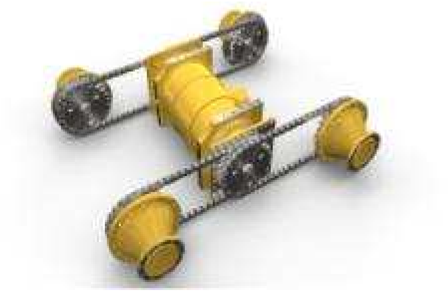
Delivering performance

Preliminary Results
Year ended 31 March 2012

RENOLD

Executive Summary

Delivered all major operational and financial objectives in 2011/12

- **Adjusted Earnings Per Share more than doubled to 4.2p**
- **Adjusted* Operating Profit increased by 101% to £14.1m**
- **Growth in underlying* sales of 9%**
- **Torque Transmission grew sales 10% (target markets growth 18%)**
- **Average working capital* cut by 9% from 24.7% to 22.4%**
- **Pension initiatives reduced the impact of Quantitative Easing**
- **Net debt leverage cut to 1.2x EBITDA**

*Throughout this document the use of 'Underlying' means after eliminating the impact of movements in foreign exchange rates and 'Adjusted' excludes exceptional items. Average working capital is a Key Performance Indicator in use in the business and is calculated as the average of each month's working capital value as a ratio of rolling 12 monthly sales.

Group Overview

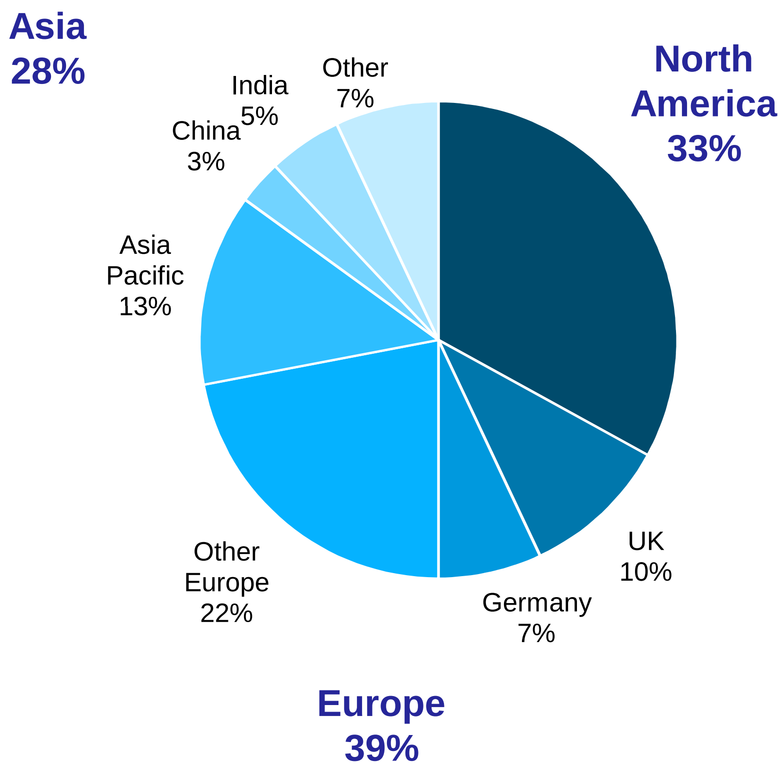
Strong global brand recognition and reputation for engineering excellence

- **Overview**
  - Sales in over 105 countries worldwide
  - Manufacturing in 14 locations in 9 countries
  - Well represented in developed economies
  - Increasing presence in emerging nations
  - Employ over 2,500 staff

- **High performance Chain solutions**
  - 75% of Renold sales
  - 5.9% operating margin
  - Global market in excess of £1bn[*1]

- **Engineered Torque Transmission applications**
  - 25% of Renold sales
  - 16% operating margin
  - Four key sectors addressable markets >£1.1bn[*1]

