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Press Release

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Oxford Instruments plc
Announcement of Half Year Results for 2014/2015

Oxford Instruments plc, a leading provider of high technology tools and systems for industry and research, today announces its Half Year Results for the six months to 30 September 2014.

Highlights:

- First half orders up 19.9% to £201.5 million (2013: £168.0 million); on a constant currency organic basis, orders up 7.4%.
- First half revenue up 7.3% to £178.5 million (2013: £166.3 million); on a constant currency organic basis revenues down 5.9%.
- Adjusted operating profit* of £18.9 million (2013: £22.0 million).
- Adjusted EPS of 20.9 pence (2013: 28.6 pence).
- Andor Technology acquisition integrating well and performing ahead of expectations; integration of RMG and RoentgenAnalytik acquisitions also proceeding to plan.
- Investment in R&D up 41% to £18.3 million with sustained momentum in new product introductions and strong new product pipeline.
- Interim dividend increased by 10.1% to 3.7 pence per share (2013: 3.36 pence).

*Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in Note 2.

Jonathan Flint, Chief Executive of Oxford Instruments plc, said "We will continue to focus on developing innovative new products and growing market share in our core areas of physical science. Our strategy will extend our reach into adjacent new markets by applying our tools and technologies to life science research and analysis, thus extending the reach and reputation of the Oxford Instruments brand worldwide."

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Half Year Statement

Overview

The strengthening markets and improving order trend reported earlier in the year continued throughout the half year. Orders were up 19.9% to £201.5 million (2013: £168.0 million), growing the order book by 17.3% to £147.9 million in the half. On a constant currency organic basis, orders grew by 7.4%.

Revenues grew by 7.3% to £178.5 million (2013: £166.3 million) supported by a strong contribution from Andor Technology which we acquired in January 2014. On a constant currency organic basis, revenues fell by 5.9%. This reflects the successful completion of the ITER contract, where sales in the comparator period amounted to £3.0 million, and tougher trading conditions in our Plasma Technology business, as outlined in the Sector Overview below.

Adjusted Operating Profit was £18.9 million (2013: £22.0 million). Acquisitions in the period contributed £4.1 million which countered a £2.1 million currency headwind.

Andor Technology has performed ahead of expectations and we expect it to be a key pillar of our future growth. The Andor brand has facilitated access for the entire group into the Life Sciences market. The convergence of the sciences offers Oxford Instruments a unique opportunity to access new markets as the life sciences increasingly use the analytical tools and methodologies of physics and engineering. For example, our EDS spectrometers are now being used by biologists to investigate the effects of nano particles on human biology, the bio-fortification of crops and pesticide protection of arable plants. This is due to the high performance and sensitivity of our X-MAX150 scanning electron microscope detectors that, for the first time, enable this type of bio-analysis.

Our two smaller acquisitions in the Industrial Products sector, RMG and RoentgenAnalytik, completed this time last year, have broadened our product offering to our industrial customers and their integration is proceeding to plan.

We experienced strong growth in North America where organic order growth was 28.7%. This growth was seen in both the Nanotechnology Tools and Industrial Products sectors as customers' budgets for high technology products have increased following two slow years. In Europe, we saw an improving position with organic orders increasing by 12.7%. In Asia, organic orders fell 13.8%, reflecting weaker demand in Japan despite growth in China.

We continue to invest in our customer focused R&D programme with sustained momentum in new product introductions. In the first half, our R&D spend increased by 41%. Our strong brand and technological leadership underpinned our success in maintaining pricing and we continued to strengthen our competitive position. The percentage of revenue that is made up of products less than three years old is a key indicator of the vitality of our new product development and currently stands at 46%.

For the half year, the Directors are proposing an interim dividend of 3.7 pence per share (2013: 3.36 pence), a 10.1% increase. This represents the seventh consecutive half year of double digit dividend growth.

Sector Overview

We operate in three sectors: Nanotechnology Tools, Industrial Products and Service.

NanoTechnology Tools

	2014 **£m**	2013 £m	Growth	CER* Organic Growth
Revenue	**92.8**	77.1	20.4%	-13.7%
Operating profit	**6.6**	7.4		

*Constant Exchange Rate

This sector produces our highest technology products and comprises two divisions. NanoCharacterisation is made up of our NanoAnalysis, Asylum Research and Andor Technology businesses. NanoSolutions comprises our Omicron, NanoScience and PlasmaTechnology businesses. Revenue grew by 20.4%, reflecting a strong contribution from Andor. However, profit was impacted by a currency headwind, a softening in demand in Japan and Russia across the sector, and a weaker performance from Plasma Technology. Performance in our Omicron business unit improved in the half year.

Our Plasma Technology business saw reduced order intake during the second half of the prior year. This flowed through to weaker revenues in the reported half. However, the business has now seen a marked recovery in orders, supported by a broad based market improvement in both research and production applications. Within production markets, there has been encouraging activity within the High Brightness LED sector, and we have also launched a new etch tool aimed at next generation single wafer technology. One order of note came from the UK National Graphene Institute at The University of Manchester, which ordered systems for graphene research from both our Plasma Technology and NanoScience businesses.

We are increasingly involved in the development and commercial exploitation of components for the emerging quantum information processing industry.   For example, our Triton® dilution refrigerators are being used for scaling up quantum computers towards practical machines, and our NanoScience business has strengthened its relationship with D-Wave, the first company to exploit the enormous commercial potential offered by Quantum Computing.

This year, the winners of the Nobel Prize for both chemistry and physics were Oxford Instruments customers. The Nobel Prize for Chemistry was won for the work with Super Resolution Microscopy, using Andor's advanced scientific cameras. As a result, we can now, understand better what is happening inside cells, including the potential to block HIV infection and to interfere with the mechanisms for type 2 diabetes. The winners of the Prize for Physics used our AZtec Analysis software with our electron backscatter diffraction hardware in analysing the illumination efficiency and defect density of a semiconductor device for next generation LED development.

Asylum Research's MFP-3D-Bio Atomic Force Microscope is being used to undertake research into whether cells are malignant or benign offering the possibility not only to detect cancerous cells but also to grade them in terms of how aggressively they may spread.

