

RENOLD

**Interim Announcement
2004/2005**



Financial Summary

	2004/05 £m	2003/04 £m
Turnover	95.3	94.9
Operating profit before exceptional items	3.5	3.6
Profit before tax before exceptional items	2.3	2.3
Exceptional items	(0.9)	1.9
Profit before tax	1.4	4.2
Earnings per share (adjusted)	2.2 p	2.1 p
Interim dividend	1.5 p	1.5 p

Profit and Loss Account

	First Half 2004/05 £m	First Half 2003/04 £m
Turnover	95.3	94.9
Operating profit (before exceptionals)	3.5	3.6
Goodwill amortisation	(0.6)	(0.7)
Redundancy and restructuring costs	(0.3)	(0.2)
Gain on property held for sale	-	2.8
Operating profit	2.6	5.5
Interest payable	(1.2)	(1.3)
Profit before tax	1.4	4.2
Tax	(0.4)	(0.5)
Profit after tax	1.0	3.7
Operating profit margin	3.7%	3.8%
Return on average operating assets	7.6%	8.0%

Balance Sheet

	30 September 2004 £m	27 September 2003 £m	3 April 2004 £m
Goodwill	18.3	21.1	18.8
Tangible fixed assets	47.3	48.1	47.0
Stocks	49.3	47.3	47.0
Trade debtors	37.3	35.7	36.8
Deferred tax/Pension prepayment	10.8	6.9	10.4
Creditors	(39.2)	(41.0)	(45.3)
Net borrowings	(26.9)	(19.8)	(19.2)
Provisions for liabilities and charges	(15.0)	(14.3)	(14.3)
Net assets	81.9	84.0	81.2
Share capital	17.9	17.9	17.9
Reserves	64.0	66.1	63.3
Shareholders' funds	81.9	84.0	82.1
Gearing	33%	24%	24%

Cash Flow

	First Half 2004/05 £m	First Half 2003/04 £m
Operating profit	2.6	5.5
Depreciation	4.2	4.4
Goodwill amortisation	0.6	0.7
(Increase) in working capital	(7.6)	(5.7)
Exceptional gain on disposal of property held for sale	-	(2.8)
Other	0.3	0.2
Cash flow from operating activities	0.1	2.3
Capital expenditure	(3.9)	(2.9)
	(3.8)	(0.6)
Servicing of finance	(1.1)	(1.4)
Taxation	(0.5)	(0.8)
Proceeds from disposal of property held for sale	-	5.1
Equity dividends paid	(2.1)	(2.1)
Cash flow in the period	(7.5)	0.2
Net debt (opening)	(19.2)	(20.9)
Movement in net debt in the period	(7.5)	0.2
Exchange translation difference	(0.2)	0.9
Net debt (closing)	(26.9)	(19.8)

Cash Generation Second Half

- Stock reduction programme under way
- Tighten control of capital expenditure
- Debtors control good but look to push further
- Creditors already well managed but maintain pressure
- Continue to manage cost base aggressively

