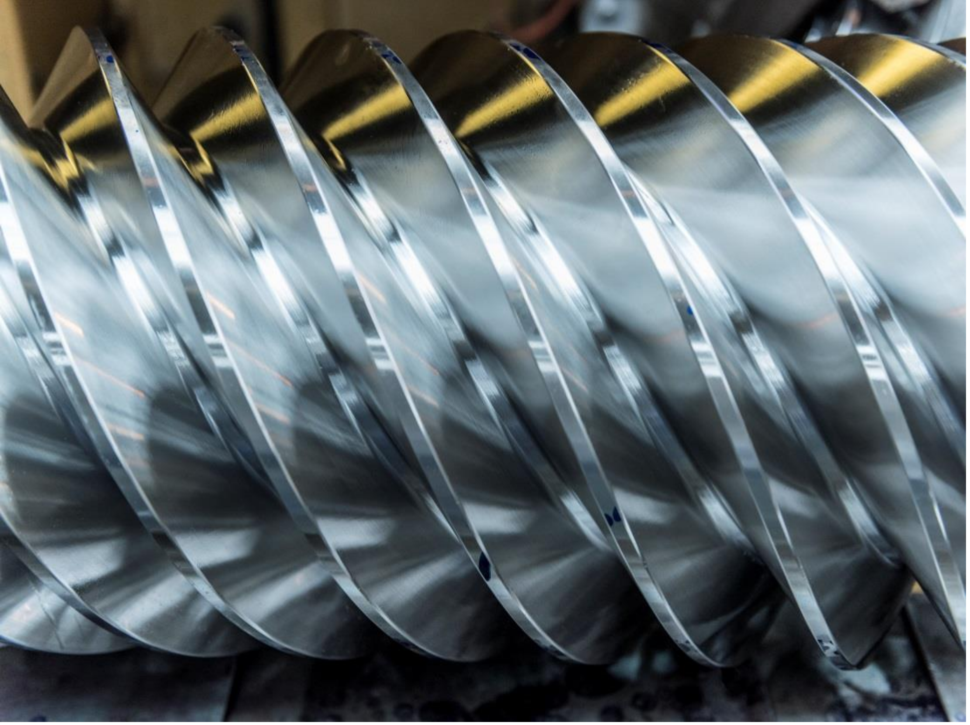

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Interim results 2015

Robert Purcell CEO
Brian Tenner CFO

17 November 2015

STEP 2020
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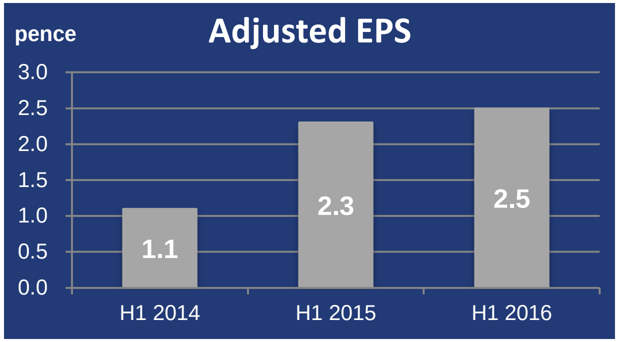
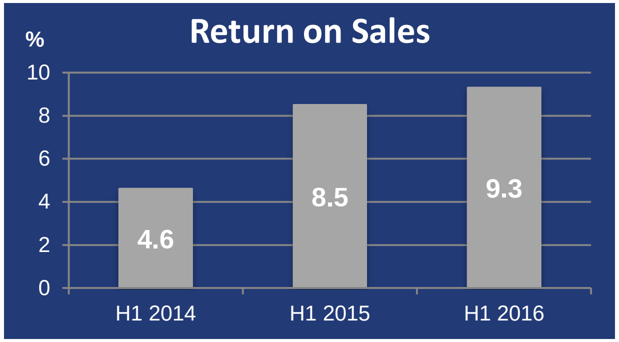
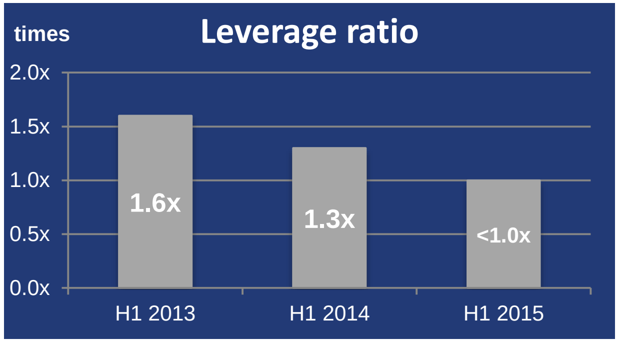
Successful delivery of self-help projects continues to improve margins while delivering key strategic building blocks on our STEP 2020 plan







