

## Metrology



## Healthcare



# 2012 half year results

25th January 2012

## Chairman's statement

Revenue for the six months ended 31st December 2011 was a record £147.1m, up 11% on the £132.2m for the corresponding period last year.

Geographically, revenue in Europe increased strongly by 25% over the comparable period and the Americas also showed strong growth of 23%. In the Far East we saw 12% growth in Japan, but a fall of 17% in the rest of the Far East which includes China; this was principally due to an industry and world-wide slowdown in the micro-electronics and opto-electronics markets.

The Group's profit before tax was £31.2m, 11% below the £35.2m reported last year reflecting the impact of continued investment in staff and infrastructure to support growth. Earnings per share were 34.7p, compared with 39.0p last year.

### **Metrology**

Revenue from our metrology business for the first six months was £135.9m, compared with £123.4m last year, an increase of 10%.

All product lines reported growth, apart from encoder products, where, as stated above there has been an industry-wide slowdown of the electronics market, especially in the Far East.

The acquisitions made last year, i.e., Measurement Devices Limited and MTT Investments Limited (the latter now operating as the Renishaw additive manufacturing products division), contributed to the growth in this segment.

New product releases during the period include the Resolute™ ETR, which is our Resolute encoder with extended temperature range for operation in very cold environments such as aerospace, the XR20-W rotary axis calibrator, the REVO® SFP1 surface finish probe and a multi-axis option for our Productivity+™ software.

Operating profit for our metrology business was £35.7m, compared with £38.9m for the comparable period last year.

### **Healthcare**

Revenue from our healthcare business for the first six months was £11.2m, compared with £8.9m last year, an increase of 27%.

During the period, the Board undertook a review of the Group's healthcare business and refocused part of the activities to a smaller number of projects, particularly in our neurological products line.

The Group has withdrawn from the supply of radio frequency coils for use in MRI scanning research which was no longer considered core to our business strategy. This and the outcome of the neurological business review have resulted in a number of staff being reallocated to our metrology business.

Good growth was seen in our spectroscopy product line. In December, we introduced a new integrated Raman AFM package.

In November, Renishaw Diagnostics Limited, which is developing the RenDx™ multiplex assay system for infectious disease research and diagnosis, achieved certification to ISO 13485:2003, an international standard that sets the requirements for a comprehensive management system for the design and manufacture of medical devices.

In our neurological business, the next generation of neuro | inspire™ surgical planning software was CE marked in January 2012 and can now support more variations of surgical planning.

Operating loss for our healthcare business was £6.0m, after restructuring costs of £0.6m, compared with a loss of £4.2m for the comparable period last year.

## Chairman's statement (continued)

### **Balance sheet**

Net cash balances at 31st December 2011 were £26.6m, compared with £34.6m at 30th June 2011, which includes an escrow account amounting to £11.1m (30th June 2011 £10.8m) relating to the provision of security to the Group's defined benefit pension scheme.

### **Employees**

The directors would like to thank the Group's employees for their continuing support and significant contribution during these turbulent times.

### **Continued investment for long-term growth**

We continue to grow and expand our global marketing and distribution activities with additional staff recruited to support the new products introduced. Also, we maintain our focus on our research and development programmes and capabilities to support the Group's strategic targets for growth. Headcount at the end of December 2011 was 2,701, an increase of 26 since the start of the financial year and 421 more than the 2,280 at 31st December 2010. As stated in the Group's Interim management statement in October, due to current uncertainties surrounding the global economy, the Board continues to closely monitor the Group's costs and future recruitment strategy in order to improve our profit margins.

The Group has established a new subsidiary company in Mexico to market and support the Group's products in that country and other central American countries. Additionally, we have acquired premises for the Group's Canadian and Italian subsidiaries. We have expanded our working premises in Germany, Brazil and China, and have refurbished and re-occupied a 16,000 square feet building in Schaumburg, USA.

Capital expenditure on property, plant and equipment for the six months was £17.8m, of which £10.6m was spent on property and £7.2m on plant, equipment and vehicles. We completed the purchase of the Miskin premises in South Wales on 30th September and have subsequently commenced refurbishment of 62,500 square feet at this facility for the provision of additional manufacturing space to accommodate growth of our metrology range of products.

### **Outlook**

The outlook for continuing global investment for production systems in automotive, civil aviation, agriculture and energy (including oil, gas and renewables) looks increasingly favourable. Furthermore, we anticipate a recovery in the important electronics sector. The Group is well-positioned to benefit from these structural growth trends as they should result in increasing demand for Renishaw's systems and products. Following restructuring within the healthcare business, we anticipate an improved performance going forward. We therefore remain focused on positioning the Group for further growth and view the future with great confidence.

