

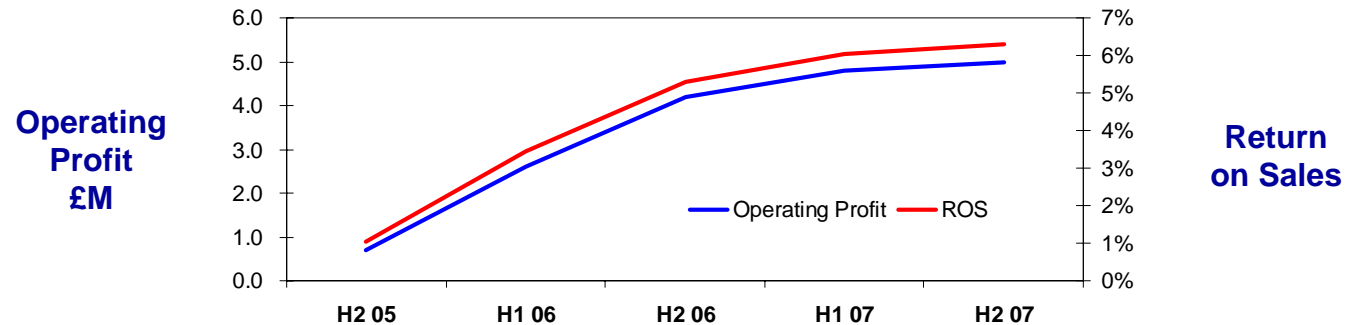
Preliminary Results - June 2007



RENOLD

Executive Summary

- Four halves of improving profits, set to continue



- Profit and cash enhancement plan (“PACE”) is on schedule
- Automotive and Machine Tool Businesses sold
- New banking facility in place - debt level reduced
- Acquisition of 90% interest in the industrial chain business of Hangzhou Shanshui (HZSS) in June ‘07

