25 April 2018

Fenner PLC

2018 Half Year Results

Fenner PLC, a world leader in reinforced polymer technology, today announces its results for its half year ended 28 February 2018.

Highlights

Half year ended 28 February	2018	2017
Revenue	**£354.1m**	£307.4m
Underlying operating profit	**£37.0m**	£24.0m
Operating profit	**£33.4m**	£22.4m
Underlying profit before taxation	**£32.4m**	£16.5m
Profit before taxation	**£28.5m**	£13.8m
Underlying earnings per share	**12.0p**	6.3p
Earnings per share	**8.3p**	5.3p
Dividend per share	**2.1p**	1.4p
Free cash flow	**£25.2m**	£23.9m

Alternative performance measures

Underlying and non-GAAP measures (including constant currency measures) have been presented to provide a more meaningful measure of the underlying performance of the business. Reconciliations of these amounts from the most directly comparable measures recognised under International Financial Reporting Standards ("IFRS") can be found in Alternative performance measures in note 2.

- All measures strongly positive, as indicated at the AGM in January
- Underlying profit before taxation of £32.4m (up 96%) and underlying earnings per share of 12.0p (up 90%)
- Net debt of £75m, a reduction of £27m over the period
- AEP: revenue £156m and underlying operating profit £26m (up 20% and 57% respectively at constant currencies)
- ECS: revenue £198m and underlying operating profit £16m (up 21% and 64% respectively at constant currencies)
- Underlying operating margins: AEP 16.8%, ECS 8.2% and Group 10.4%
- Increased interim dividend of 2.1p (up 50%)

Mark Abrahams, Chief Executive Officer, commented:

"In line with the Board's expectations at the time of the Annual General Meeting in January, the results for the six months ended 28 February 2018 show significant progress on all principal measures against the same period last year.

Since 11 January 2018, trading has continued the improving trend reflected in the AGM statement."

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Notes to editors:

Fenner PLC is a world leader in reinforced polymer technology, providing local engineered solutions for performance-critical applications. The Group operates through two divisions:

Advanced Engineered Products ("AEP") is a group of related growth businesses that use advanced polymeric materials and technical expertise to provide high value-added solutions to global business customers; its principal product areas are sealing systems; belts, hoses and elastomeric solutions; and medical.

Engineered Conveyor Solutions ("ECS") is an established leader in the supply of industry-leading heavyweight conveyor belting and related services to mining and industrial markets. ECS is a global business with particular strengths in Australia, Europe and North America.

On 19 March 2018, Fenner and Compagnie Generale des Etablissements Michelin SCA ("Michelin") announced the terms of a recommended cash acquisition by which Fenner will be acquired by Michelin. The terms of the acquisition value Fenner's existing share capital at £1.2 billion. Subject to approval by Fenner shareholders at meetings to be held on 16 May 2018 and subject to the other conditions of the acquisition being satisfied or waived, it is anticipated that the acquisition will take effect on 31 May 2018.

Forward looking statements

Certain statements contained in this report constitute forward looking statements. Such forward looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fenner, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, exchange rates, the commodity markets, general economic conditions and the business environment.

Interim management report for the period from 1 September 2017 to 28 February 2018

Group overview

In line with the Board's expectations at the time of the Annual General Meeting in January, the results for the six months ended 28 February 2018 ("1H18") show significant progress on all principal measures against the same period last year ("1H17"). All business areas continue to perform well with some notable market share gains. Trading environments are showing more widespread signs of improvements, although there remains some caution amongst customers.

Revenue for the period was £354.1m (1H17: £307.4m), an increase of 15%. Underlying operating profit was £37.0m (1H17: £24.0m), an increase of 54%. Underlying profit before taxation was £32.4m (1H17: £16.5m), an increase of 96%. Profit before taxation was £28.5m (1H17: £13.8m).

Underlying earnings per share was 12.0p (1H17: 6.3p), an increase of 90%. Basic earnings per share was 8.3p (1H17: 5.3p).

Underlying operating margin improved further to 10.4% (1H17: 7.6% at constant currencies), an increase of 2.8 percentage points, as the Group benefitted from revenue growth combined with the on-going focus on operational efficiency.

The Group's cash generation remained strong, with free cash flow amounting to £25.2m (1H17: £23.9m). Net borrowings at 28 February 2018 were £75.0m compared with £101.5m at 31 August 2017, a reduction of £26.5m.

Fenner published trading statements on 15 November 2017 and on 11 January 2018, being the day of the Company's AGM; both of these statements referred, inter alia, to improving growth prospects across the Group. Since 11 January 2018, trading has continued the improving trend reflected in the AGM statement.

Proposed acquisition of Fenner PLC by Michelin

On 19 March 2018, Fenner and Compagnie Generale des Etablissements Michelin SCA ("Michelin") announced the terms of a recommended cash acquisition by which Fenner will be acquired by Michelin. The terms of the acquisition value each Fenner share at 610 pence and Fenner's total share capital at £1.2 billion.

The Board of Fenner believes that the acquisition of Fenner by Michelin represents an opportunity for Fenner shareholders to crystallise in cash the value of their holdings on attractive terms; the Board also believes that the combination with Michelin provides Fenner with a number of strategic benefits including the global scale and purchasing expertise of Michelin and access to Michelin's polymer capabilities.

Subject, inter alia, to the requisite resolutions being passed by Fenner shareholders at shareholder meetings to be held on 16 May 2018, the acquisition is expected to take effect on 31 May 2018.

Divisional review

Advanced Engineered Products

As anticipated, AEP's results for the period showed considerable progress over 1H17 in terms of revenue, underlying operating profit and margin. The results were assisted by a number of customers bringing forward orders into the first half of the year.

As set out in the table below, AEP's revenue was £156.1m (1H17: £129.8m at constant currencies), an increase of 20%. Underlying operating profit was £26.2m (1H17: £16.7m at constant currencies), an increase of 57%, and underlying operating margin was 16.8% (1H17: 12.9%), an increase of 3.9 percentage points. Operating profit was £23.2m (1H17: £18.5m).

