



2014 Interim results 30th January 2014

Introduction

Renishaw is one of the world's leading metrology companies, bringing key technological innovation to our global markets.

With our highly experienced team, we are confidently driving our future growth through innovative and patented products and processes, efficient, high quality manufacturing and the ability to provide local support in all our markets.

Our continuing investment in new property, plant and equipment and new product development is the key to our confidence in our long-term strategic prospects. With in excess of 3,300 staff, highly skilled and motivated, we continue to be at the leading edge of technological innovation.

Interim management report



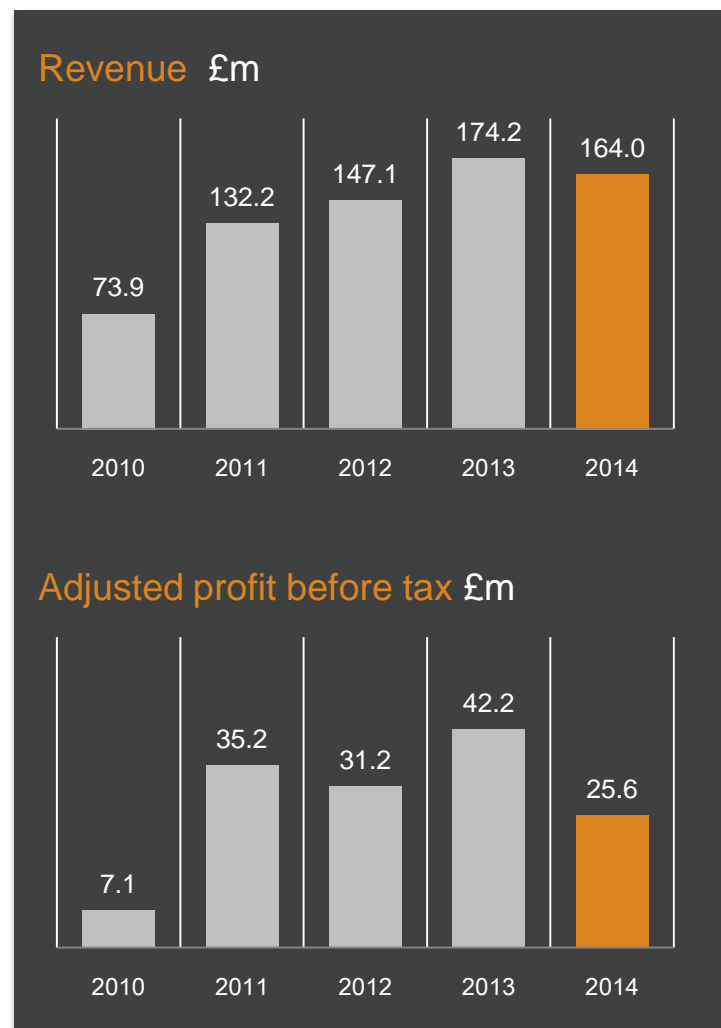
- First half revenue and profit are reduced, however second quarter growth in both revenue and profit.
- Good growth in the Americas and Europe.
- Strong demand for our 3D additive manufacturing, measurement automation, encoder and spectroscopy products.
- New product releases during the period include the SPRINT™ high speed contact scanning system for machine tools.
- Continued investment in production, engineering and marketing infrastructure.
- Capital expenditure of £19.5m, including in-progress new build of 145,000 sq ft at New Mills and expanded facilities in Germany.
- Strong balance sheet, with cash of £13.4m at the end of the period.
- £32.0m cash expected in February for sale of shareholding in Delcam plc.
- Maintained dividend of 11.33 pence per share.

Financial highlights

	2014	2013	Change
	£m	£m	%
Revenue	164.0	174.2	-6%
Adjusted operating profit	25.5	42.3	-40%
Adjusted profit before tax	25.6	42.2	-39%
	pence	pence	
Adjusted earnings per share	29.5	46.7	-37%
Dividend per share	11.33	11.33	-

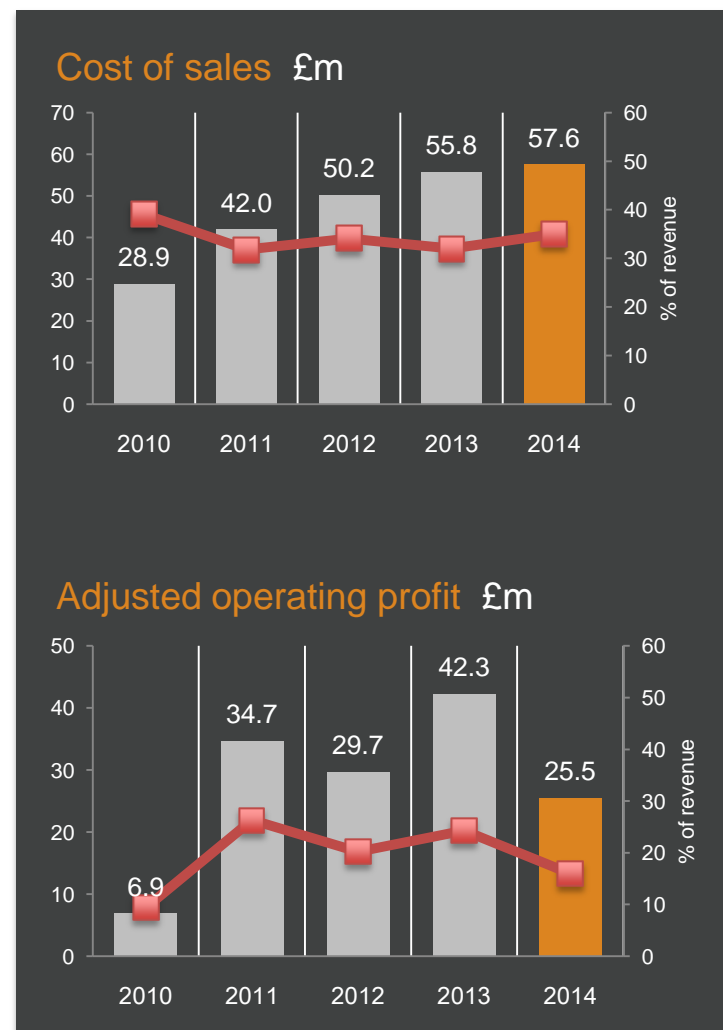
Adjusted figures are in respect of the 6 months to 31st December 2012, which exclude the exceptional gain of £2.9m resulting from the early settlement of the deferred consideration liability for the purchase of the remaining 34% shareholding in Measurement Devices Limited.

