



2008 results

23rd July 2008

Chairman's statement

I am delighted to announce record results for the financial year to 30th June 2008.

Revenue

Revenue growth has accelerated since the half year resulting in an overall increase of 11% to £201.2m (2007 £180.9m) representing growth of 9% at constant exchange rates. We have experienced growth across all geographical markets, in particular the Far East and Europe and there was significant progress in our laser calibration, machine tool and encoder product lines.

Profit

Operating profit, excluding pension curtailment credits in Ireland in 2008 and in the UK in 2007, increased by 28% to £37.3m (2007 £29.7m), reflecting in part £1.4m of additional profit due to favourable exchange rates. Profit before tax, excluding pension curtailment credits, increased by 28% to £41.7m (2007 £32.7m), resulting in adjusted earnings per share up 28% to 45.9p (2007 35.9p).

Sales and marketing

Renishaw increased its market penetration and market offering. We continue to focus on existing markets, customers and new applications for our ever-increasing product range. Our overseas marketing and sales network has been further strengthened during the year, particularly in the Far East, India and Brazil.

Renishaw's 5-axis scanning and measuring product Renscan5 and REVO™ is now being widely accepted for new sales and also increasingly for the substantial retrofit market, reflecting the significant improvements available to customers on throughput and productivity. The new laser interferometer XL-80 and XC-80 compensator products within the laser and calibration market have also been very warmly welcomed.

Manufacturing

During the year we have completed the introduction in both the UK and India of our new manufacturing Enterprise Resource Planning (ERP) system which will give rise to improved manufacturing efficiencies, from the ordering of goods from suppliers to the production of finished products.

In addition a groupwide initiative to review and implement changes to inventory management policies was established. This has resulted in group inventory being reduced by £2.0m at 17% of sales (2007 20%), despite the increase in turnover; at the same time the level of finished stock has increased by 12%, maintaining and improving our ability to respond to customer demands. The effects of this initiative should continue to be evident in the current financial year. In India our production facility in Pune is to be further enlarged, building on its success in improved quality control, cost reduction and increasing volumes.

Patents

Renishaw invests heavily in the research and development of new products and in protecting intellectual property rights by way of patents and proprietary processes. As a matter of policy therefore, Renishaw takes action for alleged patent infringements where appropriate. In June 2008 we announced that Renishaw has commenced legal proceedings in the US in the Northern District of Illinois against Tesa SA and Hexagon Metrology Inc, each part of the Hexagon Metrology Group of Hexagon AB, a Swedish company. It is considered that the litigation could take several years to reach a final decision.

Balance sheet

Operating cash flow more than doubled to £46.9m (2007 £22.4m) reflecting both improved profitability and management of working capital. Capital expenditure was £5.2m, compared with £9.7m. At the year end group net cash balances increased to £38.2m (2007 £20.8m), providing a sound basis for future investment opportunities.

Chairman's statement

Research and development

Research and development remains at the core of Renishaw's business and new and updated products continue to increase our product range and help maintain our market position. Total engineering expenditure including research and development increased by 14% to £35.4m (2007 £31.1m) prior to the capitalisation of development costs (net of amortisation) of £2.8m (2007 £1.6m) giving a net profit and loss charge of £32.6m (2007 £29.5m).

A number of new products have been introduced during the year including:

- Two new high-accuracy strain gauge touch trigger probes for machine tool applications
- A contact sensing probe for articulating arm measuring machines
- Neuro|inspire™ software and neuro|guide™ devices for neurosurgical procedures
- New CAD software for the design of dental crowns and bridges
- New interfaces for our laser scales and encoders
- New and improved range of angle and linear encoders
- New low-cost servo controller and handset for CMMs
- Thermally controlled module rack for scanning probes

The application of Renishaw technology to markets outside traditional engineering continues to challenge and excite the Company. The development of precision functional neurosurgery is the latest to offer significant potential in the medium-term to add to our growing interest in advancing dental technology.

Employees

This year has involved a great deal of hard work and commitment by our employees who, at the year end, numbered 2,151 (2007 2,154). I am grateful to them all for their individual contribution which has led to this successful year.