- 8.7% growth in adjusted EPS to 2.5 pence
- Self-help measures delivered in STEP 2020 Strategic Plan continued positive momentum in margins. More to come in H2
- Underlying adjusted operating profit grew 2.6% against a backdrop of challenging and volatile end markets
- Recently signed agreement for our first bolt on acquisition with an excellent strategic fit for the Group
- Continued good performance in operating cash flows allowed a significant increase in attractive capital investments
- New long term financing agreement delivering lower interest charges and stable funding arrangements to 2020
- Completed significant de-risking of a higher risk section of the UK pension scheme

*Throughout this document, 'Underlying' means after eliminating the impact of movements in foreign exchange rates. 'Adjusted' excludes exceptional items, pension costs and the amortisation of acquired intangibles. The leverage ratio is calculated as Net Debt / Adjusted EBITDA.

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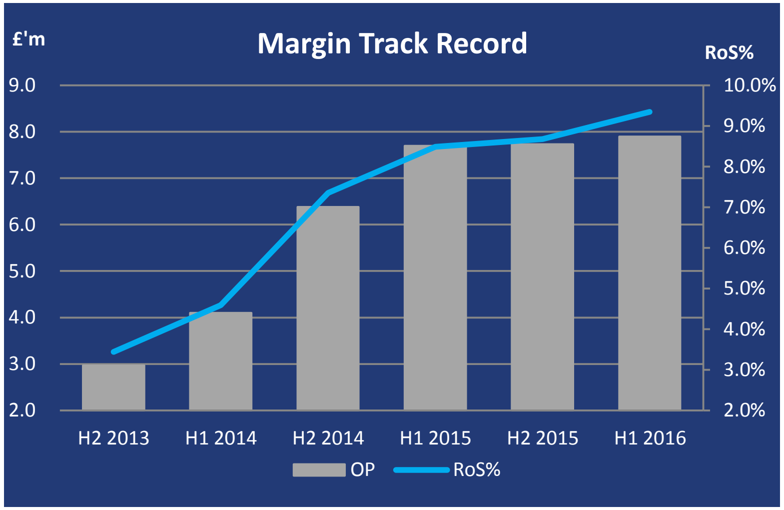
Re-engineering our future: Financial Performance

Brian Tenner, CFO

Self-help still driving improved margins in volatile end markets

	2016 Interim £m	2015 Interim £m	Var £m
Revenue as reported	84.5	90.5	
Impact of FX	-	0.2	
Underlying revenue	**84.5**	**90.7**	**6.2**
Reported adjusted operating profit	7.9	7.5	
Impact of FX	-	0.2	
Underlying adjusted operating profit	**7.9**	**7.7**	**0.2**
Underlying Return on Sales %	*9.3*	*8.5*	*0.8%*
Exceptional items	(0.8)	(0.6)	
Profit before tax	**4.6**	**4.4**	**0.2**
Adjusted EPS	**2.5p**	**2.3p**	**0.2p**

- EPS growth of 8.7% to 2.5 pence
- Margins improved again with RoS rising to 9.3% (8.6% in H2 PY)
- Operating profit grew by 2.6%
- Difficult end user markets saw a 6.8% decline in underlying sales
- Manufacturing gains and overhead reductions more than offset sales fall



