

2011 results



27th July 2011



Chairman's statement

I am delighted to announce record group results in terms of both revenue and profit for the year ended 30th June 2011.

Total group revenue for the year was £288.7m (including £8.9m revenue from acquisitions during the year (2010 £nil)), 59% ahead of the £181.6m for last year and, more importantly, 43% above the previous highest year's revenue of £201.2m reported in 2008. All geographic areas saw good progress, with growth of 64% in Europe, 57% in the Americas and 61% in the Far East, particularly in China, which has become the Group's largest market, with revenues of £54.2m this year (2010 £34.2m).

Group profit before tax for the year, excluding exceptional items, was £80.4m, compared with £28.7m last year, and compared with £41.7m in 2008, being the previous highest year's profit before tax (excluding exceptional items).

Adjusted earnings per share were 88.0p, an increase of 178% over last year's adjusted earnings per share of 31.6p. Reported earnings per share were 90.3p (2010 29.3p).

Segmental analysis

•Metrology

There was an extremely strong performance by our metrology business during the year, with revenue of £267.0m, compared with £162.1m last year, an increase of 65%. There was growth across all product lines, with machine tool and encoder products showing particularly strong growth. Operating profit for this segment was £87.4m, compared with £31.5m last year, an increase of 177%.

During the year the Group acquired a 49% shareholding in Measurement Devices Limited (MDL) at a cost of £3.9m; there is agreement that MDL will become a 100% subsidiary in 2014. Accounting standards require the Group to consolidate its results as if the company were a subsidiary, due to the structure of the shareholders' agreement. MDL is a metrology company whose laser scanner products are primarily marketed in the areas of marine positioning, mining, quarrying and surveying.

On 8th April 2011, the Group acquired for £3.8m, a 100% shareholding in MTT Investments Limited ("MTT"). MTT 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 40 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. Its results have been consolidated since the date of acquisition. On 1st July 2011 most of the business and assets were transferred to Renishaw plc and is now operating as the Renishaw additive manufacturing products division.

On 16th June 2011, the Group acquired, for a total consideration of £6m, of which £3m is payable in June 2013, certain calibration technology and software, together with drawings, designs and intellectual property relating to optical technology, from Aberlink Innovative Metrology in order to expand the Group's technology portfolio.

A number of new products have been launched during the year, including Equator™, a radical new alternative to traditional dedicated gauging. This was launched in March 2011 and has been very well received.

•Healthcare

Our healthcare operations continue to develop both in our longer established spectroscopy business and in our newer dental, neuro and diagnostic activities.

Revenue from our healthcare products rose 11% to £21.7m (2010 £19.5m). Certain areas are still in the development phase and, as a result of the continuing research and development costs, an operating loss of £8.5m was recorded (2010 loss £3.4m).

During the year the Group has made several sales of the enhanced surgical robot used for neurosurgical procedures.

Renishaw Diagnostics Limited ("RDL") has released the RenDx™ research-use-only ("RUO") multiplex assay system, providing a highly sensitive and flexible tool to screen for multiple targets in a single analysis. RDL is preparing to apply for approval of the RenDx™ multiplex assay system as an in vitro medical device.

We continue to develop our dental business, including our collaboration with Biomet 3i, which is now a non-exclusive distributor of Renishaw dental scanning and milling systems.

Chairman's statement (continued)

Balance sheet

Expenditure for the year on property, plant and equipment was £16.5m, of which £5.4m was in respect of property and £11.1m was in respect of plant and equipment. Expenditure on property included:

- The refurbishment of our Charfield premises, purchased in 2008, which has been occupied by our dental, neurological and imaging coil product lines together with a team of group software engineers;
- Larger premises in Barcelona for our Spanish sales and marketing operation;
- Completion of the expansion of our Indian production facility in Pune which opened in March 2011; and
- On 24th June 2011, the Group contracted to purchase 461,000 sq ft of premises on a site of 193 acres in Miskin, South Wales, approximately 55 miles from the New Mills head office. This additional space is being acquired to secure manufacturing capacity required to accommodate future growth. The cost of these new premises will be £7.7m, of which £0.7m has been paid as a deposit prior to the year end.

The Group's expenditure on plant, equipment and vehicles of £11.1m comprised mainly additional machine tools, other production machinery and IT investment to support the expanding business. Along with £1.6m of tangible fixed assets acquired through business acquisitions, the net book value of property, plant and equipment increased during the year from £70.5m at 30th June 2010 to £82.3m at 30th June 2011.

The Group has invested heavily in working capital during the financial year. Inventories have increased by £18.9m over the year, including £3.2m relating to acquisitions, as the Group has sought to ensure adequate stock to meet customer demands in an environment of growing but unpredictable and substantial order intake. At the end of June 2011, inventories were £49.8m compared with £30.9m at 30th June 2010.

The Group continues to have a solid balance sheet, with net cash balances of £34.6m at 30th June 2011, compared with £31.1m at 30th June 2010.

Awards

The Group has received a number of awards during the year including our 14th Queen's Award for Enterprise: Innovation 2011. This has been granted for the TRS2 laser-based tool breakage detection system used on CNC machine tools.

