

RENOLD

2003 Preliminary Announcement

9 June 2003

Financial Review

Financial Summary

	2003 £m	2002 £m
Turnover	187.4	190.2
Trading profit (before exceptionals)	9.2	7.8
Profit before tax (before exceptionals)	6.1	4.2
Profit before tax	4.2	(5.6)
Earnings per share – adjusted	5.2p	3.8p
Dividend per share	4.5p	4.5p

Note: Exceptionals comprise goodwill amortisation, redundancy and restructuring costs and profit on sale of property

Profit and Loss Account

	2003 £m	2002 £m
Turnover	187.4	190.2
Trading profit (before exceptionals)	9.2	7.8
Goodwill amortisation	(1.4)	(1.5)
Redundancy and restructuring costs	(1.0)	(3.9)
Trading profit	6.8	2.4
Exceptional loss on termination of operation	-	(4.4)
Exceptional gain on disposal of property	0.5	-
Interest payable	(3.1)	(3.6)
Profit/(loss) before tax	4.2	(5.6)
Tax	(1.7)	0.6
Profit/(loss) after tax	2.5	(5.0)
Operating profit margin	4.9%	4.1%
Return on average trading assets	9.9%	7.6%

Balance Sheet

	2003 £m	2002 £m
Goodwill	22.6	26.2
Tangible fixed assets	50.0	54.6
Stocks	46.1	46.9
Debtors	46.7	38.3
Creditors	(48.6)	(41.8)
Net borrowings	(20.9)	(29.1)
Provisions for liabilities and charges	(13.8)	(12.6)
Net assets	82.1	82.5
Share capital	17.9	17.9
Reserves	64.2	64.6
Shareholders' funds	82.1	82.5
Gearing	25%	35%

Cash Flow

	2003 £m	2002 £m
Cash flow from operating activities	17.9	16.5
Capital expenditure	(5.0)	(5.5)
	<hr/> 12.9	<hr/> 11.0
Servicing of finance	(2.8)	(2.9)
Taxation	(1.3)	(3.5)
Equity dividends paid	(3.2)	(5.4)
	<hr/> 5.6	<hr/> (0.8)
Cash flow in the period	<hr/> 5.6	<hr/> (0.8)
Net debt (opening)	(29.1)	(28.3)
Movement in net debt in period	5.6	(0.8)
Exchange translation difference	<hr/> 2.6	<hr/> -
Net debt (closing)	<hr/> (20.9)	<hr/> (29.1)

**Post year end
disposal of Leicester
site £5.2m net cash.
Asset value £2.3m.**

Segmental Analysis

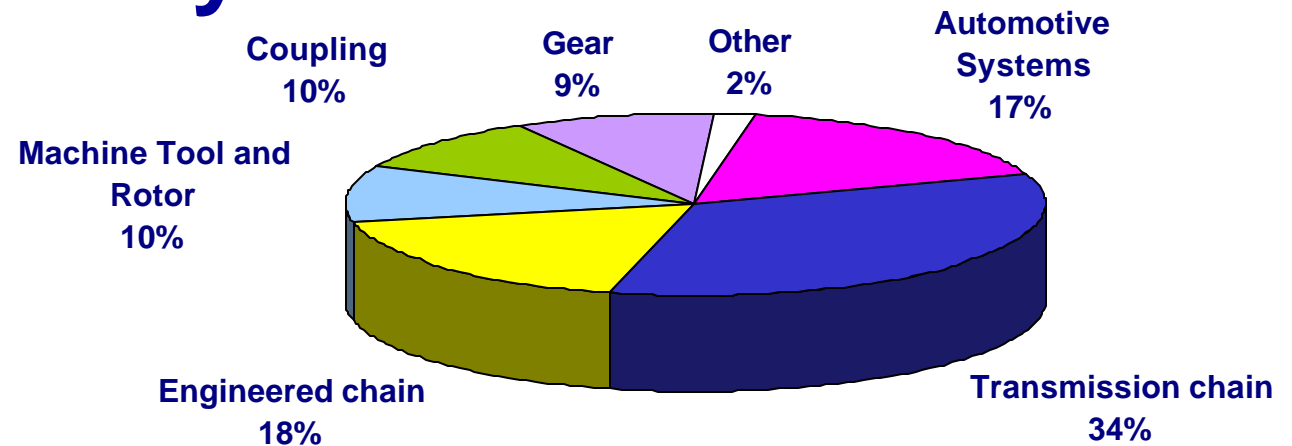
		2003 £m	2002 £m
Turnover	Power transmission	168.3	168.0
	Machine tool and rotor	20.0	23.6
		<hr/> 188.3	<hr/> 191.6
	Less: Interactivity sales	(0.9)	(1.4)
		<hr/> 187.4	<hr/> 190.2
Trading profit (before goodwill amortisation and redundancy costs)	Power transmission	10.0	10.8
	Machine tool and rotor	(0.8)	(3.0)
		<hr/> 9.2	<hr/> 7.8
Operating profit margin	Power transmission	5.9%	6.4%
	Machine tool and rotor	(4.0)%	(12.7)%
Return on average trading assets	Power transmission	12.8%	12.8%
	Machine tool and rotor	(5.3)%	(16.4)%