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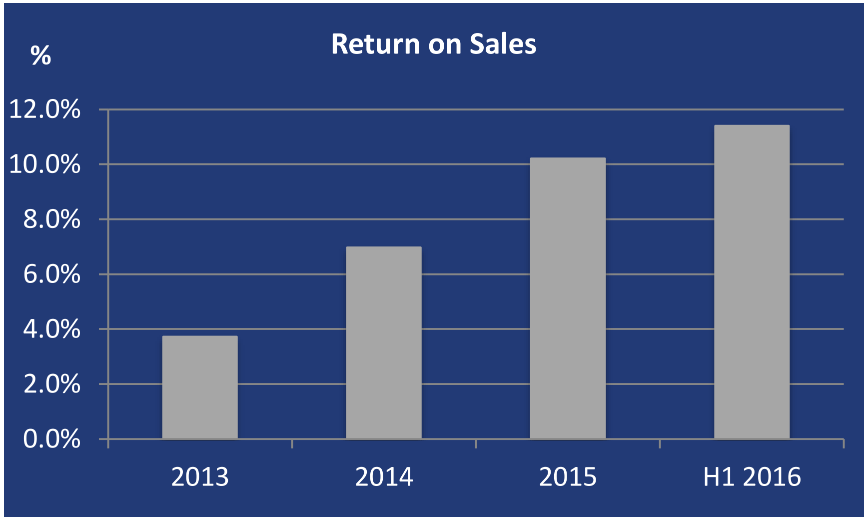
RoS continues to rise above 10.0% target threshold despite 7.0% fall in sales

	2016 Interim £m	2015 Interim £m	Var %
Underlying revenue	64.0	68.8	↓ 7.0
Underlying adjusted operating profit	7.3	7.2	↑ 1.4
Underlying Return on Sales %	*11.4*	*10.4*	↑ *1.0*



- Underlying external sales fell 7.0%, 2.7% excluding the major non-recurring Swiss contract in prior year
- Europe 3.2% decline excluding large Swiss project. Mixed picture of growth in UK and Germany, others down
- Distributor de-stocking seen in Q2
- Americas remains subdued (flat on PY)
- Australasia down 7.8% with SE Asia impacted by China slow down and palm oil harvest
- Full £3.8m annual benefit from Bredbury closure with excess costs now eliminated
- Factory efficiencies and £0.7m of further overhead reductions more than offset the impact of lower volumes
- Major investments in manufacturing assets delivered and others under way

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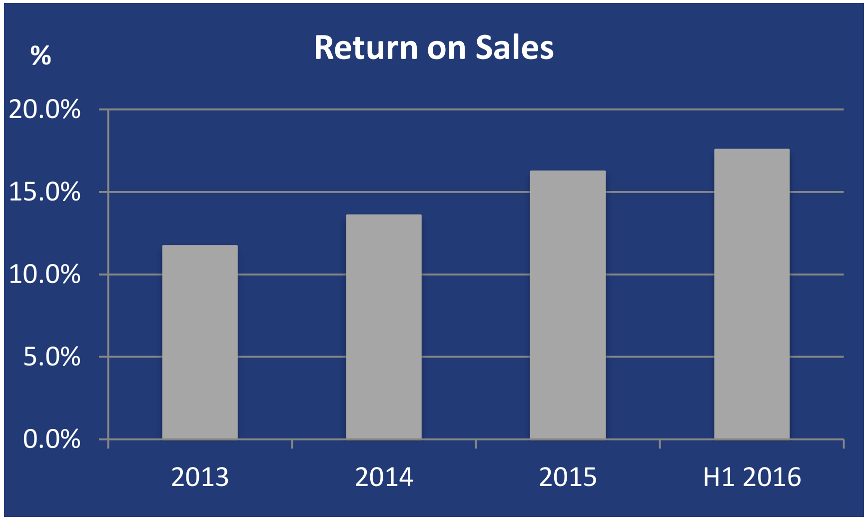
Strategy to leverage value added products and self-help initiatives continues to deliver gains in operating margins

	2016 Interim £m	2015 Interim £m	Var %
Underlying revenue	20.5	21.9	6.4
Underlying adjusted operating profit	3.6	3.5	2.9
Underlying Return on Sales %	*17.6*	*16.0*	*1.6*

