RENISHAW
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2008 Interim results

23rd January 2008

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.

Chairman’s statement (continued)

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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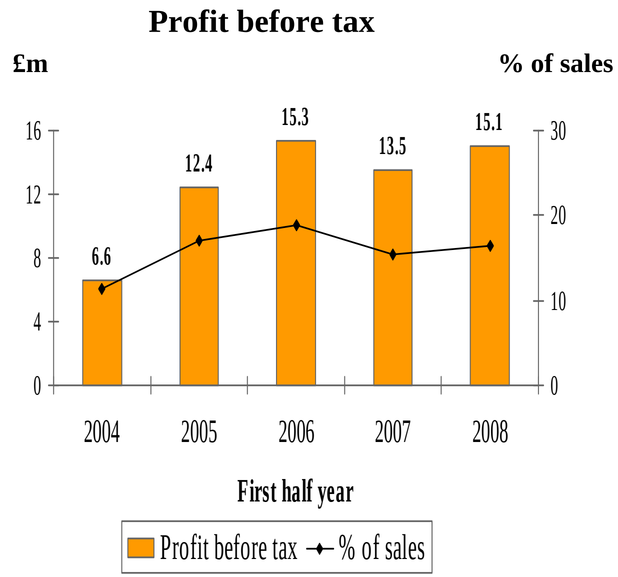
Financial highlights

	2008 £m	2007 £m	change %
Sales			
At actual exchange rates	**91.6**	87.1	**+5%**
At constant exchange rates	**93.5**	87.1	**+7%**
Operating profit			
At actual exchange rates	**13.2**	12.0	**+10%**
Profit before tax			
At actual exchange rates	**15.1**	13.5	**+11%**
Earnings per share	**16.6p**	14.9p	**+11%**
Dividend per share	**7.76p**	7.05p	**+10%**



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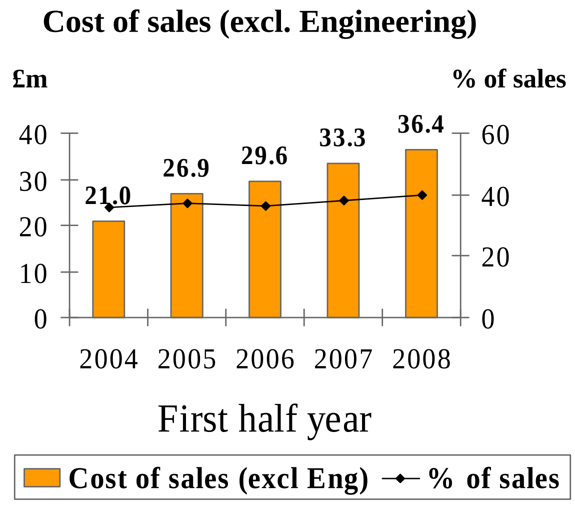
Profit and loss account

	2008 £m	%	2007 £m	%	change %
Sales	**91.6**	**100**	87.1	100	**+5%**
Cost of sales	**36.4**	**40**	33.3	38	**+9%**
R&D (incl Engineering)	**15.6**	**17**	14.8	17	**+5%**
Gross profit	**39.6**	**43**	39.0	45	**+2%**
Distribution costs	**16.5**	**18**	16.4	19	**+1%**
Administration costs	**9.9**	**11**	10.6	12	**-6%**
Operating profit	**13.2**	**14**	12.0	14	**+10%**
Financial income (net)	**1.9**	**2**	1.5	2	**-**
Profit before tax	**15.1**	**16**	13.5	16	**+11%**