I am also pleased to welcome Bill Whiteley as a new non-executive director. I am sure his experience at Rotork plc where he was CEO during a period of substantial growth will be invaluable to Renishaw.

Prospects and dividend

2008 was a very successful year with record results. The Group continues to expand its international presence and the flow of new products entering the market. These provide the platforms to maintain progress despite the less than certain current economic environment worldwide.

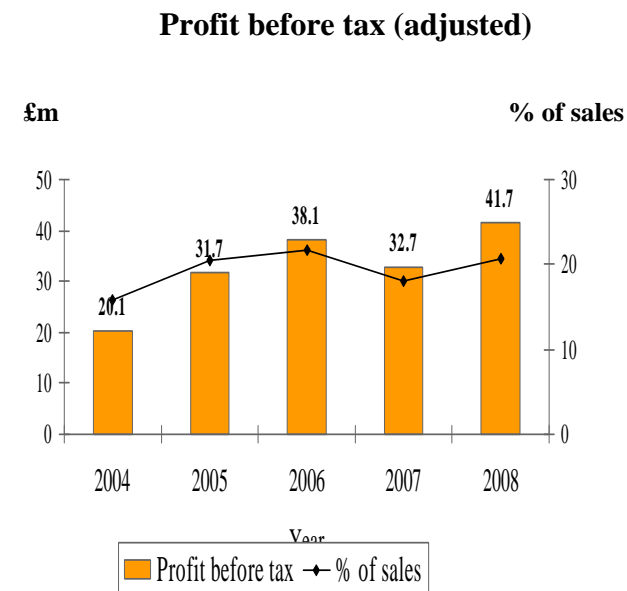
We start the current year with a record order book and, although historically this order book provides little longer-term visibility, it is clear that many of our customers who traditionally have much longer lead-times than ourselves are still very buoyant. Encouraged by the increasing market opportunities for the application of our technologies, we view the Company's future with confidence and optimism.

Your board proposes a final dividend of 17.63p per share, giving a total for the year of 25.39p per share (2007 22.87p), an increase of 11%.

Sir David R McMurtry, CBE, RDI, CEng, FIMechE, FREng
Chairman & Chief Executive
23rd July 2008

Financial highlights

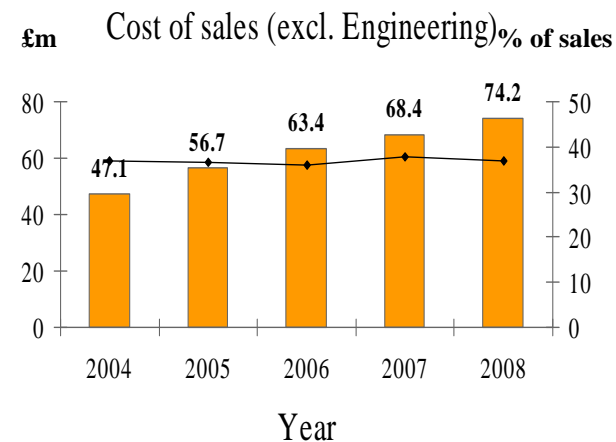
	2008 £m	2007 £m	change %
Sales			
At actual exchange rates	201.2	180.9	+11%
At constant exchange rates	197.5	180.9	+9%
Operating profit			
As reported	38.7	49.1	-21%
Excluding pension curtailment credit	37.3	29.7	+26%
Profit before tax			
As reported	43.1	52.1	-17%
Excluding pension curtailment credit	41.7	32.7	+28%
Adjusted earnings per share	45.9p	35.9p	+28%
Dividend per share	25.39p	22.87p	+11%



Notes

Profit and loss account (excluding pension curtailment credit)

	2008 £m	%	2007 £m	%	change %
Sales	201.2	100	180.9	100	+11%
Cost of sales	74.2	37	68.4	38	+8%
Engineering	32.6	16	29.5	16	+11%
Gross profit	94.4	47	83.0	46	+14%
Distribution costs	35.7	18	32.9	18	+9%
Administration costs	21.4	11	20.4	11	+5%
Operating profit	37.3	19	29.7	17	+26%
Profits from associates	0.3	-	0.1	-	-
Financial income (net)	4.1	2	2.9	1	+38%
Profit before tax	41.7	21	32.7	18	+28%



