

This Interim management statement contains unaudited information and covers the period 1st January 2011 to 16th May 2011.

Trading activity

We are pleased to report that the strong performance of the Group reported in our interim results has continued throughout the third quarter of this financial year.

Revenue for the third quarter was £75.6m, 60% ahead of the comparable period last year, helped by particularly strong revenue of £32.0m in March 2011. The cumulative revenue for the 9 months to 31st March 2011 of £204.9m (approximately 95% of which were sales to overseas customers) was 69% ahead of the £121.1m for the comparable period last year. Metrology revenue for the 9 months was £190.6m, compared with £108.4m last year, an increase of 76% and Healthcare revenue was £14.3m, compared with £12.7m last year, an increase of 13%.

Profit before tax for the 9 months to 31st March 2011 amounted to £60.3m, compared with £15.5m last year.

Significant growth has been experienced in the Far East, particularly in China, and we have seen good growth in all regions, compared with the comparable period last year.

In March 2011 Japan was affected by a severe earthquake. The impact on Renishaw's operations has been minimal. Our Tokyo office was closed for a short time as a result of transport issues in the city, but suffered no damage. Neither sales to customers nor Renishaw's own supply chain has been significantly affected.

The Group has focused on developing the organisation to meet the rapid growth in customer demand and has, since 1st July 2010, taken on 285 new personnel to support this growth, as well as to continue the development of new products and processes to maintain this growth into the future. Headcount at the end of March 2011 was 2,384, compared with 2,099 at the start of the financial year and there are currently 293 vacancies throughout the Group, 235 in the UK and 58 overseas.

The Group continues to invest significantly in research and development programmes in both the Metrology and Healthcare sectors. A number of new products have been launched since our last report. In our Metrology business, Equator™, a radical new alternative to traditional dedicated gauging, was launched in February 2011 as well as RoLin™, a component level encoder. In our Healthcare business, Renishaw Diagnostics Limited ("RDL") has released the RenDx™ RUO multiplex assay system, a research only machine, which allows precious research samples to be screened for 10 or more targets from a single sample. RDL is preparing to apply for approval of the RenDx™ multiplex assay system as a medical device.

Acquisitions

As noted in our interim results, the Group increased its shareholding in Measurement Devices Limited in January 2011. Also, during the period, the Group acquired the remaining minority shareholding in PulseTeq Limited.

In April 2011, the Group acquired a 100% shareholding in MTT Investments Limited ("MTT"), a business that designs, develops and manufactures additive manufacturing and rapid prototyping systems, including selective laser melting, metal casting, and vacuum casting machines and processes. Based in Stone, Staffordshire, in the UK, MTT has 35 employees, with subsidiaries in the USA and Italy, and a branch office in France. MTT's selective laser melting equipment currently has its main markets in aerospace and medical devices, but also has potential for use in other sectors. Its products are complementary to Renishaw's existing technologies and business.

Financial position

The Group has invested substantially in working capital since the start of the financial year, including an increase in inventories of £11.2m over the 9 months, to ensure meeting customer demands, as well as investing £11.4m in capital expenditure, mainly in expanding our manufacturing facilities. The Group maintains a solid balance sheet, with net cash balances of £35.3m at 31st March 2011, compared with £31.1m at 30th June 2010.

Outlook

Current activity levels remain strong and broadly in line with the run-rate for the year to date. On this basis, the Board looks forward to record results and anticipates that pre-tax profits for the year will be ahead of current market expectations, which have a consensus of around £75m* for pre-tax profits.

Sir David McMurtry CBE, RDI, FREng, CEng, FIMechE
Chairman and Chief Executive

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* based on Reuters consensus estimates as of 13th May 2011