Sales by customer location 2011/12



[*1] Company estimates

Group Income Statement

Profitability gains driven by sales growth and continued cost reduction

	11/12 £'m	10/11 £'m	Var £'m
Revenue as reported	**209.5**	191.0	
Impact of FX	**-**	1.3	
Underlying Revenue	**209.5**	192.3	**17.2**
Operating Profit as reported	**14.1**	7.0	
Impact of FX	**-**	0.1	
Underlying Operating Profit	**14.1**	7.1	**7.0**
Underlying Return on Sales %	**6.7%**	3.7%	
Exceptional items / JV	(2.2)	(2.7)	
External interest	(2.5)	(2.0)	
IAS19 Financing costs	(1.8)	(3.6)	
Profit / (Loss) before tax	**7.6**	(1.2)	**8.8**
Adjusted earnings per share (pence)	**4.2**	2.0	**2.2**

- Operational gearing drove 41% drop through of sales growth to profit (normal range 30-35%)
- Underlying sales growth of 9% following slower end to the year in Europe
- Exceptional items primarily reflect acceleration of European Chain restructuring activities

Segmental Analysis – TT

Torque Transmission achieved 10% growth and 16% margins

	11/12 £'m	10/11 £'m	Var £'m
Revenue as reported	**52.0**	48.0	
Impact of FX	**-**	(0.7)	
Underlying Revenue	**52.0**	47.3	**4.7**
Operating profit as reported	**8.3**	6.4	
Impact of FX	**-**	-	
Underlying Operating Profit	**8.3**	6.4	**1.9**
Underlying Return on Sales %	**16.0%**	13.5%	

- Torque Transmission underlying sales growth of 10%
- Mass Transit impacted by project timing – significant growth expected in 2012/13
- Operating margins strengthened further despite investing c.£1m more in growth resources
- Torque Transmission incremental profitability amounts to a drop through rate of 40%

Torque Transmission Overview

Major opportunities for growth in four key global markets

Mass Transit: market for propulsion gearbox c. £300m[*1]

- Well established, strong market position in US
- Significant opportunities in China, India and Europe
- Chinese JV now ISO 9001 certified and actively tendering

Metals: market size for Renold product c.£350m[*1]

- A major feeder industry for global infrastructure projects
- High barriers to entry requiring technical engineered solutions and substantial manufacturing investment

Quarrying and mining: market size for Renold product c.£150m[*1]

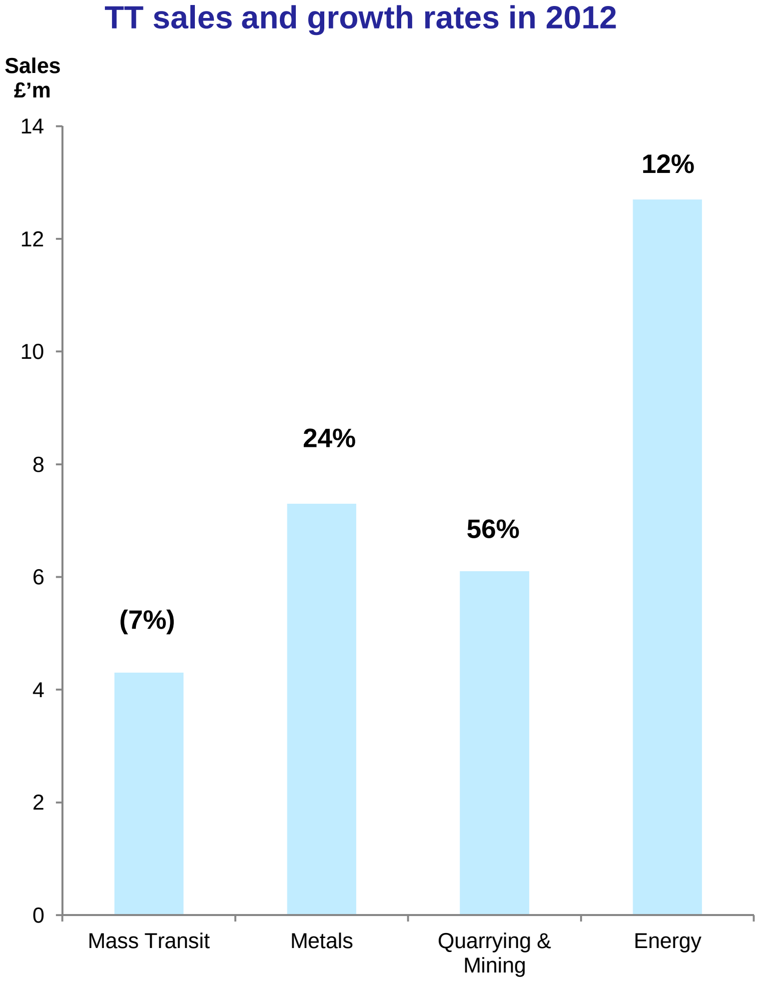
- A market leader in engineered gear boxes in South Africa
- Significant growth opportunities in Latin America and Australia

