

***RENOLD***

**2002/03 Interim Announcement  
11 November 2002**

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# Financial Summary

	<b>First Half 2002/03 £m</b>	<b>First Half 2001/02 £m</b>
Turnover	<b>91.3</b>	97.6
Trading profit before exceptional items	<b>4.7</b>	3.8
Profit before tax before exceptional items	<b>3.0</b>	2.0
Exceptional items	<b>(1.2)</b>	(7.1)
Profit/(loss) before tax	<b>1.8</b>	(5.1)
Earnings per share – adjusted	<b>2.9p</b>	2.0p
Interim dividend	<b>1.5p</b>	1.5p

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

# Profit and Loss Account

	First Half 2002/03 £m	First Half 2001/02 £m
Turnover	91.3	97.6
Trading profit (before exceptionals)	4.7	3.8
Goodwill amortisation	(0.7)	(0.7)
Redundancy and restructuring costs	(0.5)	(1.8)
Trading profit	3.5	1.3
Loss on termination of Manifold operation	-	(4.6)
Interest payable	(1.7)	(1.8)
Profit/(loss) before tax	1.8	(5.1)
Tax	(0.6)	1.2
Profit/(loss) after tax	1.2	(3.9)
Operating profit margin	5.1%	3.9%
Return on average trading assets	9.8%	7.0%

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# Balance Sheet

	28 September 2002 £m	29 September 2001 £m	30 March 2002 £m
Goodwill	23.4	26.2	26.2
Tangible fixed assets	52.2	57.2	54.6
Stocks	44.9	51.9	46.9
Debtors	34.9	38.6	38.3
Creditors	(36.2)	(38.7)	(41.8)
Net borrowings	(25.7)	(36.0)	(29.1)
Provisions for liabilities and charges	(12.5)	(14.2)	(12.6)
Net assets	<u>81.0</u>	<u>85.0</u>	<u>82.5</u>
Share capital	17.9	17.9	17.9
Reserves	63.1	67.1	64.6
Shareholders' funds	<u>81.0</u>	<u>85.0</u>	<u>82.5</u>
Gearing	32%	42%	35%

# Cash Flow

	First Half 2002/03 £m	First Half 2001/02 £m
Cash flow from operating activities	7.7	3.2
Capital expenditure	(2.5)	(3.8)
	5.2	(0.6)
Servicing of finance	(1.3)	(1.7)
Taxation	(1.1)	(2.2)
Equity dividends paid	(2.1)	(4.3)
Cash flow in the period	0.7	(8.8)
Net debt (opening)	(29.1)	(28.3)
Movement in net debt in period	0.7	(8.8)
Exchange translation difference	2.7	1.1
Net debt (closing)	(25.7)	(36.0)

# Segmental Analysis

		First Half 2002/03 £m	First Half 2001/02 £m
Turnover	Power transmission	82.3	85.9
	Machine tool and rotor	9.9	12.5
		<hr/> 92.2	<hr/> 98.4
	Less: Interactivity sales	<hr/> (0.9)	<hr/> (0.8)
		<hr/> 91.3	<hr/> 97.6
Trading profit (before goodwill amortisation and redundancy costs)	Power transmission	5.7	5.5
	Machine tool and rotor	(1.0)	(1.7)
		<hr/> 4.7	<hr/> 3.8
		<hr/>	<hr/>
Operating profit margin	Power transmission	6.9%	6.4%
	Machine tool and rotor	(10.1)%	(13.6)%
Return on average trading assets	Power transmission	14.4%	12.4%
	Machine tool and rotor	(12.2)%	(17.0)%