Agenda

Renold Overview

Financial Summary

Profit And Cash Enhancement (PACE) Status

Renold Hangzhou

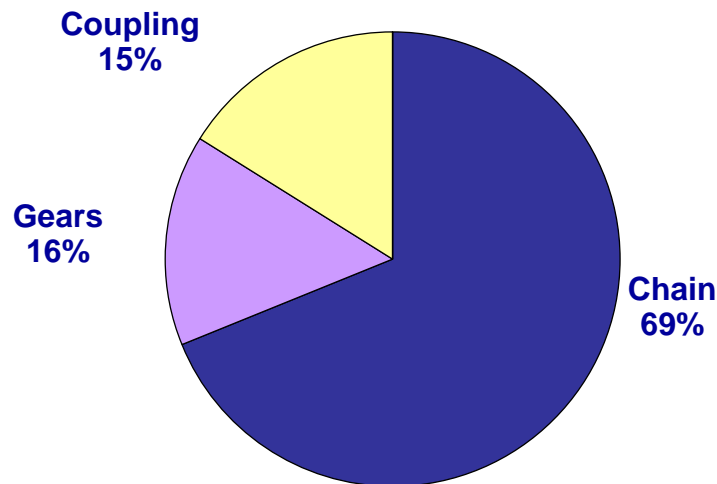
Supplier of the Year Award

Summary

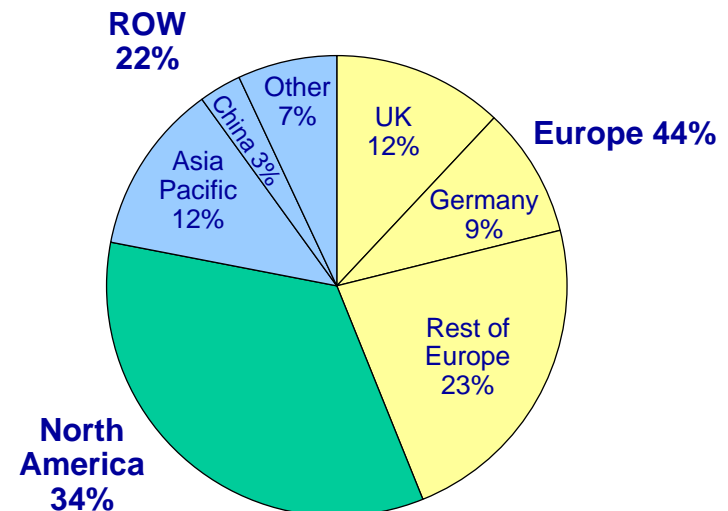
Renold Products & Market

- A company focused on Industrial Power Transmission Chain, Gears and Couplings
- 2006/07 Revenue of £159.3m
 - Sales to over 90 countries
 - Selling companies located in 18 countries
 - Manufacturing in 9 countries
 - 2,500 employees worldwide
 - Serving a wide range of customers and markets

Revenue by Product Group



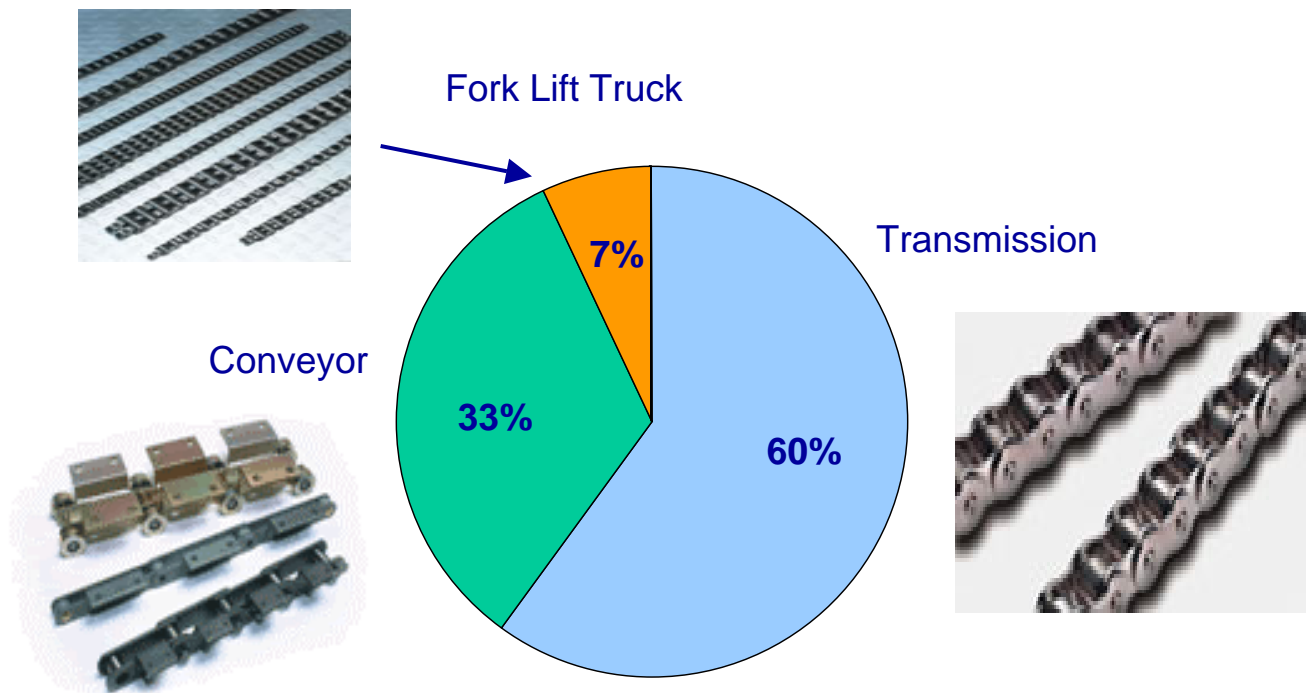
Revenue by Geography



Chain Products

- 3 Chain product families, Transmission is the largest
 - Renold invented transmission chain and is the number 2 player globally, number 1 in Europe and number 2 in the US

