

RENOLD

2002 Preliminary Announcement

10 June 2002

Financial Review

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Financial Summary

	2002 £m	2001 as restated £m
Turnover	190.2	216.7
Trading profit (before exceptionals)	7.8	16.1
Profit before tax (before exceptionals)	4.2	12.2
Profit before tax	(5.6)	11.1
Earnings per share – adjusted	3.8p	11.5p
Dividend per share	4.5p	9.25p

Note: Exceptionals comprise goodwill amortisation, redundancy and restructuring costs and loss on termination of operation

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Profit and Loss Account

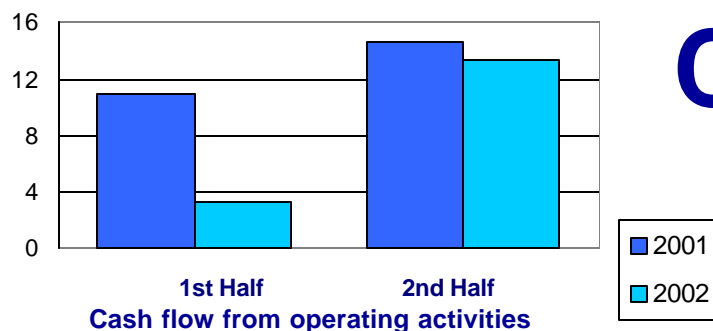
	2002 £m	2001 as restated £m
Turnover	190.2	216.7
Trading profit (before exceptionals)	7.8	16.1
Goodwill amortisation	(1.5)	(1.4)
Redundancy and restructuring costs	(3.9)	(2.4)
Gain on disposal of asset held for sale	-	2.7
Trading profit	2.4	15.0
Exceptional loss on termination of operation	(4.4)	-
Interest payable	(3.6)	(3.9)
(Loss)/profit before tax	(5.6)	11.1
Tax	0.6	(3.7)
(Loss)/profit after tax	(5.0)	7.4
Operating profit margin	4.1%	7.4%
Return on average trading assets	7.6%	15.1%

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Balance Sheet

	30 March 2002 £m	31 March 2001 as restated £m
Goodwill	26.2	27.7
Tangible fixed assets	54.6	59.2
Stocks	46.9	52.0
Debtors	38.3	43.5
Creditors	(41.8)	(52.1)
Cash and short term deposits	6.4	7.1
Loans and overdrafts	(35.5)	(35.3)
Finance leases and other	-	(0.1)
Provisions for liabilities and charges	(12.6)	(12.7)
Net assets	82.5	89.3
Share capital	17.9	17.9
Reserves	64.6	71.4
Shareholders' funds	82.5	89.3
Gearing	35%	32%

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Cash Flow

	2002 £m	2001 £m
Cash flow from operating activities	16.5	25.5
Servicing of finance	(2.9)	(4.2)
Taxation	(3.5)	(2.5)
Capital expenditure net of disposals	(5.5)	(10.4)
Receipt from sale of land	-	7.7
Acquisitions	-	(0.9)
Equity dividends paid	(5.4)	(6.5)
Cash flow in the period	(0.8)	8.7
Net debt (opening)	(28.3)	(33.5)
Movement in net debt in period	(0.8)	8.7
Exchange translation difference	-	(3.5)
Net debt (closing)	(29.1)	(28.3)

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Segmental Analysis

		2002 £m	2001 £m
Turnover	Power transmission	164.1	176.2
	Machine tool and rotor	23.6	36.7
	Manifold (closed in year)	3.9	5.9
		<u>191.6</u>	<u>218.8</u>
	Less: Interactivity sales	<u>(1.4)</u>	<u>(2.1)</u>
		<u>190.2</u>	<u>216.7</u>
Trading profit (before goodwill amortisation and redundancy costs)	Power transmission	11.6	16.5
	Machine tool and rotor	(3.0)	0.9
	Manifold (closed in year)	<u>(0.8)</u>	<u>(1.3)</u>
		<u>7.8</u>	<u>16.1</u>
Operating profit margin	Power transmission (exc. Manifold)	7.1%	9.4%
	Machine tool and rotor	(12.7)%	2.5%
Return on average trading assets	Power transmission (exc. Manifold)	14.3%	20.1%
	Machine tool and rotor	(16.4)%	4.3%

