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News from Renishaw

29th July 2009

Renishaw plc and subsidiary undertakings
 Preliminary announcement of results for the year ended 30th June 2009

CONSOLIDATED INCOME STATEMENT

	2009	2008
	£'000	£'000
Revenue	171,247	201,157
Cost of sales	(101,064)	(106,759)
Gross profit	<u>70,183</u>	<u>94,398</u>
Distribution costs	(41,559)	(35,694)
Administration costs, excluding exceptional items	(22,633)	(21,369)
Operating profit before exceptional items	<u>5,991</u>	<u>37,335</u>
Exceptional items:		
Redundancy costs	(4,121)	-
Pension curtailment credit	-	1,344
Operating profit	<u>1,870</u>	<u>38,679</u>
Financial income	8,754	9,194
Financial expenses	(6,219)	(5,070)
Share of profits of associates	317	256
Profit before tax	<u>4,722</u>	<u>43,059</u>
Income tax expense	(1,124)	(8,443)
Profit for the year	<u>3,598</u>	<u>34,616</u>
Profit attributable to equity shareholders	3,871	34,716
Minority interest	(273)	(100)
	<u>3,598</u>	<u>34,616</u>

Adjusted earnings per share (excluding exceptional items)	9.3p	45.9p
Earnings per share (basic and diluted)	4.9p	47.6p
Dividend per share arising in respect of the year	7.76p	25.39p

CONSOLIDATED BALANCE SHEET

at 30th June	2009 £'000	2008 £'000
Assets		
Property, plant and equipment	73,583	68,766
Intangible assets	27,683	19,085
Investments in associates	7,085	6,788
Deferred tax assets	14,165	10,025
Other receivables	4,020	-
Total non-current assets	126,536	104,664
Current assets		
Inventories	29,156	34,220
Trade receivables	24,057	42,803
Current tax	1,626	490
Other receivables	4,335	5,036
Cash and cash equivalents	20,488	38,183
Total current assets	79,662	120,732
Current liabilities		
Trade payables	6,588	12,691
Current tax	910	2,178
Provisions	656	824
Other payables	13,339	14,351
Total current liabilities	21,493	30,044
Net current assets	58,169	90,688
Non-current liabilities		
Employee benefits	22,458	11,055
Deferred tax liabilities	10,618	12,382
Other payables	7,849	5,270
Total non-current liabilities	40,925	28,707
Total assets less total liabilities	143,780	166,645
Equity		
Share capital	14,558	14,558
Share premium	42	42
Currency translation reserve	1,822	1,574
Cash flow hedging reserve	(5,415)	(4,252)
Retained earnings	132,755	154,403
Total equity attributable to shareholders	143,762	166,325
Minority interest	18	320
	143,780	166,645

CONSOLIDATED STATEMENT OF CASH FLOW

	2009 £'000	2008 £'000
Cash flows from operating activities		
Profit for the year	3,598	34,616
Adjustments for:		
Amortisation of development costs	4,433	2,743
Amortisation of other intangibles	1,441	1,512
Depreciation	8,890	8,061
Loss/(profit) on sale of property, plant and equipment	151	(1,042)
Share of profits from associates	(317)	(256)
Pension curtailment credit	-	(1,344)
Financial income	(8,754)	(9,194)
Financial expenses	6,219	5,070
Tax expense	1,124	8,443
	<u>13,187</u>	<u>13,993</u>
Decrease in inventories	5,064	1,958
Decrease/(increase) in trade and other receivables	28,167	(2,733)
(Decrease)/increase in trade and other payables	(12,026)	5,916
Difference between pension service cost and contributions	-	(58)
(Decrease)/increase in provisions	(168)	131
	<u>21,037</u>	<u>5,214</u>
Income taxes paid	(6,368)	(6,902)
	<u>31,454</u>	<u>46,921</u>
Cash flows from operating activities		
Investing activities		
Purchase of property, plant and equipment	(11,005)	(5,133)
Development costs capitalised	(6,618)	(5,497)
Purchase of other intangibles	(7,503)	(1,319)
Purchase of business	-	(482)
Investment in associate	(400)	-
Sale of property, plant and equipment	259	1,421
Interest received	1,161	1,743
Dividend received from associate	80	80
	<u>(24,026)</u>	<u>(9,187)</u>
Cash flows from investing activities		
Financing activities		
Interest paid	(255)	(141)
Dividends paid	(15,649)	(17,164)
	<u>(15,904)</u>	<u>(17,305)</u>
Cash flows from financing activities		
Net (decrease)/increase in cash and cash equivalents	(8,476)	20,429
Cash and cash equivalents at beginning of the year	38,183	20,761
Effect of exchange rate fluctuations on cash held	(9,219)	(3,007)
	<u>20,488</u>	<u>38,183</u>
Cash and cash equivalents at end of the year		

