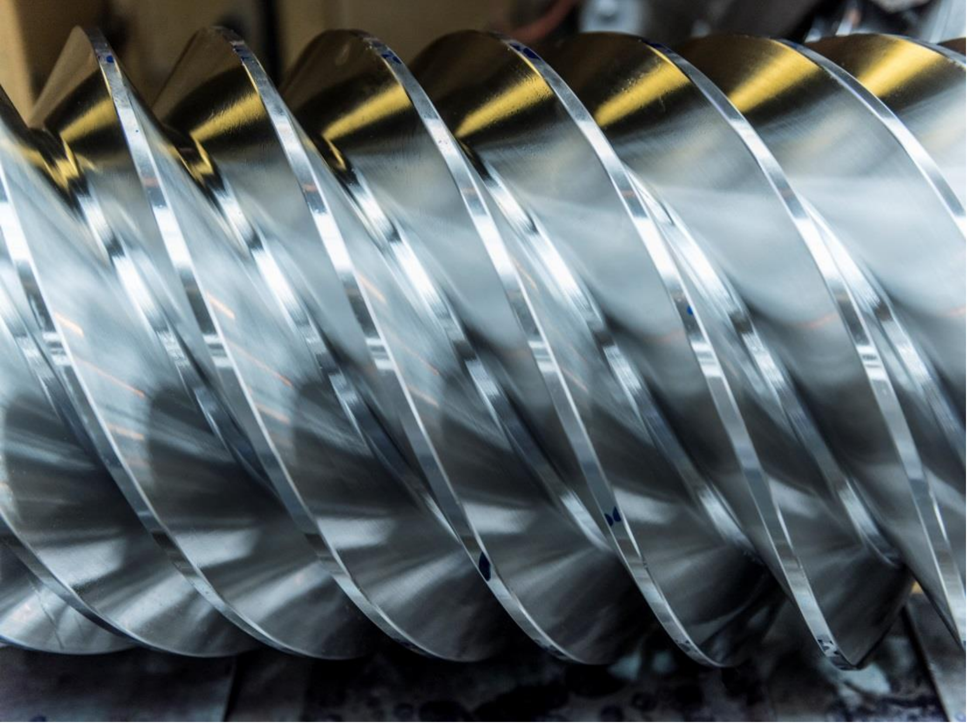


RENOLD

Interim results

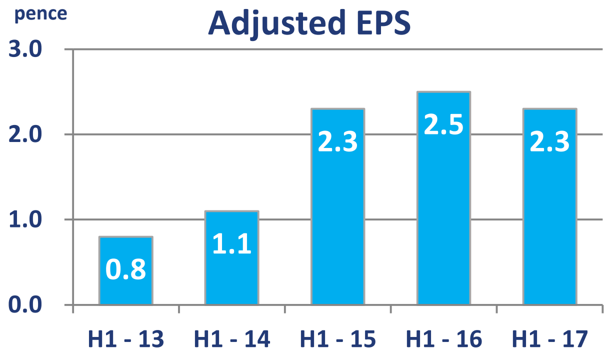
Half year ended 30 September 2016

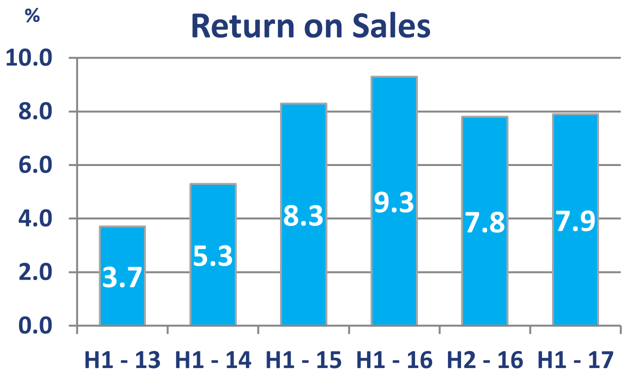
Robert Purcell CEO
Brian Tenner CFO

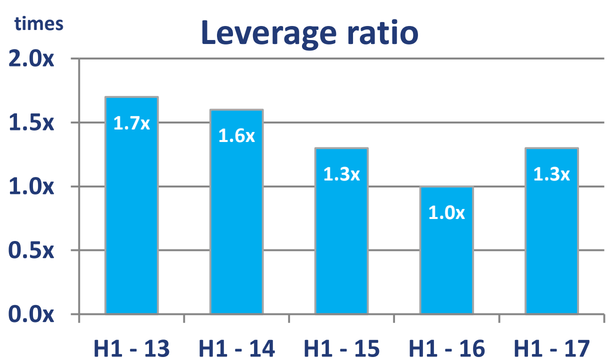
15 November 2016

STEP 2020
RENOLD

Operating margins maintained in volatile market conditions







- Chain division performing ahead of expectations, Torque Transmission behind
- Tooth Chain acquisition trading ahead of expectations, integration proceeding smoothly
- Strong operating cash flows enabled continued investment
- Ongoing actions to improve efficiency and lower breakeven point
- Modest growth expected in H2
- Confident of meeting full year expectations

Throughout this document, 'Underlying' results use like for like foreign exchange rates. 'Adjusted' excludes exceptional items, pension costs, the amortisation of acquired intangible assets and any associated tax thereon. The leverage ratio is calculated as Net Debt / Adjusted EBITDA.

