Delivering performance

First Half Results November 2008

RENOLD

www.renold.com

Executive Summary

We have delivered a robust set of results despite significant increases in steel prices and uncertain market conditions, with the Group's prospects expected to benefit from a recent acquisition in India and its ongoing cost restructuring programme.

- **Earnings**
  - Adjusted Earnings Per Share increased by 48%
  - Operating Profit increased by 33%
  - Integration of Chinese acquisition and PACE program continue to be on schedule
- **Orders/Sales**
  - Revenue growth 16%
  - Mitsubishi Mass Transit Contract award of $17m over two years
  - Order book increased 36% (16% at constant exchange)
- **Balance Sheet & Working Capital Management**
  - Inventory volume reductions of £1.8m offset by increases in steel costs and exchange
  - Tighter credit environment resulted in £7.5m reduction in payables
  - Pension deficit increased by £4.6m following a reduction in plan assets
- **India**
  - Completed the acquisition of the Industrial Steel Chain business from LGB
  - Market leadership in India

Income H1 2008/09

Our PACE programme continues to deliver, with the benefits of moving our manufacturing to Low Cost Countries evident throughout the income statement

- **Strong underlying performance**
  - Sales growth 16% (7% at constant exchange rates)
  - Operating profit increased 33%
  - ROS increased to 6.3%
  - ROCE 15%
  - Adjusted Earnings Per Share increased by 48%
- **Tax rate reduced to 32% (H1 2007/08: 40%)**
- **Acquisition of Industrial Steel Chain Division of LGB on Sept 28th**
  - Now market leader in India
  - Good growth and cost reduction opportunities going forward

Group Income Statement

£M	First Half 2008/09	First Half 2007/08	Variance
Revenue	95.2	82.1	13.1
Operating profit before exceptional items	6.0	5.1	0.9
Exceptional items	0.0	(0.6)	0.6
Operating profit	6.0	4.5	1.5
Net financing costs	(1.9)	(1.5)	(0.4)
Profit before tax and exceptional items	4.1	3.6	0.5
Profit before tax	4.1	3.0	1.1
Tax	(1.3)	(1.6)	0.3
Profit after tax	2.8	1.4	1.4
Adjusted earnings per share	4.3p	2.9p	0.9p
Operating profit margin (before exceptionals)	6.3%	6.2%	0.1%

Cash Flow H1 2008/09

Working capital was high due to rising steel cost, FX rates and tighter market conditions. We expect a natural seasonal unwinding during H2 helped by proactive attention.

Inventory

- Steel cost increases and exchange added £6.1m to inventory

Mitigating actions

- Inventory reduced in Q2 (exc. India)
- Further reductions expected by year end
- Brussels warehouse closes December 08
- North American warehouses being consolidated
- Steel prices expected to decline from Q4

InventoryVariance	£M
Volume	(1.8)
Steel cost	4.3
Cash flow	2.5
India	1.7
Exchange	1.8
Net movement	6.0

Creditors

- Acquisition and exchange rate increased creditors by £3.2m
- Usual seasonal factors (£8m)
- Offset by settlement of liabilities of discontinued operations £1.2m

The other drivers are expected to reverse in H2

- A tight steel market led to shorter credit terms (£1.4m)

Creditors £M Movement	H1 2009	H1 2008
Acquisitions	0.8	0.1
Exchange	2.4	-
	3.2	0.1
Cashflow	(10.7)	(7.1)
	(7.5)	(7.0)

RENOLD

Group Cash Flow Statement

Financial Summary

£M	First Half 2008/09	First Half 2007/08
Cash flows from operating activities	(9.2)	(1.5)
Taxes paid	(0.7)	(0.9)
Net cash from operating activities	(9.9)	(2.4)
Acquisition of businesses	(5.7)	(2.2)
Capital expenditure	(3.0)	(2.4)
Investing activities	(8.7)	(4.6)
Financing activities	5.4	(2.0)
Decrease in cash and cash equivalents	(13.2)	(9.0)

