



2009 results

29th July 2009

Chairman's statement

This last year has been the most difficult in the history of the Company, characterised by two different half year performances. The first half commenced with record first quarter results and a promising outlook for the year, followed by an unprecedented downturn in the ensuing period. We were forced to make hard decisions in order to position the business for this market environment, pending a return of better conditions.

The cost base had to be reduced to meet the new environment, whilst maintaining our commitment to customer service and new product development programmes. We had to take a number of measures, the most difficult and painful of which was a redundancy programme under which we had to lose 437 staff (20% of the group workforce) giving annual cost savings of £17m. In addition, staff worldwide accepted a voluntary pay reduction of 20%, equivalent to £1.25m per month, which continues until 31st December 2009, subject to possible additional payments to employees, dependent upon achievement of certain profitability levels.

In parallel there has been a programme to reduce other group overhead expenditure by £10m per annum and a continuing focus on the management of working capital, particularly inventory and debtors in order to sustain positive cash balances.

Operating results

There was a marked downturn in the second half of the year, with revenue reducing by some 37% compared with the previous year. Revenue in the second half was £68.9m (2008 £109.5m) and total revenue for the year amounted to £171.2m (2008 £201.2m). This is a 15% reduction compared with the previous year, which would have been a 23% reduction at previous year exchange rates. Revenue, with the sole exception of our spectroscopy products which showed good growth, was heavily reduced in all product lines and all main geographical sectors were affected.

Operating profit for the year before exceptional items was £6.0m (2008 £37.3m) after deducting a doubtful debt provision of £2.6m (2008 £0.4m) and £1.5m in respect of legal costs relating to patent infringement litigation in the United States (2008 £ nil) which was settled in the second half of the financial year. At previous year's exchange rates this operating profit would have been a loss of £1.9m.

After the costs of the redundancy programme amounting to £4.1m and the inclusion of the share of profits of associates of £0.3m and other financial income of £2.5m, profit before tax amounted to £4.7m compared with £43.0m for the previous year. Earnings per share were 4.9p (2008 47.6p).

Balance Sheet

Capital expenditure during the year amounted to £11.0m (2008 £5.3m), reflecting capital commitments made in the first half of the year.

At the year end, net cash balances were £20.5m compared with £38.2m at 30th June 2008. Group inventory stood at £29.2m (2008 £34.2m) and total trade debtors were reduced to £24.1m (2008 £42.8m). Trade creditors have reduced from £12.7m to £6.6m with no extension of supplier payment dates

Pension Fund

At the year end, the revaluation under IAS 19 accounting standard of the Group's defined benefit pension funds, which are closed to new members and for future accruals to existing members, resulted in an increase in the deficit to £22.5m from £11.1m at the previous year end, reflecting poor investment performance and changes to assumptions for liability calculations.

Queen's Award

The Company has received the Queen's Award for Enterprise: Innovation 2009. The Award has been granted for the Company's OMP400 ultra-compact high-accuracy touch probe which is used for 3D measurement on computer numerically controlled machine tools. This is the Company's thirteenth Queen's Award.

Chairman's statement

Employees

I would like to thank all our employees for their steadfast support during what has been the most challenging and demanding period in our history. They have responded magnificently to all challenges and difficulties both in the UK and overseas.

Investing for the Future

As in prior economic downturns Renishaw continues to make heavy investment in future products and this year we are accelerating our new product development to help mitigate the impact of the recession.

A number of new metrology products and applications have been added to our established product lines during the year with a number of significant products destined to come to the market in the coming year. The metrology additions have been supplemented by the licensing of the source code for the Metris Camio CMM software and the acquisition of the business and assets of Qualis Service GmbH, a Germany CMM service and calibration business, both of which enhance the development of the Group's CMM retrofit activity.

Developing from our existing metrology base has been an increasing commitment to healthcare:

Our new range of dental products was introduced at the International Dental Exhibition in Cologne, Germany in March.

We acquired a 75% shareholding in Schaerer Mayfield Neuromate AG (now renamed Renishaw Mayfield SA), a company based in Switzerland, which is a leading manufacturer of surgical robots, adding to our portfolio of products for the neurosurgery market. These products were introduced at the Fifteenth Quadrennial Meeting of the World Society of Stereotactic and Functional Neurosurgery held in Toronto, Canada at the end of May with very encouraging results.

The Company has increased its investment in PulseTeq Limited by 25% to a 75% shareholding. PulseTeq Limited specialises in the development of coils for the enhancement of images from MRI scanners.

Prospects

It is difficult to predict how long the current market conditions will prevail. Current activity levels are showing some signs of an improvement, but we do not anticipate returning to profitability until the second quarter of this financial year. The Group, with its strong balance sheet, portfolio of existing products and new products in development (broadening into healthcare), remains strongly positioned to meet all present demands and to respond to any increase in activity as it develops. We continue to face our long-term future with great confidence.

