



RENOLD

**2003/04 Interim Announcement
10 November 2003**

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Financial Summary

	First Half 2003/04 £m	First Half 2002/03 £m
Turnover	94.9	91.3
Operating profit before exceptional items	3.6	4.7
Profit before tax before exceptional items	2.3	3.0
Exceptional items	1.9	(1.2)
Profit before tax	4.2	1.8
Earnings per share (adjusted)	2.1 p	2.9 p
Interim dividend	1.5 p	1.5 p

Profit and Loss Account

	First Half 2003/04 £m	First Half 2002/03 £m
Turnover	94.9	91.3
Operating profit (before exceptionals)	3.6	4.7
Goodwill amortisation	(0.7)	(0.7)
Redundancy and restructuring costs	(0.2)	(0.5)
Gain on property held for sale	2.8	-
	<hr/>	<hr/>
Operating profit	5.5	3.5
Interest payable	(1.3)	(1.7)
	<hr/>	<hr/>
Profit before tax	4.2	1.8
Tax	(0.5)	(0.6)
	<hr/>	<hr/>
Profit after tax	3.7	1.2
	<hr/>	<hr/>
Operating profit margin	3.8%	5.1%
Return on average operating assets	8.0%	9.8%

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Balance Sheet

	27 September 2003 £m	28 September 2002 £m	29 March 2003 £m
Goodwill	21.1	23.4	22.6
Tangible fixed assets	48.1	52.2	50.0
Stocks	47.3	44.9	46.1
Debtors	42.6	34.9	46.7
Creditors	(41.0)	(36.2)	(48.6)
Net borrowings	(19.8)	(25.7)	(20.9)
Provisions for liabilities and charges	(14.3)	(12.5)	(13.8)
Net assets	<u>84.0</u>	<u>81.0</u>	<u>82.1</u>
Share capital	17.9	17.9	17.9
Reserves	66.1	63.1	64.2
Shareholders' funds	<u>84.0</u>	<u>81.0</u>	<u>82.1</u>
Gearing	24%	32%	25%

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Cash Flow

	First Half 2003/04 £m	First Half 2002/03 £m
Cash flow from operating activities	2.3	7.7
Capital expenditure	(2.9)	(2.5)
	(0.6)	5.2
Servicing of finance	(1.4)	(1.3)
Taxation	(0.8)	(1.1)
Proceeds from disposal of property held for sale	5.1	-
Equity dividends paid	(2.1)	(2.1)
Cash flow in the period	0.2	0.7
Net debt (opening)	(20.9)	(29.1)
Movement in net debt in the period	0.2	0.7
Exchange translation difference	0.9	2.7
Net debt (closing)	(19.8)	(25.7)

Segmental Analysis

		First Half 2003/04 £m	First Half 2002/03 £m
Turnover	Power transmission	86.1	82.3
	Machine tool and rotor	9.9	9.9
		<hr/>	<hr/>
		96.0	92.2
	Less: Inter activity sales	(1.1)	(0.9)
		<hr/>	<hr/>
		94.9	91.3
Operating profit (before exceptional items)	Power transmission	3.6	5.7
	Machine tool and rotor	-	(1.0)
		<hr/>	<hr/>
		3.6	4.7
		<hr/>	<hr/>
Operating profit margin	Power transmission	4.2%	6.9%
	Machine tool and rotor	-	(10.1)%
Return on average operating assets	Power transmission	9.3%	14.4%
	Machine tool and rotor	-	(12.2)%