Re-engineering our future: Financial Performance

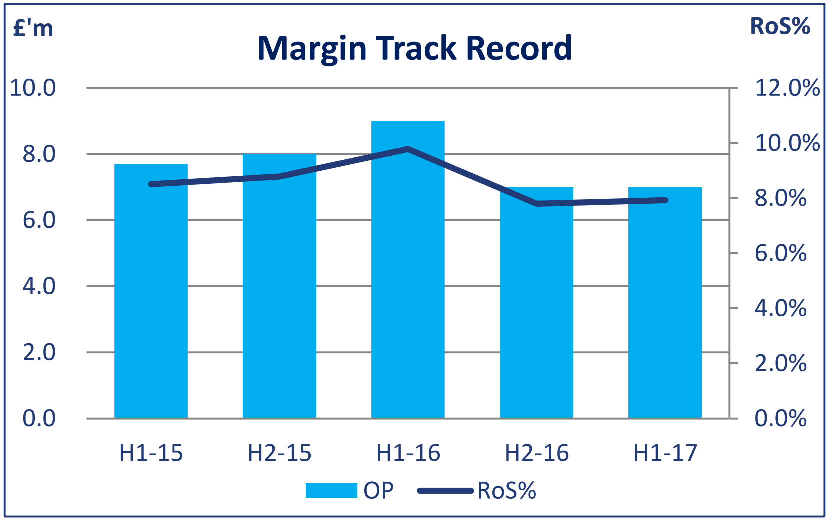
Brian Tenner, CFO

RENOLD

Results deliver stabilisation after particularly weak H2 in prior year

	2017 Interim £m	2016 Interim £m	Var £m
Revenue as reported	**88.3**	84.5	**+3.8**
Impact of FX	-	7.5	-
Underlying revenue	**88.3**	92.0	**(3.7)**
Reported adjusted operating profit	**7.0**	7.9	(0.9)
Impact of FX	-	1.1	-
Underlying adjusted operating profit	**7.0**	**9.0**	**(2.0)**
Underlying Return on Sales %	***7.9%***	*9.8%*	(1.9%)
Adjusted EPS	**2.3p**	**2.5p**	**(0.2p)**

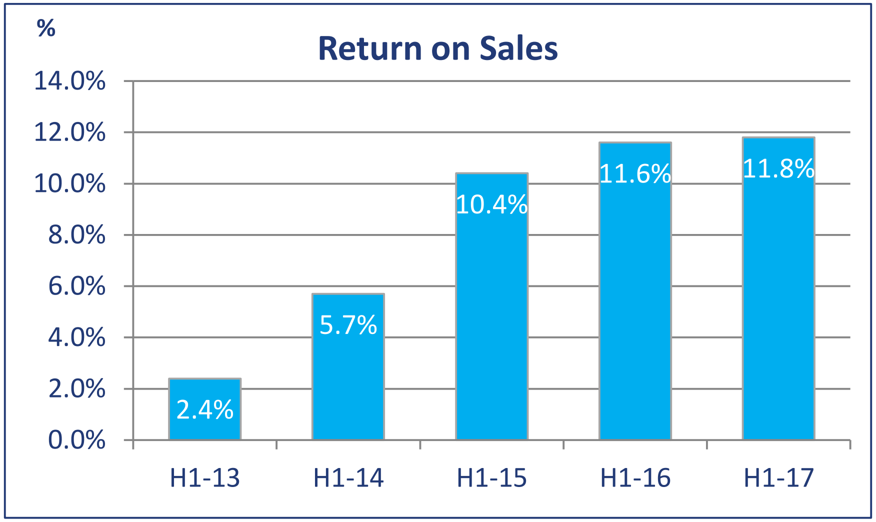
- Underlying orders 0.2% ahead of PY
- Underlying sales down 4.0%
- Book to bill (B2B) ratio recovered to 101%
- Investment in people and activities to support growth related activities as well as extra depreciation on new factory assets
- Operating margins held at 7.9% with Adjusted EBITDA comfortable at £10.1m



RENOLD

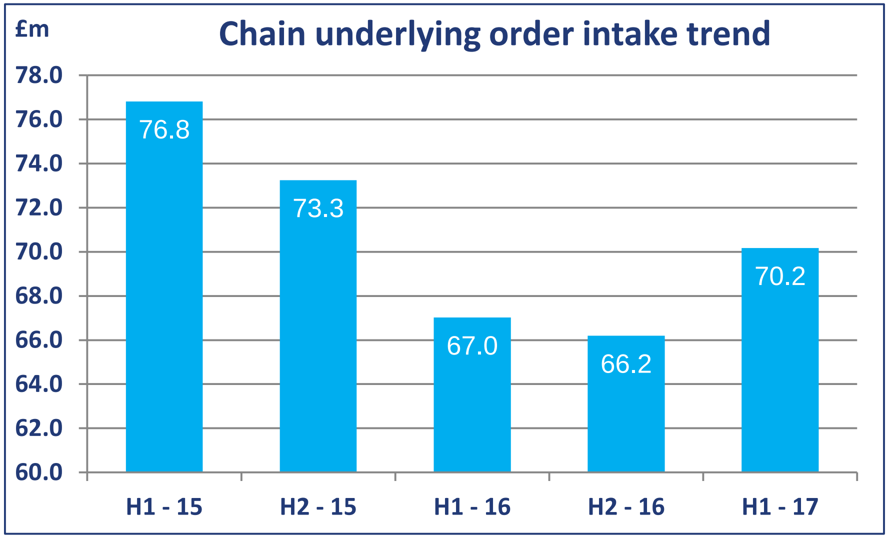
Key division maintaining forward momentum in sales and operating result

	2017 Interim £m	2016 Interim £m		Var %
Underlying revenue	**71.1**	69.8	↑	+1.9
Underlying adjusted operating profit	**8.4**	8.1	↑	+3.7
Underlying Return on Sales %	***11.8%***	*11.6%*	↑	

