First Half Results - November 2007

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Executive Summary

*"Renold is in its strongest position for many years. The Executive has delivered a solidly funded business and the restructuring programme is progressing ahead of schedule, underpinned by the recent acquisition in China. With the cost restructuring well underway there is now an increasing focus on growth opportunities which will make up the next phase of its development." **

- **Earnings**
  - 22% increase in adjusted Earnings Per Share
  - Profit and cash enhancement plan ("PACE") is on schedule (H2 further £0.6M improvement)
  - Integration of Chinese acquisition (RHZ) ahead of schedule
- **Orders/Sales**
  - Sales growth 3.5% (7% at constant exchange rates)
  - Alstom/NY City Phase 2 $14M Contract extension over two years
  - Reduced cost base provides platform for sales growth
- **Balance Sheet & Working Capital Management**
  - Inventory reduction vs H1 2006/07 partially offset by RHZ acquisition and product transfers
  - Increased banking facilities available compared with H1 2006/07
  - Pension deficit reduced by £5.6M
- **Forex**
  - Dollar hedged to June 08
  - Manufacturing in China increases "natural" hedge
- **Sales growth plan established going forward**

* Chairman's Statement

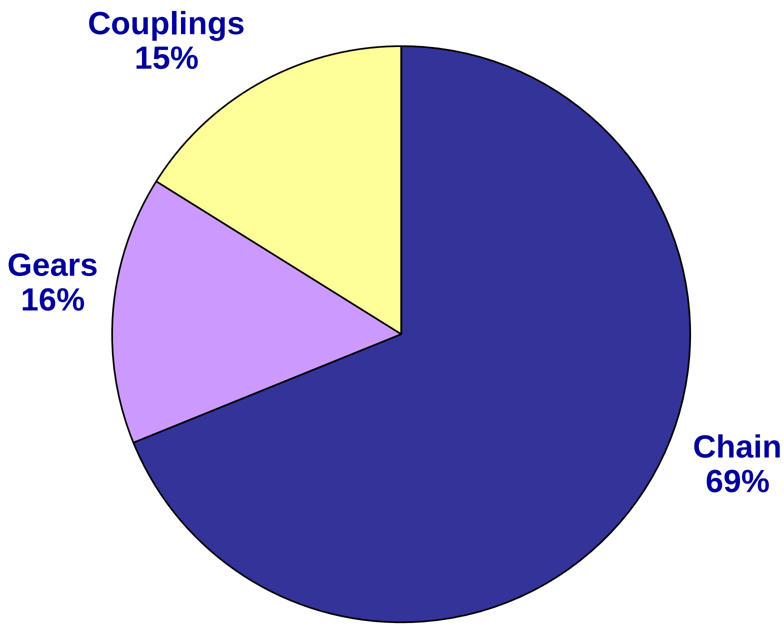
Key Features H1 2007/08

- **Strong underlying performance**
  - Sales growth 3.5%
  - Operating profit increased 6.3%
    - Currency impact of £0.6M on operating profits
    - At constant currency sales up 7% and operating profit up 19%
  - ROS increased to 6.2% - target remains >10%
- **Manufacturing migration to LCC continued**
  - Chinese acquisition negative impact to H1 – expected to contribute in H2
  - Poland relocation to larger site completed in July
  - Einbeck works council negotiations completed with a planned 70 reduction
- **ROCE 15% - target remains >20%**
- **Pension deficit decreased £5.6M principally due to the increased discount rate**
  - Target remains to reduce the net UK pension deficit to < 15% of market capitalisation by March 2009, presently 17%
- **Tax rate reduced to 40% (H1 2006/07: 50%) – part way through reduction plan**
- **Despite £2.1M Chinese acquisition borrowings only increased £0.8M**