# Business Review

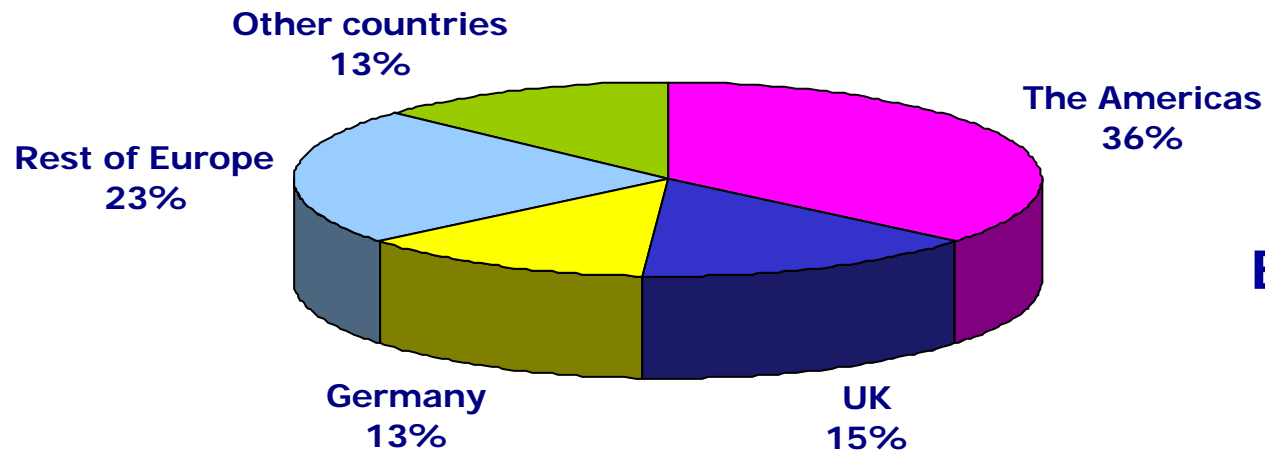
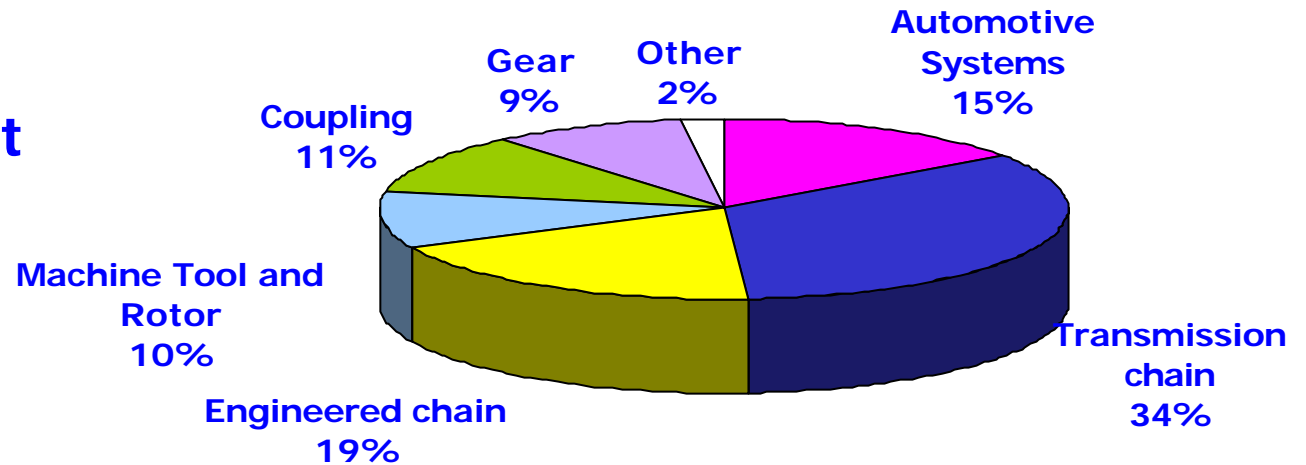
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# Business Review