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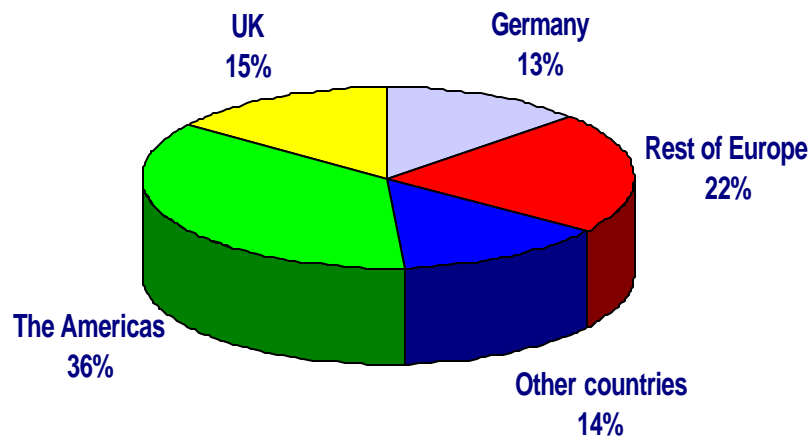
Business Overview

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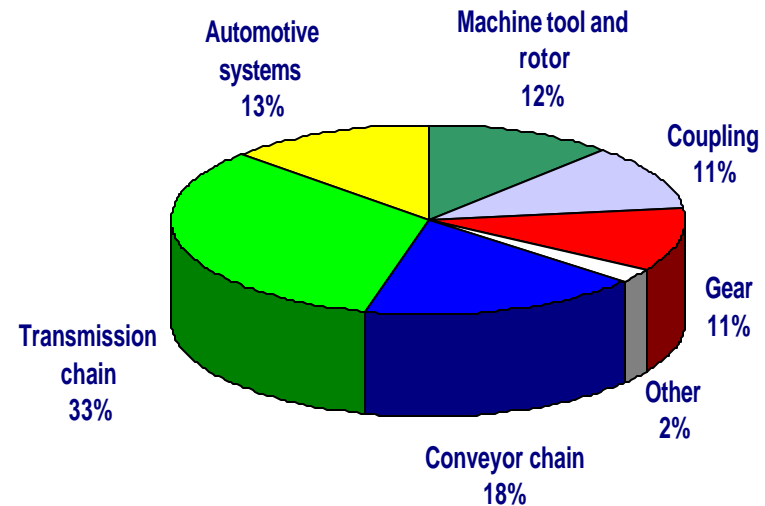
Business Overview - Group

- Power transmission
 - Industrial chain and related power transmission products
 - Automotive cam drive systems

- Machine tool and rotor
 - Holroyd
 - Jones & Shipman



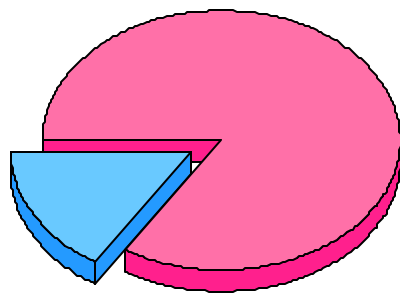
Sales by destination



Sales by product group

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Power Transmission

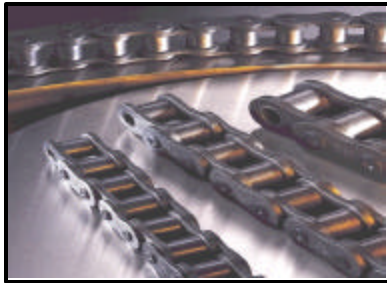


88% of Group sales

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Power Transmission

- Renold is
 - focused on its chain based power transmission activities
 - a worldwide market leading manufacturer and distributor of a wide range of **chain products** supported by related power transmission products