Dividend

The Company paid an interim dividend of 7.76p per share in April which was waived by the executive directors. However, in view of the exceptional adverse trading conditions we have encountered and the consequential impact on our results, we do not propose to pay a final dividend for the year.

We will continue to monitor our performance and intend to return to paying dividends when conditions improve. The level of such dividends and the policy for the future will be determined by the financial performance of the Group as it recovers.

Sir David R McMurtry CBE, RDI, CEng, FIMechE, FREng

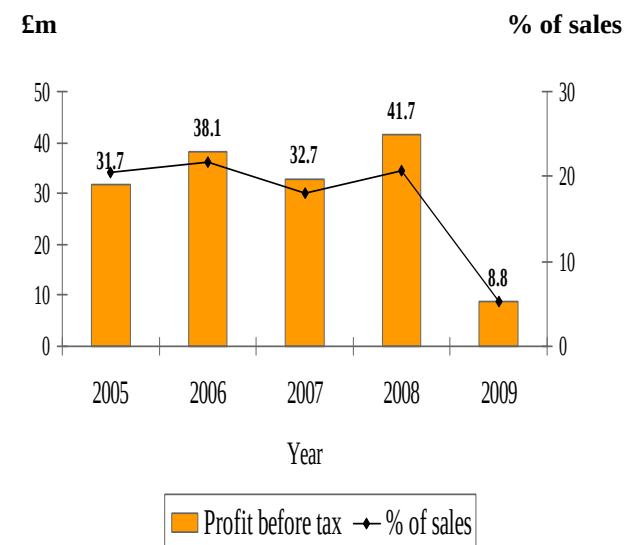
Chairman & Chief Executive

29th July 2009

Financial highlights

	2009 £m	2008 £m	change %
Sales			
At actual exchange rates	171.2	201.2	-15%
At previous year exchange rates	155.2	201.2	-23%
Operating profit			
As reported	1.9	38.7	-95%
Excluding exceptional items	6.0	37.3	-84%
Exceptional items	4.1	(1.3)	-
Profit before tax			
As reported	4.7	43.0	-89%
Excluding exceptional items	8.8	41.7	-79%
Statutory earnings per share	4.9p	47.6p	-90%
Adjusted earnings per share	9.3p	45.9p	-80%
Dividend per share	7.76p	25.39p	-69%

Profit before tax (adjusted)

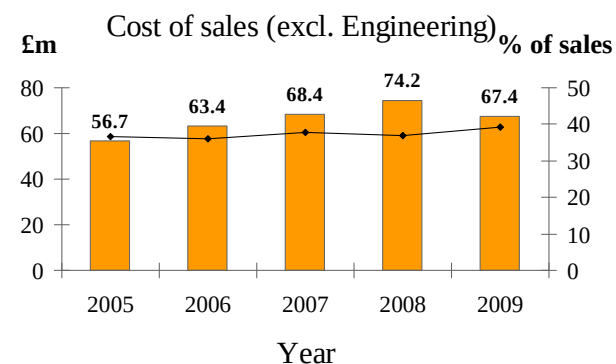


Exceptional items - Redundancy costs (2009); Pension curtailment credit (2008)

Notes

Profit and loss account

	2009 £m	%	2008 £m	%	change %
Sales	171.2	100	201.2	100	-15%
Cost of sales	(67.4)	39	(74.2)	37	-9%
Engineering	(33.7)	20	(32.6)	16	+3%
Gross profit	70.1	41	94.4	47	-26%
Distribution costs	(41.5)	24	(35.7)	17	+16%
Administration costs	(22.6)	13	(21.4)	11	+6%
Operating profit	6.0	4	37.3	19	-84%
Profits from associates	0.3	-	0.3	-	-
Financial income (net)	2.5	1	4.1	2	-39%
Profit before exceptionals	8.8	5	41.7	21	-79%
Exceptional items	(4.1)	2	1.3	-	-
Profit before tax	4.7	3	43.0	21	-89%



Notes

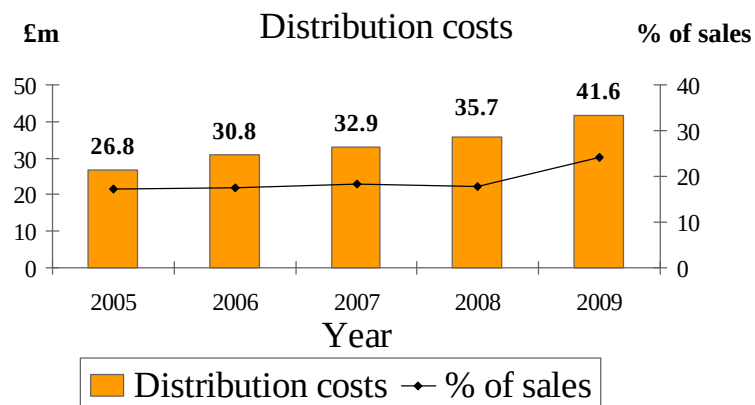
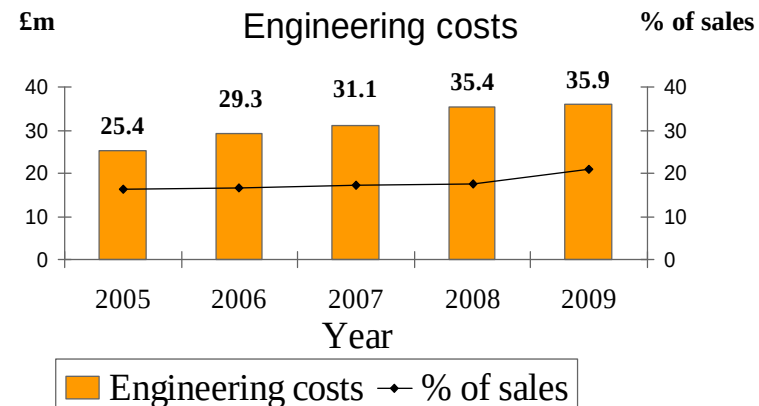
Profit and loss account

