

1959-2009

Oxford Instruments plc

Half Year Report September 2009



The Business of Science®



Summary of Half Year Results

	2009 £m	2008 £m
Orders	133.9	97.5
Revenue	92.8	92.8
Trading profit	4.1	3.5
Adjusted profit before tax (note 2)	2.8	2.6
Net borrowings	(29.6)	(24.0)
Shareholders' equity	50.3	63.6

	2009 pence per share	2008 pence per share
Adjusted basic earnings	4.1	3.4
Basic earnings	8.3	2.6
Proposed dividends	2.4	2.4
Net assets	101.8	128.8
Employees at half year end	1,324	1,564

About Us



This year we celebrate 50 years of continuous scientific innovation and excellence. Throughout this period the expertise of our people has been the driving force behind our growth and success. The quest for new ideas, the creation of innovative products and the provision of a quality service has built a world class brand.

Oxford Instruments is a worldwide business supplying high technology tools and systems for the analysis and manipulation of matter at the smallest scale. Our diverse markets include industrial analysis and quality control, research, education, space, energy and the environment.

As mankind faces the great challenges of the 21st Century, Oxford Instruments is providing scientists with the tools to tackle issues concerned with alternative energy, climate change, environmental pollution and healthcare. For example, today Oxford Instruments is providing equipment to the developers of new photovoltaic devices who are seeking to produce more cost effective solutions for turning sunlight into electricity. We are also working with international agencies on the ITER programme to develop a technology that seeks to demonstrate the production of large quantities of carbon free energy.

Oxford Instruments' equipment is being used in the development of High Brightness Light Emitting Diodes which offer the possibility of lighting which is so efficient that, if adopted widely, would make significant cuts in worldwide CO₂ emissions. Our hand-held analysers are being used to detect heavy metal pollution more effectively than has ever been done before, meeting ever more stringent environmental regulations. Our instruments are being used to model everything from the human genome to pharmaceuticals being developed as therapies for the diseases which are afflicting the world's aging and growing population.

The future matters. Scientists can make the world a better place and Oxford Instruments gives them the tools, the expertise and the support to do so.

Chairman's Statement

Introduction

The Group performed well during the first half of the year in a difficult market environment. Revenues were unchanged at £92.8 million (2008: £92.8 million), aided by currency movements of £12.3 million which offset lower trading volumes in our industrial markets. Trading profit was up 17% to £4.1 million (2008: £3.5 million). This improved result reflects enhanced operational efficiency as well as favourable currency movements.

Our markets for products used in scientific research continue to be robust. As previously reported, we saw a marked decline in demand in our industrial markets in November 2008. This low level of demand continued to the end of the first quarter of the current financial year but has subsequently shown some modest improvement. Our continuing programme of new product introductions has meant that we have gained market share in many areas, offsetting the reduced demand in our industrial markets. The competitive advantage offered by our new products has enabled us to maintain pricing despite the difficult trading environment.

In January 2009, as previously reported, we instigated a wide ranging restructuring programme. In the first half of the current financial year we have seen the benefit of this restructuring which has yielded a cost reduction of £5.3 million. This is in line with the plan to produce annualised savings of £11.0 million.

The business has continued to focus on cash generation in the period with operating cash flow (see note 2) increasing by £7.9 million to £7.2 million.

Our order intake in the half year reached a record level of £133.9 million (2008: £97.5 million), driven by large orders on the ITER project. ITER is a multi-national collaborative research programme to develop a prototype reactor that will produce large quantities of carbon free energy via thermonuclear fusion. Excluding ITER, orders exceeded sales by £0.7 million.

This half year result shows another six months of progress against our stated target of doubling the size of the business and improving margins. Extensive and early management actions have protected margins, enabling us to report a growth in profits during a period when many peers have reported substantial declines. By increasing efficiency across the Group, we are well positioned to achieve our targets as markets continue to improve.

Financial Summary

In June 2009 we announced a change to our segmental reporting structure for the financial year 2009/10 to bring it into line with revised operational arrangements within the Group. We now report in three operating sectors: Nanotechnology Tools, Industrial Products, and Service. We previously reported in two operating sectors: Analytical and Superconductivity. These revised sectors align with the way in which we now manage the business and go to market.

Revenues in the half year were unchanged from the same period last year at £92.8 million, supported by a strengthening of our major trading currencies which offset a constant currency decline of 13%. This shortfall in sales occurred in our Industrial Products division which has been hardest hit by the global recession.