Notes

Profit and loss account

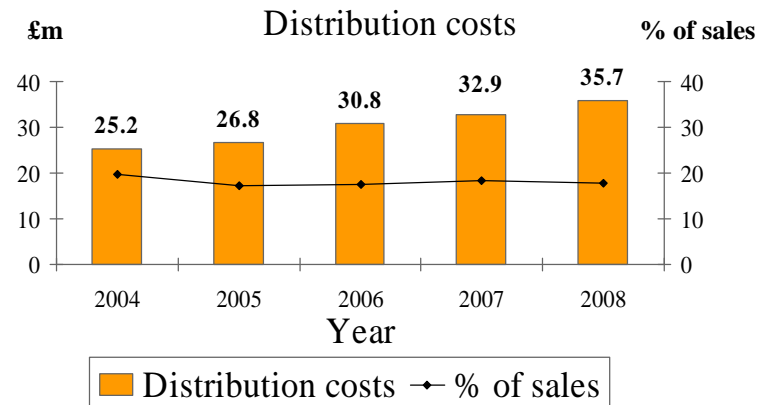
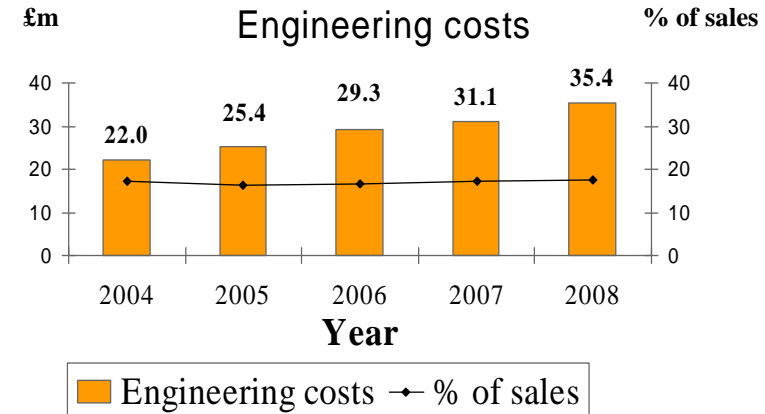
•Engineering costs (including R&D):

	2008	2007
•Total spend	£35.4m	£31.1m
•Less capitalised	£2.8m	£1.6m
•Remaining in P&L	£32.6m	£29.5m
•Gross increase	14%	

•Expansion on marketing resources in the Far East, mainly China

•Subsidiary company opened in Taiwan

•New offices in Brazil

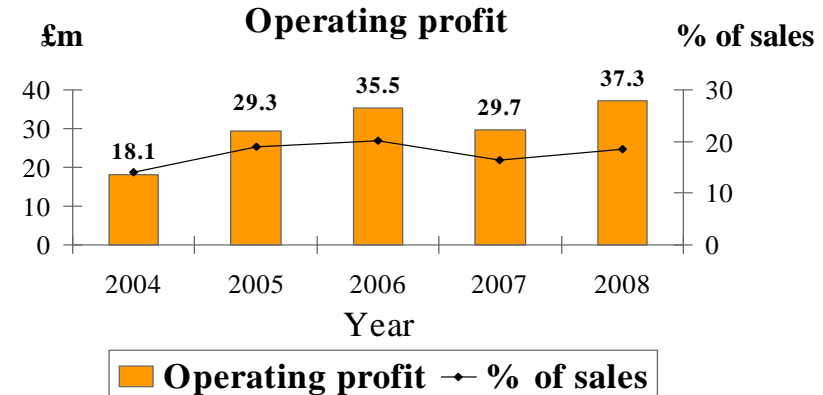
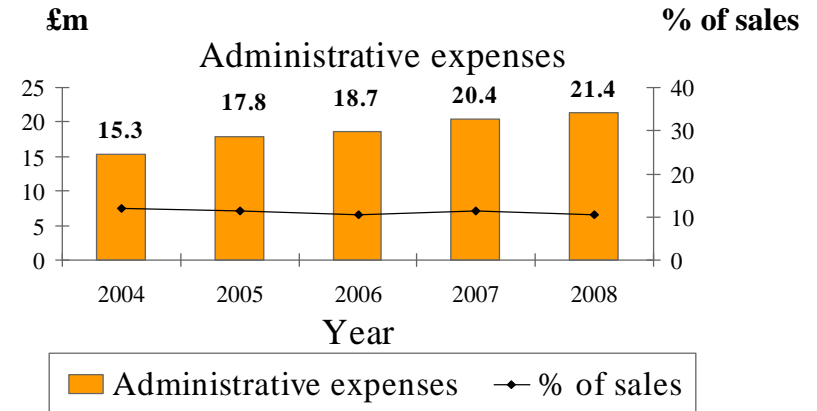