Previous year figures are restated for the effect of the revised accounting standard IAS 19 – Employee benefits, which has been applied retrospectively.



Income statement

	2014 £m	%	Restated 2013 £m	%	Change
Revenue	164.0	100	174.2	100	-6%
Cost of sales	57.6	35	55.8	32	+3%
Engineering (inc. R&D)	26.7	16	24.1	14	+11%
Gross profit	79.7	49	94.3	54	-15%
Distribution costs	36.8	22	33.2	19	+11%
Administrative costs	17.4	11	18.8	11	-7%
Operating profit	25.5	16	42.3	24	-40%
Financial income/(expense)	(0.5)	-	(0.5)	1	-
Profit from associates	0.6	-	0.4	-	-
Adjusted profit before tax	25.6	16	42.2	25	-39%



Income statement

Engineering costs

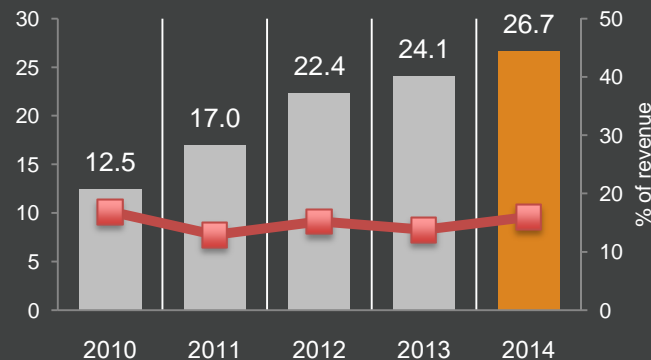
	2014 £m	2013 £m	Change %
Total spend	28.0	25.5	+10%
Less capitalised (net)	1.3	1.4	-
Income statement	26.7	24.1	+11%

- Gross engineering costs increased by 10%.
- Representing 16% of revenue.

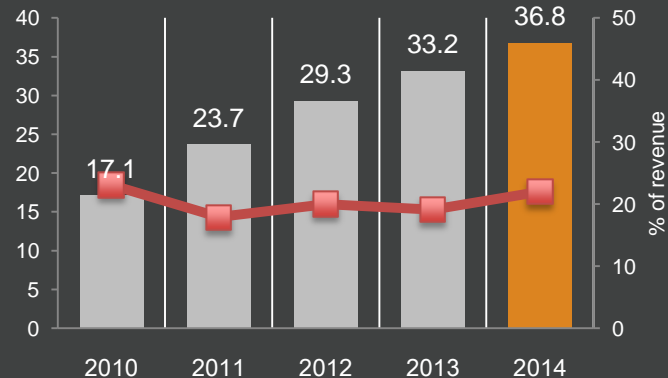
Distribution costs

- Distribution costs up 11%.
- Further expansion of overseas marketing offices to support long-term growth.

Engineering costs (net) £m



Distribution costs £m



Income statement

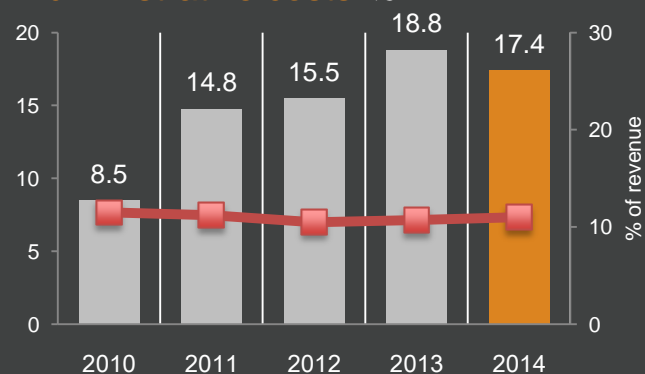
Headcount (at December)

	Dec 2013 No.	Dec 2012 No.	Change %
UK & Ireland	2,283	2,108	+8%
Overseas	1,026	957	+7%
Total	3,309	3,065	+8%

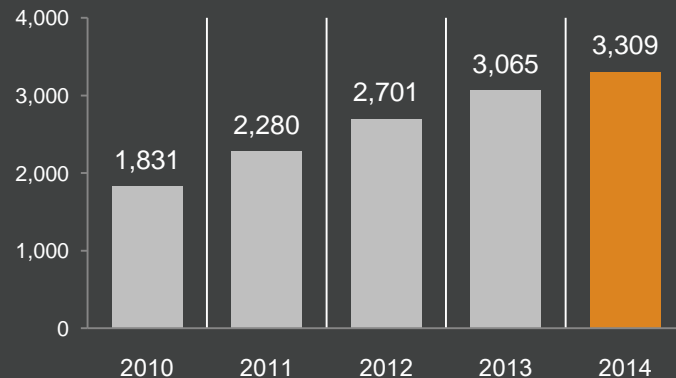
- Continued growth in headcount to support higher production, increased investment in new product development and expansion of marketing and support facilities.