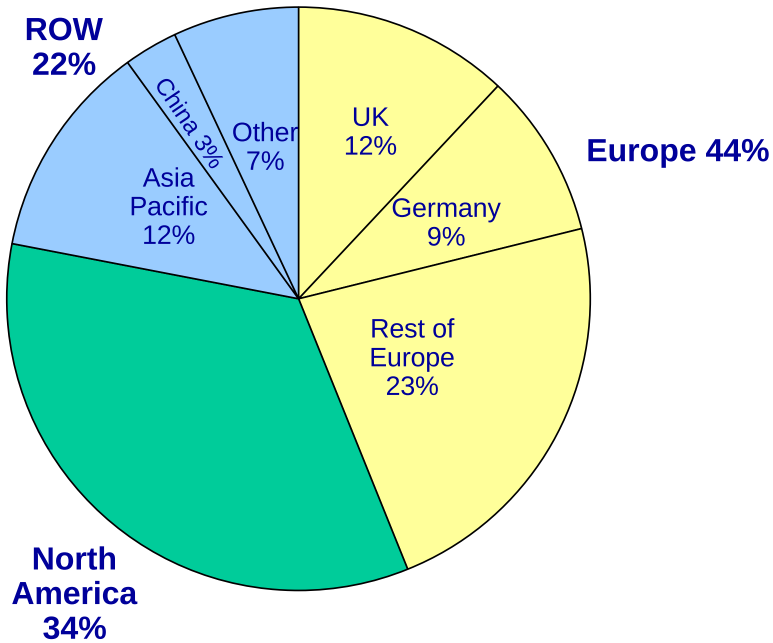
Group Income Statement (Continuing Operations)

£M	First Half 2007/08	First Half 2006/07	Variance
Revenue	82.1	79.3	2.8
Operating profit before exceptional items	5.1	4.8	0.3
Exceptional items	(0.6)	(0.2)	(0.4)
Operating profit	4.5	4.6	(0.1)
Net financing costs	(1.5)	(1.2)	(0.3)
Profit before tax and exceptional items	3.6	3.6	-
Profit before tax	3.0	3.4	(0.4)
Tax	(1.6)	(1.7)	0.1
Profit after tax	1.4	1.7	(0.3)
Adjusted earnings per share	3.3p	2.7p	0.4p
Operating profit margin (before exceptionals)	6.2%	6.1%	0.1%

Revenue by Product Group



Revenue by Geography



H1 Revenue of £82.1M

Group Cash Flow Statement

Financial Summary

£M	**First Half 2007/08**	**First Half 2006/07**
Continuing operations	(1.5)	1.1
Discontinued operations	-	(6.3)
	(1.5)	5.2
Taxes paid	(0.9)	(0.6)
Net cash from operating activities	(2.4)	(5.8)
(Acquisition)/Disposal of businesses	(2.2)	3.8
Capital expenditure	(2.4)	(3.5)
Investing activities	(4.6)	0.3
Financing activities	(2.0)	(1.9)
Increase in cash and cash equivalents	(9.0)	(7.4)
Movement in net debt (£M)		
Movement in cash and cash equivalents	(9.0)	(7.4)
Movement in debt and other	0.5	0.3
Foreign currency translation differences	0.1	0.8
Net debt at start of period	(19.4)	(20.7)
Net debt at end of period	(27.8)	(27.0)

£M	**H1 2007/08**	**H2 2006/07**
PBT	3.0	3.4
Dep/Amort	2.5	2.5
Finance	1.5	1.2
Inventory	(0.1)	(2.7)
Payables	(7.1)	(1.9)
Other	(1.3)	(1.4)
	(1.5)	1.1

Payables movement

Expected seasonal outflow & timing of rebate payments
- to reverse by March 08

Shorter payment terms for discounts

Exacerbated by effect of re banking around March 07

Discontinued operations

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Group Balance Sheet

Financial Summary

£M	**30 September 2007**	**30 September 2006**	**31 March 2007**
Goodwill	15.5	15.9	15.2
Property, plant and equipment	35.6	36.9	34.0
Inventories	34.1	37.4	33.1
Receivables	30.4	26.3	30.5
Deferred tax	12.7	18.1	16.1
Payables	(30.6)	(29.9)	(37.9)
Net borrowings	(27.8)	(27.0)	(19.4)
Provisions	(5.0)	(0.2)	(5.2)
Retirement benefit obligations	(42.4)	(56.4)	(48.0)
Other assets	5.7	3.4	5.5
Net assets of discontinued operations	-	6.5	-
Net assets	28.2	31.0	23.9
Gearing - Net assets	99%	87%	81%
Gearing - Market capitalisation	36%	49%	20%