Notes

Profit and loss account

Headcount now 2,151 (June 2007 2,154), a decrease of 3 people

UK & Ire	1,569	-46
Overseas	582	+43



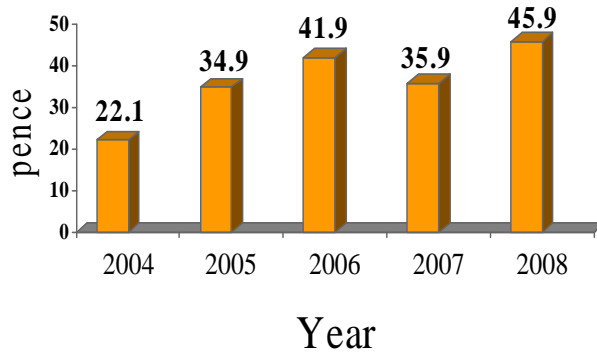
Operating profit (excluding exceptional items)

No adjustments made to periods prior to 2005 for IFRS in any of the figures and graphs in this presentation

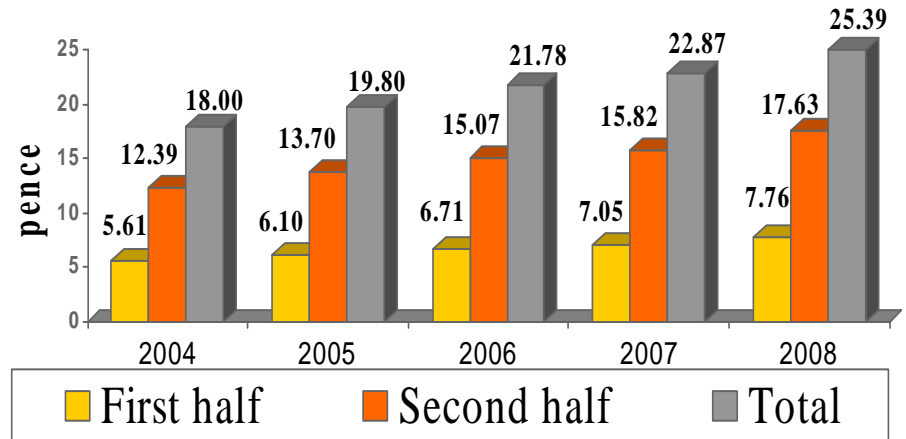
Notes

Profit and loss account

Adjusted earnings per share



Dividend per share



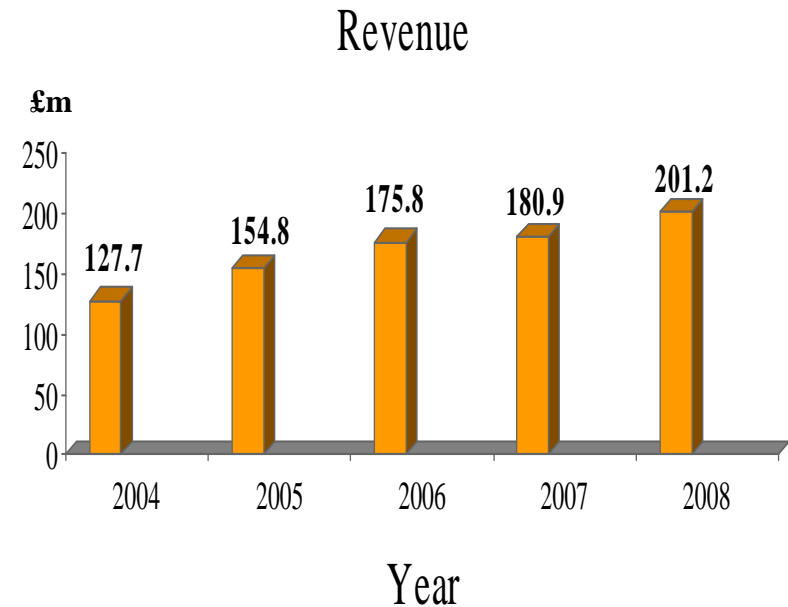
Increase	+8%	+10%	+10%	+5%	+11%
cover	1.2	1.8	1.9	1.6	1.8

