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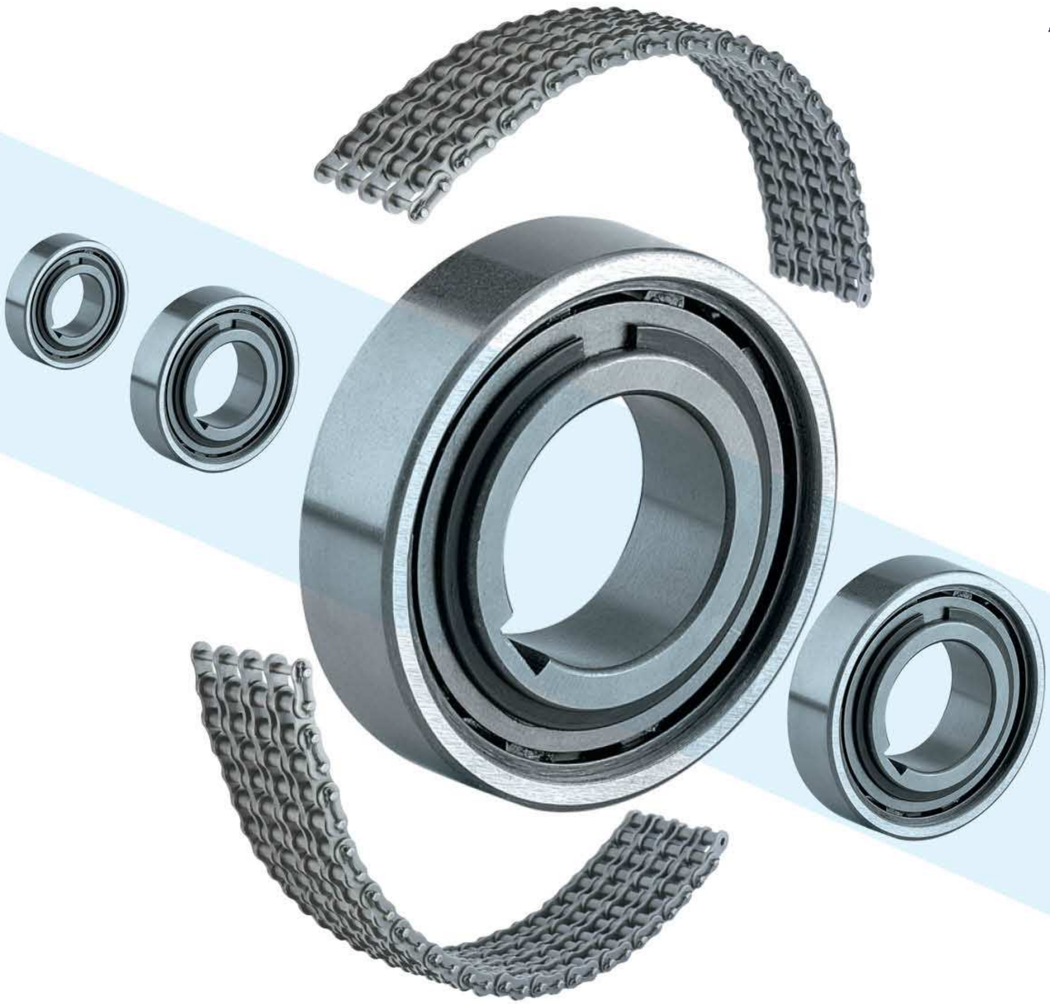

Re-engineering our future

Interim Results

Six months ended 30 September 2013

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Executive Summary

Robert Purcell

Executive Summary

Turnaround progressing in line with strategy

- Adjusted EPS up almost 40%
- Gains in contribution margins and continuing reductions to overheads
- Bredbury plant downsizing will eliminate significant excess capacity and deliver net annual savings in excess of £3m when complete in Q1 next year
- Significantly improved operating cash flows cut net debt in the period
- Merger of UK pension schemes and liquidation of South Africa pension surplus completed in first quarter
- Management team refreshed and enhanced by new hires

The Group has made significant progress in the current turnaround phase with major reductions in overheads already delivered and a clear road map to further material gains in the short term. The required investment can be financed from the Group's existing resources.