Going Forward

Profit Growth

Second Half

- PACE expected cost savings of £0.6M above H1
  - This represents 10% of H1 profit and a 0.5p improvement to EPS
- China acquisition
  - H1 focus on integration, HS&E and quality upgrades
  - In H2 additional capacity will come on line
  - Expected to be profitable in Q4
- Poland
  - Site relocation to larger premises for growth completed in H1
  - Current direct headcount is 136 compared with 100 in March
- Germany
  - Negotiations completed with works council in H1
  - Headcount will reduce by a further 70 within 6 months
- Order book
  - Chain order book up over 10% since March
  - Following Alstom order Couplings order book is up 15%

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Currency

Second Half

- Hedged at plan rates until June 08
- Chinese acquisition - capacity will double by year end
  - RMB still linked to dollar exchange rate
  - Product transfers from €/£ cost base to RMB
- Product lines have moved from UK to US
- US manufacture accounts for over 20% of sales & growing

PACE Programme Summary

PACE Status

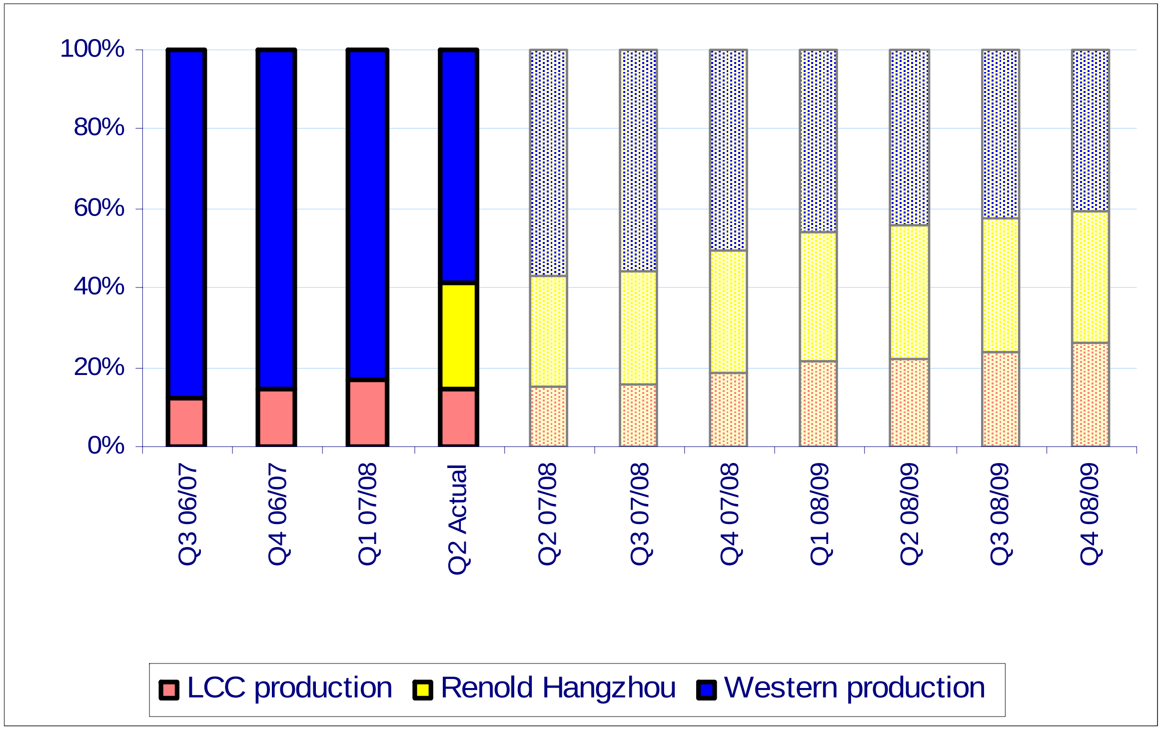
1. Restructure Manufacturing Base	2. Rationalise Logistics and Supply Chain	3. Disposals and Cash Realisation	4. Manage Risks
Migrate to low-cost countries Access to existing and emerging markets.	Reduce Inventory by centralising warehousing and management	Disposal of property assets	Pension Tax Energy Forex Steel

- **An annualised reduction in manufacturing costs of £5.8M by 2009**
  - annualised savings to date of £1.6M
- **Reduce working capital to 20% of sales - actual 21%**
- **Improve ROCE after full impact of savings to >20% - actual 15%**
- **Establish springboard for future sales and margin growth**