Orders of £133.9 million exceeded revenues by £41.1 million helped significantly by the £40.4 million of orders received for superconducting wire for the ITER programme.

Chairman's Statement *continued*

Gross margins rose from 41.2% to 42.1%, despite the relatively stronger performance of our lower margin businesses. The rise was aided by £0.7 million of efficiencies resulting from the restructuring programme initiated in the second half of the last financial year and favourable exchange rate movements in the US dollar, euro and yen.

Underlying operating expenses reduced by £4.6 million or 14% as a result of last year's restructuring programme. Translational foreign exchange effects added £3.1 million, resulting in a net decrease of £1.5 million in reported operating expenses.

Trading profit increased by £0.6 million to £4.1 million. Interest payments on debt increased by £0.1 million to £0.6 million, and net interest on the pension fund increased by £0.3 million, resulting in a rise in adjusted profit before tax (note 2) of £0.2 million to £2.8 million.

Reported profit before tax of £5.7 million (2008: £1.3 million) includes a £0.4 million charge relating to restructuring announced in our preliminary results in June, amortisation of acquired intangibles of £2.2 million (2008: £2.0 million) and a credit of £5.5 million (2008: credit £1.3 million) in respect of mark to market adjustments resulting from our policy of not applying hedge accounting to the majority of our financial instruments.

In July 2007 the Group entered into a committed £50 million five year revolving credit facility with its banks. At the period end net debt was £29.6 million. Net cash generated from operations excluding restructuring payments of £2.9 million and pension deficit reduction payments of £1.1 million was £9.4 million (2008: £2.5 million). Expenditure in the period on past acquisitions comprised earn-out payments of £2.3 million (2008: £3.4 million). Net capital expenditure was £1.3 million (2008: £1.5 million) and capitalised development expenditure was £1.9 million (2008 £3.5 million).

As calculated under IAS19 the defined benefit pension deficit has increased by £14.9 million to £29.3 million since 31 March 2009. Assets have grown by 18% to £147.5 million while liabilities have increased by 27% to £176.8 million due to the recent reduction in corporate bond yields which are used to discount liabilities.

The Directors have recommended an interim dividend of 2.4 pence, unchanged from the previous year, payable on 8 April 2010 to shareholders who are in the register on 5 March 2010.

Nanotechnology Tools

Our Nanotechnology Tools sector comprises the Group's NanoAnalysis, Plasma Technology and NanoScience businesses. It produced revenue of £43.5 million and profit of £2.1 million. Had we reported in this way for the first half of the prior financial year, the corresponding figures would have been £39.9 million revenue and £2.2 million profit which reflects a different product mix in the prior year.

Our NanoAnalysis business produces equipment that enables users of electron microscopes to gain precise chemical and structural data on samples. Our new flagship X-Max product, introduced last year, has now become the accepted global market leader due to its unique large area silicon drift detector technology. We have now introduced a version of X-Max specifically tailored for the high performance end of the electron microscope market. This cements our position at the leading edge of microscopy. The success of X-Max means that the short term decline in sales of electron microscopes, which has already started to reverse, has had a limited effect on the revenues of the Group.



Chairman's Statement *continued*

Our Plasma Technology business provides tools for nanotechnology fabrication for a range of emerging industries. It has again performed well in the half year, supported by strong demand from the research sector and the High Brightness Light Emitting Diode (HBLED) market which has continued to grow despite the impact of the global recession. Overall enquiry levels remain strong with increased interest from India, Brazil and other emerging markets.

Our NanoScience business produces high magnetic field and low temperature equipment for research and academic customers. Sales of the Triton™ dilution refrigerator have benefited from high levels of funding worldwide for quantum computing. Triton is now established as the system of choice for cooling devices in quantum research laboratories. Three quarters of the low temperature market has now migrated to new 'dry' technology which avoids the use of increasingly scarce and expensive liquid helium. The acquisition of VeriCold Technologies in August 2007 has established us as the world leader in this market. A range of "dry magnets" has been launched for integration into Triton, providing ultra strong magnetic fields and ultra low temperatures, giving our customers unprecedented environments for use in their research activities.

Industrial Products

The Industrial Products sector contains our Superconducting Wire, Industrial Analysis and Magnetic Resonance businesses. The revenue and loss in the half year were £30.9 million and £0.7 million respectively (2008 restated: revenue £36.0 million and loss £1.1 million).