### **Dividends**

An interim dividend of 10.3 pence per share will be paid on 10th April 2012, to shareholders on the register on 9th March 2012.

### Note

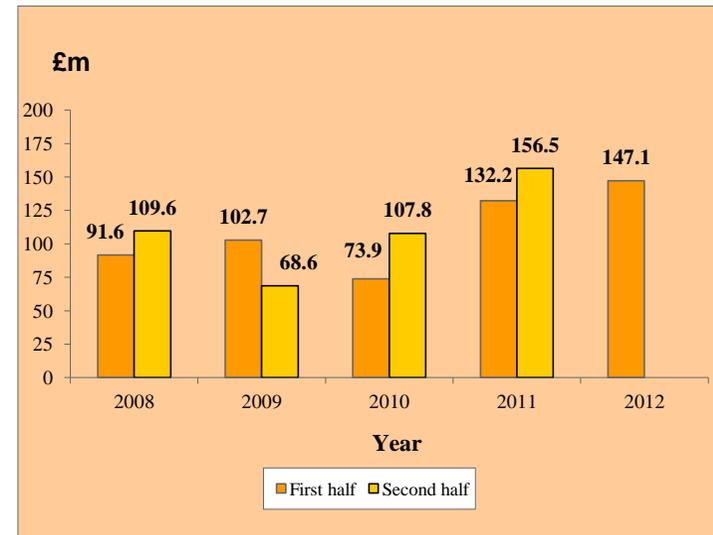
The previous year has been restated for the inclusion of Measurement Devices Limited, which was initially accounted for as an associate company.

Sir David R McMurtry, CBE, RDI, FRS, FREng, CEng, FIMechE  
Chairman & Chief Executive  
25th January 2012

## Highlights

- Record first half revenue at £147.1m, up 11% from £132.2m last year, which was also a record
- Increased investment in research and development to support growth
- Growth in marketing and distribution infrastructure
- Further investment in manufacturing capacity
- Continuing strong balance sheet

Revenue

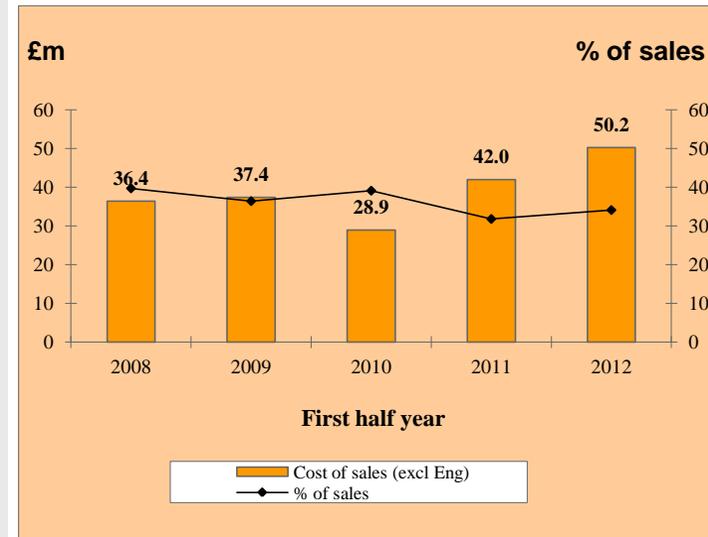


Notes

# Income statement

	2012 £m	%	2011 £m	%	change %
<b>Sales</b>	<b>147.1</b>	<b>100</b>	<b>132.2</b>	<b>100</b>	<b>+11%</b>
<b>Cost of sales</b>	<b>50.2</b>	<b>34</b>	<b>42.0</b>	<b>32</b>	<b>+20%</b>
<b>Engineering (incl R&amp;D)</b>	<b>22.4</b>	<b>15</b>	<b>17.0</b>	<b>13</b>	<b>+32%</b>
<b>Gross profit</b>	<b>74.5</b>	<b>51</b>	<b>73.2</b>	<b>55</b>	<b>+2%</b>
<b>Distribution costs</b>	<b>29.3</b>	<b>20</b>	<b>23.7</b>	<b>18</b>	<b>+24%</b>
<b>Administration costs</b>	<b>15.5</b>	<b>11</b>	<b>14.8</b>	<b>11</b>	<b>+5%</b>
<b>Operating profit</b>	<b>29.7</b>	<b>20</b>	<b>34.7</b>	<b>26</b>	<b>- 14%</b>
<b>Financial income (net)</b>	<b>1.2</b>	<b>1</b>	<b>0.3</b>	<b>-</b>	<b>-</b>
<b>Profit from associates</b>	<b>0.3</b>	<b>-</b>	<b>0.2</b>	<b>-</b>	<b>-</b>
<b>Profit before tax</b>	<b>31.2</b>	<b>21</b>	<b>35.2</b>	<b>27</b>	<b>-11%</b>