Staff

The Group workforce has grown from 2,099 at 30th June 2010 to 2,675 at the end of June 2011, an increase of 576. Additional staff have been taken on in all areas, both to support the current increase in production as well as to ensure the ongoing development programmes in our metrology and healthcare businesses. The Group acquired 95 staff through the acquisitions of MDL and MTT. There are currently 267 outstanding vacancies, of which 139 are in the UK and 128 overseas. Your directors are grateful for the tremendous support and commitment of our staff during a challenging and exciting year.

Prospects

The Group has made very considerable progress during the year. There continue to be many challenges to be met and overcome, not least the recruitment and absorption of new employees, the occupation of new premises, the integration of newly acquired companies and the ongoing development of Renishaw technologies. Nevertheless the directors confidently expect the current progress of the Group to continue due to the increased opportunities and the underlying strength of our markets.

Dividends

A final dividend of 24.7p per share will be paid in respect of this year, which, together with the interim dividend of 10.3p, gives a total for the year of 35.0p per share, compared with 17.6p for last year and 25.4p in 2008, our previous highest dividend. The final dividend will be paid on 17th October 2011 to shareholders on the register on 16th September 2011.

Sir David R McMurtry, CBE, RDI, FEng, FRS, CEng, FIMechE
Chairman & Chief Executive
27th July 2011

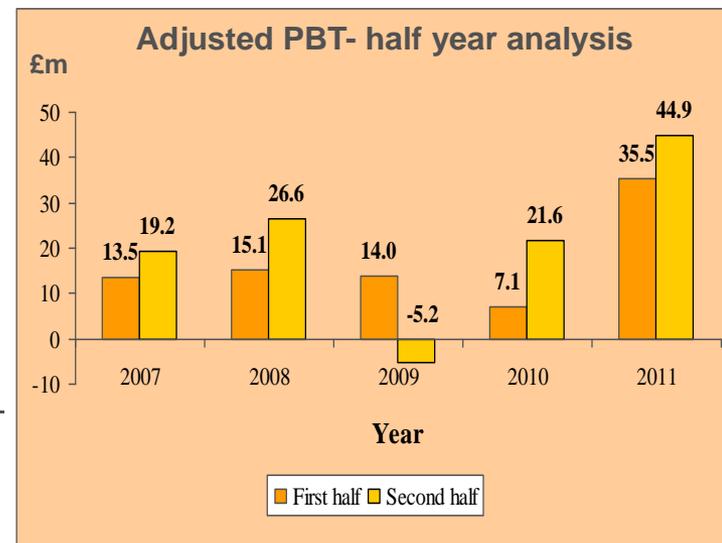
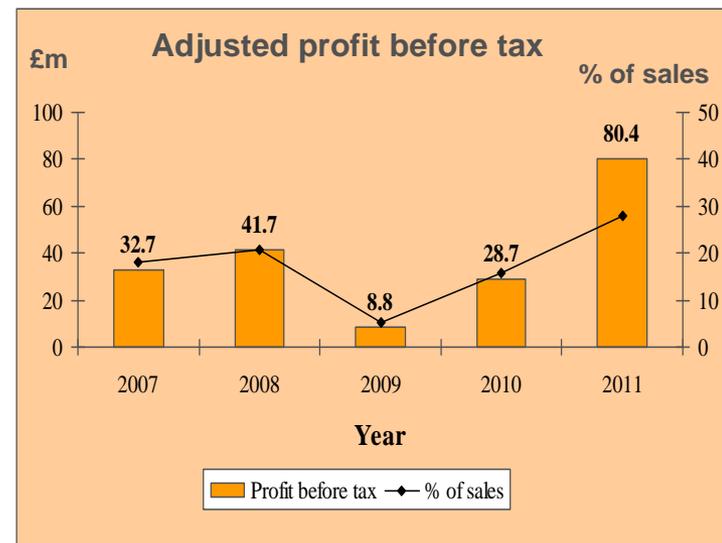
Financial highlights

	2011 £m	2010 £m	change %
Revenue	288.7	181.6	+59%
Adjusted operating profit	78.9	28.1	+182%
Adjusted profit before tax	80.4	28.7	+180%
Adjusted earnings per share	88.0p	31.6p	+178%
Dividend per share	35.0p	17.6p	+99%

Adjusted figures exclude the exceptional items, being the impairment write-off in 2010 and subsequent reversal of same in 2011

Notes

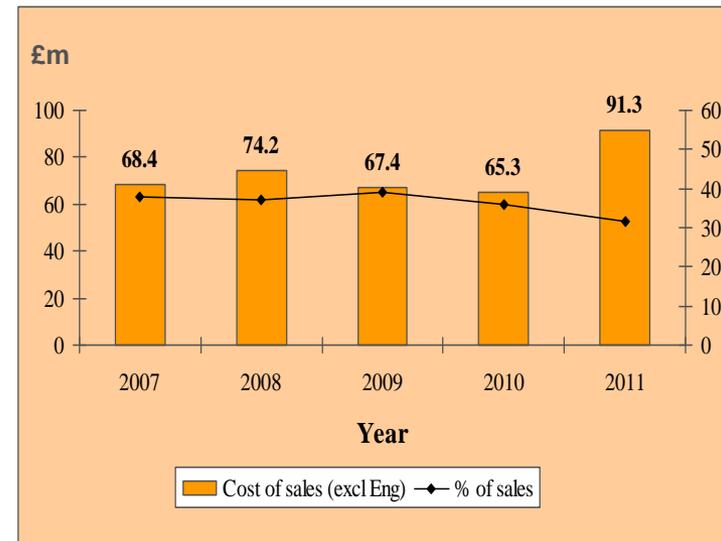
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Income statement