At constant currencies	1H18 £m	1H17 £m	Increase
Revenue			
Advanced Sealing Technologies *	82.6	64.9	27%
Precision Polymers *	45.5	42.0	8%
Solesis Medical	28.0	22.9	22%
AEP total	156.1	129.8	20%
Underlying operating profit	26.2	16.7	57%
Underlying operating margin	16.8%	12.9%	3.9pcp

* restated to reflect the transfer of Mandals from Precision Polymers to Advanced Sealing Technologies

Advanced Sealing Technologies

Advanced Sealing Technologies generated higher underlying operating profit and operating margin on increased revenue of £82.6m (1H17: £64.9m at constant currencies), an increase of 27%. There was a particularly strong performance by CDI as market share gains combined with improvements in market conditions in the US oil & gas industry. Hallite and EGC continued to perform well, with results ahead of those achieved in 1H17. Mandals benefitted from recent measures taken to improve operational efficiencies and from increased order intake.

Precision Polymers

Precision Polymers' revenue increased to £45.5m (1H17: £42.0m at constant currencies). This represents an increase of 8% which is ahead of estimates of market growth and indicates further gains in market share.

Revolution Drives, which was acquired towards the end of the 2017 financial year, continues to perform well and represents an important addition to the Group's capabilities in urethane timing belts.

Solesis Medical

Revenue for the period was £28.0m (1H17: £22.9m at constant currencies), an increase of 22%. Underlying operating profit and operating margin were both well ahead of the previous year.

Secant Group had a very strong performance as new products entered commercialisation and certain customer orders were accelerated. Demand for Secant's technical textiles for non-medical applications was strong.

Charter Medical generated revenue in line with expectations.

Engineered Conveyor Solutions

ECS achieved higher revenue and profitability as a result of the steps taken to re-organise and re-position the business and some easing of conditions in the mining industry.

As set out in the table below, ECS's revenue was £198.0m (1H17: £164.3m at constant currencies), an increase of 21%. Underlying operating profit was higher at £16.2m (1H17: £9.9m at constant currencies), an increase of 64%. Underlying operating margin further recovered to 8.2% (1H17: 6.0%), an increase of 2.2 percentage points. Operating profit was £15.6m (1H17: £9.7m).

At constant currencies	1H18 £m	1H17 £m	Increase
Revenue			
Northern Hemisphere	98.2	85.8	14%
Southern Hemisphere	99.8	78.5	27%
ECS total	198.0	164.3	21%
Underlying operating profit	16.2	9.9	64%
Underlying operating margin	8.2%	6.0%	2.2pcp

Northern Hemisphere

As planned, ECS North America achieved a much improved result, with continued progress in increasing sales across the industrial sector and sales to coal miners benefitting from the recovery in the sector. The newly introduced Patriot X belt, aimed at light and medium industrial applications, is being well received by customers and distributors.

In Europe, ECS's financial performance showed some improvement with volumes of belt sales now having started to recover.

Southern Hemisphere

In Australia, sentiment in the mining industry has generally improved and ECS has made gains in market shares; however, the higher volumes of belt sales have been weighted towards lower margin products. Service revenue has also increased as levels of activity across the mining industry have picked up.

The new long-term supply agreement between ECS South Africa and Bearing Man Group (Pty) Ltd became effective in February 2018; through this, ECS anticipates the development of new sales opportunities in sub-Saharan Africa.

ECS China achieved an improved result although trading conditions remain challenging.

Financial report

Revenue and profit

Group revenue for the period was £354.1m (1H17: £307.4m or £294.1m at constant currencies). Underlying operating profit was £37.0m (1H17: £24.0m or £22.3m at constant currencies).

Interest for the period (excluding notional interest) was £4.6m (1H17: £7.5m).

Underlying profit before taxation was £32.4m (1H17: £16.5m). Profit before taxation was £28.5m (1H17: £13.8m).

There was an exceptional tax charge of £4.4m arising from the writing down of the carrying value of US deferred tax assets following the reduction in the US federal tax rate effective from 1 January 2018. There were no other exceptional items during the period (1H17: pre-tax exceptional profit of £2.6m and exceptional tax credit of £0.3m).

The taxation rate on underlying profit before taxation was 28% (1H17: 22%) based on the estimated underlying effective tax rate for the full year.

Underlying earnings per share amounted to 12.0p (1H17: 6.3p). Basic earnings per share was 8.3p (1H17: 5.3p).

Cash flow and borrowings

Free cash flow was £25.2m (1H17: £23.9m), reflecting the higher underlying profit before taxation offset by a small net investment in working capital, increased tax payments and higher capital expenditure.

As at 28 February 2018, net borrowings amounted to £75.0m, compared with £101.5m as at 31 August 2017, a reduction over the period of £26.5m (of which £5.3m was due to exchange movements). The Group's net borrowings have almost halved over the period since 28 February 2017 when they amounted to £144.7m.

Board of Directors

Mark Abrahams will step down from the Board as Chief Executive Officer upon completion of the acquisition of Fenner by Michelin, assuming the transaction receives the necessary approvals. Mark joined the Board in October 1990 and, having served as Chief Financial Officer, Chief Executive Officer and Chairman, is retiring after 27 years of service to the Company.

Brett Simpson was announced as the Chief Executive Officer Designate on 20 December 2017.

Vanda Murray (non-executive Chairman) and the Company's other non-executive directors will also leave the Board upon completion of the acquisition by Michelin.

Corporate transaction

On 2 March 2018, the Group acquired the assets and business of National Bearings Company, a small specialist manufacturer of custom engineered polymer and metal bearings which are supplied to a number of leading multinational industrial customers. The business, which is located in the USA, forms part of Precision Polymers US within the AEP division.

Dividend

The Board has declared an increased interim dividend of 2.1p per share (1H17: 1.4p). The interim dividend will be paid on 18 May 2018 to shareholders on the register on 4 May 2018.

