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News from Renishaw

23rd July 2008

Renishaw plc and subsidiary undertakings
Preliminary announcement of results for the year ended 30th June 2008

HIGHLIGHTS

- Record results – revenue, profit and cash flow all increased
- Revenue growth in all geographic territories
- Engineering costs, including research and development, increased by 14%
- Operating margin increased to 18.6% (2007 16.4%)
- Earnings per share increased by 28%
- Dividend increased by 11%

CONSOLIDATED INCOME STATEMENT

| | 2008 | 2007 |
|----------------------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Revenue | 201,157 | 180,883 |
| Cost of sales | (106,759) | (97,899) |
| Gross profit | <u>94,398</u> | <u>82,984</u> |
| Distribution costs | (35,694) | (32,911) |
| Administration costs | (21,369) | (20,408) |
| Operating profit before pension curtailment credit | 37,335 | 29,665 |
| Pension curtailment credit | 1,344 | 19,460 |
| Operating profit | <u>38,679</u> | <u>49,125</u> |
| Financial income | 9,194 | 8,180 |
| Financial expenses | (5,070) | (5,237) |
| Share of profits of associates | 256 | 64 |
| Profit before tax | <u>43,059</u> | <u>52,132</u> |
| Income tax expense | (8,443) | (11,981) |
| Profit for the year | <u>34,616</u> | <u>40,151</u> |
| Profit attributable to equity shareholders | 34,716 | 40,151 |
| Minority interest | (100) | - |
| | <u>34,616</u> | <u>40,151</u> |

| | | |
|---------------------------------------------------------------------------|--------|--------|
| Adjusted earnings per share (excluding pension curtailment credit) | 45.9p | 35.9p |
| Earnings per share (basic and diluted) | 47.6p | 55.2p |
| Dividend per share arising in respect of the year | 25.39p | 22.87p |

CONSOLIDATED BALANCE SHEET

| at 30th June | 2008 £'000 | 2007 £'000 |
|--------------------------------------------------|-----------------------|-----------------------|
| Assets | | |
| Property, plant and equipment | 68,766 | 69,460 |
| Intangible assets | 19,085 | 13,811 |
| Investments in associates | 6,788 | 6,972 |
| Deferred tax assets | 10,025 | 4,733 |
| Employee benefits | - | 5,562 |
| Total non-current assets | 104,664 | 100,538 |
| Current assets | | |
| Inventories | 34,220 | 36,178 |
| Trade receivables | 42,803 | 37,880 |
| Current tax | 490 | 323 |
| Other receivables | 5,036 | 6,482 |
| Cash and cash equivalents | 38,183 | 20,761 |
| Total current assets | 120,732 | 101,624 |
| Current liabilities | | |
| Trade payables | 12,691 | 11,223 |
| Current tax | 2,178 | 1,315 |
| Provisions | 824 | 693 |
| Other payables | 15,653 | 8,779 |
| Total current liabilities | 31,346 | 22,010 |
| Net current assets | 89,386 | 79,614 |
| Liabilities | | |
| Employee benefits | 11,055 | - |
| Deferred tax liabilities | 12,382 | 12,152 |
| Other payables | 3,968 | - |
| Total non-current liabilities | 27,405 | 12,152 |
| Total assets less total liabilities | 166,645 | 168,000 |
| Equity | | |
| Share capital | 14,558 | 14,558 |
| Share premium | 42 | 42 |
| Currency translation reserve | 1,574 | (210) |
| Cash flow hedging reserve | (4,252) | 1,845 |
| Retained earnings | 154,403 | 151,765 |
| Total equity attributable to shareholders | 166,325 | 168,000 |
| Minority interest | 320 | - |
| | 166,645 | 168,000 |

