



Delivering
performance

RENOLD

www.renold.com



Preliminary Results

**Acquisition of 75% interest in
Industrial Chain business in India**

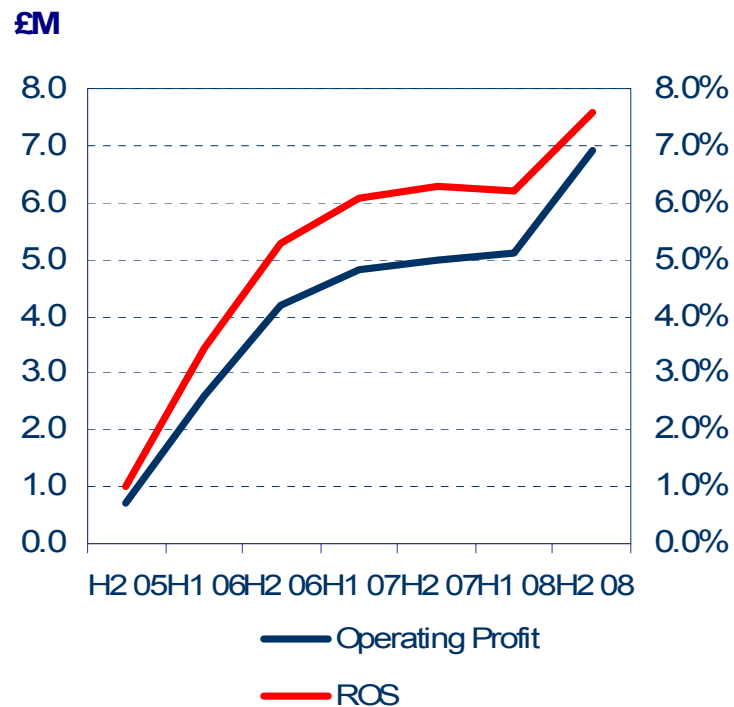
10% placing

June 2008

Highlights

Delivering to plan, seizing new opportunities

Six consecutive halves of improving profits



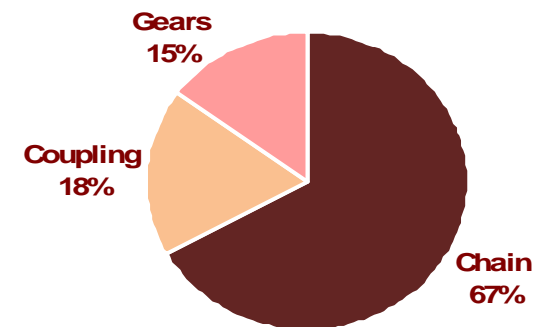
- Pre-tax & exceptionals profit of £9.1M
 - Ahead of consensus forecast
- EPS of 8.5p
 - Ahead of consensus forecast
- Operating profit increased by 22% to £12M
- Positive outlook
 - Order book 27% higher year-on-year
 - Major new contract wins including \$14M for New York Mass Transit Authority
- Low cost manufacturing ahead of plan
 - Renold Hangzhou capacity more than doubled since acquisition
 - Planned acquisition of LGB Industrial Chain in India brings significant new opportunities

Group profile

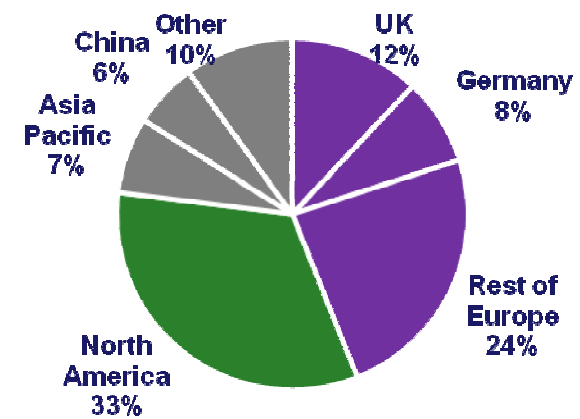
Renold is a leader in the Industrial Steel Chain market

