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News from Renishaw

25th July 2007

Renishaw plc and subsidiary undertakings
Preliminary announcement of results for the year ended 30th June 2007

CONSOLIDATED INCOME STATEMENT

	2007	2006
	£'000	£'000
Revenue	180,883	175,835
Cost of sales	(97,899)	(90,901)
Gross profit	82,984	84,934
Distribution costs	(32,911)	(30,782)
Administration costs	(20,344)	(18,684)
Exceptional pension curtailment credit	19,460	-
Operating profit	49,189	35,468
Financial income	8,180	6,507
Financial expenses	(5,237)	(3,873)
Profit before tax	52,132	38,102
Income tax expense	(11,981)	(7,621)
Profit for the year	40,151	30,481

Earnings per share (basic and diluted)	55.2p	41.9p
Dividend per share arising in respect of the year	22.87p	21.78p
Adjusted earnings per share (excluding exceptional item)	35.9p	41.9p

CONSOLIDATED BALANCE SHEETat 30th June

	2007 £'000	2006 £'000
Assets		
Property, plant and equipment	69,460	69,081
Intangible assets	13,811	12,543
Investments in associates	6,972	908
Deferred tax assets	4,733	10,606
Employee benefits	5,562	-
Total non-current assets	<u>100,538</u>	<u>93,138</u>
Current assets		
Inventories	36,178	28,359
Trade receivables	37,880	37,717
Current tax	323	183
Other receivables	6,482	6,320
Cash and cash equivalents	20,761	30,728
Total current assets	<u>101,624</u>	<u>103,307</u>
Current liabilities		
Trade payables	11,223	10,692
Current tax	1,315	1,402
Provisions	693	793
Other payables	8,779	10,239
Total current liabilities	<u>22,010</u>	<u>23,126</u>
Net current assets	<u>79,614</u>	<u>80,181</u>
Liabilities		
Employee benefits	-	18,838
Deferred tax liabilities	12,152	11,745
Total non-current liabilities	<u>12,152</u>	<u>30,583</u>
Total assets less total liabilities	<u>168,000</u>	<u>142,736</u>
Equity		
Share capital	14,558	14,558
Share premium	42	42
Currency translation reserve	(210)	265
Cash flow hedging reserve	1,845	2,007
Retained earnings	151,765	125,864
Total equity	<u>168,000</u>	<u>142,736</u>

CONSOLIDATED STATEMENT OF CASH FLOW

	2007 £'000	2006 £'000
Cash flows from operating activities		
Profit for the year	40,151	30,481
Adjustments for:		
Amortisation of development costs	2,038	1,397
Amortisation of other intangibles	1,176	703
Depreciation	7,874	7,840
Profit on sale of fixed assets	(25)	(51)
Share of profits from associates	46	-
Exceptional pension curtailment credit	(19,460)	-
Financial income	(8,180)	(6,507)
Financial expenses	5,237	3,873
Tax expense	11,981	7,621
	<u>687</u>	<u>14,876</u>
Increase in inventories	(7,819)	(963)
Increase in trade and other receivables	(2,936)	(4,289)
Increase in trade and other payables	(336)	2,664
Difference between pension service cost and contributions	(266)	(1,261)
(Decrease)/increase in provisions	(100)	161
	<u>(11,457)</u>	<u>(3,688)</u>
Income taxes paid	(7,021)	(7,605)
	<u>22,360</u>	<u>34,064</u>
Cash flows from operating activities		
Investing activities		
Purchase of tangible fixed assets	(10,037)	(12,816)
Development costs capitalised	(3,624)	(3,227)
Purchase of other intangibles	(865)	(4,217)
Investment in associate	(6,110)	(928)
Sale of tangible fixed assets	187	399
Interest received	1,710	1,911
	<u>(18,739)</u>	<u>(18,878)</u>
Cash flows from investing activities		
Financing activities		
Interest paid	(297)	(15)
Dividends paid	(16,101)	(14,853)
	<u>(16,398)</u>	<u>(14,868)</u>
Cash flows from financing activities		
Net (decrease)/increase in cash and cash equivalents	(12,777)	318
Cash and cash equivalents at beginning of the year	30,728	30,072
Effect of exchange rate fluctuations on cash held	2,810	338
	<u>20,761</u>	<u>30,728</u>
Cash and cash equivalents at end of the year		

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2007 £'000	2006 £'000
Foreign exchange translation differences	(475)	(390)
Actuarial gain/(loss) in the pension schemes	3,144	(147)
Effective portion of changes in fair value of cash flow hedges	(304)	(326)
Deferred tax on income and expense recognised in equity	(1,151)	280
Profit/(loss) recognised directly in equity	<u>1,214</u>	<u>(583)</u>
Profit for the year	40,151	30,481
Total recognised income and expense for the year	<u>41,365</u>	<u>29,898</u>

REVENUE ANALYSIS

	2007 £'000	2007 at 2006 exchange rates £'000	2006 £'000
Continental Europe	67,196	67,005	58,945
Far East, including Japan & Australia	50,736	56,185	53,130
North & South America	46,160	50,193	46,708
Rest of World	5,002	5,031	5,539
UK and Ireland	11,789	11,789	11,513
Total Group revenue	<u>180,883</u>	<u>190,203</u>	<u>175,835</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 financial statements for the years ended 30th June 2007 or 30th June 2006 but is derived from those financial statements. Statutory financial statements for 2006 have been delivered to the Registrar of companies, whereas those for 2007 will be delivered following the Company's annual general meeting. The auditors have reported on those financial statements; their reports were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

3. The proposed final dividend of 15.82 net per share for the year ended 30th June 2007 will be paid on 15th October 2007 to shareholders on the register on 14th September 2007.