PACE KPIs Status

1. Manufacturing Restructuring

…..Migrate to low-cost countries and improve access to existing and emerging markets



- RHZ is ahead of schedule
- Poland relocation complete and growing in line with plan
- Malaysia started shipping new products to Palm Oil Industry
- Beicai Greenfield site in China ramp up continues
- Capital expenditure reduced from £8M to £4M through acquisition of HZSS

PACE KPIs Status

PACE Status

2. Logistics and Supply Chain

…..Reduce Inventory by centralising warehousing and management

- Inventory reduction of £4M on schedule for 2008/09
- Working capital to sales ratio is 21%
- Warehouse consolidation is proceeding as per plan
  - three locations closed last year
  - One closed and two more planned for 2007/08

3. Disposals and Cash Realisation

…..Intent is for PACE to be funded from inventory reduction and property sales

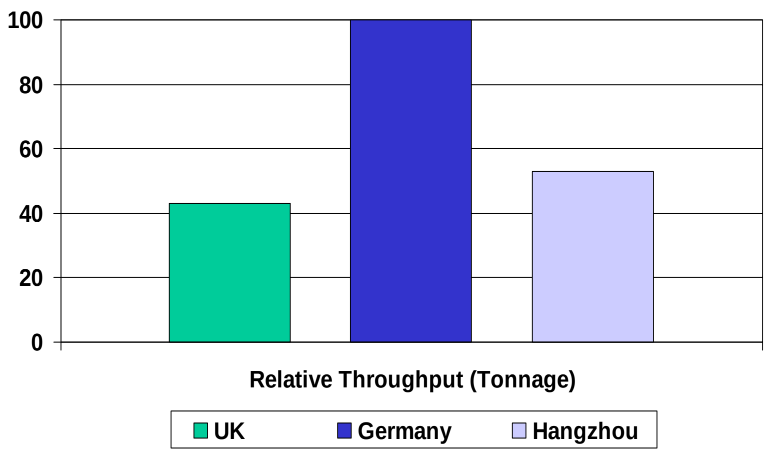
- Expected proceeds from property sales is still circa £10M
- Burton Property planning approval received - completion expected by Jan 05 2008

4. Risk Management

- Pensions – investment strategy implemented September 2007, net UK deficit 17% of market cap, target 15% by March 2009
- Energy - majority of energy contracts now fixed for 2008
- Forex - 100% of 12 month USD/GBP exposure hedged
- Tax – underlying H1 07/08 tax rate is 40% - part way through reduction plan

PACE Status

- Integration ahead of schedule
- September output increased by 20% compared with pre acquisition levels
- Refurbishment of Engineering Lab and offices completed ahead of schedule
- Passed quality audit from large US OEM



- Target is to double capacity by March 08
- Necessary equipment is on order
- Cost is within the PACE budget
- Factory layout design is complete and refurbishment underway
- Expect to be in profit by year end

Progress to date has exceeded expectations

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Chain Market Opportunities

Going Forward

- Low cost base and Customer Service excellence are enablers for growth
- New markets are two thirds the size of traditional markets but are growing faster

Traditional Markets	**Characteristics**
North America Europe Australasia **£600M**	Renold #1 or 2 Very strong Brand Performance and quality **Market share >15%**
New Markets	**Characteristics**
China India South America Eastern Europe **£400M**	Cost and service dominate Renold Brand have value Highly fragmented **Market share <1%**

Opportunities

- Grow share of new markets to match traditional markets
- Sale of RHZ product to OEMs
  - Cost competitive product
  - OEM interacts with local office
  - Renold consistency and quality
- Differentiate from competitors

PACE → ROS ➔ >10%; ROCE ➔ >20% — Phase 1

Geographic Expansion

- Existing markets
  - US
  - Germany
- New markets
  - China
  - South America
  - India