Andor Technology has performed well. A new Managing Director was appointed in May 2014, an internal promotion. The integration of the company into the Group continues to proceed to plan. Spectral Imaging and Apogee, two acquisitions made by Andor immediately prior to joining Oxford Instruments, are also integrating well into the Group.

Seven new products were launched during the period, with the high resolution Zyla HF creating significant customer interest. This camera is the fastest X-ray detection camera in the market, allowing the user to visualise samples in real time in a non-destructive manner.

Industrial Products

	2014 £m	2013 £m	Growth	CER Organic Growth
Revenue	**54.5**	58.0	-6.0%	-0.7%
Operating profit	**5.5**	8.1		

This sector supplies analytical systems for quality control, environmental and compliance testing, and components for industry and research. It comprises two divisions: Industrial Analysis and Industrial Components.

Reported revenue fell by 6%. However on a constant currency organic basis and excluding revenues from the ITER contract which concluded in the prior year, underlying growth was 4.5%. The completion of the ITER contract meant that profits were included in the comparator period but not in the reporting period and this, as well as adverse foreign currency exchange rates, impacted profits.

In September, we launched the X-MET8000 hand-held X-ray Fluorescence analyser. This offers significant opportunities to take market share from our competitors in the metals recycling and Positive Material Identification markets. The product, which is used to identify the composition of the material being analysed, has a unique and particularly robust design, making it ideal for industrial applications. Orders for this product have exceeded expectations in the first few weeks since launch.

The PMI MasterSmart mobile metals analyser launched at the end of the last financial year has been successful, opening up new markets in the power plant and wind industry and the offshore petrochemical and refineries markets.

Our magnetic resonance MQC analyser continues to be the preferred quality control (QC) tool for the snack food industry. Industrial Analysis has recently fulfilled a large order for replacement, updated analysers to a major international snack food manufacturer for QC testing. The market for Magnetic Resonance's rock core application also continues to grow, increasing its reach into South Africa and Australia.

Our acquisitions, RMG and RoentgenAnalytik, continue to integrate well. We extended the addressable market for RMG's mPulse LIBS (laser induced breakdown spectroscopy) instrument to include Asia and the US. LIBS offers customers in the recycling markets rapid metal sorting and is free from the regulatory constraints usually associated with alternative x-ray based systems. RoentgenAnalytik has just launched its new coating thickness analyser, Maxxi6. It can for the first time determine phosphorous in nickel coatings, a key requirement for customers who employ sophisticated new metals plating methods in the electronics industry.

Our superconducting wire, X-ray Technology and Austin businesses make up Industrial Components division. This part of the business delivered a steady performance. The wire business has an improved order book due to continued healthy demand from customers producing MRI machines.

Austin has delivered a range of rugged compressors to the South African MeerKAT project, which is aimed at installing sixty four high-tech, highly sensitive, radio telescopes. These compressors feature unique electronics, sensors and controls which have been specifically designed for operation in harsh environments. In October 2014, GT Advanced Technologies Inc (GTAT) who had in the past, been a major customer for Austin, filed for bankruptcy court protection under Chapter 11 of the US bankruptcy code. Anticipated sales to GTAT in the second half of this year were £0.9 million.

Service Sector

	2014	2013	Growth	CER Organic Growth
	£m	£m		
Revenue	**31.7**	32.3	-1.9%	1.9%
Operating profit	**6.8**	6.5		

Our Service sector comprises our service, support training, refurbishment, consumables and accessories elements of our business and our MRI and CT third party service business in the US and Japan. Revenues were slightly down reflecting the slower trading conditions reported above. However, margins improved due to the growth of our third party service business which has been renamed Oxford Instruments Healthcare to better reflect its market focus. This business delivered an increase in revenue, due in part to a successful entry into the US veterinary market.

In the US, the Affordable Care Act continues to be a major influence in the healthcare marketplace. Payments to health care providers have been cut and incentives provided to consolidate healthcare provision. This is causing health care providers to re-think how they purchase service solutions for their imaging equipment. As a result, they are moving towards more responsive and flexible partners such as Oxford Instruments Healthcare.

The general service teams are performing well across all revenue streams. China, in particular, has shown good growth in service contracts and spares for the NanoAnalysis and Industrial Analysis businesses. A dedicated service repair centre was opened in India to strengthen our capability in the region.

Balance Sheet

At the half year end, net debt was £137.5 million (2013: net cash £32.2 million). Cash outflow in the period was £13.2 million (2013: £7.0 million). The Group has total committed facilities of £169.5 million. This comprises £100 million in the form of a revolving credit facility with a club of banks, a £25 million 7 year fixed interest loan with the European Investment Bank which was drawn down in August 2013, and a £44.5 million 7 year fixed interest loan from Pricoa which was drawn down in March 2014. The revolving credit facility is extendable to £150 million by mutual consent, and expires in December 2018.

As calculated under IAS19, the defined benefit pension deficit has increased by £8.4 million to £54.7 million since 31 March 2014. Since then, assets have increased by 6.8% to £209.9 million while liabilities have increased by 8.9% to £264.6 million as a result of the decrease in interest rates since the half year end.

Taxation and Earnings Per Share

In the UK, the Group benefits from the patent box tax regime and the ability to utilise brought forward tax losses. These mitigate the impact of higher tax rates in the Group's other major territories of operation. The combination of these factors gives a half year adjusted tax rate of 23% (2013: 21%). For the full year it is anticipated that the adjusted tax rate will be at a similar level. This is the final year in which the Group expects to benefit from brought forward tax losses.

Adjusted basic earnings per share (EPS) is 20.9 pence (2012: 28.6 pence). Reported EPS was 2.9 pence (2012: 23.2 pence). The significant reduction in reported EPS is mainly due to amortisation charges which have increased significantly following the acquisition of Andor Technology in January 2014.

Dividends

In 2011, the Group moved to a progressive dividend policy, whereby we seek to raise dividends as annual adjusted earnings per share increase, although not necessarily by the same proportion, depending on the Directors' perceived need for cash to expand the business both organically and through acquisition. For the half year just ended, the Directors are proposing an interim dividend of 3.7 pence per share (2013: 3.36 pence), payable on 9 April 2015 to shareholders who are on the register on 6 March 2015.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above.

