



2011 Interim results

26th January 2011

Chairman's statement

I am delighted to announce record Group results in terms of both revenue and profit for the six months to 31st December 2010.

Total group revenue for the six months to 31st December 2010 was £129.3m, 75% ahead of the £73.9m for the corresponding period last year and, more significantly, 26% above the previous highest first half year revenue of £102.7m reported in 2009. All geographic areas saw good progress, with growth of 60% in Europe, 66% in the Americas and 103% in the Far East, in particular China which has become the Group's largest market.

Group profit before tax for the period was £35.5m, compared with £7.1m last year, and compared with £15.3m, being the previous highest first half year profit before tax, in 2006. Earnings per share were 39.0p, an increase of 400% over last year's earnings of 7.8p.

Segmental analysis

•Metrology

The performance of our Metrology business exceeded our expectations in the first half year, with revenue of £120.4m, compared with £65.9m in the corresponding period last year, an increase of 83%.

Demand for all product lines grew compared with last year, with machine tool and encoder products showing particularly high increases.

Further to the announcement in July 2010 regarding a new investment in Measurement Devices Limited, the Group acquired, in December 2010, a further 10% of the share capital for an amount of £0.8m. In January 2011, the shareholding was increased by another 10%, at a cost of £0.8m, to a total of 49%.

Operating profit for this segment was £39.3m, compared with £9.0m last year.

•Healthcare

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

Revenue from our Healthcare products rose 11% to £8.9m (December 2009 8.0m) but, given the significant set-up costs and continuing research and development costs, an operating loss of £4.2m was made (December 2009 loss £2.1m).

We continue to work with Biomet, with a facility for the production of dental crowns and bridge structures established in Palm Beach Gardens for the North America market, complementing the already established unit in our Stonehouse facility, servicing the European market.

During the period, the Group made its first sale of the enhanced Renishaw Mayfield surgical robot to Frenchay Hospital in the UK.

Balance sheet

Capital expenditure of £7.5m was incurred during the six months to 31st December 2010, to accommodate continued expansion of production, sales and research facilities.

The expansion and fit-out of our Pune facility in India has now been completed and the expanded facilities will be officially opened in February 2011.

Chairman's statement (continued)

Refurbishment of our Charfield premises, close to our New Mills site, is scheduled for completion at the end of March 2011 and will house our Healthcare operations currently located at New Mills.

At the end of December 2010 inventories were £40.0m compared with £30.9m at 30th June 2010.

The Group continues to have a strong balance sheet, with net cash balances of £28.9m, compared with £31.1m at 30th June 2010.

Pension Fund

The pension fund deficit, £37.3m at the end of June 2010, reduced by £6.2m to £31.1m at 31st December 2010. Pension fund assets increased by £16.6m, from £83.2m to £99.8m, whilst liabilities increased by £10.4m, from £120.4m to £130.8m.

The Company has given a guarantee, terminating in September 2016, of up to £39m, relating to the 2006 recovery plan for the UK scheme and the value of the guarantee is greater than the pension fund deficit at 31st December 2010. As such, in line with IFRIC 14, the pension funds' liabilities have been increased by £19.2m, to represent the maximum discounted liability as at 31st December 2010 (30th June 2010 £nil). Following the ministerial announcement in July 2010 relating to the calculation of pension fund liabilities, future pension increases in deferment have been determined by reference to the CPI inflation metric. This has resulted in a one-off decrease in the pension deficit of £11.2m. Future pension increases in payment continue to be determined in reference to the RPI inflation metric.

Staff

The Group workforce has grown from 2,099 to 2,280 at the end of December 2010, as we seek to maximise our opportunities. There are currently 248 outstanding vacancies, of which 161 are in the UK and 87 overseas.

Your directors are grateful for the excellent performance and support of our staff during this exciting, but demanding period.

Prospects

The Group started the second half of this financial year with an increased order book (£28.4m compared to £23.3m at 30th June 2010), continuing strong worldwide demand for our expanding product range and a healthy balance sheet. There are, of course, potential uncertainties and challenges, but your directors view the future with great confidence.

