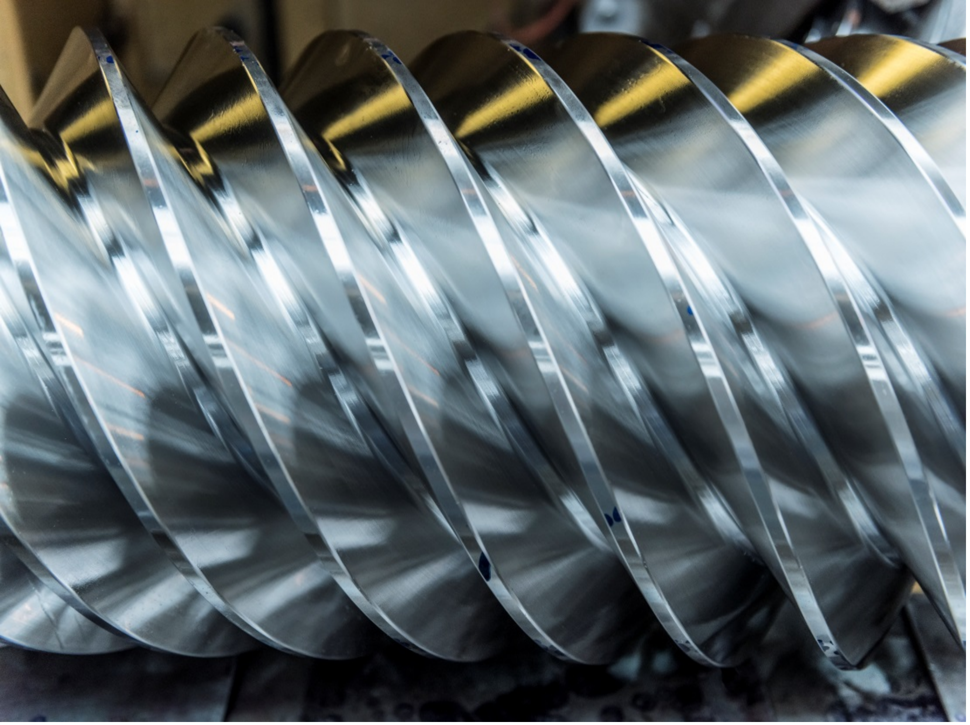

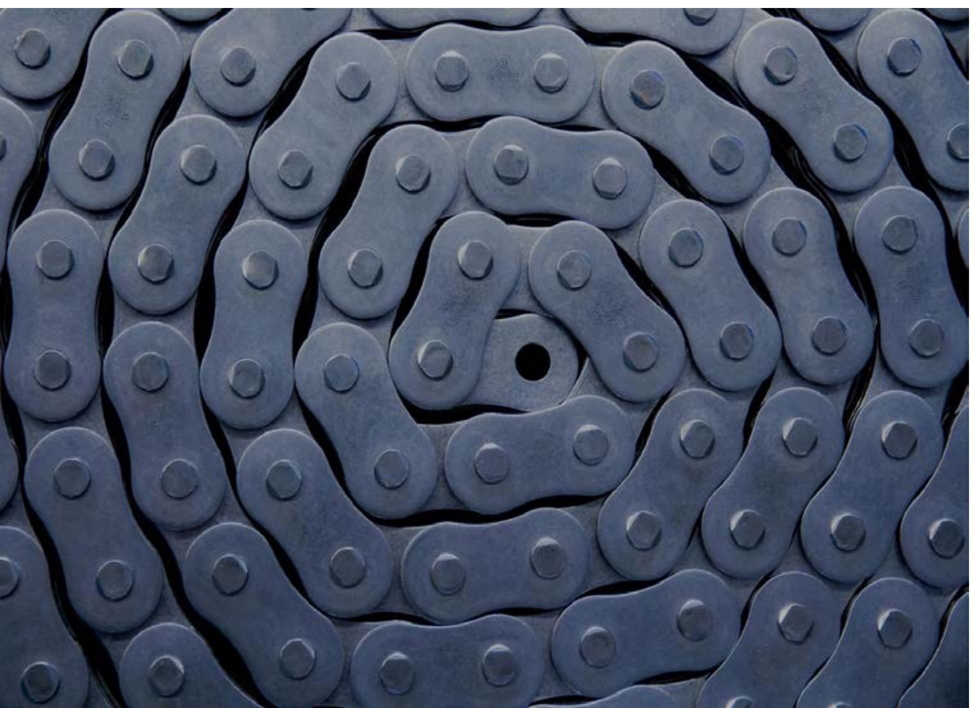

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Interim results

Half year ended 30 September 2017

Robert Purcell CEO
Ian Scapens CFO

14 November 2017

STEP 2020 RENOLD

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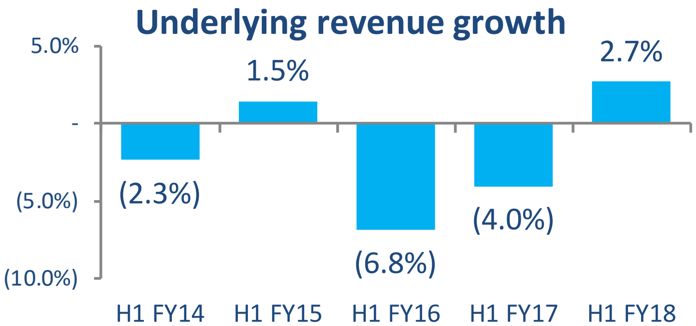
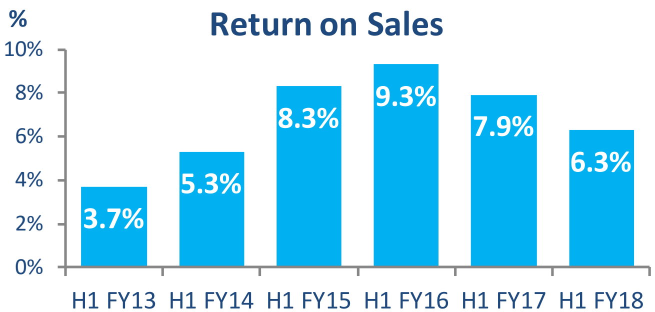
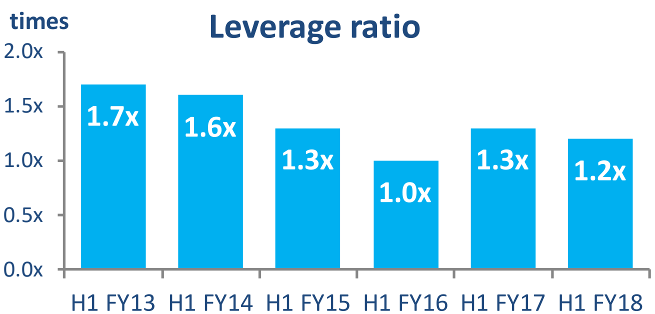
Commercial strategy delivering organic growth; specific costs impacted profit







- Organic revenue growth being delivered in Chain and Torque Transmission divisions
- Orders progressing more quickly than revenue – an indicator of improvement to come in H2
- Torque Transmission division demonstrating substantial recovery led by UK Couplings
- Chain division profit impacted by raw material cost increases and disruption from machine break-downs
- Action taken to address Chain division cost increases
- Continued growth and improved profitability expected for the second half

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.

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Re-engineering our future: Financial Performance