•Engineering costs (including R&D):

	2009	2008
•Total spend	£35.9m	£35.4m
•Less capitalised	£2.2m	£2.8m
•Remaining in P&L	£33.7m	£32.6m
•Gross increase 1%		

•Distribution costs:

		<u>Increase</u>
•At previous year fx	£34.2m	-4%
•Additional bad debt provision	£2.2m	
	£36.4m	+2%
•Fx effects	£5.2m	
•At actual fx rates	£41.6m	+16%



Notes

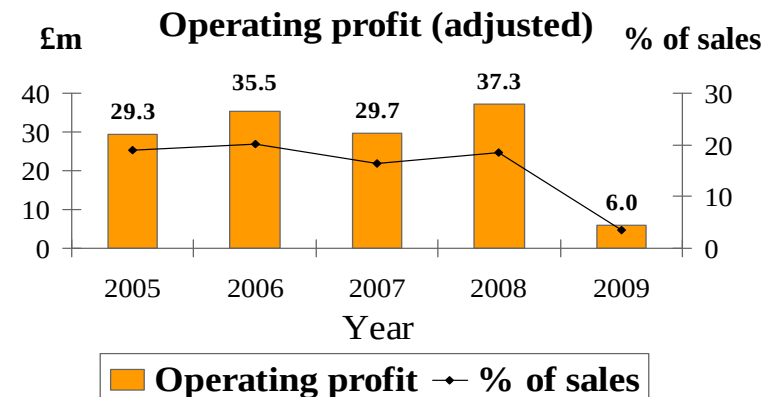
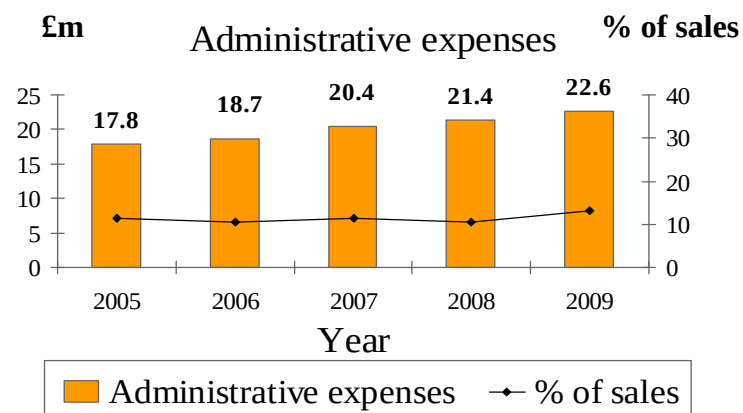
Profit and loss account

•Administrative expenses:		<u>Increase</u>
•At previous year fx	£19.9m	-7%
•Patent litigation	£1.5m	
	£21.4m	+0%
•Fx effects	£1.2m	
•At actual fx rates	£22.6m	+6%

•Headcount now 1,843 (June 2008 2,151), a decrease of 308 people

	Jun 08	Additions	Redundancies	Jun 09
UK	1,463	+46	-316	1,193
Overseas	688	+83	-121	650
	<u>2,151</u>	<u>+129</u>	<u>-437</u>	<u>1,843</u>

•Operating profit (excluding exceptional items):	
•At previous year fx	-£1.9m
•Fx effects	£7.9m
•At actual fx rates	£6.0m



Group cost saving programme

- **Redundancy programme**

- Staff reduction of 437
- Annual cost saving of £17m

- **Labour costs**

- Voluntary 20% pay reduction for Group employees
- Applicable from February 2009 until December 2009
- Monthly saving of £1.25m (annual £15m)
- Other areas considered -
 - Change from full-time to part-time employment
 - Unpaid leave or a sabbatical