Movement in net debt		
Movement in cash and cash equivalents	(13.2)	(9.0)
Movement in debt and other	(1.4)	0.5
Foreign currency translation differences	(1.6)	0.1
Net debt at start of period	(23.9)	(19.4)
Net debt at end of period	(40.1)	(27.8)

£M	H1 2008/09	H1 2007/08
PBT	4.1	3.0
Dep/Amort	2.2	2.5
Finance	1.8	1.5
Inventory	(2.5)	(0.1)
Payables	(10.7)	(7.1)
Provisions	(2.1)	(1.0)
Other	(2.0)	(0.3)
	(9.2)	(1.5)

Payables movement

Expected seasonal outflow

Shorter payment terms for discounts from steel suppliers

Group Balance Sheet

Financial Summary

£M	30 September 2008	30 September 2007	31 March 2008
Goodwill	21.1	15.5	16.3
Property, plant and equipment	45.2	35.6	39.5
Inventories	47.0	34.1	41.0
Receivables	38.6	30.4	35.5
Deferred tax	9.2	12.7	8.3
Payables	(35.9)	(30.6)	(43.4)
Net borrowings	(40.1)	(27.8)	(23.9)
Provisions	(4.3)	(5.0)	(4.4)
Retirement benefit obligations	(35.8)	(42.4)	(31.2)
Other assets	4.6	5.7	3.3
Net assets	49.6	28.2	41.0
Minority interests	(1.6)	-	-
Renold plc shareholders' equity	47.2	28.2	41.0
Gearing - Net assets	77%	99%	58%

RENOLD

Pensions

Financial Summary

Deficit increased with reduction in asset values partially offset by impact of increased discount rate. Pension options are receiving high attention.

£M	30 Sept 2008	31 March 2008
Funded plan obligations	(180.8)	(185.1)
Funded plan assets	164.0	173.7
Net funded plan obligations	(16.8)	(11.4)
Unfunded obligations	(19.0)	(19.8)
Total retirement benefit obligations	(35.8)	(31.2)

Variance	£M
Discount rate 6.6% to 7%	8.1
Assets value	(13.3)
Other	0.6
	(4.6)

- £19M of total retirement benefit obligations relates to non-UK funded schemes
- UK pension schemes' deficit net of deferred tax is £11.1M

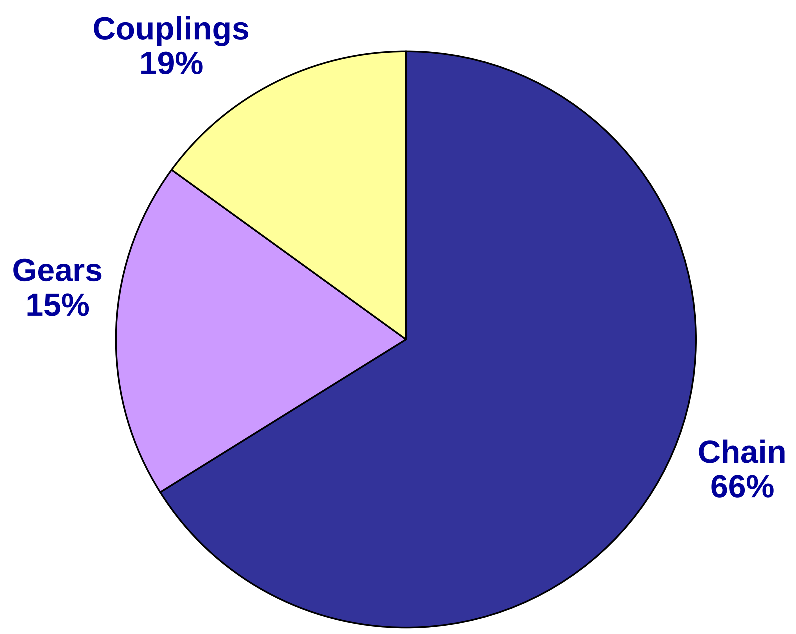
Pension deficit continues to be actively managed