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Business Review

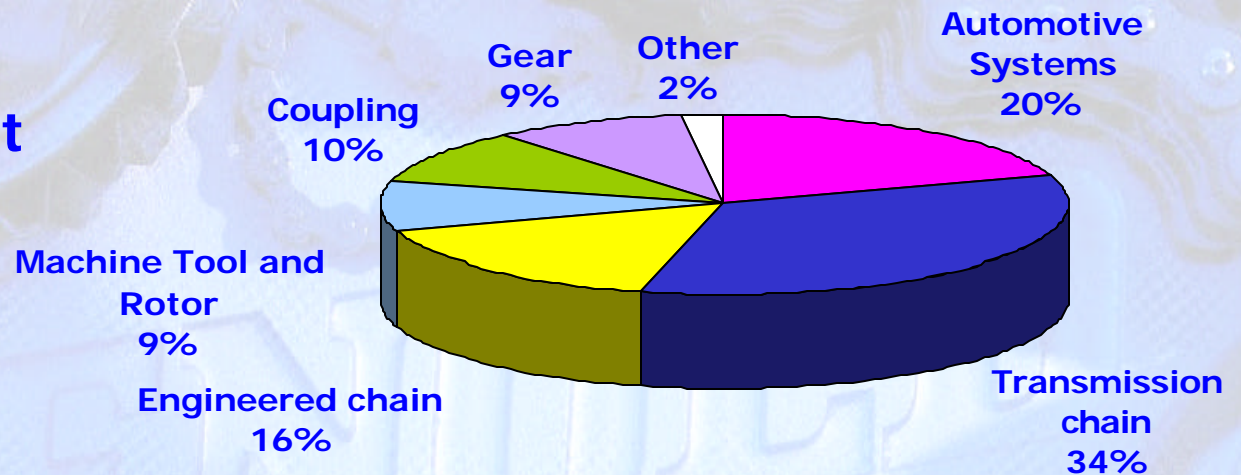
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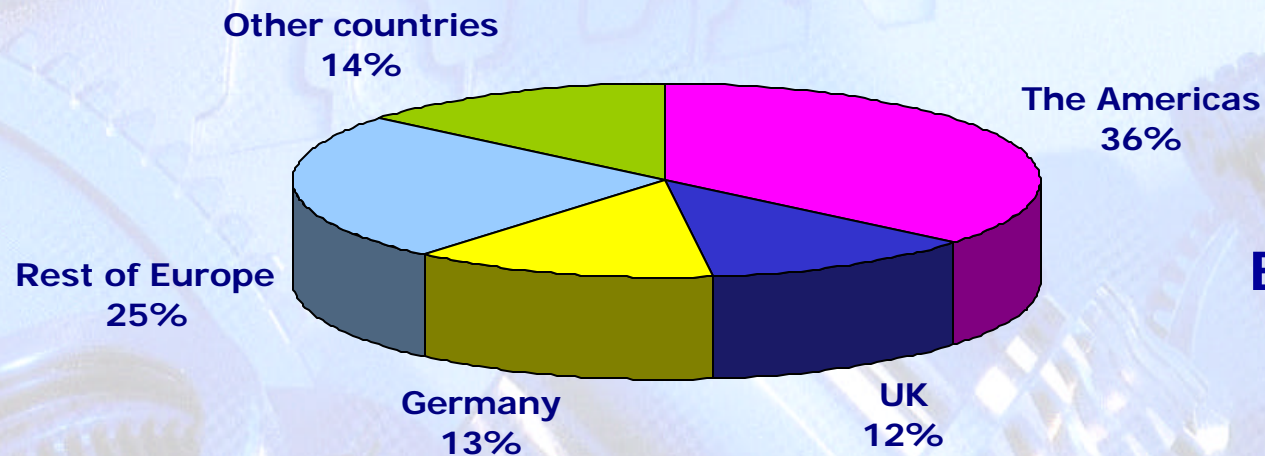
Business Review