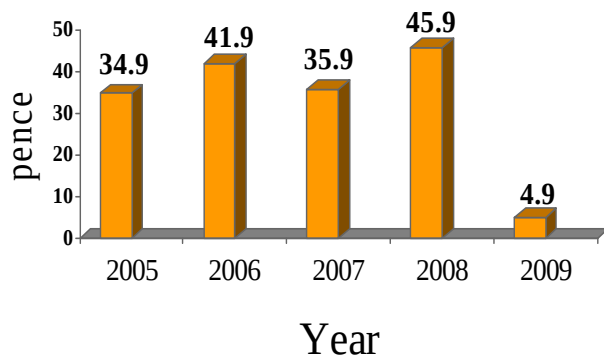
- **Other overhead costs**

- Annual cost saving target of £10m

Notes

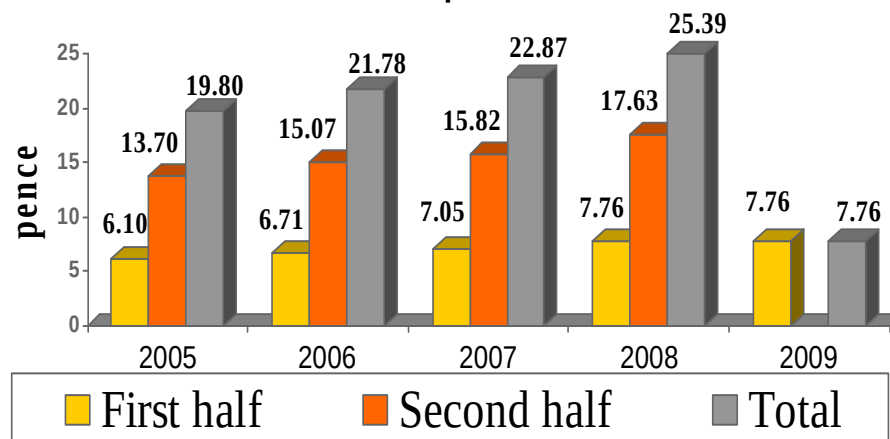
Profit and loss account

Earnings per share



Excluding pension curtailment credits in 2007 & 2008

Dividend per share

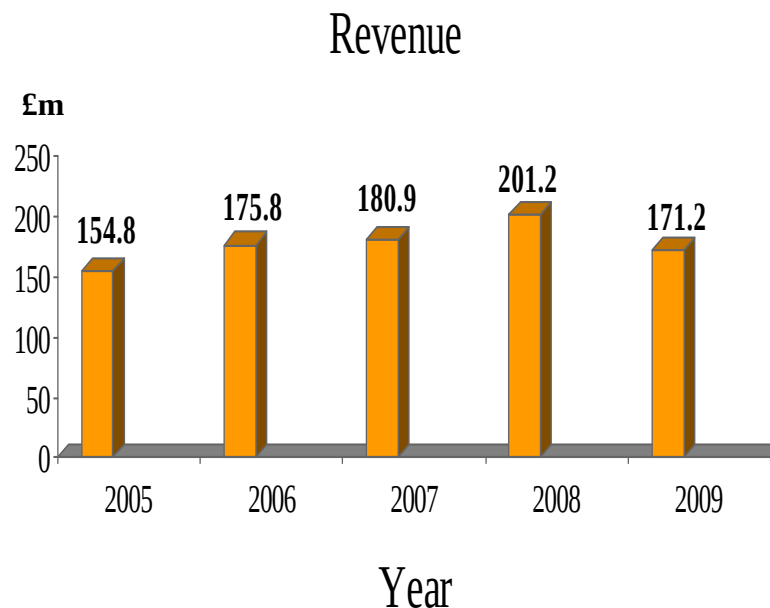


Increase	+10%	+10%	+5%	+11%	-69%
cover	1.2	1.9	1.6	1.8	0.6

Notes

Revenue analysis

- Revenue down 15% at actual exchange rates, down 23% at previous year's exchange rates
- Favourable currency effect of £16.0m at the revenue level, including the forward contracts, when comparing current year's revenue at previous year's exchange rates
- Favourable currency effect of £16.0m comprises:
 - Revenue growth due to fx change +£27.8m
 - Loss on forward contracts -£11.8m