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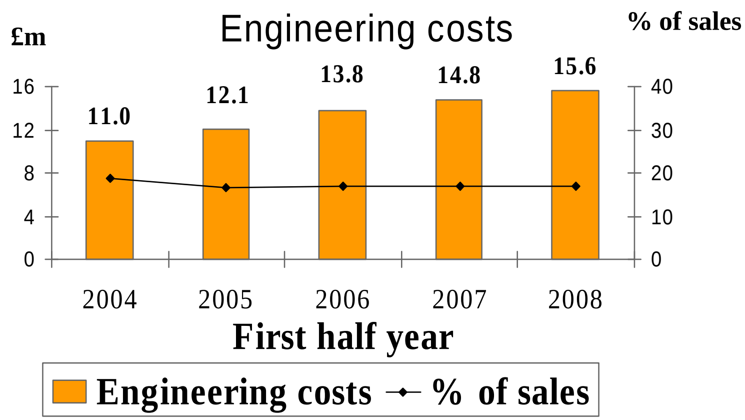
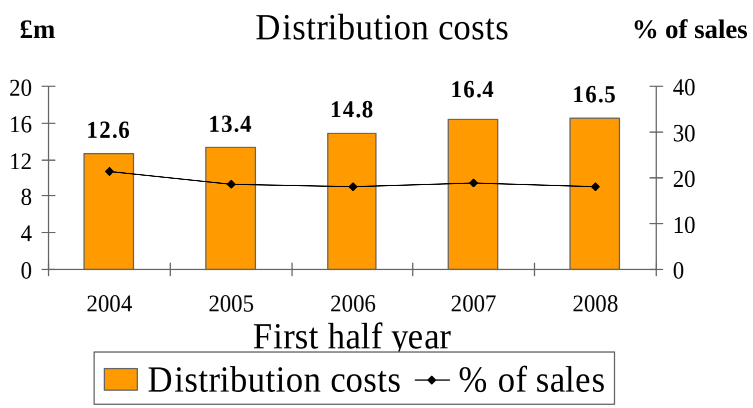
Profit and loss account

•Engineering costs (including R&D):

	2008	2007
•Total spend	£17.0m	£16.0m
•Less capitalised	£1.4m	£1.2m
•Remaining in P&L	£15.6m	£14.8m

•Gross increase +6%





Notes

Profit and loss account

Headcount now 2,131 (June 2007 2,154), a decrease of 23 people

UK & Ire	1,572	-43
overseas	559	+20

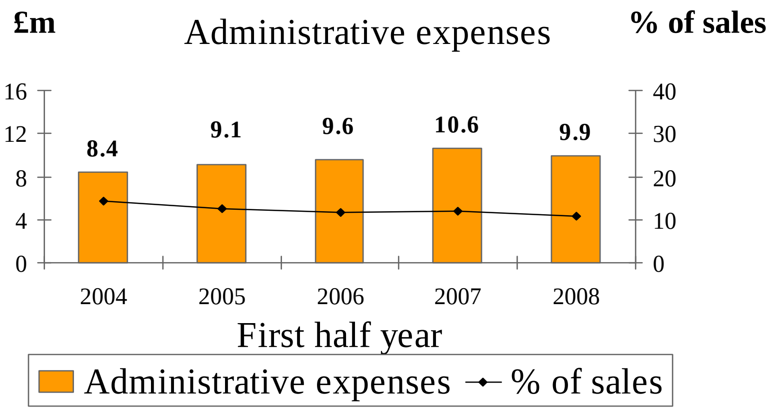
Note in UK - partly due to reduction of 20 in temporary placements (mainly in summer) from 25 to 5.

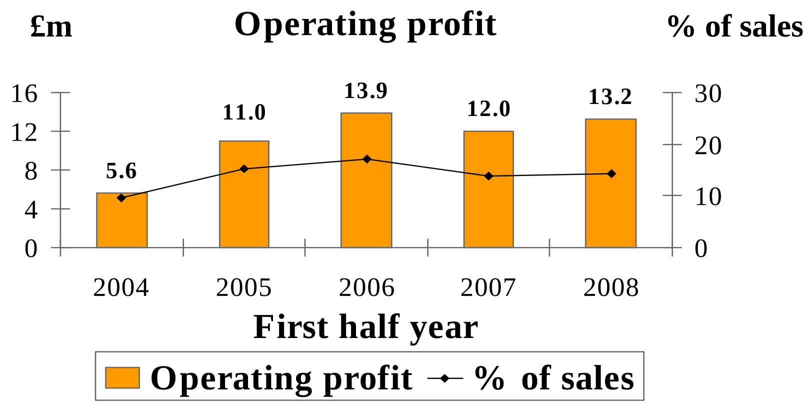
Operating profit

Adverse currency effect of £1.8m at the operating profit level, when comparing current year's results at previous year's exchange rates

This year's operating profit at last year's exchange rates would have been £16.9m compared with £13.5m, an increase of 25%

No adjustments made to periods prior to 2005 for IFRS in any of the figures and graphs in this presentation