Our Superconducting Wire business is the world's leading provider of wire for the MRI scanner market. There was some softness in the MRI market during the first quarter, though this is now recovering. In August 2009 we signed a contract with the European Union arm of the ITER procurement programme to provide €40.7 million worth of superconducting wire for the ITER programme over three years. It is one of the largest orders ever won by Oxford Instruments. In September 2009 we signed a contract to provide a further \$7.7 million worth of superconducting wire with the US arm of ITER procurement.

The Industrial Analysis business which produces analytical equipment for industrial quality control and environmental monitoring has benefited from extensive restructuring. The business is now sized for the currently reduced levels of demand. As we are now seeing some tentative signs of recovery in the market for industrial products, we expect an improved second half for Industrial Analysis. In Asia we have seen growth as a result of reinforcing our sales and distribution organisation and continued strong demand from China. Demand in Europe remains weak. Our new Foundry Master Pro product, for use in the iron and steel industry which we launched last year, is selling ahead of expectations and our lab based X-ray fluorescence analysis equipment is also selling well.

The Magnetic Resonance (formerly Molecular Biotools) business produces bench top instruments for industrial quality control applications and the analysis of rock-cores for the oil industry. The business has been restructured and the newly focused management team has delivered a performance ahead of expectations.

Service

Our Service businesses have been separately identified and grouped into their own sector, bringing together the recurring revenue portion of our turnover. The high technical content of our products means there is potential for revenue growth in spares, repairs, training and consultancy in our chosen market areas. This work can attract premium margins and provides a long term, stable workload.



Chairman's Statement *continued*

This sector consists of our MRI service businesses in North America and Asia, the Austin Scientific business and those elements of Nanotechnology Tools and Industrial Products which are classified as service business. In the half year, this sector had a turnover of £18.7 million and a profit of £2.7 million (2008 restated: £17.4 million and £2.4 million).

The MRI Service business in the USA continues to do well with a record number of magnets under service contracts. New opportunities for growth are being pursued in private sector clinics and hospitals. The MRI service team in Japan is a provider in Asia for Siemens magnets, and continues to perform well.

Austin Scientific continues to operate in a difficult environment but has been strengthened by the introduction of the E1000 which is used to control remotely the operation of cryopumps used in the semiconductor industry.

Sustainability

Many of our products are used by customers to reduce environmental impact and comply with environmental legislation. This continues to be an important driver of our growth. This year we have consolidated our internal sustainability programmes and appointed a Board Director responsible for sustainability issues. As a result, substantial improvements have already been made in the energy consumption and carbon footprint of our business. Our target is to continue reducing our ratio of carbon footprint to turnover each year. In recognition of our sustainability credentials, Oxford Instruments was listed in the FTSE sustainability index as one of the UK's greenest companies in July 2009.

People

Our people have responded to the requirement to re-shape our business in light of the global recession. We have needed to control our costs carefully and have introduced a Group-wide pay freeze, and I thank our staff for their continued support during these difficult times.

As previously announced, Jock Lennox, Non-Executive Director, took over Chairmanship of the Audit Committee on 2 June 2009. Peter Morgan who was previously Chairman of the Audit Committee retired from the Board at the AGM on 15 September 2009.

Outlook

Our research markets remain robust. Our Industrial markets are showing some tentative signs of improvement from the suppressed state that we have seen over the last twelve months.

Despite the continuing difficult market environment, the current trading conditions, together with the benefits of our efficiency actions and our ongoing programme of new product introductions mean that the Board remains confident that the performance for the full year will be in line with its expectations.

Nigel Keen

Chairman

17 November 2009

Condensed Consolidated Statement of Income

half year ended 30 September 2009 - unaudited

	Notes	Half year to 30 Sept 2009 £m	Half year to 30 Sept 2008 £m	Year to 31 March 2009 £m
Revenue	3	92.8	92.8	206.5
Cost of sales		(53.7)	(54.6)	(115.8)
Gross profit		39.1	38.2	90.7
Trading expenses excluding cost of sales	4	(35.0)	(34.7)	(77.6)
Trading profit	3	4.1	3.5	13.1
Reorganisation costs and impairment	6	(0.4)	2.0	(6.8)
Amortisation of acquired intangibles		(2.2)	(2.0)	(4.3)
Operating profit		1.5	3.5	2.0