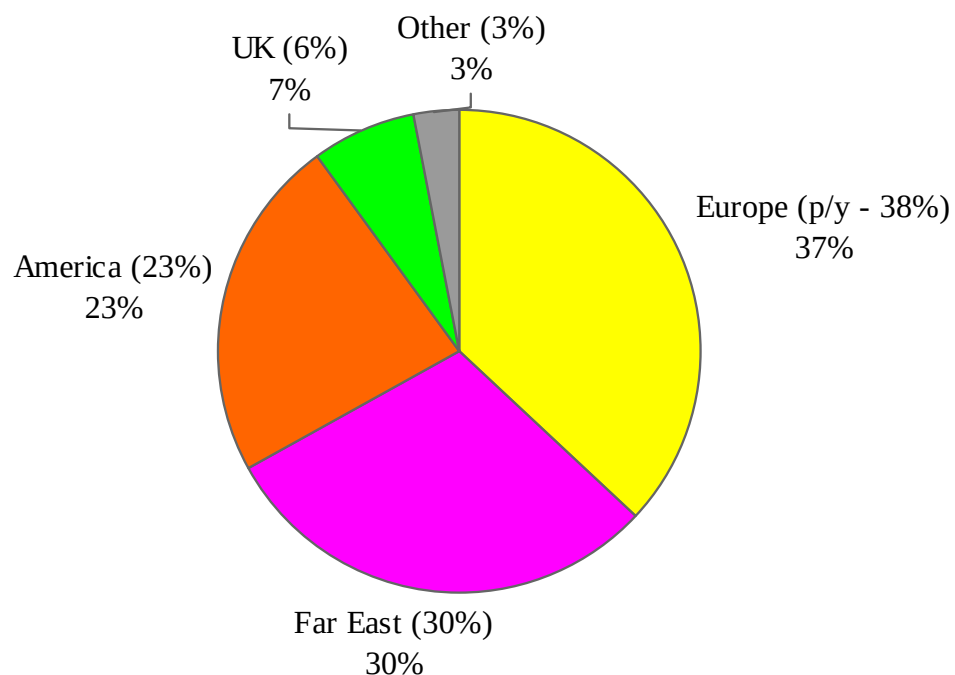


Notes

Revenue analysis

- Volume reduction of 23%
- Heavy reduction in revenue in all product lines, except Spectroscopy
- Changes in geographic areas:

	At act fx	At p/y fx
Far East	-13%	-29%
Americas	-14%	-23%
Europe	-18%	-21%
UK & Ireland	-6%	-6%



Notes

Group revenue

	2009 £m	2008 £m	change %	at p/y fx £m	change %	favourable fx effect (£m)	
Continental Europe	63.2	77.2	-18%	61.0	-21%	2.2	EUR
Far East	52.0	59.6	-13%	42.4	-29%	9.6	JPY/USD
America (North & South)	40.1	46.7	-14%	35.9	-23%	4.2	USD
ROW	4.6	5.7	-18%	4.6	-19%		
UK & Ireland	11.3	12.0	-6%	11.3	-6%		
Total	171.2	201.2	-15%	155.2	-23%	16.0	

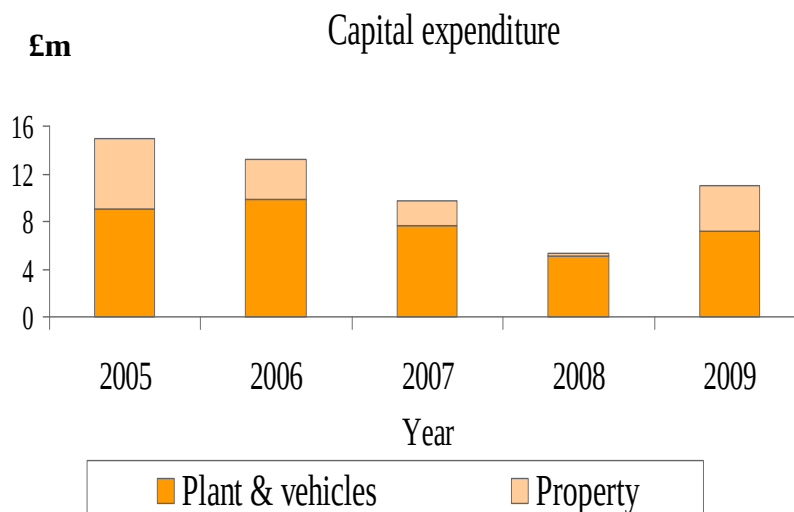
Notes

Capital expenditure

• Total capital spend on property, plant and equipment was £11.0m (2008 £5.3m), of which £3.8m spent on property, £6.2m on plant and £1.0m on vehicles.

• Property additions:

- Additional property close to New Mills, UK
- Property at Castle Donington, UK, for software development team
- Expansion of India manufacturing facilities
- Earthquake protection work on structure of Tokyo office building



Notes

• Capital expenditure and investments

• CMM retrofit business development

- Licence agreement for source code of Metris Camio software - MODUS
- Employment of software development engineers from Metris
- Purchase of a property at Castle Donington
- Purchase of the business and assets of Qualis Service GmbH, a German CMM service and calibration company
- Additional sales and technical engineers



Retrofit installation

Property at Castle Donington



MODUS
software

Notes

• Capital expenditure and investments

• Healthcare investments

- Purchase of Schaerer Mayfield Neuromate AG, a Swiss company (now Renishaw Mayfield SA). This company is a leading manufacturer of surgical robots for neurosurgery



Robot

- Further investment in PulseTeq Limited, which specialises in the development of coils for the enhancement of images from MRI scanners, bringing shareholding up to 75%