Dividends

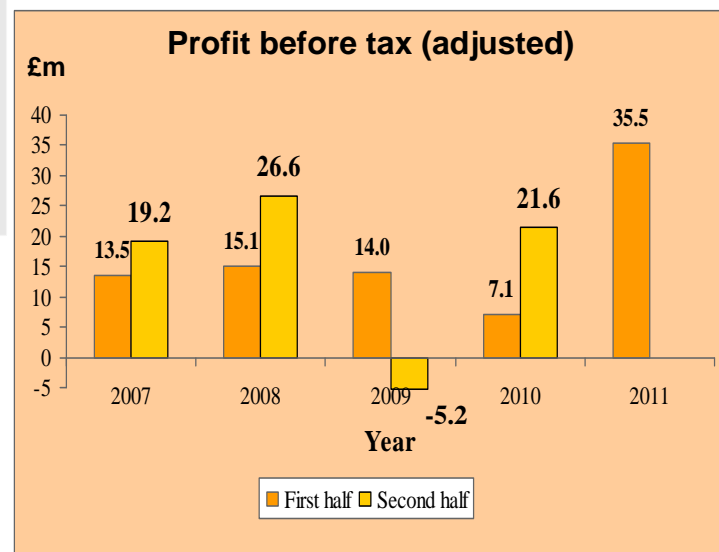
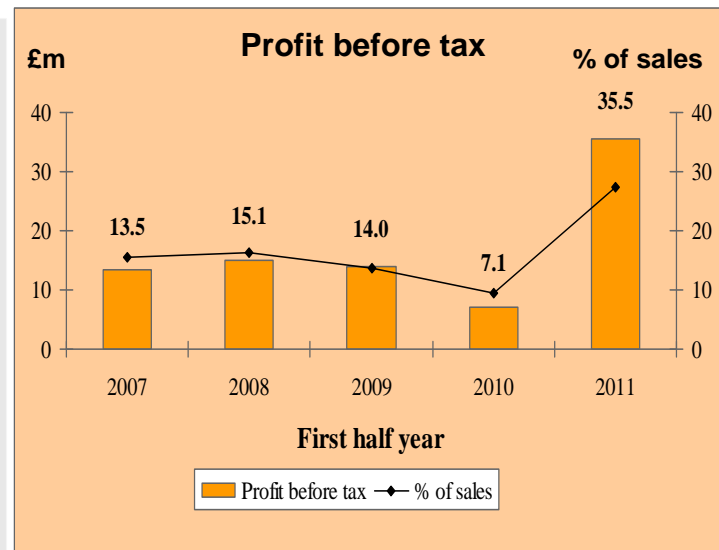
In line with our progressive dividend policy, an interim dividend of 10.3 pence per share will be paid on 11th April 2011, to shareholders on the register on 11th March 2011. This represents an increase of 33% over the 7.76p paid for 2008 and 2009, being the previous highest interim dividend payment.

Sir David R McMurtry CBE RDI FREng CEng FIMechE
Chairman & Chief Executive
26th January 2011

Financial highlights

	2011 £m	2010 £m	change %
Revenue	129.3	73.9	+75%
Operating profit	35.0	6.9	+407%
Profit before tax	35.5	7.1	+400%
Earnings per share	39.0p	7.8p	+400%
Dividend per share	10.3p	4.0p	+157%

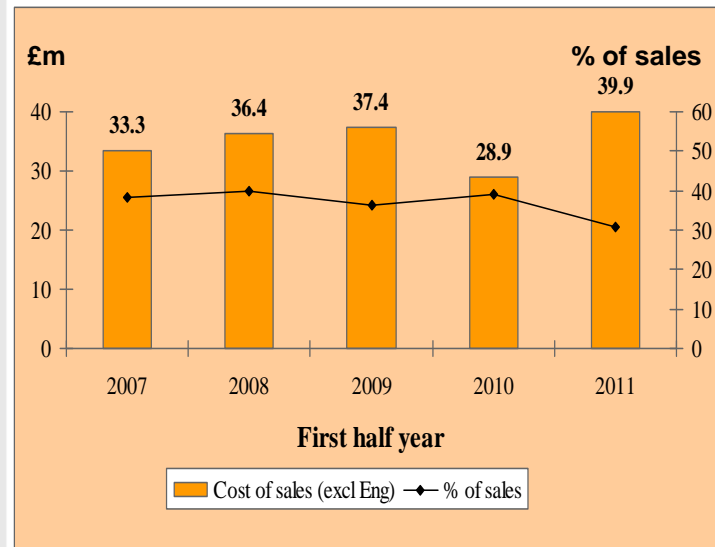
Notes



Profit and loss account

	2011 £m	%	2010 £m	%	change %
Sales	129.3	100	73.9	100	+75%
Cost of sales	39.9	31	28.9	39	+38%
Engineering (incl R&D)	16.9	13	12.5	17	+35%
Gross profit	72.5	56	32.5	44	+123%
Distribution costs	23.4	18	17.1	24	+37%
Administration costs	14.1	11	8.5	11	+66%
Operating profit	35.0	27	6.9	9	+407%
Financial income (net)	0.3	-	0.1	-	-
Profit from associates	0.2	-	0.1	-	-
Profit before tax	35.5	27	7.1	10	+400%