Segmental Analysis

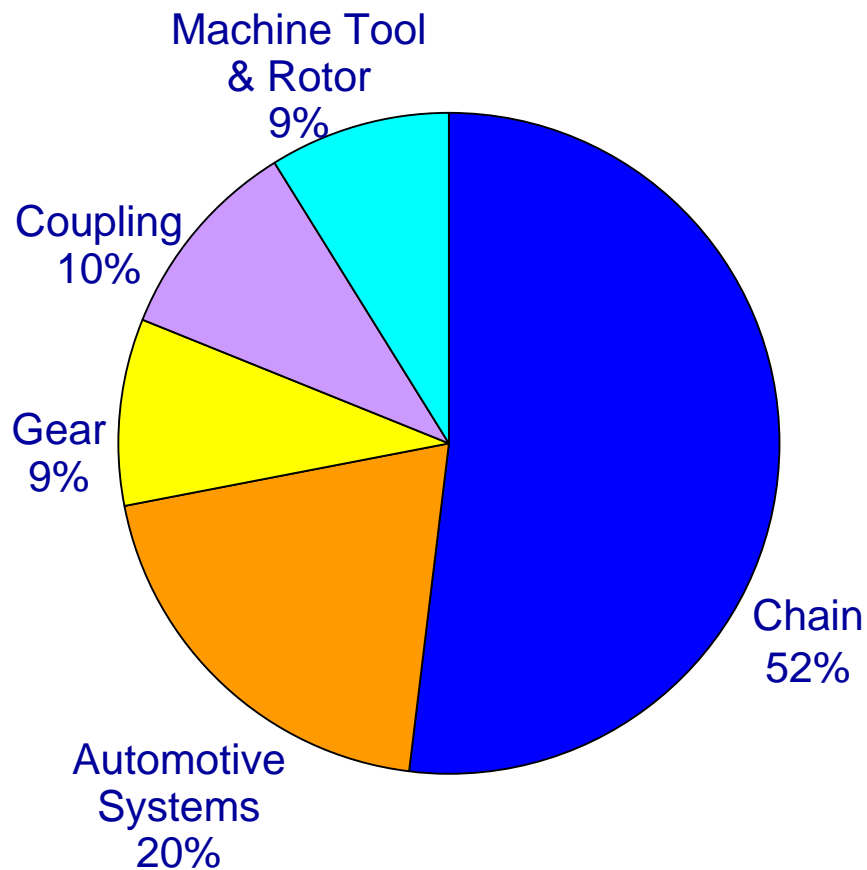
		First Half 2004/05 £m	First Half 2003/04 £m
Turnover	Power transmission	85.8	86.1
	Machine tool and rotor	10.5	9.9
		<hr/>	<hr/>
		96.3	96.0
	Less: Inter activity sales	(1.0)	(1.1)
		<hr/>	<hr/>
		95.3	94.9
Operating profit (before exceptional items)	Power transmission	3.1	3.6
	Machine tool and rotor	0.4	-
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		3.5	3.6
		<hr/>	<hr/>
Operating profit margin	Power transmission	3.6%	4.2%
	Machine tool and rotor	3.8%	-
Return on average operating assets	Power transmission	7.7%	9.3%
	Machine tool and rotor	6.5%	-