Consolidated income statement

for the half year ended 28 February 2018 (unaudited)

	Notes	**Half year ended 28 February 2018 £m**	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Revenue		**354.1**	307.4	655.4
Cost of sales		**(242.5)**	(211.9)	(451.1)
Gross profit		**111.6**	95.5	204.3
Distribution costs		**(29.4)**	(27.4)	(57.5)
Administrative expenses		**(48.8)**	(45.7)	(93.4)
Operating profit before amortisation of intangible assets acquired and exceptional items		**37.0**	24.0	59.1
Amortisation of intangible assets acquired		**(3.6)**	(4.2)	(8.3)
Exceptional items	4	**-**	2.6	2.6
Operating profit		**33.4**	22.4	53.4
Finance income	5	**0.2**	0.2	0.6
Finance costs	6	**(5.1)**	(8.8)	(15.9)
Profit before taxation		**28.5**	13.8	38.1
Taxation	7	**(12.5)**	(3.0)	(3.8)
Profit for the period		**16.0**	10.8	34.3
Attributable to:				
Owners of the parent		**16.0**	10.2	34.1
Non-controlling interests		**-**	0.6	0.2
		16.0	10.8	34.3
Earnings per share				
Basic	9	**8.3p**	5.3p	17.6p
Diluted	9	**8.2p**	5.2p	17.5p

Consolidated statement of comprehensive income

for the half year ended 28 February 2018 (unaudited)

	Notes	**Half year ended 28 February 2018 £m**	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Profit for the period		**16.0**	10.8	34.3
Other comprehensive income/(expense):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements on defined benefit post-retirement schemes	12	**5.1**	10.5	20.4
Tax on items that will not be reclassified		**(1.1)**	(2.1)	(4.5)
		4.0	8.4	15.9
Items that may be reclassified subsequently to profit or loss				
Currency translation differences		**(31.2)**	28.2	18.1
Cash flow hedges	15	**0.5**	(0.3)	-
Net investment hedges	15	**8.6**	(9.2)	(5.1)
Tax on items that may be reclassified		**(0.2)**	0.4	4.6
		(22.3)	19.1	17.6
Total other comprehensive (expense)/income for the period		**(18.3)**	27.5	33.5
Total comprehensive (expense)/income for the period		**(2.3)**	38.3	67.8
Attributable to:				
Owners of the parent		**(2.3)**	37.3	67.2
Non-controlling interests		**-**	1.0	0.6
		(2.3)	38.3	67.8

Consolidated balance sheet
at 28 February 2018 (unaudited)

	Notes	**28 February 2018 £m**	28 February 2017 £m	31 August 2017 £m
Non-current assets				
Property, plant and equipment	10	**207.9**	232.9	224.2
Intangible assets	11	**161.1**	181.9	175.3
Deferred tax assets		**17.7**	20.8	24.7
		386.7	435.6	424.2
Current assets				
Inventories		**91.7**	81.4	90.1
Trade and other receivables		**127.2**	113.0	113.7
Assets held for sale		**-**	-	0.9
Current tax assets		**11.5**	7.6	1.2
Derivative financial assets		**0.9**	-	0.3
Cash and cash equivalents	14	**97.2**	116.1	79.7
		328.5	318.1	285.9
Total assets		**715.2**	753.7	710.1
Current liabilities				
Borrowings	14	**(13.3)**	(97.2)	(11.8)
Trade and other payables		**(169.3)**	(132.9)	(145.8)
Current tax liabilities		**(16.2)**	(2.3)	(4.4)
Derivative financial liabilities		**(0.6)**	(1.1)	(1.6)
Provisions	13	**(2.5)**	(4.6)	(4.7)
		(201.9)	(238.1)	(168.3)
Non-current liabilities				
Borrowings	14	**(158.9)**	(163.6)	(169.4)
Trade and other payables		**(1.0)**	(0.9)	(0.7)
Retirement benefit obligations	12	**(19.8)**	(38.3)	(27.5)
Provisions	13	**-**	-	(0.5)
Deferred tax liabilities		**(2.4)**	(1.9)	(2.8)
		(182.1)	(204.7)	(200.9)
Total liabilities		**(384.0)**	(442.8)	(369.2)
Net assets		**331.2**	310.9	340.9
Equity				
Share capital		**48.5**	48.5	48.5
Retained earnings		**229.0**	184.4	216.4
Exchange reserve		**67.6**	104.8	98.8
Hedging reserve		**(12.9)**	(26.2)	(21.8)
Shareholders' equity		**332.2**	311.5	341.9
Non-controlling interests		**(1.0)**	(0.6)	(1.0)
Total equity		**331.2**	310.9	340.9

Consolidated cash flow statement

for the half year ended 28 February 2018 (unaudited)

