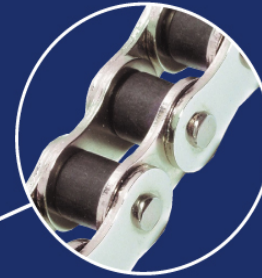


Interim Announcement 2005/2006



RENOLD



IFRS Summary of Restatements

2004/05 Profit & Loss Account

	£m
Loss: UK GAAP	(5.2)
Goodwill	
- Add back 2004/05 change	1.0
- Add back negative goodwill on acquisition	<u>4.5</u>
	5.5
Other operating items	(0.3)
Taxation	<u>(0.1)</u>
Loss: IFRS	<u>(0.1)</u>

Balance Sheet at 31.3.05

	£m
Shareholders' equity: UK GAAP	40.3
Property revaluation	15.2
Goodwill adjustment	5.5
Employee benefits inc. share payments	(1.0)
Taxation	
- Property revaluation	(3.7)
- Other	<u>(0.2)</u>
	(3.9)
Shareholders' equity: IFRS	<u>56.1</u>

Financial Summary

	2005/06 £m	2004/05 £m	H2 2004/05
Turnover	106.9	95.3	101.7
Operating profit before exceptional items	0.2	3.8	(0.4)
(Loss)/profit before tax before exceptional items	(1.8)	2.4	
Exceptional items	(0.2)	(0.3)	
(Loss)/profit before tax	(2.0)	2.1	
(Loss)/earnings per share (adjusted)	(2.6) p	2.4 p	

Profit and Loss Account

	First Half 2005/06 £m	First Half 2004/05 £m	Second Half 2004/05 £m
Turnover	106.9	95.3	101.7
Operating profit/(loss) (before exceptionals)	0.2	3.8	(0.4)
Exceptional items	<u>(0.2)</u>	<u>(0.3)</u>	<u>(2.1)</u>
Operating profit/(loss)	-	3.5	(2.5)
Interest payable	(1.2)	(1.2)	(1.0)
Costs associated with renegotiation of bank facilities	(0.6)		
Net finance cost re pension scheme	(0.4)	(0.2)	(0.2)
Fair value gain on derivative instruments	<u>0.2</u>		
(Loss)/profit before tax	(2.0)	2.1	(3.7)
Tax	<u>0.1</u>	<u>(0.6)</u>	<u>2.1</u>
(Loss)/profit after tax	<u>(1.9)</u>	<u>1.5</u>	<u>(1.6)</u>
Operating profit margin	0.2%	4.0%	(0.4)%

Balance Sheet

	30 September 2005 £m	30 September 2004 £m	31 March 2005 £m
Goodwill	16.3	18.9	15.7
Other intangible fixed assets	0.6	0.4	0.3
Tangible fixed assets	62.7	62.9	65.5
Stocks	50.0	49.3	47.3
Trade debtors	40.3	36.1	41.8
Financial instruments	(0.3)		
Deferred tax	18.6	14.2	15.6
Creditors	(47.0)	(38.6)	(47.9)
Net borrowings	*(22.3)	(26.9)	(17.0)
Provisions	(8.5)	-	(11.7)
Retirement benefit obligations	(60.0)	(59.0)	(53.5)
Net assets	50.4	57.3	56.1
Share capital	17.3	17.9	17.9
Reserves	33.1	39.4	38.2
Total equity	50.4	57.3	56.1
Gearing	43%	47%	30%