Notes

Sales analysis

- Record revenue
- Sales up 11% at actual exchange rates, 9% at previous year's exchange rates
- Favourable currency effect of £3.7m at the sales level, including the forward contracts, when comparing current year's revenue at previous year's exchange rates
- Changes in geographic areas:

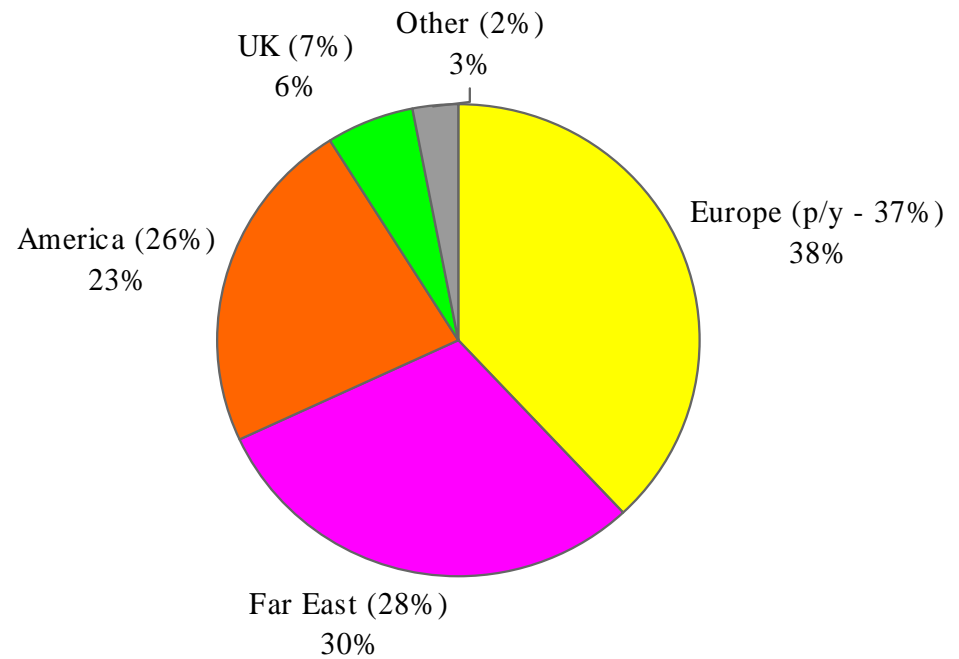
	At act fx	At p/y fx
• Far East	+17%	+16%
• Europe	+15%	+10%
• UK & Ireland	+2%	+2%
• Americas	+1%	+3%



Notes

Sales analysis

- Growth in all product lines, except Dental and Spectroscopy
- Above-average growth in the product lines:
 - Calibration
 - Machine tool
 - Encoder
- Significantly reduced sales in Dental due to ordering profile by major customer



Notes

Group sales

	2008 £m	2007 £m	change %	at p/y fx £m	change %	favourable fx effect (£m)	
Continental Europe	77.2	67.2	+15%	73.7	+10%	3.5	EUR
Far East	59.6	50.7	+17%	58.7	+16%	0.9	JPY/USD
America (North & South)	46.7	46.2	+1%	47.4	+3%	(0.7)	USD
ROW	5.7	5.0	+15%	5.7	+14%		
UK & Ireland	12.0	11.8	+2%	12.0	+2%		
Total	201.2	180.9	+11%	197.5	+9%	3.7	

Forward contract effect – increase in revenue by £2.7m when comparing at previous year exchange rates (actual £108k)