	Notes	**Half year ended 28 February 2018 £m**	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Profit before taxation		**28.5**	13.8	38.1
Adjustments for:				
Depreciation of property, plant and equipment and amortisation of intangible assets		**15.9**	17.4	34.8
Other exceptional non-cash movements		**-**	(2.6)	(2.6)
Cash payments in respect of prior year exceptional items		**(1.9)**	(1.7)	(2.2)
Defined benefit post-retirement costs charged to operating profit		**1.2**	1.5	2.9
Cash contributions to defined benefit post-retirement schemes		**(3.4)**	(2.3)	(5.8)
Movement in provisions		**0.1**	(0.1)	(0.1)
Finance income		**(0.2)**	(0.2)	(0.6)
Finance costs		**5.1**	8.8	15.9
Other non-cash movements		**-**	0.1	0.7
Operating cash flow before movement in working capital		**45.3**	34.7	81.1
Movement in inventories		**(7.4)**	(2.3)	(11.8)
Movement in trade and other receivables		**(19.7)**	(3.4)	(4.8)
Movement in trade and other payables		**25.5**	6.9	24.1
Net cash from operations		**43.7**	35.9	88.6
Taxation (paid)/received		**(6.7)**	(1.8)	4.1
Net cash from operating activities		**37.0**	34.1	92.7
Investing activities:				
Purchase of property, plant and equipment		**(8.8)**	(4.5)	(11.2)
Disposal of property, plant and equipment		**0.3**	0.8	1.2
Purchase of intangible assets		**(0.5)**	(0.6)	(1.0)
Acquisition of businesses	18	**(0.7)**	-	(0.8)
Disposal of businesses	19	**1.3**	5.8	5.8
Interest received		**0.2**	0.2	0.6
Net cash (used in)/from investing activities		**(8.2)**	1.7	(5.4)
Financing activities:				
Dividends paid to Company's shareholders	8	**(2.7)**	(1.9)	(5.8)
Dividends paid to non-controlling interests		**-**	(1.0)	(1.0)
Options exercised on acquisition of non-controlling interests in subsidiary undertakings		**-**	(14.4)	(14.4)
Interest paid		**(4.9)**	(7.7)	(15.3)
Repayment of borrowings		**(10.9)**	(0.8)	(68.1)
New borrowings		**3.0**	0.9	0.3
Net cash used in financing activities		**(15.5)**	(24.9)	(104.3)
Net increase/(decrease) in cash and cash equivalents		**13.3**	10.9	(17.0)
Cash and cash equivalents at start of period		**71.9**	90.0	90.0
Exchange movements		**4.8**	8.0	(1.1)
Cash and cash equivalents at end of period		**90.0**	108.9	71.9
Cash and cash equivalents comprises:				
Cash and cash equivalents		**97.2**	116.1	79.7
Bank overdrafts		**(7.2)**	(7.2)	(7.8)
		90.0	108.9	71.9

Consolidated statement of changes in equity

for the half year ended 28 February 2018 (unaudited)

	Attributable to owners of the parent						
	Share capital £m	Retained earnings £m	Exchange reserve £m	Hedging reserve £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 September 2016	48.5	159.2	76.8	(16.9)	267.6	11.1	278.7
Profit for the period	-	10.2	-	-	10.2	0.6	10.8
Other comprehensive income/(expense)	-	8.4	28.0	(9.3)	27.1	0.4	27.5
Total comprehensive income/(expense) for the period	-	18.6	28.0	(9.3)	37.3	1.0	38.3
Transactions with owners:							
Dividends paid/approved in the period	-	(5.8)	-	-	(5.8)	(1.0)	(6.8)
Share-based payments	-	0.7	-	-	0.7	-	0.7
Transfer of non-controlling interests	-	11.7	-	-	11.7	(11.7)	-
Total transactions with owners	-	6.6	-	-	6.6	(12.7)	(6.1)
At 28 February 2017	48.5	184.4	104.8	(26.2)	311.5	(0.6)	310.9
Profit/(loss) for the period	-	23.9	-	-	23.9	(0.4)	23.5
Other comprehensive income/(expense)	-	7.6	(6.0)	4.4	6.0	-	6.0
Total comprehensive income/(expense) for the period	-	31.5	(6.0)	4.4	29.9	(0.4)	29.5
Transactions with owners:							
Share-based payments	-	0.5	-	-	0.5	-	0.5
Total transactions with owners	-	0.5	-	-	0.5	-	0.5
At 1 September 2017	**48.5**	**216.4**	**98.8**	**(21.8)**	**341.9**	**(1.0)**	**340.9**
Profit for the period	**-**	**16.0**	**-**	**-**	**16.0**	**-**	**16.0**
Other comprehensive income/(expense)	**-**	**4.0**	**(31.2)**	**8.9**	**(18.3)**	**-**	**(18.3)**
Total comprehensive income/(expense) for the period	**-**	**20.0**	**(31.2)**	**8.9**	**(2.3)**	**-**	**(2.3)**
Transactions with owners:							
Dividends paid/approved in the period	**-**	**(8.1)**	**-**	**-**	**(8.1)**	**-**	**(8.1)**
Share-based payments	**-**	**0.7**	**-**	**-**	**0.7**	**-**	**0.7**
Total transactions with owners	**-**	**(7.4)**	**-**	**-**	**(7.4)**	**-**	**(7.4)**
At 28 February 2018	**48.5**	**229.0**	**67.6**	**(12.9)**	**332.2**	**(1.0)**	**331.2**

Notes to the half yearly financial statements

1. Basis of preparation

The condensed half yearly financial statements for the half year ended 28 February 2018 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Services Authority. They should be read in conjunction with the Group's financial statements for the year ended 31 August 2017.

After making enquiries, the directors have formed a judgement that there is a reasonable expectation the Group has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of this report. Accordingly, the Board has assessed that the going concern basis of accounting is appropriate in preparing the financial statements. In forming this view, the directors have reviewed the Group's cash flow forecasts against availability of financing, including an assessment of sensitivities to changes in market conditions.

The accounting policies adopted are consistent with those applied in the preparation of the Group's financial statements for the year ended 31 August 2017. There are no new standards, amendments or interpretations adopted by the Group and effective for the first time for the year ending 31 August 2018 that have a material impact on the Group.

The comparative financial information for the year ended 31 August 2017 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. It has been extracted from the Group's financial statements for the year ended 31 August 2017 which have been filed with the Registrar of Companies. They contained an unqualified audit report and did not contain a statement under Section 498 of the Companies Act 2006.

The condensed half yearly financial statements were approved by the Board of Directors on 25 April 2018.

2. Alternative performance measures

The results of the Group include measures presented on an "underlying" basis, which excludes exceptional items, amortisation of intangible assets acquired and notional interest, as applicable. In addition, certain financial performance measures that are not defined under IFRS ("non-GAAP measures") are presented.

The underlying and non-GAAP measures are presented in order to provide a more meaningful measure of the underlying financial performance of the business, allowing users of financial statements to compare these measures with the Group's peers, as well as being more consistent with the way that financial information is measured internally by management and presented to the Board.

Reconciliations of these amounts from the most directly comparable measures recognised under IFRS are detailed below.

