



2010 Interim results

27th January 2010

Chairman's statement

I am delighted to announce that the improvements in order intake and revenue previously reported for the first three months have accelerated throughout the second quarter ended 31st December 2009 with order intake now exceeding revenue in each of the last six months. This has resulted in the order book increasing from £9.7m at 30th June 2009 to £17.6m by 31st December 2009.

Total group revenue for the six months to 31st December 2009 amounted to £73.9m (2008 £102.7m), which, whilst contrasting adversely with that achieved for the same period last year (a reduction of 32% at previous year exchange rates), was 8% ahead of the £68.6m recorded in the second six months of the previous financial year.

Group operating profit amounted to £6.9m (2008 £11.9m), which, whilst also significantly lower than that reported for the same period last year, provided a substantial improvement over the pre-exceptional operating loss of £5.9m recorded in the second six months of the previous financial year, following the cost control measures introduced in February 2009.

After net financial income, the Group delivered profit before tax of £7.1m (2008 £14.0m), resulting in earnings per share of 7.8p compared with 15.4p in the previous year.

Favourable currency movements benefited revenue and operating profits by £3.6m and £2.5m respectively.

Segmental analysis

This year the Group has divided its operating, research and development and reporting activities into two main segments:- the traditional metrology business, the cornerstone of Renishaw, and the smaller Healthcare activities into which parts of Renishaw have migrated or which have been established or acquired.

•Metrology

Revenue in our traditional Metrology product segment (probes and accessories for coordinate measuring machines ("CMM") and machine tools, laser calibration systems and linear and angle encoder systems) was £65.9m (2008 £94.2m). Although there was a decline in revenue in most geographic areas, there was growth in the Far East, excluding Japan. Current indications are that growth in China, Korea and Taiwan is likely to continue, particularly in the production of electronic products and in the recovering Japanese machine tool market, which experienced strong order intake last month.

Investment continues (albeit at a lower level than last year) in the research and development of a range of new products and applications. New products introduced to the market this year include the RMP40 compact radio transmission spindle probe and the QC20-W wireless ballbar.

Chairman's statement (continued)

Healthcare

The Healthcare segment comprises the neurosurgical, dental and spectroscopy products, which includes PulseTeq (coils for MRI scanners), D3 Technologies (surface enhanced Raman spectroscopy) and Renishaw Mayfield (surgical robots, which was acquired in November 2008). Revenue for this segment amounted to £8.0m (2008 £8.5m, of which £2.5m included non-recurring revenue). Excluding the non-recurring revenue, there was growth in all geographic markets, notably the Far East.

Investment continues in marketing the newly introduced products and meeting the associated regulatory compliance requirements.

The Company provided further investment of £1m in D3 Technologies Limited, bringing its shareholding up to 80% (previously 75%).

Balance sheet

Capital expenditure was much reduced during this period and amounted to £1.1m, of which £0.6m was property and £0.5m was plant and machinery. There were further efficiencies achieved in inventories, which reduced by £4.2m in the six months. Trade receivables rose in line with increased activity in November and December. Cost containment measures continue.

Net cash balances at 31st December 2009 were £24.4m (30th June 2009 £20.5m, 31st December 2008 £15.7m).

The deficit in the pension fund has increased to £29.7m (£22.5m at 30th June 2009) reflecting a significant increase in liabilities (caused by a decrease in the AA Corporate Bond yield rate and an increase in the inflation assumption) offset partly by a strong investment performance.

Prospects

After a serious and protracted global downturn we are encouraged by the progress in this first six months, particularly by the performance in this last quarter and the improvements in the rate of order intake. Overall we are cautiously optimistic for the full year and thereafter.

The Board has resolved to pay an interim dividend of 4.0p (covered 2 times by available earnings for the period) payable on 31st March 2010 to shareholders on the share register on 26th February 2010.