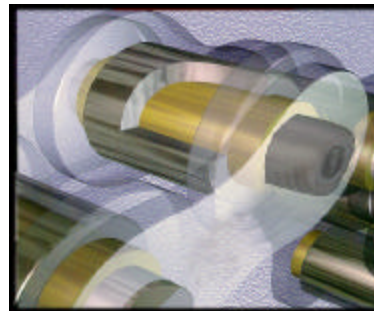
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Synergy



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BRAMPTON RENOLD



Whitney
RENOLD

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Power Transmission Business Profile

	1999	2000	2001	2002
Industrial Chain	Acquired Ace Chain, Australia - £1m	Acquired Jeffrey Chain, USA - £35m	Launched Renold Synergy	Relaunched Whitney Renold chain in USA
Power Transmission Products		Launched WormMaster gearbox range	Launched ePM gearbox range Closed Bradford UK factory	Restructured Gears Milnrow operation Closed Manifold Indexer operation
Automotive Systems	Commenced major investment programme		Commenced production of the new GM world engine cam drive	New inverted tooth chain introduced

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Power Transmission

Business Performance

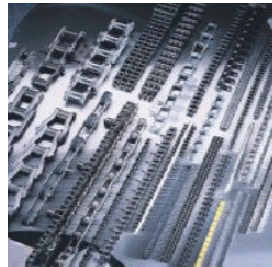
Sales	2000 £m	2001 £m	2002 £m
Industrial chain	86.4	122.4	111.6
Power transmission products	35.4	33.2	30.1
Automotive Systems	18.3	20.6	22.4
	<u>140.1</u>	<u>176.2</u>	<u>164.1</u>
Operating profit	12.7	16.5	11.6
Operating margin	9.1%	9.4%	7.1%
EBITDA margin	13.3%	13.5%	11.5%
Trading assets	79.8	84.1	78.7
Employee numbers (year end)	2,621	2,652	2,377

Note: Excludes Manifold

Includes Jeffrey Chain acquired 31 March 2000, Turnover year to
31 December 1999 £29m

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Power Transmission Market Position



Transmission chain

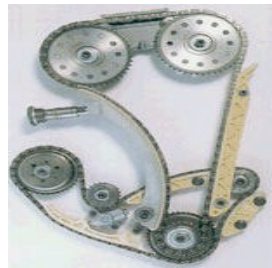
Europe
Market leader

North America
No. 5

Engineered chain

No. 2

No. 2



Automotive

No. 3 in world in chain based cam
drive systems



Power transmission

Niche player in gear and
couplings markets

Key Competitors – Tsubaki, Rexnord

Source: Renold estimates

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Power Transmission - Manufacturing

Roller transmission chain

Engineered conveyor chain

Automotive

Gears and couplings

- Bredbury (UK), Einbeck (Germany)
- Burton (UK), Morristown TN (USA)
Seclin (France), Melbourne (Australia)
- Calais (France)
- Cardiff, Halifax, Milnrow (UK)
Westfield NY (USA)



Power Transmission Technology and Innovation



Stanza



Synergy



Smartlink

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Power Transmission Automotive Systems

- Worldwide light vehicle and truck engine build 57m p.a.
- Today under 50% use chain driven cam drive systems
- Growth opportunity as chains replace belts



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Power Transmission Automotive Systems

Key customers

GM
- USA and Europe

Audi/VW

Nissan

Daimler Chrysler

Porsche

Engine programme

L850 – 4 cylinder
Gen III – V8
Ecotec – V6 (2003/04)

1.8 petrol and 1.9 diesel

Primera, Micra, Almera
diesel

Mercedes A Class, Smart,
C and E Class 4 cylinder petrol

Boxster and 911



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Power Transmission Automotive Systems Technology and Innovation

Issues:

- Reduce Noise
Vibration Harshness
- Increase engine life
- Improve engine
efficiency

New products:

- Short pitch inverted tooth
chain
- New surface treatments
- Low load tensioner
- Active 'smart' tensioner

Renold is recognised for its technology and innovation

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Power Transmission Automotive Systems

- Growth opportunities identified
- New product development
- Building on Renold technology