Revenue: constant currencies *

	Advanced Sealing Technologies £m	Precision Polymers £m	Solesis Medical £m	Total AEP £m	Northern Hemisphere £m	Southern Hemisphere £m	Total ECS £m	Group £m
Half year ended 28 February 2017								
Revenue as reported **	68.0	44.2	24.7	136.9	89.4	81.1	170.5	307.4
Currency impact	(3.1)	(2.2)	(1.8)	(7.1)	(3.6)	(2.6)	(6.2)	(13.3)
Revenue at constant currencies	**64.9**	**42.0**	**22.9**	**129.8**	**85.8**	**78.5**	**164.3**	**294.1**

* 2017 amounts stated at constant currencies are reported amounts retranslated at 2018 exchange rates.
** restated to reflect the transfer of Mandals from Precision Polymers to Advanced Sealing Technologies on 1 September 2017.

Underlying operating profit: constant currencies *

	AEP £m	ECS £m	Corporate £m	Group £m
Half year ended 28 February 2017				
Underlying operating profit (as reconciled below) as reported	17.9	10.4	(4.3)	24.0
Currency impact	(1.2)	(0.5)	-	(1.7)
Underlying operating profit at constant currencies	**16.7**	**9.9**	**(4.3)**	**22.3**

* 2017 amounts stated at constant currencies are reported amounts retranslated at 2018 exchange rates.

2. **Alternative performance measures** continued

Underlying operating profit

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Operating profit	**33.4**	22.4	53.4
Amortisation of intangible assets acquired	**3.6**	4.2	8.3
Exceptional items	**-**	(2.6)	(2.6)
Underlying operating profit	**37.0**	24.0	59.1

Underlying operating margin

Underlying operating margin is underlying operating profit at constant currencies divided by revenue at constant currencies.

Underlying profit before taxation

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Profit before taxation	**28.5**	13.8	38.1
Amortisation of intangible assets acquired	**3.6**	4.2	8.3
Exceptional items	**-**	(2.6)	(2.6)
Notional interest	**0.3**	1.1	1.5
Underlying profit before taxation	**32.4**	16.5	45.3

Underlying earnings per share

A reconciliation is provided in note 9.

Free cash flow

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Net cash from operating activities	**37.0**	34.1	92.7
Add back:			
Cash outflow on exceptional items (including prior period)	**1.9**	1.7	2.2
Investing activities:			
Purchase of property, plant and equipment	**(8.8)**	(4.5)	(11.2)
Disposal of property, plant and equipment	**0.3**	0.8	1.2
Purchase of intangible assets	**(0.5)**	(0.6)	(1.0)
Finance leases	**-**	(0.1)	(0.2)
Interest received	**0.2**	0.2	0.6
Financing activities:			
Interest paid	**(4.9)**	(7.7)	(15.3)
Free cash flow	**25.2**	23.9	69.0

Net debt

A reconciliation is provided in note 14.

3. Segment information

IFRS 8 'Operating Segments' requires segment information to be presented on the same basis as that used for internal management reporting.

For the purposes of managing the business, the Group is organised into two reportable segments: Advanced Engineered Products and Engineered Conveyor Solutions.

Advanced Engineered Products

AEP provides high value-added solutions using advanced polymeric materials in three related product areas:

- Advanced Sealing Technologies (seals for upstream/midstream oil & gas and petrochemicals; seals for fluid power; and lay-flat hoses);
- Precision Polymers (precision belts for power transmission and motion control; elastomeric solutions; and specialist hoses); and
- Solesis Medical Technologies (biomedical textile components and biomaterials; and single-use products for blood management, bioprocessing and cell therapy).

Engineered Conveyor Solutions

ECS manufactures rubber ply, solid woven and steel cord heavyweight conveyor belt for the mining, industrial and bulk handling markets. ECS also provides related conveyor services such as design, installation and maintenance.

Operating segments within these reportable segments have been aggregated where they have similar economic characteristics with similar products and services, production processes, methods of distribution, customer types and regulatory environments.

The Chief Operating Decision Maker ("CODM") for the purpose of IFRS 8 is the Board of Directors. The financial position of the segments is reported to the CODM on a monthly basis and this information is used to assess the performance of the Group and to allocate resources on an appropriate basis.

Segment performance is reviewed down to the operating profit level. Financing costs and taxation are managed on a Group basis so these costs are not allocated to operating segments.

Transfer prices on inter-segment revenues are determined on an arm's length basis in a manner similar to transactions with third parties.

Segment results are analysed as follows:

	Half year ended 28 February 2018			
	Advanced Engineered Products £m	**Engineered Conveyor Solutions £m**	**Unallocated Corporate £m**	**Total £m**
Total segment revenue	**156.1**	**198.0**	**-**	**354.1**
Operating profit before amortisation of intangible assets acquired and exceptional items	**26.2**	**16.2**	**(5.4)**	**37.0**
Amortisation of intangible assets acquired	**(3.0)**	**(0.6)**	**-**	**(3.6)**
Operating profit	**23.2**	**15.6**	**(5.4)**	**33.4**
Net finance costs				**(4.9)**
Taxation				**(12.5)**
Profit for the period				**16.0**

	Half year ended 28 February 2017			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Total segment revenue	136.9	170.5	-	307.4
Operating profit before amortisation of intangible assets acquired and exceptional items	17.9	10.4	(4.3)	24.0
Amortisation of intangible assets acquired	(3.5)	(0.7)	-	(4.2)
Exceptional items	4.1	-	(1.5)	2.6
Operating profit	18.5	9.7	(5.8)	22.4
Net finance costs				(8.6)
Taxation				(3.0)
Profit for the period				10.8

3. Segment information continued

	Year ended 31 August 2017			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Total segment revenue	294.0	361.4	-	655.4
Operating profit before amortisation of intangible assets acquired and exceptional items	43.9	24.1	(8.9)	59.1
Amortisation of intangible assets acquired	(6.9)	(1.4)	-	(8.3)
Exceptional items	4.1	-	(1.5)	2.6
Operating profit	41.1	22.7	(10.4)	53.4
Net finance costs				(15.3)
Taxation				(3.8)
Profit for the period				34.3