*Throughout this document : 'Underlying' excludes the impact of movements in foreign exchange rates and 'Adjusted' excludes exceptional items, pensions financing and closed scheme administration costs and any associated tax thereon. All prior year figures have been re-stated to reflect the adoption of a modified accounting standard IAS19R – Employee Benefits

Financial Performance

Brian Tenner, CFO

Group Income Statement

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Significant growth in Adjusted EPS

	13/14 £'m	12/13 £'m	Var £'m
Revenue as reported	**95.6**	**96.7**	
Impact of FX	**-**	**1.2**	
Underlying revenue	**95.6**	**97.9**	**(2.3)**
Adjusted operating profit	**5.1**	**3.6**	
Impact of FX	**-**	**0.1**	
Underlying adjusted operating profit	**5.1**	**3.7**	**1.4**
Underlying Return on Sales %	**5.3%**	**3.8%**	
Exceptional items / JV	(1.0)	0.2	
Pension administration costs	(0.4)	(0.6)	
External interest	(1.1)	(1.4)	
IAS19 financing costs	(1.5)	(1.4)	
Profit before tax	**1.1**	**0.5**	
Adjusted earnings per share (pence)	**1.1**	**0.8**	**0.3**

- Slowing in rate of revenue decline – fell by 2.3% in the period compared to the 9.1% fall in H2 of the prior year. Chain revenues virtually flat
- Contribution margin gains fully offset the impact of lower volumes (£1.0m each)
- In addition, year on year overheads reduced by £2.0m which more than offset £0.5m of additional SAP depreciation in the period
- Exceptional items reflect ongoing restructuring activity within the business, the pensions merger project and preliminary expenditure on the project to close the Bredbury facility

Post balance sheet event

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Consultation process on Bredbury plant completed 21 October 2013

Estimated project values	£'m
Project revenue costs	(4.0)
Project capital costs	(4.2)
Total project cash cost	**(8.2)**
Annualised impact on net operating profit	3.2
Non-cash savings (annual property payments)	(0.8)
Net annualised project cash benefits	**2.4**
Estimated payback (years)	**3-4 years**

- Majority of manufacturing activity will cease with production to transfer to various sister plants
- A small cell to be created to support new service offering for short lead time configured chains
- Of the £8.2m cash costs above, approximately £3m will be absorbed within existing capital budgets
- Project expected to complete Q1 of the next financial year with the majority of spend in the current year
- Revenue costs of £0.3m were incurred during H1 and classified as exceptional items
- Project work stream examining options to mitigate unexpired lease term of 16 years

Segmental Analysis - Chain

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Chain sales levelled off during the period, with significant bottom line benefits from overhead reductions in all regions

	13/14 £'m	12/13 £'m	Var £'m
Revenue as reported	**72.2**	**71.6**	
Impact of FX	**-**	**1.3**	
Underlying Revenue	**72.2**	**72.9**	**(0.7)**
Operating profit as reported	**4.3**	**2.2**	
Impact of FX	-	**0.1**	
Underlying Operating Profit	**4.3**	**2.3**	**2.0**
Underlying Return on Sales %	**6.0%**	**3.2%**	

- Underlying Chain sales fell by 1.0% with a 3.5% rise in the Americas and Europe down 0.8%
- Order intake in both territories showed low single digit growth on the prior year
- Australasia still challenging with underlying sales down 8.4% and orders down 10.6% on the prior year
- Contribution margin gains more than offset lower volumes
- Majority of overhead reductions were focussed in Chain division (Europe and the Americas)
- Further cost reductions will flow from the Bredbury site closure to benefit the next financial year

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Torque Transmission sales decline less than expected

	13/14 £'m	12/13 £'m	Var £'m
Revenue as reported	23.4	25.1	
Impact of FX	-	(0.1)	
Underlying Revenue	**23.4**	**25.0**	**(1.6)**
Operating profit as reported	2.9	3.1	
Impact of FX	-	-	
Underlying Operating Profit	**2.9**	**3.1**	**(0.2)**
Underlying Return on Sales %	**12.4%**	**12.4%**	