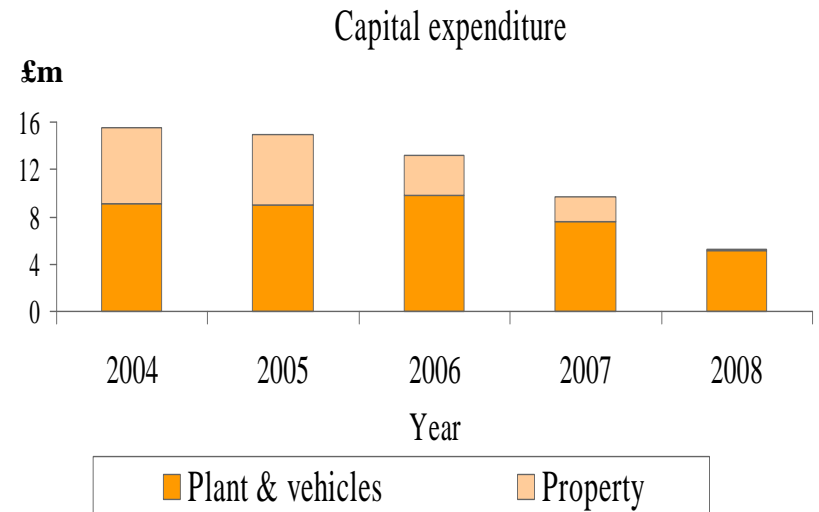
Notes

Capital expenditure

• Total capital spend on property, plant and equipment was £5.3m (2007 £9.7m), of which £0.2m spent on property, £4.2m on plant and £0.9m on vehicles.

• Investment of £1.7m in D3 Technologies Ltd

- 75% shareholding
- Further investment over next 4 years of £3.2m
- D3's business is Surface enhanced Raman spectroscopy
- £850k used to purchase analytical business unit of Mesophotonics Ltd



Notes

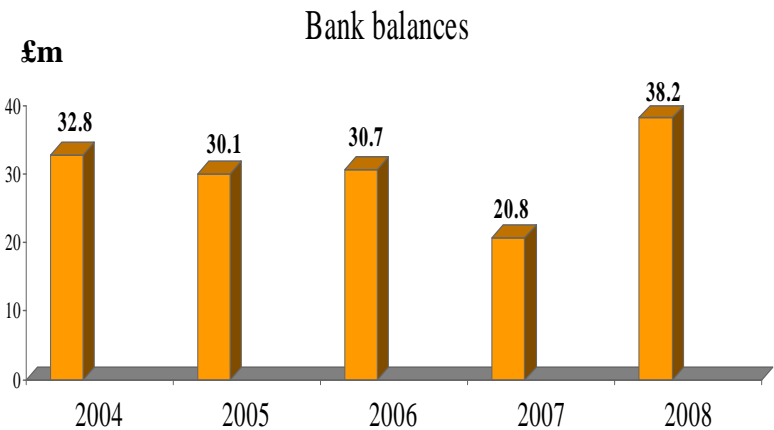
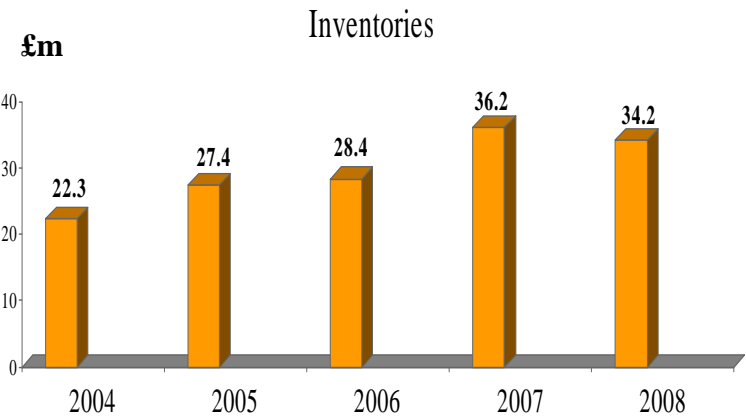
Balance sheet

Inventories

- Reduction of inventories from £36.2m to £34.2m
- Increase of 12% in finished goods in order to meet the delivery demands of the market
- ERP system to improve efficiencies in manufacturing and inventory management