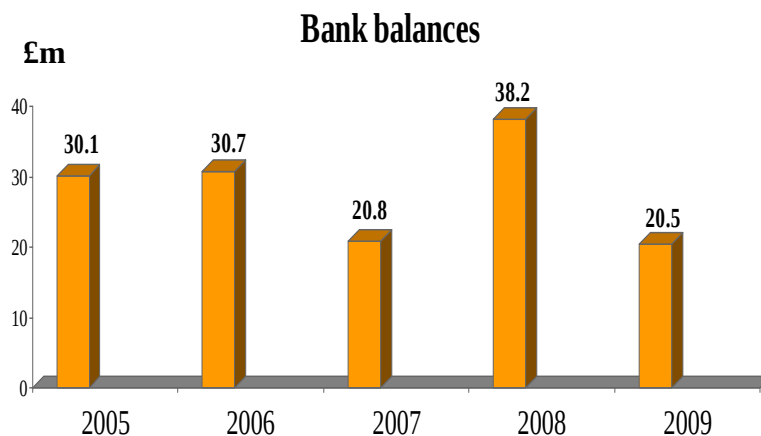
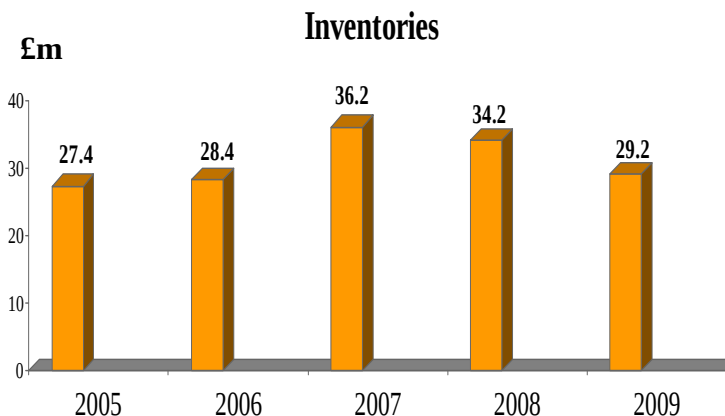
Head coil

Notes

Balance sheet – working capital

•A focus on working capital management, reflected by:

- Cash management a high priority
- Reduction of inventories from £34.2m to £29.2m
- Final installation of ERP system, to improve efficiencies in manufacturing and inventory management, completed
- Reduction of trade receivables from £42.8m to £24.1m
- Reduction of trade creditors from £12.7m to £6.6m (no extension of payment terms to suppliers)
- Waiver of interim dividend by executive directors



Notes

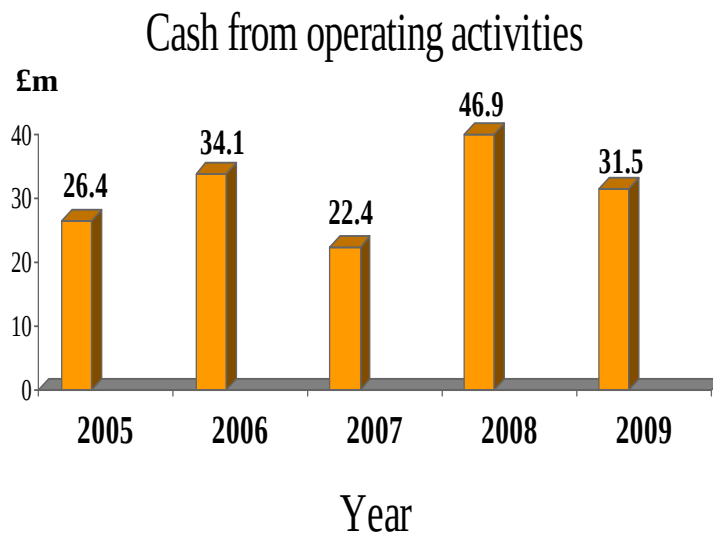
Balance sheet

	June 2009 £m	June 2008 £m	change %
Fixed assets	73.6	68.8	+7%
Intangible assets	27.7	19.1	+45%
Investments in associates	7.0	6.8	+3%
Other non-current assets	18.2	10.0	+82%
Total non-current assets	126.5	104.7	+21%
Inventories	29.2	34.2	-15%
Debtors	30.0	48.3	-38%
Cash	20.5	38.2	-46%
Creditors	(21.5)	(30.0)	-28%
Current assets less current liabilities	58.2	90.7	-36%
Deferred tax liability	(10.6)	(12.4)	-15%
Pension liability	(22.5)	(11.1)	+103%
Other payables	(7.8)	(5.3)	+47%
Net assets	143.8	166.6	-14%

Notes

Cash flow from operating activities

	2009 £m	2008 £m
Operating profit	1.9	38.7
Depreciation & amortisation	14.8	12.3
Pension curtailment credit	-	(1.3)
Tax paid	(6.4)	(6.9)
Additional pension contributions	-	(0.1)
Loss/(profit) on sale of assets	0.1	(1.0)
Decrease in inventories	5.1	2.0
Decrease/(increase) in debtors	28.2	(2.7)
(Decrease)/increase in creditors	(12.2)	5.9
Total movement in working capital	21.1	5.2
Cash from operating activities	31.5	46.9



