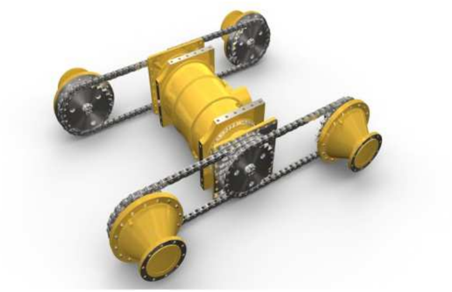
Interim Results
Shareholder Presentation

Half year ended
30 September 2012



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Executive Summary

Economic weakness, particularly in Europe, combined with some de-stocking drove underlying revenue lower by 6%

- **Adjusted* Operating Profit fell to £3.6m as a result of lower revenue**
- **Adjusted Earnings Per Share 0.8p, reduced from 1.8p**
- **Torque Transmission revenue more robust – overall 1% decline with target markets growing by 4%**
- **Average working capital* cut by 18% from 25.7% to 21.1% of revenue**
- **Net debt leverage cut to 1.6x EBITDA from 1.9x in prior year**
- **Successfully re-financed the Group on improved terms**
- **Appointment of Robert Purcell as Chief Executive**

*Throughout this document the use of 'Underlying' means after eliminating the impact of movements in foreign exchange rates and 'Adjusted' excludes exceptional items. Average working capital is a Key Performance Indicator in use in the business and is calculated as the average of each month's working capital value as a ratio of rolling 12 monthly sales.

Group Income Statement

Weaker global demand combined with limited de-stocking impacted revenue

	12/13 £'m	11/12 £'m	Var £'m	Var %
Revenue as reported	**96.7**	105.5		
Impact of FX	**-**	(3.0)		
Underlying Revenue	**96.7**	102.5	**(5.8)**	**(6%)**
Operating Profit as reported	**3.6**	6.4		
Impact of FX	**-**	(0.3)		
Underlying Operating Profit	**3.6**	6.1	**(2.5)**	**(41%)**
Underlying Return on Sales %	**3.7%**	6.0%		
Exceptional items / JV	0.2	(0.5)		
External interest	(1.4)	(1.2)		
IAS19 Financing costs	(0.3)	(1.0)		
Profit before tax	**2.1**	3.4	**(1.3)**	
Adjusted earnings per share (pence)	**0.8**	1.8	**(1.0)**	

- Revenue reductions driven by economic weakness and some de-stocking in Chain customers
- Exceptional items reflect a £1m insurance gain on a replacement asset partially offset by restructuring costs of £0.5m (European back office) and exceptional refinancing costs of £0.2m
- IAS19 financing costs have fallen as a result of the fall in market discount rates from 5.2% to 4.3%

Segmental Analysis - Chain

Chain division bore the brunt of economic downturn with 7% drop in revenue

Underlying Analysis	**12/13 £'m**	**11/12 £'m**	**Var £'m**	**Var %**
Revenue as reported	**71.6**	79.7		
Impact of FX	**-**	(2.6)		
Underlying Revenue	**71.6**	77.1	**(5.5)**	**(7%)**
Operating Profit as reported	**2.2**	4.8		
Impact of FX	**-**	(0.4)		
Underlying Operating Profit	**2.2**	4.4	**(2.2)**	**(50%)**
Underlying Return on Sales %	**3.1%**	5.7%		

- Economic volatility and uncertainty continued throughout the period in most territories
- Renold businesses delivered 7% revenue growth in North America, 4% growth in Germany (export led) and 1% growth in South East Asia
- Contrasts with 16% reduction in Europe as a whole (Switzerland down 40%) and Aus / NZ down 4%
- Reduction in revenue impacted the bottom line with a 40% drop rate (some distributor de-stocking)
- Benefits continue to accrue to the overhead cost base from European back office integration

European revenues which account for 42% of the divisional total were particularly hard hit by economic weakness – representing over 90% of the net reduction

- **Fundamental review of Chain business model**
- **Market strategy**
  - Product positioning and management
  - Intelligent pricing
- **Operational improvement**
  - Production automation
  - Leveraging of Asian cost base and supply chain
  - Continuing working capital focus
- **SG&A efficiency**
  - European back office restructuring on track - £1m savings in 2012/13
  - Leveraging SAP investment

No expectation of near term improvement in market conditions – challenge is to improve margins and reduce breakeven point in an uncertain environment.