Ian Scapens, CFO

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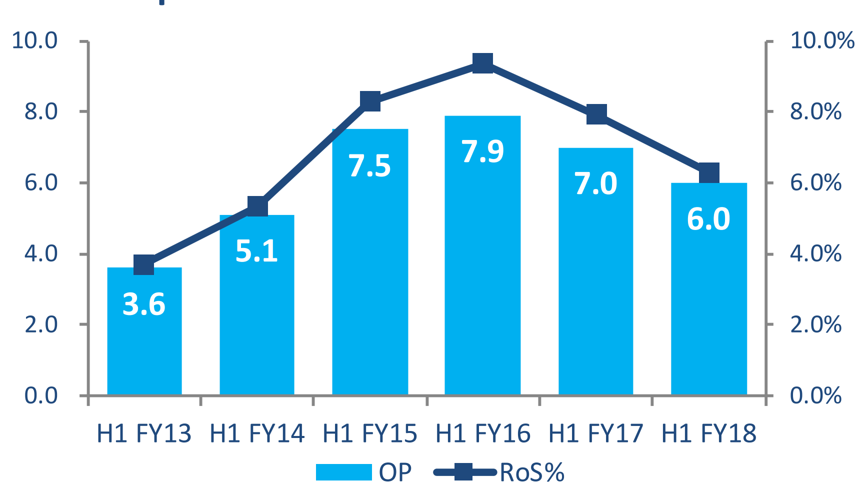
Improving revenue; profitability impacted by costs in Chain Division

	2018 Interim £m	2017 Interim £m	Var £m
Revenue as reported	**95.4**	88.3	
Impact of FX	**-**	4.6	
Underlying revenue	**95.4**	**92.9**	**2.5**
Reported adjusted operating profit	**6.0**	7.0	
Impact of FX	**-**	0.6	
Underlying adjusted operating profit	**6.0**	**7.6**	**(1.6)**
Underlying Return on Sales %	***6.3***	*8.2*	
Exceptional items	**(0.6)**	(1.4)	0.8
Profit before tax	**2.4**	**2.7**	(0.3)
Adjusted EPS	**1.8p**	**2.3p**	**(0.5p)**

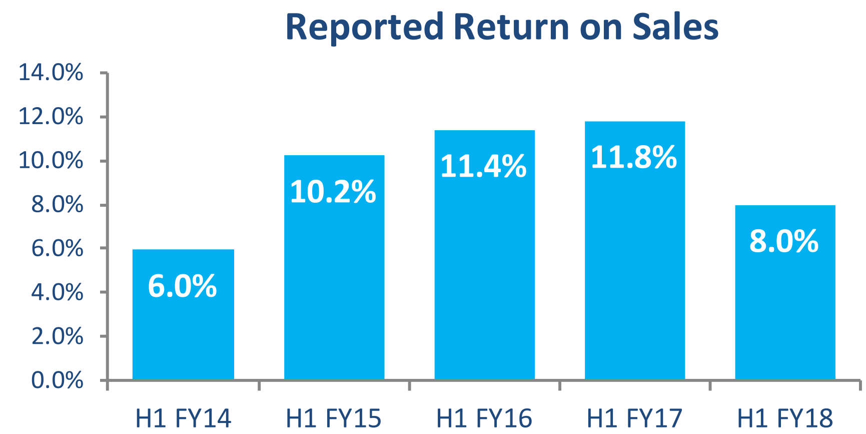
- Reported revenue increased by 8.0%
- Underlying revenue up 2.7%
- Profitability impacted by raw material price increases and disruption due to machine break-downs
- Operating margins fell to 6.3% with Adjusted EBITDA of £9.5m

Reported OP and RoS% Track Record



Organic revenue growth; improving order intake; impacted by increased costs

	2018 Interim £m	2017 Interim £m	Var %
Underlying revenue	**76.3**	74.9	1.9%
Underlying adjusted operating profit	**6.1**	9.0	(32.2%)
Underlying Return on Sales %	***8.0***	*12.0*	