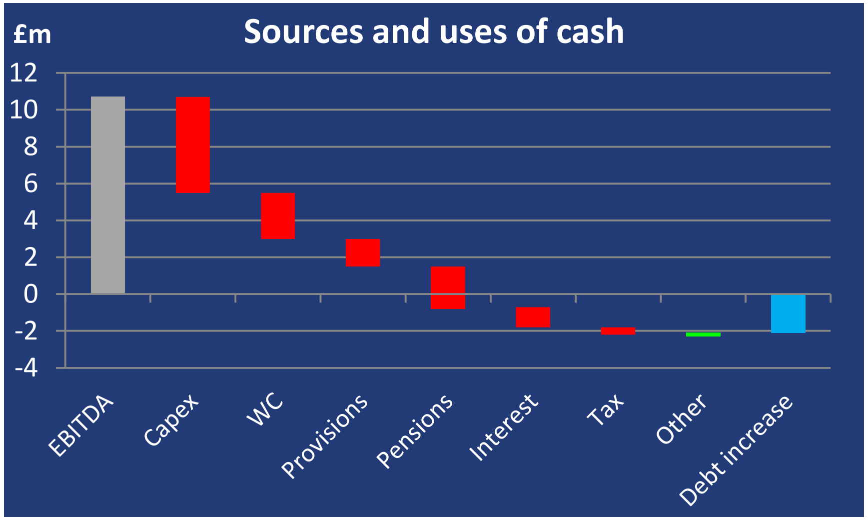


- Underlying external sales fell 6.4%
- Adjusted operating profit increased 2.9%
- Two of six business units delivered growth in sales in the period:
  - our high value added Hi-tec couplings facility in Halifax
  - a modest rebound in demand in the Chinese power generation market
- Further factory efficiencies and a focus on higher value products almost offset the impact of the fall in sales
- Self-help initiatives further reduced overheads by £0.2m to give the £0.1m net increase in adjusted operating profit
- Milnrow gears facility restructured to respond to the fall in volumes

Operating cash flows allow significant investment in attractive capital projects

	2016 Interim £m	2015 Interim £m	Var £m
Adjusted EBITDA	**10.7**	**10.1**	**0.6**
Movement in working capital	(2.5)	(0.9)	
Pensions cash costs	(2.3)	(2.4)	
Restructuring spend	(1.5)	(2.3)	
Taxes and other	(0.4)	(0.4)	
Net cash from operating activities	**4.0**	**4.1**	**0.1**
Investing activities	(5.2)	(2.7)	
Financing costs paid	(1.1)	(0.8)	
Other movements / FX	0.2	(0.2)	
Change in net debt	**(2.1)**	**0.4**	**2.5**
Opening net debt	(19.5)	(24.8)	
Closing net debt	**(21.6)**	**(24.4)**	**2.8**

- EBITDA remains robust in generating positive operating cash flows
- Investment in growth oriented activities (stock holdings and operating costs)
- Restructuring spend in both years primarily relates to savings projects
- Near doubling in attractive capital investments to £5.2m



Summary Group Balance Sheet

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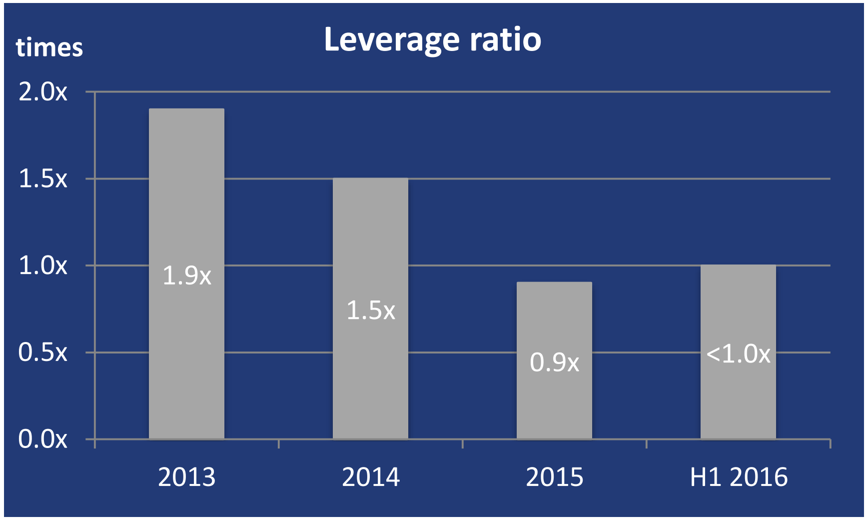
Leverage and net debt maintained to deliver low interest rate