## Turnover Analysis

By product

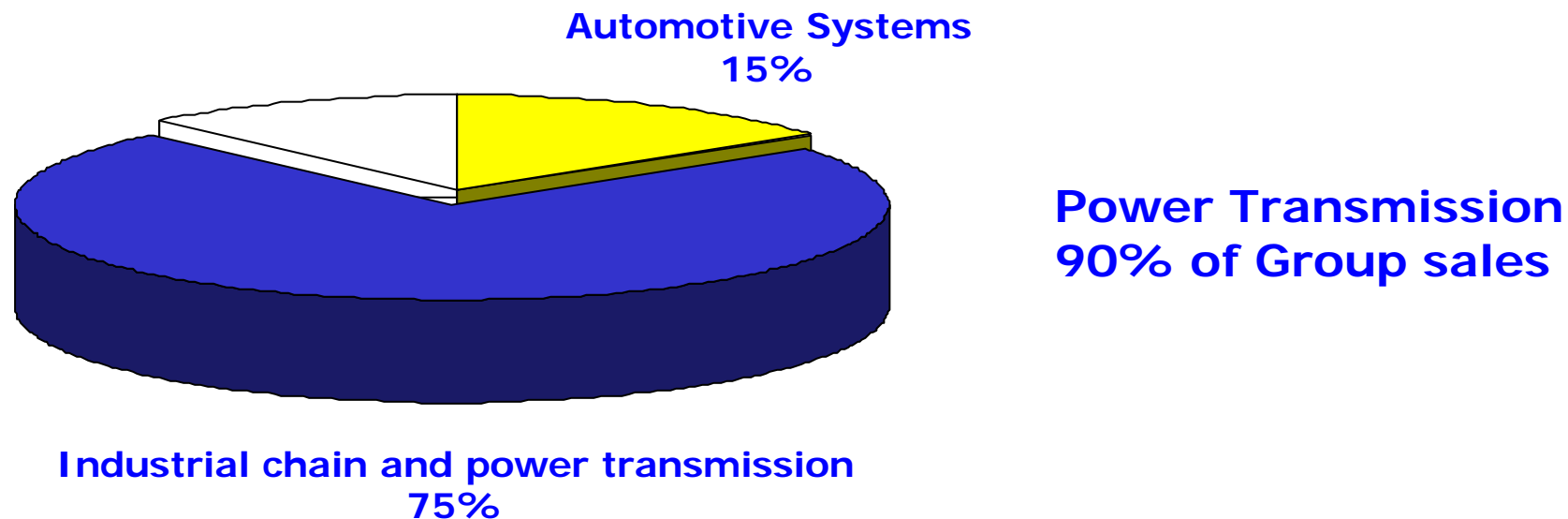


By destination



# Power Transmission

## Industrial chain and power transmission products



# Industrial Chain and Power Transmission Products

- Encouraging performance in weak market conditions
- Chain business increasing market share
- UK chain sales into US through Jeffrey again higher; domestic market down particularly for engineered conveyor chain
- Germany also grew sales into US, offsetting local market slowdown
- France and other European businesses' sales lower, but improving market position



# Industrial Chain and Power Transmission Products

- Jeffrey Chain, USA, performed well – sales and profits higher, gaining ground with key distributors
- North American power transmission businesses maintained profits despite sales decline due to early action on cost base
- UK power transmission businesses improved results after major restructuring last year
- Australasia and Far East increased sales and profits; Australian manufacturing consolidated on one site and costs reduced