Sales growth ➔ >10%

Manufacturing for Service

On time delivery ➔ >95%

Lead-times ➔ mkt expectations

Phase 2

Infill Acquisitions

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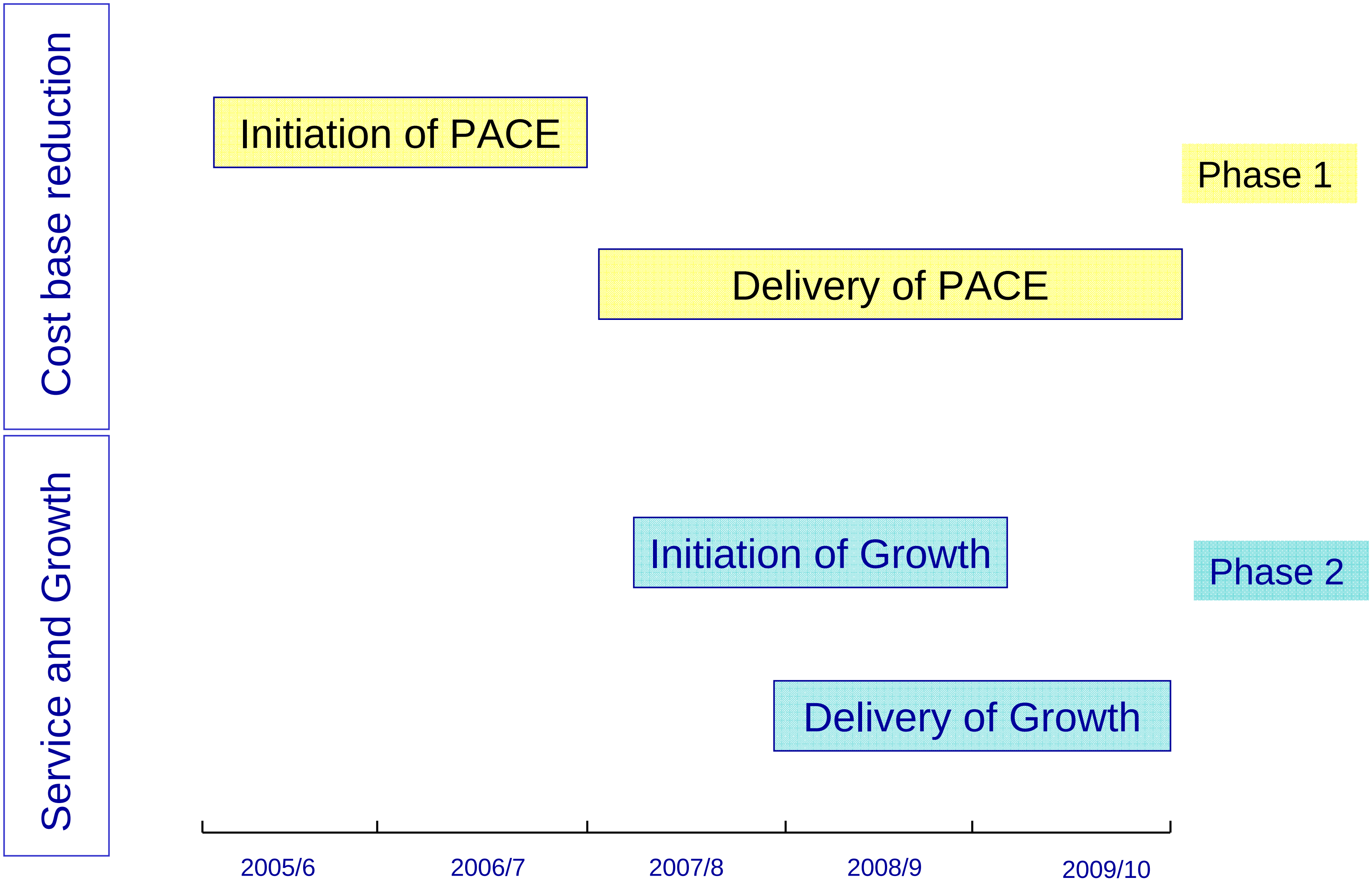
Geographic Expansion

Going Forward



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Summary

- Profit improvement continues at constant & actual exchange rates
- PACE programme remains on schedule for target 10% ROS in 09/10
  - De-risked by Chinese acquisition
- Chinese acquisition integration ahead of schedule
  - Expect to double capacity by March 08
- Performance remains in line with expectations
- Enablers for sales growth established
  - Impact in 08/09 and beyond

Platform in place for next phase of growth