Segmental Analysis – TT

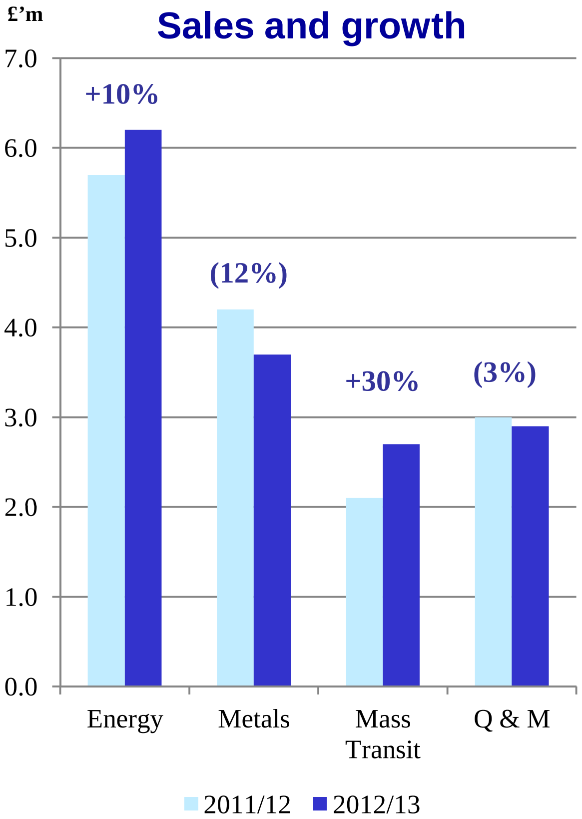
Torque Transmission more resilient to the global slowdown than Chain

Underlying Analysis	12/13 £'m	11/12 £'m	Var £'m	Var %
Revenue as reported	**25.1**	25.8		
Impact of FX	**-**	(0.4)		
Underlying Revenue	**25.1**	25.4	**(0.3)**	**(1%)**
Operating profit as reported	**3.1**	3.9		
Impact of FX	**-**	-		
Underlying Operating Profit	**3.1**	3.9	**(0.8)**	**(21%)**
Underlying Return on Sales %	**12.4%**	15.4%		

- Torque Transmission revenues more robust against economic uncertainty (modest 1% reduction)
- Strong growth in Energy and Mass Transit sectors supporting overall growth in target sectors of 4%
- Profitability remains strong - change reflects growth in lower margin Mass Transit revenues; and
- Economic and political uncertainty led to lower revenue in South Africa (11% reduction) and accounts for over 60% of the profit decline above

Torque Transmission Overview

The four key markets increased their share of TT revenues from 57% to 62%



Energy: addressable market size c.£300m*1
- Demand for power in developing countries remains strong.
- Increasing market share with OE's
- China monetary tightening now easing

Metals: addressable market size c.£350m*1
- A major feeder industry for global infrastructure projects
- High barriers to entry requiring technical engineered products
- Slower global growth held back investment, enquiries strong

Mass Transit: addressable market size c. £300m*1
- Well established, strong market position in US
- Ongoing success with USA demand
- Actively tendering for new projects in China and Africa

Quarrying and mining: addressable market size c.£150m*1
- Providing solutions to OE's technical problems (share gains)
- End user demand eased due to political instability in South Africa and lower global demand for commodities

*1 Company estimates

Group Cash Flow Statement

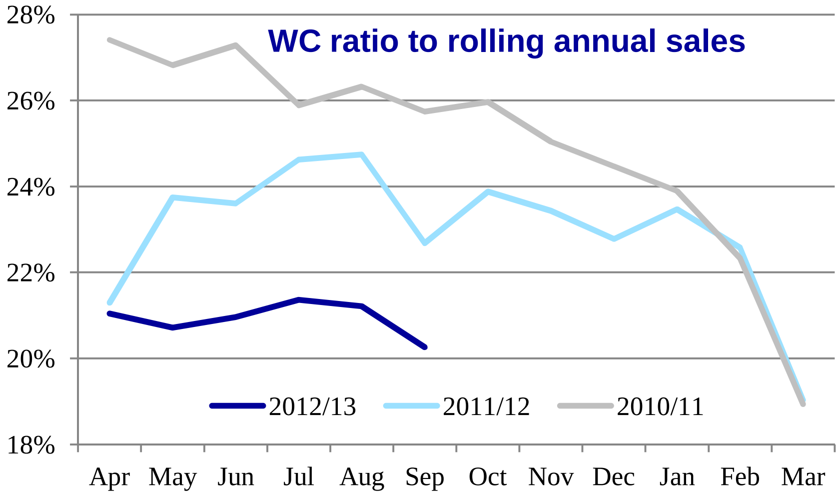
Positive operating cash flow despite reduced profit and seasonal H1 cash out flows