- Underlying sales fell by 6.4% during the period following the decline in orders seen in H2 of last year
- Order intake 2.4% below the comparable period last year shows signs of moderating trading conditions
- Typically three to six month lead time between order recovery and increased sales in TT
- Contribution margin gains in the division partially offset the impact of lower volumes
- Cost reduction initiatives implemented in last 12 months stabilised operating margins

Group Cash Flow Statement

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Improved quality of earnings leads directly to better cash flow

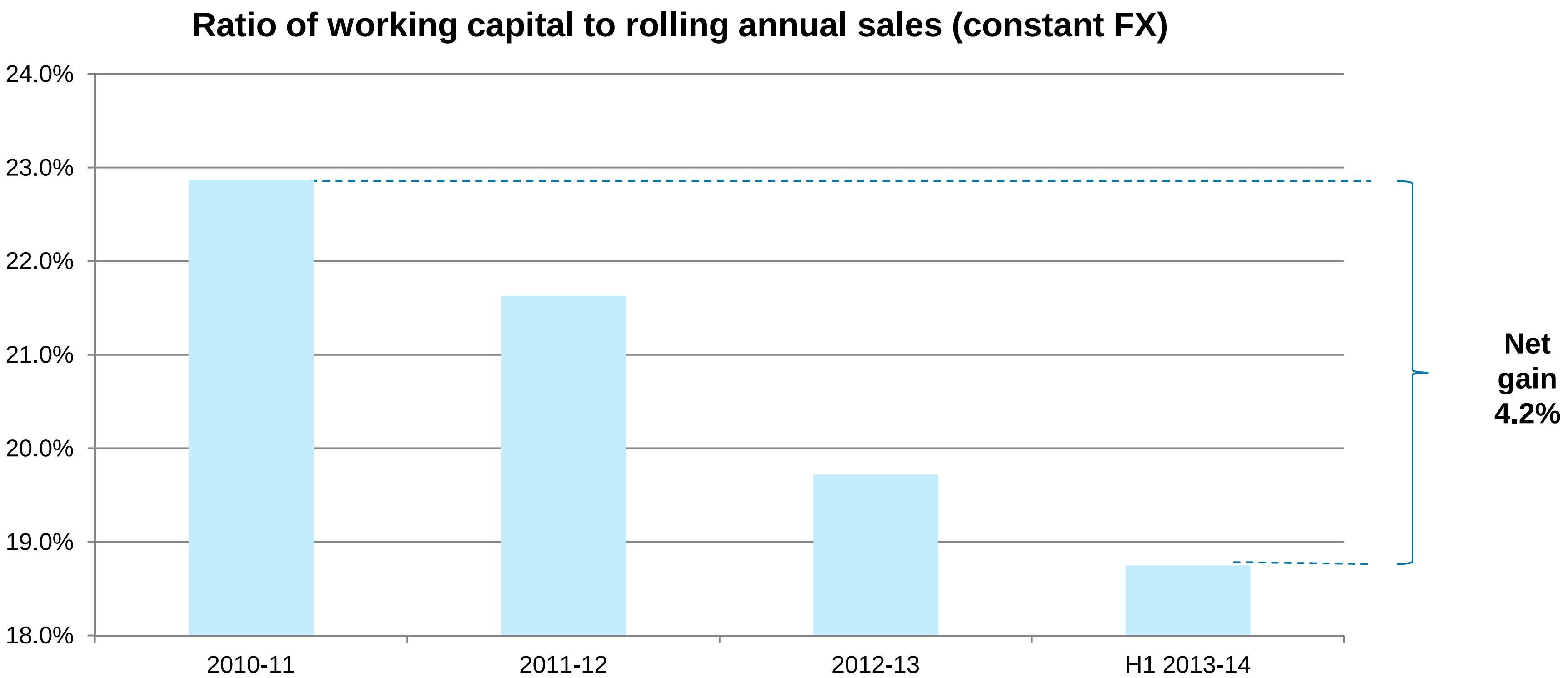
	13/14 £'m	12/13 £'m
Adjusted EBITDA	7.9	5.9
Movement in working capital	-	(2.6)
Pensions	(1.7)	(2.3)
Restructuring spend	(1.3)	0.1
Taxes and other	(0.6)	(0.3)
Net cash from operating activities	**4.3**	**0.8**
Investing activities	(3.0)	(2.3)
Financing activities	(1.0)	(1.4)
Other movements	0.3	1.0
Impact of foreign exchange	0.2	0.2
Change in net debt	**0.8**	**(1.7)**
Opening net debt	**(22.8)**	**(22.9)**
Closing net debt	**(22.0)**	**(24.6)**