- Underlying revenue 1.9% ahead of prior year
  - Continues growth trend from second half of prior year
- Europe continues to be the largest element of revenue growth (up 3.5%)
  - Whilst smaller in value terms, domestic Chinese revenue up 24%
- Americas growth of 1%; improvement over decline of 6.7% in H2 of prior year
- Australasia remains difficult, down 5.0%

- Profitability impacted by:
  - Increased raw material costs – most significant in Europe
    - Price increases subsequently implemented
  - Machine break-downs resulting in reduced capacity in Europe
    - Increased maintenance and air-freight costs
    - Reduced revenue from lack of availability
- Issues are short-term in nature

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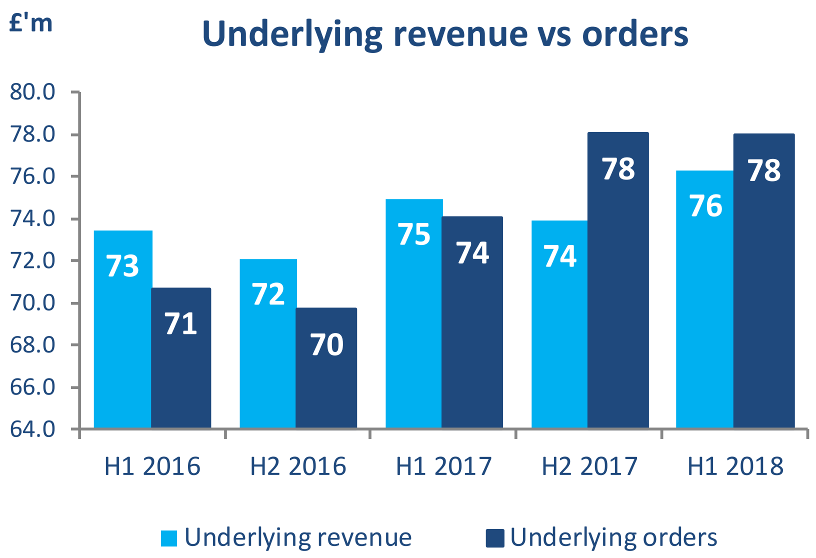
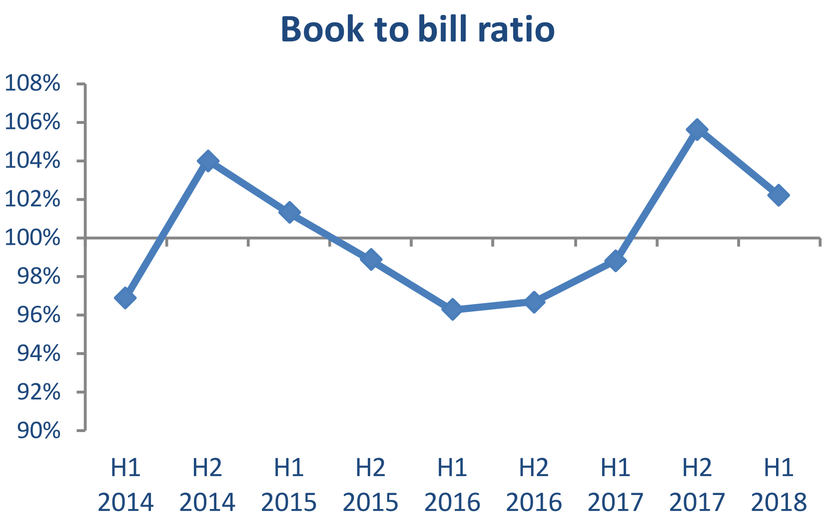
Continued strength in order intake





- Order intake remains strong at £78m for H1
- As expected, growth in order intake in Europe moderated from very high levels in H2 of prior year
- Stronger order intake in Americas reflecting changes to commercial structure and improving market conditions
- Orders continue ahead of revenue
  - Book to bill ratio remains positive at 102%
- Strong order intake and strengthening order book points to improving outlook for H2

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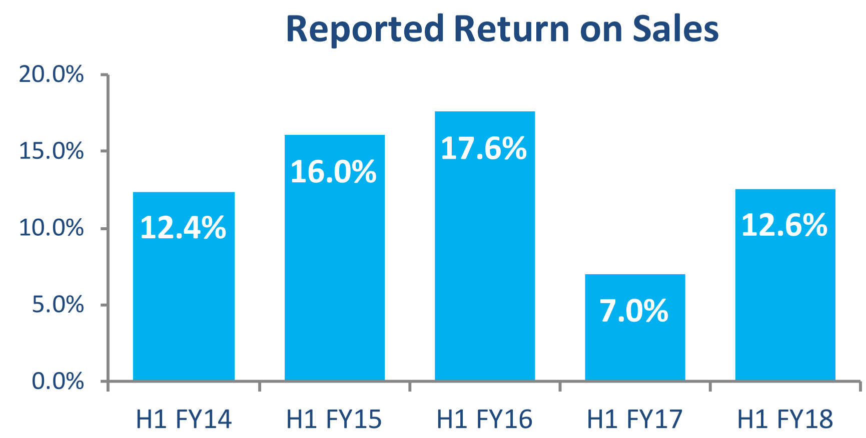
Substantial recovery led by UK Couplings

	2018 Interim £m	2017 Interim £m	Var %
Underlying revenue	**19.1**	18.0	6.1%
Underlying adjusted operating profit	**2.4**	1.2	100.0%
Underlying Return on Sales %	***12.6***	*6.7*	