CONSOLIDATED STATEMENT OF CASH FLOW

| | 2008 £'000 | 2007 £'000 |
|-------------------------------------------------------------|-----------------|-----------------|
| Cash flows from operating activities | | |
| Profit for the year | 34,616 | 40,151 |
| Adjustments for: | | |
| Amortisation of development costs | 2,743 | 2,038 |
| Amortisation of other intangibles | 1,512 | 1,286 |
| Depreciation | 8,061 | 7,874 |
| Profit on sale of property, plant and equipment | (1,042) | (25) |
| Share of profits from associates | (256) | (64) |
| Pension curtailment credit | (1,344) | (19,460) |
| Financial income | (9,194) | (8,180) |
| Financial expenses | 5,070 | 5,237 |
| Tax expense | 8,443 | 11,981 |
| | <u>13,993</u> | <u>687</u> |
| Decrease/(increase) in inventories | 1,958 | (7,819) |
| Increase in trade and other receivables | (2,733) | (2,936) |
| Increase/(decrease) in trade and other payables | 5,916 | (336) |
| Difference between pension service cost and contributions | (58) | (266) |
| Increase/(decrease) in provisions | 131 | (100) |
| | <u>5,214</u> | <u>(11,457)</u> |
| Income taxes paid | (6,902) | (7,021) |
| Cash flows from operating activities | <u>46,921</u> | <u>22,360</u> |
| Investing activities | | |
| Purchase of property, plant and equipment | (5,133) | (10,037) |
| Development costs capitalised | (5,497) | (3,624) |
| Purchase of other intangibles | (1,319) | (865) |
| Purchase of business | (482) | - |
| Investment in associate | - | (6,110) |
| Sale of property, plant and equipment | 1,421 | 187 |
| Interest received | 1,743 | 1,710 |
| Dividend received from associate | 80 | - |
| Cash flows from investing activities | <u>(9,187)</u> | <u>(18,739)</u> |
| Financing activities | | |
| Interest paid | (141) | (297) |
| Dividends paid | (17,164) | (16,101) |
| Cash flows from financing activities | <u>(17,305)</u> | <u>(16,398)</u> |
| Net increase/(decrease) in cash and cash equivalents | 20,429 | (12,777) |
| Cash and cash equivalents at beginning of the year | 20,761 | 30,728 |
| Effect of exchange rate fluctuations on cash held | (3,007) | 2,810 |
| Cash and cash equivalents at end of the year | <u>38,183</u> | <u>20,761</u> |

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

| | 2008 £'000 | 2007 £'000 |
|----------------------------------------------------------------|-----------------|---------------|
| Foreign exchange translation differences | 1,784 | (475) |
| Actuarial (loss)/gain in the pension schemes | (20,541) | 3,144 |
| Effective portion of changes in fair value of cash flow hedges | (8,469) | (304) |
| Deferred tax on income and expense recognised in equity | 7,999 | (1,151) |
| (Expense)/income recognised directly in equity | (19,227) | 1,214 |
| Profit for the year | 34,716 | 40,151 |
| Total recognised income and expense for the year | 15,489 | 41,365 |

REVENUE ANALYSIS

| | 2008 £'000 | 2008 at 2007 exchange rates £'000 | 2007 £'000 |
|---------------------------------------|----------------|-----------------------------------------------|----------------|
| Continental Europe | 77,219 | 73,686 | 67,196 |
| Far East, including Japan & Australia | 59,536 | 58,716 | 50,736 |
| North & South America | 46,644 | 47,413 | 46,160 |
| Rest of World | 5,738 | 5,701 | 5,002 |
| UK and Ireland | 12,020 | 12,020 | 11,789 |
| Total Group revenue | 201,157 | 197,536 | 180,883 |

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 financial statements for the years ended 30th June 2008 or 30th June 2007 but is derived from those financial statements. Statutory financial statements for 2007 have been delivered to the Registrar of companies and those for 2008 will be delivered in due course. The auditors have reported on those financial statements; 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.
3. The proposed final dividend of 17.63p net per share for the year ended 30th June 2008 will be paid on 13th October 2008 to shareholders on the register on 12th September 2008.
4. 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 2008 Annual report and financial statements:

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.

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.

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.

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

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