Segment assets and liabilities are analysed as follows:

	28 February 2018			
	Advanced Engineered Products £m	**Engineered Conveyor Solutions £m**	**Unallocated Corporate £m**	**Total £m**
Assets				
Property, plant and equipment	**76.0**	**131.3**	**0.6**	**207.9**
Intangible assets	**120.0**	**41.1**	**-**	**161.1**
Inventories	**36.2**	**55.5**	**-**	**91.7**
Trade and other receivables	**50.7**	**75.9**	**0.6**	**127.2**
Intra-group receivables	**0.1**	**-**	**(0.1)**	**-**
Total segment assets	**283.0**	**303.8**	**1.1**	**587.9**
Unallocated assets				**127.3**
Total assets				**715.2**
Liabilities				
Trade and other payables	**45.3**	**112.4**	**12.6**	**170.3**
Intra-group payables	**1.4**	**2.0**	**(3.4)**	**-**
Total segment liabilities	**46.7**	**114.4**	**9.2**	**170.3**
Unallocated liabilities				**213.7**
Total liabilities				**384.0**

	28 February 2017			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Assets				
Property, plant and equipment	83.5	148.4	1.0	232.9
Intangible assets	137.0	44.9	-	181.9
Inventories	33.4	48.0	-	81.4
Trade and other receivables	48.0	63.3	1.7	113.0
Intra-group receivables	0.1	-	(0.1)	-
Total segment assets	302.0	304.6	2.6	609.2
Unallocated assets				144.5
Total assets				753.7
Liabilities				
Trade and other payables	36.3	85.3	12.2	133.8
Intra-group payables	1.4	1.6	(3.0)	-
Total segment liabilities	37.7	86.9	9.2	133.8
Unallocated liabilities				309.0
Total liabilities				442.8

3. Segment information continued

	31 August 2017			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Assets				
Property, plant and equipment	81.0	142.4	0.8	224.2
Intangible assets	130.1	45.2	-	175.3
Inventories	34.7	55.4	-	90.1
Trade and other receivables	46.6	66.4	0.7	113.7
Assets held for sale	-	0.9	-	0.9
Intra-group receivables	0.1	0.1	(0.2)	-
Total segment assets	292.5	310.4	1.3	604.2
Unallocated assets				105.9
Total assets				710.1
Liabilities				
Trade and other payables	44.3	93.4	8.8	146.5
Intra-group payables	2.1	1.9	(4.0)	-
Total segment liabilities	46.4	95.3	4.8	146.5
Unallocated liabilities				222.7
Total liabilities				369.2

Unallocated assets comprise deferred tax assets, current tax assets, derivative financial assets and cash and cash equivalents. Unallocated liabilities comprise borrowings, current tax liabilities, derivative financial liabilities, provisions, retirement benefit obligations and deferred tax liabilities.

4. Exceptional items

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
(Credited)/charged to operating profit			
Profit on disposal of businesses	**-**	(4.1)	(4.1)
Employment costs	**-**	1.5	1.5
Total exceptional credit	**-**	(2.6)	(2.6)
Charged/(credited) to taxation			
Taxation on exceptional items credited to operating profit	**-**	(0.3)	(0.3)
Exceptional tax charge/(credit)	**4.4**	-	(3.8)
Total exceptional charge/(credit)	**4.4**	(0.3)	(4.1)

In 2018, the exceptional tax charge relates to the non-cash write down of the value of net US deferred tax assets following the reduction in the US federal tax rate from 35% to 21%, effective 1 January 2018.

5. Finance income

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Bank interest receivable	**0.2**	0.2	0.6

6. Finance costs

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Interest payable on bank overdrafts and loans	**0.9**	1.2	2.8
Interest payable on other loans	**3.9**	6.5	11.6
Interest payable	**4.8**	7.7	14.4
Net interest on defined benefit post-retirement schemes	**0.3**	0.4	0.8
Interest on the unwinding of discount on provisions	**-**	0.2	0.2
Finance charge on redemption liability on acquisitions	**-**	0.5	0.5
Notional interest	**0.3**	1.1	1.5
Total finance costs	**5.1**	8.8	15.9

7. Taxation

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
UK taxation	**1.2**	1.3	2.4
Overseas taxation	**11.3**	1.7	1.4
Total taxation charge	**12.5**	3.0	3.8

The taxation charge includes a charge of £4.4m (2017: credit of £0.3m) in respect of exceptional items (note 4) and a credit of £1.0m (2017: £0.3m) in respect of amortisation of intangible assets acquired.

The underlying taxation charge was £9.1m (2017: £3.6m) and is calculated based on the estimated underlying effective tax rate for the full year of 28% (2017: 22%).

8. Dividends

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Dividends paid or approved in the period			
Interim dividend for the year ended 31 August 2017 of 1.4p (2016: 1.0p) per share	**2.7**	1.9	1.9
Final dividend for the year ended 31 August 2017 of 2.8p (2016: 2.0p) per share	**5.4**	3.9	3.9
	8.1	5.8	5.8
Dividends neither paid nor approved in the period			
Interim dividend for the year ended 31 August 2018 of 2.1p (2017: 1.4p) per share	**4.1**	2.7	2.7

The interim dividend for the year ended 31 August 2017 was paid on 7 September 2017. The final dividend for the year ended 31 August 2017 was approved by shareholders at the Annual General Meeting on 11 January 2018 and was paid on 8 March 2018. The interim dividend for the year ending 31 August 2018 is due for payment on 18 May 2018 and so has not been recognised as a liability at 28 February 2018. It will be paid to shareholders on the register on 4 May 2018.