The diverse nature of the Group provides a solid foundation for a sustainable business. The Directors have reviewed the Group's forecasts and considered a number of potential scenarios relating to changes in trading performance. The Directors believe that the Group will be able to operate within its existing debt facilities. This review also considered hedging arrangements in place. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

This Half Year Report has 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.

Principal Risks
The principal risks in the business are considered above in the Principal Risks and Uncertainties section of this Half Year Report.

Board Changes
Professor Sir Michael Brady retired from the Board at our recent AGM. Mike's technical and business skills have been a fantastic asset to the Group over many years and his wise counsel was greatly valued. To provide continuing specialist advice on high technology issues, Professor Sir Richard Friend joined the Board on 1 September 2014. Richard is Cavendish Professor of Physics at Cambridge University.

People
The success of our business relies on the diversity of skills and expertise and the high calibre of people worldwide. We would like to thank them for their high standards of professionalism, their commitment and valuable contribution to the business.

Current Trading and Outlook
We expect the improved economic conditions in the US and UK, and the momentum of new product introductions to yield a significantly improved operating profit in the second half. Second half results are also expected to be ahead of the comparable period last year. Our confidence is underpinned by the strengthening order book built up during the first half. However for the full year, given relatively weak trading in the first half, we anticipate performance around the lower end of market expectations.

Looking ahead, we will continue to focus on developing innovative new products and growing market share in our core areas of physical science. Our strategy will extend our reach into adjacent new markets by applying our tools and technologies to life science research and analysis, thus extending the reach and reputation of the Oxford Instruments brand worldwide.

Forward-looking statements
This document contains certain forward looking statements. The forward-looking statements reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

Jonathan Flint
Chief Executive
11 November 2014

Condensed Consolidated Statement of Income

Half year ended 30 September 2014 – unaudited

		Half Year to 30 Sept 2014			Half Year to 30 Sept 2013		
	Notes	**Before adjusting items* £m**	**Adjusting items* £m**	**Total £m**	Before adjusting items* £m	Adjusting items* £m	Total £m
Revenue	3	**178.5**	**-**	**178.5**	166.3	-	166.3
Cost of sales		**(99.8)**	**(0.2)**	**(100.0)**	(91.4)	-	(91.4)
Gross profit		**78.7**	**(0.2)**	**78.5**	74.9	-	74.9
Research and development	4	**(14.3)**	**-**	**(14.3)**	(12.0)	-	(12.0)
Selling and marketing		**(31.8)**	**-**	**(31.8)**	(26.9)	-	(26.9)
Administration and shared services		**(15.1)**	**(11.8)**	**(26.9)**	(14.2)	(5.9)	(20.1)
Other operating income		**-**	**1.4**	**1.4**	-	-	-
Foreign exchange gain		**1.4**	**-**	**1.4**	0.2	-	0.2
Operating profit		**18.9**	**(10.6)**	**8.3**	22.0	(5.9)	16.1
Other financial income		**0.1**	**-**	**0.1**	0.2	3.5	3.7
Financial income		**0.1**	**-**	**0.1**	0.2	3.5	3.7
Interest charge on pension scheme net liabilities		**(1.0)**	**-**	**(1.0)**	(1.2)	-	(1.2)
Other financial expenditure		**(2.6)**	**(2.1)**	**(4.7)**	(0.4)	(0.5)	(0.9)
Financial expenditure		**(3.6)**	**(2.1)**	**(5.7)**	(1.6)	(0.5)	(2.1)
Profit before income tax	3	**15.4**	**(12.7)**	**2.7**	20.6	(2.9)	17.7
Income tax (expense)/credit	6	**(3.5)**	**2.5**	**(1.0)**	(4.4)	(0.1)	(4.5)
Profit for the period attributable to equity shareholders of the parent		**11.9**	**(10.2)**	**1.7**	16.2	(3.0)	13.2
		pence		**pence**	pence		pence
Earnings per share							
Basic earnings per share	7	**20.9**		**2.9**	28.6		23.2
Diluted earnings per share	7	**20.8**		**2.9**	28.3		23.1
Dividends per share							
Dividends paid	8	**3.36**					3.05
Dividends proposed	8	**3.70**					3.36

* Adjusting numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in note 2 of this Half Year Report.

Condensed Consolidated Statement of Income

Half year ended 30 September 2014 – unaudited

	Notes	Year to 31 March 2014 Before adjusting items* £m	Adjusting items* £m	Total £m
Revenue	3	360.1	-	360.1
Cost of sales		(196.6)	(3.7)	(200.3)
Gross profit		163.5	(3.7)	159.8
Research and development	4	(25.1)	-	(25.1)
Selling and marketing		(56.7)	-	(56.7)
Administration and shared services		(33.1)	(22.6)	(55.7)
Foreign exchange gain		1.7	-	1.7
Operating profit		50.3	(26.3)	24.0
Other financial income		0.3	4.1	4.4
Financial income		0.3	4.1	4.4
Interest charge on pension scheme net liabilities		(2.0)	-	(2.0)
Other financial expenditure		(1.5)	(0.9)	(2.4)
Financial expenditure		(3.5)	(0.9)	(4.4)
Profit before income tax		47.1	(23.1)	24.0
Income tax (expense)/credit	6	(8.7)	2.9	(5.8)
Profit for the period attributable to equity shareholders of the parent		38.4	(20.2)	18.2

		pence		pence
Earnings per share				
Basic earnings per share	7	67.7		32.1
Diluted earnings per share	7	67.3		31.9
Dividends per share				
Dividends paid	8			11.2
Dividends proposed	8			12.4

*Adjusted numbers are stated to give a better understanding of the underlying business performance. Details of adjusting items can be found in note 2 of this Half Year Report.