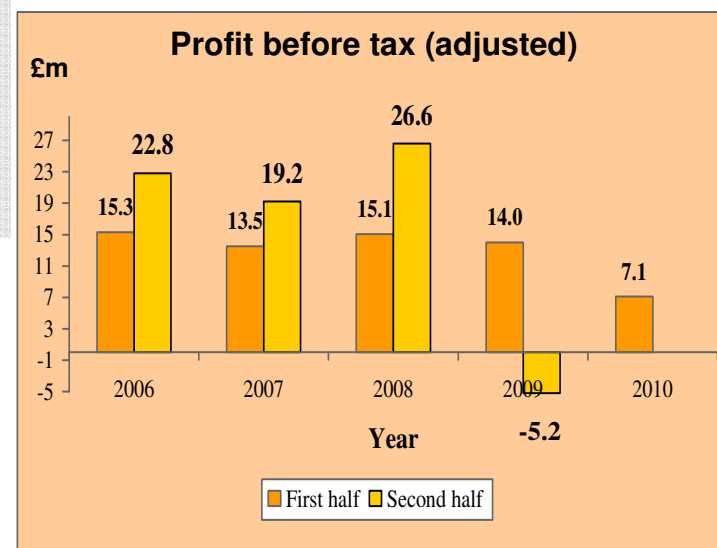
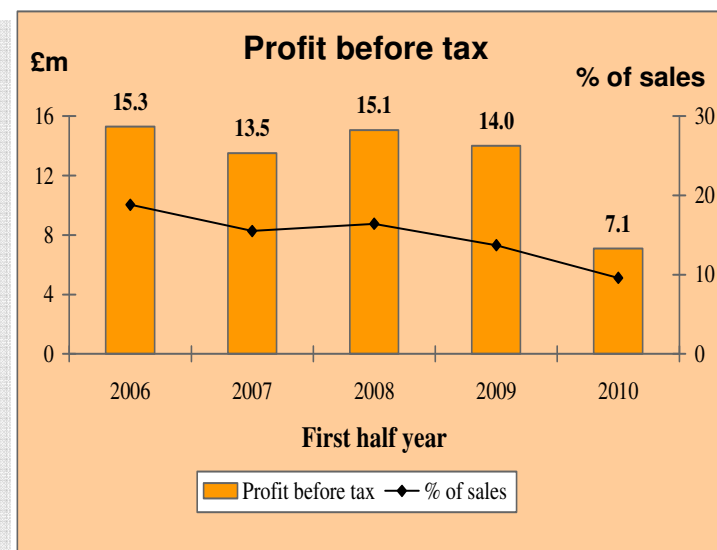
We are grateful for our employees' understanding and continued commitment and look forward to returning to consistent growth for our shareholders.

Sir David R McMurtry CBE RDI FREng CEng FIMechE
Chairman & Chief Executive
27th January 2010

Financial highlights

	2010 £m	2009 £m	change %
Sales			
At actual exchange rates	73.9	102.7	-28%
At previous year exchange rates	70.3	102.7	-32%
Operating profit			
At actual exchange rates	6.9	11.9	-42%
At previous year exchange rates	4.4	11.9	-63%
Profit before tax			
At actual exchange rates	7.1	14.0	-49%
At previous year exchange rates	4.6	14.0	-67%
Earnings per share	7.8p	15.4p	-49%
Dividend per share	4.00p	7.76p	-48%

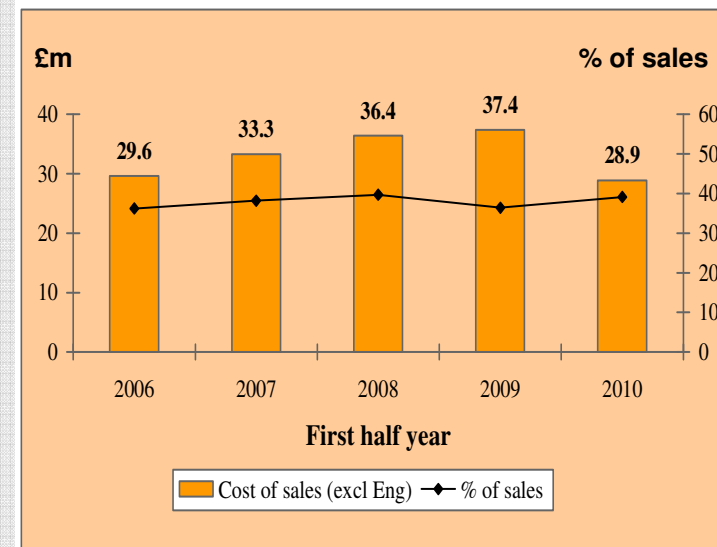
Notes



Profit and loss account

	2010 £m	%	2009 £m	%	change %
Sales	73.9	100	102.7	100	-28%
Cost of sales	28.9	39	37.4	36	-23%
Engineering (incl R&D)	12.5	17	18.1	18	-31%
Gross profit	32.5	44	47.2	46	-31%
Distribution costs	17.1	24	22.7	22	-25%
Administration costs	8.5	11	12.6	12	-33%
Operating profit	6.9	9	11.9	12	-42%
Financial income (net)	0.1	-	1.7	2	-
Profit from associates	0.1	-	0.4	-	-
Profit before tax	7.1	10	14.0	14	-49%

Cost of sales (excl. Engineering)