9. Earnings per share

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Earnings			
Profit for the period attributable to owners of the parent	**16.0**	10.2	34.1
Amortisation of intangible assets acquired	**3.6**	4.2	8.3
Exceptional items	**-**	(2.6)	(2.6)
Notional interest	**0.3**	1.1	1.5
Taxation attributable to amortisation of intangible assets acquired, exceptional items and notional interest and exceptional tax charge/(credit) (note 7)	**3.4**	(0.6)	(6.9)
Profit for the period before amortisation of intangible assets acquired, exceptional items and notional interest	**23.3**	12.3	34.4

	million	million	million
Average number of shares			
Weighted average number of shares in issue	**194.0**	194.0	194.0
Weighted average number of shares held by the Employee Share Ownership Plan Trust	**(0.1)**	(0.1)	(0.1)
Weighted average number of shares in issue - basic	**193.9**	193.9	193.9
Effect of contingent long-term incentive plans	**1.5**	1.1	0.9
Weighted average number of shares in issue - diluted	**195.4**	195.0	194.8

	pence	pence	pence
Earnings per share			
Underlying - basic (before amortisation of intangible assets acquired, exceptional items and notional interest)	**12.0**	6.3	17.7
Underlying - diluted (before amortisation of intangible assets acquired, exceptional items and notional interest)	**11.9**	6.3	17.7
Basic	**8.3**	5.3	17.6
Diluted	**8.2**	5.2	17.5

Underlying earnings per share measures have been presented to provide a more meaningful measure of the underlying performance of the Group.

10. Property, plant and equipment

Movements in the period are as follows:

	£m
At 1 September 2017	224.2
Additions	8.8
Disposals	(0.1)
Depreciation	(11.3)
Exchange movements	(13.7)
At 28 February 2018	**207.9**

11. Intangible assets

Movements in the period are as follows:

	£m
At 1 September 2017	175.3
Additions	0.5
Amortisation	(4.6)
Exchange movements	(10.1)
At 28 February 2018	**161.1**

12. Post-retirement benefits

The Group operates a number of defined benefit post-retirement schemes for qualifying employees in operations around the world. The schemes based in the UK and the Netherlands together account for 96% of both total assets and total liabilities of the schemes. The assets of the schemes are held in separate trustee-administered funds. The cost of the schemes is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.

UK scheme
The Fenner Pension Scheme is a UK funded defined benefit scheme which was closed to new entrants in 1997. Scheme members accrue an annual pension, being a proportion of final salary for each year of pensionable service, increasing in line with inflation whilst in payment, subject to certain caps and floors. Active members of the scheme have paid contributions at the rate of 10% of salary and the Company pays the balance of the cost as determined by regular actuarial valuations. The Company offers a salary sacrifice arrangement.

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. The most recent triennial actuarial valuation for the Fenner Pension Scheme was on 31 March 2017.

Overseas schemes
The principal overseas scheme is the Fenner Dunlop B.V. scheme, which is based in the Netherlands. This is a career average pay scheme with indexation in line with the industry-wide pension fund. The accrued nominal benefits in this scheme are fully insured with registered insurance companies; this mitigates the downside risk to the Group.

The most recent annual actuarial valuation for the Fenner Dunlop B.V. scheme was on 31 August 2017.

The principal financial assumptions used for the schemes in the UK and the Netherlands, compared to the 2017 year end, are as follows:

	28 February 2018		31 August 2017	
	UK	Netherlands	UK	Netherlands
Discount rate	2.7%	1.7%	2.4%	2.0%
Inflation rate - RPI	3.5%	n/a	3.4%	n/a
Inflation rate - CPI	2.5%	2.0%	2.4%	2.0%
Rate of increase in salaries	4.5%	2.5%	4.4%	2.5%
Rate of increase in benefits in payment subject to Limited Price Index increases:				
- capped at 5.0% (based on RPI)	3.2%	n/a	3.2%	n/a
- capped at 2.5% (based on RPI)	2.1%	n/a	2.1%	n/a
- capped at 3.0% (based on CPI)	2.0%	n/a	2.0%	n/a

Movements in the period are as follows:

	£m
At 1 September 2017	27.5
Charged to operating profit	1.2
Notional interest	0.3
Remeasurements	(5.1)
Employer contributions	(3.4)
Exchange movements	(0.7)
At 28 February 2018	**19.8**

Remeasurements result in a decrease in liabilities due to changes in assumptions, principally the discount rate due to an increase in corporate bond yields in the UK.

13. Provisions

Provisions comprise current liabilities of £2.5m (2017 year end: £4.7m) and non-current liabilities of £nil (2017 year end: £0.5m).

Movements in the period are as follows:

	Employment costs [1] £m	Restructuring costs [2] £m	Property and environmental [3] £m	Deferred consideration [4] £m	Total £m
At 1 September 2017	1.5	1.9	0.6	1.2	5.2
Provisions created during the period	-	0.2	-	-	0.2
Provisions released during the period	-	(0.1)	-	-	(0.1)
Provisions utilised during the period	(1.5)	(0.4)	-	(0.7)	(2.6)
Exchange movements	-	(0.1)	-	(0.1)	(0.2)
At 28 February 2018	**-**	**1.5**	**0.6**	**0.4**	**2.5**

1 Contractual death in service costs in respect of the former Chief Executive Officer, Nicholas Hobson.
2 Costs associated with the restructuring and closure of operations.
3 Obligations in respect of property costs or environmental matters.
4 Deferred payments in respect of acquired businesses.

Provisions represent the best estimate of obligations at the balance sheet date. Where the effect of discounting is material, provisions have been discounted at a suitable pre-tax rate, based on borrowings that match the maturity of the amounts being discounted, to reflect the risks associated with future cash flows.