- 2 of the 3 UK pension schemes closed to future accrual
- Potential buy-out of parts of Defined Benefit liabilities being explored
- An 8% fall in asset values was a better than market performance

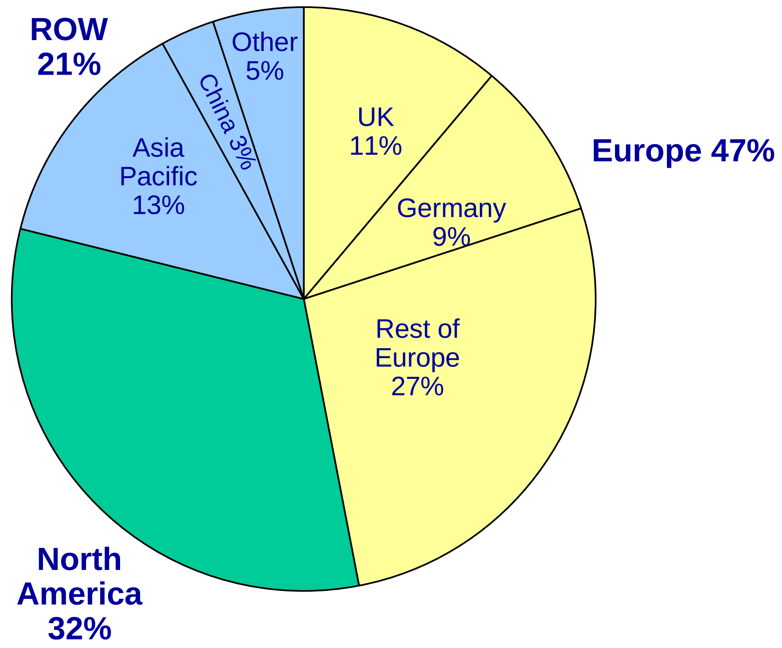
RENOLD

Going Forward

Revenue by Product Group



Revenue by Geography



H1 Revenue of £95.2M

Market conditions are changing rapidly and difficult to forecast

Enter H2 with

- Strong order book currently 36% ahead of 2007/8
- Exchange rate movement is favourable
- Steel prices are expected to fall by Q4
- Falling interest rates

Environment

- Credit constraints starting to impact customer projects
- Recession forecast in most countries
- Significant downturn in orders from China

Going Forward into 2009/10 the position taken will be

- Conservative view on revenue
- Continue a ‘self help’ approach to beating the market
- Economic decline to be at least partially offset by new opportunities
- Increased focus on cash generation and debt reduction
- Continued cost reduction from migration to Low Cost Countries