- Our core business is industrial transmission chain
 - A £1Bn global market
 - Renold is
 - The market leader in Europe
 - The global number two
 - A brand leader
- We also manufacture specialist engineered products in Gears and Couplings
- Quick facts
 - 2007/08 Group Revenue of £172.6M
 - Sales to over 90 countries
 - Selling companies located in 19 countries
 - Manufacturing in 9 countries
 - 2,500 employees worldwide
 - Serving diverse sectors and customers

Revenue by Product Group



Revenue by Geography



Financial summary

P&L and Balance Sheet strengthened

- P&L continuing to improve
 - Sales growth of 8% to £172.6M
 - Operating profit increased 22% to £12.0M
 - Operating margin increased to 7.0%; target remains >10%
 - Tax rate reduced to 33% from 43%
- ROCE improved to 17%; target remains >20%
- Pension deficit decreased by £16.8M principally due to increased bond rates;
 - Net UK pension deficit of £6.8m now 12% of market capitalisation; target set <15%

Group Income Statement

Continuing trend of profit improvement

(£ m) Year end 31 March	2004/05	2005/06	2006/07	2007/08	Variance
Revenue	143.2	155.0	159.3	172.6	13.3
Operating profit before exceptional items	4.6	6.8	9.8	12.0	2.2
Exceptional items	(4.2)	(1.4)	(5.9)	0.2	6.1
Operating profit	0.4	5.4	3.9	12.2	8.3
Net financing costs	(2.2)	(3.6)	(2.5)	(2.9)	(0.4)
Profit before tax and exceptional items	2.4	3.2	7.3	9.1	1.8
Profit before tax	(1.8)	1.8	1.4	9.3	7.9
Tax	1.5	(1.5)	(0.6)	(3.1)	(2.5)
Profit after tax	(0.3)	0.3	0.8	6.2	5.4
Adjusted earnings per share	3.8p	1.7p	8.4p	8.5p	+0.1p
Operating profit margin (before exceptionals)	3.2%	4.4%	6.2%	7.0%	80bps

Group Cash Flow Statement

Investing for future growth

(£ m) Year end 31 March	2006/07	2007/08
Continuing operations	10.3	4.5
Discontinued operations	(4.7)	-
	5.6	4.5
Taxes paid	(1.4)	(2.3)
Net cash from operating activities	4.2	2.2
Investing activities	(0.8)	(3.2)
Financing activities	2.8	(1.3)
Increase in cash and cash equivalents	6.2	(2.3)
Movement in net debt		
Movement in cash and cash equivalents	6.2	(2.3)
Movement in debt and lease financing	(6.3)	(1.3)
Foreign currency translation differences	1.4	(0.9)
Net debt at start of period	(20.7)	(19.4)
Net debt at end of period	(19.4)	(23.9)

Operating cash flow breakdown

£M	2006/07	2007/08
PBT	1.4	9.3
Dep/Amort	4.9	5.1
Finance	2.5	2.9
Inventory	1.2	(5.0)
Receivables	(2.3)	(3.0)
Payables	4.1	2.4
Profit on PPE	0.1	(3.0)
Pension plans	(3.5)	(4.0)
Other	1.9	(0.2)
	<u>10.3</u>	<u>4.5</u>

Inventory impacted by:

- increased volumes
- steel input costs
- product relocation

Investing activities includes:

