

Renishaw plc and subsidiary undertakings

23rd January 2008

Interim results 2008
Interim results for the half year ended 31st December 2007

Consolidated income statement

	6 months to December 2007 £'000	6 months to December 2006 £'000
Revenue	91,640	87,120
Cost of sales	(52,006)	(48,128)
Gross profit	<u>39,634</u>	<u>38,992</u>
Distribution costs	(16,540)	(16,407)
Administrative expenses	(9,930)	(10,572)
Operating profit	<u>13,164</u>	<u>12,013</u>
Financial income	4,437	3,978
Financial expenses	(2,539)	(2,478)
Profit before tax	<u>15,062</u>	<u>13,513</u>
Income tax expense	(3,012)	(2,703)
Profit for the period	<u>12,050</u>	<u>10,810</u>
Earnings per share (basic and diluted)	16.6p	14.9p
Proposed dividend per share	7.76p	7.05p

Consolidated statement of recognised income and expense

	6 months to December 2007 £'000	6 months to December 2006 £'000
Foreign exchange translation differences	1,117	(394)
Actuarial loss in the pension schemes	(1,458)	(13,693)
Changes in fair value of cash flow hedges	(2,429)	511
Deferred tax on items recognised on income and expense	1,236	4,014
Loss recognised in equity	<u>(1,534)</u>	<u>(9,562)</u>
Profit for the period	12,050	10,810
Total recognised income and expense for the period	<u>10,516</u>	<u>1,248</u>

Consolidated balance sheet

	At December 2007 £'000	At December 2006 £'000
Assets		
Property, plant and equipment	69,592	69,779
Intangible assets	15,559	13,654
Investments in associates	6,931	908
Deferred tax assets	5,453	14,633
Employee benefits	5,365	-
Total non-current assets	<u>102,900</u>	<u>98,974</u>
Current assets		
Inventories	35,100	30,995
Trade receivables	38,002	32,814
Current tax	557	298
Other receivables	4,990	7,656
Cash and cash equivalents	16,399	26,549
Total current assets	<u>95,048</u>	<u>98,312</u>
Current liabilities		
Trade payables	8,979	10,926
Current tax	1,985	2,177
Provisions	778	891
Other payables	7,209	6,463
Total current liabilities	<u>18,951</u>	<u>20,457</u>
Net current assets	<u>76,097</u>	<u>77,855</u>
Non-current liabilities		
Employee benefits	-	32,058
Deferred tax liabilities	11,996	11,756
Total non-current liabilities	<u>11,996</u>	<u>43,814</u>
Total assets less total liabilities	<u>167,001</u>	<u>133,015</u>
Equity		
Issued capital	14,558	14,558
Share premium	42	42
Currency translation reserve	907	(129)
Cash flow hedging reserve	96	2,365
Retained earnings	151,398	116,179
Total equity	<u>167,001</u>	<u>133,015</u>

Consolidated statement of cash flow

	6 months to December 2007 £'000	6 months to December 2006 £'000
Cash flows from operating activities		
Profit for the period	12,050	10,810
Adjustments for:		
Amortisation of development costs	1,642	1,052
Amortisation of other intangibles	800	493
Depreciation	4,033	3,765
Profit on sale of fixed assets	(10)	(8)
Share of profits from associates	(160)	-
Financial income	(4,437)	(3,978)
Financial expenses	2,539	2,478
Tax expense	3,012	2,703
	<u>7,419</u>	<u>6,505</u>
Decrease/(increase) in inventories	1,078	(2,636)
Decrease in trade and other receivables	885	2,471
Decrease in trade and other payables	(4,217)	(2,951)
Difference between pension charge and contributions	-	259
Increase in provisions	85	98
	<u>(2,169)</u>	<u>(2,759)</u>
Income taxes paid	(2,307)	(2,018)
Cash flows from operating activities	<u>14,993</u>	<u>12,538</u>
Investing activities		
Purchase of tangible fixed assets	(2,682)	(5,902)
Development costs capitalised	(3,039)	(2,240)
Purchase of other intangibles	(966)	(416)
Investment in associates, net of dividend received	21	-
Sale of tangible fixed assets	75	93
Interest received	721	785
Cash flows from investing activities	<u>(5,870)</u>	<u>(7,680)</u>
Financing activities		
Interest paid	(84)	(20)
Dividends paid	(11,515)	(10,969)
Cash flows from financing activities	<u>(11,599)</u>	<u>(10,989)</u>
Net decrease in cash and cash equivalents	(2,476)	(6,131)
Cash and cash equivalents at beginning of period	20,761	30,728
Effect of exchange rate fluctuations on cash held	(1,886)	1,952
Cash and cash equivalents at end of period	<u>16,399</u>	<u>26,549</u>