Bank interest receivable	-	0.1	0.2
Expected return on pension scheme assets	3.8	4.7	9.6
Mark to market gain in respect of derivative financial instruments	5.5	-	-
Financial income	9.3	4.8	9.8

Interest payable on bank loans and overdrafts	(0.6)	(0.6)	(1.5)
Interest charge on pension scheme liabilities	(4.5)	(5.1)	(10.3)
Mark to market loss in respect of derivative financial instruments	-	(1.3)	(9.3)
Financial expenditure	(5.1)	(7.0)	(21.1)

Profit /(loss) before income tax		5.7	1.3	(9.3)
Income tax (expense)/credit	7	(1.6)	-	2.6
Profit/(loss) for the period attributable to equity shareholders of the parent		4.1	1.3	(6.7)

		pence	pence	pence
Earnings per share				
Basic earnings/(loss) per share	8	8.3	2.6	(13.9)
Diluted earnings/(loss) per share	8	8.2	2.6	(13.9)
Dividends per share				
Dividends paid	9	2.4	2.4	8.4
Dividends proposed	9	2.4	2.4	8.4

Adjusted profit before tax is calculated as follows				
		£m	£m	£m
Profit/(loss) before income tax		5.7	1.3	(9.3)
Reorganisation costs and impairment		0.4	(2.0)	6.8
Amortisation of acquired intangibles		2.2	2.0	4.3
Mark to market (gain)/loss in respect of derivative financial instruments		(5.5)	1.3	9.3
Adjusted profit before tax		2.8	2.6	11.1
		pence	pence	pence
Adjusted earnings per share				
Basic earnings per share	8	4.1	3.4	14.8
Diluted earnings per share	8	4.1	3.4	14.8

Condensed Consolidated Statement of Comprehensive Income

half year ended 30 September 2009 - unaudited

	Half year to 30 Sept 2009 £m	Half year to 30 Sept 2008 £m	Year to 31 March 2009 £m
Foreign exchange translation differences	(4.1)	0.7	5.6
Actuarial (loss)/gain in respect of retirement benefit obligations	(15.6)	-	6.4
Net profit/(loss) on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	0.9	-	(0.6)
Tax on items recognised directly in equity	4.1	-	(1.6)
Net comprehensive (expense)/income recognised directly in equity	(14.7)	0.7	9.8
Profit/(loss) for the period attributable to equity shareholders of the parent	4.1	1.3	(6.7)
Total comprehensive (expense)/income for the period attributable to equity shareholders of the parent	(10.6)	2.0	3.1

Condensed Consolidated Statement of Changes in Equity

half year ended 30 September 2009 - unaudited

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2009	2.5	21.3	(0.3)	7.9	30.5	61.9
Total comprehensive income/ (expense) attributable to equity shareholders of the parent	-	-	0.6	(4.1)	(7.1)	(10.6)
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.2	0.2
- Dividends paid	-	-	-	-	(1.2)	(1.2)
Total contributions by and distributions to equity shareholders	-	-	-	-	(1.0)	(1.0)
Balance at 30 September 2009	2.5	21.3	0.3	3.8	22.4	50.3

Balance at 1 October 2008	2.5	21.3	0.1	3.0	36.7	63.6
Total comprehensive (expense)/ income attributable to equity shareholders of the parent	-	-	(0.4)	4.9	(3.4)	1.1
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.1	0.1
- Dividends paid	-	-	-	-	(2.9)	(2.9)
Total contributions by and distributions to equity shareholders	-	-	-	-	(2.8)	(2.8)
Balance at 31 March 2009	2.5	21.3	(0.3)	7.9	30.5	61.9

Balance at 1 April 2008	2.5	21.2	0.1	2.3	36.4	62.5
Total comprehensive income attributable to equity shareholders of the parent	-	-	-	0.7	1.3	2.0
Transactions recorded directly in equity:						
- Credit in respect of employee service costs settled by award of share options	-	-	-	-	0.2	0.2
- Proceeds from shares issued	-	0.1	-	-	-	0.1
- Dividends paid	-	-	-	-	(1.2)	(1.2)
Total contributions by and distributions to equity shareholders	-	0.1	-	-	(1.0)	(0.9)
Balance at 30 September 2008	2.5	21.3	0.1	3.0	36.7	63.6