- Headcount up 244 from December 2012 and up 74 in the first half year from 3,235 at June 2013.

Administrative costs £m



Headcount No.



Income statement

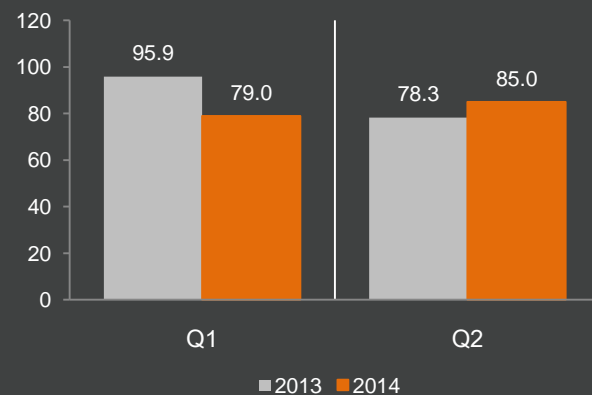
Revenue - quarterly

	2014 £m	2013 £m	Change %
Quarter 1	79.0	95.9	-18%
Quarter 2	85.0	78.3	+9%
Total	164.0	174.2	-6%

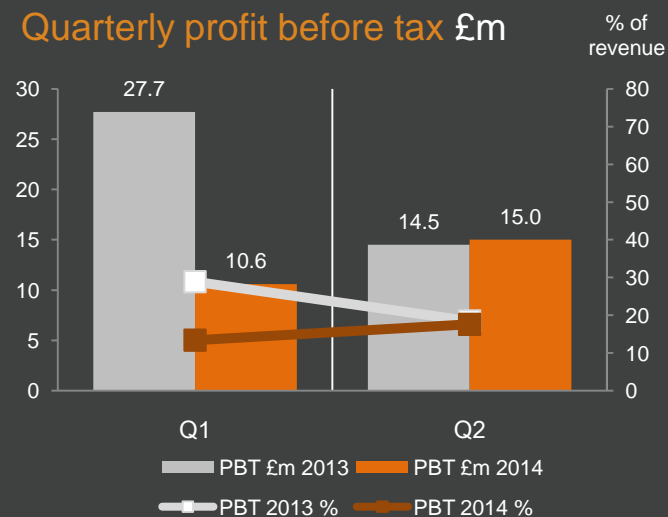
Profit before tax - quarterly

	2014 £m	Restated 2013 £m	Change %
Quarter 1	10.6	27.7	-62%
Quarter 2	15.0	14.5	+3%
Total	25.6	42.2	-39%