Energy: market size for Renold products c.£300m[*1]

- Demand for power in developing countries remains strong.
- Environmental and high power requirements suit our products
- Renold has good technical product differentiation
- Winning market share in mobile power generation

[*1] Company estimates

The four key markets making up 60% of TT sales averaged 18% growth



Mass Transit

- A number of major tenders expected to impact 2012/13
- Chinese JV making good progress

Metals

- Growth driven by recovery in Americas
- Expanded global sales force delivering new opportunities

Quarrying and Mining

- Adding new OE programmes every year
- Leveraging established knowledge and expertise into new territories

Energy

- New OE programme wins will continue to drive growth
- New product will continue to support market share gains

Segmental Analysis - Chain

Chain's primary focus is on improving operating profit – 94% increase

	11/12 £'m	10/11 £'m	Var £'m
Revenue as reported	**157.5**	143.0	
Impact of FX	**-**	2.0	
Underlying Revenue	**157.5**	145.0	**12.5**
Operating Profit as reported	**9.3**	4.7	
Impact of FX	**-**	0.1	
Underlying Operating Profit	**9.3**	4.8	**4.5**
Underlying Return on Sales %	**5.9%**	3.3%	

- Chain underlying sales growth of 9%:
  - Americas 11%
  - India 16%
  - SE Asia 19%
- Operating profit gains reflect £1.5m full year benefits of restructuring projects completed in Q4 PY
- Incremental revenue converted to profitability at a drop through rate of 36% (cost cutting in PY)
- European restructuring activities will reduce annual costs by £1m in 2012/13 and an additional £0.8m p.a. in 2013/14

Chain Overview

Continue to utilise new manufacturing footprint to grow in attractive emerging markets

- **High performance solution chains**
  - Continued development of materials and processes
  - Development of ‘Smart Link’ technology exclusive to Renold
  - Maintain position at the apex of the price / performance pyramid
- **Increase size of served available market with products from plants in low cost countries**
- **Ability to serve a wide range of attractive markets including:**
  - Food, packaging and agriculture (10% of direct sales in 2011/12)
  - Construction (7%)
  - Mining (3%)
  - Metals (3%)
- **Strong and growing position in distribution (46%)**
  - Servicing Maintenance, Repair and Overhaul Markets (‘MRO’)

Group Cash Flow Statement

Underlying two year sales growth of £47.5m sustained by £2.8m growth in working capital

	11/12 £'m	10/11 £'m
EBITDA	16.6	9.2
Movement in working capital	(4.3)	1.5
Pensions	(5.2)	(4.4)
Taxes and other	(1.7)	0.2
Net cash from operating activities	**5.4**	**6.5**
Investing activities	(5.9)	(7.0)
Financing activities	(2.8)	(2.1)
Other movements and FX	0.4	0.5
Decrease in cash and cash equivalents	**(2.9)**	**(2.1)**
Closing net debt	**(22.9)**	**(20.0)**

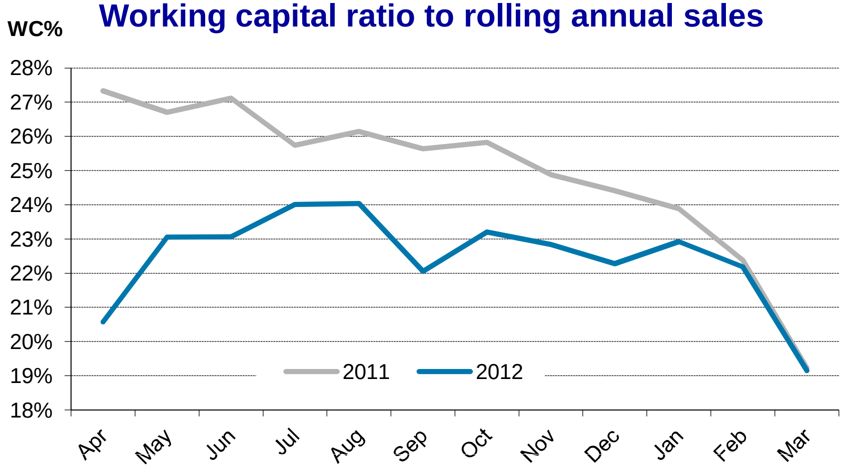
	11/12 £'m	10/11 £'m
Inventory	(2.0)	(1.6)
Debtors	(1.2)	(4.6)
Payables	(1.1)	7.7
Movement in working cap	**(4.3)**	**1.5**