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2009 £'000	2008 £'000
Foreign exchange translation differences	248	1,784
Actuarial loss in the pension schemes	(13,032)	(20,541)
Effective portion of changes in fair value of cash flow hedges	(1,615)	(8,469)
Deferred tax on income and expense recognised in equity	3,614	7,999
Expense recognised directly in equity	<u>(10,785)</u>	<u>(19,227)</u>
Profit for the year	3,598	34,616
Total recognised income and expense for the year	<u>(7,187)</u>	<u>15,389</u>
Attributable to:		
Equity shareholders	(6,914)	15,489
Minority interest	(273)	(100)
	<u>(7,187)</u>	<u>15,389</u>

REVENUE ANALYSIS

	2009 £'000	2009 at 2008 exchange rates £'000	2008 £'000
Continental Europe	63,222	61,056	77,219
Far East, including Japan & Australia	52,006	42,370	59,536
North & South America	40,071	35,856	46,644
Rest of World	4,689	4,650	5,738
UK and Ireland	11,259	11,259	12,020
Total Group revenue	<u>171,247</u>	<u>155,191</u>	<u>201,157</u>

NOTES:

1. The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interests in associates.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS") and applicable law.
2. The financial information set out above does not constitute the Company's statutory accounts for the years ended 30th June 2009 or 2008 but is derived from those accounts. Statutory accounts for 2008 have been delivered to the registrar of companies, and those for 2009 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2008 nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2009.
3. This preliminary announcement and the presentation of results will be available on the Company's website www.renishaw.com.

The Chairman's statement to be included in the 2009 Annual report and financial statements:

This last year has been the most difficult in the history of the Company, characterised by two different half year performances. The first half commenced with record first quarter results and a promising outlook for the year, followed by an unprecedented downturn in the ensuing period. We were forced to make hard decisions in order to position the business for this market environment, pending a return of better conditions.

The cost base had to be reduced to meet the new environment, whilst maintaining our commitment to customer service and new product development programmes. We had to take a number of measures, the most difficult and painful of which was a redundancy programme under which we had to lose 437 staff (20% of the group workforce) giving annual cost savings of £17m. In addition, staff worldwide accepted a voluntary pay reduction of 20%, equivalent to £1.25m per month, which continues until 31st December 2009, subject to possible additional payments to employees, dependent upon achievement of certain profitability levels.

In parallel there has been a programme to reduce other group overhead expenditure by £10m per annum and a continuing focus on the management of working capital, particularly inventory and debtors, in order to sustain positive cash balances.

Operating results

There was a marked downturn in the second half of the year, with revenue reducing by some 37% compared with the previous year. Revenue in the second half was £68.9m (2008 £109.5m) and total revenue for the year amounted to £171.2m (2008 £201.2m). This is a 15% reduction compared with the previous year, which would have been a 23% reduction at previous year exchange rates. Revenue, with the sole exception of our spectroscopy products which showed good growth, was heavily reduced in all product lines and all main geographical sectors were affected.