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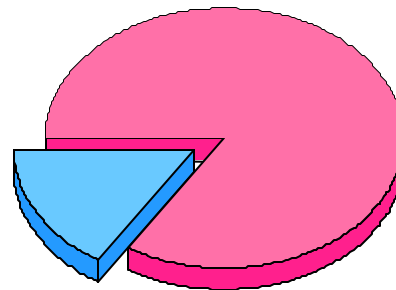
Power Transmission Summary

- Industrial chain is a worldwide business of over \$1 bn p.a. – Renold is a leading market player
 - business offers good returns and cash flow
 - growth opportunities through:
 - new products
 - global customers
 - acquisition

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Machine Tool and Rotor

12% of Group sales



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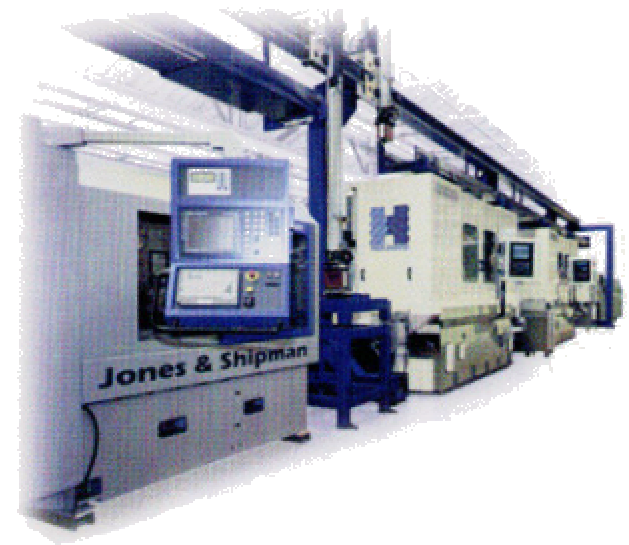
Machine Tool and Rotor Business Profile

Holroyd

- High precision milling and grinding machines
- Edgetek super-abrasive grinding machines
- Rotors for air compressors and refrigeration
- Worm gears for critical applications

J&S

- Surface and cylindrical grinding machines
- Toolroom and production applications



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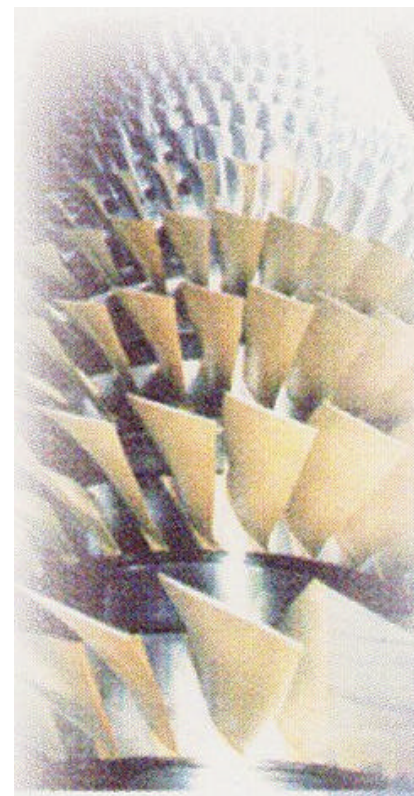
Machine Tool and Rotor Business Performance

	2000 £m	2001 £m	2002 £m
Sales	31.2	36.7	23.6
Operating profit/(loss)	(0.8)	0.9	(3.0)
Trading assets	21.7	20.2	16.4
Employee numbers	480	513	394

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Machine Tool and Rotor Business Summary

- Significantly restructured, fixed cost base reduced, surplus property to be sold
- Holroyd and J&S operate independently in different market sectors
- Both positioned to take advantage of market upturn