- Sales growth of £18.5m supported by working capital growth of £4.3m
- Investment focused on short payback capital projects, SAP and China Mass Transit JV
- Financing costs reflect higher average net debt and higher rates and fees on facility extension

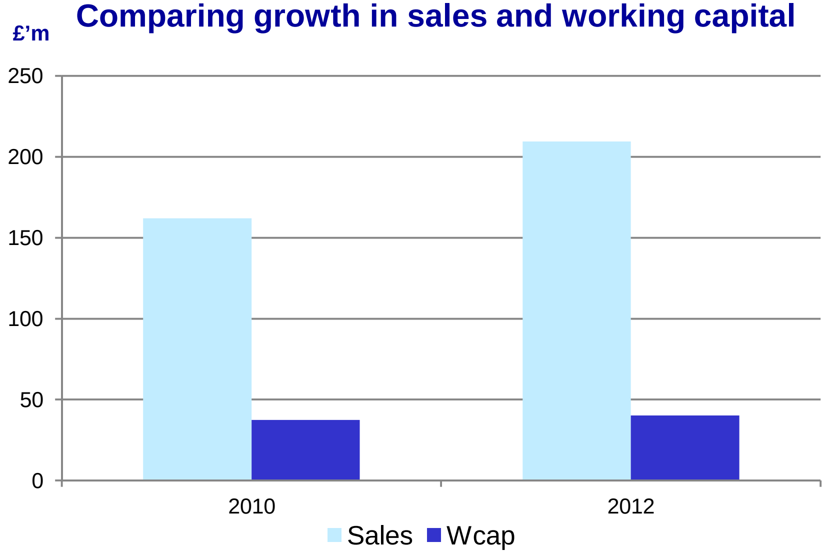
Working Capital

Working capital ratio improved almost every month year on year

Working capital ratio to rolling annual sales



Comparing growth in sales and working capital



- Average working capital ratio was 2.3% better than PY at 22.4%. Achieved with:
  - reduced debtor days
  - improved creditor terms
  - H2 stock reductions
- H1 working capital build during SAP implementation in USA worked down in H2
- Incentive plans aligned to continuous working capital improvement
- European restructuring will improve all aspects of working capital management
- Underlying sales growth since 2010 £47.5m funded by £2.8m additional working capital
- Aim for 2012/13 is a further 10% reduction in average working capital ratio to c.20%

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Group Balance Sheet

Balance sheet strength maintained with value adding assets

	31 Mar 2012 £'m	31 Mar 2011 £'m
Goodwill	22.3	22.4
Fixed assets	53.0	53.0
Deferred tax	17.3	16.1
Inventories	45.5	44.1
Receivables	33.4	32.8
Payables	(38.6)	(39.6)
Net borrowings	(22.9)	(20.0)
Provisions	(1.5)	(1.2)
Retirement benefit obligations	(57.3)	(53.2)
Other assets	2.0	2.5
Net assets	**53.2**	56.9
Gearing (D/(D+E))	**30%**	26%

Deferred tax assets a source of enduring value in reducing cash tax payments

Increase in net debt used to fund working capital under pinning significant rise in profits

Underlying deficit reduction more than offset by the impact of QE on gilt yields

- EBITDA borrowings leverage fallen from 1.7x to 1.2x

Utilisation of tax assets partially offsets pension deficit payments

Tax charge £'m	**31 Mar 2012**	**31 Mar 2011**
Adjusted profit before tax	11.5	5.0
Adjusted tax charge	(2.0)	(0.5)
Adjusted profit after tax	9.5	4.5
Effective Tax Rate	**17%**	10%

Cash tax £'m		
Adjusted tax charge	(2.0)	(0.5)
Non-cash tax	1.6	0.4
Cash tax	(0.4)	(0.1)
Effective Cash Tax Rate	**3%**	2%