Business Review

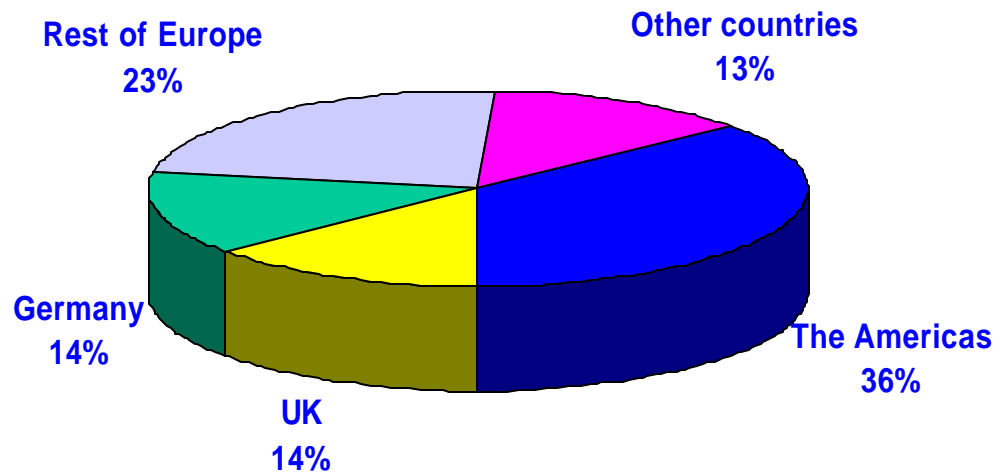
Business Review

Turnover Analysis

Product group



By destination



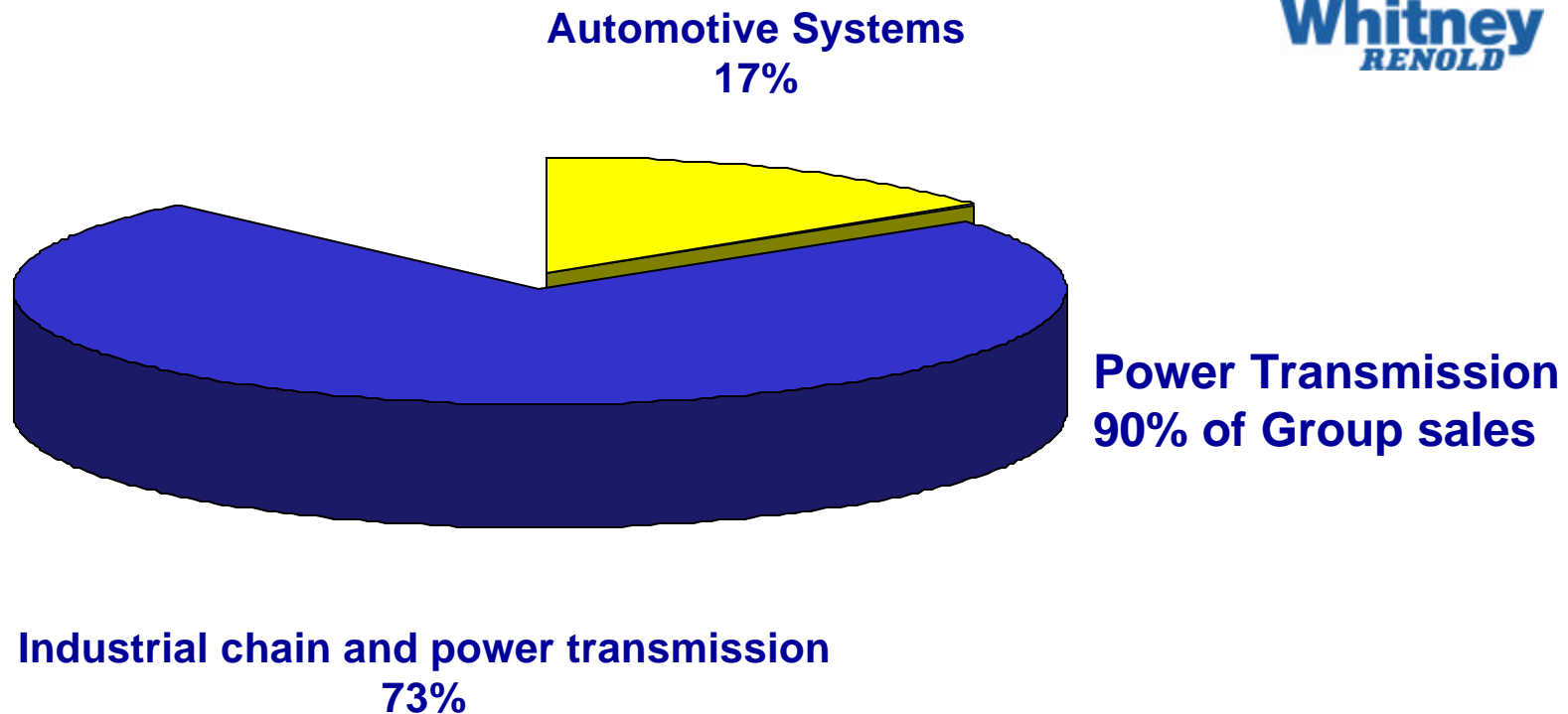
Power Transmission Industrial chain and power transmission products