- £2M RHZ acquisition cost
- £2m post-acq capex

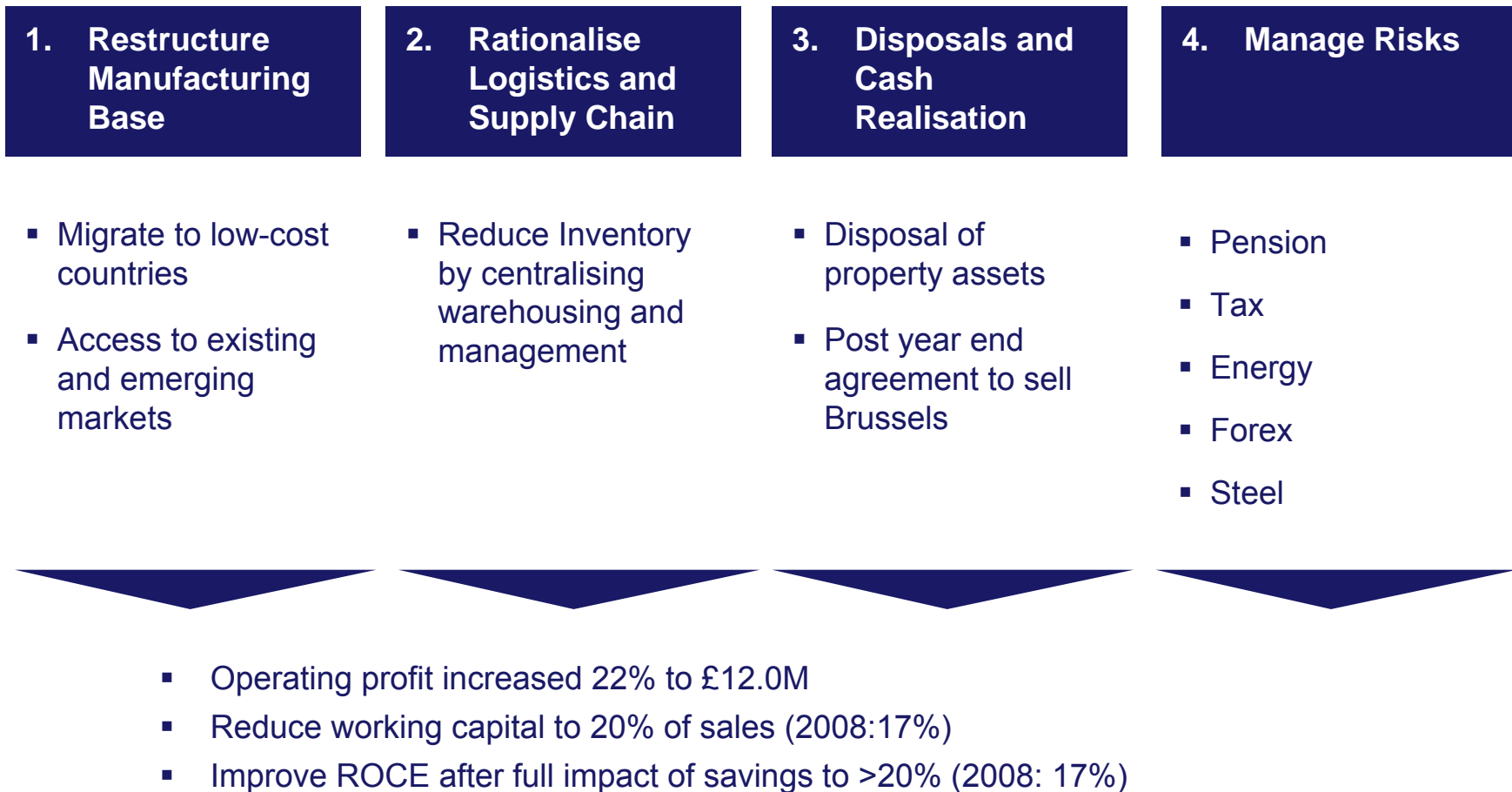
Group Balance Sheet

Balance Sheet strengthened further

(£ m)	31 Mar 07	31 Mar 08
Goodwill	15.2	16.3
Property, plant and equipment	34.0	39.5
Inventories	33.1	41.0
Receivables	30.5	35.6
Deferred tax	16.1	8.3
Payables	(37.9)	(42.5)
Net borrowings	(19.4)	(23.9)
Provisions	(5.2)	(4.4)
Retirement benefit obligations	(48.0)	(31.2)
Other assets	5.5	2.3
Net assets	23.9	41.0