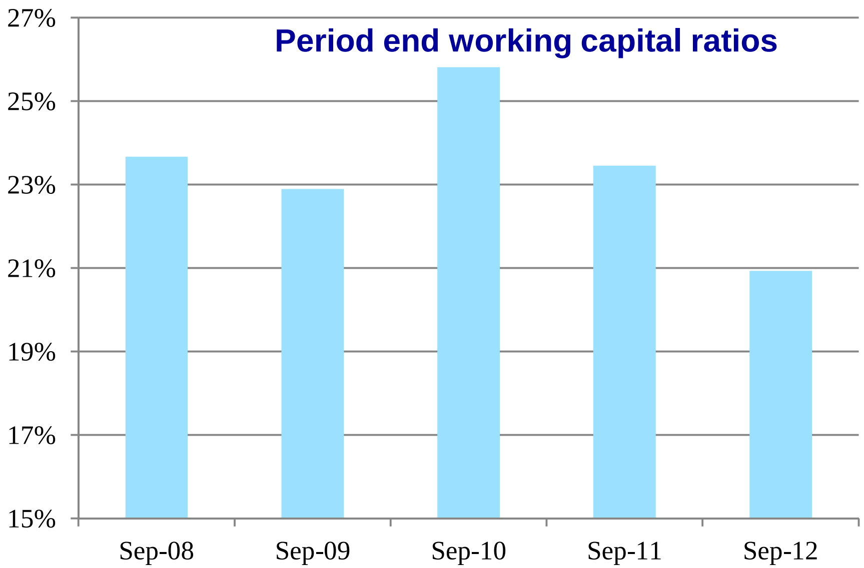
	12/13 £'m	11/12 £'m
EBITDA	6.4	8.3
Movement in working capital	(2.6)	(9.7)
Pensions	(2.3)	(2.4)
Taxes and other	(0.7)	(0.3)
Net cash from operating activities	**0.8**	**(4.1)**
Investing activities	(2.3)	(3.2)
Financing activities	(1.4)	(1.2)
Other movements and FX	1.2	(0.5)
Decrease in cash and cash equivalents	**(1.7)**	**(9.0)**
Closing net debt	**(24.6)**	**(29.0)**

	12/13 £'m	11/12 £'m
Inventory	(0.3)	(3.8)
Debtors	(1.5)	(5.2)
Payables	(0.8)	(0.7)
Movement in working cap	**(2.6)**	**(9.7)**

- Continued gains in working capital management led to £4.9m improvement in operating cash flow
- Investment expenditure closely managed to focus on rapid payback projects and SAP
- Financing costs reflect higher rates agreed in prior year H2 facility extension (now extinguished)
- Other movements includes capitalised accrued re-financing costs of £0.9m (paid post period end)

Working capital ratio continues to be tightly managed and improved





- Average working capital ratio was 4.6% better than PY at 21.1%. Achieved with:
  - SAP established in USA
  - centralised collections in Europe
  - improved stock profiling
  - improved creditor terms
- Stock £2.9m below prior year. SAP a major help in managing US stock levels and debtors.
- Incentive plans continue to focus on working capital and cash management (50% of potential awards) aligned to continuous improvement
- Long term working capital ratio continues to trend down
- SAP coming on stream in more locations will help drive the continuous improvement
- Goal for 2012/13 is a 10% reduction in average working capital ratio to deliver a full year result consistent with c.21% in H1

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Balance sheet remains healthy with leverage reduced on prior year H1

	30 Sept 2012 £'m	30 Sept 2011 £'m
Goodwill	22.1	22.8
Fixed assets	53.9	54.9
Deferred tax	18.1	17.9
Inventories	45.0	47.9
Receivables	34.3	37.8
Payables	(38.6)	(39.4)
Net borrowings	(24.6)	(29.0)
Provisions	(1.0)	(1.2)
Retirement benefit obligations	(61.1)	(62.0)
Other assets	0.5	1.0
Net assets	**48.6**	**50.7**
Gearing (D/(D+E))	**34%**	**36%**

- Deferred tax assets a source of enduring value in reducing cash tax payments

- Net debt reduced due to gains in working capital management
- Re-financing completed at the end of the period with new to Renold club
- Immediate reduction in margins will reduce cost of capital
- Opportunities to simplify international banking relationships, facilities and costs
- Will enable annual cash savings of c£0.5m (full year basis 2013/14)

- Changes in deferred tax asset values driven by pension deficit movements
- Leverage (rolling 12 month debt/EBITDA) fell to 1.6x from 1.9x in the prior year
- Changes in pension deficit covered in more detail on next slide

Pensions

Actions to reduce underlying structural deficit continue while cash flows remain relatively stable at c.£5.5m p.a.