- Continued recovery following improvement in H2 of prior year
- Underlying revenue 6.1% ahead of prior year
  - Growth being delivered by UK Couplings
  - Other business units broadly unchanged
- Variable margins stable; profit improvement from:
  - Revenue growth
  - Overhead reductions
- Major multi-year contract win for UK Couplings
  - Large Hi-Tec Couplings for marine applications
  - £5.4m to be delivered over several years
- Benefits from the consolidation of UK Couplings operations being delivered through:
  - Additional growth
  - More efficient operating structure
- Continued progress expected for H2

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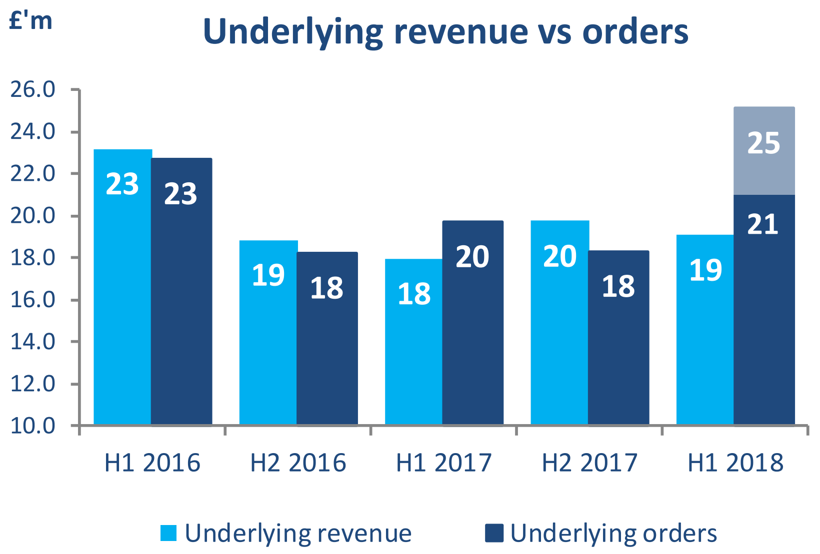
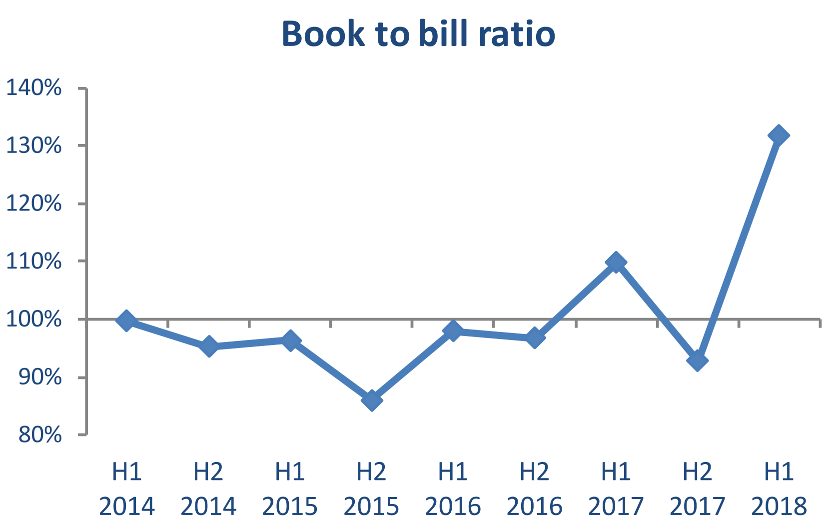
Improving order intake; bolstered by large multi-year contract win





- Underlying order intake increased by 27.4%
  - Excluding element of large order which extends beyond the current financial year, up by 9.1%
- UK Couplings is the key driver of improving order intake
- Small increase in order intake in US
  - Improving order pipeline, but likely to benefit FY19
- Book to bill ratio of 132% benefits from large UK Couplings order
  - Excluding element of order which extends beyond current year, book to bill ratio is 112%
- Strong order intake and strengthening order book points to improving outlook for H2

As expected, cash flow in H1 includes a number of one-off payments

	2018 Interim £m	2017 Interim £m	Var £m
Adjusted EBITDA	**9.5**	**10.1**	**(0.6)**
Movement in working capital	**(2.3)**	(2.6)	
Pensions cash costs	**(3.0)**	(3.1)	
Restructuring spend	**(1.7)**	(0.4)	
Income taxes paid	**(3.4)**	(0.5)	
Other operating cash flows	**(0.7)**	(1.5)	
Net cash from operating activities	**(1.6)**	**2.0**	**(3.6)**
Acquisition consideration	**(0.5)**	-	
Property disposal proceeds	**0.5**	-	
Investing activities	**(6.4)**	(3.6)	
Financing costs paid	**(0.7)**	(0.7)	
Other movements / FX	**0.1**	(0.4)	
Change in net debt	**(8.6)**	**(2.7)**	**(5.9)**
Opening net debt	**(17.4)**	(23.5)	
Closing net debt	**(26.0)**	**(26.2)**	**0.2**

- Cash outflow as expected in H1
- Restructuring spend – includes:
  - Amounts accrued at the end of the prior year
    - Final elements of Halifax closure
    - Closure of China TT manufacturing unit
  - Plus closure cost for New Zealand manufacturing operation
- Increased cash tax
  - Expiry of losses in Germany
  - Move to payments on account
- First element of deferred consideration for Tooth Chain acquisition
  - Successful acquisition; full deferred consideration likely to be payable
  - Final payment of c£0.7m
- Higher level of capex including:
  - Final payments for large machines purchased in the prior year
  - Initial investment for relocation of Chinese factory