	2011		2010		change
	£m	%	£m	%	%
Sales	288.7	100	181.6	100	+59%
Cost of sales	(91.3)	(31)	(65.3)	(36)	+40%
Engineering (incl R&D)	(37.1)	(13)	(28.6)	(16)	+30%
Gross profit	160.3	56	87.7	48	+83%
Distribution costs	(52.1)	(18)	(39.7)	(22)	+31%
Administration costs	(29.3)	(10)	(19.9)	(11)	+47%
Operating profit	78.9	28	28.1	15	+182%
Financial income (net)	0.7	-	0.1	-	-
Profit from associates	0.8	-	0.5	-	-
Profit before tax & except	80.4	28	28.7	16	+180%
Exceptional items	1.7	-	(1.7)	(1)	-
Reported profit before tax	82.1	28	27.0	15	+203%

Cost of sales (excl. Engineering)



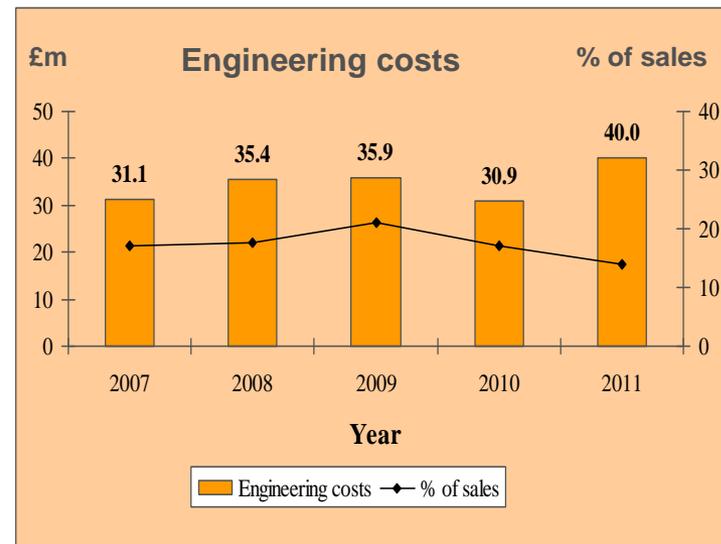
Income statement – Engineering costs

•Engineering costs (including R&D):

	2011	2010
•Total spend	£40.0m	£30.9m
•Less capitalised	£2.9m	£2.3m
•Remaining in P&L	£37.1m	£28.6m
•Gross increase	+29%	

•Engineering segmental split:

•Metrology	£28.0m	£22.0m
•Healthcare	£9.1m	£6.6m



Income statement – Distribution & Admin costs

•Group headcount at year end:

	2011	2010
•UK	1,867	1,358
•Overseas	808	741
•Total	2,675	2,099

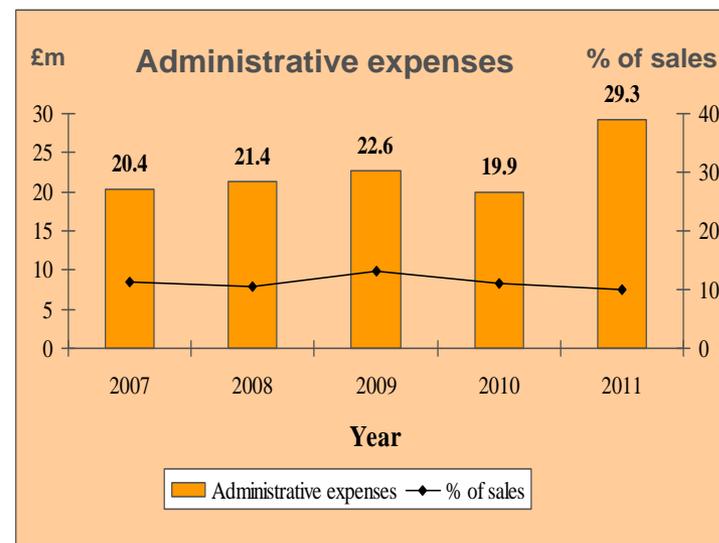
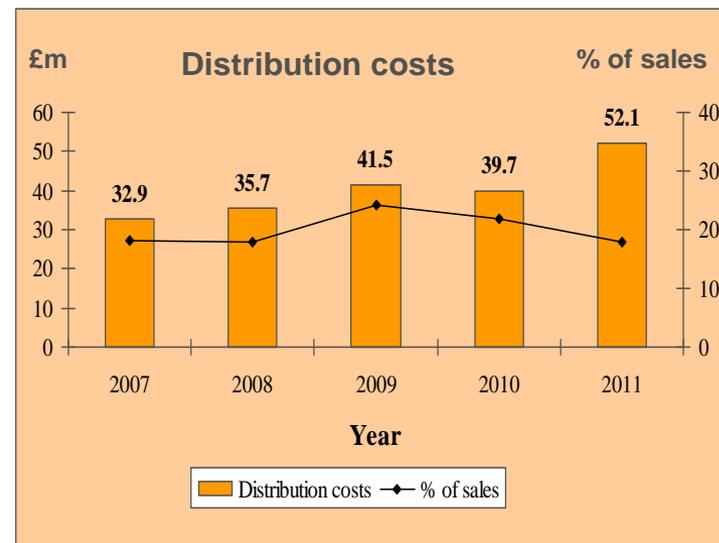
•Business acquisitions increased headcount by 95