The Chairman's statement to be included in the 2007 Annual report and financial statements:

I report the Company's results for the year ended 30th June 2007.

Revenue and Trading

Revenue for the year increased by 3% to £180.9m (2006 £175.8m) which represents growth of 8% at constant exchange rates.

With the exception of co-ordinate measuring machine (CMM) products, where one of our major customers in Japan has been subject to an export ban, there was growth in all product line revenue – in particular machine tool and dental. Geographically, there was substantial growth in Europe.

Profit

Operating profit for the year, excluding an exceptional non-cash pension curtailment credit, reduced to £29.7m (2006 £35.5m), due to a number of factors particularly exchange rate movements, primarily the US Dollar and Japanese Yen (with an adverse profit effect of £7m) and difficulties in the CMM market. Profit before tax and exceptional item was £32.7m (2006 £38.1m), resulting in earnings per share of 35.9p (2006 41.9p).

Sales and Marketing

The Group's worldwide marketing programmes continue, with the many new offices growing and prospering as they have become fully established, particularly in the Far East, including China and India.

The Group participates worldwide in excess of 100 exhibitions annually which contribute significantly to the recognition of the Group's products and to sales.

Manufacturing

The Group's UK manufacturing facilities at Stonehouse, Woodchester (including the new automated stores), New Mills and also in Ireland have continued to invest in additional equipment to improve efficiencies and are preparing for the introduction of a new manufacturing Enterprise Resource Planning (ERP) business system. At Pune in India, the production facilities are now fully operational and the range of products being manufactured there is being extended.

Research and Development

Research and Development during the year amounted to £31.1m including associated engineering costs (2006 £29.3m) prior to the capitalisation of development costs (net of amortisation) of £1.6m (2006 £1.8m) giving a net profit and loss charge of £29.5m (2006 £27.5m).

Revo™ is now in production and is being extensively tested and integrated by OEMs and major end user customers worldwide. Several Revos are being used in their production and are delivering significant improvements for them in throughput and productivity.

A number of new products have been introduced during the year. In addition to those referred to in the interim statement, recent products include the XL80 laser and XC80 compensator, which provide significant improvements to the product offerings in the laser and calibration market. The TRS2 tool recognition system has been introduced, which provides rapid broken tool detection on a wide range of machine tools. Our spectroscopy product line has recently introduced Streamline™ technology, which enables very fast production of Raman chemical images.

Investments

During the year, the Group acquired, for £6.1m, a 20% interest in Delcam plc, which specialises in advanced CAD/CAM software product development solutions for the manufacturing industry. Delcam is listed on the London Stock Exchange's AIM market. Renishaw and Delcam have worked together for many years and share common metrology interests and customers. Renishaw believes that closer cooperation with Delcam will enhance the sales of both companies and will provide opportunities for developing software to support Renishaw's products.

Since the year end, Renishaw has acquired a 75% interest in D3 Technologies Limited ("D3"), a company set

up in collaboration with the University of Strathclyde and others to exploit certain patents related to Surface Enhanced Raman Spectroscopy ("SERS") and to develop SERS for molecular diagnostics and trace detection. The investment in D3 will comprise cash of £1.85m and the supply of instrumentation, with a combined value of approximately £5m over the next 5 years.

Part of the D3 investment has been used to purchase for £850,000 the business and assets of the analytical business unit ("ABU") operated by Mesophotonics Limited, a spin-out company from the University of Southampton. The ABU develops and manufactures substrates used in SERS applications.

Balance Sheet

Capital expenditure during the year on tangible fixed assets was £9.7m (2006 £13.2m). Net cash balances, after the capital expenditure during the year, the investment in Delcam plc and increase in working capital, were £20.8m (2006 £30.7m).

Pension Fund

Following the announcement with the Interim results and completion of the consultation process with fund members, future accrual for current members of the UK pension scheme ceased on 5th April 2007. A new defined contribution pension scheme was established on 6th April 2007. As a result of the changes, an exceptional non-cash curtailment credit of £19.5m has been incorporated in the Consolidated income statement as required by IAS 19.

The Queen's Award for Enterprise 2007

On 21st April 2007, the birthday of Her Majesty the Queen, it was announced that Renishaw had been honoured with a Queen's Award for Enterprise: Innovation 2007 for the RMP60 and RMI probe system. This is the 12th Queen's Award in the Company's history.

The award was made to the Company for the development of a radio transmission spindle probe system used on computer numerically controlled (CNC) machine tools. The systems are able to measure work pieces, provide off-set fixtures, control in-cycle processes and inspect work being machined automatically.

Personnel

The numbers of those employed by the Group in the UK and overseas increased by 150 to 2,154 (2006 2,004). I thank all our employees for their contribution to the Group during this challenging year.

Prospects and Dividend

For the purposes of budgeting for the financial year, we are not expecting to see any benefit from an improvement in foreign exchange rates. Nevertheless, if current rates of order intake continue we would expect to see sales growth approaching double digits, assisted by the anticipated recommencement of business in the second half of the current financial year with our Japanese customer whose export activities have been restricted in the past year. In view of last year's trading performance we are also taking steps to address the cost base of the Group, with the objective of restoring our operating margin to its previous level. I am optimistic about the prospects for continuing long-term growth.

Your Board proposes a final dividend of 15.82p per share giving a total for the year of 22.87p (2006 21.78p).

Sir David R McMurtry, CBE, RDI, CEng, FIMechE, FREng
Chairman & Chief Executive
25th July 2007

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