Delivering Growth

2011 Interim Results

RENOLD

A combination of cost reductions and double digit sales growth has led to further significant improvement in profitability and EPS. Order book supports continuation of this trend in H2

- Operating profit before exceptional items more than doubled to £6.3m (H1 2010: £3.1m)
- Adjusted EPS increased by over 150% to 1.8p (H1 2010: 0.7p)
- Underlying sales growth of 13%
- Underlying order intake still outstripping revenue growth
- Order coverage for next quarter above historical levels
- Average working capital ratio 1.9% better than H1 2010 (period end 4.7% better)
- Active pensions liability management continues
- SAP implemented in the US with Europe to follow next year

* Throughout this document the use of 'Underlying' means after eliminating the impact of movements in foreign exchange rates and exceptional items

Global company, diverse portfolio and good exposure to emerging markets

Global manufacturing operation serving a wide range of customers and markets

-H1 sales 2011/12: £106m (Full year 2011 £191m)

-H1 2011/12: rolling 12 month EBITDA £15m

-Sales in over 105 countries worldwide

-Selling companies located in 20 countries

-13 manufacturing sites worldwide

-Approximately 2,700 employees worldwide

-No customer is greater than 5% of sales

Recent history has been a focus on migration to LCCs to reduce cost and expand market opportunities

-November 2009 equity raise of £27m

-£16m action on cost base during recession

-2008 acquired £7.0m sales business in India

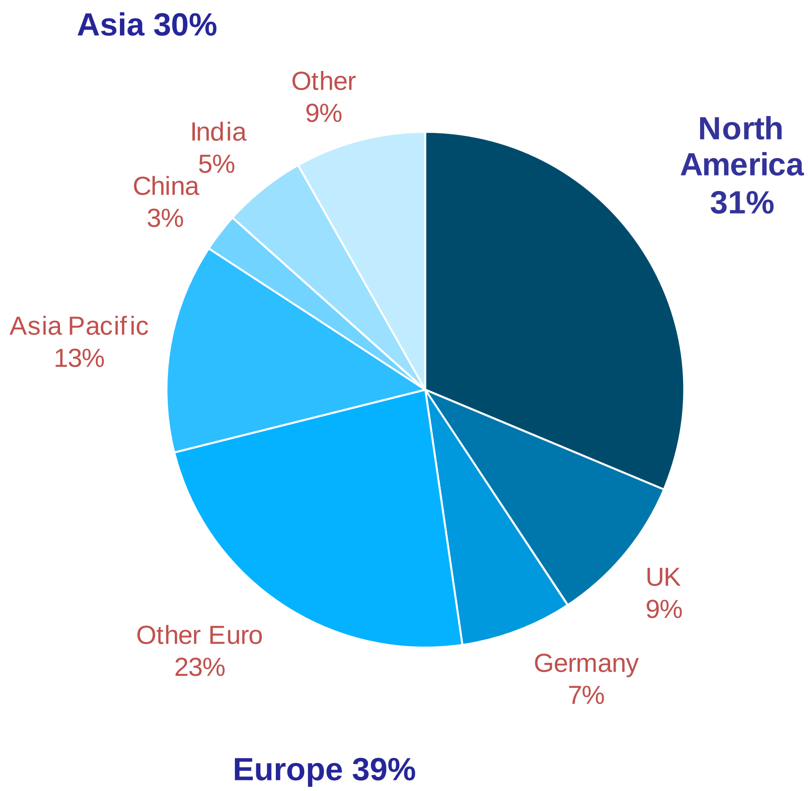
-2007 acquired £7.0m sales business in China

-2007 opened a manufacturing facility in China

-2006 opened a manufacturing facility in Malaysia

-2006 sale of Automotive and Machine Tool Divisions

£106m H1 Revenue 2011/12 by sales destination



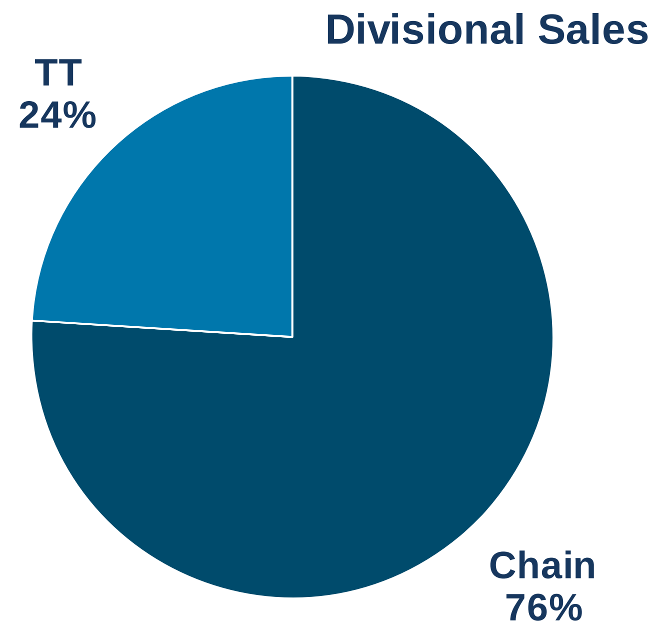
Excellent reputation for high quality engineering with strong brand recognition in industrial chain and torque transmission markets