Cost of sales (excl. Engineering)



Notes

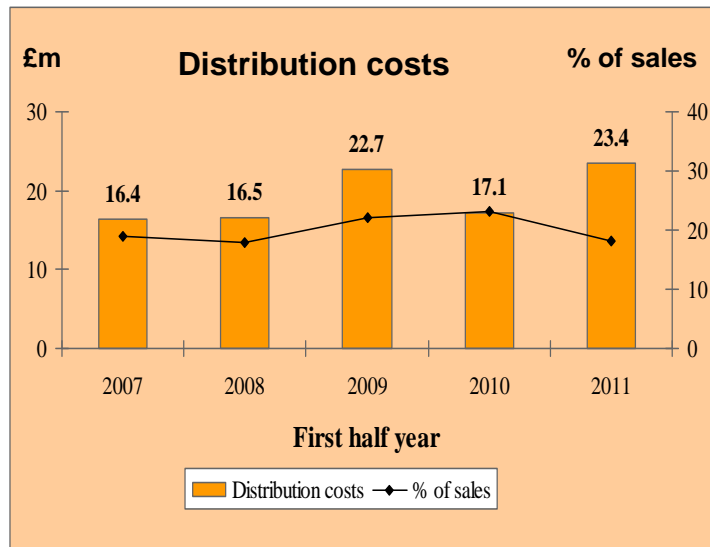
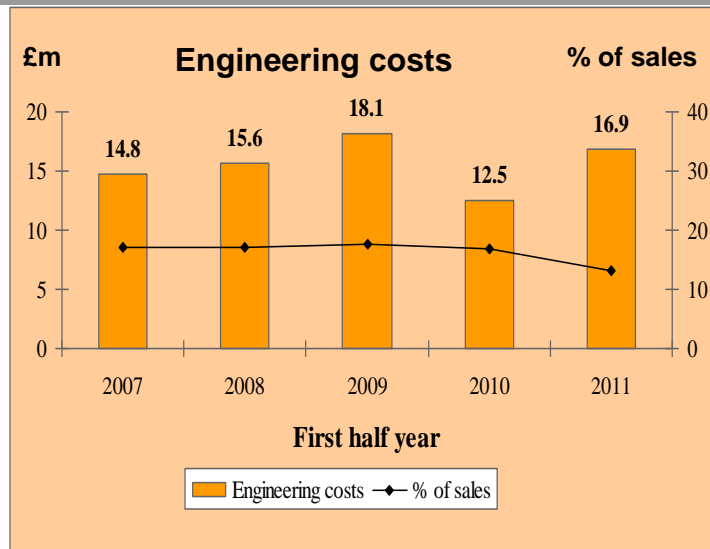
Profit and loss account

•Engineering costs (including R&D):

	2011	2010
•Total spend	£18.1m	£13.9m
•Less capitalised	£1.2m	£1.4m
•Remaining in P&L	£16.9m	£12.5m
•Gross increase	+30%	

•Group headcount:

	Dec 2010	Jun 2010	increase
•UK	1,488	1,358	130
•Overseas	792	741	51
•Total	2,280	2,099	181
•Additions:			
•Production			67
•Engineering			50
•Marketing			32
•Admin (including temps)			32

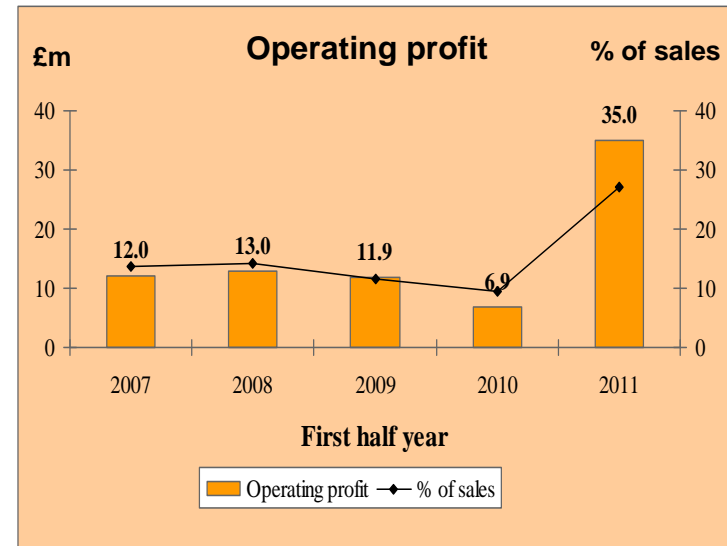
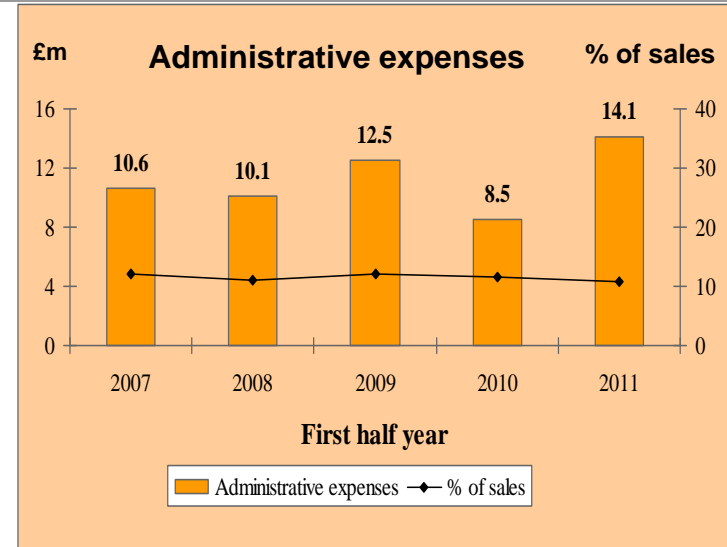