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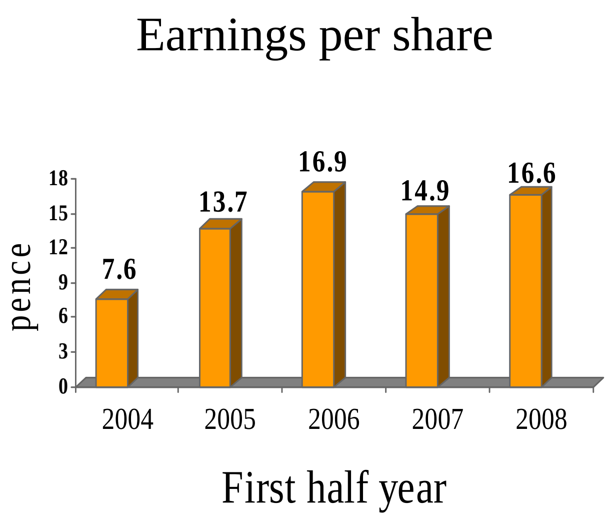
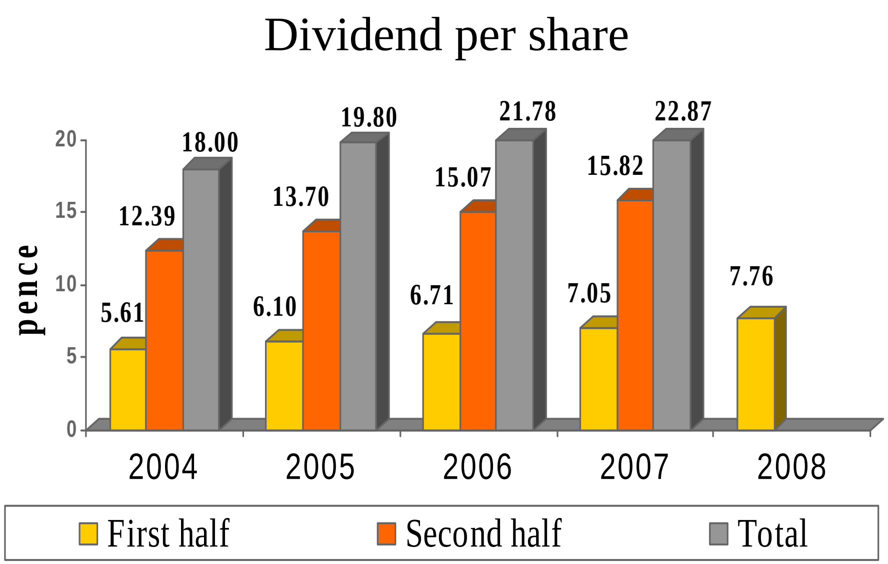
Profit and loss account





Increase	+8%	+10%	+10%	+5%	+10% (int)
cover	1.2	1.8	1.9	1.6	

Notes

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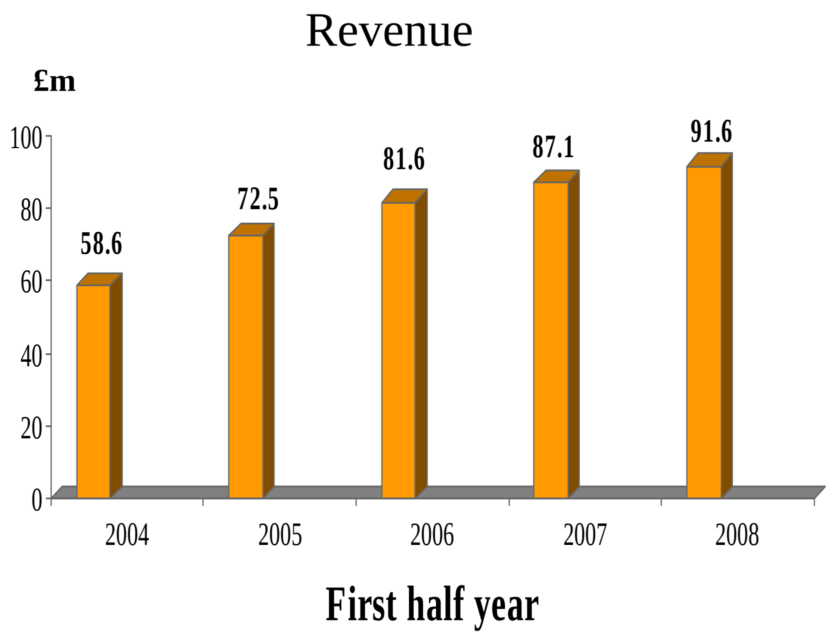
Sales analysis