* including £0.6m preference shares

Cash Flow

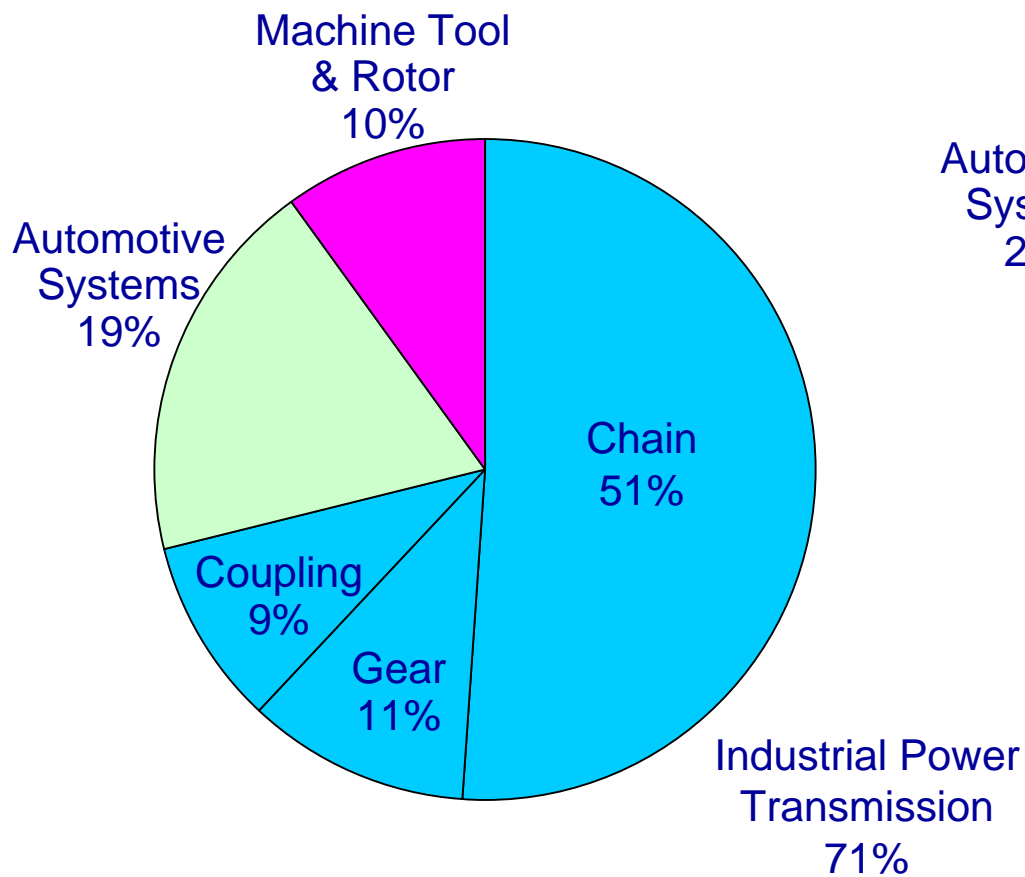
	First Half 2005/06 £m	First Half 2004/05 £m
(Loss)/profit before tax	(2.0)	2.1
Depreciation	4.2	4.3
Net finance costs: charged	2.0	1.4
: paid	(1.6)	(1.1)
Working capital change	(1.2)	(7.6)
Movement in pension provisions	-	(0.1)
	<u>1.4</u>	<u>(1.0)</u>
Movement in restructuring provision	(3.2)	-
Tax paid	(0.8)	(0.5)
Purchase of assets	(3.0)	(3.9)
Proceeds of sale	1.5	-
	<u>(4.1)</u>	<u>(5.4)</u>
Dividends paid	-	(2.1)
Effects of exchange	(0.6)	(0.2)
Change in net debt	<u>(4.7)</u>	<u>(7.7)</u>
Opening debt	<u>(17.0)</u>	<u>(19.2)</u>
Closing debt	<u>(21.7)</u>	<u>(26.9)</u>
Preference shares reclassified	<u>(0.6)</u>	
	<u>(22.3)</u>	