Notes

Profit and loss account

Currency effects on profit

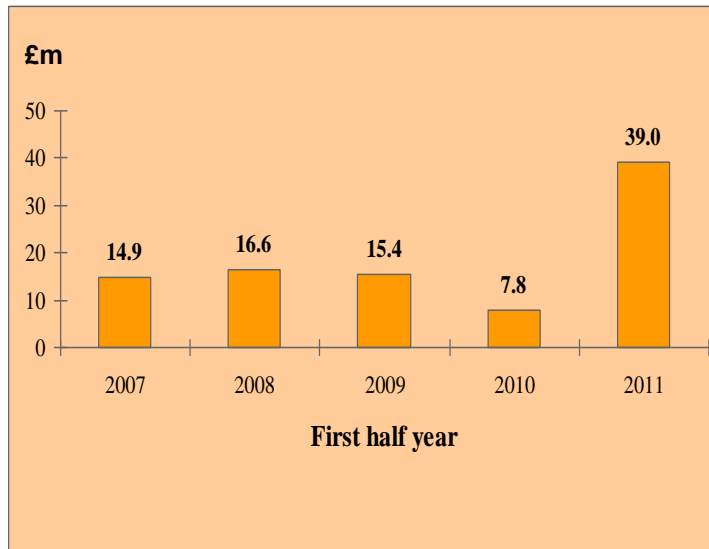
- No material effect on profits when comparing with previous year's exchange rates –
 - Revenue increased by £2.7m
 - Costs increased by £0.6m
 - Profits increased by £2.1m



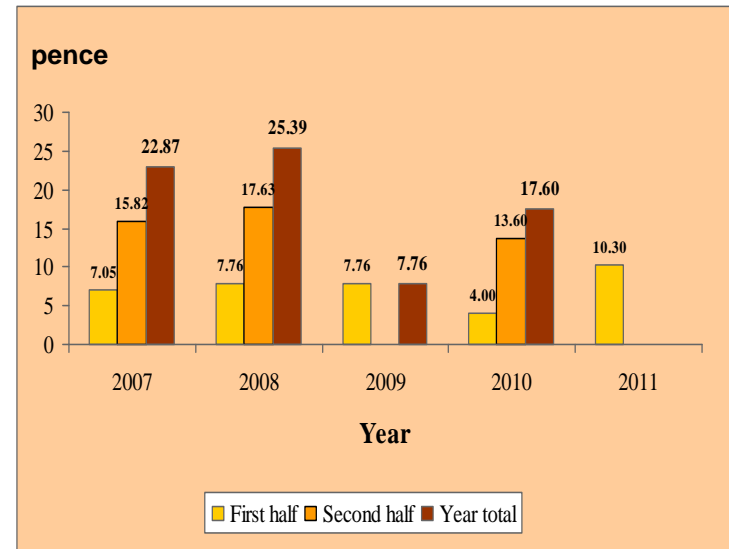
Notes

Profit and loss account

Earnings per share



Dividend per share



Year	2007	2008	2009	2010	2011
Dividend increase for full year	+5%	+11%	-69%	+127%	+157%(int)
Full year dividend cover	1.6	1.8	0.6*	1.7**	-