	2016 Interim £m	2015 Year End £m	Var £m
Goodwill	21.4	21.9	(0.5)
Fixed assets	47.4	45.8	1.6
Deferred tax	16.3	17.1	(0.8)
Inventories	36.0	35.8	
Receivables	28.1	30.6	
Payables	(33.4)	(36.6)	
Net working capital	**30.7**	**29.8**	**0.9**
Net Borrowings	**(21.6)**	**(19.5)**	**2.1**
Provisions	(5.8)	(6.4)	
Retirement benefit obligations	**(76.0)**	**(75.7)**	**0.3**
Other	(1.1)	(1.4)	
Net assets	**11.3**	**11.6**	**0.3**
Leverage(1) ratio	**<1.0x**	**0.9x**	

- Working capital investment in inventory to support growth initiatives
- Provision spend relates to Bredbury onerous lease and HO move in H1
- Pension deficit driven by global gilt yields and equity market returns
- Leverage ratio maintained below 1.0x while still increasing capital investments



(1) Leverage is calculated as Net debt / adjusted EBITDA

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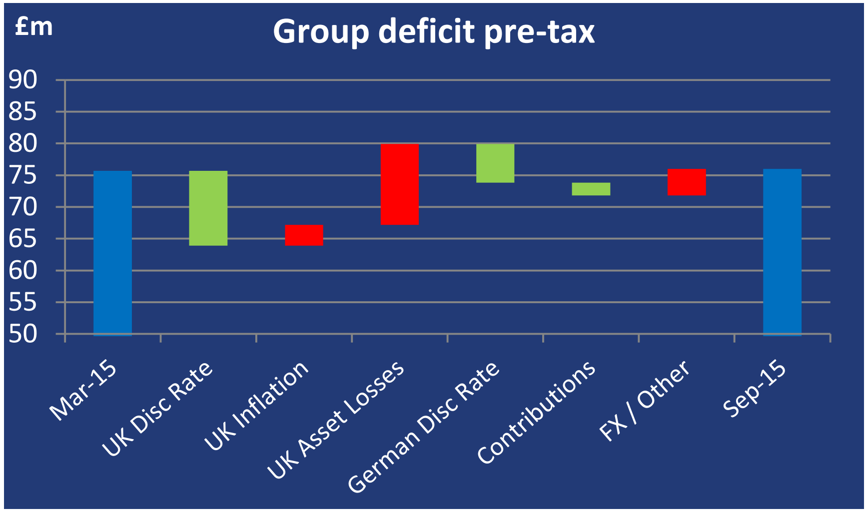
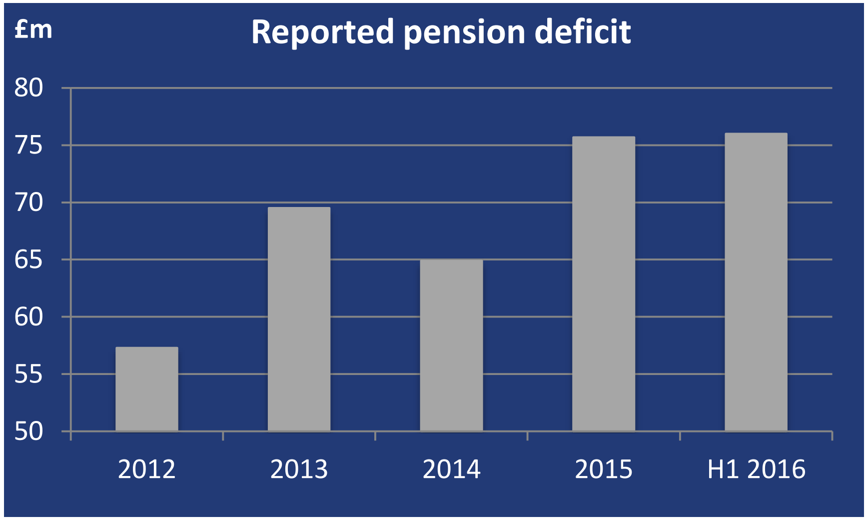
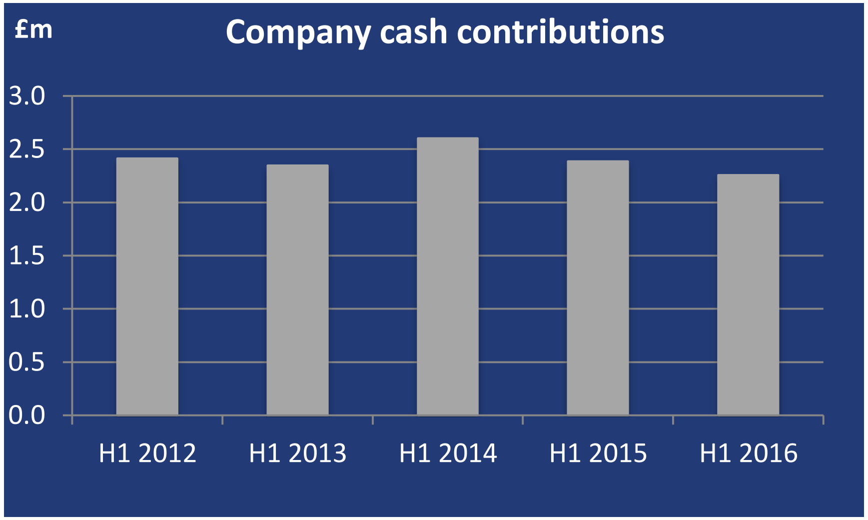
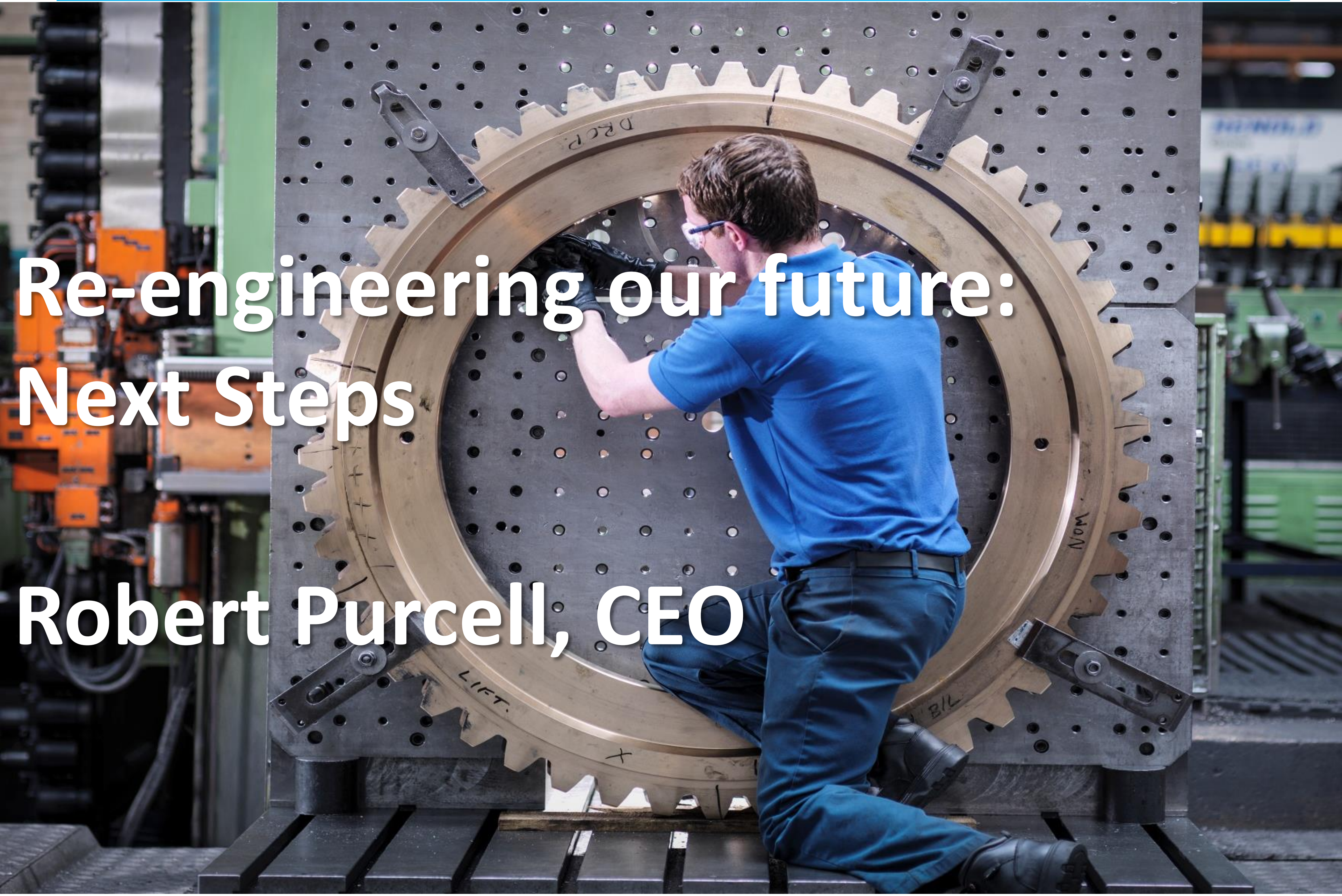
Stable and predictable cash flows maintained while executing de-risking projects