Notes

Profit and loss account

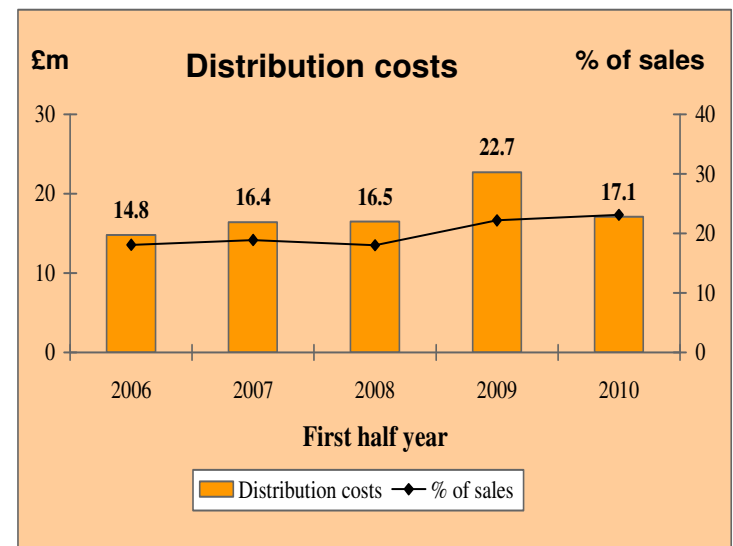
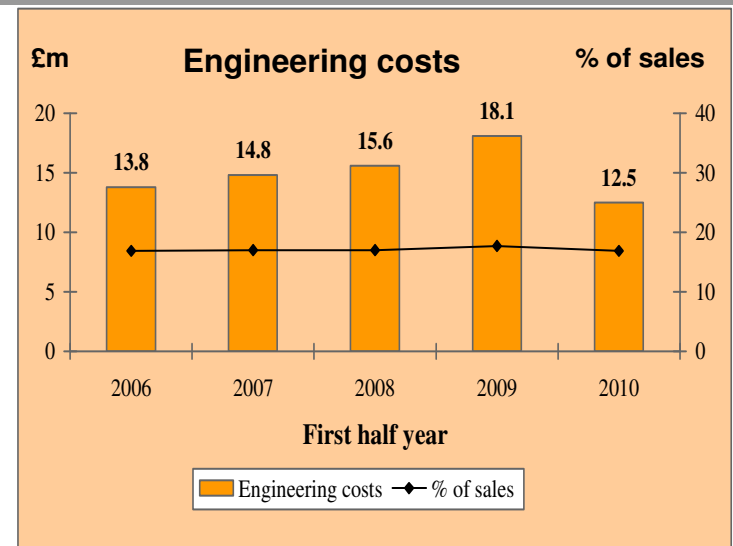
•Engineering costs (including R&D):

	2010	2009
•Total spend	£13.9m	£19.4m
•Less capitalised	£1.4m	£1.3m
•Remaining in P&L	£12.5m	£18.1m
•Gross decrease	-28%	

•Distribution costs:

- Costs increased by £0.6m due to different exchange rates relative to the previous year
- Debtor days at December of 60 days compared with 69 at June 2009

Notes



Profit and loss account

•Administrative expenses:

- 2009 included £1.4m legal costs relating to previous patent infringement case in USA.
- Costs increased by £0.1m due to different exchange rates relative to the previous year

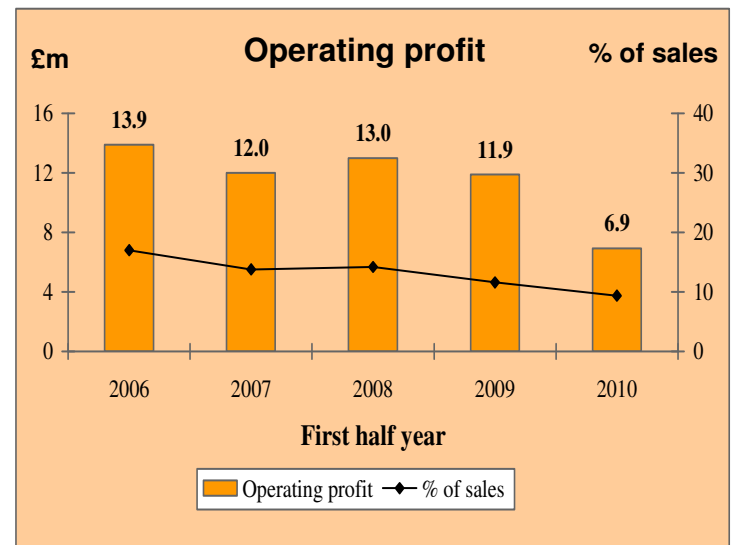
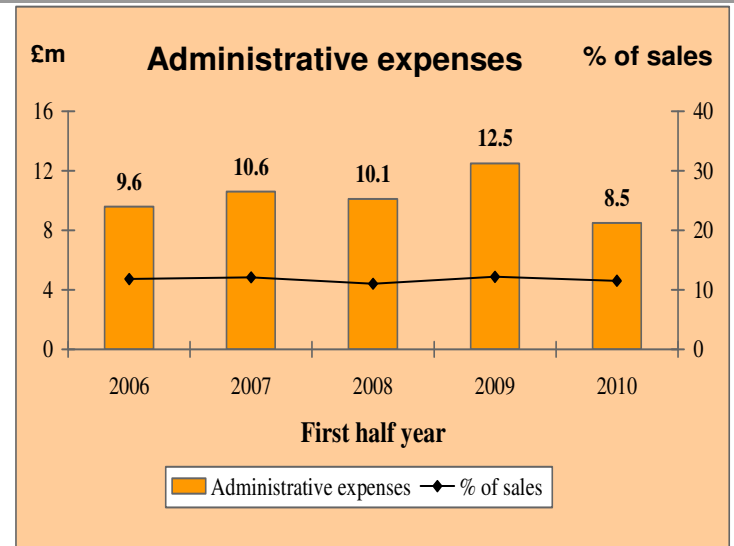
Currency effects on profit