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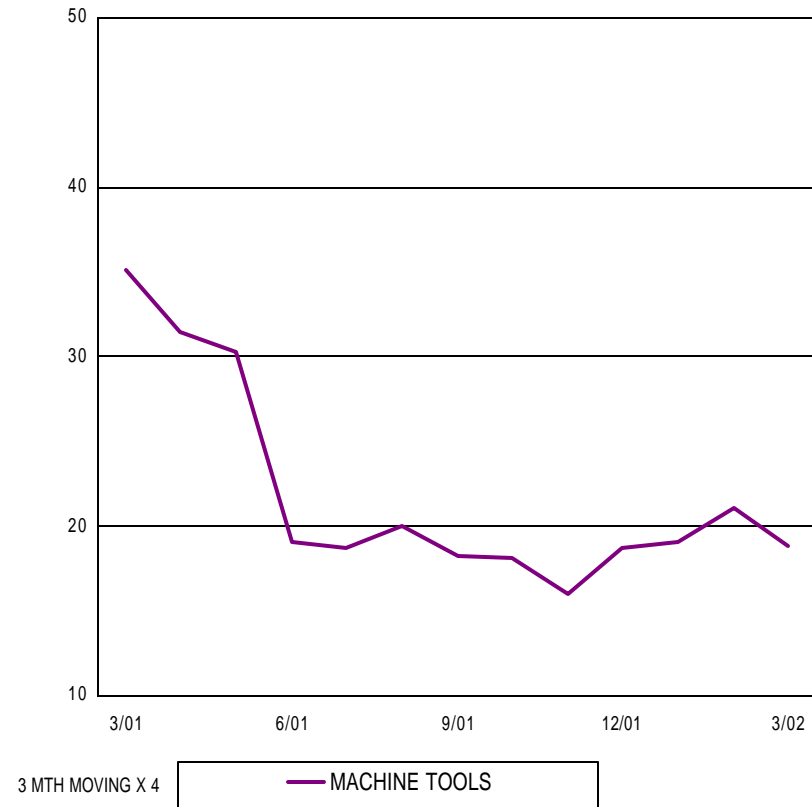
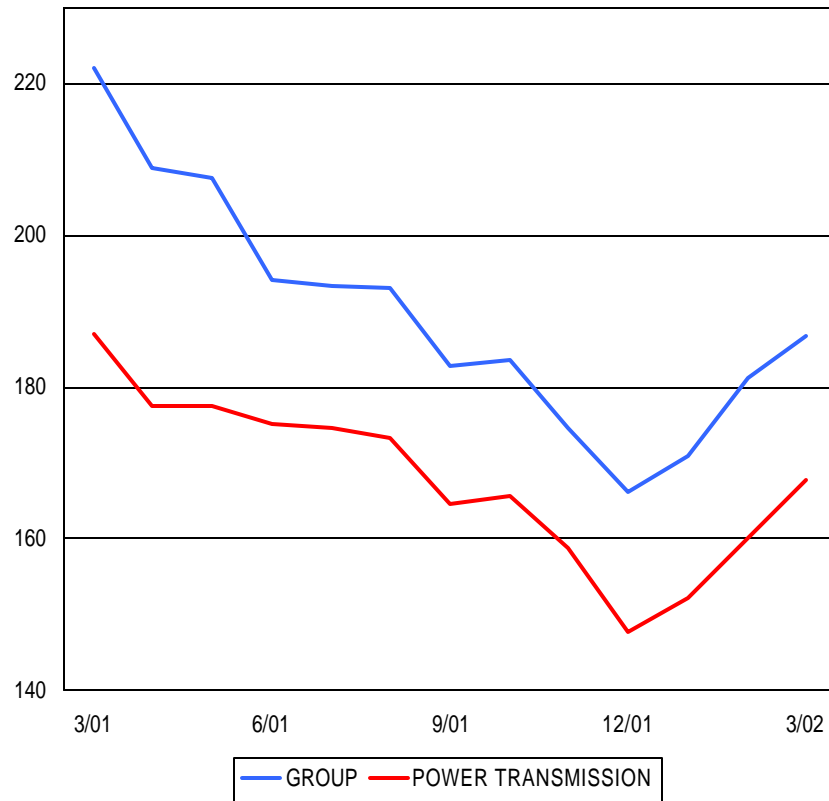
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Group

- Major restructuring carried out during 2001/02
 - fixed cost base substantially lower
 - employment levels down 14%
 - machine tool businesses rationalised
- Industrial chain business increasing market share
- Automotive Systems growth opportunity
- Power transmission orders recovering

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New order intake



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Renold is a refocused and revitalised group clearly targeted on growth opportunities in chain based industrial power transmission and automotive cam drive systems

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