Quarterly revenue £m

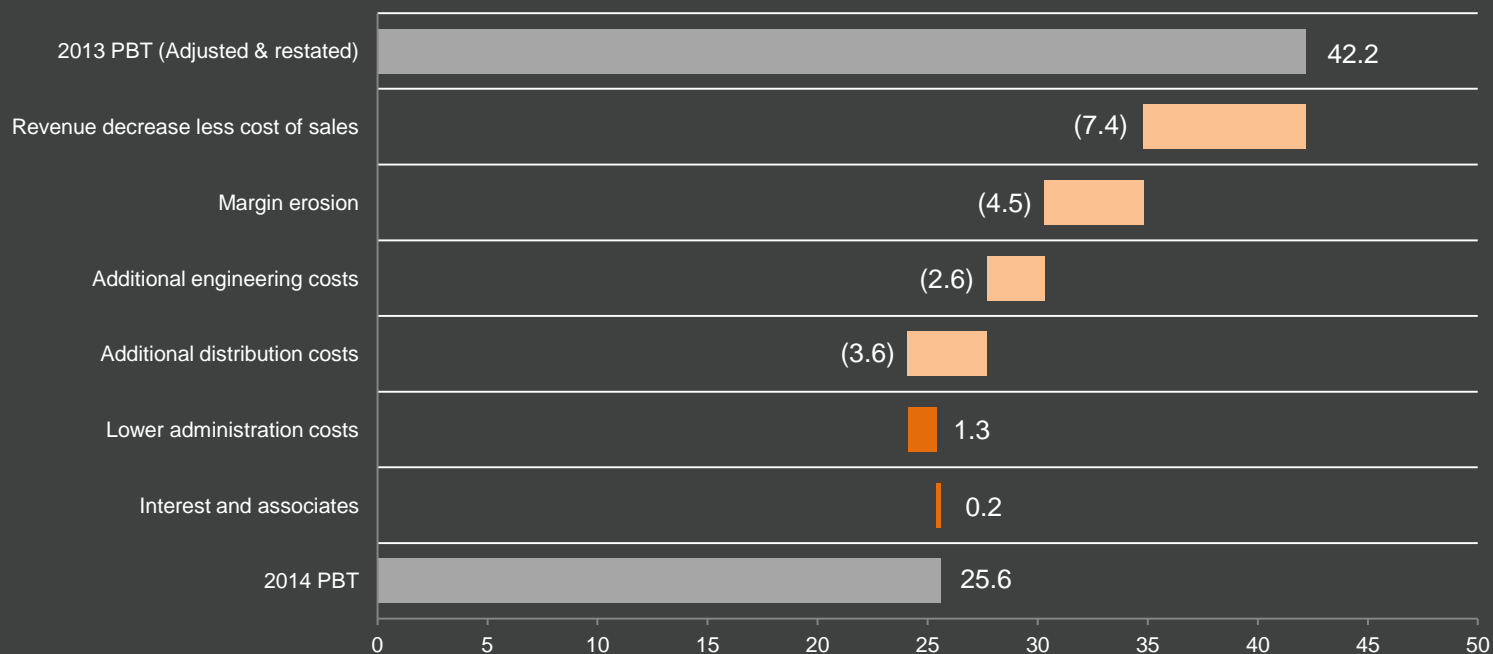


Quarterly profit before tax £m



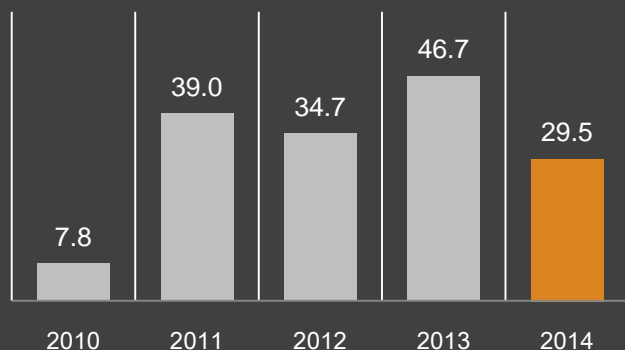
Income statement

Adjusted profit before tax changes from 2013 £m



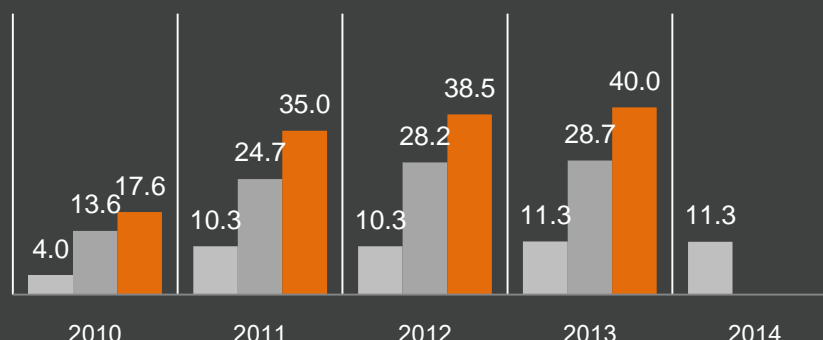
Adjusted earnings per share and Dividend per share

Adjusted earnings per share p



First half year

Dividend per share p



■ Interim ■ Final ■ Total

Full year dividend increase	+127%	+99%	+10%	+4%	-
Full year dividend cover	1.8	2.5	2.5	2.2	-

Group revenue analysis

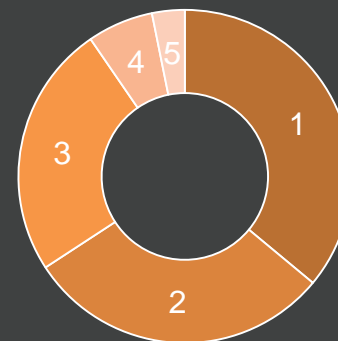
Changes in geographic area

	Change % at actual fx rates	Change % at p/y fx rates
Far East	-25%	-23%
Europe	+11%	+9%
Americas	+12%	+12%
UK & Ireland	+5%	+5%
Total	-6%	-6%

Revenue by major countries

	2014 £m	2013 £m
USA	33.4	30.3
China	26.9	47.8
Germany	21.3	19.3
Japan	18.4	17.5

Revenue by region £m



	2014 £m	2013 £m
1 Far East	59.1	78.6
2 Continental Europe	48.8	44.0
3 North & South America	40.4	36.1
4 UK	10.5	10.0
5 Other regions	5.2	5.5
Total	164.0	174.2

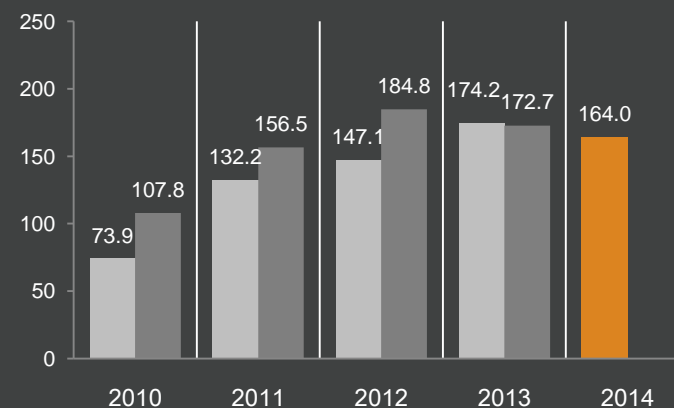
Group revenue analysis

Revenue

	2014 £m	2013 £m	Change %
Metrology	150.7	162.5	-7%
Healthcare	13.3	11.7	+13%
Total	164.0	174.2	-6%

- Reduction in revenue of 6% following exceptional sales to China in the first quarter of the previous year.
- Excluding exceptional Far East sales, underlying revenue up 11%.
- No significant difference in total revenue value when re-stated at previous year's exchange rates, although small effect on Far East and Europe.

Revenue – 1st & 2nd half £m



Year-on-year changes:

First half	+79%	+11%	+18%	-6%
Second half	+45%	+18%	-7%	

Group revenue analysis - Metrology

Revenue

	2014 £m	2013 £m	Change %
Metrology	150.7	162.5	-7%

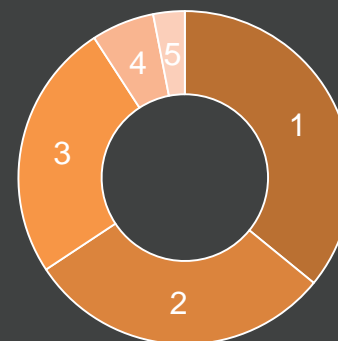
Changes in geographic area

	Change %
Far East	-27%
Europe	+12%
Americas	+9%
UK & Ireland	+7%

Results

	2014 £m	2013 £m
Operating profit	27.8	46.2

Revenue by region £m



	2014 £m	2013 £m
1 Far East	54.1	74.5
2 Continental Europe	44.9	40.2
3 North and South America	37.9	34.7
4 UK	9.2	8.6
5 Other regions	4.6	4.5

Metrology highlights

- Good growth in 3D additive manufacturing, measurement automation and encoder product lines.
- Increased R&D investment.
- Introduction of Sprint™ high speed contact scanning system for machine tools.
- Strong demand for our 3D additive manufacturing products.