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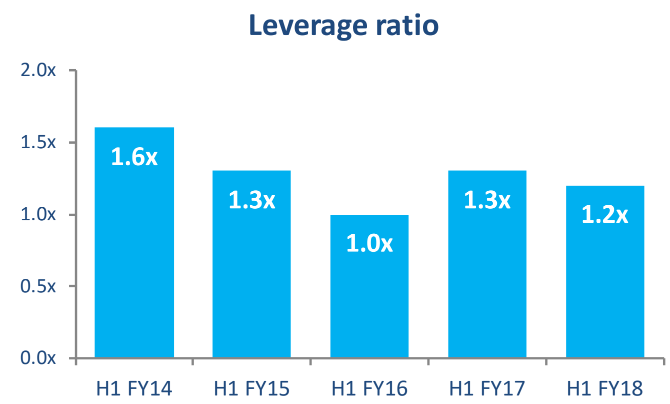
Improving asset base supported by reduction in pension deficit

	2018 Interim £m	2017 Interim £m	Var £m
Goodwill	**24.7**	25.0	(0.3)
Intangible assets	**9.1**	10.0	(0.9)
Fixed assets	**48.2**	48.6	(0.4)
Deferred tax	**20.3**	21.7	(1.4)
Inventories	**40.7**	41.2	(0.5)
Receivables	**38.1**	34.1	4.0
Payables	**(41.0)**	(39.5)	(1.5)
Net working capital	**37.8**	**35.8**	**2.0**
Net debt	**(26.0)**	(26.2)	0.2
Provisions	**(6.0)**	(5.9)	(0.1)
Retirement benefit obligations	**(100.9)**	(112.4)	11.5
Current tax libility	**(1.3)**	(2.1)	0.8
Other	**(0.2)**	0.5	(0.7)
Net assets	**5.7**	**(5.0)**	**10.7**
Leverage(1) ratio	**1.2x**	**1.3x**	

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

- Balance sheet movements generally small
- Small working capital increase arising from increased receivables
  - Greater customer focus on credit terms
- Net debt broadly unchanged at £26.0m
- Leverage remains comfortable 1.2x (covenant limit 2.5x)



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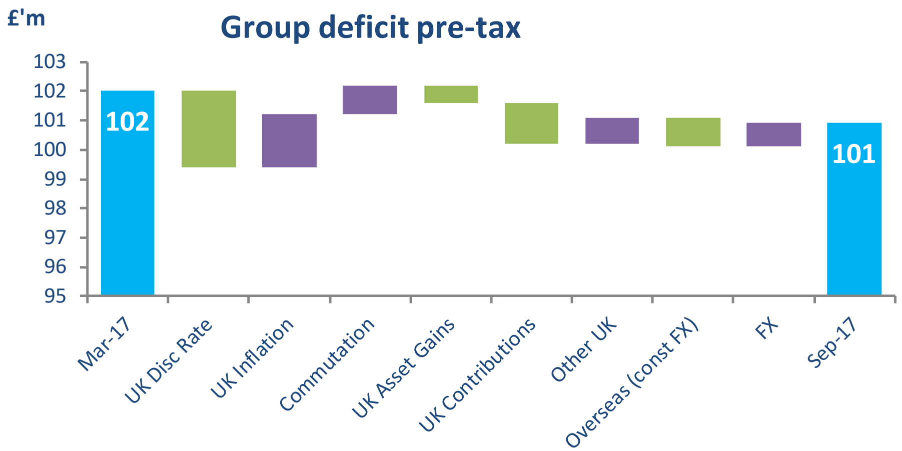
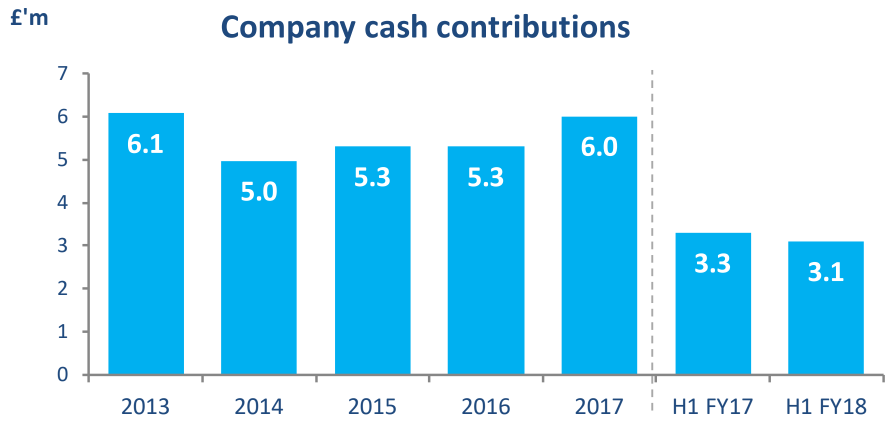
Cash funding remains stable; deficit largely unchanged





- Deficit largely unchanged over the last six months at £100.9m
- UK deficit reduced by £0.9m to £71.1m
  - Benefit of increases in UK discount rates off-set by increased inflation and commutation factors
- Reduced deficit from overseas schemes off-set by FX
- UK Triennial Review for 31 March 2016 completed in June 2017 – no changes to future company contributions
  - Annual RPI linked increases remain
  - Profit and dividend linked additional contribution mechanisms remain
- Other than FX movements, cash contributions stable