Operating profit for the year before exceptional items was £6.0m (2008 £37.3m) after deducting a doubtful debt provision of £2.6m (2008 £0.4m) and £1.5m in respect of legal costs relating to patent infringement litigation in the United States (2008 £ nil) which was settled in the second half of the financial year. At previous year's exchange rates this operating profit would have been a loss of £1.9m.

After the costs of the redundancy programme amounting to £4.1m and the inclusion of the share of profits of associates of £0.3m and other financial income of £2.5m, profit before tax amounted to £4.7m compared with £43.0m for the previous year. Earnings per share were 4.9p (2008 47.6p).

Balance Sheet

Capital expenditure during the year amounted to £11.0m (2008 £5.3m), reflecting capital commitments made in the first half of the year.

At the year end, net cash balances were £20.5m compared with £38.2m at 30th June 2008. Group inventory stood at £29.2m (2008 £34.2m) and total trade debtors were reduced to £24.1m (2008 £42.8m). Trade creditors have reduced from £12.7m to £6.6m with no extension of supplier payment dates.

Pension Fund

At the year end, the revaluation under IAS 19 accounting standard of the Group's defined benefit pension funds, which are closed to new members and for future accruals to existing members, resulted in an increase in the deficit to £22.5m from £11.1m at the previous year end, reflecting poor investment performance and changes to assumptions for liability calculations.

Queen's Award

The Company has received the Queen's Award for Enterprise: Innovation 2009. The Award has been granted for the Company's OMP400 ultra-compact high-accuracy touch probe which is used for 3D measurement on computer numerically controlled machine tools. This is the Company's thirteenth Queen's Award.

Employees

I would like to thank all our employees for their steadfast support during what has been the most challenging and demanding period in our history. They have responded magnificently to all challenges and difficulties both in the UK and overseas.

Investing for the Future

As in prior economic downturns Renishaw continues to make heavy investment in future products and this year we are accelerating our new product development to help mitigate the impact of the recession.

A number of new metrology products and applications have been added to our established product lines during the year with a number of significant products destined to come to the market in the coming year. The metrology additions have been supplemented by the licensing of the source code for the Metris Camio CMM software and the acquisition of the business and assets of Qualis

Service GmbH, a Germany CMM service and calibration business, both of which enhance the development of the Group's CMM retrofit activity.

Developing from our existing metrology base has been an increasing commitment to healthcare:

- Our new range of dental products was introduced at the International Dental Exhibition in Cologne, Germany in March.
- We acquired a 75% shareholding in Schaerer Mayfield Neuromate AG (now renamed Renishaw Mayfield SA), a company based in Switzerland, which is a leading manufacturer of surgical robots, adding to our portfolio of products for the neurosurgery market. These products were introduced at the Fifteenth Quadrennial Meeting of the World Society of Stereotactic and Functional Neurosurgery held in Toronto, Canada at the end of May with very encouraging results.
- The Company has increased its investment in PulseTeq Limited by 25% to a 75% shareholding. PulseTeq Limited specialises in the development of coils for the enhancement of images from MRI scanners.

Prospects

It is difficult to predict how long the current market conditions will prevail. Current activity levels are showing some signs of an improvement, but we do not anticipate returning to profitability until the second quarter of this financial year. The Group, with its strong balance sheet, portfolio of existing products and new products in development (broadening into healthcare), remains strongly positioned to meet all present demands and to respond to any increase in activity as it develops. We continue to face our long-term future with great confidence.

Dividend

The Company paid an interim dividend of 7.76p per share in April which was waived by the executive directors. However, in view of the exceptional adverse trading conditions we have encountered and the consequential impact on our results, we do not propose to pay a final dividend for the year.

We will continue to monitor our performance and intend to return to paying dividends when conditions improve. The level of such dividends and the policy for the future will be determined by the financial performance of the Group as it recovers.

Sir David R McMurtry, CBE, RDI, CEng, FIMechE, FREng
Chairman & Chief Executive
29th July 2009

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