New product releases / Metrology

PH10M-iQ PLUS probe head – new version of PH10 with “inferred qualification”, ideal for “body in white” inspection.



UCCsuite 4.6 – latest release with enhanced PH20 metrology, new “orbital” joystick mode and control system for a light stack (beacons).

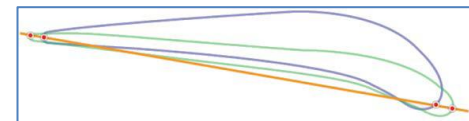
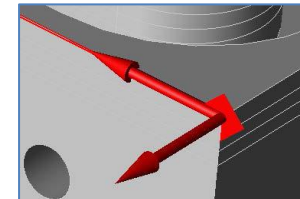
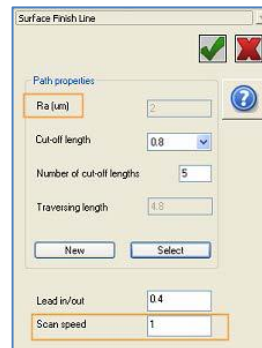


SPA3 – high powered, compact CMM amplifier.

RSP2 V2 – new improved version of the REVO 2D scanning probe with lower laser classification.



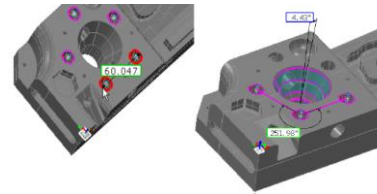
MODUS 1.6 – latest release of measurement software with surface finish measurement and scanning enhancements, and improved airfoil section evaluation.



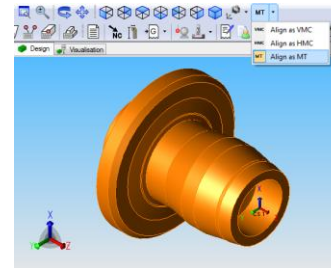
New product releases / Metrology



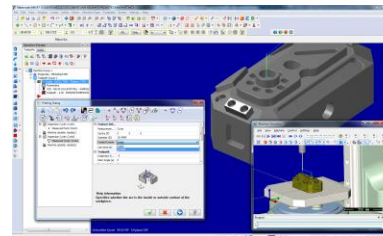
Completely new on-machine scanning for high-speed, high-accuracy in-process control applications.



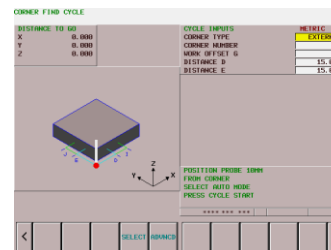
On-machine verification software – updated to improve reporting of GD&T and sections.



Process control software - updated to include support for Multi-Task Machines.



Launch of new offering in conjunction with CNC Software – integration of Productivity+ into MasterCAM.



OEM integrated probing software for users of Fanuc controllers – updated to improve support for more OEMs.

Group revenue analysis - Healthcare

Revenue

	2014 £m	2013 £m	Change %
Healthcare	13.3	11.7	+13%

Changes in geographic area

	Change %
Far East	+22%
Europe	+6%
Americas	+79%
UK & Ireland	-10%

Results

	2014 £m	2013 £m
Operating (loss)	(2.3)	(4.0)

Revenue by region £m



	2014 £m	2013 £m
1 Far East	5.0	4.1
2 Continental Europe	3.9	3.8
3 North and South America	2.5	1.4
4 UK	1.3	1.4
5 Other regions	0.6	1.0

Healthcare highlights

- Good growth in spectroscopy product line.
- Further sales of the neuromate® surgical robot.
- Encouraging interest in our 3D additive manufacturing system for medical applications.
- The Company is manufacturing an investigational intra-parenchymal drug delivery system for an NHS Trust, which is conducting a clinician-led clinical trial for a therapy for the treatment of Parkinson's disease. The system has also been trialled by the Trust for delivery of a chemotherapy drug for the treatment of brain tumours.

Awards

- Renishaw was amongst the first five businesses to achieve the new Carbon Trust Waste Standard, which was launched on 5th November 2013. The world's first international standard for organisational waste reduction, it is awarded to businesses able to demonstrate that they are measuring, managing and reducing waste year on year.
- Renishaw has been named as Gloucestershire's STEM Company of the Year. The award which recognises the company's work to enthuse students about Science, Technology, Engineering and Mathematics (STEM) was presented on 17th October at a special STEM Ambassadors' Reception held at Gloucester City Museum and Art Gallery.
- Sir David McMurtry, Chairman and Chief Executive, has been awarded the Callendar Medal by the Institute of Measurement and Control. The award, which commemorates renowned physicist Professor HL Callendar FRS, is presented annually to an engineer or scientist who has made a significant contribution to the art of instruments or measurement. Sir David was honoured at a special ceremony that took place at the home of the Worshipful Company of Scientific Instrument Makers in London, during October 2013.