Segmental Analysis

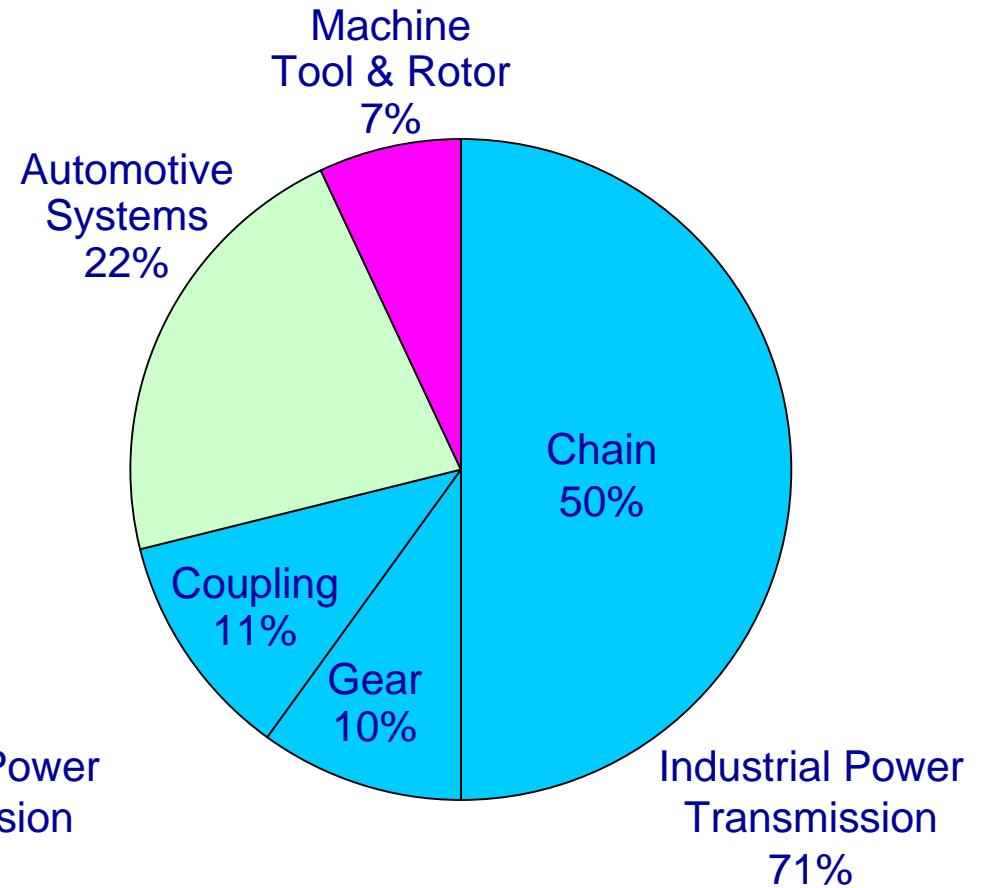
		First Half 2005/06 £m	First Half 2004/05 £m	Second Half 2004/05 £m
Turnover	Industrial power transmission	75.9	68.7	74.2
	Automotive	23.9	17.1	17.7
	Machine tool and rotor	8.5	10.5	11.2
		108.3	96.3	103.1
	Less: Inter activity sales	(1.4)	(1.0)	(1.4)
		106.9	95.3	101.7
Operating profit (before exceptional items and unallocated central costs)	Industrial power transmission	2.8	3.9	1.0
	Automotive	(1.7)	(0.1)	(1.4)
	Machine tool and rotor	(0.6)	0.3	0.3
		0.5	4.1	(0.1)
Operating profit margin	Industrial power transmission	3.7%	5.7%	1.3%
	Automotive	(7.1%)	(0.6%)	(7.9%)
	Machine tool and rotor	(7.1%)	2.9%	2.7%