- Record first half year revenue
- Sales up 5% at actual exchange rates, 7% at previous year's exchange rates
- Sales adversely affected by exchange rates compared with the previous year, sales would have been £1.9m higher at previous year exchange rates
- Growth in all regions when comparing at constant (previous year) exchange rates
- Changes in geographic areas:

	At act fx	At p/y fx
•UK & Ireland	+19%	+19%
•Far East	+10%	+15%
•Europe	+5%	+3%
•Americas	-3%	+2%



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Sales analysis

- New demonstration area opened in India

Notes

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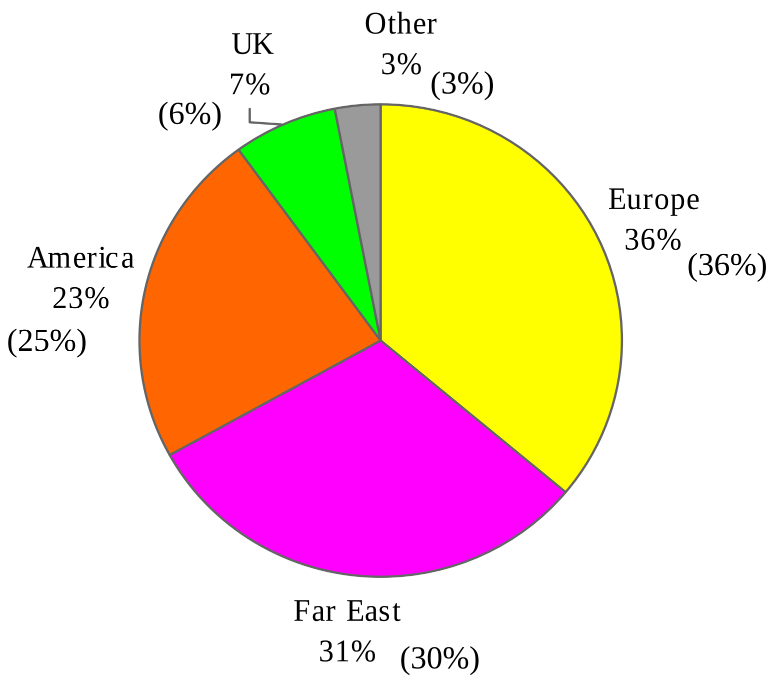
Sales analysis

- Growth in all product lines, except Spectroscopy and Dental
- Above-average growth in the product lines:
  - Laser & calibration
  - Machine tool
  - Styli



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Group sales

	2008 £m	2007 £m	change %	at p/y fx £m	change %	adverse fx (£m)	
Continental Europe	**33.1**	31.7	+5%	**32.8**	+3%	(0.3)	**EUR**
Far East	**28.3**	25.8	+10%	**29.6**	+15%	1.3	**JPY/USD**
America (North & South)	**21.5**	22.0	-3%	**22.5**	+2%	1.0	**USD**
UK & Ireland	**6.2**	5.2	+19%	**6.2**	+19%		
ROW	**2.5**	2.4	+3%	**2.4**	+1%	(0.1)	
Total	**91.6**	87.1	+5%	**93.5**	+7%	1.9	

Average fx rates

	2008	2007
USD	2.04	1.91
JPY	233	223
EUR	1.43	1.48

Average forward rates

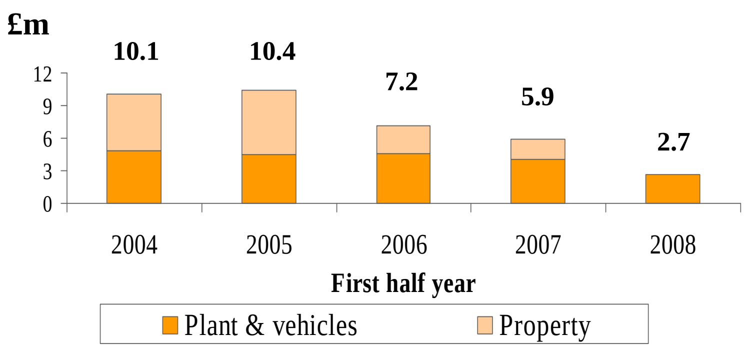
	2008	2007
EUR	1.36	1.38

Notes

Capital expenditure and Investments

- Total capital spend £2.7m (2007 £5.9m), of which £2.3m on plant and £0.4m on vehicles
- IT – investment continues with further roll-out of new manufacturing ERP system in the UK
- Investment of £1.5m, in July 2007, for a 75% shareholding in D3 Technologies Limited
  - Intangible assets additions of £0.9m relating to the purchase of the business and assets of the analytical business unit of Mesophotonics Limited