* after exceptional redundancy costs, adjusted 1.2

** after exceptional impairment write-down, adjusted 1.8

Notes

Revenue analysis

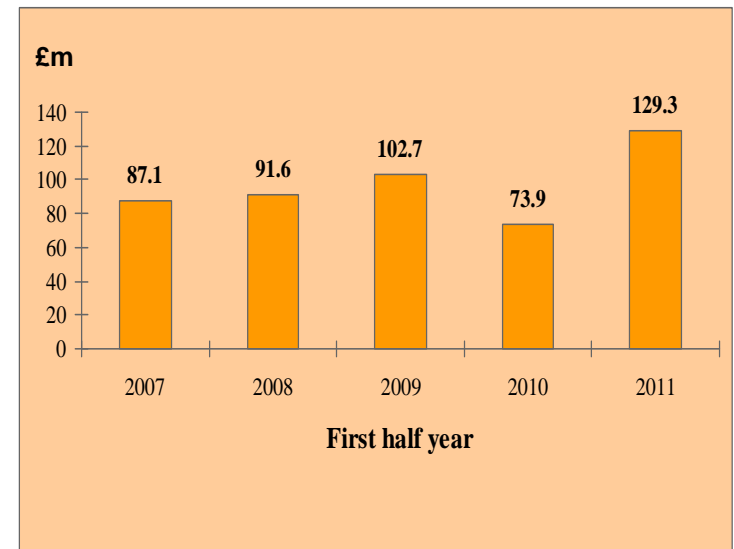
Revenue up 75% at actual exchange rates and up 71% at previous year's exchange rates

- Revenue favourably affected by £2.7m when compared with the previous year's exchange rates

- Segmental analysis

	2011 £m	2010 £m	change %
• Metrology	120.4	65.9	+83%
• Healthcare	8.9	8.0	+11%

Revenue



Notes

Revenue analysis

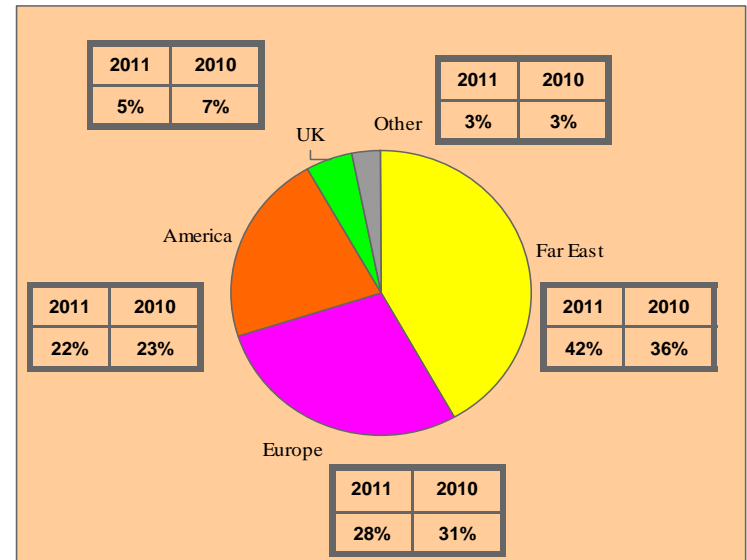
•Changes in geographic areas:

	At act fx	At p/y fx
•Far East	+103%	+93%
•Americas	+66%	+64%
•Europe	+60%	+61%
•UK & Ireland	+33%	+33%

•Major individual countries:

	2011 £m	2010 £m	increase
•China	27.9	12.4	+125%
•USA	25.5	14.7	+74%
•Germany	16.6	10.7	+55%
•Japan	15.4	7.2	+112%

Revenue by region



Notes

Group revenue

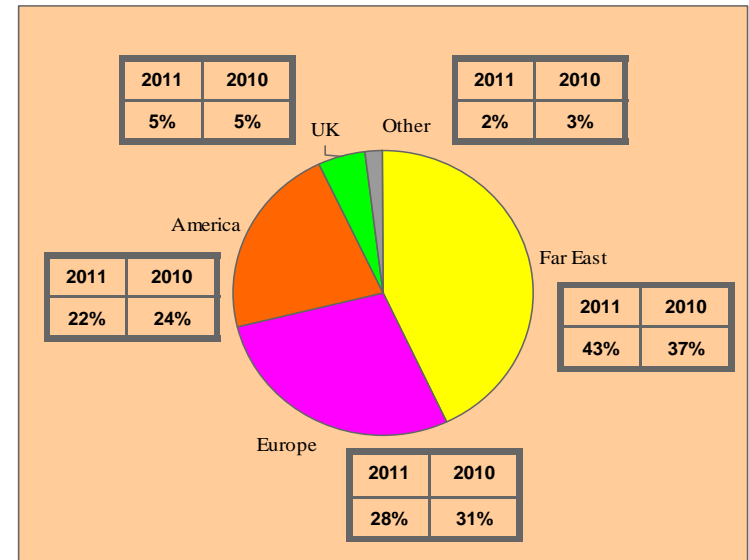
	2011 £m	2010 £m	change %	at p/y fx £m	change %	favourable fx (£m)		Average fx rates		
								2011	2010	
Far East	54.1	26.6	+103%	51.5	+93%	2.6	JPY/USD	USD	1.57	1.63
Continental Europe	36.1	22.6	+60%	36.4	+61%	(0.3)	EUR	JPY	131	149
Americas	28.7	17.3	+66%	28.4	+64%	0.3	USD	EUR	1.18	1.12
UK & Ireland	6.6	5.0	+33%	6.6	+33%			Average forward rates		
Other regions	3.8	2.4	+60%	3.7	+59%	0.1		USD	1.45	1.69
Total	129.3	73.9	+75%	126.6	+71%	2.7		JPY	140	156
								EUR	1.30	1.32