Chain Product Families



Chain Products: Transmission

Product Overview

- Global Sales £78M
- Very strong brand recognition
- Synergy carries significant price premium
- Strong technical differentiation
- Wide range of products / applications
- Extensive multinational customer base

Markets Served

- Building Materials
- Packing/Packaging
- Confectionary
- Construction
- Conveying
- Food Processing
- General Machinery
- Marine
- Mining
- Paperworking
- Printing
- Skid Steer
- Steel Mill
- Wood Processing

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Synergy



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Syno



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Chain Products: Conveyor

Product Overview

- Global Sales £33M
- Provide Engineering solution
- Extensive application knowledge
- Operate in extreme environments

Markets Served

- Agriculture
- Construction
- Food and Drink
- People Movement
- Leisure Industry
- Material Handling



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Gear Products

Product Overview

- Global sales £25M
- Manufacturing in Milnrow (UK), South Africa
- Focus on
 - Engineering solutions
 - Maintenance and overhaul
 - Large custom worm gears

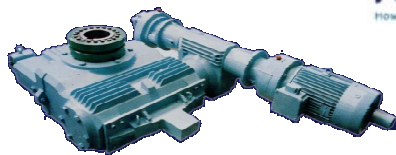
Markets Served

- Power
- Chemical
- Metals
- Mining
- Repairs and Engineering
- Diesel Engines
- People Movement

Power Station - Air Preheaters



Howden
Howden Power



Escalator Drives



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Coupling Products

Product Overview

- Global sales £24M
- Manufacturing in Westfield (USA), Halifax (UK) and Cardiff
- Large Gear Coupling capability
- High Integrity system provider

Marine propulsion drivelines



Markets Served

- Mass Transit
- Steel
- Marine
- Power Generation
- Oil, Gas
- Mining

Mass transit and Locomotive



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Summary

Key Features 2007 (Continuing Operations)

- P&L continuing to improve
 - Sales growth of 6% at constant exchange rates
 - Operating profit increased 44% to £9.8M
 - Operating margin increased to 6.2%; target remains >10%
 - Tax rate normalised at approximately 40%
- ROCE improved to 15%; target remains >20%
- Pension deficit decreased £5.9M principally due to increased bond rates; target remains to reduce UK pension deficit to <15% of market capitalisation

Group Income Statement (Continuing Operations)

Financial Summary

£M, Year end 31 March	2006/07	2005/06	Variance
Revenue	<u>159.3</u>	<u>155.0</u>	<u>4.3</u>
Operating profit before exceptional items	9.8	6.8	3.0
Exceptional items	<u>(5.9)</u>	<u>(1.4)</u>	<u>(4.5)</u>
Operating profit	3.9	5.4	(1.5)
Net financing costs	<u>(2.5)</u>	<u>(3.6)</u>	<u>1.1</u>
<i>Profit before tax and exceptional items</i>	<u>7.3</u>	<u>3.2</u>	<u>4.1</u>
Profit before tax	1.4	1.8	(0.4)
Tax	<u>(0.6)</u>	<u>(1.5)</u>	<u>0.9</u>
Profit after tax	<u>0.8</u>	<u>0.3</u>	<u>0.5</u>
Adjusted earnings per share	8.4p	1.7p	6.7p
Operating profit margin (before exceptionals)	6.2%	4.4%	1.8%

Group Cash Flow Statement

£M, Year end 31 March	2006/07	2005/06
Continuing operations	10.3	4.7
Discontinued operations	(4.7)	1.7
	5.6	6.4
Taxes paid	(1.4)	(1.7)
Net cash from operating activities	4.2	4.7
Investing activities	(0.8)	(3.7)
Financing activities	2.8	3.6
	6.2	4.6
Increase in cash and cash equivalents	6.2	4.6
Movement in net debt (£M)		
Movement in cash and cash equivalents	6.2	4.6
Movement in debt and lease financing	(6.3)	(6.9)
Foreign currency translation differences	1.4	(0.9)
Net debt at start of period	(20.7)	(17.5)
Net debt at end of period	(19.4)	(20.7)