- High risk UK pension liabilities of £25m fully de-risked in Q1
- Consultation process completed to terminate the Australian scheme
- UK scheme membership cut by 6% in small pots exercise
- Active management of pension liabilities continues in key territories







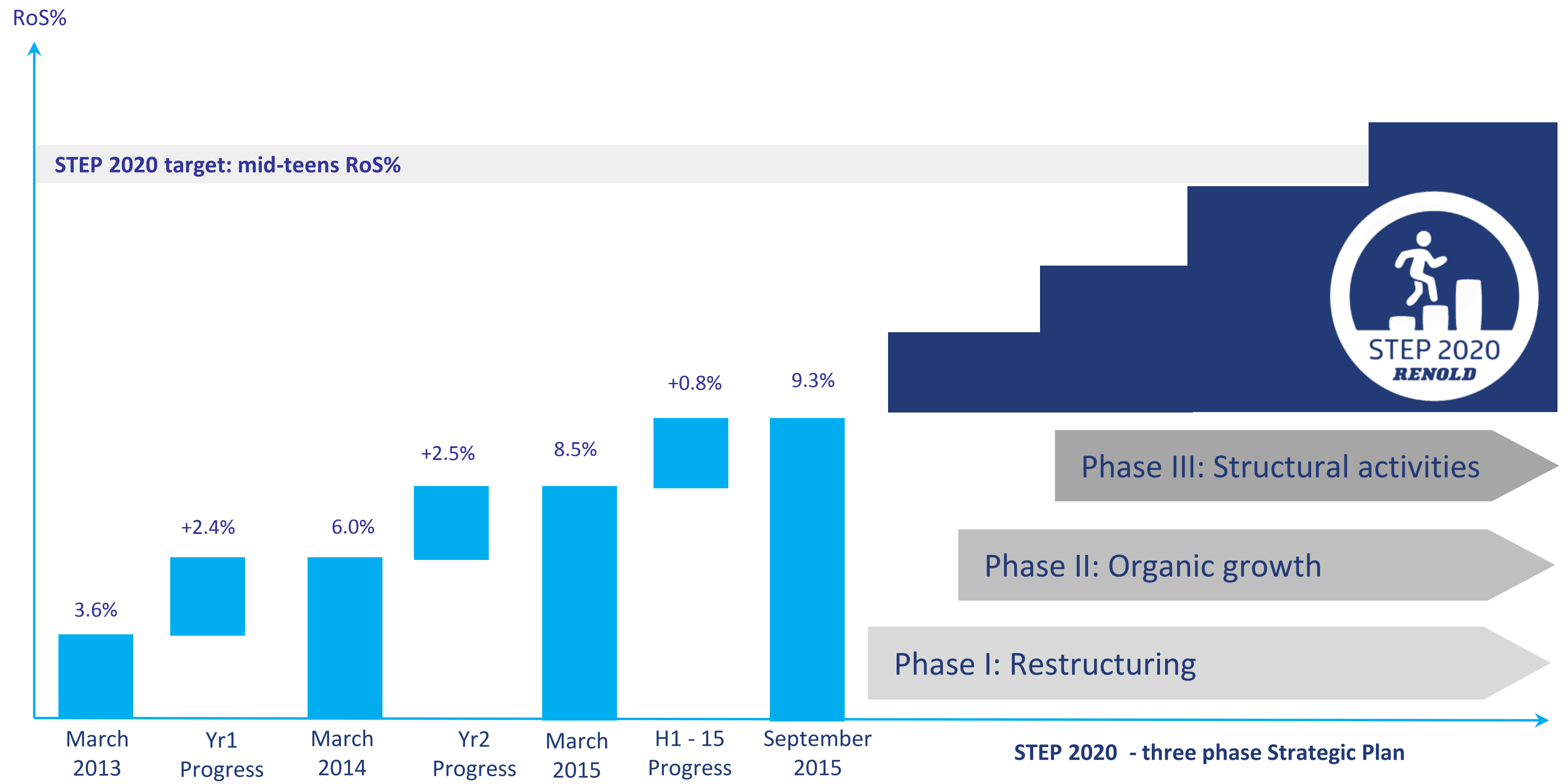
Re-engineering our future: Next Steps

Robert Purcell, CEO

First bolt-on acquisition agreed with excellent strategic fit

- Sales of €9.0m, double digit margins
- Based in Gronau, Hanover (40km from Einbeck) with 65 employees
- Leading manufacturer of high quality range of tooth chain products
- Sold into a variety of **industrial** markets
- Ideally suited to high speed, high load and high temperature applications
- Very limited crossover with our traditional customer base and applications
- Opportunity to extend geographic footprint by leveraging Renold global supply chain
- Market leading products in terms of design, engineering and performance
- Opportunities to share manufacturing knowledge and process capabilities
- Supply chain synergies
- As a niche chain business, Aventics will benefit from joining a wider chain group

STEP 2020: road map for continued margin progression



- Continued progress in margin gains for third consecutive year, 'double digit' margins in sight
- STEP 2020 programme of detailed improvement initiatives underpins further planned gains

STEP 2020: Progress and priorities

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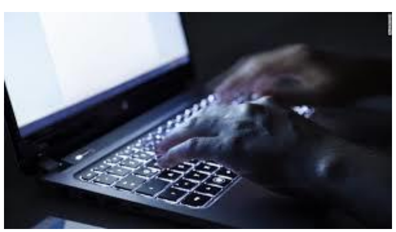
Significant achievements delivered on each of our STEP 2020 ‘staircases’



Health & Safety

- Hard work and investments paying off in improving KPI trends
- 1,071 improvements completed in H1 – 32% fall in accident rate

Corporate Efficiency

- New re-financing to 2020 delivering lower interest cost
- Continued pension de-risking - UK buy in, Australian closure

Growth Activity

- New local presence established in high potential SE Asia