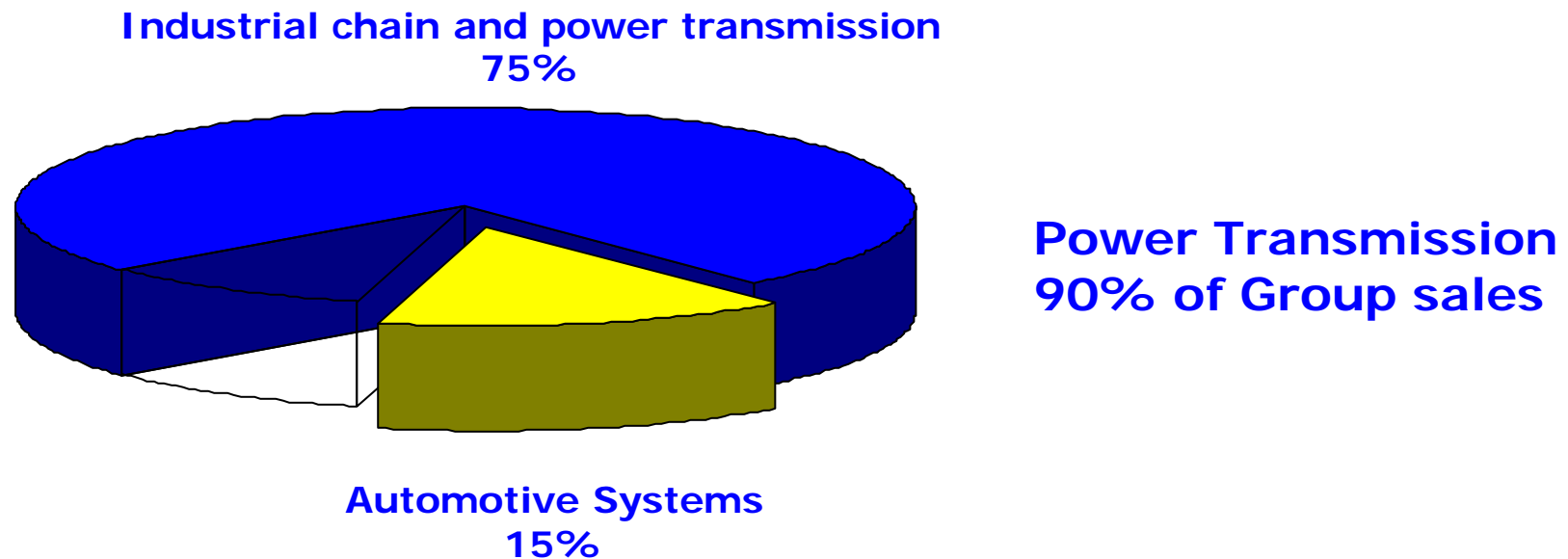
# Industrial Chain and Power Transmission Products

- Results demonstrate success of last year's restructuring
- Renold's market position continuing to improve through targeted initiatives