Bank balances

- High level of cash balances at the year end of £38.2m (highest year-end balance was £39.7m in June 2000)



Notes

Balance sheet

	June 2008 £m	June 2007 £m	change %
Fixed assets	68.8	69.5	-1%
Intangible assets	19.1	13.8	+38%
Investments in associates	6.8	7.0	-3%
Deferred tax assets	10.0	4.7	-
Total non-current assets	104.7	95.0	+10%
Stock	34.2	36.2	-5%
Debtors	48.3	44.7	+8%
Cash	38.2	20.8	+84%
Creditors	(31.3)	(22.0)	+42%
Current assets less current liabilities	89.4	79.7	+12%
Deferred tax liability	(12.4)	(12.2)	+2%
Pension (liability)/asset*	(11.1)	5.5	-
Other payables	(4.0)	-	-
Net assets	166.6	168.0	-1%

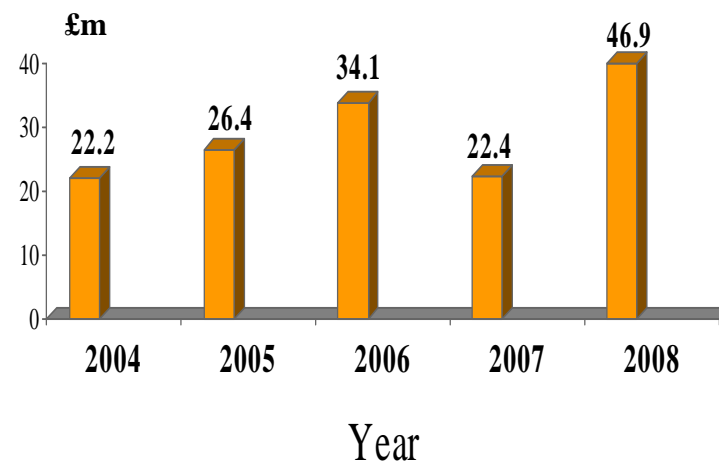
* Changes in actuarial assumptions and poor investment performance

Notes

Cash flow from operating activities

	2008 £m	2007 £m
Operating profit	38.7	49.1
Depreciation & amortisation	12.3	11.1
Pension curtailment credit	(1.3)	(19.5)
Tax paid	(6.9)	(7.0)
Additional pension contributions	(0.1)	(0.2)
Profit on sale of assets	(1.0)	-
Decrease/(increase) in stock	2.0	(7.8)
Increase in debtors	(2.7)	(2.9)
Increase/(decrease) in creditors	5.9	(0.4)
Total movement in working capital	5.2	(11.1)
Cash from operating activities	46.9	22.4

Cash from operating activities



Notes

Cash flow

	2008	2007
	£m	£m
Cash from operating activities	46.9	22.4
Interest received	1.6	1.4
Dividends paid	(17.2)	(16.1)
Fixed assets purchased (net)	(3.7)	(10.7)
Development costs capitalised	(5.5)	(3.6)
Investments in associates & intangibles	(1.7)	(6.1)
Fx changes	(3.0)	2.8
	<hr/>	<hr/>
Total cash movement	17.4	(9.9)
Cash at 1st July	20.8	30.7
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Cash at 30th June	38.2	20.8
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Notes

Awards

- REVO™ and TRS2 gained MWP awards in April 2008

- REVO™ - Best quality control product or system

- TRS2 - Best tooling product

- University of Strathclyde Enterprise Award granted to D3 for its work on trace detection used in drug development, forensic science and medical diagnostics



MWP awards



University of Strathclyde Enterprise Award

Notes

Awards

- 'Manufacturing Engineering', the official magazine of the US Society of Manufacturing Engineers (SME), is also honouring Sir David as a 'Master of Manufacturing' in its July issue. This is the first time that a non-US citizen has been given this honour
- Sir David received the 'Lifetime Achievement Award' at the West of England Business Awards held on 23rd June 2008, recognising his significant contribution to the business community in the West of England over the last 20 years.
- On 25th June 2008, Sir David received an Honorary Doctor of Engineering Degree from the University of Bath



Sir David is pictured receiving 'Lifetime achievement' award from ITV News presenters Steve Scott and Lisa Aziz, and Stephen Harrison of sponsors PricewaterhouseCoopers