RENOLD



Jeffrey Chain

Whitney
RENOLD



Industrial chain and power transmission



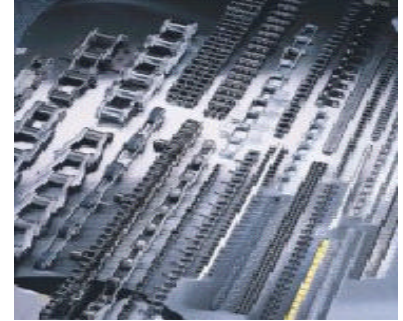
- Performed well although major markets remained weak
- Market share increases in main chain markets
- UK domestic demand remained subdued but higher chain sales into USA through Jeffrey
- Germany also showed strong sales into USA as fork lift truck market recovered; local market weakened through the year
- France sales similar to last year but improved market position and profitability

Industrial chain and power transmission



- Jeffrey Chain increased transmission chain sales and market share, engineered chain lower but recent orders encouraging
- North American power transmission businesses performed well with higher profits despite lower sales
- UK power transmission businesses produced much improved results after recent restructuring
- Australasia and Far East increased sales and profits

Industrial chain and power transmission

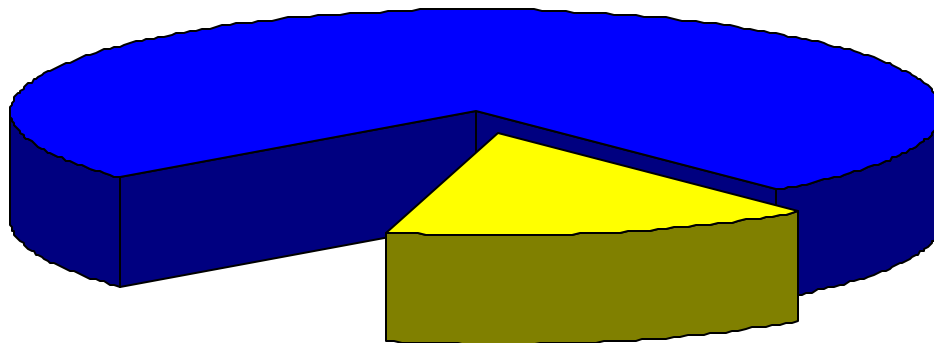


- Markets remain challenging
- Results demonstrate success of recent restructuring to reduce cost base
- Renold's market position continues to improve