# Power Transmission

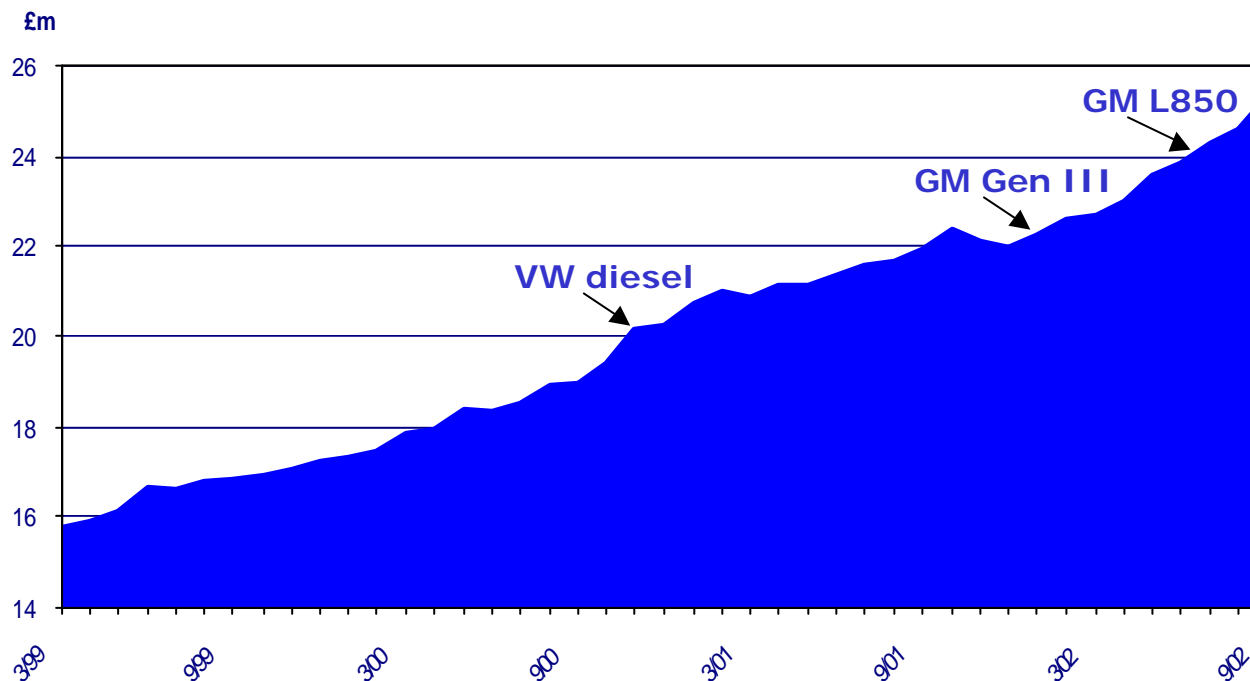
## Automotive Systems



# Automotive Systems

## Sales moving annual total

- First half sales up 21%
- New orders up 35%



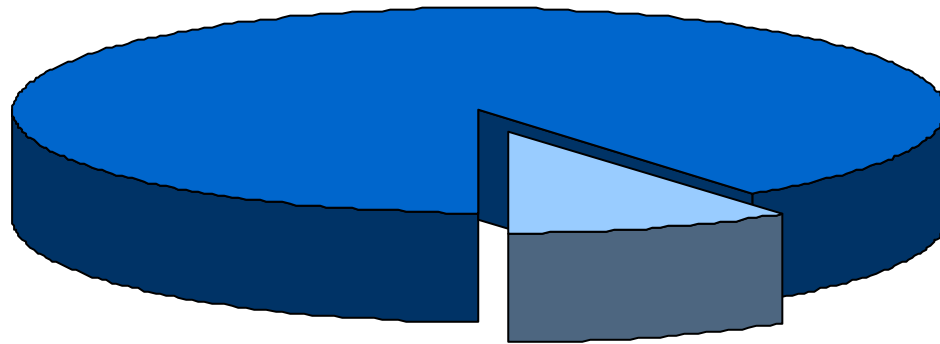
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# Automotive Systems

- Rapid growth of new engine programmes using Renold designed and supplied chain driven cam drive systems
- Current pressure on capacity inhibiting factory efficiency
- Investment in new equipment continuing
- Renold's technology is recognised as world class

# Machine Tool and Rotor



Machine Tool and Rotor  
10%



# Holroyd

- Demand for machine tools and precision rotors for air conditioning and refrigeration remains low
- New orders won for Edgetek superabrasive grinding machines
- Further cost reduction exercise completed in first half