Condensed Consolidated Statement of Financial Position

half year ended 30 September 2009 - unaudited

	As at 30 Sept 2009 £m	As at 30 Sept 2008 £m	As at 31 March 2009 £m
Assets			
Non-current assets			
Property, plant and equipment	22.4	22.4	23.5
Intangible assets	51.3	50.7	54.9
Deferred tax assets	13.2	9.8	11.3
	86.9	82.9	89.7
Current assets			
Inventories	38.4	39.4	39.9
Trade and other receivables	45.7	48.1	57.6
Current income tax recoverable	0.3	0.5	0.6
Derivative financial instruments	2.0	1.3	0.2
Cash and cash equivalents	3.8	7.6	13.3
	90.2	96.9	111.6
Total assets	177.1	179.8	201.3
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	2.5	2.5	2.5
Share premium	21.3	21.3	21.3
Other reserves	0.3	0.1	(0.3)
Translation reserve	3.8	3.0	7.9
Retained earnings	22.4	36.7	30.5
	50.3	63.6	61.9
Liabilities			
Non-current liabilities			
Bank loans	30.8	30.7	31.8
Other payables	0.8	1.1	1.0
Retirement benefit obligations	29.3	20.7	14.4
Deferred tax liabilities	6.3	7.1	7.6
	67.2	59.6	54.8
Current liabilities			
Bank loans	0.1	0.1	0.1
Bank overdrafts	2.5	0.8	9.7
Trade and other payables	42.4	45.2	53.3
Current income tax payables	1.8	1.6	1.8
Derivative financial instruments	8.3	5.1	12.4
Provisions	4.5	3.8	7.3
	59.6	56.6	84.6
Total liabilities	126.8	116.2	139.4
Total liabilities and equity	177.1	179.8	201.3

Condensed Consolidated Statement of Cash Flows

half year ended 30 September 2009 – unaudited

	Half year to 30 Sept 2009 £m	Half year to 30 Sept 2008 £m	Year to 31 March 2009 £m
Profit/(loss) for the period	4.1	1.3	(6.7)
Adjustments for:			
Income tax expense/(credit)	1.6	-	(2.6)
Net financial (income)/expense	(4.2)	2.2	11.3
Reorganisation costs and impairment	0.4	(2.0)	6.8
Amortisation of acquired intangibles	2.2	2.0	4.3
Depreciation of property, plant and equipment	1.8	1.8	3.8
Amortisation of capitalised development costs	1.9	1.3	3.4
Earnings before interest, tax, depreciation and amortisation	7.8	6.6	20.3
Cost of equity settled employee share schemes	0.2	0.2	0.3
Restructuring costs paid	(2.9)	-	(2.5)
Cash payments to the pension scheme more than the charge to the income statement	(1.1)	(1.1)	(1.9)
Operating cash flows before movements in working capital	4.0	5.7	16.2
Increase in inventories	(0.6)	(3.5)	(0.2)
Decrease in receivables	11.0	7.1	3.6
Decrease in payables and provisions	(7.8)	(5.9)	(2.0)
Cash generated by operations	6.6	3.4	17.6
Interest paid	(0.6)	(0.6)	(1.5)
Income taxes paid	(0.6)	(1.4)	(1.7)
Net cash from operating activities	5.4	1.4	14.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	0.1	-	0.2
Proceeds from sale of available for sale equity securities	-	3.0	3.1
Proceeds from disposal of product line	-	0.3	0.3
Interest received	-	0.1	0.2
Acquisition of subsidiaries, net of cash acquired	(2.3)	(3.4)	(4.4)
Acquisition of property, plant and equipment	(1.4)	(1.5)	(3.6)
Capitalised development expenditure	(1.9)	(3.5)	(6.4)
Net cash used in investing activities	(5.5)	(5.0)	(10.6)
Cash flows from financing activities			
Proceeds from issue of share capital	-	0.1	0.1
Repayment of borrowings	(1.0)	-	(2.6)
Increase in borrowings	-	4.2	-
Dividends paid	(1.2)	(1.2)	(4.1)
Net cash from financing activities	(2.2)	3.1	(6.6)
Net decrease in cash and cash equivalents	(2.3)	(0.5)	(2.8)
Cash and cash equivalents at beginning of the period	3.6	7.2	7.2
Effect of exchange rate fluctuations on cash and cash equivalents held	-	0.1	(0.8)
Cash and cash equivalents at end of the period	1.3	6.8	3.6