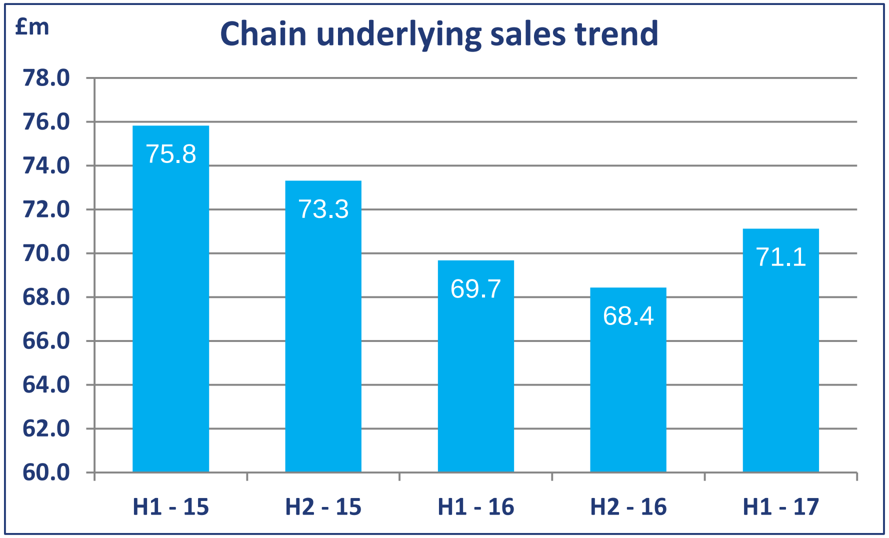


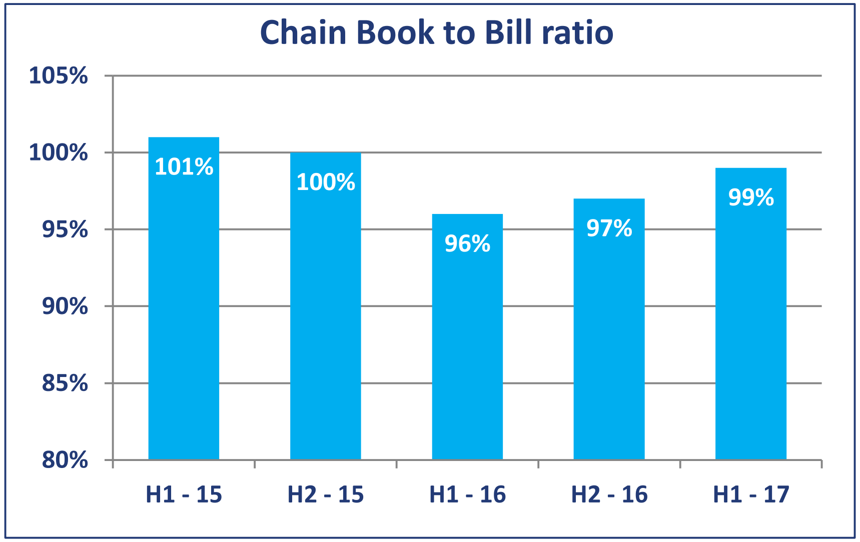
- Order intake 4.7% ahead of H1 16
  - Europe over 10% ahead even without Tooth Chain acquisition
  - Other regions saw small falls
- Distribution and OEM orders firm in Europe (sales flat) whereas both channels were weak in sales and orders in the Americas
- Sales 1.9% ahead of H1 16
  - Growth in Europe and Australasia
  - H1 weakness in the Americas
  - B2B ratio 99%
- Major capital projects committed in H1
- Investment in business improvements and growth focused overheads
- Footprint rationalisation in Europe
- Tooth Chain out-performing expectations
- Chain target for operating margins remains mid-teens in a GDP+ growth environment

Recovering trend from weakness in the prior year



- Orders and sales starting to recover
- Trend also exists on an organic basis
- Good correlation between order intake and sales in the same half year period
- Reflects the relatively short duration of the Chain order book – 3 month visibility
- Order intake and B2B trends point to continued recovery in H2 17

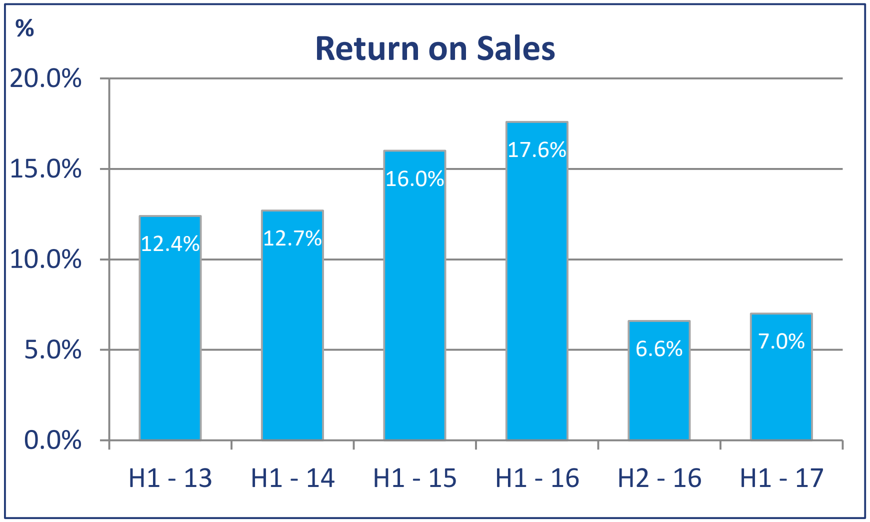




RENOLD

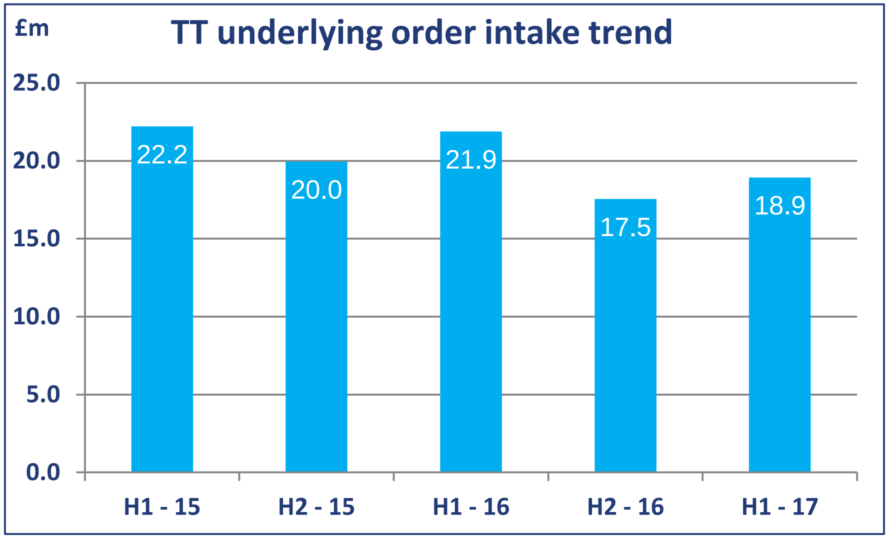
Operating profit flat on H2 PY despite continuing difficult end markets