	13/14 £'m	12/13 £'m
Inventory	0.1	(0.3)
Debtors	1.5	(1.5)
Payables	(1.6)	(0.8)
Movement in working cap	**-**	**(2.6)**

- Cash generative, despite capital expenditure being £0.7m higher than the previous year
- Pension savings reflect South African pension surplus refund partly offset by the UK merger costs
- Working capital flat as some protective stock was put in place during Bredbury consultation process
- Leverage (measured as Net Debt / rolling 12month EBITDA) reduced from 1.9x at year end to 1.6x

Group cash flow

Continuous improvement in working capital management



Average working capital is a Key Performance Indicator and is calculated as the average of each month's working capital value as a ratio of rolling 12 monthly sales. Note: balances each year re-stated for March 13 impairment to show true 'underlying' improvement.

- Average working capital ratio improved further by 1.0% on relatively flat sales. Reflects underlying continuous improvements being made across all aspects of working capital
- Some reversal expected in H2 during Bredbury project with increased safety stock – to be worked down in 2014/15
- Maintaining low WC% will enhance the cash generation model as profitability improves

Group Balance Sheet

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Continued focus on working capital management to enhance cash generation and debt reduction

	30 September 2013 £'m	30 September 2012 £'m
Goodwill	20.3	22.1
Fixed assets	46.1	53.9
Deferred tax	17.5	18.1
Inventories	38.3	45.0
Receivables	29.7	34.3
Payables	(36.1)	(38.6)
Net working capital	**31.9**	40.7
Net Borrowings	**(22.0)**	(24.6)
Provisions	(1.4)	(1.0)
Retirement benefit obligations	(65.4)	(61.1)
Other assets/liabilities	0.5	0.5
Net assets	**27.5**	**48.6**
Gearing (D/(D+E))	**44%**	**34%**

Reduction largely reflects change in UK tax rates from 23% to 20%

Reduction in net debt due to improved cash management and reduced pension costs

Changes in UK inflation (increased from 1.3% to 2.1%) main causes of deficit increase

Includes property held for sale £1.7m.

- Net asset changes largely due to impairment charges of £10.0m booked in H2 of the prior year
- Significant additional reduction in working capital due to continuous management focus and improvement

Pensions

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Reductions in annual cash costs banked by UK merger in H1

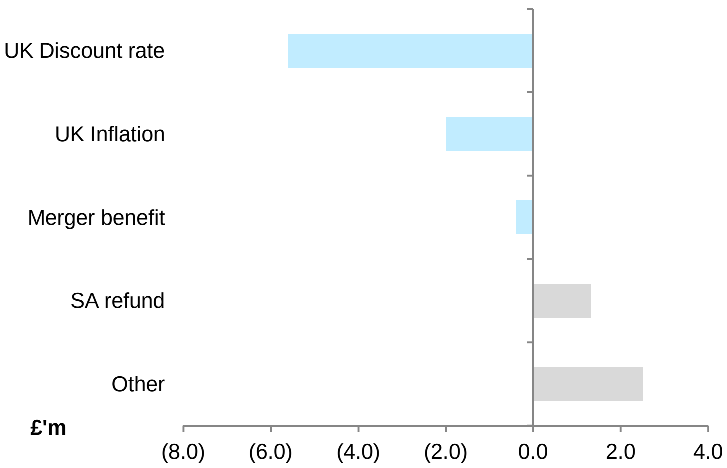
Annual pension cash costs

£'m	H1 13/14	H1 12/13
UK deficit	(1.0)	(1.1)
UK admin	(0.7)	(0.1)
Germany	(0.6)	(0.6)
Other overseas	(0.6)	(0.5)
SA surplus	1.2	-
Total	**(1.7)**	**(2.3)**