Capital expenditure



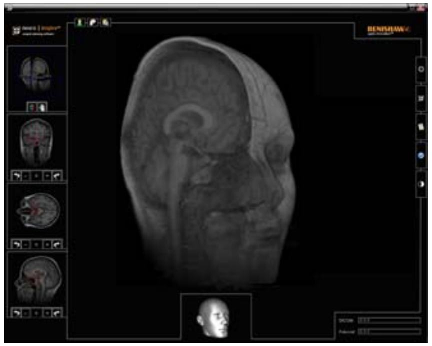
University of Strathclyde Enterprise Award granted to D3 for its work on trace detection used in drug development, forensic science and medical diagnostics

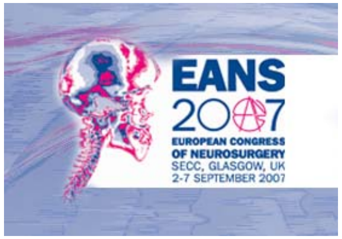
Notes

New product releases

Neuro

- EANS 2007 (European Congress of Neurosurgery)
- Introduced neuro|inspire™ - software packages that allow surgeons to plan placement of Deep Brain Stimulation electrodes.
- Also launched neuro|guide™ - devices that help verify where the DBS electrode is relative to anatomy using Magnetic Resonance Imaging.





MSP3 - Faro sensor for Faro's "Quantum" articulating arms

RMP600 high accuracy touch probe

Notes

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Renishaw products in action

REVO™ 5-axis scanning head, with a fan blisk

GE Hooksett

Uses REVO™ to inspect airfoils on fan blisk, which has reduced inspection time from 16 hours to 5 hours.

Reduction in cycle translated into lower inventory and more reliable delivery to customers.

Planned upgrades for more REVO™ equipped CMMs.

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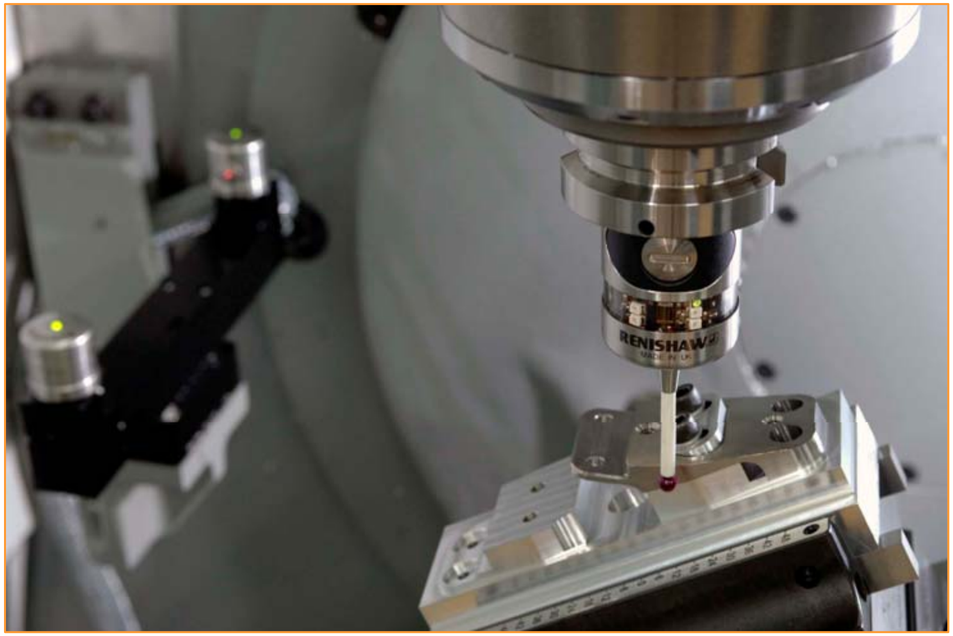
Renishaw products in action

JK Engineering - supplier to Red Bull F1

Probes used by UK supplier to Red Bull F1 to minimise lead times and scrap on specialist parts using high-grade materials.