Largest division is industrial steel chain (76% sales)

- £1bn global market, #2 global player by market share
- Market leader in Europe, US, Australia and India
- Acquisitions in China, India and Malaysia green field site:
  - Reduced cost of existing product
  - Increased addressable market from £0.6bn to £1.0bn
- Full range of products at all price and performance levels

Torque Transmission division (24% sales)

- Engineered products for bespoke solutions
- Designs specific to application
- Focus on growing markets
  - Mass transit (addressable market £300m)
  - Energy (addressable market £300m)
  - Metals (addressable market £350m)
  - Quarrying & Mining (addressable market £150m)
- Products are bespoke and often technically demanding (high barriers to entry)



Group Income Statement

Operating profit doubled in the period on double digit revenue growth and prior year cost reductions

Underlying Analysis	11/12 £'m	10/11 £'m	Var £'m	Var %
Revenue as reported	**105.5**	92.9		
Impact of FX	**-**	0.7		
Underlying Revenue	**105.5**	93.6	**11.9**	**13%**
Operating Profit as reported	**6.3**	3.1		
Impact of FX	**-**	-		
Underlying Operating Profit	**6.3**	3.1	**3.2**	**103%**
Underlying Return on Sales %	**6.0%**	3.3%		
Exceptional items	(0.4)	(0.2)		
Financing costs	(2.2)	(2.5)		
Profit before tax	**3.7**	0.4		
Adjusted earnings per share (pence)	**1.8**	0.7	**1.1**	**157%**

- Underlying revenue has increased by 13%
- Incremental revenue converted to operating profit at a rate of just under 30%
- Over 150% increase in adjusted EPS

Segmental Analysis - Chain

Chain operating margin increased by 100%

Underlying Analysis	**11/12 £'m**	**10/11 £'m**	**Var £'m**	**Var %**
Revenue as reported	**79.7**	69.1		
Impact of FX	**-**	1.4		
Underlying Revenue	**79.7**	70.5	**9.2**	**13%**
Operating Profit as reported	**4.8**	2.0		
Impact of FX	**-**	0.1		
Underlying Operating Profit	**4.8**	2.1	**2.7**	**129%**
Underlying Return on Sales %	**6.0%**	3.0%		

- Underlying revenue has increased by 13% with double digit growth in all three principal regions
- India sales up 16% while China factory output increased by another 15% on the prior year's 70% increase (and expected to grow further)
- Underlying operating profit before exceptional items increased by 130%
- Benefits being realised of projects completed at the end of the prior year (Seclin, Hebron)
- European back office restructuring accelerated to mitigate macro economic uncertainty and risk

Strong operating margins improved further while achieving 12% growth

Underlying Analysis	**11/12 £'m**	**10/11 £'m**	**Var £'m**	**Var %**
Revenue as reported	**25.8**	23.8		
Impact of FX	**-**	(0.7)		
Underlying Revenue	**25.8**	23.1	**2.7**	**12%**
Operating profit as reported	**3.8**	3.3		
Impact of FX	**-**	(0.1)		
Underlying Operating Profit	**3.8**	3.2	**0.6**	**19%**
Underlying Return on Sales %	**14.7%**	13.9%		

- Underlying revenue grew 12% with Quarrying and Mining achieving 35% growth
- Mass Transit behind 2010 half year due to the timing of contract awards
  - China JV manufacturing facility now being fitted out
- Firm order book coverage for Q3 is 95% of forecast sales
- Operating margin grew to 14.7% whilst allowing investment in cost base to support future growth