	2017 Interim £m	2016 Interim £m	Var %
Underlying revenue	**17.2**	22.2	(22.5%)
Underlying adjusted operating profit	**1.2**	3.9	(69.2%)
Underlying Return on Sales %	***7.0%***	*17.6%*	

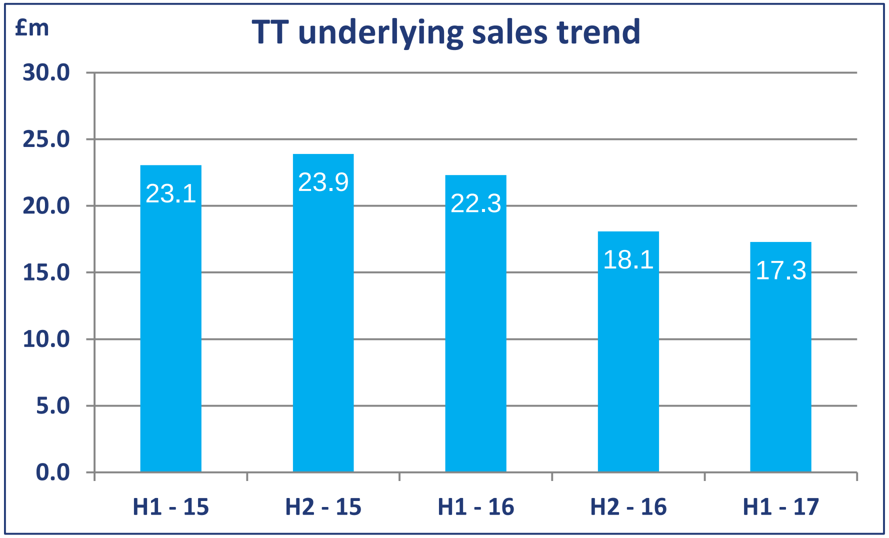


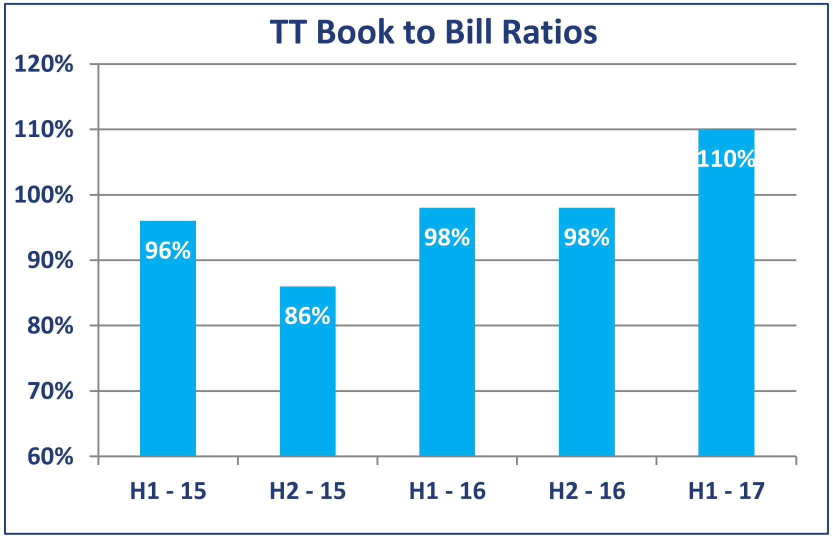
- Underlying orders in TT were down 13.5%
- Fall in underlying sales broadly equivalent to the H2 PY fall in orders
- Demand soft in marine, land based power and US commodity related industries
- Variable margins maintained on H1 PY
- Overheads held flat while investing in actions to improve the business and its prospects
- Major UK couplings consolidation proposal announced for employee consultation
- Significant upgrade in UK Couplings manufacturing capabilities
- Subject to the consultation process, the project will bring major benefits to service, lead times, capital allocation and costs
- Short term TT goals to stabilise revenue and return to mid-teens operating margins

Order intake gives improving outlook for H2 though markets remain volatile



- Underlying order intake in H1 17 shows a modest improvement on H2 16
- Prior year saw a clear step down in orders in H2 due to slowness in marine, land based power and US commodity sectors
- Longer TT lead times mean order variations take longer to feed into sales growth
- Better order intake and B2B trend point to sales levelling off towards the end of H2 17





RENOLD

Lower financing costs and tax charges enhance earnings

	2017 Interim £m	2016 Interim £m	Var £m
Adjusted operating profit	**7.0**	**7.9**	**(0.9)**
Exceptional items	**(1.4)**	(0.8)	(0.6)
Pension admin costs	**(0.3)**	(0.3)	-
Amortisation of acquired intangible assets	**(0.5)**	-	(0.5)
Reported operating profit	**4.8**	**6.8**	**(2.0)**
Pension scheme interest	**(1.3)**	(1.3)	-
External financing charges	**(0.7)**	(0.8)	+0.1
Other interest charges	**(0.1)**	(0.1)	**-**
Profit before tax	**2.7**	**4.6**	**(1.9)**
Taxation	**(0.6)**	(0.9)	+0.3
Profit after tax	**2.1**	**3.7**	**(1.6)**

- The main exceptional items were:
  - Tooth Chain transitional costs £0.2m
  - European distribution centre £0.4m
  - TT UK restructuring costs £0.6m
  - Other restructuring charges £0.2m
- Pension scheme interest unchanged as the impact of higher discount rates netted against lower opening deficits
- The amortisation of acquired intangibles relates to various assets acquired as part of the Tooth Chain transaction
- Financing charges lower due to full year benefit of May 2015 re-financing
- The Group holds tax assets that deliver the STEP 2020 ETR of 20% or lower
- Tax assets continue to be accessible as profitability improves