•Distribution costs up 31%:

- Expansion of UK & overseas sales and marketing staff to support growing revenue
- Includes £1.6m due to business acquisitions

•Administrative expenses up 47% :

- Includes directors' bonus £2.1m (2010 £nil)
- Includes £1.6m due to business acquisitions



Income statement – Operating profit

•Currency effects on profit

•Revenue increased by £2.5m, when comparing current year’s results at previous year’s exchange rates. Profit before tax increased by £3.0m.

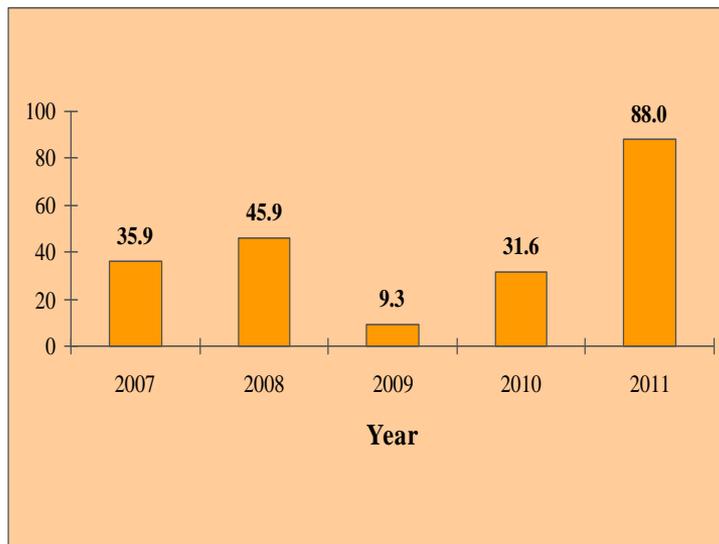
•Adjusted operating profit segmental split:

	2011	2010
•Metrology	£87.4m	£31.5m
•Healthcare	£(8.5)m	£(3.4)m

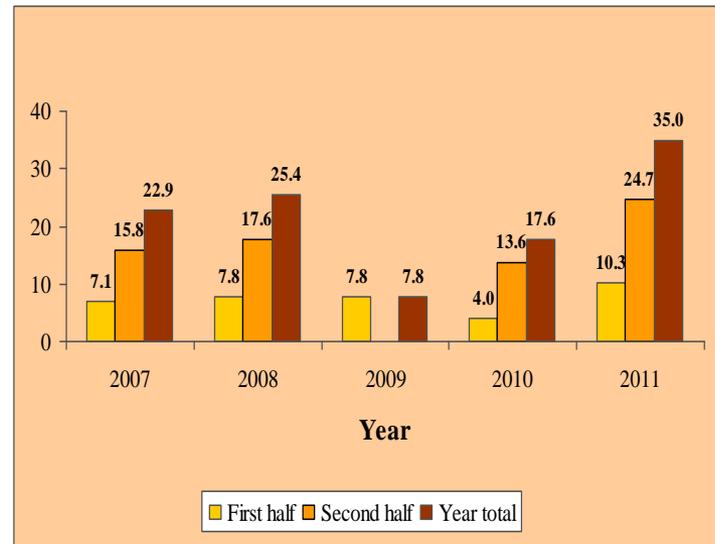


Earnings per share & Dividend per share

Adjusted earnings per share



Dividend per share



Year	2007	2008	2009	2010	2011
Dividend increase for full year	+5%	+11%	-69%	+127%	+99%
Full year dividend cover	1.6*	1.8*	1.2*	1.8*	2.5*

* Excluding exceptional items

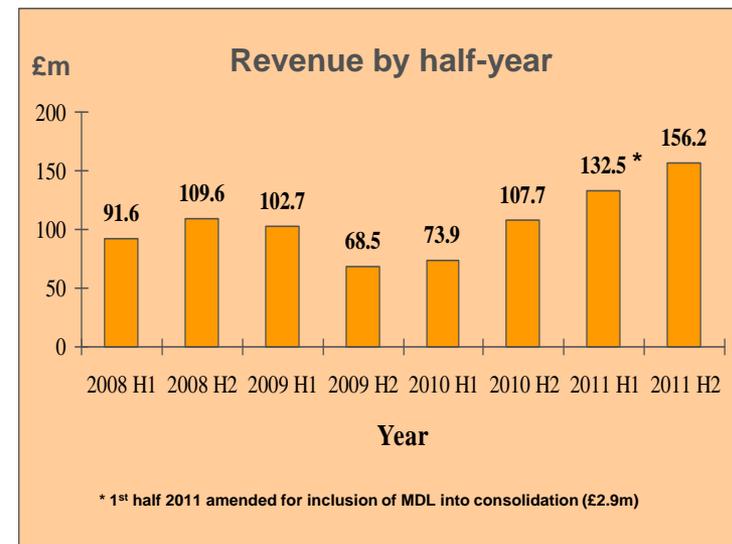
Group revenue analysis

- Revenue up 59% at £288.7m, and up 43% compared with highest previous year (2008) of £201.2m