Reconciliation of changes in cash and cash equivalents to movement in net debt

Decrease in cash and cash equivalents	(2.3)	(0.5)	(2.8)
Effect of foreign exchange rate changes on cash and cash equivalents	-	0.1	(0.8)
	(2.3)	(0.4)	(3.6)
Cash outflow/(inflow) from decrease/(increase) in debt	1.0	(4.2)	2.6
Effect of foreign exchange rate changes on borrowings	-	(1.6)	(9.5)
Movement in net borrowings in the period	(1.3)	(6.2)	(10.5)
Net borrowing at start of the period	(28.3)	(17.8)	(17.8)
Net borrowing at the end of the period	(29.6)	(24.0)	(28.3)

Notes on the Half Year Financial Statements

half year ended 30 September 2009 – unaudited

1 BASIS OF PRESENTATION OF ACCOUNTS

Oxford Instruments plc (the Company) is a company incorporated in England and Wales. The condensed consolidated half year financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). They have been prepared and approved by the Directors in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2009.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the half year financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2009, except as noted below.

During the period, the Group has applied IAS 1 'Presentation of Financial Statements (revised 2007)' which has introduced a number of terminology changes (including titles for the condensed primary statements) and has resulted in a number of changes in presentation and disclosures. The adoption of IAS 1 means that all owner changes in equity are now presented within the Consolidated Statement of Changes in Equity and all non-owner changes in equity are presented in the Consolidated Statement of Comprehensive Income. This presentation has been applied in these condensed consolidated half year financial statements as at the half year ended 30 September 2009. Comparative information has been presented to conform with this revised standard.

As of 1 April 2009, the Group has adopted IFRS 8 'Operating Segments' and now discloses segment information based on the internal reports regularly reviewed by the Group's Board of Directors in order to assess each segment's performance and to allocate resources to them. The Group has three reportable segments (Nanotechnology Tools, Industrial Products and Service) as described in Note 3, which are the Group's strategic business units.

The financial information contained herein is unaudited and does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006. Statutory accounts for the year to 31 March 2009, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and upon which the auditors have given an unqualified and unmodified report and which contained no statement under Section 237 (2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies and were posted to shareholders on 31 July 2009.

The condensed consolidated half year financial statements have been prepared on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future.

The principal exchange rates used to translate the Group's overseas results were as follows:

Period end rates	Half year to 30 Sept 2009	Half year to 30 Sept 2008	Year to 31 March 2009
US Dollar	1.60	1.78	1.43
Euro	1.09	1.27	1.08
Yen	143	189	142

Average translation rates	US Dollar	Euro	Yen
Half year to 30 September 2009			
Quarter 1	1.55	1.13	150
Quarter 2	1.64	1.14	153

Year to 31 March 2009			
Quarter 1	1.98	1.27	206
Quarter 2	1.89	1.26	203
Quarter 3	1.60	1.20	157
Quarter 4	1.44	1.09	136

2 NON GAAP MEASURES

(I) RECONCILIATION BETWEEN PROFIT AND ADJUSTED PROFIT

	Half year to 30 Sept 2009 £m	Half year to 30 Sept 2008 £m	Year to 31 March 2009 £m
Profit/(loss) before income tax	5.7	1.3	(9.3)
Reorganisation costs and impairment	0.4	(2.0)	6.8
Amortisation of acquired intangibles	2.2	2.0	4.3
Mark to market (gain)/loss in respect of derivative financial instruments	(5.5)	1.3	9.3
Adjusted profit before income tax	2.8	2.6	11.1
Share of taxation	(0.8)	(0.9)	(3.9)
Adjusted profit	2.0	1.7	7.2
Adjusted earnings per share	pence	pence	pence
Basic	4.1	3.4	14.8
Diluted	4.1	3.4	14.8

Adjusted figures are stated before amortisation of acquired intangibles, reorganisation costs and impairment and unrealised changes in the fair value of financial instruments.