Condensed Consolidated Statement of Comprehensive Income

Half year ended 30 September 2014 - unaudited

	Half year to 30 Sept 2014 £m	Half year to 30 Sept 2013 £m	*Year to 31 March 2014 £m*
Profit for the period	**1.7**	13.2	*18.2*
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences	**0.5**	(5.5)	*(8.4)*
Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	**-**	0.1	-
Tax on items that may be reclassified to profit or loss	**-**	-	-
Items that will not be reclassified subsequently to profit or loss			
Remeasurement (loss)/gain in respect of post retirement benefits	**(10.1)**	3.6	*(1.9)*
Tax on items that will not be reclassified to profit or loss	**2.1**	(2.2)	*(1.0)*
Total other comprehensive expense	**(7.5)**	(4.0)	*(11.3)*
Total comprehensive (expense)/income for the period attributable to equity shareholders of the parent	**(5.8)**	9.2	*6.9*

Condensed Consolidated Statement of Changes in Equity

Half year ended 30 September 2014 – 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 2014	**2.9**	**61.3**	**0.1**	**(4.4)**	**80.3**	**140.2**
Total comprehensive income:						
Profit for the year	-	-	-	-	1.7	1.7
Other comprehensive income:						
– Foreign exchange translation differences	-	-	-	0.5	-	0.5
– Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	-	-	-	-	-	-
– Remeasurement loss in respect of post-retirement benefits	-	-	-	-	(10.1)	(10.1)
– Tax on items recognised directly in other comprehensive income	-	-	-	-	2.1	2.1
Total comprehensive income/(expense) attributable to equity shareholders of the parent	-	-	-	**0.5**	**(6.3)**	**(5.8)**
Transactions with owners recorded directly in equity:						
– Debit in respect of employee service costs settled by award of share options	-	-	-	-	(0.2)	(0.2)
– Tax charge in respect of share options	-	-	-	-	(0.2)	(0.2)
– Proceeds from shares issued	-	0.1	-	-	-	0.1
– Dividends paid	-	-	-	-	(7.1)	(7.1)
Total transactions with owners recorded directly in equity:	-	**0.1**	-	-	**(7.5)**	**(7.4)**
Balance at 30 September 2014	**2.9**	**61.4**	**0.1**	**(3.9)**	**66.5**	**127.0**

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2013	**2.8**	**60.6**	**0.1**	**4.0**	**70.2**	**137.7**
Total comprehensive income:						
Profit for the year	—	—	—	—	13.2	13.2
Other comprehensive income:						
– Foreign exchange translation differences	—	—	—	(5.5)	—	(5.5)
– Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	—	—	0.1	—	—	0.1
– Remeasurement loss in respect of post-retirement benefits	—	—	—	—	3.6	3.6
– Tax on items recognised directly in other comprehensive income	—	—	—	—	(2.2)	(2.2)
Total comprehensive income/(expense) attributable to equity shareholders of the parent	—	—	**0.1**	**(5.5)**	**14.6**	**9.2**
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	0.8	0.8
– Tax charge in respect of share options	—	—	—	—	(0.7)	(0.7)
– Proceeds from shares issued	—	0.1	—	—	—	0.1
– Dividends paid	—	—	—	—	(6.4)	(6.4)
Total transactions with owners recorded directly in equity:	—	**0.1**	—	—	**(6.3)**	**(6.2)**
Balance at 30 September 2013	**2.8**	**60.7**	**0.2**	**(1.5)**	**78.5**	**140.7**

Condensed Consolidated Statement of Changes in Equity

Half year ended 30 September 2014 – unaudited *continued*

	Share capital £m	Share premium account £m	Other reserves £m	Foreign exchange translation reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2013	**2.8**	**60.6**	**0.1**	**4.0**	**70.2**	**137.7**
Total comprehensive income:						
Profit for the year	—	—	—	—	18.2	18.2
Other comprehensive income:						
– Foreign exchange translation differences	—	—	—	(8.4)	—	**(8.4)**
– Gain on effective portion of changes in fair value of cash flow hedges, net of amounts recycled	—	—	—	—	—	—
– Remeasurement loss in respect of post-retirement benefits	—	—	—	—	(1.9)	(1.9)
– Tax on items recognised directly in other comprehensive income	—	—	—	—	(1.0)	(1.0)
Total comprehensive (expense)/income attributable to equity shareholders of the parent	—	—	—	**(8.4)**	**15.3**	**6.9**
Transactions with owners recorded directly in equity:						
– Credit in respect of employee service costs settled by award of share options	—	—	—	—	1.6	1.6
– Tax charge in respect of share options	—	—	—	—	(0.4)	(0.4)
– Proceeds from shares issued	0.1	0.7	—	—	—	0.8
– Dividends paid	—	—	—	—	(6.4)	(6.4)
Total transactions with owners recorded directly in equity:	**0.1**	**0.7**	—	—	**(5.2)**	**(4.4)**
Balance at 31 March 2014	**2.9**	**61.3**	**0.1**	**(4.4)**	**80.3**	**140.2**

Condensed Consolidated Statement of Financial Position

As at 30 September 2014 - unaudited

	As at 30 Sept 2014 £m	As at 30 Sept 2013 £m	*As at 31 March 2014 £m as re-presented***
Assets			
Non-current assets			
Property, plant and equipment	**34.5**	32.1	*34.4*
Intangible assets	**240.7**	84.1	*249.0*
Deferred tax assets	**12.8**	19.3	*11.4*
	288.0	135.5	*294.8*
Current assets			
Inventories	**77.2**	61.0	*67.8*
Trade and other receivables	**79.6**	70.3	*80.9*
Current income tax recoverable	**1.2**	0.1	*1.5*
Derivative financial instruments	**3.9**	4.2	*5.3*
Cash and cash equivalents	**18.9**	56.9	*32.6*
	180.8	192.5	*188.1*
Total assets	**468.8**	328.0	*482.9*
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	**2.9**	2.8	*2.9*
Share premium	**61.4**	60.7	*61.3*
Other reserves	**0.1**	0.2	*0.1*
Translation reserve	**(3.9)**	(1.5)	*(4.4)*
Retained earnings	**66.5**	78.5	*80.3*
	127.0	140.7	*140.2*
Liabilities			
Non-current liabilities			
Bank loans	**156.4**	24.7	*141.4*
Other payables	**8.0**	11.4	*13.1*
Retirement benefit obligations	**54.7**	42.6	*46.3*
Deferred tax liabilities	**9.4**	5.1	*12.6*
	228.5	83.8	*213.4*
Current liabilities			
Bank loans	**-**	-	*15.5*
Trade and other payables	**95.5**	84.3	*99.2*
Current income tax payables	**2.3**	4.4	*3.7*
Accrued dividend	**5.2**	4.6	*-*
Derivative financial instruments	**1.1**	0.4	*0.5*
Provisions	**9.2**	9.8	*10.4*
	113.3	103.5	*129.3*
Total liabilities	**341.8**	187.3	*342.7*
Total liabilities and equity	**468.8**	328.0	*482.9*