- Investing to expand service and product offering

Manufacturing Efficiency

- Attractive capital spend delivering savings and new capability
- In-sourcing projects to reduce cost and improve service

Process Efficiency

- Prototyping of Group’s ERP system, first site preparing to Go Live
- First site live with finite planning tool

Commercial Positioning

- Product management driving strategy for new product development
- Service levels being improved

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Still making progress in the face of strong headwinds

Market conditions

- Market conditions remain challenging and volatile across much of the globe
- Weak trading conditions since the half year lead to full year adjusted operating profit likely to be around the lower end of the range of market expectations

STEP 2020

- Continued management of cost base to further reduce break even point
- Margin gains to continue from all aspects of STEP 2020
- Phase 1 now firmly established with Phase 2 initiatives underway

Capital Investment

- Free cash flow supports increased capital investment in attractive pay back projects
- In addition to factory efficiency, new investments also support growth initiatives by improving quality, reducing lead times and adding new capabilities

Organic Growth

- Investing in new growth territories, the further development of our brand, market sectors and product management
- We are managing cash to ensure we continue to do the right things for growth

Phase 3: Strategic Plan

- The acquisition of Aventics TC is an excellent fit for the Group and our strategy
- The availability of management bandwidth and stable long term financing mean we remain able to take advantage of opportunistic bolt on acquisitions as they arise

We remain focussed on delivering today, in challenging markets, while continuing to invest in our future


Thank you.
Q&A

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