Cash flow

- UK merger delivers £1.0m annualised savings - full year impact in 2014/15 (one off merger costs in 13/14)
- UK admin includes £0.3m 12/13 PPF paid 13/14
- German cash costs are actual pensions in payment, moving with inflation and changes in pensioners
- Other overseas schemes net pre-tax deficit of £4.2m, mainly in the USA (£3.3m)
- In SA, £1.2m of the surplus was refunded in H1

Deficit change March 13 to Sept 13



Deficit £65.3m (£54.5m post tax)

- Decrease in net deficit of £4.2m since year end
- Increase in discount rate from 4.3% to 4.5% which removed £5.6m from the deficit
- Inflation expectations fell by 0.1% saving £2.0m during the period
- The UK merger delivered a small net gain of £0.4m on the deficit in addition to the annual cash flow savings of £1.0m
- Other includes impact of lower discount rates in Germany and other net UK actuarial losses

Re-engineering our future

Robert Purcell, CEO

Progress update on this year's priorities ……..

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- Step change in Health and Safety culture
  - **All major manufacturing sites working towards achieving OHSAS 18001** ✔
- Efficient, streamlined, forward-thinking operations across the Group
  - **Management team strengthened with new flatter, externally focussed structures** ✔
- Reduced cost base, right-sized capacity – lower breakeven point
  - **Contribution margins improving, net overheads down £1.5m** ✔
- Exit less viable assets, interest maintained in growth geographies and sectors for development over time
  - **Bredbury project underway, investment in growth territories** ✔
- Material improvement in customer service performance
  - **Guaranteed 72 hour configured chain service offering rolled out in the UK delivering shorter lead times** ✔
- Improved operating margin (%) driven by market leading products in both Chain and TT
  - **RoS of 5.3% was an increase of 1.5% year on year** ✔

….. all delivered alongside the development of a clear roadmap for further gains against a continuing assumption of low to nil sales growth.