RENOLD

Strong EBITDA supports expanded capital programme and acquisition funding

	2017 Interim £m	2016 Interim £m	Var £m
Adjusted EBITDA	**10.1**	**10.7**	**(0.6)**
Movement in working capital	**(2.6)**	(2.5)	(0.1)
Pensions cash costs	**(3.1)**	(2.3)	(0.8)
Restructuring spend	**(1.8)**	(1.5)	(0.3)
Taxes and other	**(0.6)**	(0.4)	(0.2)
Net cash from operating activities	**2.0**	**4.0**	**(2.0)**
Investing activities	**(3.6)**	(5.2)	+1.6
Financing costs paid	**(0.7)**	(1.1)	+0.4
Other movements / FX	**(0.4)**	0.2	(0.6)
Change in net debt	**(2.7)**	**(2.1)**	**(0.6)**
Opening net debt	**(23.5)**	(19.5)	
Closing net debt	**(26.2)**	**(21.6)**	**(4.6)**

- Good EBITDA maintained despite £3.7m fall in underlying sales
- Working capital movements reflect investments in strategic stock holdings and some slowing in customer payment patterns
- Pension cash spend increase reflects one off contribution to support PY insured buy in and FX impact – H2 costs will therefore fall
- Restructuring spend relates to:
  - Bredbury onerous lease payments and pre-sublease capital works
  - Tooth Chain transition costs
  - European Distribution Centre relocation costs
  - Proposed UK Couplings project
- Lower capital spend reflects late machine delivery for a large project in the US (£2.0m)
- Financing costs in H1 PY included up front costs of re-financing the Group's main RCF

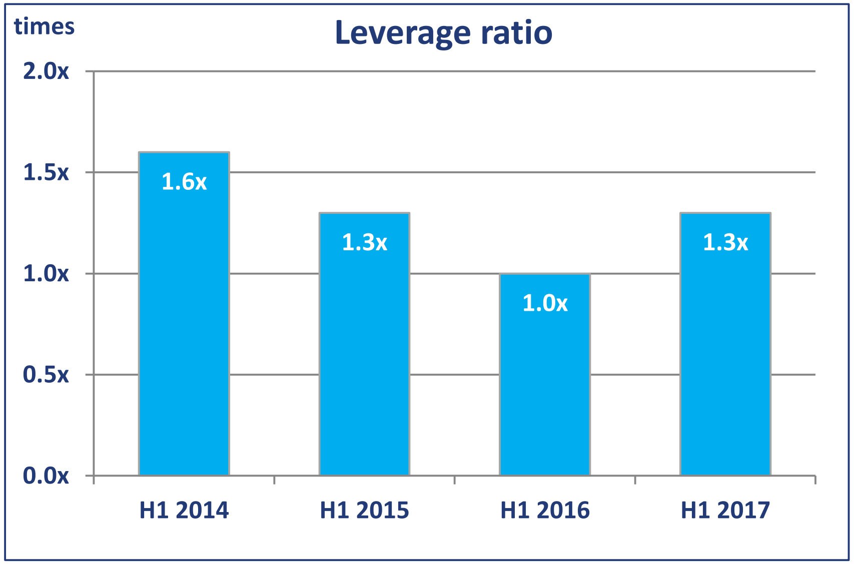
RENOLD

Improving asset base offset by market driven increase in pension deficit

	2017 Interim £m	2016 Interim £m	Var £m
Goodwill	**25.0**	21.4	+3.6
Intangible assets	**10.0**	6.5	+3.5
Fixed assets	**48.6**	40.9	+7.7
Deferred tax	**21.3**	16.3	+5.0
Inventories	**41.2**	36.0	+5.2
Receivables	**34.1**	28.1	+6.0
Payables	**(39.3)**	(33.4)	(5.9)
Net working capital	**36.0**	**30.7**	**+5.3**
Net Borrowings	**(26.2)**	(21.6)	(4.6)
Provisions	**(5.9)**	(5.8)	(0.1)
Pension deficit	**(112.4)**	(76.0)	(36.4)
Other	**(1.4)**	(1.1)	(0.3)
Net (liabilities) / assets	**(5.0)**	**11.3**	**(16.3)**
Leverage[(1)] ratio	**1.3x**	**1.0x**	

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

- Balance sheet impacted by FX changes
- Intangible assets acquired with the Tooth Chain business in January 2016
- Working capital includes £0.7m relating to the Tooth Chain acquisition
- Pension deficit driven by bond yields post Brexit and FX on the Euro
- Leverage remains comfortable (max 2.5x)