Re-engineering our future: Next Steps

Robert Purcell, CEO

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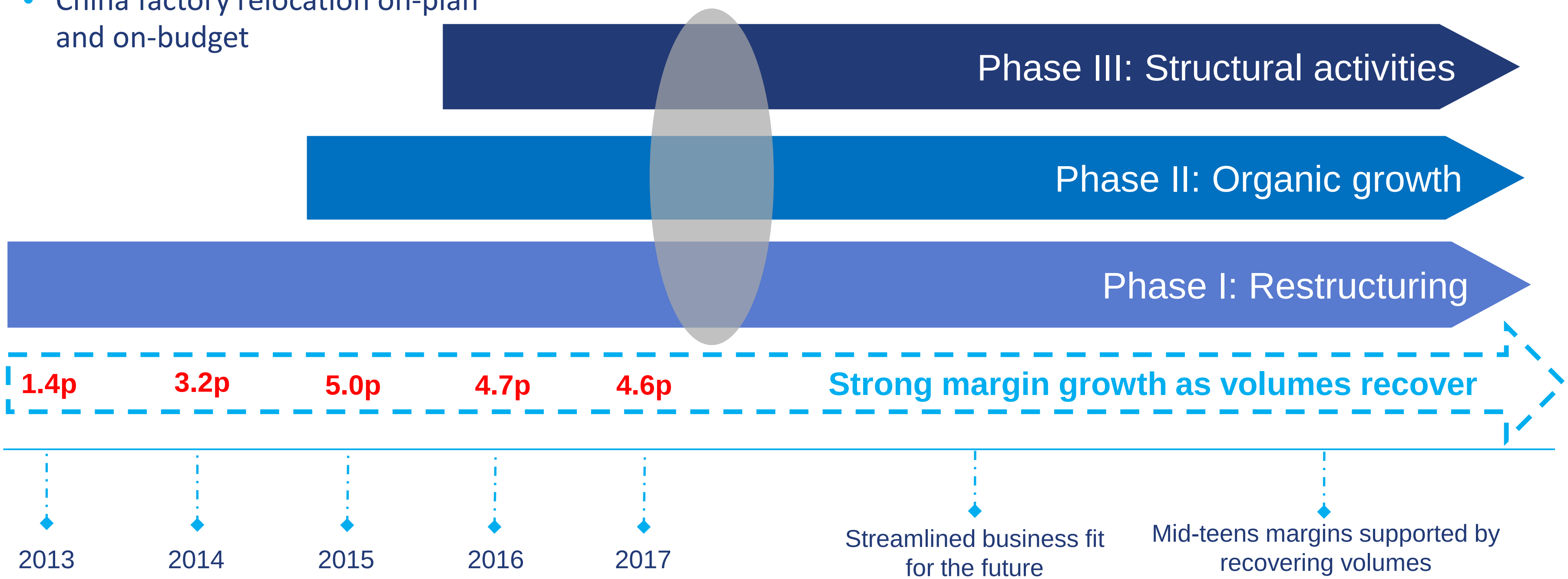
Continued progress; short term issues have not changed strategic direction

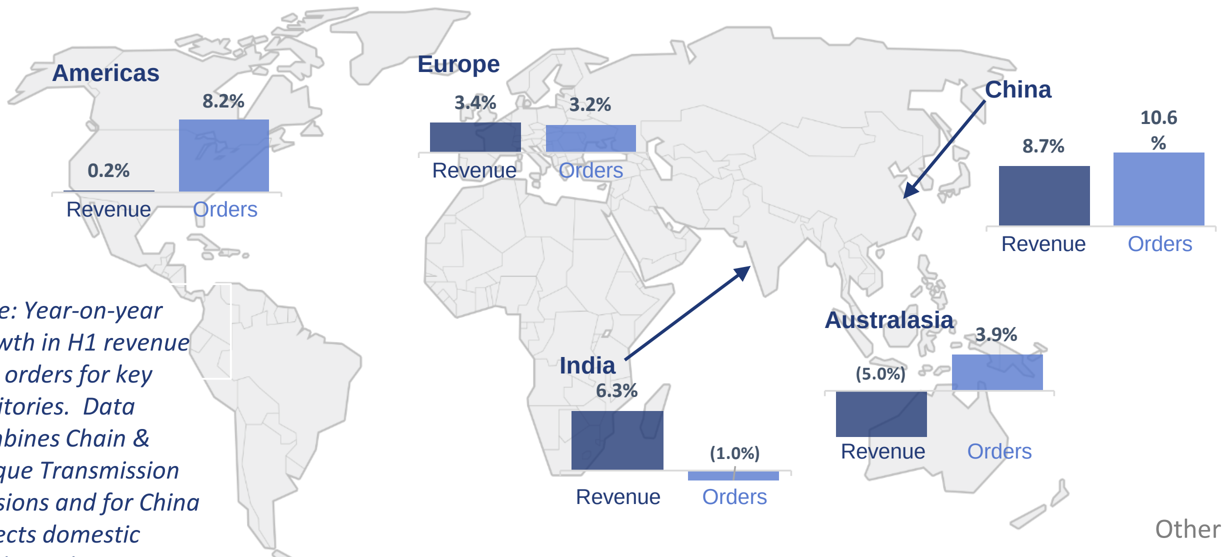
Restructuring
- Completed UK Couplings consolidation
- Closed sub-scale manufacturing operations in China (TT) and New Zealand (Chain)
- Continued progress on standardising IT systems
- China factory relocation on-plan and on-budget

Organic growth
- Poland sales office established
- Continued development of commercial teams and structures
- Re-established organic growth across most territories

Structural activities
- Appointed corporate development director
- Developing a pipeline of opportunities