Group Cash Flow Statement

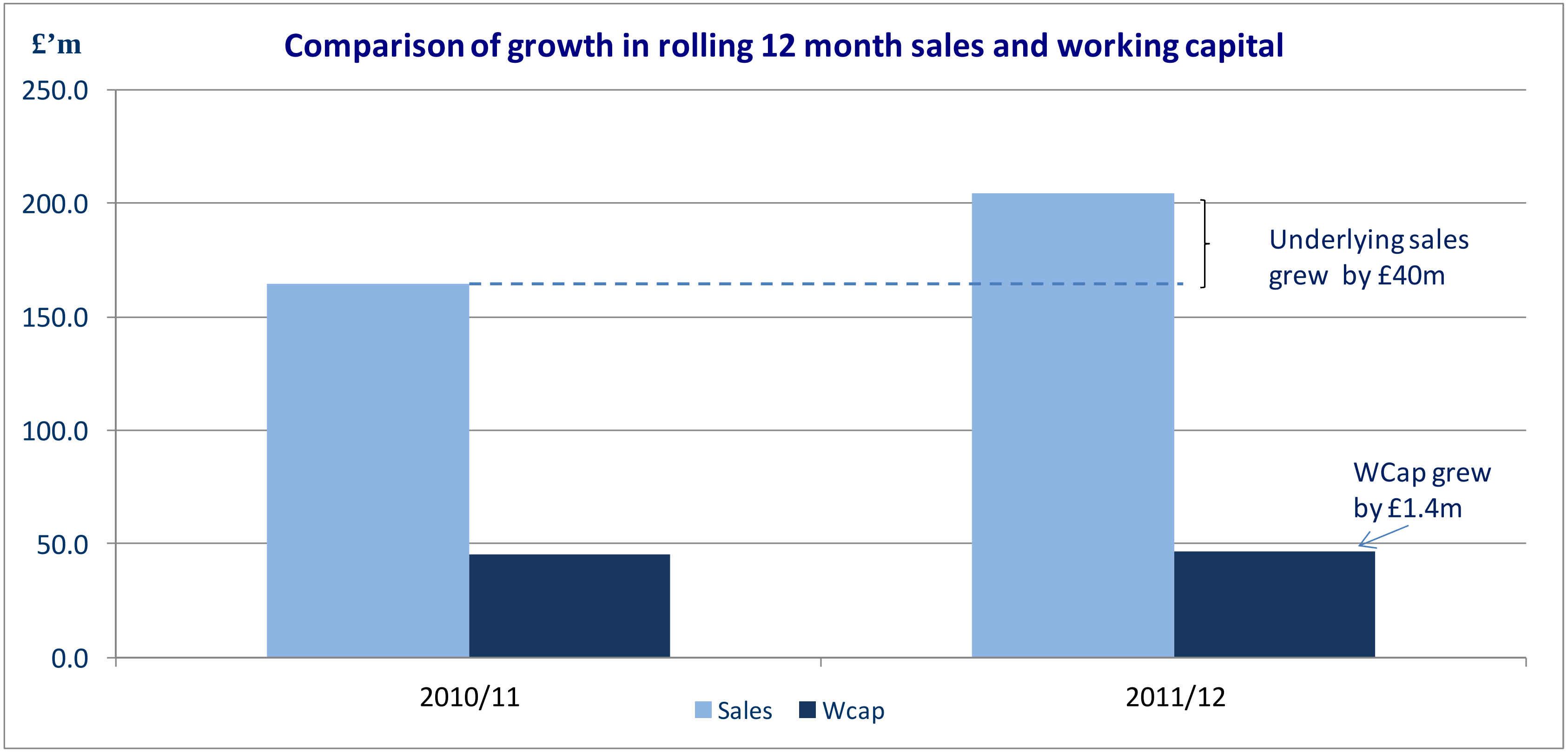
Cash out flow reflects business growth partially offset by improved working capital management

	11/12 £'m	10/11 £'m
Cash flow from operating activities	(4.1)	(2.2)
Taxes (paid) / refunded	-	-
Net cash from operating activities	**(4.1)**	(2.2)
Investing activities	(3.2)	(3.3)
Financing activities	(1.2)	(0.8)
Decrease in cash and cash equivalents	**(8.5)**	(6.3)
Foreign currency differences	(0.5)	0.6
Net debt at start of period	(20.0)	(17.9)
Net debt at end of period	**(29.0)**	(23.6)

	11/12 £m	10/11 £m
OP	5.9	2.9
Dep/Amort	2.3	2.5
Debtors	(5.2)	(5.4)
Inventory	(3.8)	(3.4)
Payables	(0.6)	1.8
Provisions	-	(0.1)
Pensions	(2.4)	(0.7)
Other	(0.3)	0.2
	(4.1)	(2.2)