Notes

Group revenue - Metrology

	2011 £m	2010 £m	change %
Far East	51.5	24.0	+115%
Continental Europe	33.5	20.6	+63%
Americas	26.7	15.7	+70%
UK & Ireland	5.5	3.6	+53%
Other regions	3.2	2.0	+60%
Total	120.4	65.9	+83%

Revenue by region

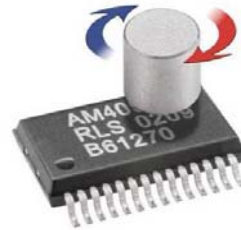


Notes

New product releases - Metrology



RoLin miniature incremental linear and rotary magnetic encoders

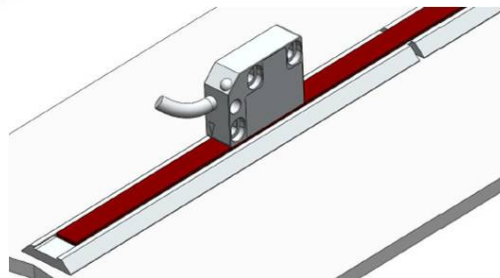


12 bit absolute magnetic encoder chip, with added functionality including uvw outputs, programmable zero, tacho outputs, all combined with lower power consumption

RTLCS high-accuracy, self-adhesive tape scale for TONiC and RTLA-S high-accuracy, self-adhesive tape scale for RESOLUTE™



Track scale for LM10 and LM13 encoders – 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.

Investments - Metrology

•Metrology investment - MDL

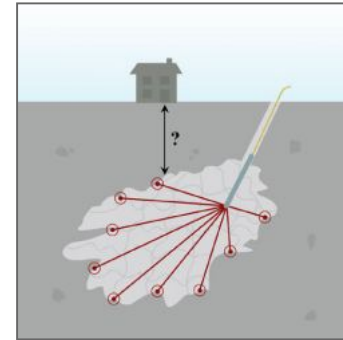
- £2.3m investment in July 2010 for 29% shareholding in Measurement Devices Limited (MDL)
- £0.8m further investments in each of December 2010 and January 2011, raising total shareholding to 49%
- MDL is a metrology company based in York, with offices in Aberdeen and USA (Houston). Its laser scanner 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