## Cost of sales (excl. Engineering)



•**Cost of sales** – margin erosion due to:

- Product mix
- Lower margins in acquired businesses

# Income statement

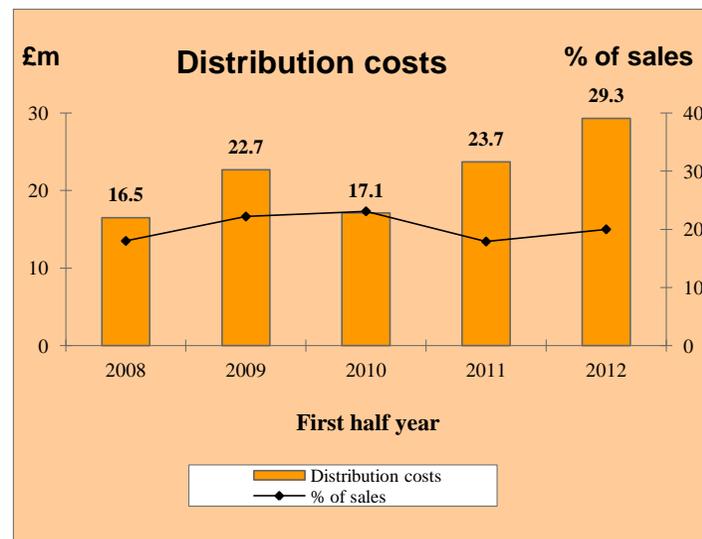
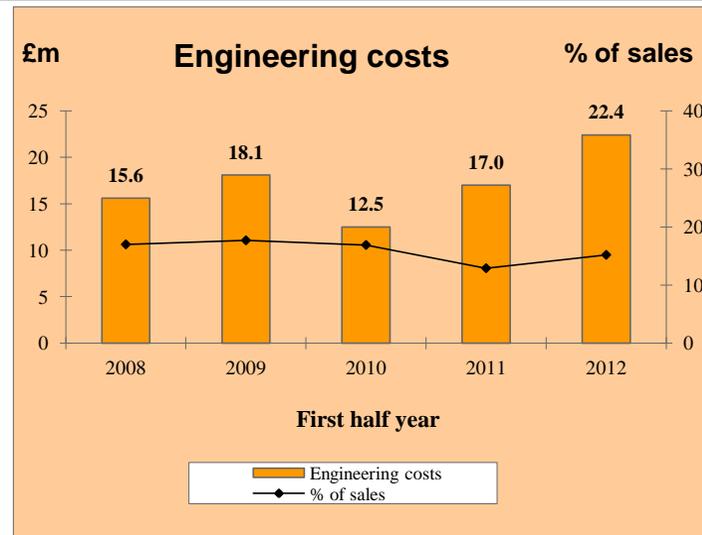
## •Engineering costs (including R&D):

	2012	2011	Increase
•Total spend	£23.7m	£18.2m	+30%
•Less capitalised	£1.3m	£1.2m	
•Remaining in P&L	£22.4m	£17.0m	+32%

- Additional staff recruitment
- Accelerating new product developments
- Additional R&D in acquired businesses

## •Distribution costs

- Additional staff recruitment, particularly overseas
- Support for new product introductions
- Additional distribution costs in acquired businesses



Notes

# Income statement

## Currency effects on revenue and profit

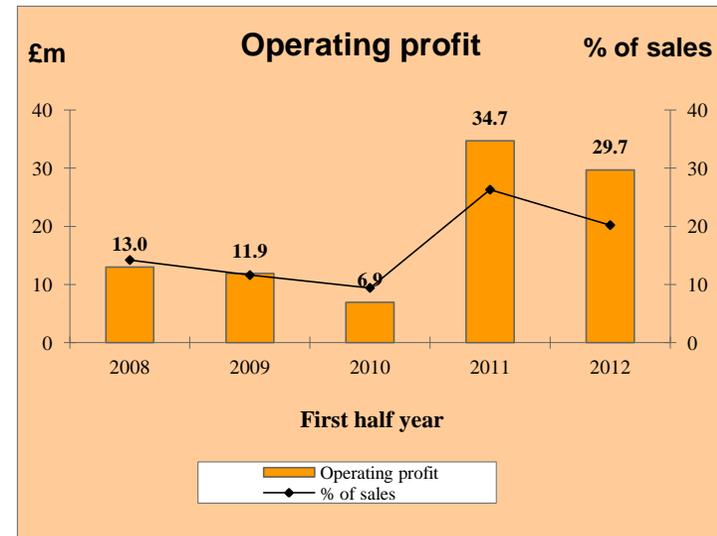
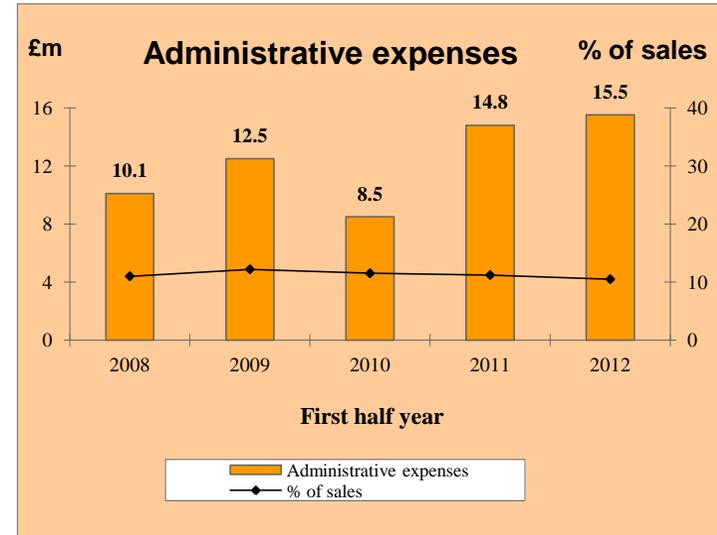
•No material effect on revenue and profit when comparing with previous year's exchange rates –