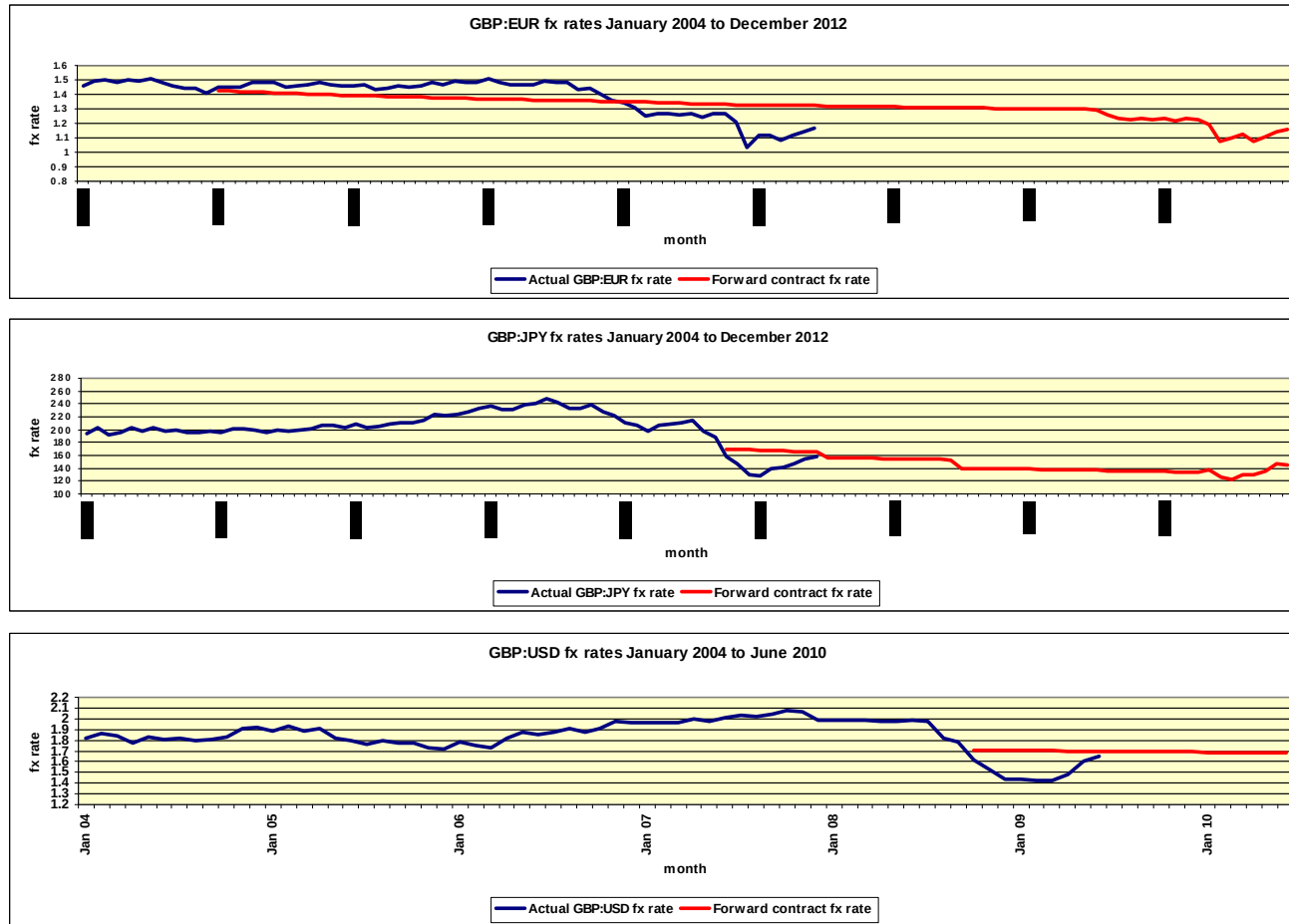
Notes

Cash flow

	2009	2008
	£m	£m
Cash from operating activities	31.5	46.9
Interest received	0.9	1.6
Dividends paid	(15.6)	(17.2)
Fixed assets purchased (net)	(10.8)	(3.7)
Development costs capitalised	(6.6)	(5.5)
Investments in associates & intangibles	(7.9)	(1.7)
Fx changes	(9.2)	(3.0)
Total cash movement	(17.7)	17.4
Cash at 1st July	38.2	20.8
Cash at 30th June	20.5	38.2