Tax assets reduce effective tax rate below UK's 24%. Sustainable for medium term (3-5 yrs)

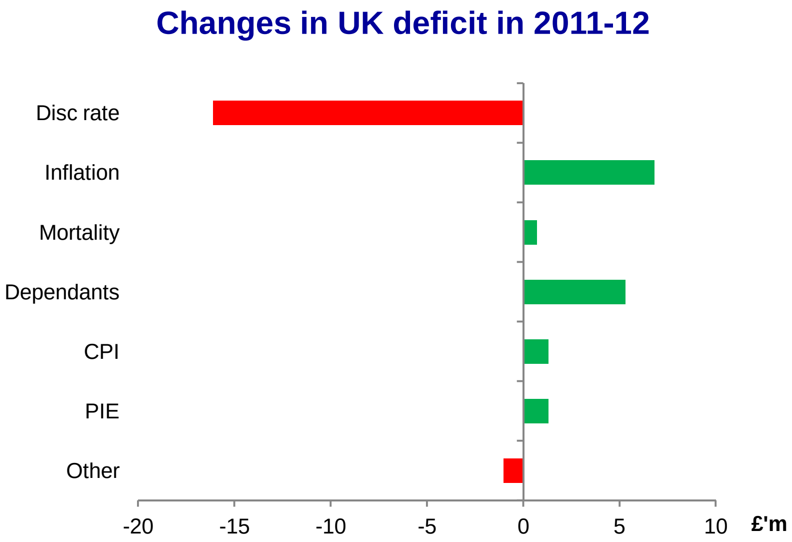
	11/12 £'m
Gross pension cash flow	(5.2)
Less tax benefit	1.6
Net pension cash flow	**(3.6)**

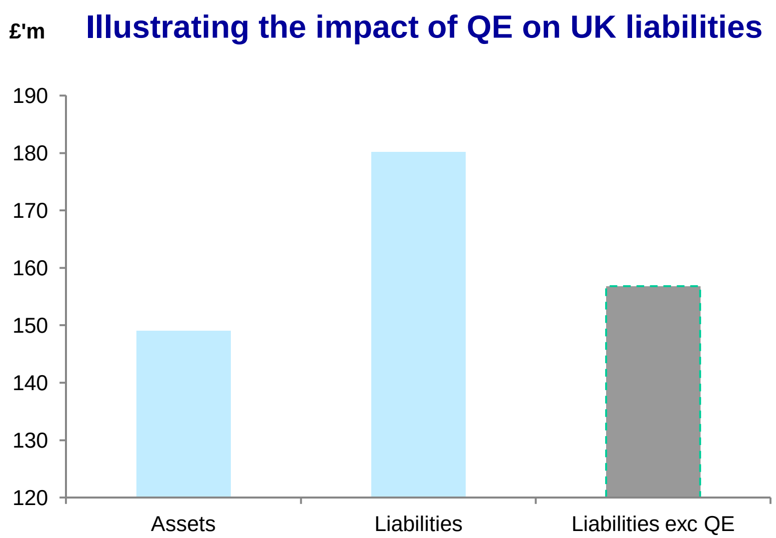
Loss utilisation and UK pension costs reduce cash taxes for the medium to longer term (5+ yrs)

- Utilisation of tax losses delivered £1.6m of cash savings in the current year
- This directly offsets c.31% of the annual pension payments of £5.2m
- Recognised tax assets of £17.3m have an expected useful life of up to 5 years for trading items and 12-15 years for pension costs (unrecognised deferred tax assets of £17.4m)

Pensions - UK

Initiatives to cut the structural deficit reduced the impact of QE





- Upper chart shows key causes of the £1.7m increase in the UK deficit in 2011/12 to £31.5m
- Deficit is £23.9m on a post tax basis
- Mortality, Dependants and Pension Increase Exchange projects created lasting gains of c.£7.0m
- A fall in market inflation has also reduced the liabilities
- QE is believed by the Bank of England to have reduced corporate bond yields by c.100 basis points
- QE has been the key factor in driving the discount rate down and hence forcing up the liabilities by £15.4m as shown in the chart
- The lower chart illustrates the impact on the UK liabilities of a 100 bp increase in yields (all else being equal)
- In this scenario, the post tax UK deficit falls from £23.9m to c£6.6m
- Further liability management initiatives continue to be explored