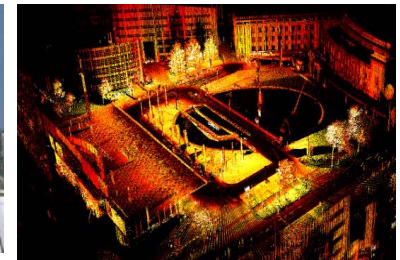
Laser scanner maps a quarry face



Compact laser scanner maps underground voids



Laser scanner with integrated GPS

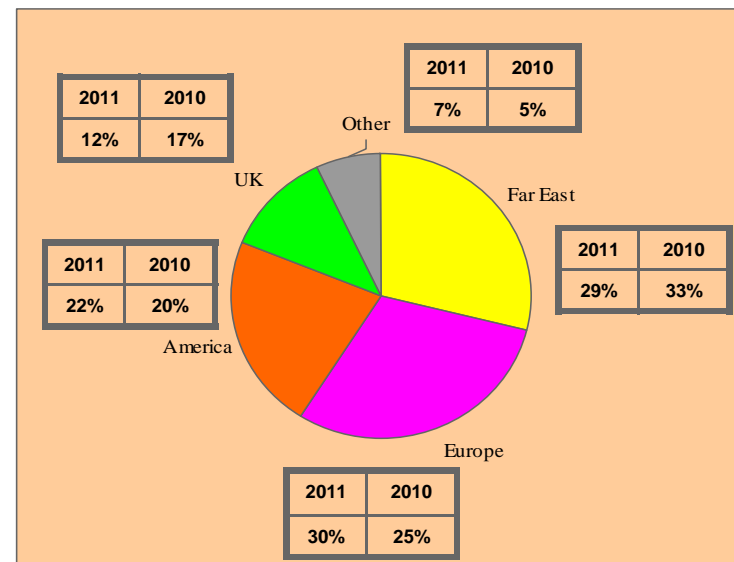


Laser controls boat position to oil rig

Group revenue - Healthcare

	2011 £m	2010 £m	change %
Far East	2.5	2.6	-3%
Continental Europe	2.7	2.0	+34%
Americas	2.0	1.6	+26%
UK & Ireland	1.1	1.4	-24%
Other regions	0.6	0.4	+68%
Total	8.9	8.0	+11%

Revenue by region



Notes

Investments - Healthcare

•Dental joint venture development

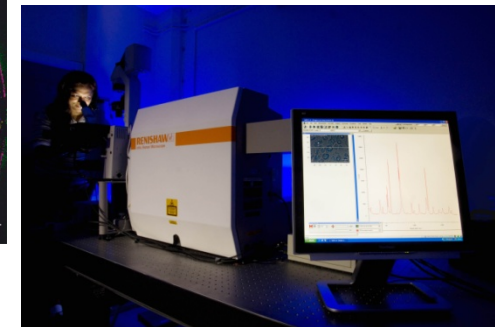
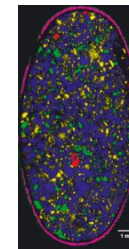
- Biomet sales forces began marketing in Europe and USA in the summer of 2010
- Production facility established in Palm Beach Gardens, Florida, for the North America market

•Neurological development

- First sale of enhanced Renishaw Mayfield surgical robot

•Healthcare investment focus

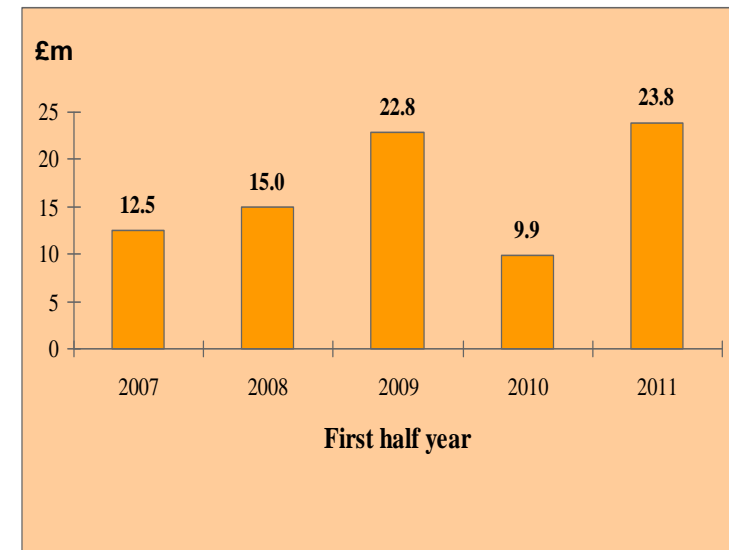
- Dental – scanning and milling of frameworks for crowns and bridges
- Neurological – neurosurgical applications, such as deep brain stimulation
- Spectroscopy – investigating techniques of non-destructive testing of samples to help in the analysis of cells, medicinal tablet mapping, and DNA analysis
- Diagnostics - molecular diagnostic tests for the infectious disease market and for life and analytical science research applications



Cash flow from operating activities

	2011 £m	2010 £m
Profit before tax	35.5	7.1
Depreciation & amortisation	8.1	7.2
Financial income & expenses	(0.3)	(0.1)
Share of profits from associates	(0.2)	(0.1)
(Increase)/decrease in stock	(9.1)	4.2
Increase in debtors	(6.5)	(5.5)
Decrease in creditors	(1.4)	-
Total movement in working capital	(17.0)	(1.3)
Income taxes paid	(2.3)	(2.9)
Cash from operating activities	23.8	9.9