- Business operations generated an additional £2.8m of EBITDA
- Underlying rolling annual sales £40m higher than prior year drives £5.2m debtor increase
- Additional inventory partly due to safety stock built for SAP implementation
- Creditor cash out flow in the period reflects payment of prior year accrued bonus
- Underlying period end working capital ratio improved to 22.7% (H1 2010: 27.4%)
- Pension cash flow mainly a timing difference following Triennial Review agreement

Working capital ratios improved throughout the period with the underlying September 2011 result being 4.7% ahead of the prior year



- Growth in underlying rolling 12 month sales 24% - funded with only 3.1% growth in working capital
- Throughout the period working capital was on average 1.9% ahead of prior year

Group Balance Sheet

Balance sheet remains healthy with leverage reduced on prior year H1

	30 Sept 2011 £'m	31 Mar 2011 £'m	30 Sept 2010 £'m
Goodwill	22.8	22.4	22.7
Fixed assets	54.9	55.1	53.4
Deferred tax	17.9	16.1	24.8
Inventories	47.9	44.1	45.6
Receivables	37.8	32.8	33.3
Payables	(39.4)	(40.2)	(34.1)
Net borrowings	(29.0)	(20.0)	(23.6)
Provisions	(1.2)	(1.2)	(0.9)
Retirement benefit obligations	(62.0)	(53.2)	(87.1)
Other assets	1.0	1.0	1.3
Net assets	**50.7**	56.9	35.4
Gearing (D/(D+E))	**36%**	26%	40%

- Changes in deferred tax asset values driven by pension deficit movements
- Leverage (rolling 12 month EBITDA / debt) reduced to 1.9x (H1 2010: 2.9x)
- Changes in pension deficit covered in more detail on slide 11

Actions to reduce underlying structural deficit continue while cash flows confirmed steady in completed Triennial Review

Balance Sheet	30 Sept 2011 £m	31 Mar 2011 £m
UK deficits net of deferred tax	(29.1)	(22.1)
Overseas funded net deficits	(0.8)	(1.0)
Total funded net pension obligation	**(29.9)**	(23.1)
Total unfunded schemes (non UK)	**(18.7)**	(18.9)

Variance	**£m**
Bond yields	(10.0)
Asset values	(5.3)
Inflation	8.0
Deferred tax asset	2.4
Net other	(1.7)
Movement in Liability	**(6.6)**

- UK deficit increased due to market conditions for asset values and bond yields:
  - Cash cost of the schemes remains flat (+RPI) for three years until the next Triennial Review
  - Pension Increase Exchange to reduce inflation risk and the underlying structural deficit
- 2011 Triennial Review completed:
  - Three year deficit repair contributions unchanged at £2.4m p.a. (+RPI)
  - Outstanding PPF levies of £3.1m reimbursed over five years
- Overseas net deficit is mainly the German scheme (£18.5m liability = net deficit). Scheme fully closed. Pensioners represent 62% of liabilities with average age of 74.7 years. Pay as you go scheme.

Strategic Objectives Progress

1. Target 10% RoS for the year ending 31 March 2013

- Chain division focus is on profitability and hence cost reduction
- French closure, US consolidation and European re-structuring save ~£3m p.a. by 2013/14
- Group RoS improved from 3.3% in H1 last year to 6.0%

2. Achieve 10% sales growth per year

- Torque Transmission focus is on growth markets with new Chinese JV for mass transit
- Chain addressable markets increased with products from our China, India and Malaysia facilities
- H1 sales growth 13% with higher than average order coverage for Q3

3. Cash generation

- Achievement of 10% RoS target in 2012/13 will generate ~£10m of free cash
- Reduced working capital ratio at 30 September 2011 by 4.7% compared to H1 2010
- Growth in rolling 12 month sales of £40m funded by only £1.4m increase in working capital

4. Reduce exposure to volatile pension liabilities

- Annual deficit repair payments maintained at £2.4m p.a. for three years
- Mortality, CPI, and Pensions Increase Exchange result in sustainable cut in deficit of ~£20m

Nearing pre-recession RoS% on substantially lower revenues

Robust H1 results position Renold well to achieve the market expectation of doubling adjusted operating profit in 2011/12 compared to prior year

- Markets and orders:
  - Order coverage for Q3 sales forecast is above historical average
  - Order intake has remained strong in Q2 (especially US)
  - Expectation of some reduction in growth going forward
- Improved H2 profitability generated from:
  - H2 sales typically higher than H1
  - Prior year cost reduction initiatives and new reductions initiated during H1
- Objective is to achieve profit expectation even if sales growth declines in H2

Thank you.

Q&A

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