Enablers for New Sales

Going Forward

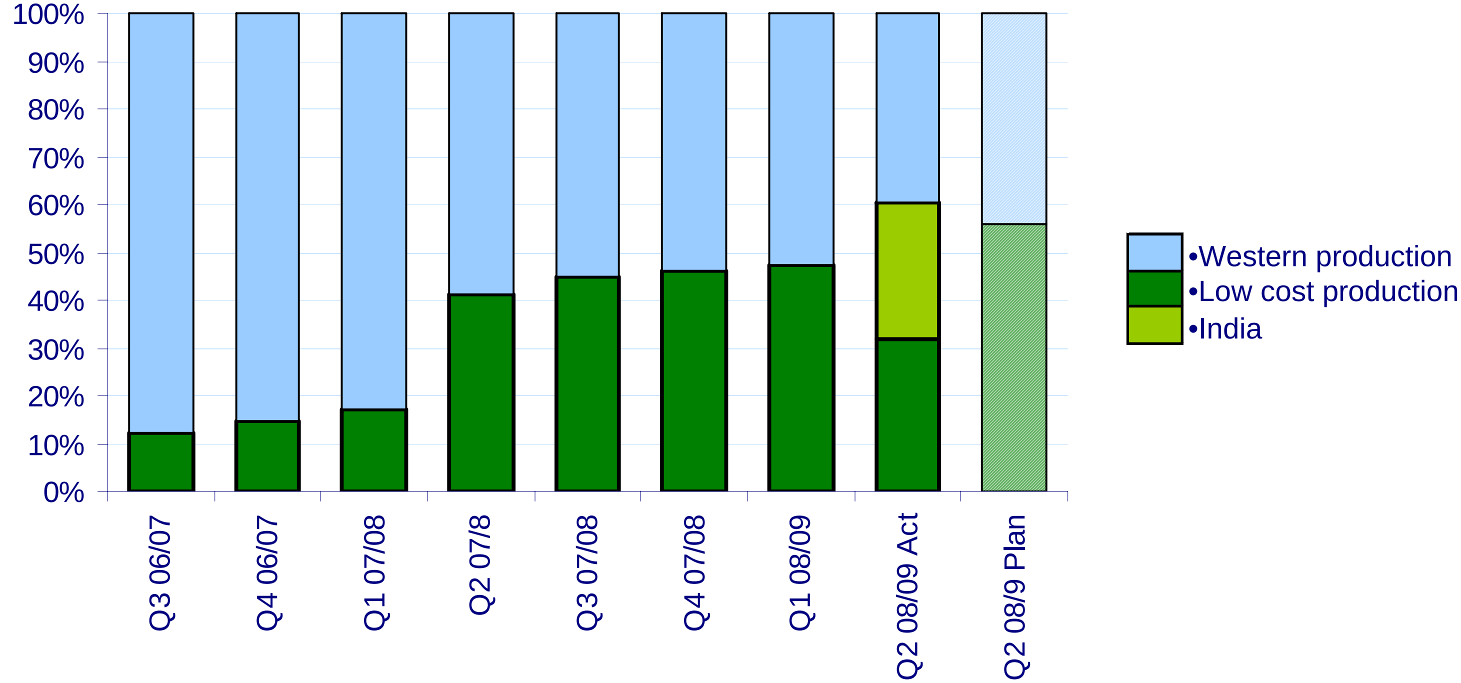
Underlying sales are likely to fall next year but a number of initiatives already implemented should at least partially offset any decline

- Acquisition of Indian manufacturing facility
  - Pull existing products through newly acquired channels to market
  - Source of low cost products not currently in the portfolio
  - Transfer of products with demands for higher quality steel than available in China
- Couplings order book up > 80% from last year
  - Underpinned by Mass Transit contracts
- Expansion of Chinese manufacturing facility
  - Retain and regain large OEMs
  - High integrity source of low cost chain
- Creation of facilities in Poland and Malaysia
  - Increased competitiveness enabling new projects to be won

Cost Reduction

PACE Status

In Chain, the PACE programme has achieved its >60% target for direct labour being in Low Cost Countries. This will improve access to existing and emerging markets, and this strategy will continue to have a positive impact on margins going forward



India

Going Forward

Acquisition completed in September

- Sales forecast to be £10M
- Acquire 75% interest with 25% retained by LGB
- Market leader in India
- Currently meeting or exceeding expectations

Opportunities

- Access to growing Indian market
- Pull existing Renold products through established distribution network in India
- Sell existing Indian products through Renold channels to markets globally
- Exploit strong links to Middle East

Summary

- Good profit growth in H1 despite escalating steel costs and difficult market conditions
- Indian acquisition completed and meeting expectations
- PACE target achieved >60% Chain direct labour in Low Cost Countries
- Market conditions expected to become more challenging and impact existing sales
  - New sales opportunities should partially offset any underlying decline
  - Cost reduction actions already in initiated
  - Steel costs are expected to fall and currency movement to be favourable

Despite our current buoyant position, we recognise that we do not operate in isolation from the global economy and therefore temper our outlook for the immediate future but we are acting proactively to ensure that the business is fit for the environment which prevails next year.

RENOLD