Power Transmission Automotive Systems

RENOLD
AUTOMOTIVE SYSTEMS

Industrial chain and power transmission
73%

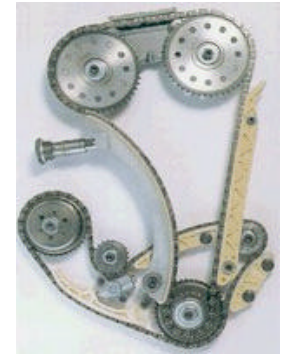


Automotive Systems
17%



Power Transmission
90% of Group sales

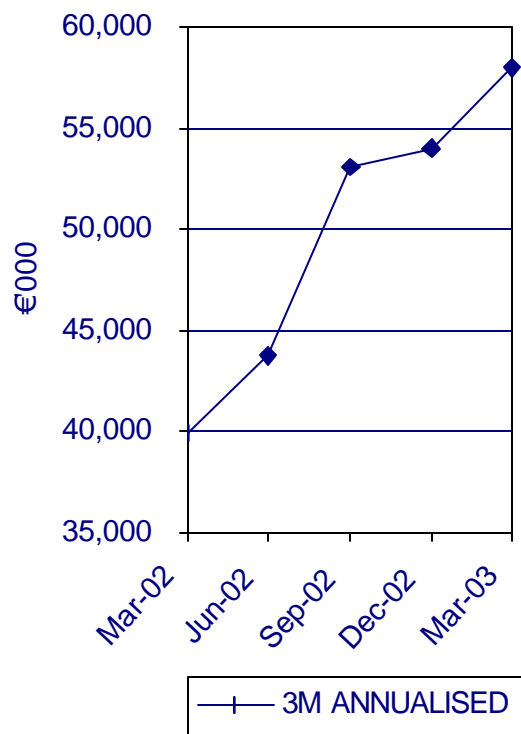
Automotive Systems



- Excellent growth opportunities for “world class” Renold technology in existing and new markets
- Short term production inefficiencies caused by greater and more rapid growth than expected. Actions taken to address this
 - Management team strengthened
 - Further investment including additional capacity in Germany
- New contracts secured during year which broadened customer base
- Continued innovation and new product development

Automotive Systems

External Order Trend



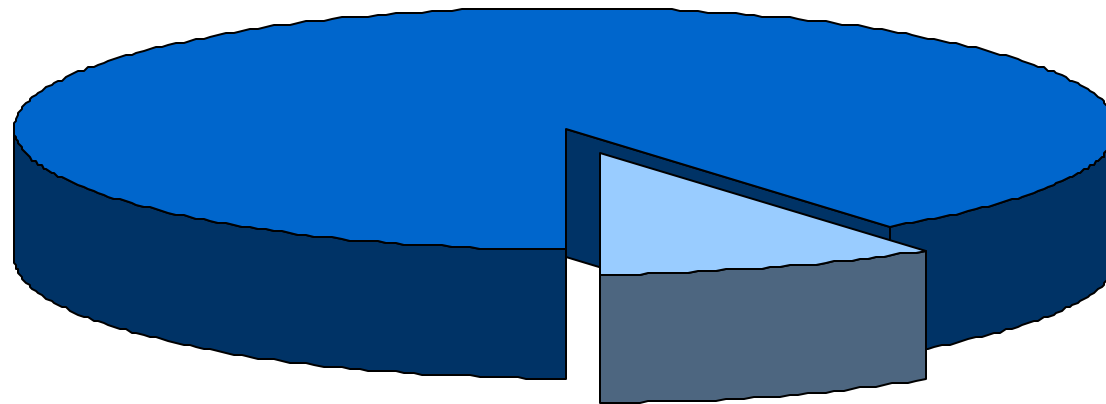
- Orders up 44% year on year
- Rapid growth in demand earlier and more marked than forecast

Automotive Systems



- Addressing production issues
- Growth prospects excellent
- Renold intend to become a true global supplier of automotive cam drive systems

Machine Tool and Rotor



Machine Tool and Rotor
10%

Machine Tool and Rotor

- Restructuring complete; business traded profitably in the second half
- Demand for machine tools remains subdued
- Excellent new orders won for Edgetek superabrasive grinding machines for aerospace and other demanding applications
- Business being managed tightly for profit and cash
- Surplus land at Leicester sold post year end for £5.2 million net cash



Future Strategy

“Renold is firmly focused on building our future through our core chain business”

Future Strategy

Industrial chain and power transmission

- Strengthen position in current major markets
– Europe and USA
- Develop new markets and geographies
- Exploit lower cost supply sources
- Continue to innovate and develop new products

Future Strategy

Automotive Systems

- Build on world class technology
- Extend into new markets beyond Europe and North America to become truly global
- Broaden customer base
- Continue to invest in management and facilities

Summary and Outlook

Summary and Outlook

- Improved result reflects earlier restructuring actions
- Excellent cash generation, borrowings significantly reduced
- Core chain activities continue to increase market share
- Automotive Systems growing rapidly, actions in place to address short term production issues
- Industrial markets continue to be weak

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