- Revenue increased by £0.5m
- Costs increased by £0.3m
- Profits increased by £0.2m

## •Group headcount:

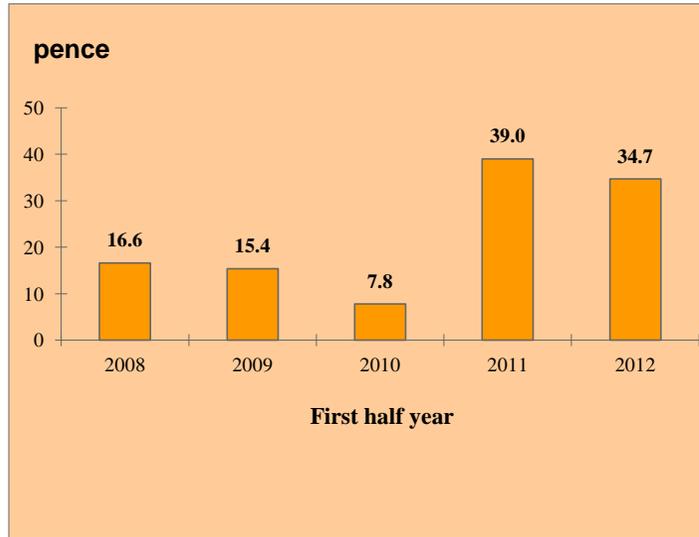
	Jun 2010	Dec 2010	Jun 2011	Dec 2011
•UK & Ireland	1,358	1,488	1,867	1,868
•Overseas	741	792	808	833
<b>•Total</b>	<b>2,099</b>	<b>2,280</b>	<b>2,675</b>	<b>2,701</b>
<b>•Increase</b>	<b>-</b>	<b>+181</b>	<b>+395</b>	<b>+26</b>

Notes

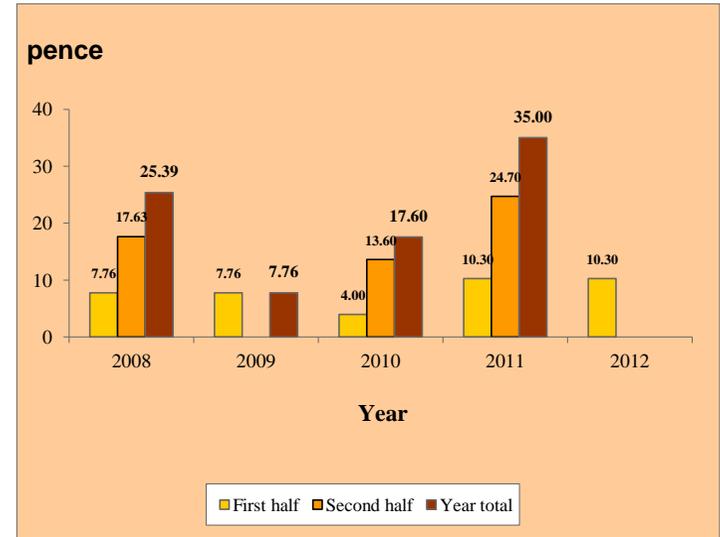


# Income statement

**Earnings per share**



**Dividend per share**



Year	2008	2009	2010	2011
Dividend increase for full year	+11%	-69%	+127%	+99%
Full year dividend cover	1.8	0.6*	1.7**	2.6***