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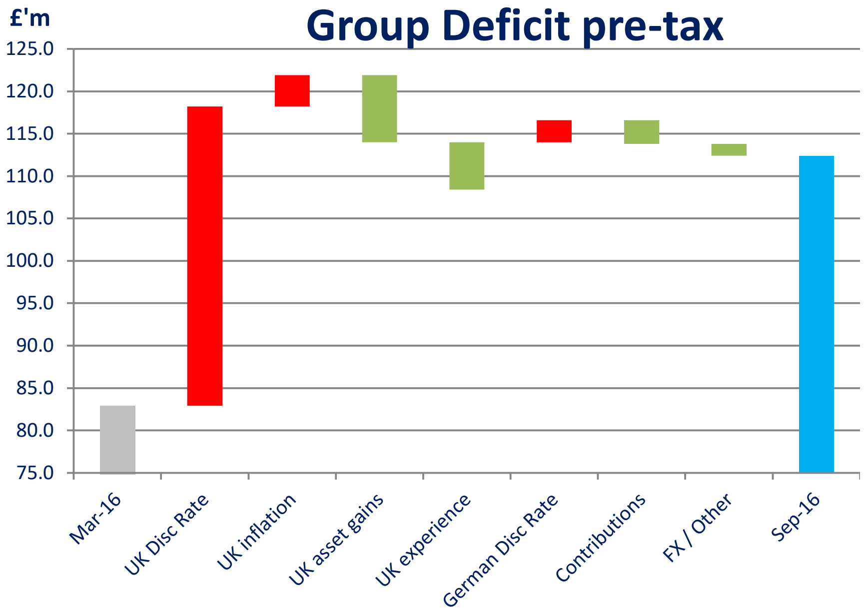
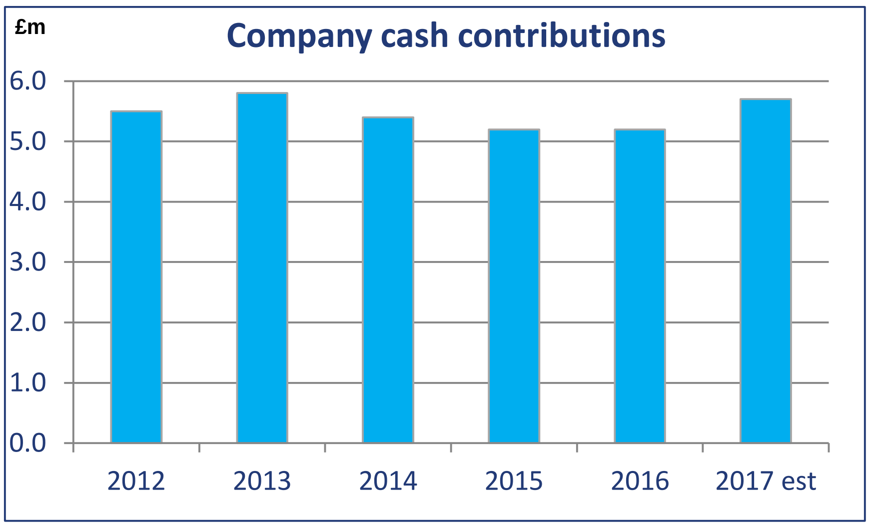
Cash funding remains stable with real gains from mortality and transfers





- Balance sheet deficit driven by post Brexit corporate bond yields – falling 1.2% in the UK and 0.6% in Germany – which have already improved by 0.4% by 31 October
- Partly offset by strong asset performance (growth and protection assets)
- PY medically underwritten buy ins effectively hedged 25% of the movement in bond yields
- UK experience gains (£5.5m) reflect mortality and member movements in excess of IAS19 assumptions over the last three years
- Cash contributions remain stable – one off UK £0.5m in respect of prior year pensioner buy in. Adverse FX will be largely offset by Australian closure and other UK cost savings
- Ongoing Triennial Review is focused on asset investment strategy as additional cash contributions will only happen if already agreed profit related mechanism is triggered
- Plc reserves protected by Group structure

Re-engineering our future: Next Steps

Robert Purcell, CEO

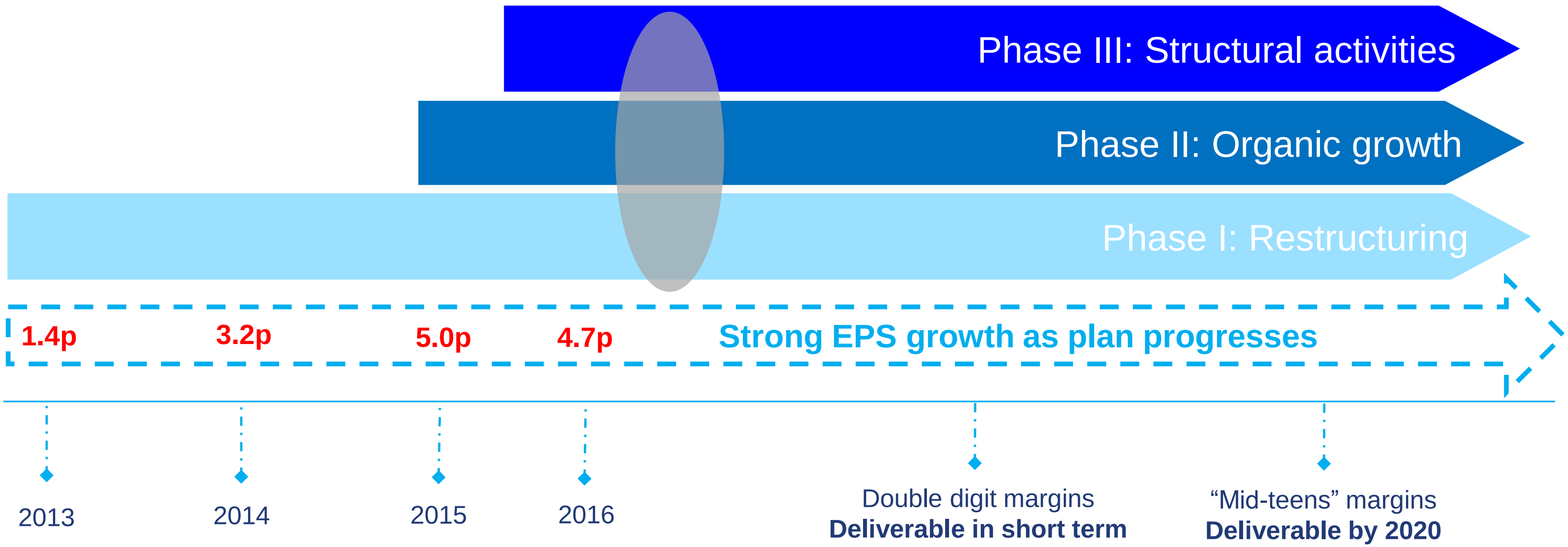
STEP 2020: three phase plan

STEP 2020 benefits offsetting market volatility

Restructuring activities
- ✓ Consolidated European Distribution Centre into German warehouse serving major manufacturing plant - complete
- ✓ Consultation process underway to consolidate UK Couplings facilities
- ✓ New ERP system live in two sites with Tooth Chain next in line in Q3

Growth activities
- ✓ New sales staff hired in multiple locations in Chain and TT
- ✓ Chain offices opened in Spain, underway for Poland, and two further locations in planning

Structural activities
- ✓ Tooth Chain integration proceeding well, delivering incremental growth through Renold sales channels
- ✓ Surplus French property sold for £1.0m
- ✓ Pension de-risking continues



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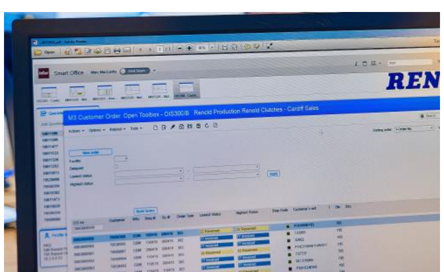
Significant achievements delivered on each of our STEP 2020 'staircases'

RENOLD BAT
Besafe.
Actsafe.
Thinksafe.