Positive currency effect of £2.5m at the operating profit level, when comparing current year's results at previous year's exchange rates

This year's operating profit at last year's exchange rates would have been £4.4m compared with £11.9m last year

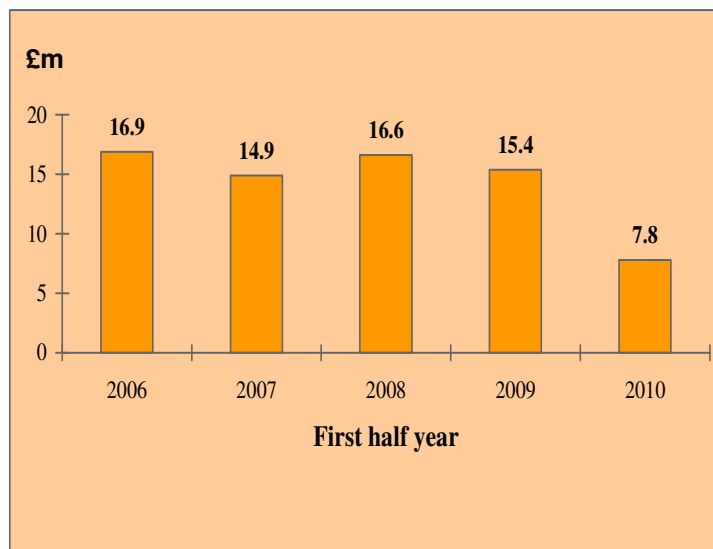
At previous year's exchange rates, profit before tax would have been £4.6m, compared with £14.0m last year

Notes

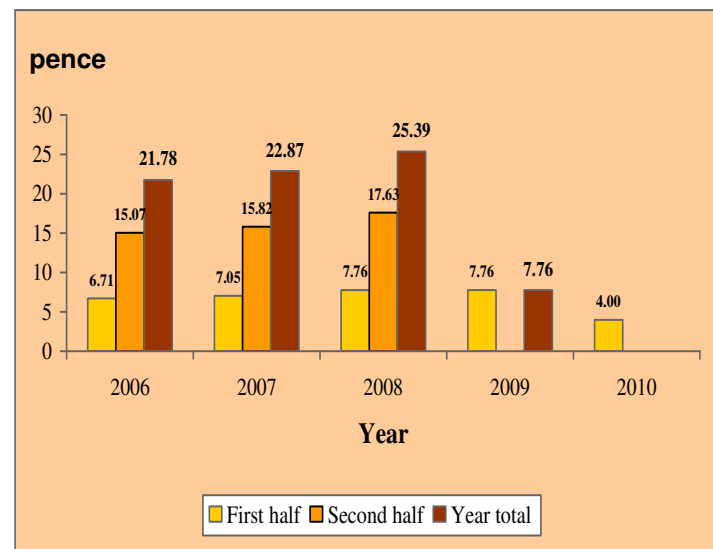


Profit and loss account

Earnings per share



Dividend per share



Year	2006	2007	2008	2009	2010
Dividend increase for full year	+10%	+5%	+11%	-69%	-48%(int)
Full year dividend cover	1.9	1.6	1.8	0.6*	-

* after exceptional redundancy costs, adjusted 1.2

Notes

Cost control

Cost management controls

- **Headcount and labour**

- Voluntary 20% pay reduction reinstated October 2009 onwards
- Headcount additions tightly controlled

	Dec 2009	Dec 2008	June 2009
• Headcount	1,831	2,285	1,843

- **Overhead cost control**

- All fixed costs reviewed regularly

- **Working capital management**

- Stock reduction
- Focus on debt collection
- Maximise cash balances as a result of these measures

- **Essential capital expenditure only**

Notes

Revenue analysis

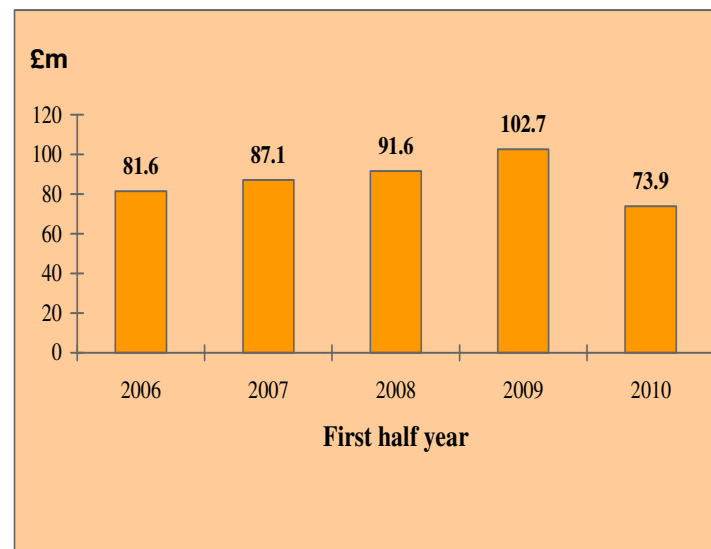
Revenue down 28% at actual exchange rates and down 32% at previous year's exchange rates