(II) OPERATING CASH FLOW

	Half year to 30 Sept 2009 £m	Half year to 30 Sept 2008 £m	Year to 31 March 2009 £m
Earnings before interest tax, depreciation and amortisation	7.8	6.6	20.3
Working capital movements	2.6	(2.3)	1.4
Proceeds from sale of property, plant and equipment	0.1	-	0.2
Acquisition of property, plant and equipment	(1.4)	(1.5)	(3.6)
Capitalised development expenditure	(1.9)	(3.5)	(6.4)
Operating cash flow	7.2	(0.7)	11.9

3 SEGMENT INFORMATION

Information is presented in the condensed consolidated half year financial statements in respect of the Group's three business segments. These segments are Nanotechnology Tools, Industrial Products and Service. The Nanotechnology Tools segment consists of the Group's highest technology assets and is characterised by a high degree of customisation and high unit price. The Industrial Products segment contains businesses that carry out medium volume production of high technology products for industrial customers. The Service segment contains the Group's service businesses as well as service revenues from the service activities from other parts of the Group.

Segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis.

Half year to 30 September 2009

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	43.3	30.8	18.7	92.8
Inter-segment revenue	0.2	0.1	-	
Total segment revenue	43.5	30.9	18.7	
Segment trading profit/(loss)	2.1	(0.7)	2.7	4.1

Half year to 30 September 2008

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	39.7	35.8	17.3	92.8
Inter-segment revenue	0.2	0.2	0.1	
Total segment revenue	39.9	36.0	17.4	
Segment trading profit/(loss)	2.2	(1.1)	2.4	3.5

Year to 31 March 2009

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	93.8	75.1	37.6	206.5
Inter-segment revenue	0.4	0.4	0.3	
Total segment revenue	94.2	75.5	37.9	
Segment trading profit/(loss)	8.6	(1.3)	5.8	13.1

Reconciliation of reportable segment profit

	Half year to 30 Sept 2009 £m	Half year to 30 Sept 2008 £m	Year to 31 March 2009 £m
Profit for reportable segments	4.1	3.5	13.1
Reorganisation costs and impairment	(0.4)	2.0	(6.8)
Amortisation of acquired intangibles	(2.2)	(2.0)	(4.3)
Financial income	9.3	4.8	9.8
Financial expenditure	(5.1)	(7.0)	(21.1)
Profit/(loss) before income tax	5.7	1.3	(9.3)

4 TRADING EXPENSES EXCLUDING COST OF GOODS SOLD

	Half year to 30 Sept 2009 £m	Half year to 30 Sept 2008 £m	Year to 31 March 2009 £m
Selling and marketing costs	17.4	18.6	36.4
Administration and shared services	9.0	8.8	19.6
Research and development (note 5)	5.8	6.3	13.3
Foreign exchange loss	2.8	1.0	8.3
	35.0	34.7	77.6

5 RESEARCH AND DEVELOPMENT

Total research and development spend by the Group is as follows:

	Half year to 30 Sept 2009 £m	Half year to 30 Sept 2008 £m	Year to 31 March 2009 £m
Total cash spent on research and development during the period	5.8	8.5	16.3
Less: amount capitalised	(1.9)	(3.5)	(6.4)
Add: amortisation of amounts previously capitalised	1.9	1.3	3.4
Research and development charged to income statement	5.8	6.3	13.3

6 REORGANISATION COSTS AND IMPAIRMENT

	Half year to 30 Sept 2009 £m	Half year to 30 Sept 2008 £m	Year to 31 March 2009 £m
Profit on disposal of Oxford Diffraction Ltd	-	3.4	3.4
Loss on disposal of MBE product line	-	(0.9)	(1.0)
Restructuring costs	(0.4)	-	(8.7)
	(0.4)	2.5	(6.3)
Impairment of carrying value of ARKeX Ltd	-	(0.5)	(0.5)
	(0.4)	2.0	(6.8)

During the period, the Group concluded the restructuring programme started in the previous year. This resulted in additional redundancy and related costs at sites in Japan, France, Finland and the UK.

Restructuring costs in the year to 31 March 2009 comprise rationalisation of activities at sites in Oxfordshire and High Wycombe UK, Chicago US, Espoo Finland, Uedem and Ismaning Germany and Hobro Denmark. Costs comprise redundancy and related charges of £5.5m, inventory impairments of £1.8m, capitalised research and development impairments of £1.0m and fixed asset impairments of £0.4m.

The Group disposed of its 22% holding in Oxford Diffraction Ltd on 4 April 2008 resulting in a profit of £3.4m.

On 22 September 2008 the Group disposed of the Molecular Beam Epitaxy (MBE) product line to Riber SA for a cash consideration of £0.3m with a resulting loss on disposal of £1.0m.

In the year to 31 March 2009 Group recognised an impairment charge of £0.5m against the cost of its investment in and loans to ARKeX Ltd.