**See note 1 for details of re-presentation of comparative information

Condensed Consolidated Statement of Cash Flows half year ended 30 September 2014 - unaudited

	Half year to 30 Sept 2014 £m	Half year to 30 Sept 2013 £m	*Year to 31 March 2014 £m*
Profit for the period	**1.7**	13.2	*18.2*
Adjustments for:			
Income tax expense	**1.0**	4.5	*5.8*
Net financial expense/(income)	**5.6**	(1.6)	*—*
Reversal of acquisition related fair value adjustments	**0.2**	—	*3.7*
Acquisition related costs	**0.9**	0.8	*7.8*
Contingent consideration deemed no longer payable	**(1.4)**	—	*—*
Settlement loss on US pension scheme	**—**	—	*0.1*
Amortisation of acquired intangibles	**10.9**	5.1	*14.7*
Depreciation of property, plant and equipment	**2.6**	2.3	*5.0*
Amortisation and impairment of capitalised development costs	**1.7**	1.8	*3.9*
Adjusted earnings before interest, tax, depreciation and amortisation	**23.2**	26.1	*59.2*
Loss on disposal of plant, property and equipment	**0.1**	0.2	*0.3*
Cost of equity settled employee share schemes	**(0.2)**	0.8	*1.6*
Acquisition related costs paid	**(1.3)**	(0.1)	*(6.4)*
Cash payments to the pension scheme more than the charge to operating profit	**(2.9)**	(2.4)	*(5.4)*
Operating cash flows before movements in working capital	**18.9**	24.6	*49.3*
(Increase)/decrease in inventories	**(9.6)**	(5.0)	*(2.9)*
Increase in receivables	**1.6**	(1.2)	*(3.8)*
(Decrease)/increase in payables and provisions	**(11.1)**	(10.3)	*(3.3)*
(Decrease)/increase in customer deposits	**3.9**	(4.3)	*(10.9)*
Cash generated by operations	**3.7**	3.8	*28.4*
Interest paid	**(2.4)**	(0.3)	*(1.0)*
Income taxes paid	**(4.4)**	(3.0)	*(6.2)*
Net cash from operating activities	**(3.1)**	0.5	*21.2*
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	**(0.8)**	(0.3)	*(165.7)*
Acquisition of property, plant and equipment	**(3.3)**	(2.4)	*(6.8)*
Capitalised development expenditure	**(4.5)**	(2.4)	*(5.4)*
Net cash used in investing activities	**(8.6)**	(5.1)	*(177.9)*
Cash flows from financing activities			
Proceeds from issue of share capital	**0.1**	0.1	*0.8*
Increase in borrowings	**15.0**	24.7	*156.9*
Repayment of borrowings	**(15.5)**	—	*—*
Dividends paid	**(1.9)**	(1.7)	*(6.4)*
Net cash (used in)/from financing activities	**(2.3)**	23.1	*151.3*
Net increase in cash and cash equivalents	**(14.0)**	18.5	*(5.4)*
Cash and cash equivalents at beginning of the period	**32.6**	39.2	*39.2*
Effect of exchange rate fluctuations on cash held	**0.3**	(0.8)	*(1.2)*
Cash and cash equivalents at end of the period	**18.9**	56.9	*32.6*

Reconciliation of changes in cash and cash equivalents to movement in net (debt)/cash

	Half year to 30 Sept 2014 £m	Half year to 30 Sept 2013 £m	*Year to 31 March 2014 £m*
(Decrease)/increase in cash and cash equivalents	**(14.0)**	18.5	*(5.4)*
Effect of foreign exchange rate changes on cash and cash equivalents	**0.3**	(0.8)	*(1.2)*
	(13.7)	17.7	*(6.6)*
Cash inflow from increase in debt	**(15.0)**	(24.7)	*(156.9)*
Cash outflow from decrease in debt	**15.5**	—	*—*
Movement in net cash in the period	**(13.2)**	(7.0)	*(163.5)*
Net cash at start of the period	**(124.3)**	39.2	*39.2*
Net (debt)/cash at the end of the period	**(137.5)**	32.2	*(124.3)*

Notes on the Half Year Financial Statements
Half year ended 30 September 2014 – unaudited

1 BASIS OF PREPARATION OF ACCOUNTS

Reporting entity
Oxford Instruments plc (the Company) is a company incorporated in England and Wales. The condensed consolidated half year financial statements consolidate the results 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 2014.

The financial information contained herein is unaudited and does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2014 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Significant accounting policies
As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 March 2014, except as explained below.

Adoption of new and revised standards

The following standards and interpretations are applicable to the Group and have been adopted as they are mandatory for the year ended 31 March 2015.

IFRS 10 – Consolidated financial statements: This new standard provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. The adoption of this standard has had no significant impact.

Amendments to IAS 36 – Impairment of assets and recoverable amount disclosures for non-financial assets: The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The adoption of this standard has had no significant impact.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities: The amendments clarify the offsetting criteria, specifically when an entity currently has a legal right of set off; and when gross settlement is equivalent to net settlement. The adoption of this standard has had no significant impact.

At present, there are no other new standards, amendments to standards or interpretations mandatory for the first time for the year ending 31 March 2015.

Estimates
The preparation of half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Half Year Financial Statements, the significant judgements made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 March 2014.

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2014 – unaudited

1 BASIS OF PREPARATION OF ACCOUNTS *continued*

Going concern

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.

Re-presentation of comparative information

As required by IFRS3 the accounts as at 31 March 2014 have been re-resented in respect of the finalisation of the acquisition accounting which was provisional at the time the 31 March 2014 accounts were published.