Health & Safety

- Risk management focus emphasising reduction in fire hazards
- Increasing buy in from all employees and rising standards

Corporate Efficiency

- Bredbury sub-lease signed to deliver £0.7m p.a. cash savings
- Lower interest costs from 2015 re-financing

Growth Activity

- Thailand and Benelux offices show benefits of local presence
- Sales approach increasingly application or industry specific

Manufacturing Efficiency

- Major capital commitments in Chain plants around the world
- Significant upgrade to UK Couplings capabilities now online

Process Efficiency

- Engineering systems roll out progressing well
- New Information Systems capabilities such as BI & barcoding

Commercial Positioning

- Focused product management starting to show benefits
- Marketing activity up 70% supporting direct sales to end users

RENOLD

STEP 2020 acquisition strategy identifies three different types of attractive acquisitions

Product or sector

- Driver would be expanding our presence into new product niches or market sectors
- Tooth Chain acquisition - in a high specification product niche
- Multiple potential acquisition opportunities in various sectors

Geographical

- Driver would be filling gaps in geographical footprint
- Smaller opportunities in various European markets, South America a larger option
- Likely to be longer term opportunity

Consolidation

- Our investment in new capacity and capability creating scope for fold in acquisitions
- Consolidation synergies potentially significant due to high operational gearing
- Recent capital commitments will further enhance capacity for high value consolidation

- Tooth Chain acquisition trading ahead of expectations with sales and cost synergies growing
- Management transitioning to proactive approach to acquisitions
- Pipeline of opportunities exists in European and North American chain markets in particular
- Financing facilities and low leverage allow self-funding of smaller bolt-on deals

Scale, reputation and expertise make Renold a natural consolidator in the Chain sector

RENOLD

Business stabilised and ready to regain positive momentum

Market conditions

- Economic and political volatility remains a feature in many international markets
- Chain division seeing firmer conditions in some regions, TT still challenging
- Order intake trends point to a better result in H2

STEP 2020

- Completing European Distribution Centre move delivers £0.3m p.a. annualised gains
- Proposed UK Couplings consolidation will deliver improved service and lower cost base
- Standardisation on new IT systems will also drive better service and a lower cost to serve

Capital Investment

- Robust EBITDA and leverage levels support capital investment in attractive projects
- Factory efficiency being improved while investments also support growth initiatives by improving quality, reducing lead times and adding new capabilities

Organic Growth

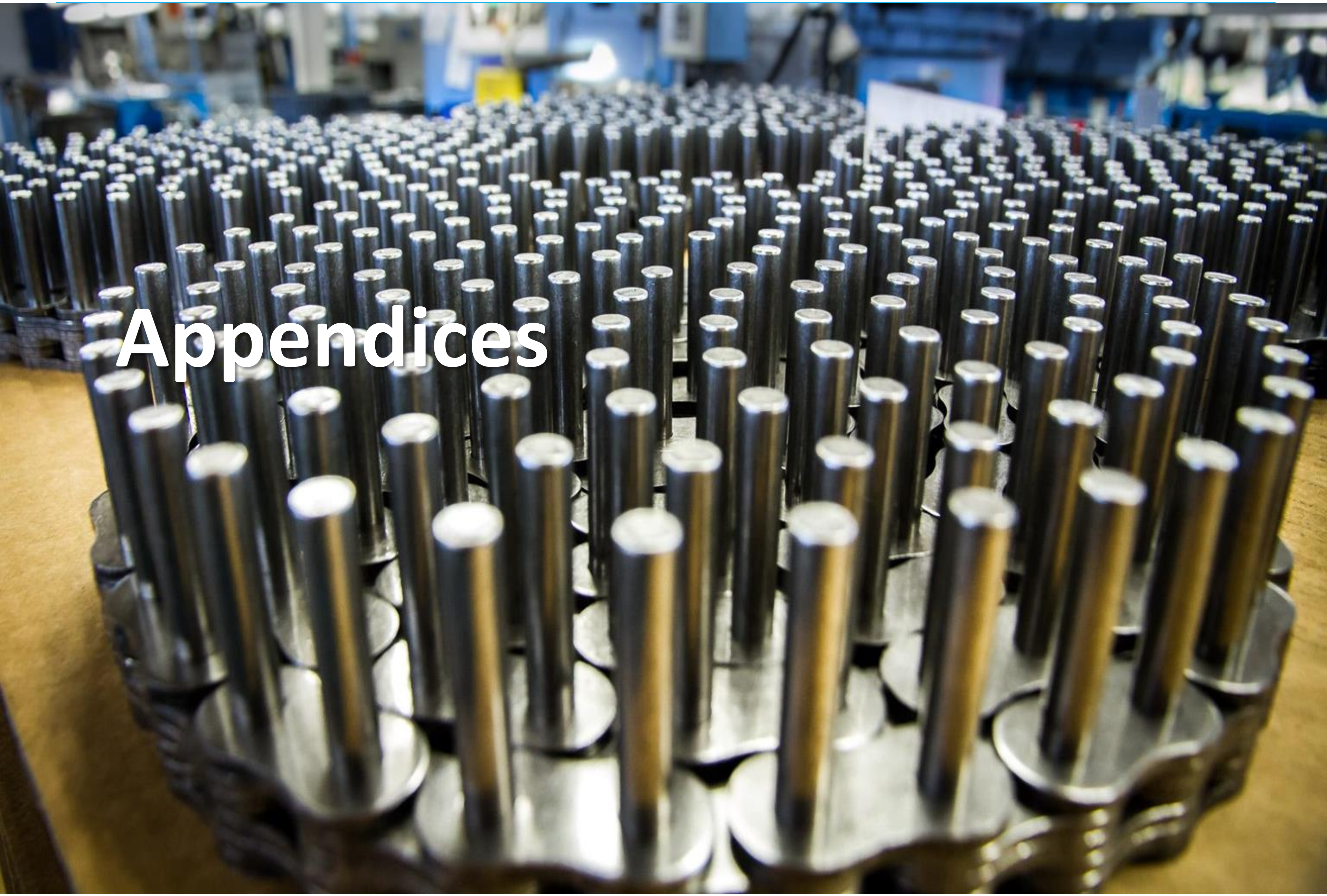
- Market conditions are tough but Chain showing distinct signs of progress
- TT markets particularly difficult but UK based production a competitive opportunity
- Continued investment in product management, service levels and marketing