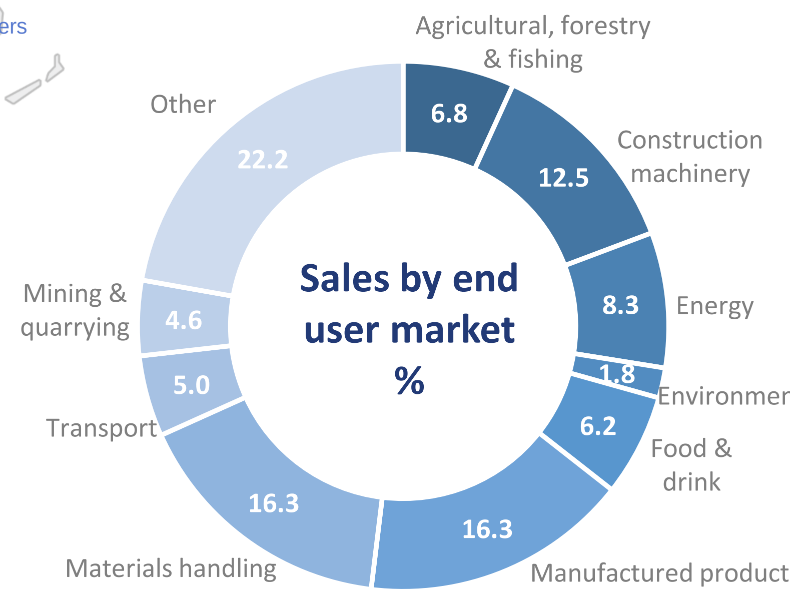


Commercial efforts starting to bear fruit; order intake significantly improved



Note: Year-on-year growth in H1 revenue and orders for key territories. Data combines Chain & Torque Transmission divisions and for China reflects domestic market only

- Markets showing positive signs
- Segmented market sector approach is working well where implemented
- Torque Transmission Couplings particularly strong
- Distinct benefits where we roll-out new service offering/levels
- Poland office opened
- South-East Asia difficult, but positive signs



Note: Excludes sales to distributors where visibility of end market is limited. Distribution customers account for 43% of revenue

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Specific factors impacted H1 profitability; they are short-term in nature

Raw material prices

- Raw material prices increasing – most significantly steel
- Most significant increase in Europe, but significant increases also in US and China

Actions taken

- Alternative supply chain options being pursued
- Sales price increases applied once material price increases proved to be sustained
- Benefit of increased sales prices visible in the order book, converting to sales through the second half

Machine break-downs

- Two significant machine break-downs in Einbeck, Germany coincided to reduce capacity
- Nature of break-downs required more significant refurbishment – not a quick fix
- Disruption affected availability of key products, and required significant air-freight to support key customers, particularly in US

Actions taken

- Machines repaired and back in production
- Factory output recovered and further improvements being made
- Progressively resolving overdue orders

- Specific factors impacted upon the profitability of the Chain division in H1
- These factors have been addressed
- Margin expected to recover during the second half of the year

Action taken to resolve short-term profit impacts; strategy unchanged

Growth

- Commercial activities starting to deliver results
- Improving order intake and order book
- Indications of improvement in certain end-user markets
- UK Couplings progressing since consolidation

Profitability

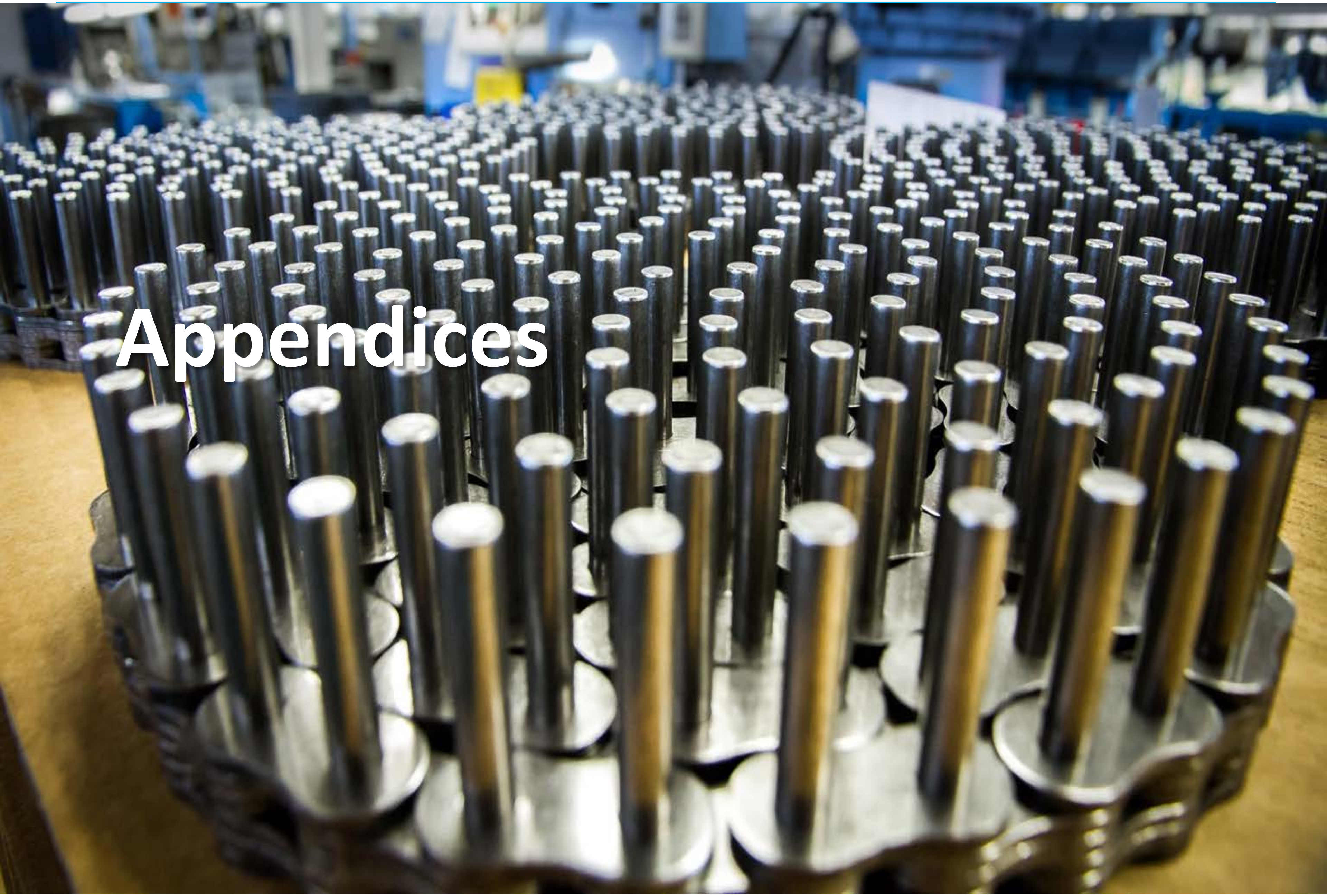
- Sales prices increased to recover increased raw material costs
- Disruption from machine break-downs resolved; overdue orders being caught-up
- Focus on efficiency of cost base to deliver improved results in H2
- TT margins recovering