Exchange rates

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

Period end rates	**Half year to 30 Sept 2014**	Half year to 30 Sept 2013	*Year to 31 March 2014*
US Dollar	**1.62**	1.62	*1.67*
Euro	**1.28**	1.20	*1.21*
Yen	**178**	159	*172*

Average translation rates	**US Dollar**	**Euro**	**Yen**
Half year to 30 September 2014			
April	1.68	1.21	172
May	1.68	1.22	172
June	1.70	1.24	172
July	1.68	1.25	173
August	1.66	1.26	173
September	1.62	1.27	175

Average translation rates 2014	**US Dollar**	**Euro**	**Yen**
April	*1.53*	*1.19*	*147*
May	*1.53*	*1.18*	*152*
June	*1.52*	*1.17*	*152*
July	*1.53*	*1.16*	*151*
August	*1.54*	*1.17*	*151*
September	*1.58*	*1.18*	*155*
October	*1.62*	*1.18*	*158*
November	*1.63*	*1.19*	*163*
December	*1.65*	*1.20*	*171*
January	*1.65*	*1.21*	*171*
February	*1.66*	*1.22*	*169*
March	*1.67*	*1.21*	*171*

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2014 – unaudited

2 NON-GAAP MEASURES

The Directors present the following non-GAAP measure as they believe it gives a better indication of the underlying performance of the business.

RECONCILIATION BETWEEN PROFIT BEFORE INCOME TAX AND ADJUSTED PROFIT

	Half year to 30 Sept 2014 £m	Half year to 30 Sept 2013 £m	*Year to 31 March 2014 £m*
Profit before income tax	**2.7**	17.7	*24.0*
Reversal of acquisition related fair value adjustments to inventory	**0.2**	-	*3.7*
Acquisition related costs	**0.9**	0.8	*7.8*
Amortisation and impairment of acquired intangibles	**10.9**	5.1	*14.7*
Contingent consideration deemed no longer payable	**(1.4)**	-	*-*
Unwind of discount in respect of deferred consideration	**0.5**	0.5	*0.9*
Mark to market (gain)/loss in respect of derivative financial instruments	**1.6**	(3.5)	*(4.1)*
Settlement loss on US pension scheme	**-**	-	*0.1*
Adjusted profit before income tax	**15.4**	20.6	*47.1*
Share of taxation	**(3.5)**	(4.4)	*(8.7)*
Adjusted profit	**11.9**	16.2	*38.4*

The reversal of acquisition related fair value adjustments to inventory are excluded from adjusted profit to provide a measure that includes results from acquired businesses on a consistent basis over time to assist comparison of performance.

Acquisition related costs comprise professional fees incurred in relation to mergers and acquisitions activity and any consideration which, under IFRS 3 (revised), falls to be treated as a post-acquisition employment expense.

In common with a number of other companies adjusted profit excludes the non-cash amortisation and impairment of acquired intangible assets and the unwind of discounts in respect of contingent consideration relating to business combinations. In the current period, £1.4m relating to contingent consideration on the acquisition of RMG Technology Limited which the directors no longer consider will be payable, has been released to other operating income.

In calculating the share of tax attributable to adjusted profit before tax in 2011 a one-off recognition of deferred tax assets relating to the Group's UK businesses of £11.3m was excluded. At that time the Group announced its intention to exclude the reversal of this deferred tax from the calculation of the share of tax attributable to adjusted profit before tax in the years in which it reverses. In the year to 31 March 2014 deferred tax of £2.2m was reversed. In the current period deferred tax of £0.8m (2013: £1.2m) has reversed and consequently been excluded from the tax attributable to adjusted profit before tax.

In the year to 31 March 2014, the Group purchased annuities for 27 members of the US defined benefit pension scheme. A loss of £0.1m crystallised on purchase.

Under IAS 39, all derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are also measured at fair value. In respect of instruments used to hedge foreign exchange risk and interest rate risk the Group does not take advantage of the hedge accounting rules provided for in IAS 39 since that standard requires certain stringent criteria to be met in order to hedge account, which, in the particular circumstances of the Group, are considered by the Board not to bring any significant economic benefit. Accordingly, the Group accounts for these derivative financial instruments at fair value through profit or loss. To the extent that instruments are hedges of future transactions, adjusted profit for the year is stated before changes in the valuation of these instruments so that the underlying performance of the Group can be more clearly seen.

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2014 – unaudited

3 SEGMENT INFORMATION

The Group has five operating segments. These operating segments have been combined into three aggregated operating segments to the extent that they have similar economic characteristics, with relevance to products and services, type and class of customer, methods of sale and distribution and the regulatory environment in which they operate. Each of these three aggregated operating segments is a reportable segment.

The Group's internal management structure and financial reporting systems differentiate the three aggregated operating segments on the basis of the economic characteristics discussed below:

- the Nanotechnology Tools segment contains a group of businesses supplying similar products, characterised by a high degree of customisation and high unit prices. These are the Group's highest technology products serving research customers in both the public and private sectors;
- the Industrial Products segment contains a group of businesses supplying high technology products and components manufactured in medium volume for industrial customers; and
- the Service segment contains the Group's service business as well as service revenues from other parts of the Group.

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. The operating results of each are regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Board of Directors. Discrete financial information is available for each segment and used by the Board of Directors for decisions on resource allocation and to assess performance. No asset information is presented below as this information is not presented in reporting to the Group's Board of Directors.

Half year to 30 September 2014

	Nanotechnology Tools £m	**Industrial Products £m**	**Service £m**	**Total £m**
External revenue	**92.7**	**54.1**	**31.7**	**178.5**
Inter-segment revenue	**0.1**	**0.4**	**-**	
Total segment revenue	**92.8**	**54.5**	**31.7**	
Segment operating profit	**6.6**	**5.5**	**6.8**	**18.9**

Half year to 30 September 2013

	Nanotechnology Tools £m	Industrial Products £m	Service £m	Total £m
External revenue	77.0	57.0	32.3	166.3
Inter-segment revenue	0.1	1.0	-	
Total segment revenue	77.1	58.0	32.3	
Segment operating profit	7.4	8.1	6.5	22.0

Year to 31 March 2014

	Nanotechnology Tools £m	*Industrial Products £m*	*Service £m*	*Total £m*
External revenue	*180.5*	*113.3*	*66.3*	*360.1*
Inter-segment revenue	*0.1*	*1.4*	*0.1*	
Total segment revenue	*180.6*	*114.7*	*66.4*	
Segment operating profit	*21.2*	*15.6*	*13.5*	*50.3*

Notes on the Half Year Financial Statements (continued)
Half year ended 30 September 2014 – unaudited