Business Review

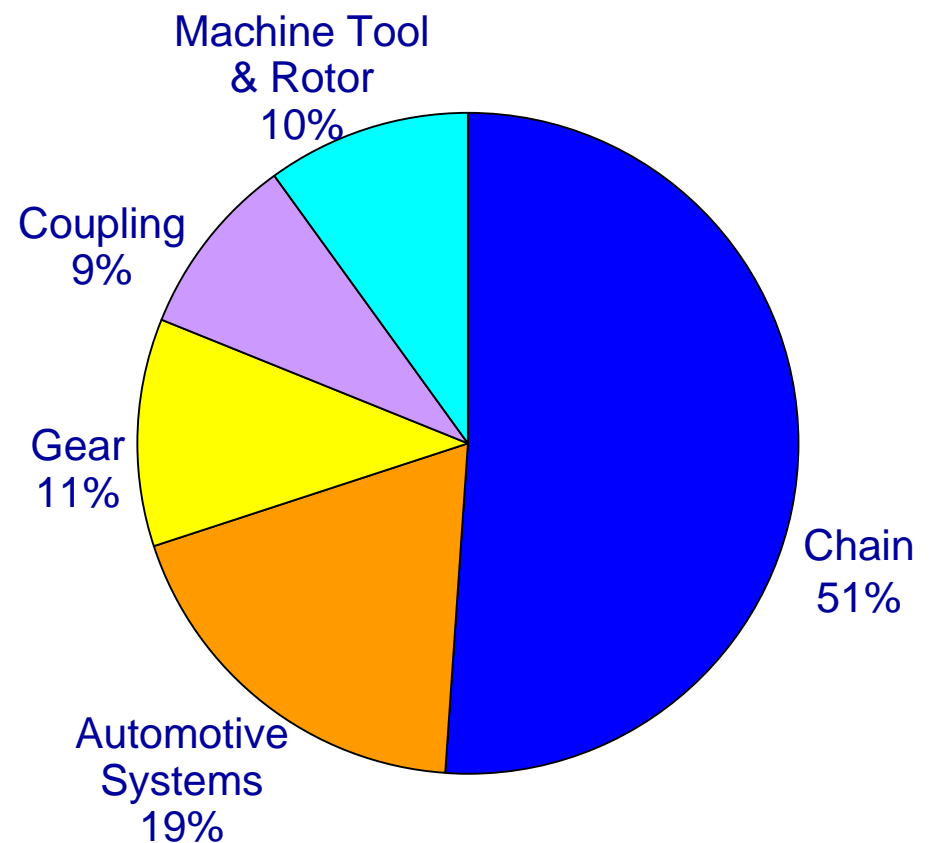


Interim Results – November 2004

Turnover by Product

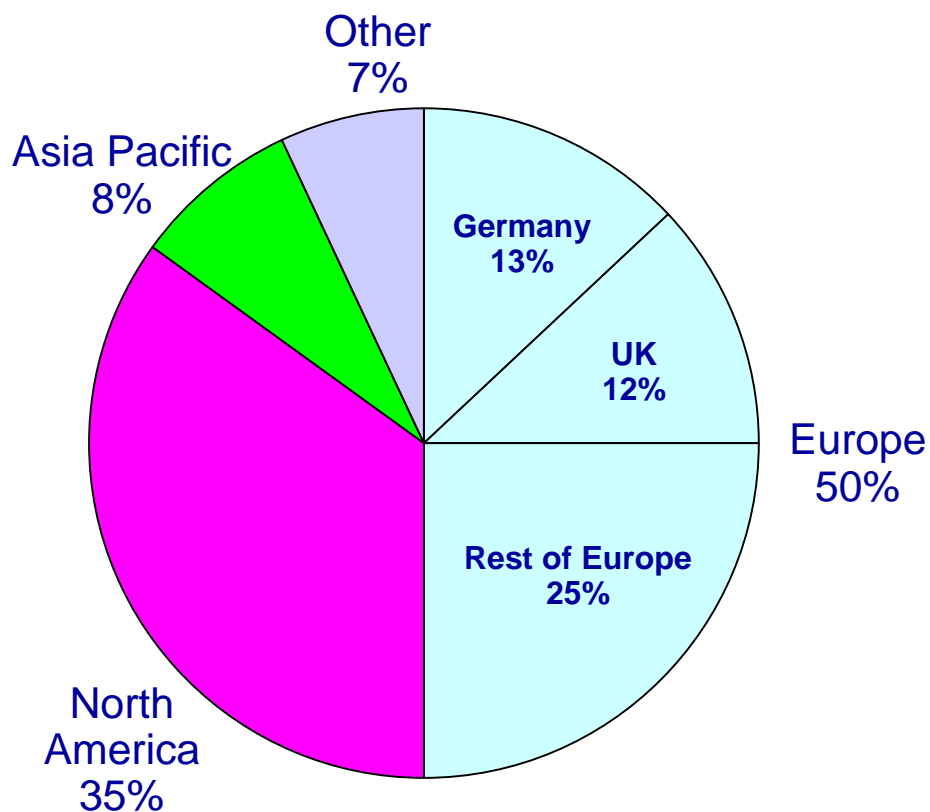


H1 2003/04
£94.9m

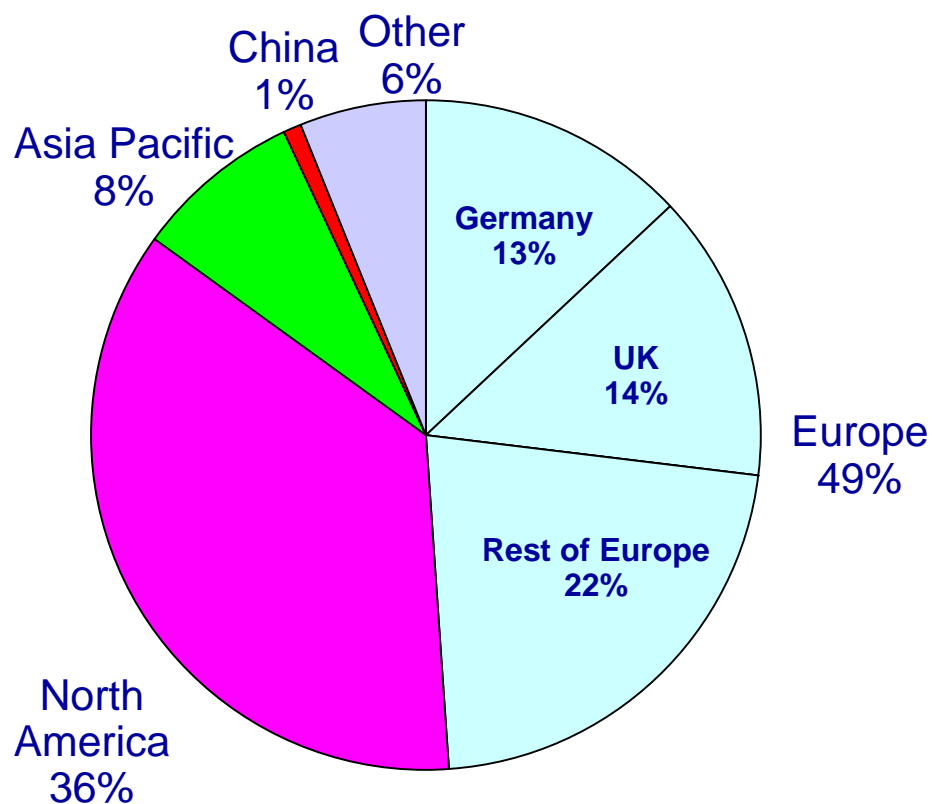


H1 2004/05
£95.3m

Turnover by Destination



H1 2003/04
£94.9m



H1 2004/05
£95.3m
(£100.4m at Constant Ex Rates)

Markets

- Traditional strong markets in Western Europe and Australasia showing little growth
- Good opportunities in US (especially transmission chain) and China
 - Increased marketing effort
 - Additional sales resource
 - Local manufacturing
- Eastern Europe, South America and India offer further opportunities

Chain

- Good sales and orders growth in North America
- Strong sales of engineered chain at Jeffrey Chain
- Fork lift truck chain continues to show growth
- Increased focus on Asia Pacific with creation of China office