\* after exceptional redundancy costs, adjusted 1.2

\*\* after exceptional impairment write-down, adjusted 1.8

\*\*\* after exceptional impairment write-down reversal, adjusted 2.5

# Group revenue analysis

Revenue up 11% at actual exchange rates and also up 11% at previous year's exchange rates

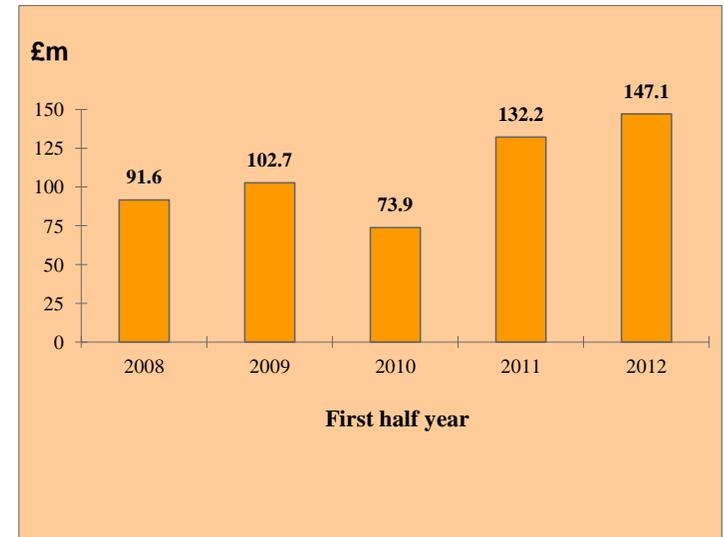
• Revenue favourably affected by £0.5m when compared with the previous year's exchange rates

	Average fx rates		Average forward rates	
	2012	2011	2012	2011
USD	1.59	1.57	1.45	1.45
JPY	123	131	136	140
EUR	1.16	1.18	1.24	1.30

• Segmental analysis

	2012 £m	2011 £m	change %
• Metrology	135.9	123.3	+10%
• Healthcare	11.2	8.9	+27%

## Revenue



Notes

# Group revenue analysis

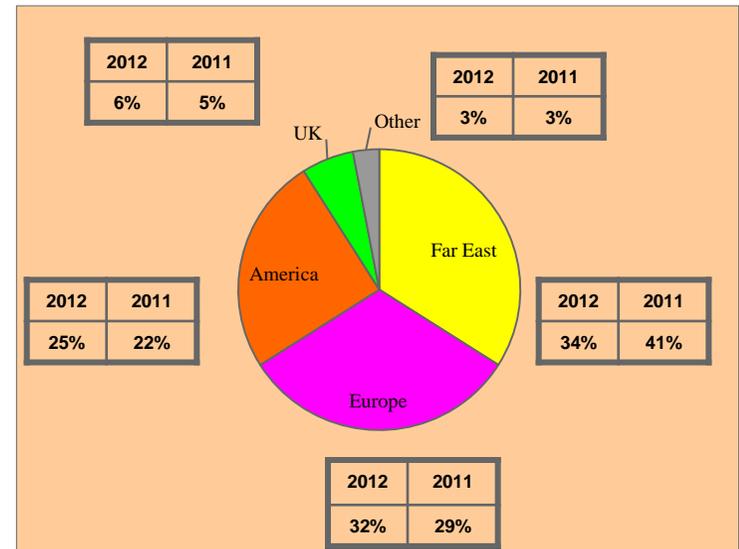
•Revenue by geographic region & change from previous year:

	2012 £m	2011 £m	change %
Far East	49.5	54.2	-9%
Continental Europe	47.1	37.7	+25%
Americas	36.5	29.6	+23%
UK & Ireland	8.7	6.8	+27%
Other regions	5.3	3.9	+37%
<b>Total</b>	<b>147.1</b>	<b>132.2</b>	<b>+11%</b>

•Major individual countries:

	2012 £m	2011 £m	increase
USA	31.7	26.1	+22%
China	20.9	27.9	-25%
Germany	20.4	16.6	+23%
Japan	17.3	15.4	+12%