Group Balance Sheet

Financial Summary

£M	31 Mar 07	31 Mar 06
Goodwill	15.2	17.1
Property, plant and equipment	34.0	38.2
Inventories	33.1	36.5
Receivables	30.5	26.1
Deferred tax	16.1	17.7
Payables	(37.9)	(32.7)
Net borrowings	(19.4)	(20.7)
Provisions	(5.2)	(0.4)
Retirement benefit obligations	(48.0)	(53.9)
Other assets	5.5	3.7
Net assets of discontinued operations	-	9.0
Net assets	23.9	40.6

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Summary

1. Restructure Manufacturing Base

Migrate to low-cost countries

Access to existing and emerging markets.

2. Rationalise Logistics and Supply Chain

Reduce Inventory by centralising warehousing and management

3. Disposals and Cash Realisation

Disposal of property assets

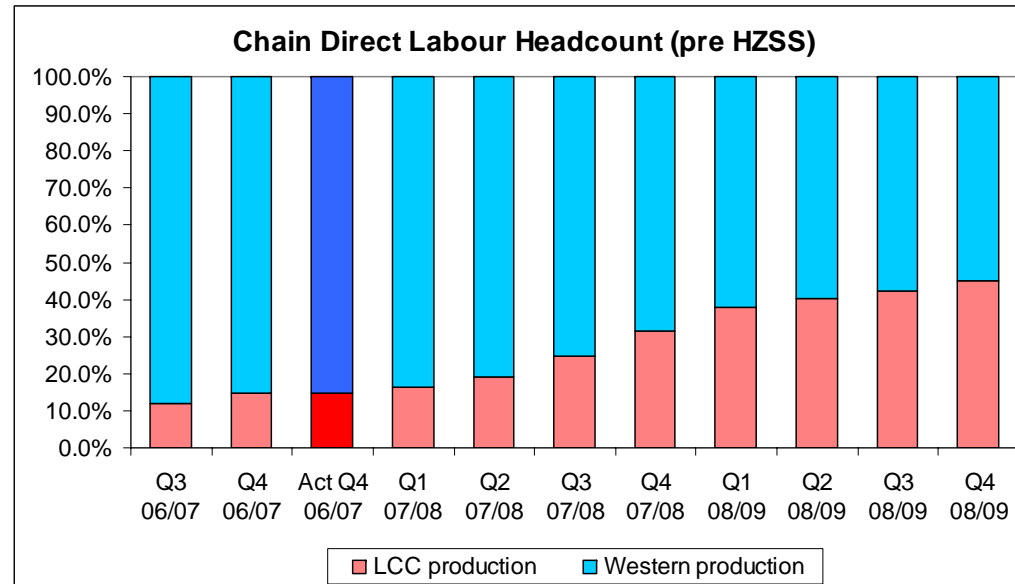
4. Manage Risks

Pension
Tax
Energy
Forex
Steel

- An annualised reduction in manufacturing costs of £5.8m
- Reduce working capital to 20% of sales (actual 17%)
- Improve ROCE after full impact of savings to >20% (actual 15%)
- Establish springboard for future sales and margin growth

1. Manufacturing Restructuring

.....Migrate to low-cost countries and improve access to existing and emerging markets



- Poland established 15 months ago, achieved initial planned headcount of 100
 - moving to larger premises in June, no disruption expected
- Malaysia started shipping Palm Oil Chain in August on schedule
 - now developing new products for the local market.
- Greenfield facility in Beicai, China delivered first products in March
 - ramp up continues on schedule
- Capital expenditure reduced from £8M to £4M through acquisition of HZSS