Revenue analysis

	6 months to December 2007	6 months to December 2006	First half revenue at previous year exchange rates
	£'000	£'000	£'000
Continental Europe	33,166	31,672	32,769
Far East, including Japan & Australia	28,253	25,766	29,623
North & South America	21,469	22,025	22,470
UK and Ireland	6,248	5,232	6,248
Other overseas regions	2,504	2,425	2,439
Revenue	91,640	87,120	93,549

NOTES:

1. The Interim report was approved by the directors on 23rd January 2008.

This interim financial information has been prepared on the basis of the accounting policies adopted in the most recent annual financial statements, these being for the year ended 30th June 2007, as revised for the implementation of specified new amended endorsed standards or interpretations.

The interim financial information for the six months to 31st December 2007 and the comparative figures for the six months to 31st December 2006 are unaudited. The comparative figures for the financial year ended 30th June 2007 are an abridged version of the statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

2. The interim dividend of 7.76p net per share for the year ended 30th June 2008 will be paid on 7th April 2008 to shareholders on the register on 7th March 2008.

Half year management report

Chairman's statement

I am pleased to report Renishaw's results for the first six months of the current year ended 31st December 2007.

As anticipated at the AGM last October, performance has continued to improve throughout the first six months with revenue increasing by 5% to £91.6m (2006 £87.1m). At constant exchange rates, revenue would have been £1.9m higher, an increase of 7% reflecting good progress in our major geographic markets, particularly the Far East. Within the product mix, there was above-average growth in laser and calibration, machine tool and styli products, if partly offset by lower revenue from spectroscopy and dental products.

Operating profit rose 9.5% to £13.2m (2006 £12.0m). At constant exchange rates the operating profit would have increased to approximately £15.0m, an increase of 25%. Profit before tax increased 11.4% to £15.1m (2006 £13.5m). Profit after tax amounted to £12.1m (2006 £10.8m), resulting in earnings per share up 11.4% to 16.6p (2006 14.9p).

A high level of research and development remains integral to Renishaw's progress; research and development, including associated engineering costs, during the period amounted to £15.6m (2006 £14.8m). During this half year we have particularly focussed on the large number of new products recently introduced.

The recent and very positive response to REVO™ from the aerospace and automotive sectors has reinforced our belief in the Group's current approach to the market. In addition to new sales, the opportunity for significant growth of the retrofit market for REVO™ is currently being discussed with our OEM customers, with a view to maximising the market potential.

Net cash balances at 31st December 2007 were £16.4m (30th June 2007 £20.8m). Policies have been revised to reduce the level of investment in Group inventory, which at 31st December 2007 stood at £35.1m (30th June 2007 £36.2m). Capital expenditure during the six months reduced to £2.7m (2006 £5.5m).

Management is continuing to concentrate on the Group's cost base and operating margins.

Whilst performance has improved during the first half, we still expect continuing and improved performance in the second half, aided by resumed orders from a major Japanese customer for its own export sales, growing orders for new products especially the REVO™ and the current weakness of sterling. The principal risks remain substantially the same as those referred to in last year's Annual report.

An interim dividend of 7.76p (2007 7.05p) per share, an increase of 10%, will be paid on 7th April 2008 to shareholders on the register on 7th March 2008.

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

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