Business Review

Turnover by Product

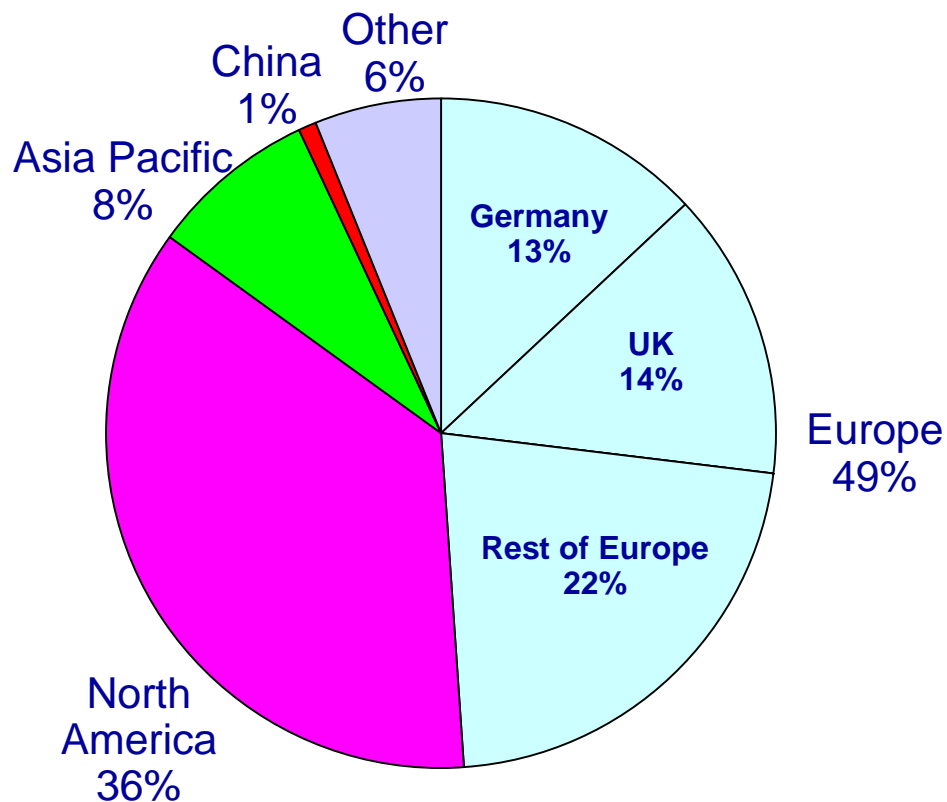


H1 2004/05
£95.3m

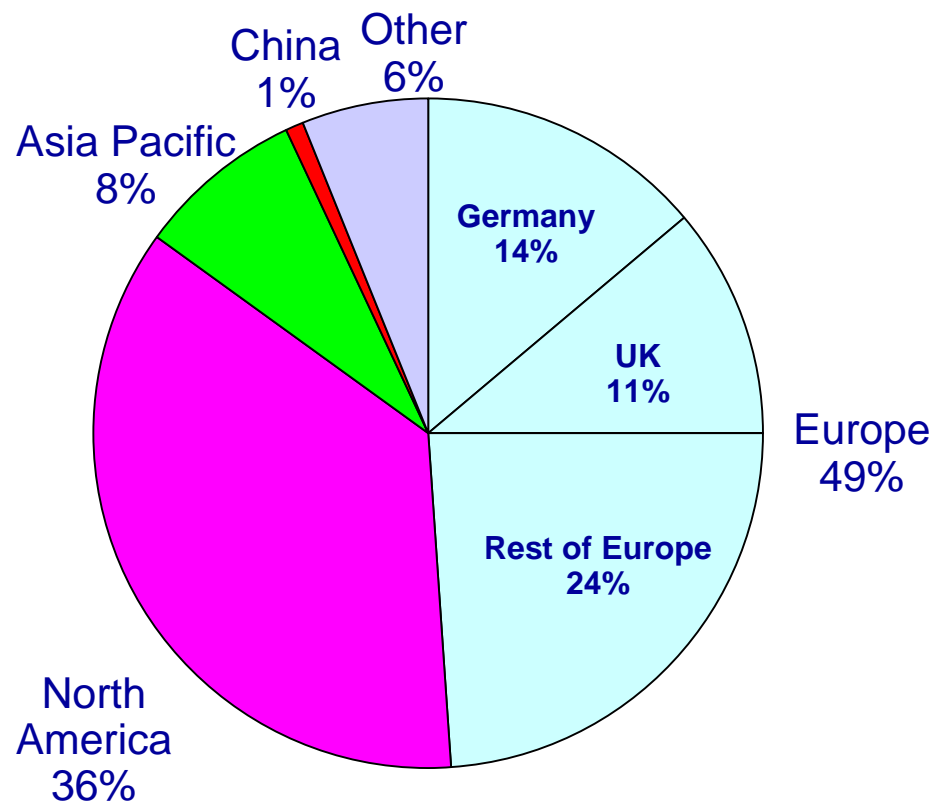


H1 2005/06