Reconciliation of reportable segment profit

	Half year to 30 Sept 2014 £m	Half year to 30 Sept 2013 £m	*Year to 31 March 2014 £m*
Operating profit for reportable segments	**18.9**	22.0	*50.3*
Reversal of acquisition related fair value adjustments to inventory	**(0.2)**	-	*(3.7)*
Acquisition related costs	**(0.9)**	(0.8)	*(7.8)*
Settlement loss on US pension scheme	**-**	-	*(0.1)*
Amortisation of acquired intangibles	**(10.9)**	(5.1)	*(14.7)*
Contingent consideration deemed no longer payable	**1.4**	-	*-*
Financial income	**0.1**	3.7	*4.4*
Financial expenditure	**(5.7)**	(2.1)	*(4.4)*
Profit before income tax	**2.7**	17.7	*24.0*

4 RESEARCH AND DEVELOPMENT

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

	Half year to 30 Sept 2014 £m	Half year to 30 Sept 2013 £m	*Year to 31 March 2014 £m*
Research and development expense charged to the consolidated statement of income	**14.3**	12.0	*25.1*
Less: depreciation of R&D related fixed assets	**(0.4)**	(0.3)	*(0.8)*
Add: amounts capitalised as fixed assets	**1.6**	0.7	*2.1*
Less: amortisation and impairment of R&D costs previously capitalised as intangibles	**(1.7)**	(1.8)	*(3.9)*
Add: amounts capitalised as intangible assets	**4.5**	2.4	*5.4*
Total cash spent on research and development during the period	**18.3**	13.0	*27.9*

Notes on the Half Year Financial Statements (continued)
Half year ended 30 September 2014 – unaudited

5 ACQUISITIONS

Andor Technology plc

On 21 January 2014 the Group acquired 100% of the issued listed share capital of Andor Technology plc for a net cash consideration of £158.1m. Andor is a market leading supplier of high performance optical cameras, microscope systems and software.

The book and fair values of the assets and liabilities acquired are given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies and to reflect the fair value of assets and liabilities acquired. The business has been acquired for the purpose of integrating into the Nanotechnology Tools segment where it is believed that synergies can be obtained particularly in respect of routes to market.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	9.4	70.2	79.6
Tangible fixed assets	6.0	(4.0)	2.0
Inventories	11.1	2.5	13.6
Trade and other receivables	10.3	0.5	10.8
Trade and other payables	(13.5)	(2.0)	(15.5)
Deferred tax	(0.5)	(16.0)	(16.5)
Cash	17.2	—	17.2
Net assets acquired	40.0	51.2	91.2
Goodwill			84.1
Total consideration			175.3
Cash acquired			(17.2)
Net cash outflow relating to the acquisition			158.1

The goodwill arising is not tax deductible and is considered to represent the value of the acquired workforce and synergistic benefits expected to arise from the acquisition.

RoentgenAnalytik Systeme GmbH

On 31 December 2013 the Group acquired 100% of the issued share capital of Roentgenanalytik Systeme GmbH for a net cash consideration of £1.6m.The company specialises in designing and supplying instruments for coating thickness measurement and material analysis, using X-ray fluorescence (XRF).

The book and fair values of the assets and liabilities acquired are given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies and to reflect the fair value of assets and liabilities acquired. The business has been acquired to strengthen Oxford Instruments' range of X-ray Fluorescence (XRF) materials and coating thickness analysers.

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2014 – unaudited

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	—	1.2	1.2
Inventories	0.2	—	0.2
Trade and other receivables	0.1	—	0.1
Trade and other payables	(0.3)	0.2	(0.1)
Cash	0.1	—	0.1
Net assets acquired	0.1	1.4	1.5
Goodwill			0.2
Total consideration			1.7
Cash acquired			(0.1)
Net cash outflow relating to the acquisition			1.6

The goodwill arising is tax deductible in full and is considered to represent the value of the acquired workforce and synergistic benefits expected to arise from the acquisition.

RMG Technology Ltd

On 8 November 2013 the Group acquired 100% of the issued share capital of RMG Technology Limited for an initial net cash consideration of £5.7m. RMG is a UK business specialising in Laser Induced Breakdown Spectrography.

The book and fair values of the assets and liabilities acquired are given in the table below. Fair value adjustments have been made to better align the accounting policies of the acquired business with the Group accounting policies. The business has been acquired for the purpose of integrating into the Industrial Analysis segment where it will add a unique hand-held analyser to the Group’s product portfolio.

	Book value £m	Adjustments £m	Fair value £m
Intangible fixed assets	—	8.2	8.2
Inventories	0.1	—	0.1
Trade and other receivables	0.2	—	0.2
Trade and other payables	(0.3)	—	(0.3)
Deferred tax	—	(1.6)	(1.6)
Cash	0.4	—	0.4
Net assets acquired	0.4	6.6	7.0
Goodwill			0.5
Total consideration			7.5
Cash acquired			(0.4)
Contingent consideration at acquisition			(1.4)
Net cash outflow relating to the acquisition			5.7

The goodwill arising is not tax deductible and is considered to represent the value of the acquired workforce and synergistic benefits expected to arise from the acquisition. Further contingent consideration of up to £4m is payable based on revenue of the acquired business in the year to 31 March 2015.

Notes on the Half Year Financial Statements (continued)

Half year ended 30 September 2014 – unaudited

6 TAXATION

The total effective tax rate on profits for the half year is 36% (2013: 25%). The weighted average tax rate in respect of adjusted profit before tax (see note 2) for the half year is 23% (2013: 21%).

7 EARNINGS PER SHARE

a) 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 2014 Shares million	Half year to 30 Sept 2013 Shares million	*Year to 31 March 2014 Shares million*
Weighted average number of shares outstanding	**57.1**	56.9	*57.0*
Less: weighted average number of shares held by Employee Share Ownership Trust	**(0.2)**	(0.2)	*(0.2)*
Weighted average number of shares used in calculation of earnings per share	**56.9**	56.7	*56.8*

b) 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 2014 Shares million	Half year to 30 Sept 2013 Shares million	*Year to 31 March 2014 Shares million*
Number of ordinary shares per basic earnings per share calculations	**56.9**	56.7	*56.8*
Effect of shares under option	**0.4**	0.5	*0.4*
Number of ordinary shares per diluted earnings per share calculations	**57.3**	57.2	*57.2*

Notes on the Half Year Financial Statements (continued)
Half year ended 30 September 2014 – unaudited

8 DIVIDENDS PER SHARE

The following dividends per share were paid by the Group:

	Half year to 30 Sept 2014 pence	Half year to 30 Sept 2013 pence	*Year to 31 March 2014 pence*
Previous period interim dividend	**3.36**	3.05	*3.05*
Previous period final dividend	**-**	-	*8.15*
	3.36	3.05	*11.20*

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

	Half year to 30 Sept 2014 pence	Half year to 30 Sept 2013 pence	*Year to 31 March 2014 pence*
Interim dividend	**3.70**	3.36	*3.36*
Final dividend	**-**	-	*9.04*
	3.70	3.36	*12.40*

The final dividend for the year to 31 March 2014 was approved by shareholders at the Annual General Meeting held on 9 September 2014. Accordingly is it no longer at the discretion of the company and has been included as a liability as at 30 September 2014. It was paid on 23 October 2014.