Cash from operating activities

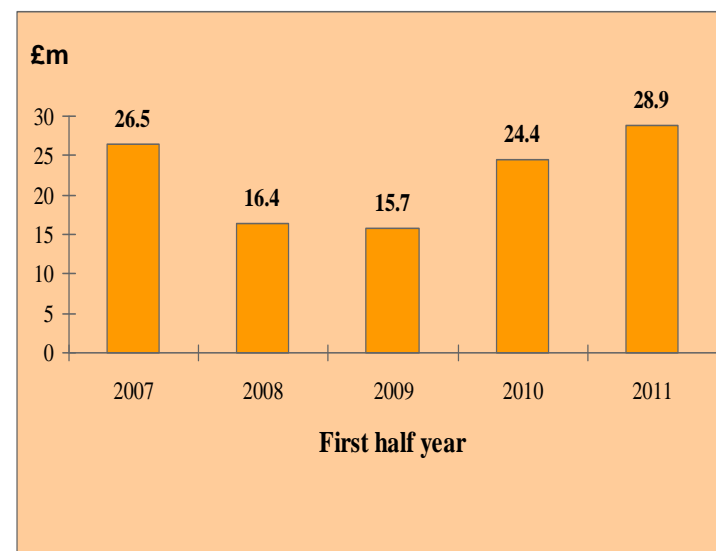


Notes

Cash flow

	2011 £m	2010 £m
Cash from operating activities	23.8	9.9
Interest received less paid	0.1	-
Dividends paid	(9.9)	-
Fixed assets purchased (net)	(7.4)	(1.0)
Intangible assets acquired	(0.5)	(0.2)
Development costs capitalised	(4.4)	(3.6)
Investments in associates	(3.1)	-
Net cash flow	(1.4)	5.1
Cash at 1st July	31.1	20.5
Effect of exchange rate changes	(0.8)	(1.2)
Cash at 31st December	28.9	24.4

Bank balance



Notes

Balance sheet

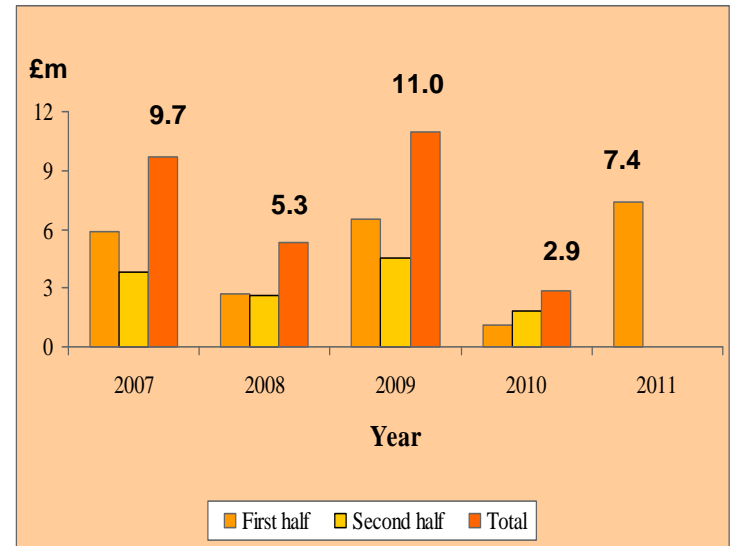
	Dec 2010 £m	June 2010 £m	change %
Property, plant & equipment	74.9	70.5	+6%
Intangible assets & investments	37.7	33.8	+12%
Deferred tax assets	20.1	20.1	+0%
Other receivables	1.5	4.0	-63%
Total non-current assets	134.2	128.4	+5%
Inventory	40.0	30.9	+29%
Debtors	60.9	53.6	+14%
Cash	28.9	31.1	-7%
Creditors (current)	(35.7)	(29.9)	+19%
Current assets less current liabilities	94.1	85.7	+10%
Deferred tax liability	(15.3)	(15.4)	-1%
Pension liability	(31.1)	(37.3)	-17%
Other payables	(4.2)	(2.8)	+50%
Net assets, equal to Total equity	177.7	158.6	+12%

Notes

Capital expenditure

- Total capital spend £7.4m, of which £1.7 was spent on property, £5.0m on plant and £0.7m on vehicles
- Property additions -
 - £1.0m - Expansion of Pune, India facilities from 22,000 sq ft to 71,000 sq ft (total expected cost £4m)
 - £0.7m – Start of refurbishment of Charfield property (close to New Mills), 27,000 sq ft, for use by Healthcare operations (total expected cost £2.3m)
- Plant additions –
 - Expansion of manufacturing facilities, mainly in UK

Capital expenditure

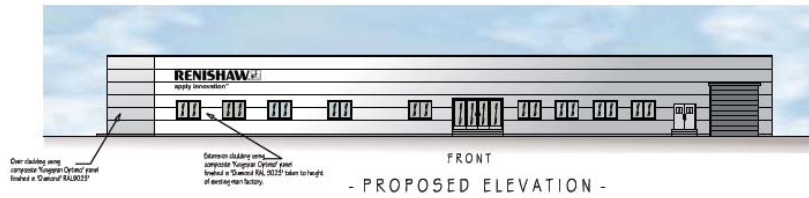


Capital expenditure



Pune extension, India

Capital expenditure



Charfield property design