Revenue by region



Notes

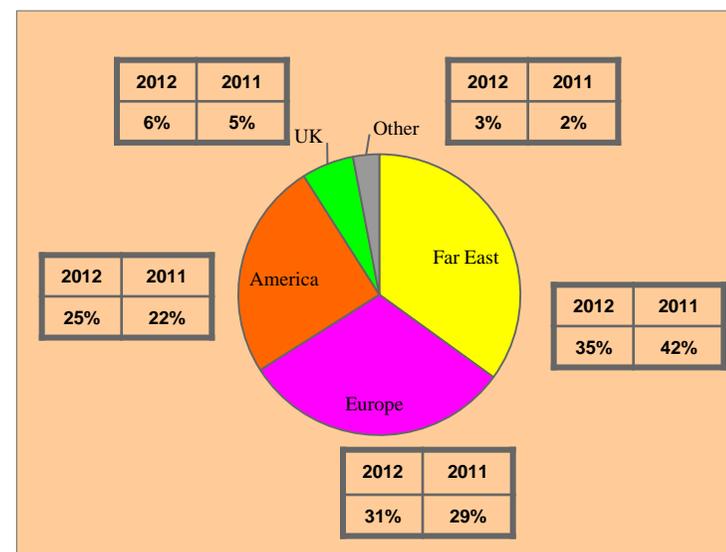
# Metrology

<b>Revenue</b>	<b>2012 £m</b>	<b>2011 £m</b>	<b>change %</b>
Far East	<b>47.4</b>	51.6	-8%
Continental Europe	<b>42.5</b>	35.1	+21%
Americas	<b>33.4</b>	27.6	+21%
UK & Ireland	<b>7.7</b>	5.7	+35%
Other regions	<b>4.9</b>	3.3	+48%
<b>Total</b>	<b>135.9</b>	123.3	+10%

## Results

Operating profit	<b>£35.7m</b>	£38.9m
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**Revenue by region**



Notes

## Metrology highlights

- Growth in all product lines except encoders
- Industry-wide slowdown in micro-electronics and opto-electronics markets, especially in the Far East
- Growth in global investment for production systems in:
  - Automotive
  - Civil aviation
  - Agriculture
  - Construction / Off-road
  - Energy – oil, gas and renewables
- Recovery in electronics sector expected
- Investment in marketing infrastructure
- Increased R&D investment

Notes

## New product releases - Metrology



**REVO® SFP1 surface finish probe**

**UCCFusion 80V - a 3 axis touch trigger controller / amplifier designed specifically for entry level 3 axis DCC touch trigger machines**



**UCCSuite – new software releases with enhanced capabilities**

**PHC10-3, replacement for PHC10-2, with USB connection option**



Notes

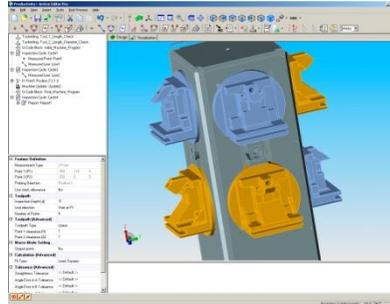
# New product releases - Metrology



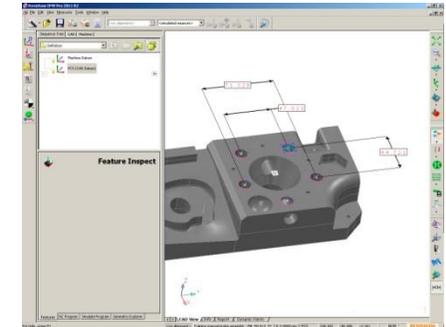
**XR20-W rotary calibrator**

**New Resolute™ products –**

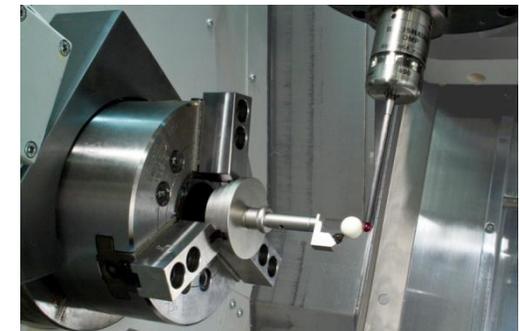
- Resolute ETR – encoder with extended temperature range
- Resolute with Mitsubishi protocol
- Resolute with Panasonic protocol
- Resolute with Fanuc protocol on linear axes