- Segmental analysis

	2011	2010	change
	£m	£m	%
• Metrology	267.0	162.1	+65%
• Healthcare	21.7	19.5	+11%

Notes



Group revenue analysis

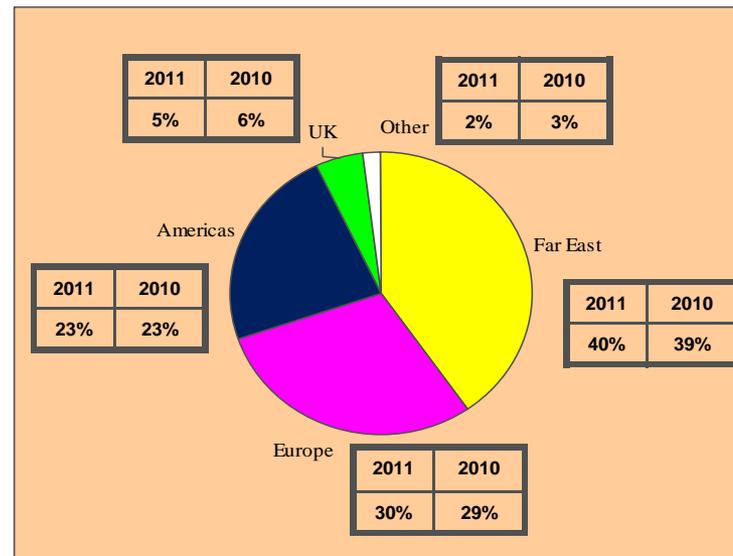
•Changes in geographic areas:

	At act fx	At p/y fx
•Far East	+61%	+65%
•Europe	+64%	+64%
•Americas	+57%	+58%
•UK & Ireland	+39%	+39%

•Revenue by major countries:

	2011 £m	2010 £m
•China	54.2	34.2
•USA	52.8	35.4
•Germany	38.6	23.0
•Japan	36.1	19.6

Revenue by region



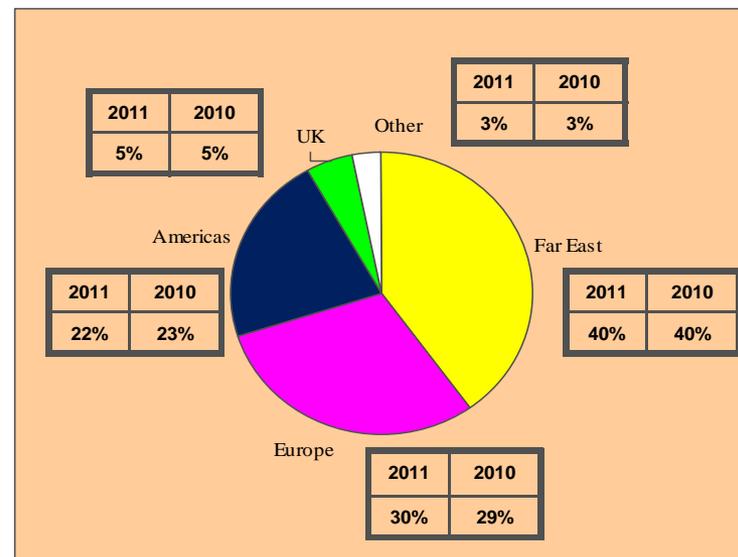
Group revenue by region

	2011 £m	2010 £m	change %	at p/y fx £m	change %	change fx (£m)		Average fx rates		
								2011	2010	
Far East	114.5	71.1	+61%	117.0	+65%	(2.5)	JPY/USD	USD	1.60	1.58
Continental Europe	85.8	52.1	+64%	85.3	+64%	0.5	EUR	JPY	132	143
Americas	65.1	41.5	+57%	65.6	+58%	(0.5)	USD	EUR	1.16	1.14
UK & Ireland	14.8	10.6	+39%	14.8	+39%			Average forward rates		
Other regions	8.5	6.3	+36%	8.5	+36%			USD	1.45	1.69
Total	288.7	181.6	+59%	291.2	+60%	(2.5)		JPY	139	155
								EUR	1.30	1.31

Group revenue - Metrology

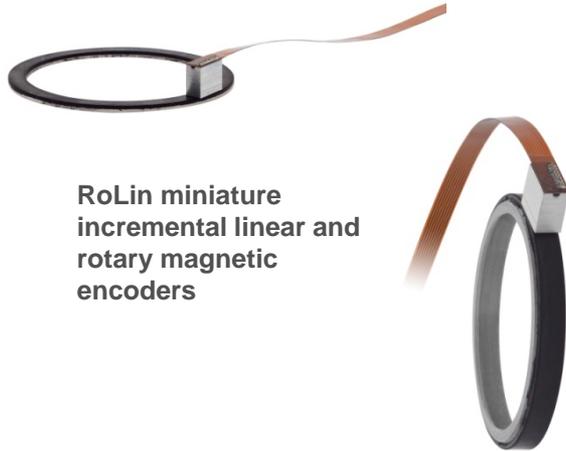
	2011 £m	2010 £m	change %
Far East	106.7	64.2	+66%
Continental Europe	79.4	46.9	+69%
Americas	60.6	38.0	+60%
UK & Ireland	12.7	8.0	+58%
Other regions	7.6	5.0	+53%
Total	267.0	162.1	+65%