£106.9m

Turnover by Destination



H1 2004/05
£95.3m

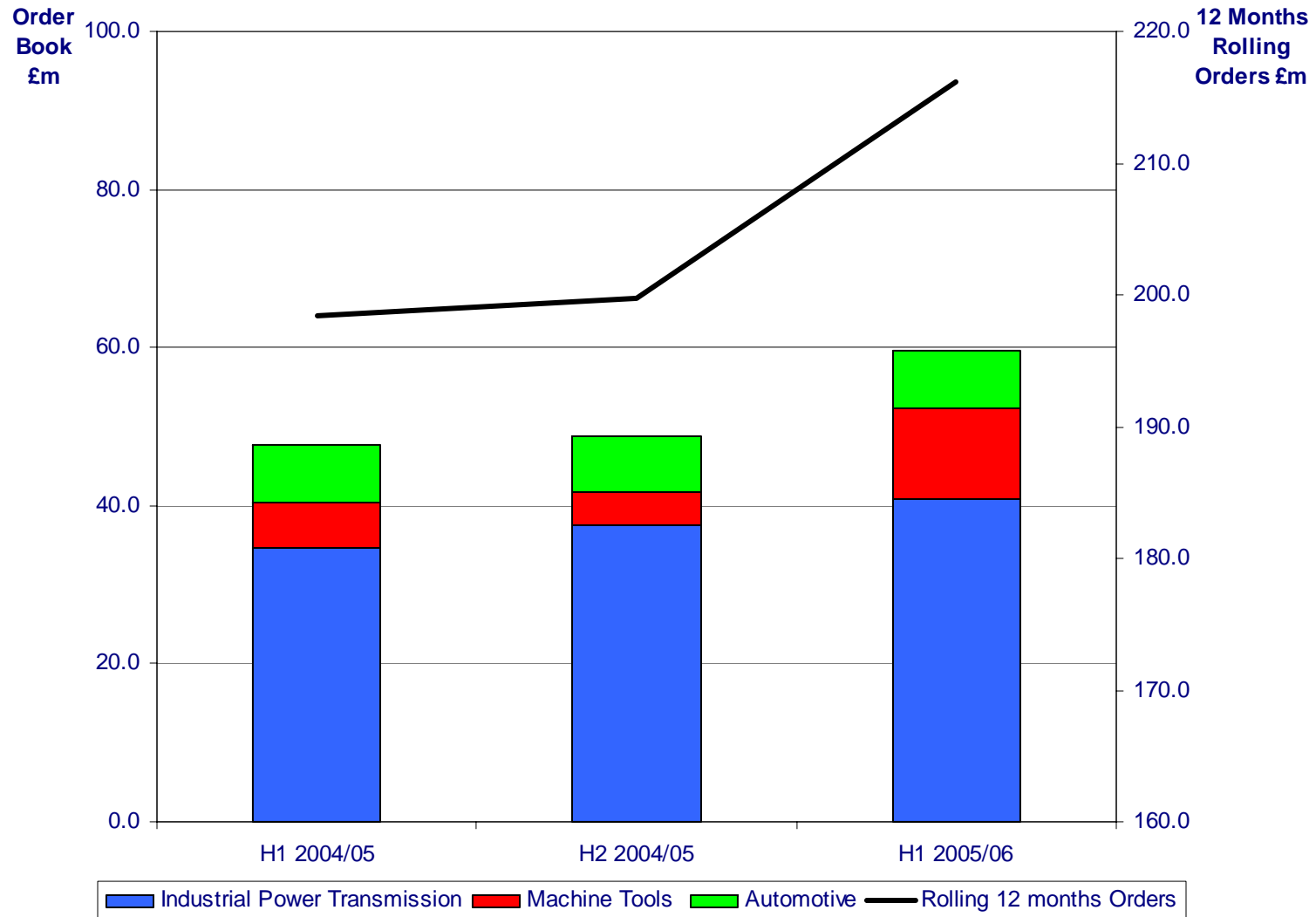


H1 2005/06
£106.9m
(£105.3m at Constant Ex Rates)