- Revenue favourably affected by £3.6m when compared with the previous year's exchange rates

- Segmental analysis

	2010	2009	change
	£'000	£'000	%
• Metrology	65,876	94,205	-30%
• Healthcare	7,975	8,465	-6%

Revenue



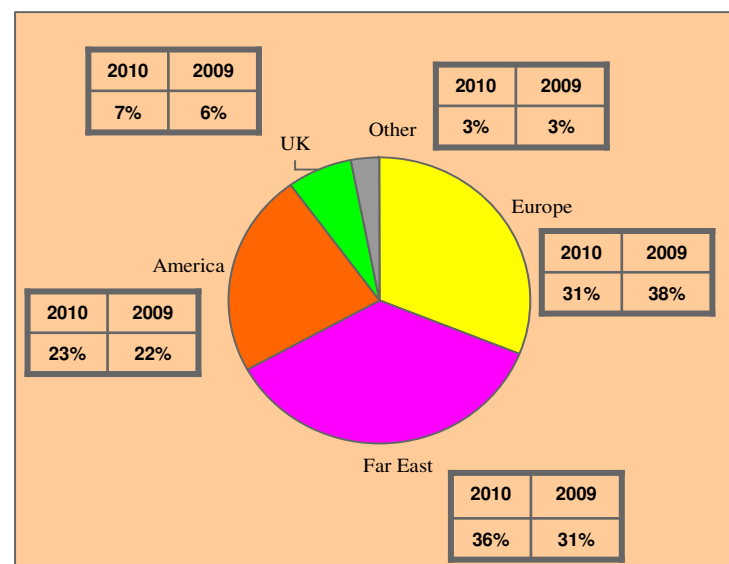
Notes

Revenue analysis

•Changes in geographic areas:

	At act fx	At p/y fx
•UK & Ireland	-15%	-15%
•Far East	-17%	-25%
•Americas	-25%	-30%
•Europe	-42%	-42%

Revenue by region



Notes

Group revenue

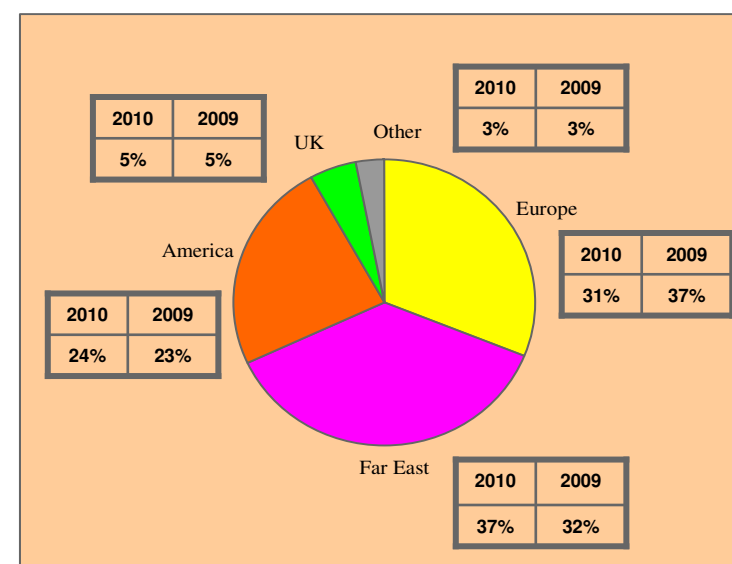
	2010 £m	2009 £m	change %	at p/y fx £m	change %	favourable fx (£m)		Average fx rates	
								2010	2009
Continental Europe	22.6	38.7	-42%	22.5	-42%	0.1	EUR	USD	1.63 1.70
Far East	26.6	32.2	-17%	24.2	-25%	2.4	JPY/USD	JPY	149 173
America (North & South)	17.3	23.1	-25%	16.2	-30%	1.1	USD	EUR	1.12 1.22
UK & Ireland	5.0	5.9	-15%	5.0	-15%			Average forward rates	
ROW	2.4	2.8	-18%	2.4	-18%			USD	1.69 1.71
Total	73.9	102.7	-28%	70.3	-32%	3.6		JPY	156 169
								EUR	1.32 1.33

Notes

Group revenue - Metrology

	2010 £m	2009 £m	change %
Continental Europe	20.6	35.0	-41%
Far East	24.0	30.5	-21%
America (North & South)	15.7	21.5	-27%
UK & Ireland	3.6	4.6	-22%
ROW	2.0	2.6	-23%
Total	65.9	94.2	-30%