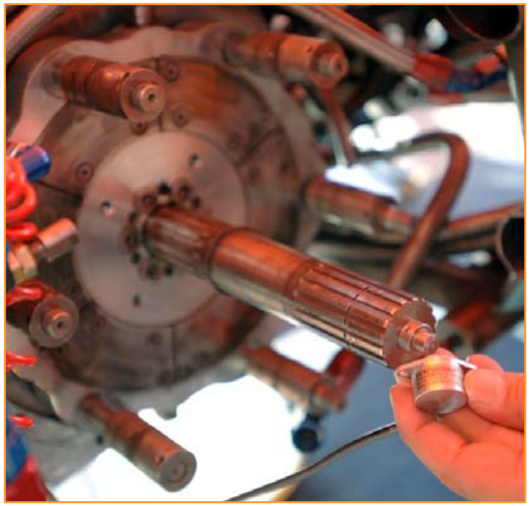
Probes in action on Deckel Maho machines at JK Engineering Ltd.

Renishaw products in action

Salakazi Racing KTM drag bike

Encoders that monitor crankshaft position and clutch speed to help a dragster to travel 400m in just 6.7 seconds!

Compact size allows encoder to be placed in clutch housing, where it must withstand temperatures of 125ºC .



Renishaw products in action

Team Kiriasis – Olympic bobsleigh champions

Renishaw, Siemens, Sescoi and Iscar collaborated to make blades for Sandra Kiriasis, the Olympic women's two-man bobsleigh champion.

REVO™ used to scan blade profile

OMP400 used to check profile of new blades

Sandra has since dominated her sport, winning the World Cup and World Championships, the latter by a huge 2 second margin.

Renishaw products in action

Inca digital printers

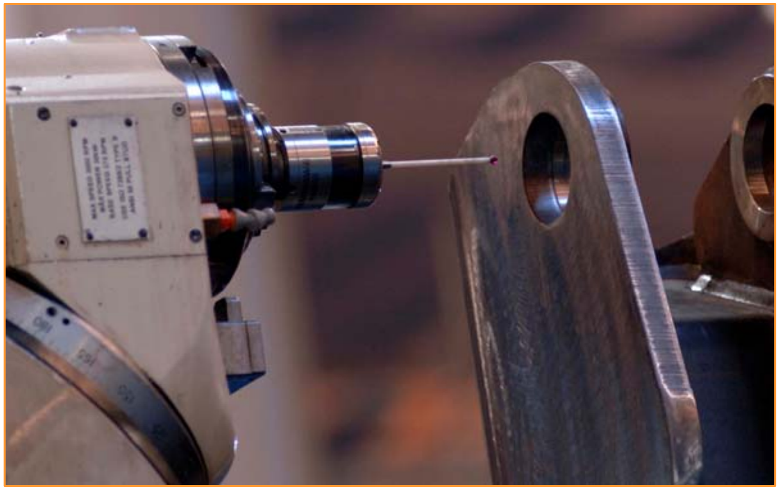
Renishaw encoders and laser calibration systems control innovative flatbed inkjet machines, printing up to 160m² per hour.

Renishaw products in action

Ducati Desmodromic camshafts

Laser tool setters are used to check for tool damage when machining expensive camshafts for their Desmodromic engines.

Renishaw products in action



JCB chassis production

Touch probe with radio signal transmission is used to accurately measure location of each 2,000 kg welded steel chassis prior to machining, eliminating the possibility of very costly errors.

Renishaw products in action

Geo Tec – calibration service

Upgraded to new XL-80 laser measurement system due to its portability and ease-of-use.

Now carries out more paid jobs each month due to reduced transportation and set-up times.

Geo Tec use XL-80 to carry out calibration on many types of machines from lathes and machining centres, to water jet cutting machines and CMMs.

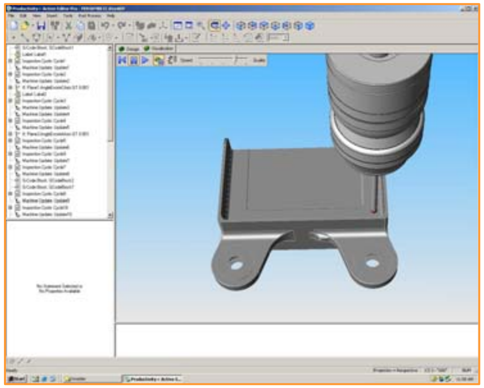
Renishaw products in action

Alp Aviation – aerospace parts

Turkish supplier to Sikorsky and Pratt & Whitney has 50 machining centres, all fitted with touch probes for part set-up and inspection.

