 30 June 2024 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 1,027,000 (30 June 2023: 1,325,000; 31 December 2023: 1,566,000). In the period 944,000 shares were released to satisfy share plan awards.

In respect of the SAYE scheme, options exercised during the period to 30 June 2024 resulted in 111,000 ordinary 0.5p shares being issued (30 June 2023: 127,000 shares), with exercise proceeds of £274,000 (30 June 2023: £308,000). The weighted average market share price at the time of exercise was £3.24 (30 June 2023: £3.26) per share.

During the period, the Group bought back and cancelled a total of 5,490,000 ordinary shares of 0.5p each for a total value of £18,149,000 including costs of £111,000. The average price paid for these repurchased shares was £3.29p. Prior to the period end an additional buyback of 504,000 ordinary shares was in process, but had not yet been fully transacted by 30 June 2024.

The share-based payment charge for the period was £3,987,000 (30 June 2023: £3,125,000; 31 December 2023: £5,670,000).

12. Loans and borrowings

The following loans and borrowings were issued and repaid during the six months ended 30 June 2024:

	Lease liabilities £000	Preference shares £000	Total £000
Balance at 31 December 2023	11,917	40	11,957
Additions/drawdowns	1,751	-	1,751
Repayment	(1,822)	-	(1,822)
Exchange differences	38	-	38
Balance at 30 June 2024	11,884	40	11,924

	Lease liabilities £000	Preference shares £000	Total £000
Current	3,558	-	3,558
Non-current	8,326	40	8,366
Balance at 30 June 2024	11,884	40	11,924

13. Share-based payments

A grant of share options was made on 21 March 2024 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	21 March 2024	21 March 2024	21 March 2024	21 March 2024
Share price at grant date	£3.33	£3.33	£3.33	£3.33
Shares awarded under scheme	458,632	458,632	458,632	152,879
Vesting period	3 years	3 years	3 years	3 years
Expected volatility	26.0%	N/A	N/A	N/A
Risk-free rate	4.0%	N/A	N/A	N/A
Probability of ceasing employment before vesting	5% p.a.	5% p.a.	5% p.a.	5% p.a.
Fair value	£1.72	£3.37	£3.37	£3.37

The basis of measuring fair value is consistent with that disclosed in the 2023 Annual Report & Accounts.

14. 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 2023 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 2023 Annual Report and Accounts.

15. Financial instruments fair value disclosure

The Group held forward currency contracts designated as hedge instruments in a cashflow hedging relationship. At 30 June 2024 the fair value of these contracts was a net asset of £1,010,000 (30 June 2023: a net asset of £276,000; 31 December 2023: a net asset of £326,000). 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 their 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:

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