STEP 2020

- Strategic programme remains on course
- Standardisation of IT systems and operational processes demonstrating benefits in UK Couplings; roll-out continues

Outlook

- Improving order intake and strengthening order book supports continued organic growth in H2
- Disruptive factors impacting profitability in H1 addressed
- Confident of improving performance through the second half of the year



Appendices

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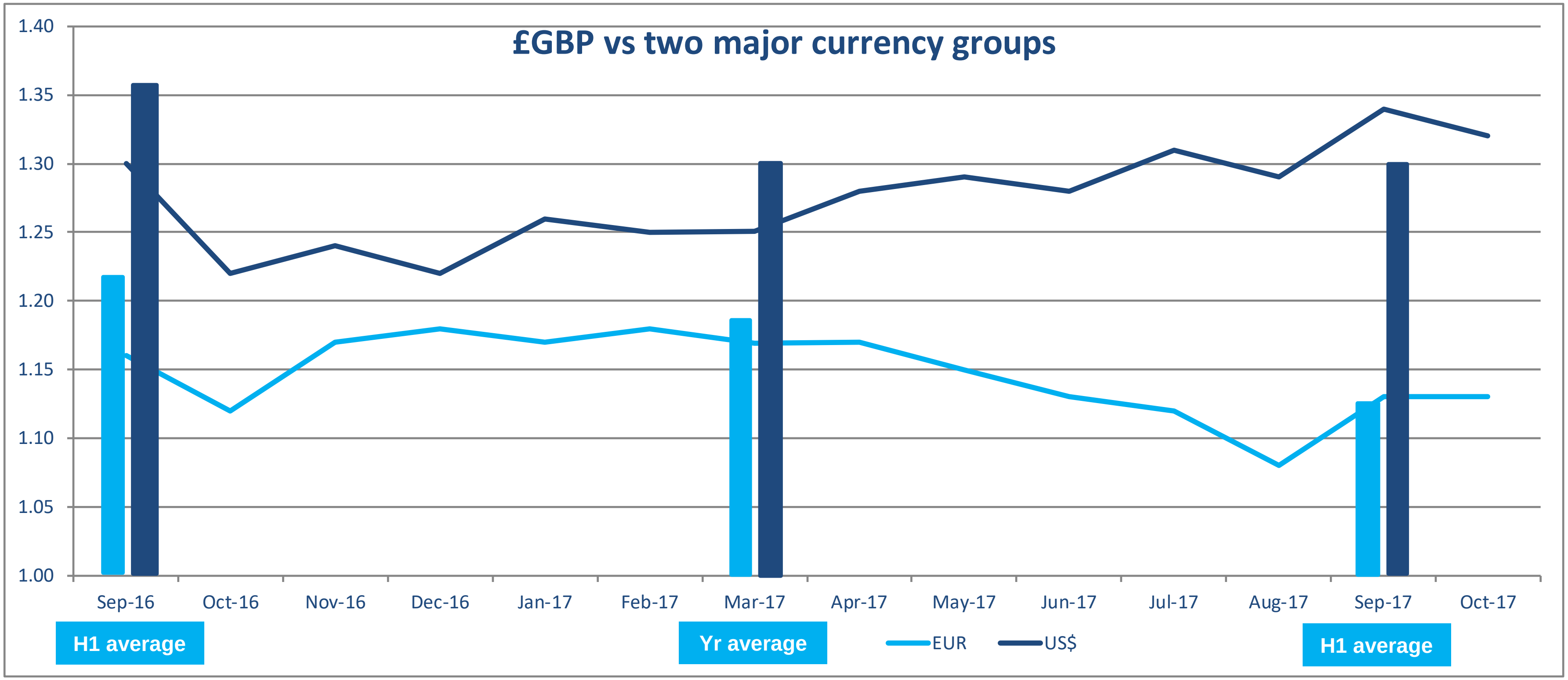
Significant volatility in foreign exchange vs H1 of prior year



- Sales denominated in US$ represent approximately 30% of the group total, and 35% in Euro's
- A decline in Sterling value of 10% against both EUR and US$ would result in:
  - An estimated increase in annual revenue of £11.4m
  - An estimated increase in annual adjusted operating profit of £1.4m

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