14. Reconciliation of net cash flow to movement in net debt

	Half year ended 28 February 2018 £m	Half year ended 28 February 2017 £m	Year ended 31 August 2017 £m
Net increase/(decrease) in cash and cash equivalents	**13.3**	10.9	(17.0)
Decrease/(increase) in borrowings resulting from cash flows	**7.9**	(0.1)	67.8
Movement in net debt resulting from cash flows	**21.2**	10.8	50.8
Finance leases	**-**	(0.1)	(0.2)
Exchange movements	**5.3**	(5.4)	(2.1)
Movement in net debt in the period	**26.5**	5.3	48.5
Net debt at start of period	**(101.5)**	(150.0)	(150.0)
Net debt at end of period	**(75.0)**	(144.7)	(101.5)

Net debt is analysed as follows:

	28 February 2018 £m	28 February 2017 £m	31 August 2017 £m
Cash and cash equivalents	**97.2**	116.1	79.7
Current borrowings	**(13.3)**	(97.2)	(11.8)
Non-current borrowings	**(158.9)**	(163.6)	(169.4)
	(75.0)	(144.7)	(101.5)

15. Hedging

Group financial instruments denominated in US dollars, euros and Norwegian krone are designated as hedges of the net investment in overseas subsidiaries. The overall gain on translation to sterling at 28 February 2018 of £8.6m (2017: loss of £9.2m) has been recognised as a net investment hedge gain/(loss) in the hedging reserve in other comprehensive income. This comprises a gain of £0.6m (2017: loss of £0.8m) in respect of derivative financial instruments and a gain of £8.0m (2017: loss of £8.4m) in respect of borrowings.

The overall cash flow hedge gain of £0.5m (2017: loss of £0.3m), recognised in the hedging reserve in other comprehensive income, is in respect of derivative financial instruments.

No ineffectiveness in respect of cash flow hedges or net investment hedges has been recognised in the Consolidated income statement.

16. Contingent liabilities

In the normal course of business the Group has given guarantees and counter indemnities in respect of commercial transactions.

The Group is involved as defendant in a small number of potential and actual litigation cases in connection with its business. The directors believe that the likelihood of a material liability arising from these cases is remote.

17. Related party transactions

Other than the remuneration of executive and non-executive directors and members of the Executive Committee, there were no related party transactions during the period.

18. Acquisitions

Payments amounting to £0.7m were made in the period in respect of deferred consideration on the acquisition of Revolution Drives, Inc made in the previous financial year.

19. Disposals

On 2 February 2018, the Group's ECS business in South Africa completed a long-term agreement with Bearing Man Group (Pty) Ltd ("BMG") for BMG to distribute Fenner conveyor belting products in specified territories in sub-Saharan Africa. As part of this arrangement, BMG acquired the ECS service operations and related assets in South Africa.

Details of the assets disposed of are as follows:

	£m
Property, plant and equipment	0.5
Inventories	0.8
Total net assets disposed of	**1.3**
Cash proceeds net of expenses	1.3
Profit on disposal of businesses	**-**

20. Post balance sheet events

Acquisition of National Bearings

On 2 March 2018, the Group completed the acquisition of certain assets and liabilities of National Bearings Company ("National Bearings"), a small specialist manufacturer of custom engineered polymer and metal bearings located in Pennsylvania, USA. National Bearings has been integrated into the Precision Polymers business in the AEP division. The total consideration was £1.6m, of which £0.4m is deferred (non-contingent); this comprises £0.2m due between one and two years and £0.2m due between two and three years.

Details of the provisional aggregate assets and liabilities acquired, based on exchange rates at the date of completion, are given below.

	Provisional fair value £m
Property, plant and equipment	0.4
Goodwill	0.1
Intangible assets acquired:	
- brands and trademarks	0.1
- customer relationships	0.3
- non-compete agreements	0.1
Inventories	0.1
Trade and other receivables	0.5
	1.6

Provisional fair values of assets and liabilities represent the best estimate of the fair values at the date of acquisition. As permitted by IFRS 3 (Revised) 'Business Combinations', these provisional amounts can be amended for a period of up to 12 months following acquisition if subsequent information becomes available which changes the estimates of fair values at the date of acquisition.

Goodwill arising on acquisition principally represents the workforce and anticipated synergies gained through the acquisition; this is deductible for tax purposes.

Proposed acquisition of Fenner PLC by Michelin

On 19 March 2018, Fenner and Compagnie Generale des Etablissements Michelin SCA ("Michelin") announced the terms of a recommended cash acquisition by which the entire issued and to be issued ordinary share capital of Fenner will be acquired by Michelin. It is intended that the acquisition will be implemented by means of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act. The terms of the acquisition value each Fenner share at 610 pence and Fenner's total share capital at £1.2 billion. The acquisition is conditional on the requisite resolutions being passed by Fenner shareholders at shareholder meetings to be held on 16 May; if passed and subject to the other conditions of the acquisition being satisfied or waived, the acquisition is expected to take effect on 31 May 2018. Further details concerning the acquisition, including documentation mailed to Fenner shareholders, can be found on Fenner PLC's website at www.fenner.com.

21. Principal risks and uncertainties

The principal risks and uncertainties affecting the Group remain those set out in the 2017 Annual Report, except as set out below.

Since 15 November 2017, the date of the Annual Report, uncertainty over the political and trade policies of the USA, China and certain other countries has increased with the possibility of higher tariffs and increased foreign exchange volatility. Higher tariffs on goods imported into the USA may give Fenner some short-term benefits (such as reducing the imports of Chinese belt) but over the medium/longer term may adversely impact the US economy (which accounts for close to one-half of Fenner's total revenue) and may reduce Chinese demand for commodities (which would affect ECS's Australian business).

With the date for Brexit less than one year away, there is increased potential for the effects of Brexit and the surrounding uncertainty to impact Fenner's business model. However, Fenner's global trading footprint and its relatively low trade flows between the UK and the rest of the EU provide substantial mitigation to the possible impact of Brexit.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed half yearly financial statements contained in this document have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union; and

- the Interim management report contained in this document includes a fair review of the information required by the Disclosure and Transparency Rules of the Financial Services Authority: paragraph DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and paragraph DTR 4.2.8R (disclosure of related party transactions and changes therein).

The directors of Fenner PLC are as stated in the 2017 Annual Report. A list of current directors is maintained on the Fenner PLC website at www.fenner.com.

By order of the Board

Vanda Murray OBE	John Pratt
Chairman	Group Finance Director
25 April 2018	25 April 2018