The PACE program

Profit and Cash Enhancement Programme



KPIs

Continuing progress

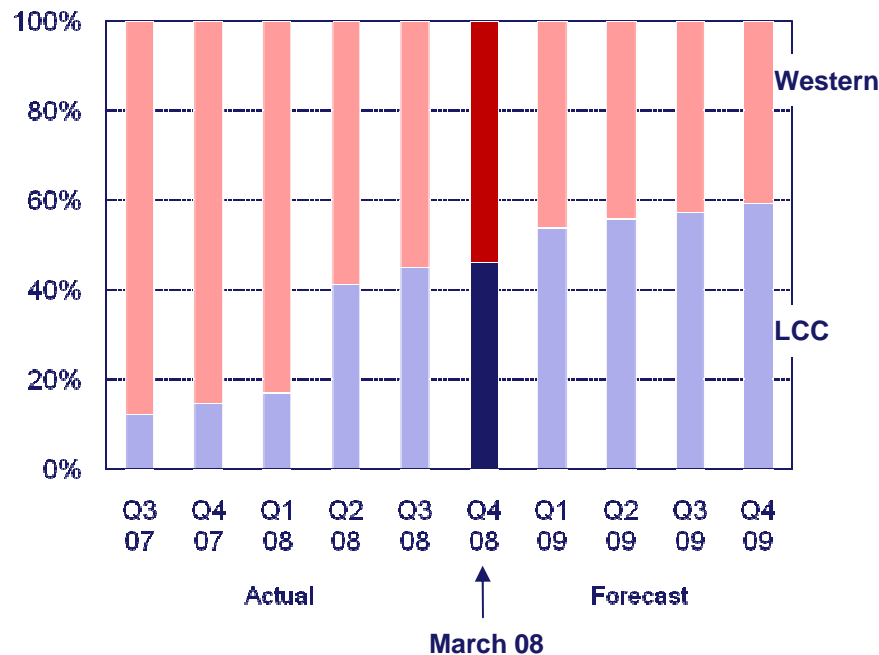
Year end 31 March <i>£m unless stated otherwise</i>	2005/06	2006/07	2007/08	Variance 05/06-07/08
Revenue	155.0	159.3	172.6	17.6
Operating profit before exceptional items	6.8	9.8	12.0	5.2
EPS	1.7p	8.4p	8.5p	6.8p
RoS	4.4%	6.2%	7.0%	260bps
ROCE	8%	15%	17%	900bps
WC % of sales	19%	17%	17%	200bps
LCC direct Labour	3%	12%	46%	4300bps
Tax rate	83%	43%	33%	500bps
Net debt	21	19	24	(3)
Pension deficit	54	48	31	23
UK net pension deficit % of market cap	58%	20%	12%	460bps

1. Manufacturing Restructuring

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

Employee Proportion: Western vs. LCC

(by financial year quarter; y/e March)



Excludes proposed LGB acquisition

- Two key strategic drivers
 - Reduce unit costs for our sales to core developed markets
 - Gain new access to high-growth developing markets
- Renold Hangzhou, China
 - production capacity more than doubled
- Poland increased to 176 employees and relocated to larger premises in June 2007
- Malaysia now producing Palm Oil Chain for local market
- Greenfield facility in Beicai, China
 - now dedicated to Gears & Couplings

China - Renold Hangzhou update

Rapid transformation

- Capacity more than doubled since acquisition
- £2M Capex invested
- Product transfers progressing well
- Business profitable at March 08
 - despite impact of steel price in Q4
- Health & safety and quality systems improved
- R&D centre established
- Successful customer audits



Proposed Acquisition - LGB

Key Features

Industrial Chain Manufacturer

- Sales c £8M
- Market leader in India
- Existing export business
- Renold to acquire 75% interest with the remaining 25% retained by LGB
- c 500 employees
- Strong engineering capability
- Capacity for expansion
- Good quality systems
- Use SAP business system
- Results audited by Deloitte
- Completion expected in July
- Acquisition to be primarily funded by cash (via an equity placing by Renold)



LGB options

New opportunities for outperformance

Benefits of Acquisition vs Outsourcing

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



Complementary to China acquisition

- Access to India market at an early stage of development
- Higher quality raw materials
- Compatible product lines with excellent Conveyor chain capability
- Strong local engineering skills

LGB growth

Going forward

Opportunities

- Access to Indian market growing at 8%+
- Pull existing Renold products through established distribution network in India
- Sell existing LGB products through Renold channels to markets globally
- Exploit strong links to Middle East