Overview

- Steel prices remain high
 - not fully offset by customer pricing
- Cost reductions are being implemented
- Manufacturing move to lower cost countries continues on schedule
 - Poland
 - China
 - US
- Strong order book underpins H2

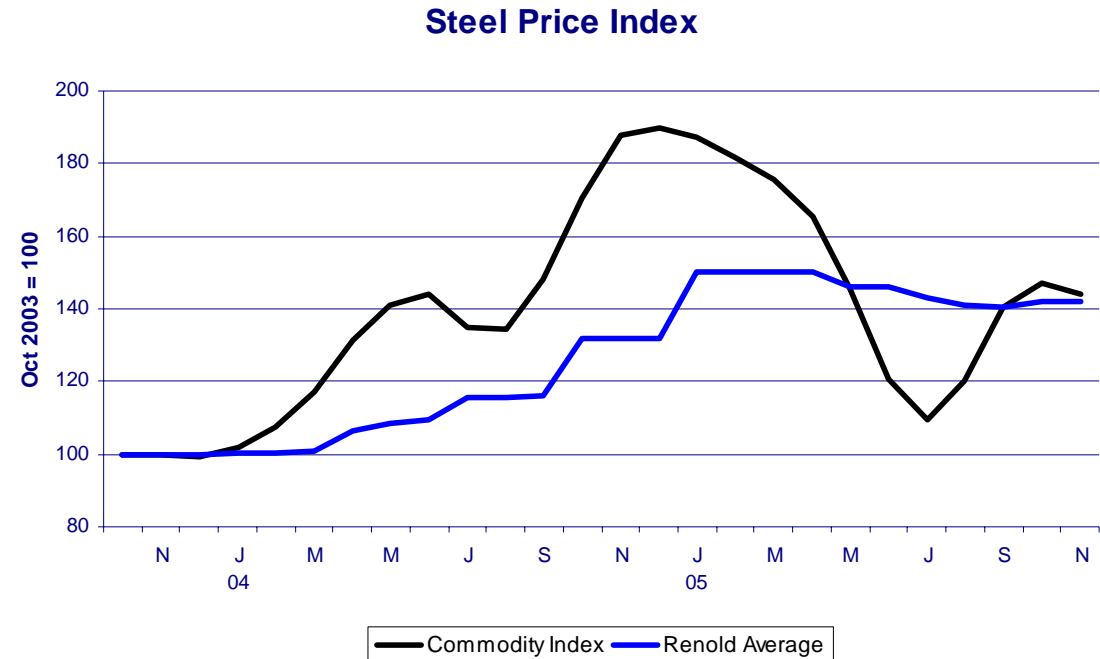
Order Book



Order book underpins H2

Steel Prices

- Steel remains 42% higher than 18 months ago
- Some softening over the last 6 months
 - Suppliers threatening increases in January 2006
- Customer pricing has not fully recovered steel increases



Cost Reduction Initiatives

- Closure of Burton facility
 - Some product relocated to other Renold facilities
 - Increasing amount of components outsourced
 - Awaiting planning permission for site
 - Conditional offer of £7.7-8.65M accepted
 - Project on schedule

- Poland
 - Manufacturing established in Szczecin
 - Labour intensive assembly will be relocated from other European facilities
 - First phase includes 40-50 jobs relocated from Germany