Revenue by region



Notes

New product releases - Metrology



RoLin miniature incremental linear and rotary magnetic encoders



12 bit absolute magnetic encoder chip, with added functionality including uvw outputs, programmable zero, tacho outputs, all combined with lower power consumption

High accuracy, self-adhesive tape scales for TONiC and RESOLUTE encoders



LM 15 with TRS track system – modular mounting solution for larger machines



UCCFusion - new, low-cost controller with integral power amplifiers. Initially only being supplied to the Far East market



UCCsuite 4.4 software release, including full support for PH20 systems and general improvements on tuning for scanning

New product releases - Metrology



Equator™, a radical new alternative to traditional dedicated gauging

New investments - Metrology

•Metrology investment - MDL

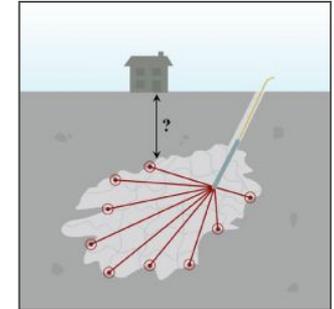
- £2.3m investment in July 2010 for 29% shareholding in Measurement Devices Limited (“MDL”)
- £0.8m further investments in each of December 2010 and January 2011, raising total shareholding to 49%
- MDL is a metrology company based in York, with offices in Aberdeen and USA (Houston). Its laser scanner products are primarily marketed in the areas of marine positioning and mine/quarry scanning. MDL’s products will add to Renishaw’s current range of laser-based products and the Group’s investment in MDL will enable MDL to expand further on a global basis and benefit from Renishaw’s technology, engineering and manufacturing expertise and worldwide distribution network.
- Their products are sold into a range of industries including:
 - Mining
 - Mobile surveying
 - Marine positioning



Laser scanner maps a quarry face



Compact laser scanner maps underground voids



Laser scanner with integrated GPS



Laser controls boat position to oil rig

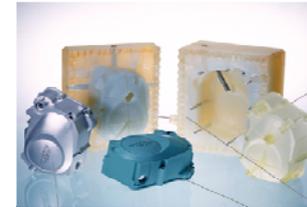
New investments - Metrology

•Metrology investment – MTT

- £3.8m investment in April 2011 for 100% shareholding in MTT Investments Ltd (“MTT”)
- Based in Stone, Staffordshire, UK, with 40 employees
- Products and services:
 - Injection moulding small footprint and Low volume/prototype.
 - Prototype and low volume production - machines and service bureau
 - Vacuum metal casting – Non ferrous
 - Additive manufacturing – Selective laser melting (“SLM”)
- MTT has a range of interesting technologies including SLM equipment which currently has its main markets in aerospace and medical devices, but also has potential for use in other sectors. All its products are complementary to Renishaw’s existing technologies and business



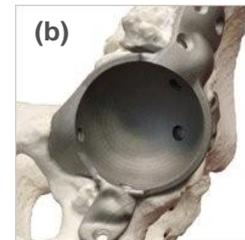
Prototype and low volume production - machines and service bureau



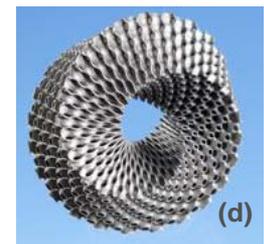
Vacuum metal casting – Non ferrous



Injection moulding



SLM machine



Additive manufacturing – Selective laser melting (SLM) (a), (b) (c) & (d)

New investments - Metrology

•Metrology investment – IP purchase from Aberlink

- Assets purchased were:
 - Calibration technology software
 - Optical technology IP
- £6.0m investment in June 2011, of which £3.0m is payable in two years

•Metrology investment – Diameter

- £0.3m investment in July 2010 for 55% shareholding in Diameter Ltd, based at Brunel University, West London
- Business of Diameter:
 - Specialises in diamond-like coatings (“DLC”), shape memory alloys and materials demonstrating the piezo effect. Renishaw has been a long-term customer for its coating products
- Since renamed Renishaw Advanced Materials Limited