The interim dividend for the year to 31 March 2015 of 3.7 pence was approved by the Board on 11 November 2014, 10.1% higher than the previous year and has not been included as a liability as at 30 September 2014. The interim dividend will be paid on 9 April 2015 to shareholders on the register at the close of business on 6 March 2015.

Principal 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 pages 16 and 17 of its 2014 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 and these are reproduced in the table below. 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.

Specific Risk	Context	Risk	Possible Impact	Associated strategic priorities	Mitigation
Technical Risk	The Group provides high technology equipment and systems to its customers.	Failure of the advanced technologies applied by the Group to produce commercial products, capable of being manufactured and sold profitably.	Lower profitability and financial returns. Negative impact on the Group's reputation.	'Realising the Brand' - Using 'Voice of the Customer' to drive rapid new product development. 'Liberate Cash' - Support and develop our employees to maximise their value add.	The Group has moved away from large scale, single customer development programmes towards more commercially orientated products. The New Product Introduction programme that any new R&D projects must pass through provides a framework within which the commercial viability of projects are scrutinised and assessed.
Economic Environment	The recent global recession and prevailing economic downturn have resulted in cuts to both government and private sector spending.	Demand for the Group's products may be lower than anticipated.	Lower profitability and financial returns.	'Realising the Brand' - Developing a strong brand in existing and developing markets. 'Delivering Shareholder Value' - Focus on balanced and attractive global markets.	The Group has a broad spread of customers, applications and geographical markets. The Group is expanding in the so called BRIC nations, whose markets have been more resilient during the economic downturn.
Acquisitions	Part of the growth of Oxford Instruments is planned to come from acquisitions which provide the Group with complementary technologies.	Appropriate acquisition targets may not be available in the necessary timescale. Alternatively, once acquired, targets may fail to provide the planned value.	Lower profitability and financial returns. Management focus taken away from the core business in order to manage integration issues.	'Realising the Brand' - Developing a strong brand in existing and developing markets. 'Inventing the Future' - Using "Voice of the Customer" to drive rapid new product development. 'Adding Personal Value' – Supporting and developing our employees.	Extensive financial and technical due diligence is undertaken by the Group during any acquisition programmes. Each transaction has a comprehensive post acquisition integration plan which is reviewed at the highest level.
Foreign exchange volatility	A significant proportion of the Group's profit is made in foreign currencies.	The Group's profit levels are exposed to fluctuations in exchange rates.	Lower profitability and financial returns	'Delivering Shareholder Value' - Focus on balanced and attractive global markets. 'Liberating Cash' – Developing a competitive global supply base that supports our growth.	The Group seeks to mitigate the exposure to transactional risk by the use of natural hedges wherever possible. The remaining transactional foreign exchange risk in any year is mitigated through the use of forward and non-premium based option exchange contracts.

Outsourcing	The Group's strategic plan includes the outsourcing of a significantly higher proportion of the costs of its products to benefit from economies of scale and natural currency hedges.	Failures in the supply chain impacting sales.	Disruption to customers. Negative impact on the Group's reputation.	'Liberating Cash' – Developing a competitive global supply base that supports our growth. 'Realising the Brand' - Developing a strong brand in existing and developing markets.	Relationships with outsourcing businesses are monitored closely and any potential issues are acted upon swiftly to avoid disruption. Where practical dual sources are used for key components and services.
Pensions	The Group's calculated pension deficit is sensitive to changes in the actuarial assumptions.	Movements in the actuarial assumptions may have an appreciable effect on the reported pension deficit.	Additional cash required by the Group to fund the deficit. Reduction in net assets.	'Delivering Shareholder Value' - Focus on balanced and attractive global markets. 'Liberating Cash' – Developing a competitive global supply base that supports our growth.	The Group has closed its defined benefit pension schemes in the UK and US to future accrual. The Group has a funding plan in place to reduce the pension deficit over the short to medium term.
People	A number of the Group's employees are business critical.	The employee leaves the Group.	Lower profitability and financial returns.	'Adding Personal Value' – Supporting and developing our employees. 'Inventing the Future' – Providing an environment for inventing and innovation.	The Group undertakes a regular employee survey and implements and reviews resulting action plans. A comprehensive succession planning process is in place, together with a talent network which identifies and manages contacts with people who could provide external succession for critical current and future roles. A management development programme provides exposure to key skills needed for growth. Regular individual performance reviews take place.
Routes to market	In some instances the Group's products are components of higher level systems and thus the Group does not control its route to market.	The systems integrator switches supplier denying the Group's route to market.	Lower profitability and financial returns.	'Inventing the Future' – Developing products that offer the best technical solution. 'Realising the Brand' – Ensuring that end customers appreciate the benefits of Oxford Instruments technology.	Use of the stage gate process and 'Voice of the Customer' to make sure that the Group's products are the best in the market. Co-marketing with system integrators to promote the merits of the Group's products to end customers. Seeking to increase the number of integrators supplied by the Group .

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

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 Kevin Boyd, Group Finance Director
11 November 2014

Independent review report to Oxford Instruments plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 which comprises the Condensed Consolidated Statement of Income, the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

We have read the other information contained in the half-yearly 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 Conduct Authority ("the UK FCA"). 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-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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-yearly 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-yearly 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-yearly financial report for the six months ended 30 September 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Greg Watts
for and on behalf of KPMG LLP
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham, B4 6GH

11 November 2014