Notes

New product releases



FCR25 TC - thermally controlled rack for use with SP25M scanning modules



UCCLite-2

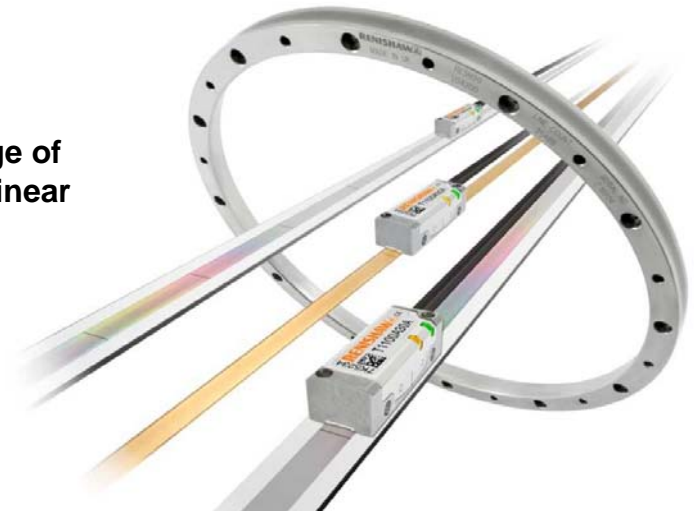


REE and REF interfaces, giving improved performance for RG2 and RG4 encoders



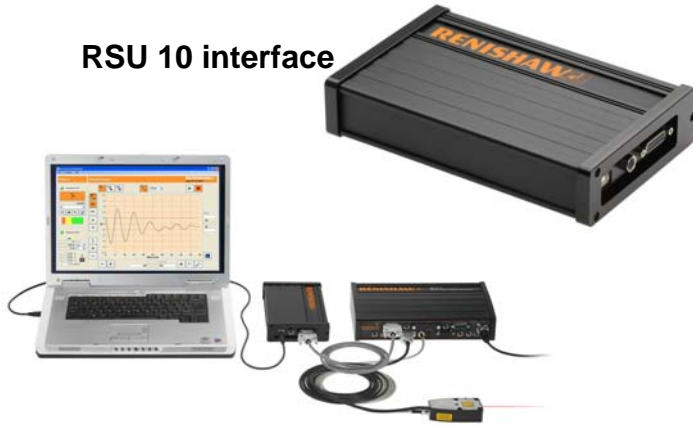
MCULite

TONiC range of angle and linear encoders



New product releases

RSU 10 interface



MSP3 - Faro
sensor for Faro's
"Quantum"
articulating arms



MP250 strain gauge probe

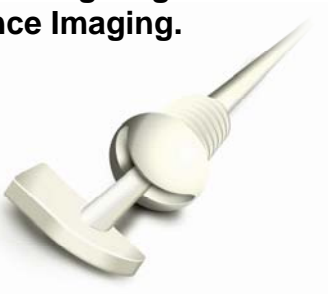
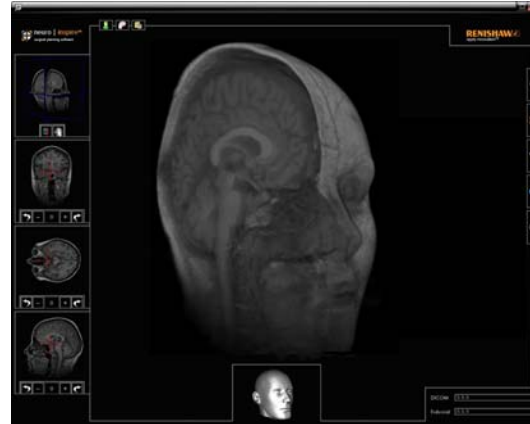


RMP600 high
accuracy
touch probe



New product releases

- ♦ **EANS 2007 (European Congress of Neurosurgery)**
- ♦ **Introduced neuro|inspire™ - software packages that allow surgeons to plan placement of Deep Brain Stimulation electrodes.**
- ♦ **Also launched neuro|guide™ - devices that help verify where the DBS electrode is relative to anatomy using Magnetic Resonance Imaging.**



New incise CAD software