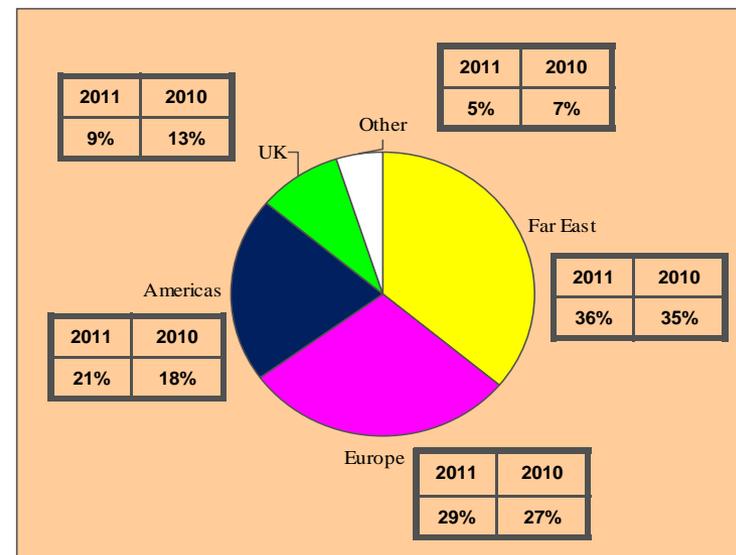


Examples of DLC applied to products

Group revenue - Healthcare

	2011 £m	2010 £m	change %								
Far East	7.8	6.8	+16%								
Continental Europe	6.3	5.3	+20%								
Americas	4.6	3.5	+30%								
UK & Ireland	2.0	2.6	-22%	Other regions	1.0	1.3	-26%	Total	21.7	19.5	+11%
Other regions	1.0	1.3	-26%								
Total	21.7	19.5	+11%								

Revenue by region



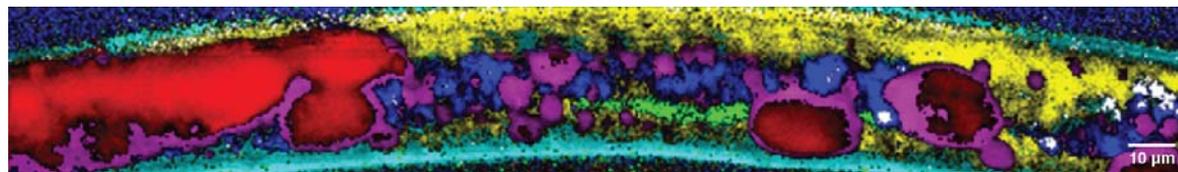
Notes

New product releases - Healthcare



RenDx™ RUO multiplex assay system, a research use only system, providing a highly sensitive and flexible tool to screen for multiple targets in a single analysis

New product releases - Healthcare



Remote Analysis Arm - for coupling our inVia Raman spectrometer to the BrukerNano Innova AFM. The arm can be controlled in x, y and z axes and the lens can be rotated at increments, so there is full 3-dimensional Raman measurement of large objects coupled with the functionality of co-localised atomic force microscopy.

WiRE 3.3 – latest software release for the inVia Raman spectrometer. New features include: Microsoft® Windows® 7 compatible; Japanese language support; even higher resolution fast mapping.

StreamLineHR image of mid-section of a nematode (*Steinernema kraussei*) showing distribution of cell types within the worm at 0.5 μm spatial resolution. Regions were identified as rich in lipids (magenta), pure lipids (red), collagen rich (cyan), and muscular (yellow). StreamLine Raman imaging has the potential to be a major analytical tool for assessing phenotypic changes in model organisms, such as nematodes, and could play a key role in the search for cures for human diseases, such as HIV and Alzheimer's Disease.

Awards



THE QUEEN'S AWARDS
FOR ENTERPRISE
2011



Renishaw's 14th Queen's
Award. Awarded for the TRS2
tool recognition system



Award for Equator at INDUSTRIE Lyon
2011 in France – Best Innovation in the
'Machine Environment' category



AMB award for the PH20 at
Maschinen Market Awards in
Germany



Best Technology award at the
plc awards, for TRS2 tool
recognition system

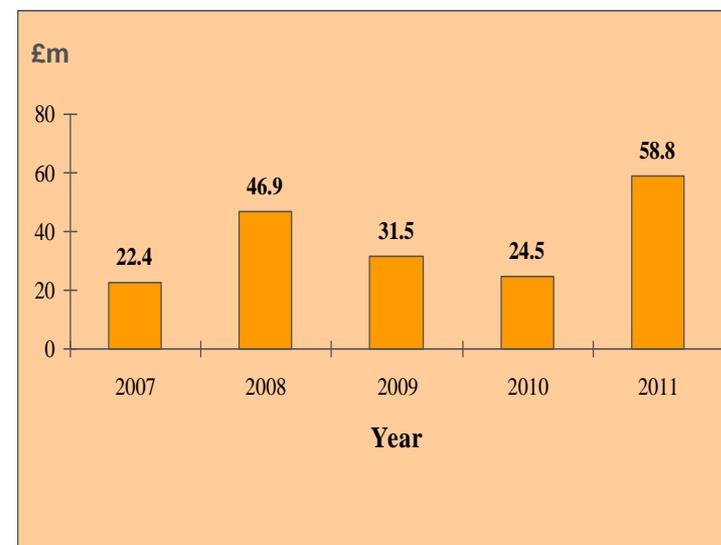


Sir David McMurtry received the General
Pierre Nicolau Award from the Institute of
Production Engineers. Also, he was elected
as a Fellow of the Royal Society, the UK's
national academy of science

Cash flow from operating activities

	2011	2010
	£m	£m
Profit before tax	82.1	27.0
Depreciation & amortisation	18.6	14.5
Financial income & expenses	(0.7)	(0.2)
Share of profits from associates	(0.8)	(0.5)
DB pension fund contributions	(0.7)	-
Impairment write-back/write-down	(1.7)	1.7
Increase in stock	(15.7)	(1.7)
Increase in debtors	(16.6)	(21.3)
Increase in creditors	5.9	10.6
Total movement in working capital	(26.4)	(12.4)
Income taxes paid	(11.6)	(5.6)
Cash from operating activities	58.8	24.5