**64-bit support and a wider range of multi-axis CNC machine support for our Productivity+™ process control software**



**64-bit support and improved model annotation tools for Renishaw OMV on-machine verification software**



**AxiSet Check-up V2 with support for checking rotary axis alignments of mill-turn machine tools**

Notes

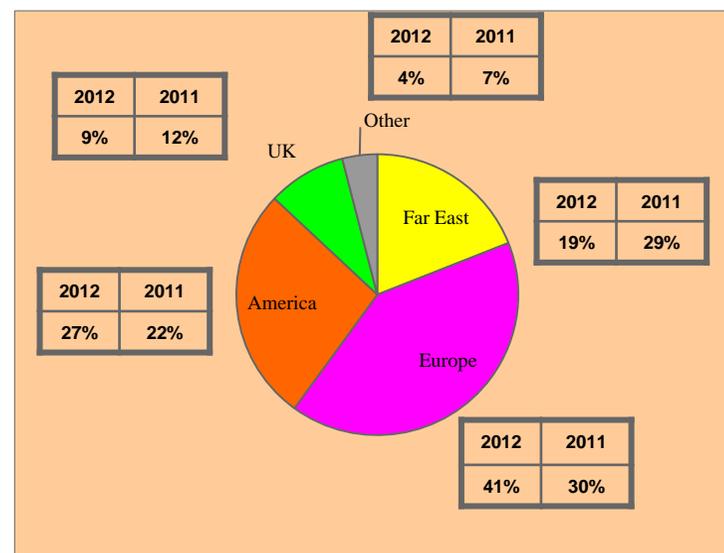
# Healthcare

Revenue	2012 £m	2011 £m	change %
Far East	2.1	2.5	-16%
Continental Europe	4.6	2.7	+70%
Americas	3.1	2.0	+55%
UK & Ireland	1.0	1.1	-9%
Other regions	0.4	0.6	-33%
<b>Total</b>	<b>11.2</b>	<b>8.9</b>	<b>+27%</b>

## Results

Operating (loss)	<b>£(6.0)m</b>	£(4.2)m
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Revenue by region



Notes

## Healthcare highlights

- Review undertaken, resulting in a smaller number of projects being continued
- Withdrawal from supply of radio frequency coils for use in MRI scanners
- New product releases -
  - Spectroscopy - integrated Raman AFM package
  - Neuro - next generation of neuro | inspire™ surgical planning software
- Renishaw Diagnostics Limited, which is developing the RenDx™ multiplex assay system for infectious disease research and diagnosis, achieved certification to ISO 13485:2003, a standard that represents the requirements for a comprehensive management system for the design and manufacture of medical devices
- First SEEG procedures in the UK, using depth electrodes and neuro | mate® surgical robot
- Sale of neuro | mate surgical robot to hospital in Nagoya, Japan
- Increasing sale of crown and bridge frameworks
- Anticipate an improved performance going forward



RenDx™ system

Notes

## New products - Healthcare



**Integrated Raman AFM system**

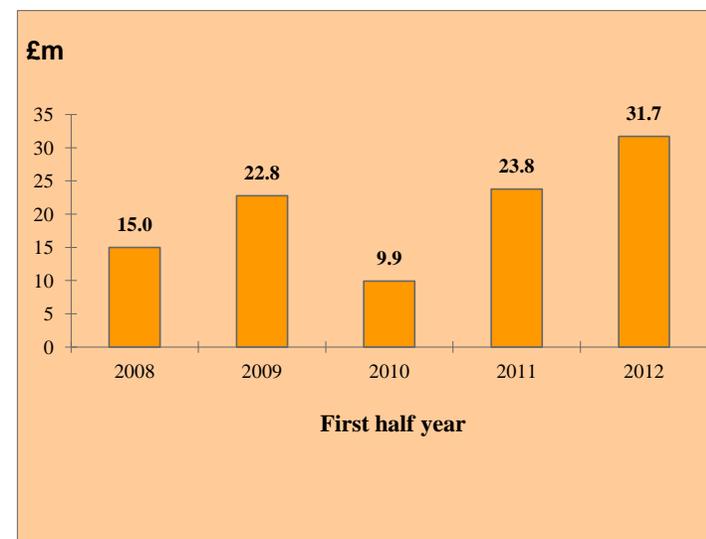
In our neurological business, the next generation of neuro | inspire™ surgical planning software was CE marked in January 2012 and can now support more variations of surgical planning



## Cash flow from operating activities

	2012 £m	2011 £m
Profit before tax	31.2	35.2
Depreciation & amortisation	9.7	9.3
Financial income & expenses	(1.2)	(0.3)
Share of profits from associates	(0.5)	(0.3)
Increase in stock	(6.8)	(8.9)
Decrease/(increase) in debtors	11.3	(6.9)
Decrease in creditors	(6.5)	(1.8)
<b>Total movement in working capital</b>	<b>(2.0)</b>	<b>(17.6)</b>
DB pension contributions	(0.7)	-
Income taxes paid	(4.8)	(2.5)
<b>Cash from operating activities</b>	<b>31.7</b>	<b>23.8</b>