Revenue by region



Notes

New product releases - Metrology



QC20-W
Wireless
ballbar



**OLP40 and
RLP40 lathe
probes**



**RMP40
compact radio
transmission
spindle probe**

**OMM-2 and OSI modulated
transmission dual receiver interface
system for machine tool systems**



**RMP40 lathe
probe module
and with LP2
probe attached**

Notes

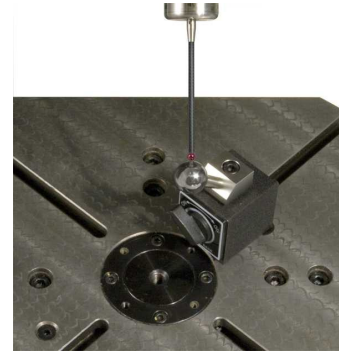
New product releases - Metrology



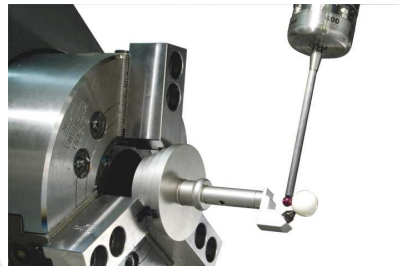
HPGA high precision arm for grinding applications



Axiset™ Check-up (and on machine)



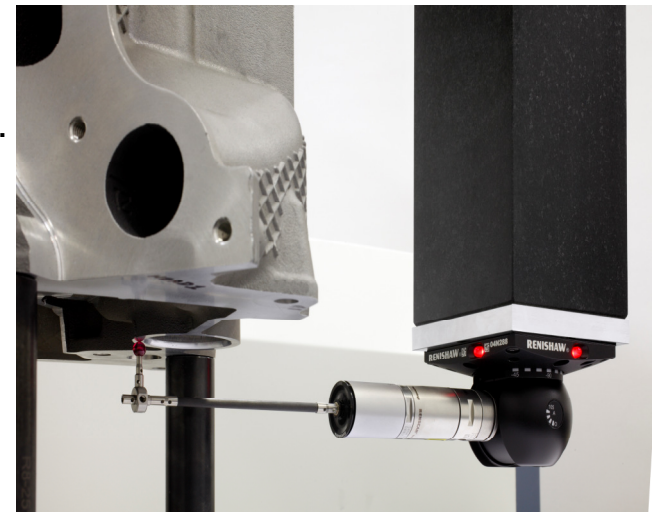
UCCsuite V4.3 Software Release, providing improved REVO capability.



Axiset™ Calibrator (and on machine)

New PH10 with improved repeatability Specification and modern Aquablast look.

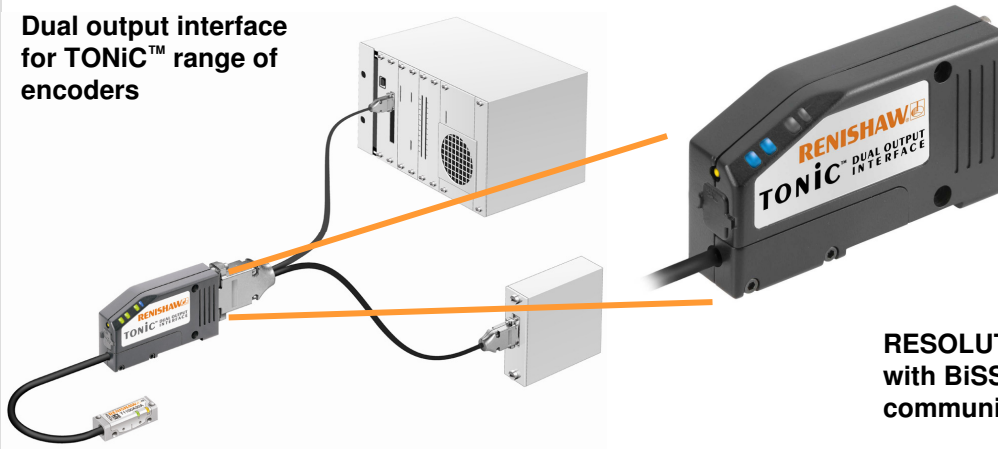
New SM25-5 module to enable use of larger crank/star styli configurations