Recently installed latest Renishaw software, saving up to 50% of process development time.

Sikorsky helicopter in fire-fighting action - Alp has been supplying structural and engine parts to their part owner for 10 years.

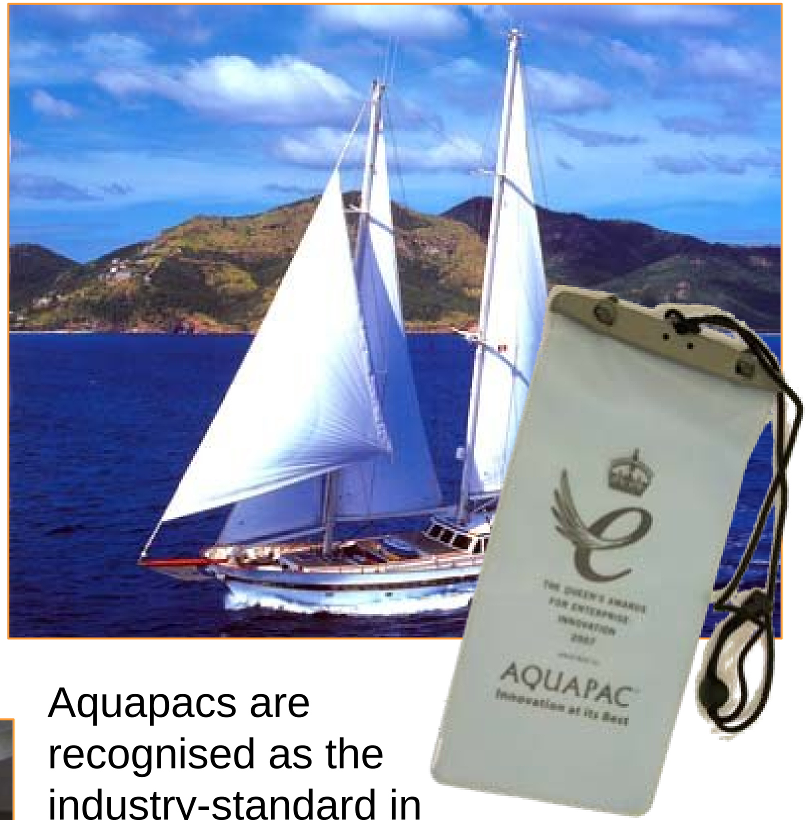


Renishaw products in action

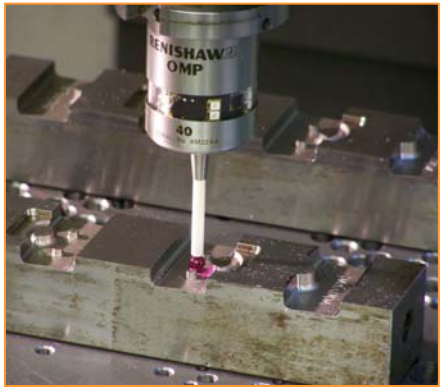
BK Tooling – mould tools

Probes used for part and tool setting to ensure high quality tools, allowing this small UK manufacturer to remain competitive.

Specialises in low volume tools for high quality products, including the clamps for the award winning 'Aquapac'.



Aquapacs are recognised as the industry-standard in waterproof protection for valuables, and are used extensively by the yachting community.



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Renishaw new product development

Neurological products division

MRI scanner purchased for R&D

- New Magnetic Resonance Imaging scanner to allow product development for Renishaw and PulseTeq
    - RF coils - the sensors on MRI scanners
    - Surgical software

Renishaw at EMO exhibition

EMO, Hannover, 2007

- **1,911 enquiries**
- **2% increase on 2005**
- **6 days instead of 8**
- **40% German, 60% international**