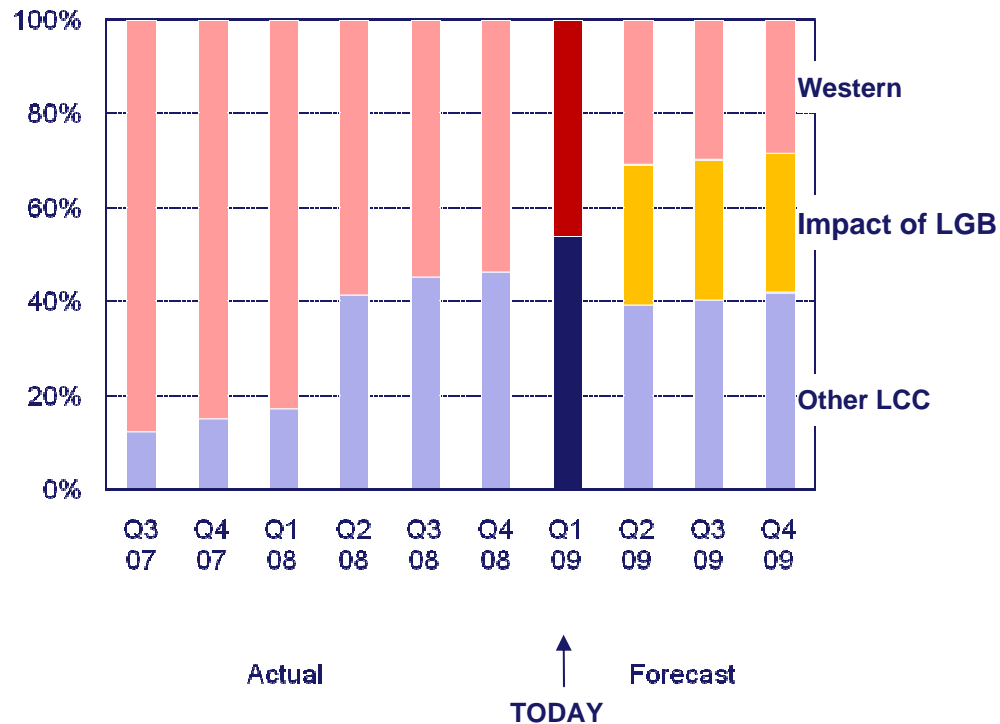
- Cost effective R&D potential for accelerated product development
- Currently profitable but will be off set this year by addition of people resources to gain opportunities

Accelerating Migration to Low Cost Countries

LGB augments the move to LCC

Employee Proportion: Western vs. LCC

(by financial year quarter; y/e March)



- Direct labour in LCC is now 46%
- Increased target of 60% will be exceeded following Indian acquisition

Background to and reasons for the placing

Funding future growth

- Growth of Renold to date has been primarily funded by debt and internal resources
- Acquisition of 75% stake in LGB Industrial Chain business for initial cash consideration of £6.9M (maximum deferred element £2.1M)
- Pay down UK debt and add debt in India
- Maintain balance sheet strength
 - Debt to EBITDA 1.25x
 - Interest cover 5x
- Broaden Company's shareholder base

Successfully raised £5.3m

Outlook

Continued progress expected despite uncertain economic environment

Challenges:

- Recovery of input cost increases - predominantly steel, energy and freight, by
 - Price increases
 - Cost reduction
- Uncertain global economic environment

Addressed by:

- Developing markets exposure
 - Large industrial chain market exists in new territories where currently we take less than 1% of sales
 - New facilities in India and China are a good platform
- Diverse exposure – a genuinely global and multi-sector mix of customers and products
- Maintenance, repair and overhaul make up over 50% of Chain sales
- Group order book, + 27% higher than May 07
- Long term contracts won during the year
 - USD 14M for Phase 2 New York Mass Transit Authority commenced May 08
 - Further wins in the pipeline

Conclusions

Summary of 2007-2008

- Results to date: Operating profit of £12.0m
 - 22% up on 06/07
 - 76% up on 05/06
- PACE programme on track
- Low cost manufacturing ahead of plan
 - Hangzhou capacity more than doubled
 - Acquisition of LGB Industrial Chain in India brings significant new opportunities
- Major new contract wins including \$14m New York Mass Transit Authority
- Stronger balance sheet gives flexibility to take advantage of opportunities as they arise

Significant tangible progress

Outlook

- Many positive drivers
 - Strong order book and contract wins
 - Controllable profit improvement actions from recent acquisitions
 - Further controllable margin opportunities from continuation of PACE
 - Growth in India, China and other parts of the emerging chain market
 - We have all the key pieces required to execute our strategy
- Sensible caution

Clear strategy for delivery