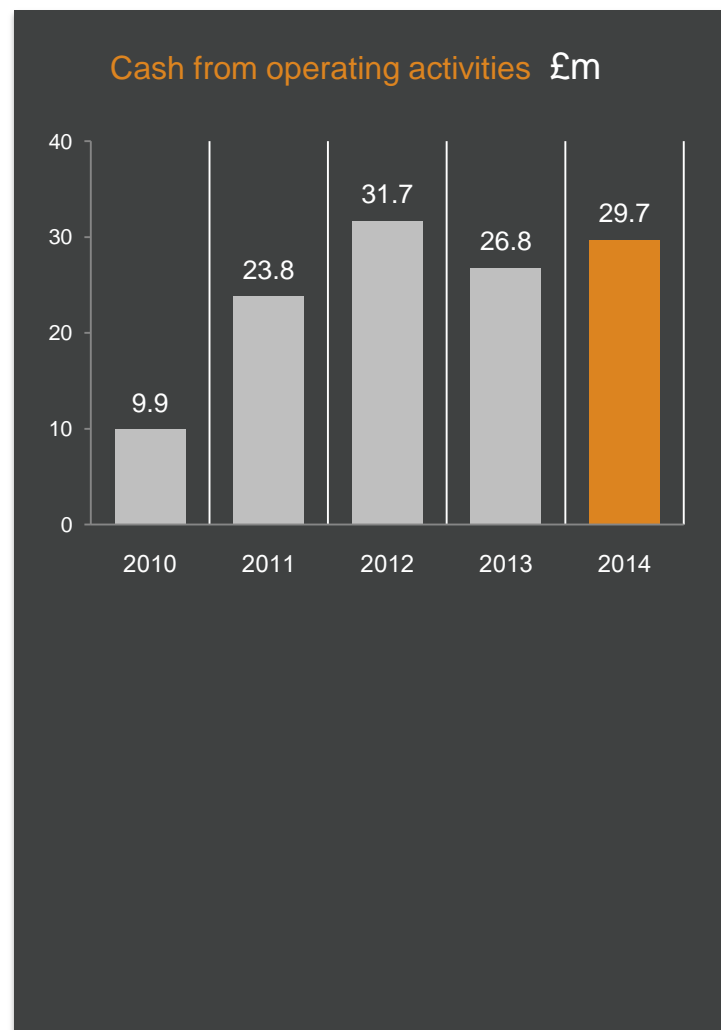
Awards

•Sir David McMurtry received The Daily Telegraph Award for a Decade of Excellence in Business at the 2013 UK National Business Awards, held at London's Grosvenor House Hotel on Tuesday 12 November. Sir David was the unanimous choice of the Advisory Board for this prestigious award which recognises the business personality who best represents achievement and longevity, and is synonymous with their business sector in the UK. Sir David is the first head of an engineering business to be honoured.



Cash flow from operating activities

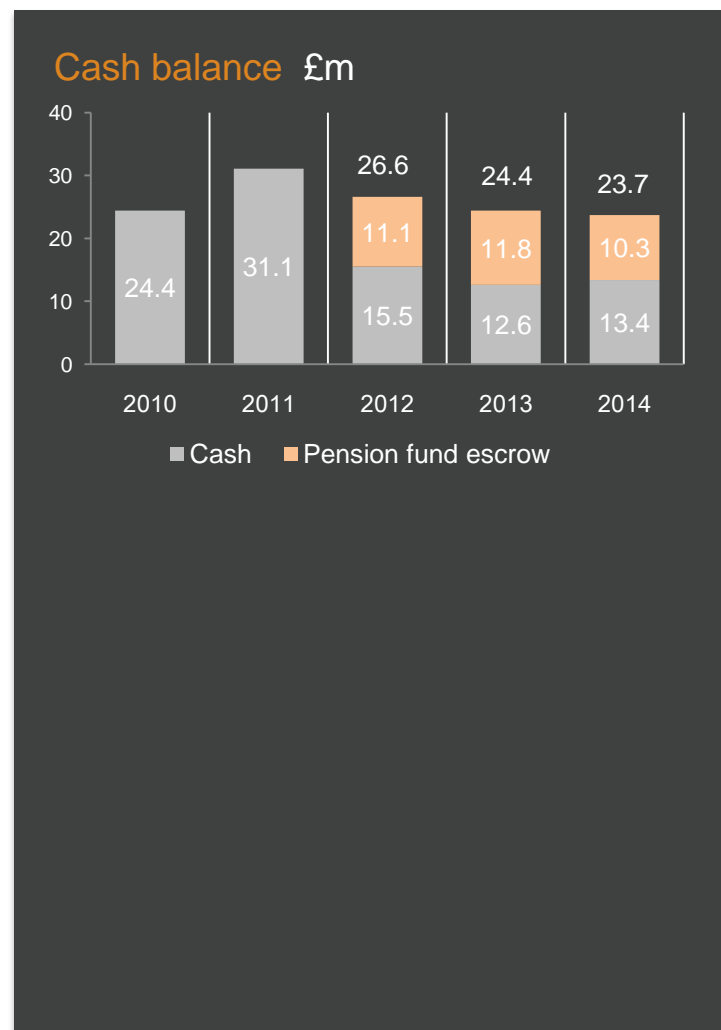
	2014 £m	2013 £m
Adjusted profit before tax	25.6	42.2
Depreciation and amortisation	12.0	10.0
Financial income and expenses	0.5	0.4
Share of profits from associates	(0.7)	(0.5)
Increase in inventory	(0.3)	(8.5)
Decrease in debtors	5.6	7.0
Decrease in creditors	(6.7)	(14.1)
Total movement in working capital	(1.4)	(15.6)
DB pension contributions	(1.1)	(0.7)
Income taxes paid	(5.2)	(9.0)
Cash from operating activities	29.7	26.8