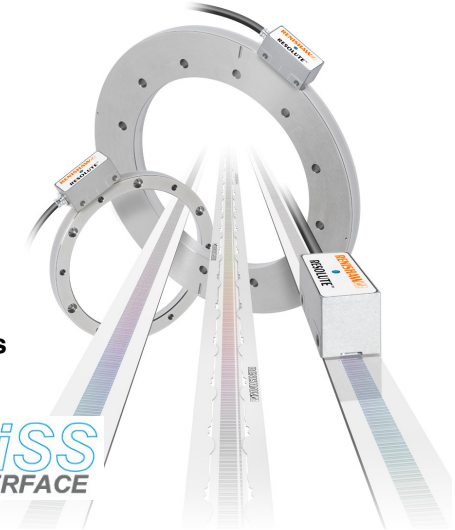
Notes

New product releases - Metrology

Dual output interface for TONiC™ range of encoders



RESOLUTE™ absolute encoders with BiSS® ‘open’ protocol communications

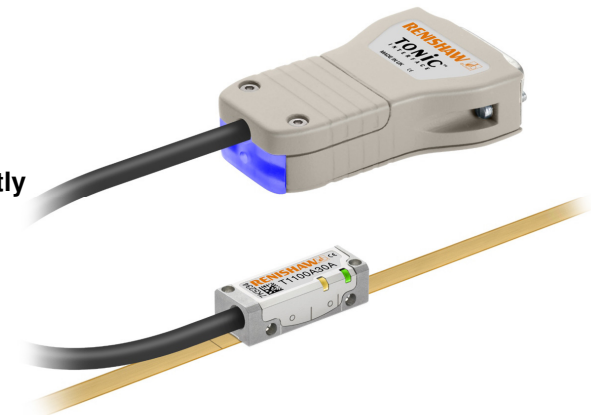


DSi dual signal interface for TONiC™



TONiC™ variants:

- Option of 1 nm resolution with ultra-low noise
- Special option to give exactly 12000 dpi



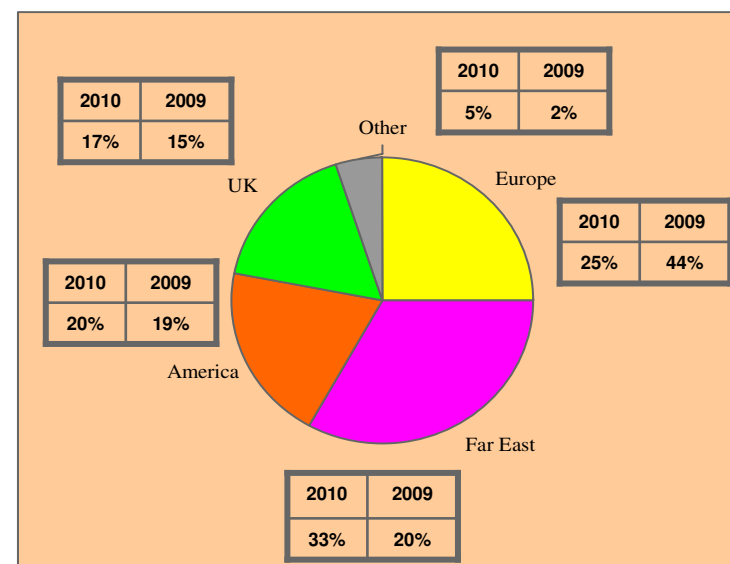
Notes

Group revenue - Healthcare

	2010 £m	2009 £m	change %
Continental Europe	2.0	3.7	-46%
Far East	2.6	1.7	+53%
America (North & South)	1.6	1.6	+6%
UK & Ireland	1.4	1.3	+8%
ROW	0.4	0.2	+89%
Total	8.0	8.5	-6%

Note. 2009 Continental Europe includes £2.5m of non-recurring revenue.

Revenue by region



Notes

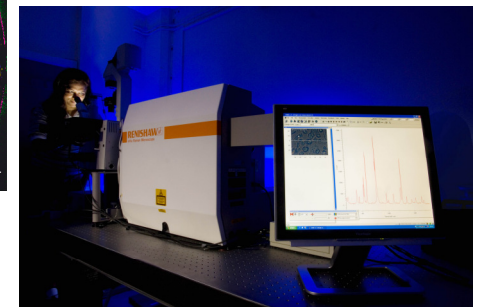
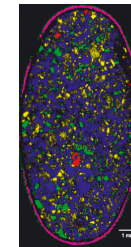
Investments - Healthcare

•Healthcare investment

- Further investment (£1m) in D3 Technologies Limited, which specialises in the development, manufacture and distribution of surface enhanced Raman spectroscopy products, bringing the shareholding up to 80% (was 75%)

•Healthcare investment focus

- Dental – scanning and milling of frameworks for crowns and bridges
- Neurological – neurosurgical applications, such as deep brain stimulation
- Spectroscopy – investigating techniques of non-destructive testing of samples to help in the analysis of cells, medicinal tablet mapping, molecular diagnostics and DNA analysis