2. Logistics and Supply Chain

.....Reduce Inventory by centralising warehousing and management

- Inventory reduction of £4M on schedule for 2008/09
- A £2.7M write-off was taken in March '07
- Working capital to sales ratio is down to 17%
 - driven by all elements of working capital and sales
- Warehouse consolidation is proceeding as per plan
 - three locations closed during the year
 - three more planned for 07/08
 - common software, Movex, in all European location (except Switzerland)
- New logistics director, ex-IBM, in place to drive Supply Chain improvements
- Continued focus on lean and process improvement

3. Disposals and Cash Realisation

- Intent is for PACE to be funded from inventory reduction and property sales
- Expected proceeds from property sales is still circa £10M
- Renold Hangzhou acquisition for £2M reduces future Capex by £4m
- Burton Property
 - revised planning application submitted based on mixed use
 - on the agenda for June Council meeting
 - gross cash expected £6.4M
- Other properties
 - one in Europe on schedule to sell this year
 - the others expected to sell in 08/09

4. Risk Management

- Pensions
 - Progressive asset management agreed
 - 20% to be invested in fund of Hedge Funds
 - enhanced return
 - reduced volatility
 - better management of risk/reward
- Energy
 - Majority of energy contract now fixed for 2008
 - eliminated volatile component of the P&L
- Forex
 - New bank facilities enabled extension to hedging
 - 70% of 12 month USD/GBP exposure hedged
- Tax
 - Tax planning opportunities pursued
 - 2006/07 tax rate normalised at approximately 40%

Renold Overview

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Profit And Cash Enhancement

Renold Hangzhou

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Summary

Renold Hangzhou: introduction

- Sales of \$9M in 2006
- 23,000m² production area
- 375 employees
- Products
 - transmission chain
 - light conveyor chain
 - motorcycle drive chain



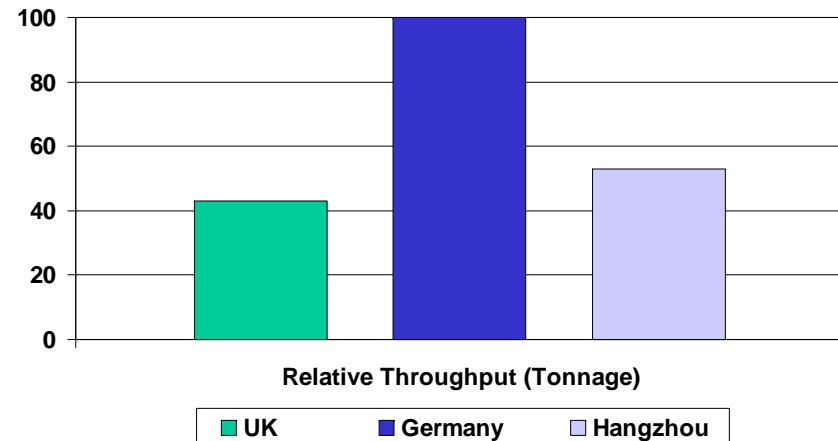
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Renold Hangzhou: benefits

Opportunities

- PACE product transfers
- Access to large growing Chinese market
- Regain business in US/Europe on price
- Penetrate lower cost market