Cash flow

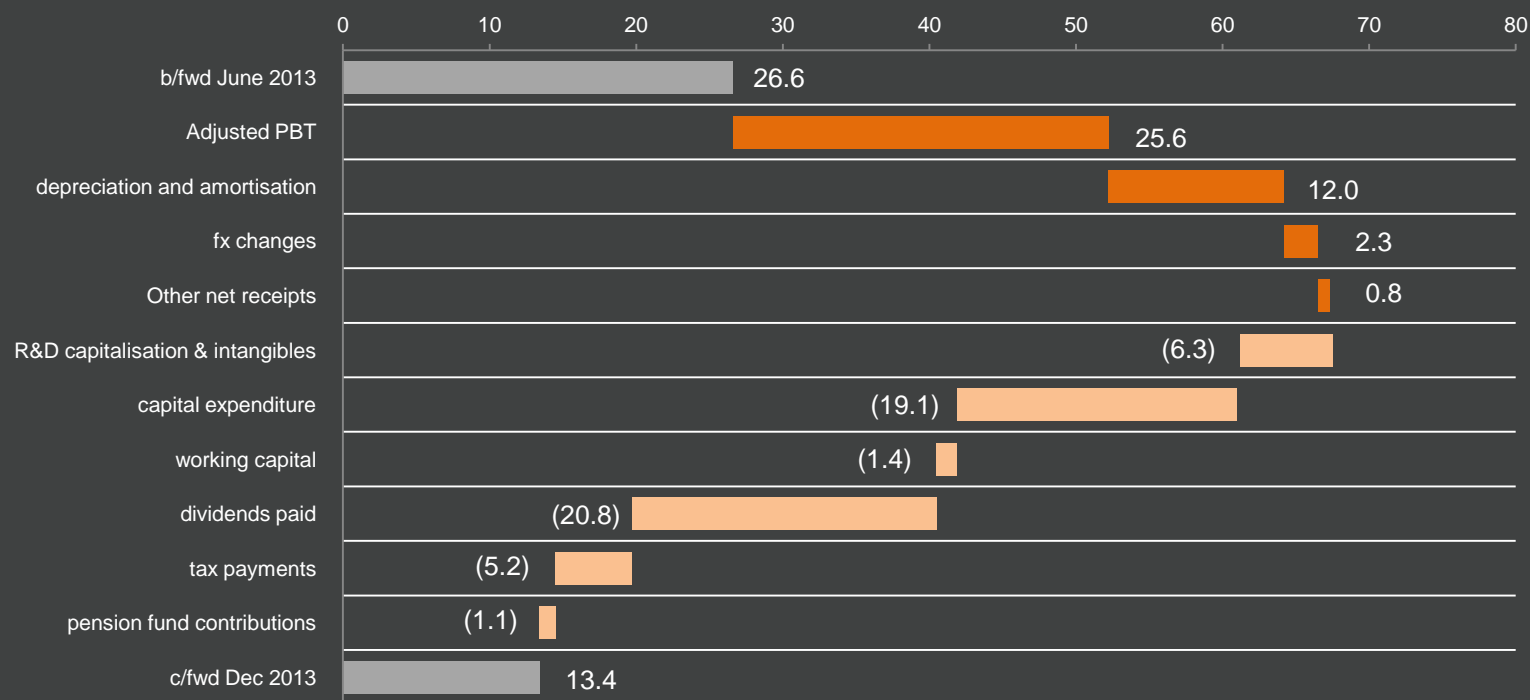
	2014 £m	2013 £m
Cash from operating activities	29.7	26.8
Interest received less paid	0.3	0.4
Dividends paid less received	(20.8)	(20.3)
Fixed assets purchased (net)	(19.1)	(12.1)
Intangible assets acquired	(0.5)	(0.2)
Development costs capitalised	(5.8)	(4.7)
Net movement with escrow account	0.7	(0.3)
Net cash flow	(15.5)	(10.4)
Cash at 1st July	26.6	21.1
Effect of exchange rate changes	2.3	1.9
Cash at 31st December	13.4	12.6

•Cash of £32.0m expected in February 2014, from sale of shareholding in Delcam plc.