Turnover Analysis

By product

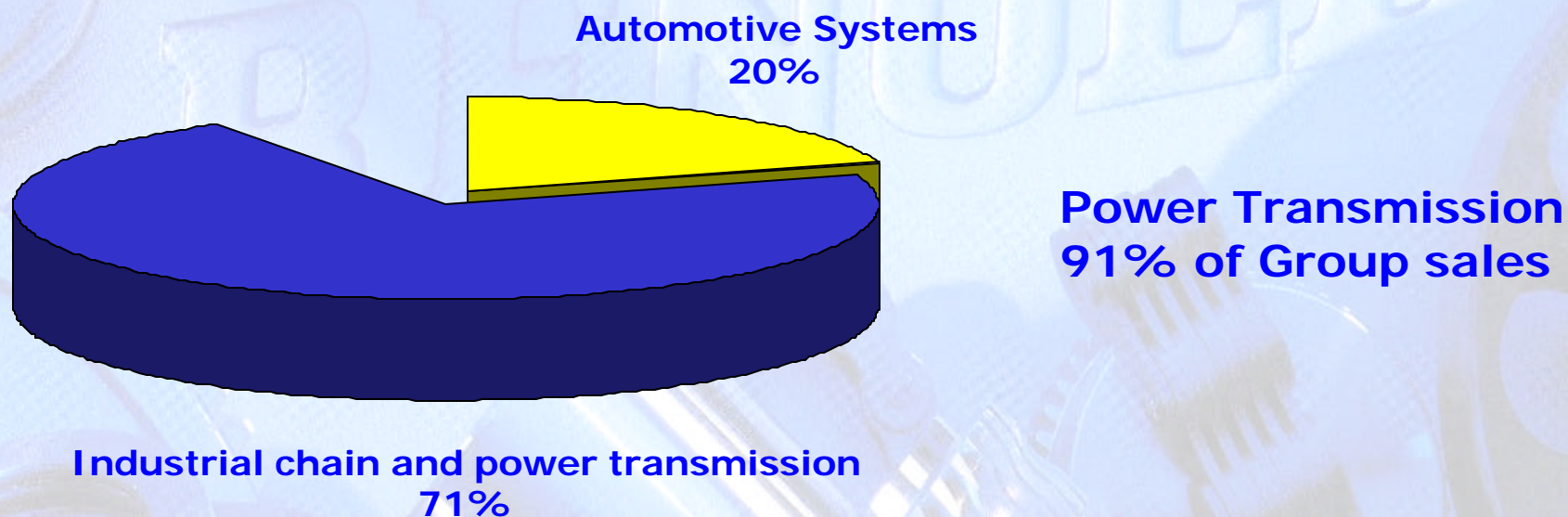


By destination



Power Transmission

Industrial chain and power transmission products



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Industrial Chain and Power Transmission Products

- UK chain business performed well with sales and profit growth in a weak domestic market
- Strong sales into the Far East for palm oil chain
- Fork lift truck chain sales into US from Germany higher
- German domestic market continues to be slow but profit levels maintained
- France and other European businesses' sales lower

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Jeffrey Chain

Whitney
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Industrial Chain and Power Transmission Products

- Jeffrey Chain, USA, had a weak first quarter but some improvement in quarter two
- North American power transmission businesses maintained profits
- UK power transmission businesses improved results
- Australasia lower in sales and profits but recent order intake improved