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Jeffrey Chain

Whitney
RENOLD

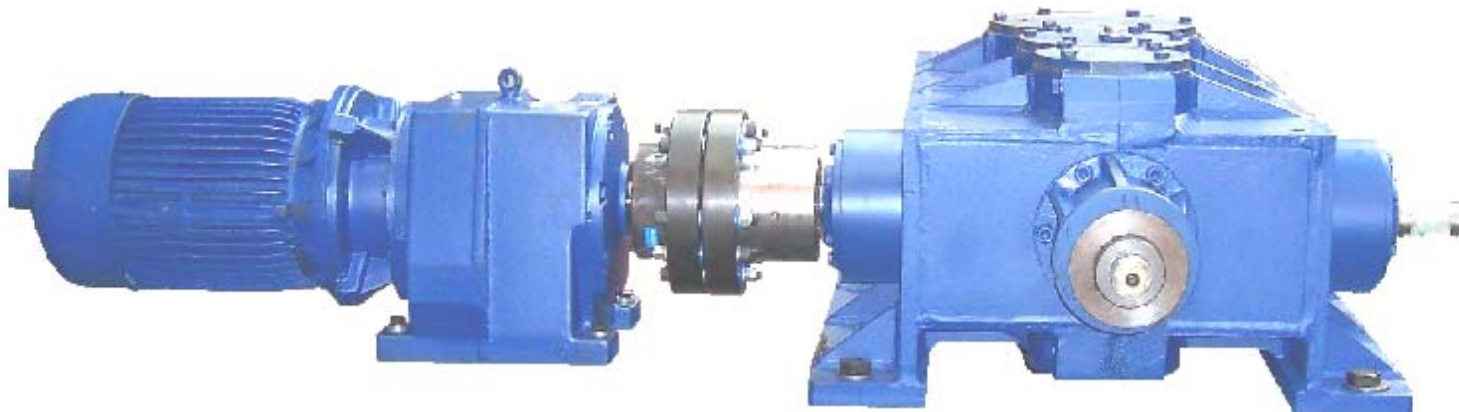
Chain

- UK Chain business struggled with flat domestic demand and adverse currency and steel effects
- German domestic market flat but profits down due to €/ \$
- Steel prices passed on in some but not all cases
- France and other European markets flat



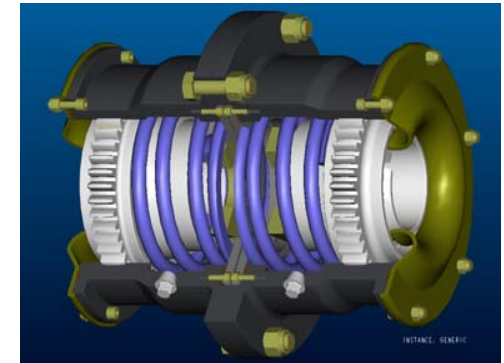
Gears

- Increased product portfolio
- Order book up 25% year on year
- Second £1m order from China for power stations
- Outsourcing initiatives have offset raw material price increases



Couplings

- Consolidated couplings business created from three separate entities
- Good opportunities in US, China and India
- Driven by steel and power generation
- NY City Mass Transit Contract (\$13M) is on track – product approval scheduled for November

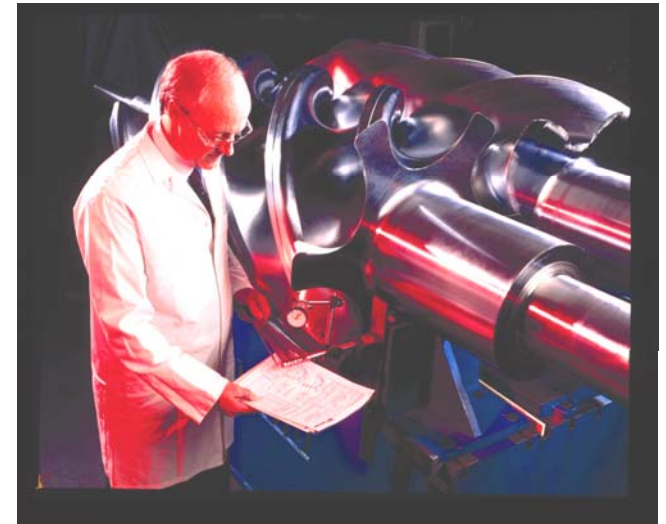


Automotive

- Further improvements in Calais operational efficiency
 - Driven by strengthened management team
 - Lean manufacturing
- Offset by steel, currency, reduced sales demand and supplier quality issues
- German facility opened and product shipped to VW
- US facility initiated – plan to ship to GM H1 of 2005
 - Lower labour costs
 - Reduced inventory requirements
 - Exchange rate immunity
 - Opportunity to supply other US based customers

Machine Tool and Rotor

- Sales up 5% on previous year
- Profitability improved - £0.4m operating profit compared with breakeven in 2003/04
- Some signs of the market softening but good prospects for second half
- Focus on sales development with additional resource applied particularly in US and China



Summary and Outlook

- Challenging second half given steel price/ currency rates and flat European markets
 - Currency effect and steel prices were adverse by around £1.4m compared with first half last year
- Automotive profitability is still an issue. This will be adversely impacted in Q3 by costs of supplier quality issues identified in Q2 and continuing reduced sales demand. Continue to drive Lean implementation and set up of US facility
- Sustained improvement in Machine Tools, Gears and Couplings businesses' profitability

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