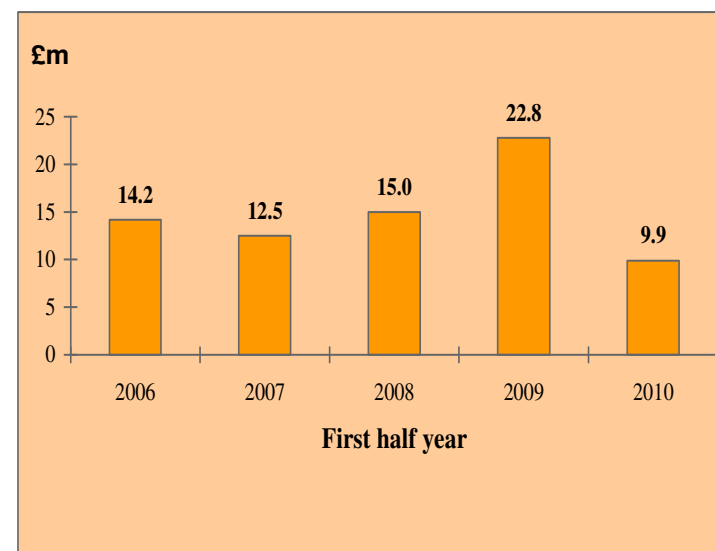


Notes

Cash flow from operating activities

	2010 £m	2009 £m
Profit before tax	7.1	14.0
Depreciation & amortisation	7.2	6.5
Financial income & expenses	(0.1)	(1.7)
Share of profits from associates	(0.1)	(0.4)
Decrease/(increase) in stock	4.2	(1.7)
(Increase)/decrease in debtors	(5.5)	14.8
(Decrease) in creditors	-	(5.6)
Total movement in working capital	(1.3)	7.5
Income taxes paid	(2.9)	(3.1)
Cash from operating activities	9.9	22.8

Cash from operating activities

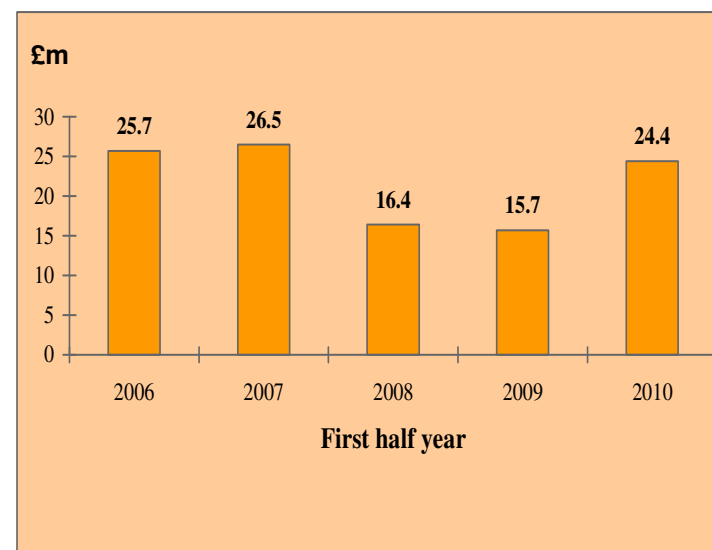


Notes

Cash flow

	2010 £m	2009 £m
Cash from operating activities	9.9	22.8
Interest received less paid	-	0.9
Dividends paid	-	(12.8)
Fixed assets purchased (net)	(1.0)	(6.5)
Intangible assets acquired	(0.2)	(6.9)
Development costs capitalised	(3.6)	(2.6)
Investments in associates	-	(0.4)
Net cash flow	5.1	(5.5)
Cash at 1st July	20.5	38.2
Effect of exchange rate changes	(1.2)	(17.0)
Cash at 31st December	24.4	15.7

Bank balance



Notes

Balance sheet

	Dec 2009 £m	June 2009 £m	change %
Property, plant & equipment	72.0	73.6	-2%
Intangible assets & investments	35.6	34.8	+2%
Deferred tax assets	17.3	14.1	+23%
Other receivables	2.0	4.0	-50%
Total non-current assets	126.9	126.5	+0%
Inventory	25.0	29.2	-14%
Debtors	37.5	30.0	+25%
Cash	24.4	20.5	+19%
Creditors (current)	(24.3)	(21.5)	+13%
Current assets less current liabilities	62.6	58.2	+8%
Deferred tax liability	10.6	10.6	-
Pension liability	29.7	22.5	+32%
Other payables	7.1	7.8	-9%
Net assets	142.1	143.8	-1%

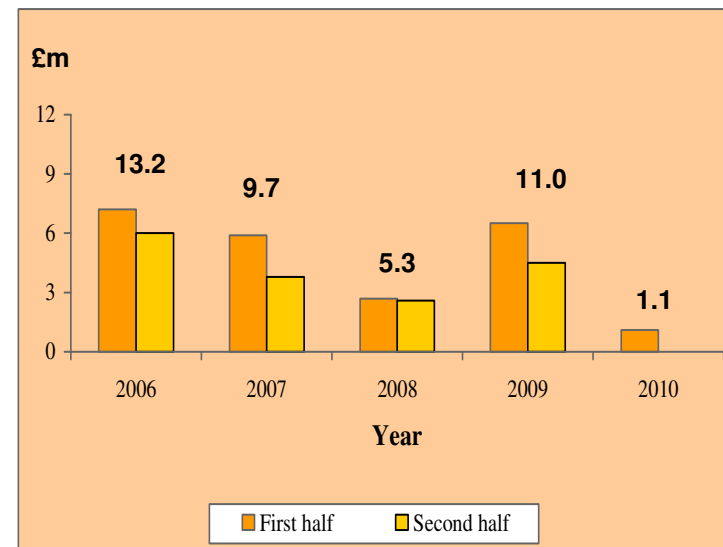
Notes

Capital expenditure and Investments

- Total capital spend £1.1m (2009 £6.5m), of which £0.6 on property, £0.5m on plant and £0.02m on vehicles

- Property additions – India

Capital expenditure



Notes