## Jones & Shipman

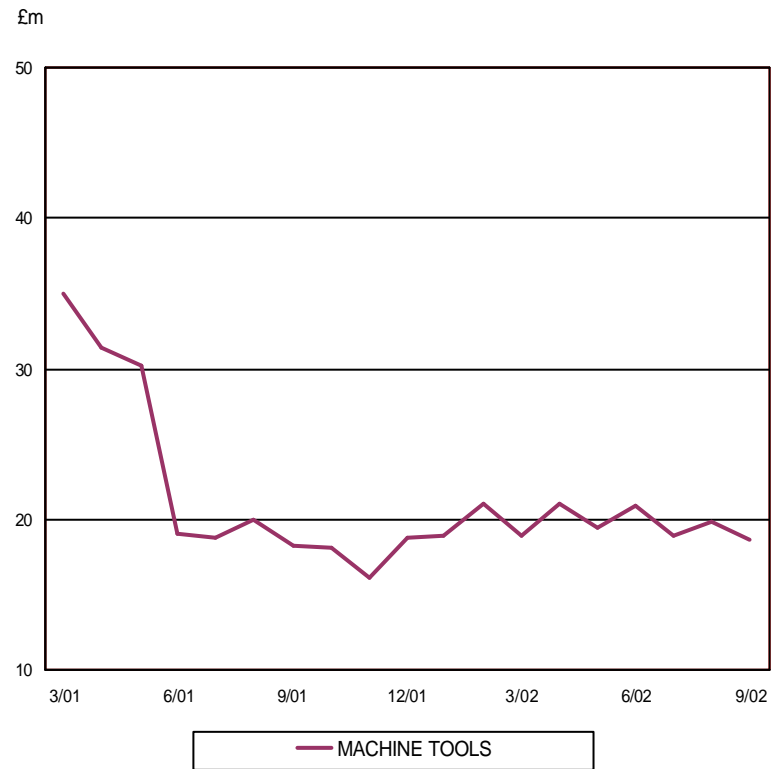
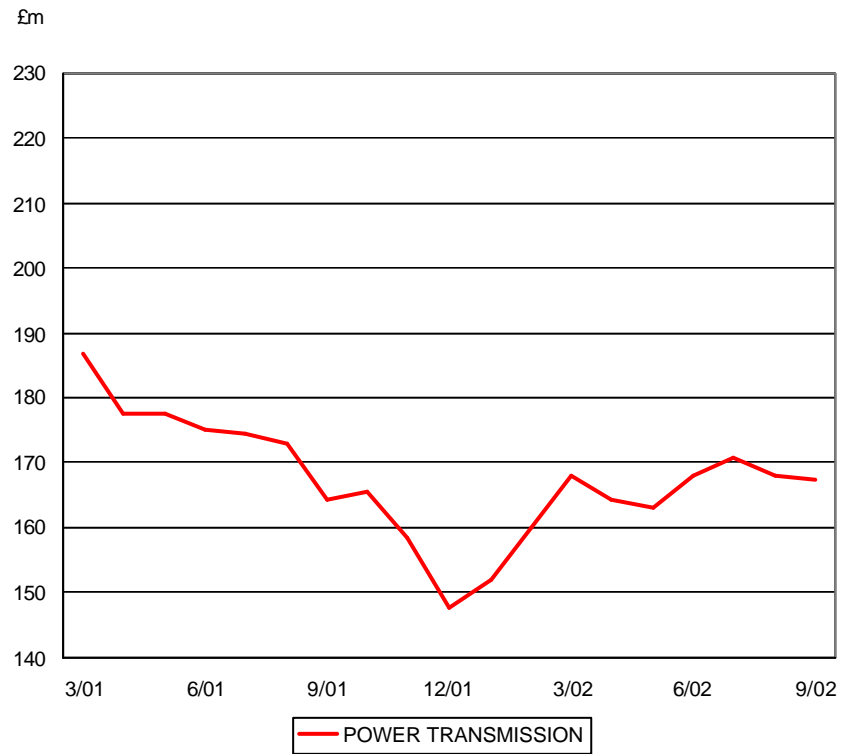
- Successfully relocated to new site in first half
- Sales held up well in Europe and rest of the world; US market remains difficult
- Benefit of components sourced from lower cost economies now coming through

# Summary and Outlook

# Summary and Outlook

- First half improvements demonstrate the success of the restructuring programme
- Core chain activities have continued to increase market share
- Automotive Systems growing rapidly
- Little sign of return to growth in industrial markets

# New order intake



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# Summary and Outlook

- First half improvements demonstrate the success of the restructuring programme
- Core chain activities have continued to increase market share
- Automotive Systems growing rapidly
- Little sign of return to growth in industrial markets
- Second half should continue to benefit from tight control of costs and cash management

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