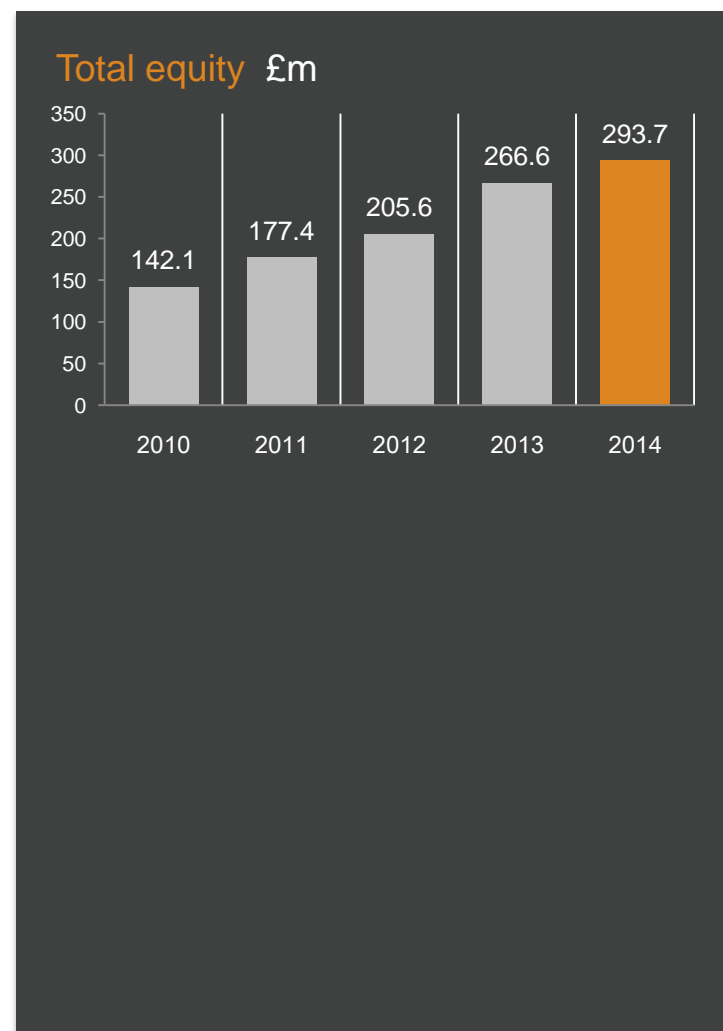
Cash flow

Change in cash balance for the period £m



Balance sheet

£m	Dec 2013	June 2013	Change %
Property, plant & equipment	128.2	117.9	+9%
Intangible assets & investments	63.6	63.5	+0%
Deferred tax assets	16.7	18.3	-9%
Derivatives	17.3	8.0	+116%
Total non-current assets	225.8	207.7	+9%
Inventory	65.6	65.3	+0%
Debtors	70.2	80.1	-12%
Derivatives	9.6	3.6	+167%
Pension fund cash escrow	10.3	11.0	-6%
Cash	13.4	26.6	-50%
Creditors (current)	(33.0)	(43.8)	-25%
Net current assets	136.1	142.8	-5%
Deferred tax liability	(25.2)	(20.1)	+25%
Pension fund deficit	(40.3)	(41.7)	-3%
Other payables	(2.7)	(12.0)	-78%
Net assets, equal to Total equity	293.7	276.7	+6%



Capital expenditure

	2014 £m	2013 £m
Capital expenditure	19.5	12.1

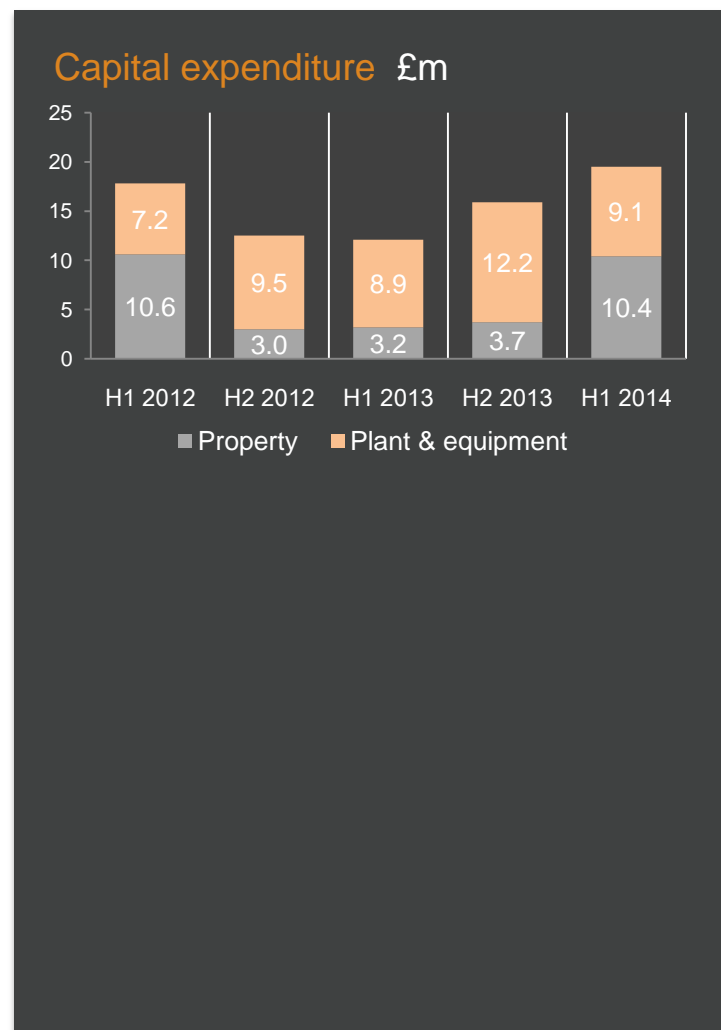
•Property

- Continuing build of 145,000 sq ft at New Mills (started in 2013, in progress).

- Additional 116,000 sq ft premises purchased for German subsidiary.

•Plant & equipment

- Continuing expansion of manufacturing and IT facilities at other UK sites.



Capital expenditure - property

Renishaw plc, New Mills

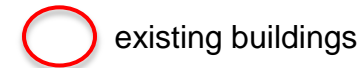


Capital expenditure - property

Renishaw GmbH



Miskin plans



Renishaw is preparing a planning application for 1.74 million sq ft of development in South Wales. The proposal has the potential to create hundreds of jobs, generated by Renishaw's own expansion and the new businesses that would be attracted to the 77 hectare site.

The site in Miskin, near Cardiff, was allocated as a strategic employment site by the Vale of Glamorgan Council in 2012. Renishaw intends to occupy 19 hectares of the site and 58 hectares may be put out for sale to fund the further expansion of activities on Renishaw's retained land.

The plan outlines proposals which include a 1 million sq ft warehouse and a new business park. The space could include manufacturing, research and development, office and distribution and will target engineering and logistics firms and their supply chains.



Renishaw completed the purchase of the 461,000 sq ft facility and surrounding land in September 2011 and has refurbished and brought into use 135,000 sq ft. The company has future plans to build an additional 400,000 sq ft of manufacturing, research and development facilities for its further expansion.

Outlook

Whilst the Group faced tough financial comparators for the first half of this financial year and sterling has strengthened in recent months, we are expecting an improvement in trading activities and revenue in the second half. With our continuing investment in our business sectors, we remain confident for the longer term prospects for the Group.