Cash from operating activities

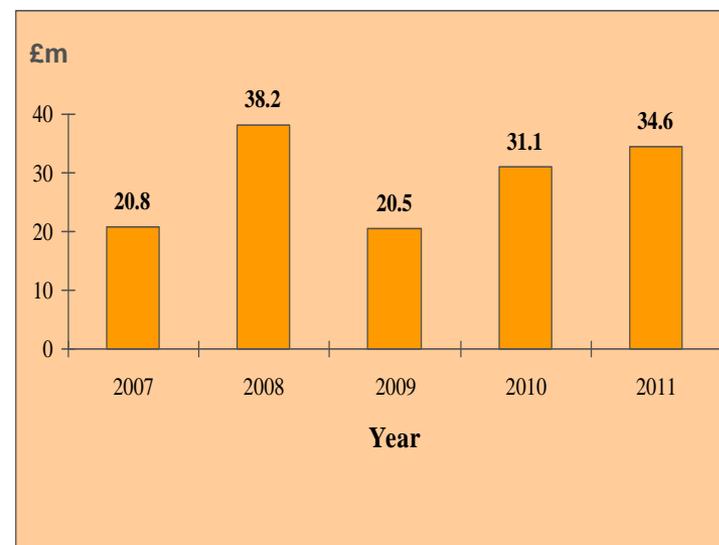


Notes

Cash flow

	2011	2010
	£m	£m
Cash from operating activities	58.8	24.5
Interest received less paid	0.2	0.1
Dividends paid	(17.4)	(2.9)
Fixed assets purchased (net)	(16.4)	(2.7)
Intangible assets acquired	(1.2)	(0.2)
Development costs capitalised	(10.1)	(7.0)
Investment in subsidiaries & associates	(8.4)	(0.1)
Pension fund escrow account	(10.8)	-
Net cash flow	(5.3)	11.7
Cash & cash equivalents at 1st July	31.1	20.5
Effect of exchange rate changes	(2.0)	(1.1)
Cash & cash equivalents at 30th June	23.8	31.1
Escrow account	10.8	-
Cash per balance sheet	34.6	31.1

Bank balance



Notes

Balance sheet

	June 2011 £m	June 2010 £m	change %
Property, plant & equipment	82.3	70.5	+17%
Intangible assets & investments	54.5	33.8	+61%
Deferred tax assets	23.8	20.1	+18%
Derivatives	0.7	4.0	-82%
Total non-current assets	161.3	128.4	+26%
Inventory	49.8	30.9	+61%
Debtors	73.0	53.6	+36%
Cash	34.6	31.1	+11%
Creditors (current)	(47.1)	(29.9)	+58%
Current assets less current liabilities	110.3	85.7	+29%
Deferred tax liability	(17.2)	(15.4)	+12%
Pension liability	(37.7)	(37.3)	+1%
Other payables	(15.0)	(2.8)	+436%
Net assets	201.7	158.6	+27%

Capital expenditure – Tangible fixed assets

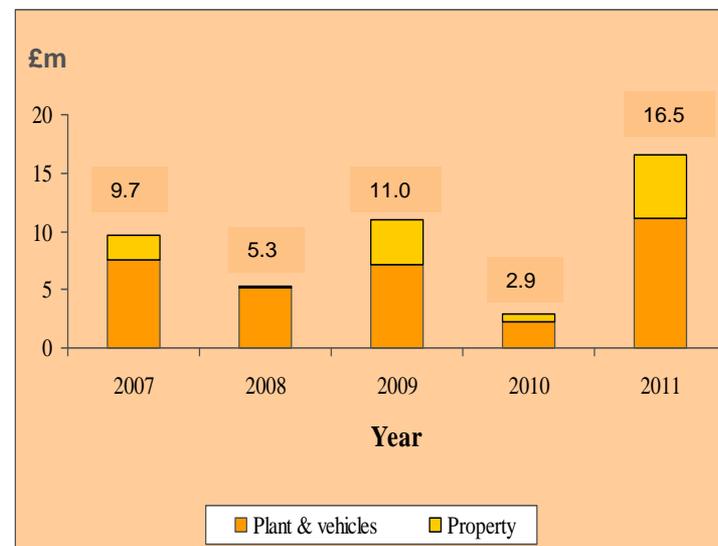
- Total Tangible fixed asset spend £16.5m (2010 £2.9m), of which £5.4m was on property, £9.6m on plant and £1.5m on vehicles

- Tangible fixed asset additions of £1.6m at net book value through business acquisitions (MDL & MTT)

- Property additions

- India expansion (£1.8m)
- Charfield, nearby to New Mills – Healthcare focus (£1.6m)
- Spain (£0.9m)
- South Wales – 10% deposit for new facility (£0.7m), balance payable of £7.0m (including stamp duty)

Capital expenditure



Notes

Capital expenditure - Property



Pune extension, India

Capital expenditure - Property



Charfield property

Spanish property



Capital expenditure - Property



Newly purchased site – Miskin,
South Wales