Balance Sheet	30 Sept 2012 £m	31 Mar 2012 £m
UK deficits net of deferred tax	(27.2)	(23.9)
Overseas funded net deficits	(1.8)	(2.4)
Total funded net pension obligation	**(29.0)**	(26.3)
Total unfunded schemes (non UK)	**(19.1)**	(18.9)

Variance	**£m**
Discount rate	(13.8)
Inflation	12.6
Deferred tax asset	0.5
Net other	(2.6)
Movement in UK Liability	**(3.3)**

- UK deficit increased primarily due to changes in market conditions:
  - Falls in corporate bond yield affecting the discount rate (from 4.9% to 4.3%)
  - Reduction in long term outlook for Consumer Price Inflation (from 2.0% to 1.3%)
  - Small decrease in asset values (net £1.8m driven by benefit payments)
  - Management action on pension exchange, dependents pensions and mortality
  - Other options to manage liabilities and annual cash costs are under review

- Overseas net deficit mainly unfunded German scheme (£18.9m net liability). Scheme closed to new members and future accrual. Funding expected to reduce by over 40% in the next ten years

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Outlook

Macro economic uncertainty is continuing around the world

- **Confidence remains in long term prospects for TT target markets**
- **Reviewing options to enhance Chain margins and reduce break even point**
- **Cost reduction measures intensified**
- **A number of major distributors have indicated an end to de-stocking**
- **Continued focus on working capital management and cash generation**
- **Benefits of the re-financing to be captured over the course of H2**

Aiming to improve margins and conserve cash in a weak and uncertain economic climate

Thank you.

Q&A

Strong global brand recognition and reputation for engineering excellence

Overview

- Revenue in over 105 countries worldwide
- Manufacturing in 14 locations in 9 countries
- Top 10 customers represent 22.3% of revenue, with largest single customer 4.9%

High performance Chain solutions

- 74% of Renold revenue
- 3.1% operating margin
- Global market in excess of £1bn[*1]

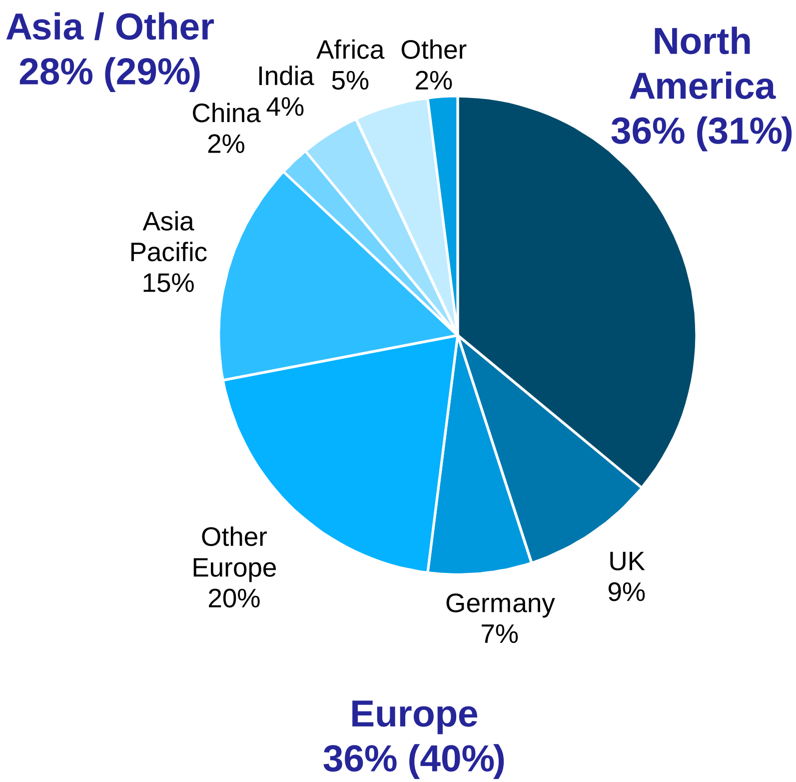
Engineered Torque Transmission applications

- 26% of Renold revenue
- 12.4% operating margin
- Four key sectors addressable markets >£1.1bn[*1]

Geographical sales demand (Chain and TT)

- North America 9% up on PY
- Europe 14% down (economic slowdown)
- Asia Pacific 2% down (Aus down 5% - commodities)
- India down 26% (Rmb / Rupee FX rate)

Revenue by customer location 2012/13 (11/12)



[*1] Company estimates

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