Phase 3: Strategic Plan

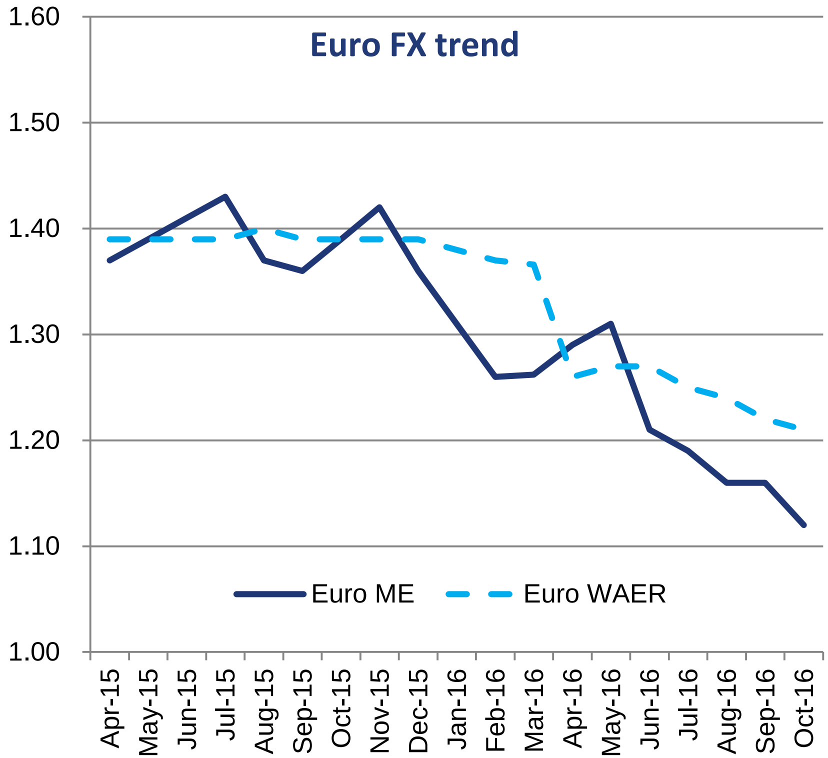
- Success of Gronau acquisition demonstrates value potential of more acquisitions
- Management bandwidth and stable long term financing are allowing us to be more proactive in seeking out bolt on acquisition opportunities

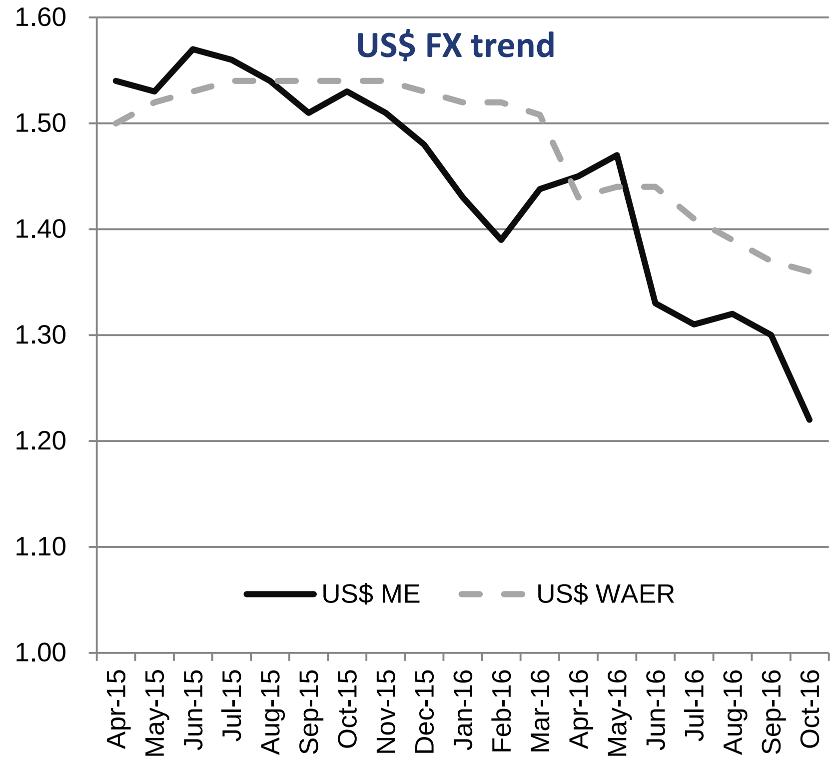
Trading in line with current expectations, upside if markets improve

Appendices



Significant volatility in foreign exchange rates continued in current year





- Sales denominated in US$ represent approximately 35% of the group total, and 15% in Euro’s.
- The primary impact of the volatility was with respect to translation.
- Illustratively, reported sales for the prior year of £165.2m are retranslated as £178.6m using the September 16 WAER. Prior year reported operating profit of £14.2m retranslates as £16.1m.
- However, FX rates remain volatile so predicting year end impact on the current year is not possible.

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