Comparative Size



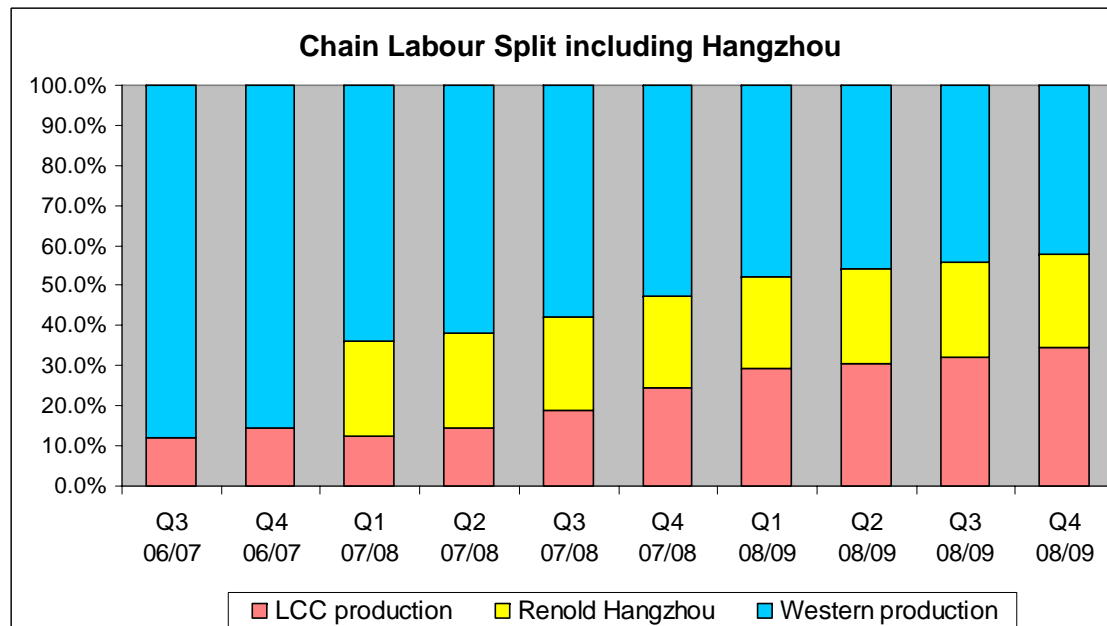
Benefits of Acquisition (vs. Outsourcing)

- Quality control
- Safeguard brand strength
- Better leverage Renold's engineering/manufacturing skills
- Product differentiation



Accelerating Migration to Low Cost Countries

Renold Hangzhou



← Impact of Hangzhou



- Direct labour in LCC is now 36%
- Target moves from 40% to 60%

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Preliminary Results - June 2007

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Renold Hangzhou

Supplier of the Year Award

Summary

Supplier of the Year Award

- Applied (AIT) are one of the largest Industrial Distributors in the US
- They are Renold's largest customer
- Their Award criteria were
 - Customer service
 - Quality
 - On-time delivery
 - Product innovation
- Renold was also named 'Top 5' Supplier to Kinecor, largest Canadian Power Transmission distributor on similar criteria
- Won a large £2M plus order from a major OEM on technical performance

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Applied® is proud to present our
2006 Vendor of the Year Award to

**RENOLD
JEFFREY**

and we want everyone to
H.E.A.R. about it!

We are promoting our partnership by...

HIGHLIGHTING

Renold Jeffrey products and promotions on our Web site and in our quarterly magazine.

ENCOURAGING

Learning with an internal training curriculum regarding Renold Jeffrey.

AWARDING

Renold Jeffrey sales associates when they share their Applied® – Renold Jeffrey success stories.

RECOGNIZING
PR opportunities on the
Applied® – Renold Jeffrey
partnership.

**Congratulations!**

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Summary

2007 Summary

- Turnaround of the business now well established
 - New Chairman, Finance, Senior Independent and Non Executive Directors
 - Legacy problems fixed (financing, disposals)
 - Restructuring plan (PACE) has clear deliverables
- PACE execution is ahead of schedule, underpinned by Hangzhou acquisition
- Results to date:
 - Operating profit of £9.8m, up 44%
 - Operating cash flow of £10.3m, up 120%

A year in which Renold delivered against both its financial and operating plan making significant progress in positioning the Group for future success with a clear strategy for its delivery

Future Plans

- PACE programme on schedule to deliver 10% ROS run rate in 08/09 with upside thereafter
- Further improvements in operating cash generation from reducing inventories plus cash from property disposals
- Post 'PACE' opportunities will begin to develop next year in Asian markets as well as to secure market leadership in US and Europe.

A good platform for growth going forward has been established