Bredbury project transfers 12.5% of Chain sales

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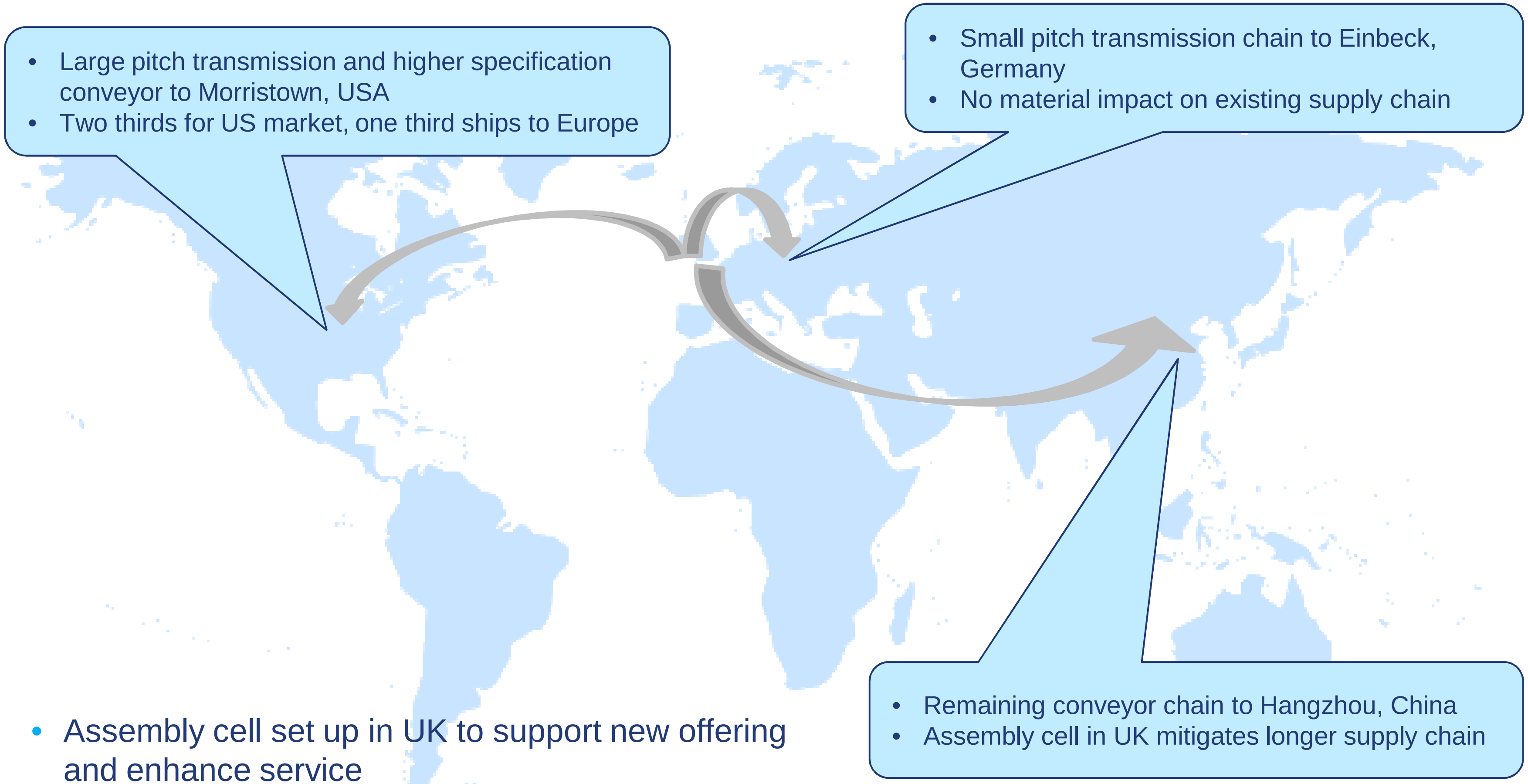
Transfers designed to minimise execution risk and capital costs



- Assembly cell set up in UK to support new offering and enhance service
- Project delivers risk adjusted net annualised savings of £3.2m from end Q1 2014/15