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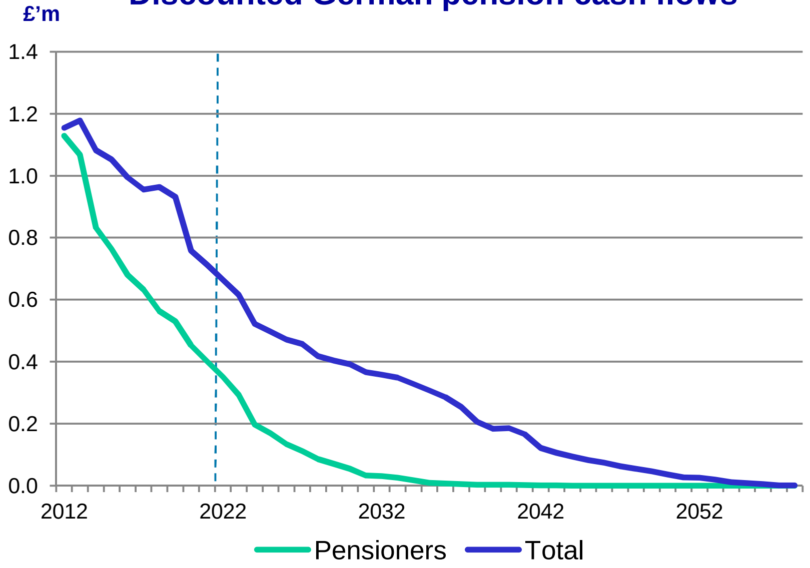
German cash costs are near their peak and will fall in the medium term

Group annual pension cash costs

£'m	**2012**	**2011**
UK deficit	(2.5)	(2.4)
UK admin & PPF	(0.9)	(0.3)
Germany	(1.2)	(1.1)
Other overseas	(0.6)	(0.6)
Total	**(5.2)**	**(4.4)**

- The UK and Germany are the most significant components of Group pension cash flows
- UK costs increased in 2012 following scheme payment of £3.1m PPF liabilities being refunded over five years and indexation
- Other overseas schemes are largely funded and have a lower net deficit of c.£2m (5% of Group)

Discounted German pension cash flows



- The Unfunded German scheme, which does not require advance funding, showed a liability of £21.2m at the year end (38% of Group deficit)
- The German pension scheme is very mature and closed to new members in 1992
- The chart shows the discounted cash flows of current pensions in payment and total pensions (4.3% discount rate is the year end rate)
- Cash costs have 'peaked' and in 10 years total pension costs will have fallen by 43%

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Objectives for 2012/13

1. RoS improvement

- Maintaining attractive TT RoS% through continued focus on high value add sectors
- Restructuring of European Chain back office to deliver £1m of savings in the coming year
- We expect continued progress towards the 10% target RoS for the Group

2. Continued year on year sales growth

- Torque Transmission continuing growth focussed around the four key target markets
- Chinese JV for mass transit is actively participating in tenders
- Chain growth from stronger North American, Australasian and Emerging Economies

3. Cash generation

- Aiming for a further 10% cut in average working capital ratio 2012/13 across the Group
- Free cash generation in 2012/13 as part of reduction in EBITDA leverage to 0.7x

4. Reduce exposure to volatile pension liabilities

- Further initiatives under review to continue reducing UK liabilities (c.£7m)
- Developing strategies for overseas pensions schemes to reduce those exposures

Outlook

Expect further growth in sales, margins and operating profits

- Overall mid-single digit sales growth in 2012/13 driven by stronger Americas and Emerging economies, offsetting more volatile European economies
- Torque Transmission remains focussed on growth by leveraging existing competencies in key markets and expanding across a wider geographical spread
- Profit improvement initiatives continue within Chain, driven by focus on improving mix and reducing support costs – European restructuring will save £1m in 2012/13
- Aiming to deliver a further 10% reduction in average working capital ratio to self-fund sales growth and support absolute cash generation
- Further options under review for the Group's pension schemes
- Expect EBITDA leverage to fall to circa 0.7x
- Cash generation is key objective in the current environment

Targeting continued robust earnings growth in 2012/13

Thank you.

Q&A

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