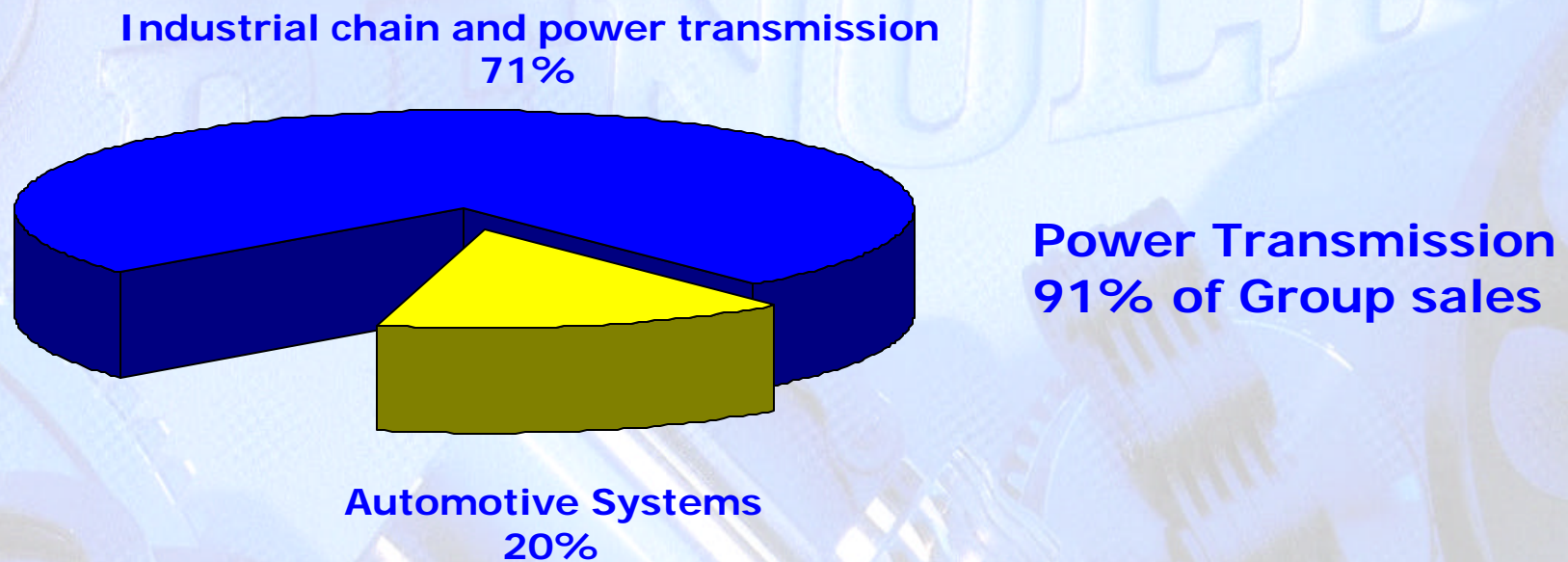


Industrial Chain and Power Transmission Products

- European markets continue to be challenging but some evidence of improvement in North America
- Continued focus on building market position for core products – new generation of flagship Synergy brand launched



Power Transmission Automotive Systems

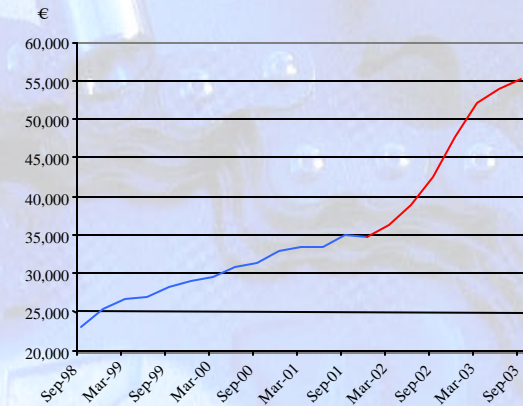


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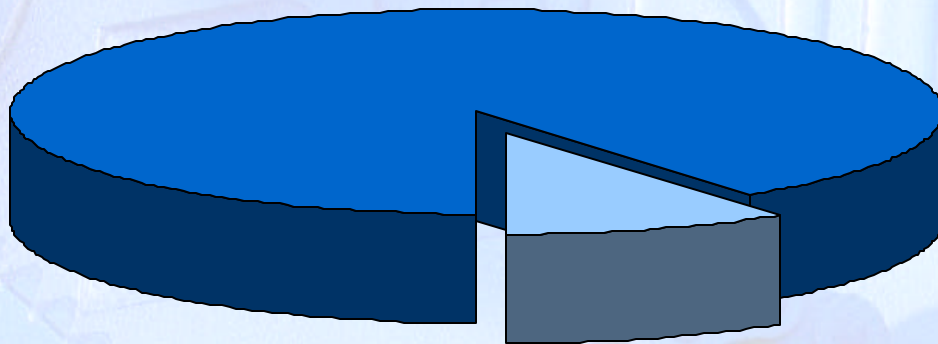
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Automotive Systems

- Order volumes remain strong
- Progress made towards restoring factory efficiency levels; costly express freight reduced
- Investment in new equipment continuing, German facility will start production in the second half of the year
- Renold's technology is recognised as world class and important new projects secured to further widen customer base



Machine Tool and Rotor



Machine Tool and Rotor
9%

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Machine Tool and Rotor

- Sales similar to previous year as machine tool sector remains weak
- Profitability much improved – breakeven compared with £1.0m loss in 2002/03
- New orders for Edgetek superabrasive grinding machines secured
- Tight management of costs and cash continues





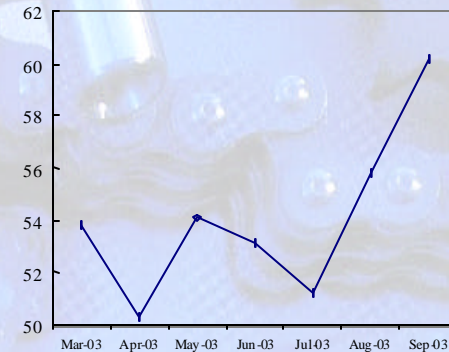
Summary and Outlook

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Summary and Outlook

- Improved forward order book
- Major industrial markets remain challenging, early indications of improvement in North America
- Automotive Systems making progress to improved production efficiency levels
- Significant improvement in Machine Tool and Rotor profitability
- Group is well placed to benefit from any upturn in business activity





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