7 TAXATION

The total effective tax rate on profits for the half year is 28% (2008: nil charge). The Group estimates that its full year weighted average tax rate (excluding deferred taxation in respect of mark to market gains/losses in respect of derivatives, amortisation of acquired intangibles and reorganisation costs) will be 29% (2008: 35%).

8 EARNINGS PER SHARE

a) Unadjusted

The earnings per share is as follows:

	Half year to 30 Sept 2009 pence	Half year to 30 Sept 2008 pence	Year to 31 March 2009 pence
Basic	8.3	2.6	(13.9)
Diluted	8.2	2.6	(13.9)

b) Adjusted

The earnings per share before other operating income, amortisation of acquired intangibles, reorganisation costs and impairment, and mark to market gains or losses in respect of certain derivatives is as follows:

	Half year to 30 Sept 2009 pence	Half year to 30 Sept 2008 pence	Year to 31 March 2009 pence
Basic	4.1	3.4	14.8
Diluted	4.1	3.4	14.8

A reconciliation of the profit for the periods used to calculate earnings per share to the adjusted profit for the periods used to calculate the adjusted earnings per share shown above can be found in note 2.

8 EARNINGS PER SHARE (CONTINUED)

c) Basic

The calculation of basic earnings per share is based on the profit or loss for the period after taxation and a weighted average number of ordinary shares outstanding during the period, excluding shares held by the Employee Share Ownership Trust, as follows:

	Half year to 30 Sept 2009 Shares million	Half year to 30 Sept 2008 Shares million	Year to 31 March 2009 Shares million
Weighted average number of shares outstanding	49.4	49.4	49.4
Less weighted average number of shares held by Employee Share Ownership Trust	(0.6)	(0.6)	(0.6)
Weighted average number of shares used in calculation of earnings per share	48.8	48.8	48.8

d) Diluted

The following table shows the effect of share options on the calculation of both adjusted and unadjusted diluted basic earnings per share.

	Half year to 30 Sept 2009 Shares million	Half year to 30 Sept 2008 Shares million	Year to 31 March 2009 Shares million
Number of ordinary shares per basic earnings per share calculations	48.8	48.8	48.8
Effect of shares under option	0.2	0.4	0.2
Number of ordinary shares per diluted earnings per share calculations	49.0	49.2	49.0

9 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	Half year to 30 Sept 2009 pence	Half year to 30 Sept 2008 pence	<i>Year to 31 March 2009 pence</i>
Previous period interim dividend	2.4	2.4	2.4
Previous period final dividend	-	-	6.0
	2.4	2.4	8.4

The following dividends per share were proposed by the Group in respect of each accounting period presented:

	Half year to 30 Sept 2009 pence	Half year to 30 Sept 2008 pence	<i>Year to 31 March 2009 pence</i>
Interim dividend	2.4	2.4	2.4
Final dividend	-	-	6.0
	2.4	2.4	8.4

The interim dividend for the year to 31 March 2010 of 2.4 pence was approved by the Board on 17 November 2009 and has not been included as a liability as at 30 September 2009. The interim dividend will be paid on 8 April 2010 to shareholders on the register at the close of business on 5 March 2010.

Responsibility Statement of the Directors in respect of the Half Year Financial Statements

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Jonathan Flint Chief Executive
17 November 2009

Kevin Boyd Group Finance Director

Risks and Uncertainties

The Group has in place a risk management structure and internal controls which are designed to identify, manage and mitigate risk.

In common with all businesses, Oxford Instruments faces a number of risks and uncertainties which could have a material impact on the Group's long term performance.

On page 18 of its 2009 Annual Report and Accounts (a copy of which is available at www.oxford-instruments.com), the Company set out what the Directors regarded as being the principal risks and uncertainties facing the Group's long term performance. Many of these risks are inherent to Oxford Instruments as a global business and they remain valid as regards their potential impact during the remainder of the second half of the year.

The impact of the economic and end market environments in which the Group's businesses operate are considered in the Chairman's Statement and outlook sections of this Half Year Report, together with an indication if management is aware of any likely change in this situation.

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half year financial report for the six months ended 30 September 2009 which comprises the Condensed Consolidated Statement of Income, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Financial Position, Condensed Consolidation Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half year financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

S Haydn-Jones
for and on behalf of KPMG Audit Plc
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17 November 2009

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