Progress on the three-phase plan

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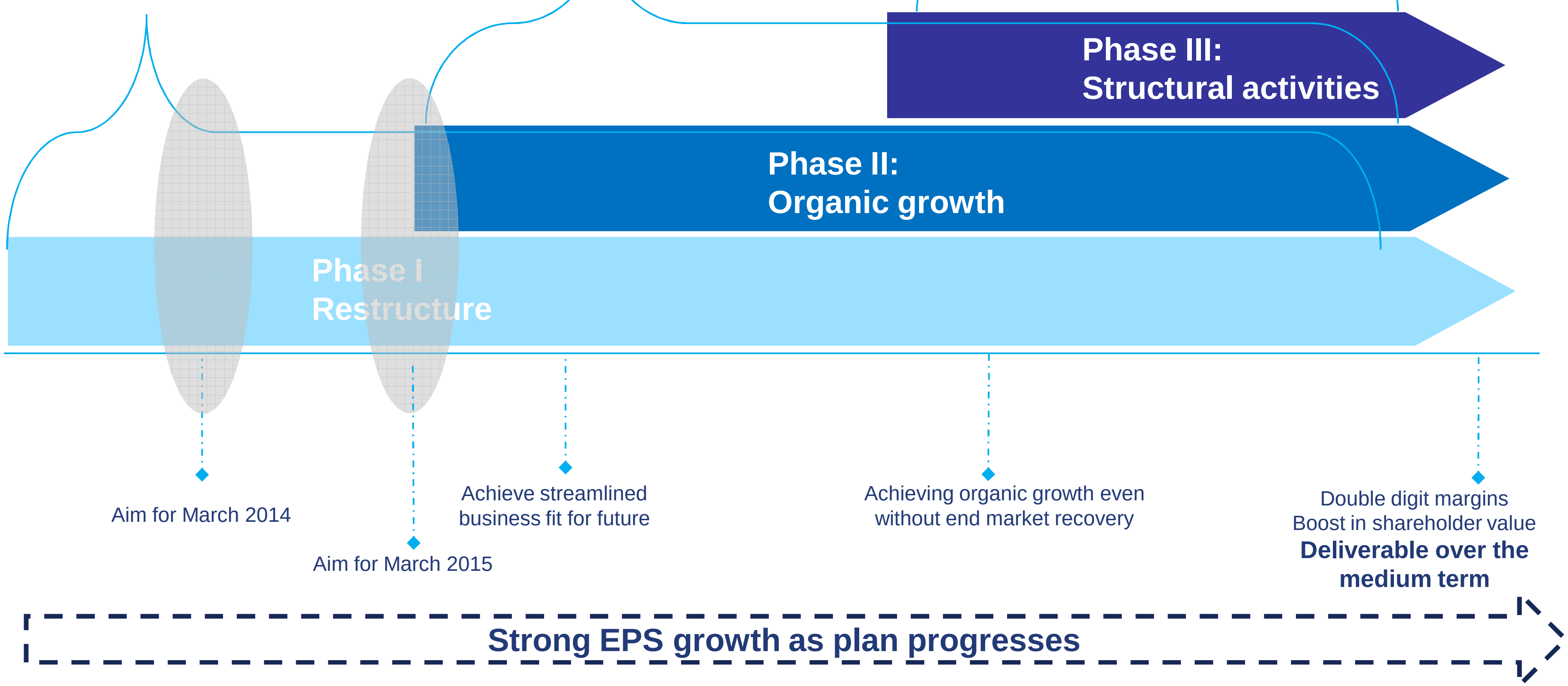
- ✓ Restructure unattractive segments
- ✓ Right-size capacity & cost base
- ✓ Fix product margins
- ✓ Establish uniform operating efficiencies & information systems across group
- ✓ Make right hires to drive growth

- Leverage superior product in Chain and TT
- Leverage market and brand leading positions
- Drive growth from improved sales and marketing practices

- Significant opportunities from our scale
- Fragmented market
- Growth potential through selective bolt-ons adding capability and market share



Expanding near term priorities into 2014/15 ……..

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Strengthening commercial positioning and embedding excellent customer service

– Quotation disciplines being enhanced, over 90% of European standard quotes from price lists
– New Director of Product Management reviewing product value proposition
– Torque Transmission business structure being re-aligned to exploit product strength
– New UK service centre to shorten lead times and ‘smart’ quotation tools to support customer enquiries

Delivering ongoing cost reductions

– Continued development of structures in all Chain regions and Torque Transmission
– Director of Business Systems appointed to streamline current activities and roll out SAP
– Detailed projects being executed to reduce non-productive spend in each operating unit
– Exploit streamlined manufacturing footprint with careful investment and development

Building balance sheet strength

– Optimise value from excess property portfolio and existing tax assets to support investment
– Focus on cash conversion with improvements in working capital from plant rationalisation
– Lower the cost of capital by efficient use of new banking facilities and structures

….. to deliver continuous improvement in all business activities

Outlook

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Self help continues to be key as we execute Bredbury project in H2

- Group sales now levelling off
  - Chain regions seeing flat to modest growth in sales (Australasia apart)
  - Torque Transmission sales likely to fall at a slower rate in H2

- Contribution margin gains
  - Improved mix and value generation from high quality product base to continue

- Benefits from embedded overhead reductions continue to support improved results
  - Bredbury project will reduce overheads and lower the break even point considerably

- Stronger operating cash flows to continue in H2 allowing the Bredbury project to be funded within the Group's existing resources and facilities

- Key deliverable is the capacity reduction project in H2 providing £3.2m of annualised benefits after Q1 in the next financial year

Focus remains on delivering steady, continuous improvement in EPS

Thank you.

Q&A

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