Notes

Exchange rates – actual rates and forward contracts



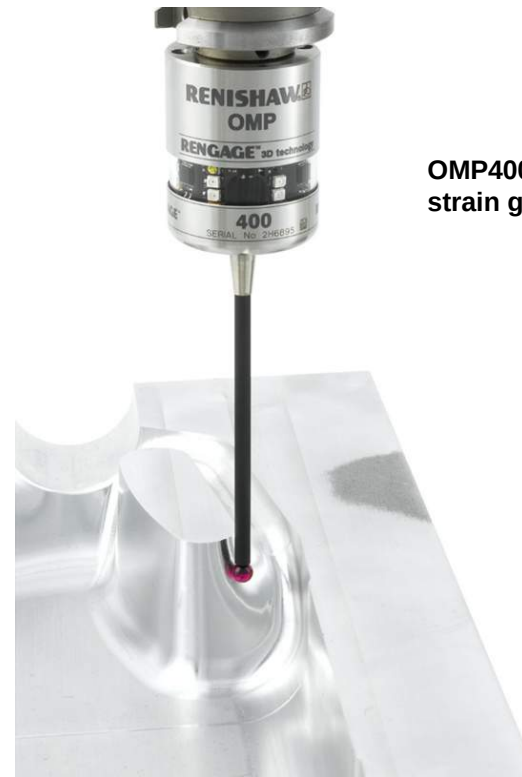
Notes

Awards

- Queen's Award for Enterprise 2009

- OMP400

- 13th Queen's Award



OMP400 high-accuracy
strain gauge probe

Notes

New product releases – Metrology



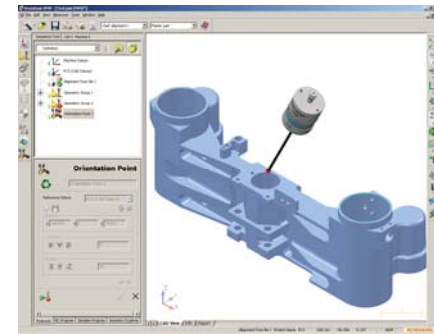
RESOLUTE™ absolute encoders



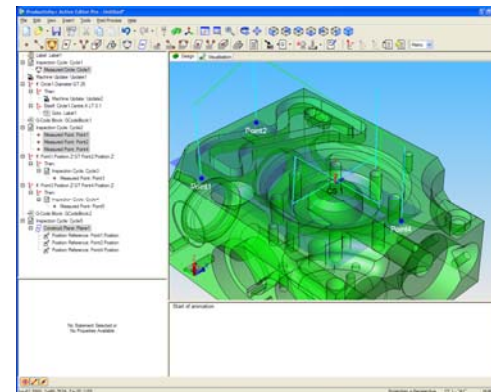
FASTRACK scale system



OTS (AA battery version)



OMV v2.02 software



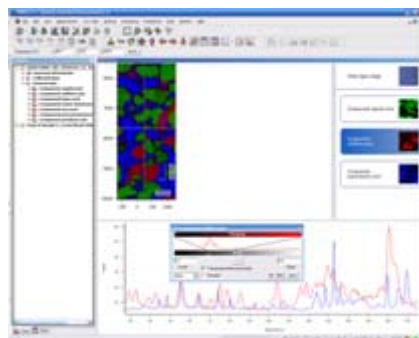
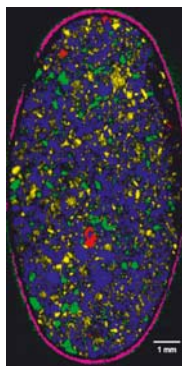
Productivity+™ v1.6 software

New product releases - Spectroscopy



Raman/AFM combined system

Tablet image using StreamLine Plus



MS20 high-speed encoded stage and MSC20 controller

WiRE software to support Raman/AFM systems

New product releases – Dental

Option 1 – Scan only

Scanner and CAD



Option 2 – Full system

Scanner and CAD

Milling and CAM

MAU (MOBILE ANCILLARY UNIT)

Furnace



Labs with milling capability can still send scan data to Renishaw in busy periods.

Renishaw central manufacturing



Renishaw's central manufacturing facility is located within our world-class manufacturing facility at Stonehouse, UK. Many years of experience in high-volume production ensures a rapid turnaround time and high quality frameworks.

Option 3 – Full system with multiple milling machines

Scanner and CAD

Milling machines and CAM

Furnace

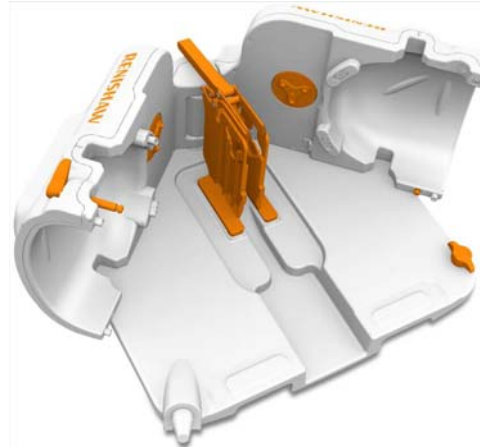


Frameworks are returned to labs in protective packaging.

New product releases - Neurological



neuro | locate™ –
stereotactic head
holder



neuro | enhance™ -
stereotactic coil



neuro | inspire™ – surgical
planning software



The neuro | mate®
stereotactic robot



neuro | guide™ - electrode
introducer kit