EMO 2007 - Digby, Lord Jones of Birmingham

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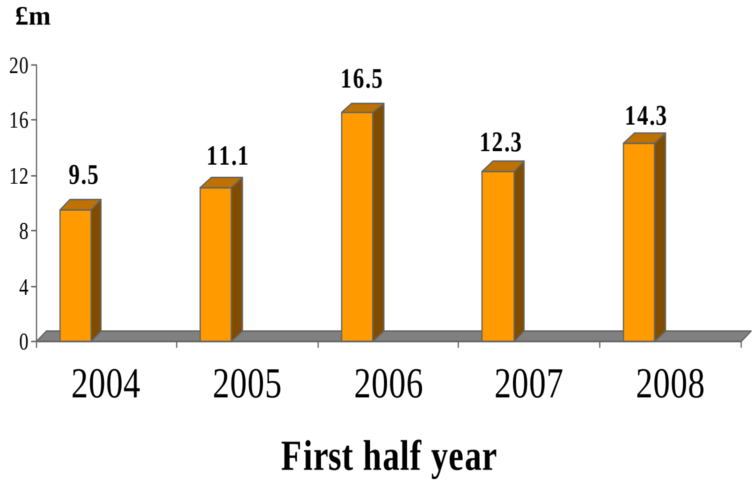
Cash flow from operating activities

	2008 £m	2007 £m
Operating profit	13.1	12.0
Depreciation	4.8	4.3
Capitalisation of development costs	(1.4)	(1.2)
Additional pension contributions	-	0.3
Decrease/(increase) in stock	1.1	(2.6)
Decrease in debtors	0.9	2.4
(Decrease) in creditors	(4.2)	(2.9)
Total movement in working capital	(2.2)	(3.1)
Cash from operating activities	14.3	12.3

Cash from operating activities



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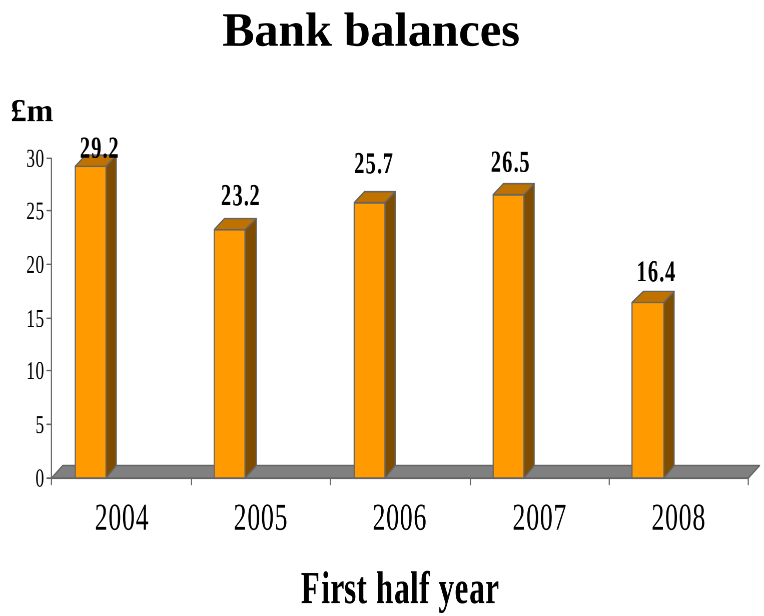
Cash flow

	2008 £m	2007 £m
Cash from operating activities	**14.3**	12.3
Interest received	**0.6**	0.8
Tax paid	**(2.3)**	(2.0)
Dividends paid	**(11.5)**	(11.0)
Fixed assets purchased (net)	**(3.6)**	(6.2)
Fx changes	**(1.9)**	1.9
Total cash movement	**(4.4)**	(4.2)
Cash at 1st July	**20.8**	30.7
Cash at 31st December	**16.4**	26.5



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Balance sheet

	Dec 2007 £m	June 2007 £m	change %
Fixed assets	**69.6**	69.5	+0%
Intangible assets	**22.5**	20.8	+8%
Deferred tax assets	**5.5**	4.7	+15%
Pension asset (gross)	**5.3**	5.5	-4%
Total non-current assets	**102.9**	100.5	+2%
Inventory	**35.1**	36.2	-3%
Debtors	**43.6**	44.7	-3%
Cash	**16.4**	20.8	-21%
Creditors	**(19.0)**	(22.0)	-14%
Current assets less current liabilities	**76.1**	79.7	-4%
Deferred tax liability	**(12.0)**	(12.2)	-1%
Net assets	**167.0**	168.0	-1%

Notes