

Renishaw plc

11th March 2009

Trading update

Since the Group's interim report on 28th January 2009, trading conditions have deteriorated further and the well-publicised global recession continues to impact most of the industries in which our customers operate. The Group's sales of measuring equipment are particularly affected by the demand for capital goods in industries such as automotive which are unlikely to recover in the near term. Monthly sales have continued to decline and the Group has experienced an operating loss in both January and February. This loss is after accounting for a 20% voluntary reduction in group salaries effective from 9th February 2009. The Board does not expect an improvement during the remainder of our current financial year ending 30th June 2009 and as a result expects to record an operating loss (before exceptional items) in the order of £10 million for the second half.

In view of the severity of this downturn in performance, the Board has already initiated a programme of overhead cost reductions with target annual pre-tax savings of £10m. Today the Board also announces the start of a consultation process leading to a redundancy programme to reduce employee headcount by approximately 500 employees worldwide. Renishaw is hoping that it will be able to limit the number of proposed redundancies and revisions may be made depending on the financial performance over the coming months. If this programme is implemented in full it is expected to result in annualised savings of approximately £20 million before tax with effect from 1st July 2009, at a one-off cash cost to the Group of £8 million. This will be treated as an exceptional item in this year's accounts. The savings arising from this action are in addition to the voluntary 20% pay cut which has been effective since February and it is being proposed that this be extended until further notice, representing a quarterly saving of some £4.5 million in the current year.

Sir David McMurtry, Chairman and Chief Executive, said: "In view of the unprecedented slowdown in customer demand for measuring equipment in recent months we have been forced to take decisive action to reduce our cost base in order to protect our business for the future. We will continue to invest in our products and markets and, even during these difficult times, I am pleased to see the interest the market is showing in our spectroscopy, dental, neuro and advanced metrology equipment. It is with great personal regret that, due to the exceptional and unprecedented global recession in which we find ourselves, we have to impose this process on our employees who have always shown great loyalty and dedication to the Group."

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