### Cash from operating activities

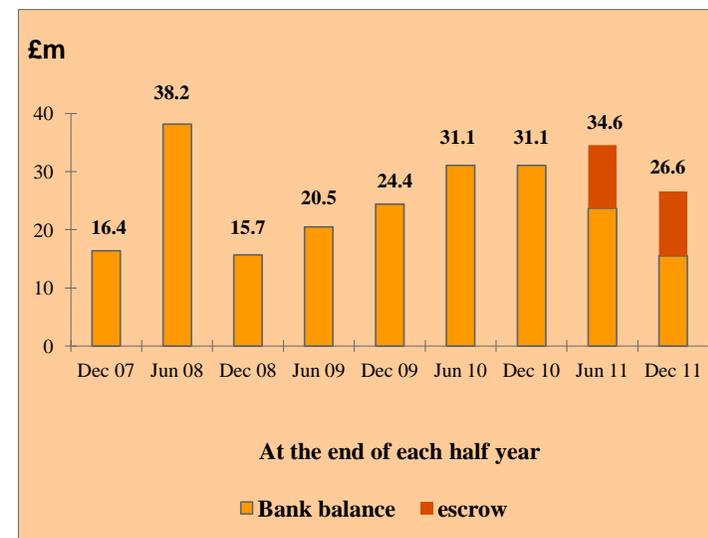


Notes

## Cash flow

	2012 £m	2011 £m
Cash from operating activities	31.7	23.8
Interest received less paid	0.1	0.1
Dividends paid	(17.9)	(9.9)
Fixed assets purchased (net)	(17.7)	(7.5)
Intangible assets acquired	(0.1)	(0.5)
Development costs capitalised	(4.4)	(4.4)
Investments in associates	-	(0.8)
Contributions to escrow account	(0.3)	-
<b>Net cash flow</b>	<b>(8.6)</b>	<b>0.8</b>
Cash at 1st July	23.7	31.1
Effect of exchange rate changes	0.4	(0.8)
<b>Cash at 31st December</b>	<b>15.5</b>	<b>31.1</b>

### Bank balance, including escrow account



Notes

## Balance sheet

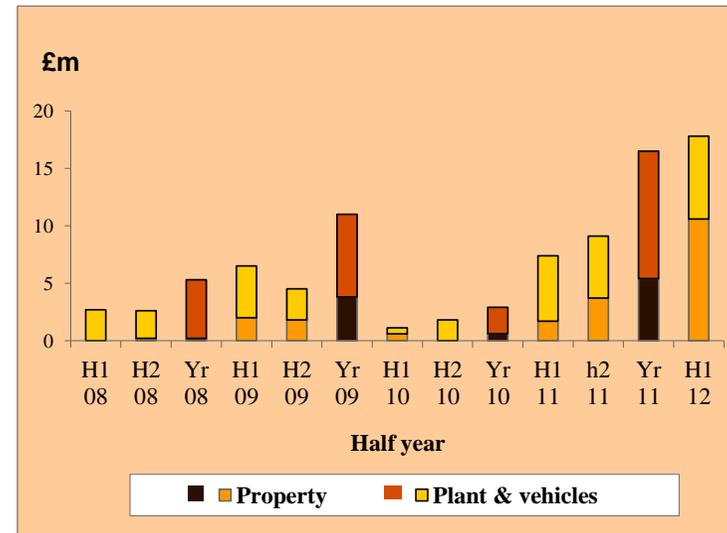
	Dec 2011 £m	June 2011 £m	change %
<b>Property, plant &amp; equipment</b>	<b>93.9</b>	82.4	+14%
<b>Intangible assets &amp; investments</b>	<b>56.9</b>	54.5	+4%
<b>Deferred tax assets</b>	<b>23.1</b>	23.7	-3%
<b>Other receivables</b>	<b>1.6</b>	0.7	+129%
<b>Total non-current assets</b>	<b>175.5</b>	161.3	+9%
<b>Inventory</b>	<b>56.6</b>	49.8	+14%
<b>Debtors</b>	<b>62.6</b>	73.0	-14%
<b>Cash, including escrow account</b>	<b>26.6</b>	34.6	-23%
<b>Creditors (current)</b>	<b>(40.3)</b>	(47.1)	-14%
<b>Current assets less current liabilities</b>	<b>105.5</b>	110.3	-4%
<b>Deferred tax liability</b>	<b>(19.9)</b>	(17.2)	+16%
<b>Pension liability</b>	<b>(39.1)</b>	(37.7)	+4%
<b>Other payables</b>	<b>(16.4)</b>	(15.0)	+9%
<b>Net assets, equal to Total equity</b>	<b>205.6</b>	201.7	+2%

Notes

# Manufacturing capacity and marketing infrastructure

- Completion of the purchase of Miskin, South Wales -
  - Commencement of refurbishment of 62,500 sq ft for additional manufacturing capacity
- Increasing capacity of UK manufacturing:
  - Additional Ramtic capacity
  - Extension of encoder production capacity
  - Development of IT infrastructure
- Canada - larger offices purchased
- USA – refurbishment of 16,000 sq ft office space in Schaumburg, Illinois
- Brazil – additional space in Sao Paulo and Caixas do Sul
- Germany – additional space in Pliezhausen
- Italy – purchase of existing offices
- China – expansion of office space

**Capital expenditure**



# Capital expenditure - property



**Miskin, South Wales**



**Renishaw S.p.A., Italy**



**Renishaw Canada**