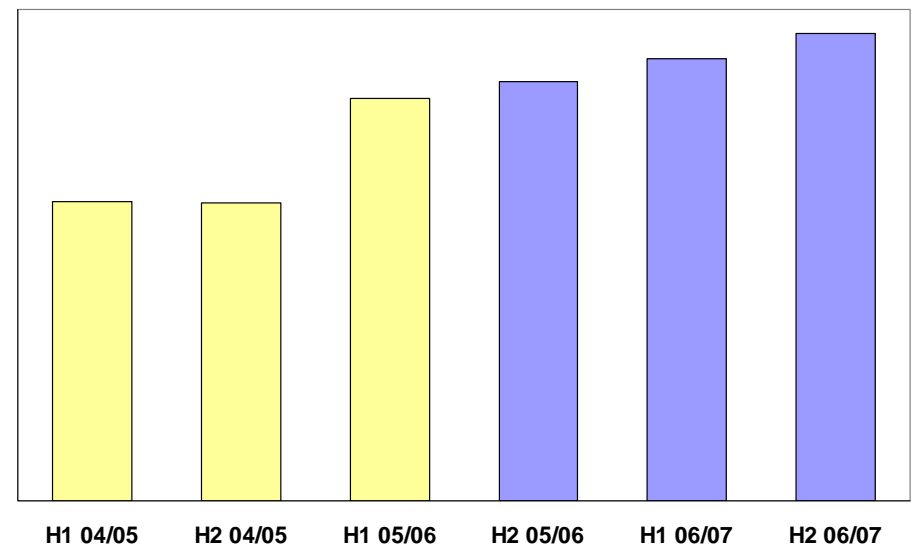
1st chain produced in November – ahead of schedule

- Distribution Centres
 - Common IT platform being established across Europe
 - Progressive move of stock to two Distribution Centres
 - Improved customer service with better stock turns
 - Reduction of distribution costs
- Establishment of Chinese manufacturing in 2006
- Increased outsourcing

Annualised cost reduction of £4M on schedule

Automotive

- Sales increase of 18% (SAF excluded)
- Driven by GM, Nissan, PSA and Hyundai
- GM Shanghai line in place – shipping starts 6/06
- GM accounts for >50% of sales
- To date sales to GM have held or increased
- No significant impact to Renold from GM's newly announced closure plans



Cost Reduction Initiatives

- Auto customers resistant to steel price increases
- Utility/freight costs increased substantially
- Further cost reductions being implemented
 - Single piece flow
 - Tool life
 - Automated inspection
 - Assembly machine improvements
- Product being shipped from Tennessee facility to GM

SAF

- Acquired SAF for a nominal sum in March
- Restructuring largely complete
 - Costs within original estimate
- Product will be relocated from Germany to SAF
 - Free up needed capacity for Industrial Chain
- Has been fully integrated into Automotive Systems

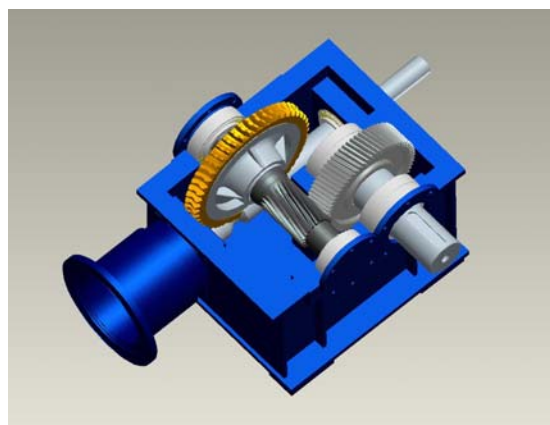
Acquisition has exceeded objectives

Couplings

- Strong growth in order book
 - Contract for \$2.8M from Chinese steel mill
- Sales growth, profit margins and cash flow continue to be good
- Alstom/NYC Mass Transit contract (\$13M/4 years) going well
 - Other Mass Transit opportunities in Europe and US

Gears

- Orders from China remain strong
 - Driven by technology differentiator
- Outsourcing from India
 - Offsets raw material increases



Machine Tool & Rotor

- Disappointing H1 performance due to weak opening order book
- Strong machine tool order book now underpins H2
- Good demand for components continues
 - additional capacity has been added
- New Suprema Jones & Shipman machine doing well
- Added sales resource in China and Russia

Summary

- Ongoing cost reduction programme to offset
 - Steel prices
 - Increased freight and utility costs
- Strong order book underpins H2 performance
 - Order growth coming from US and China

Prime focus is still cost base reductions

www.renold.com