*[Jonathan Flint, Chief Executive, Oxford Instruments plc]*

Good morning and welcome to the half year results announcement for Oxford Instruments for the 6 months ending 30 September 2013.

Today I will do a bit more than the standard half year results. First, as usual, I will take you through a few top level highlights and then hand over to Kevin Boyd, who will go through details of our financial results announced this morning. I will then come back and give you some more colour about the operational performance of the business. This time I will also outline the main points in next Strategic step in the development of Oxford Instruments in the medium term, and give you my view of the more immediate outlook for the remainder of the year.

Let me start with some highlights. As I said at the Prelims back in June. Our second quarter continued well and this improving trend seems to be sustained. The improved Book to bill ratio suggests this will continue.

Order run rates in Europe and Asia are ahead of last year. In the US, delays in Government research spending have affected orders although demand has shown some tentative recovery in the last two months.

We have a strong product pipeline and continue our focus on innovation and technical excellence.

Our acquisition plan is on track. We have looked at and rejected several targets in last year, but I am happy to say that this morning we have announced the acquisition of RMG technology, which brings unique Laser based spectrometry to Oxford Instruments. We are in discussions with Andor Technology plc with a view to acquiring them for a consideration of approximately £166 Million. Andor is a UK based high-technology company specialising in the manufacture of high-end scientific cameras, microscope systems and analytical software for the material science and life science industries. I will talk more about these later. Kevin …..

*[Kevin Boyd, Group Finance Director, Oxford Instruments plc]*

**Financial Highlights**

* Good Morning, I’d like to start by taking you through the financial highlights.
* It was very much a tale of two quarters with slow performance in the first quarter improving in quarter 2. I will show you a graph illustrating this in a minute.
* We saw a positive book to bill ratio although headline orders and sales were both slightly down on the prior year.
* The reduced volumes impacted profits and I will show you a causal in a moment. Operating margins were 13.2%.
* Both operating profit and profit before tax have been affected by the changes to IAS19 and the prior periods have been restated accordingly.
* The underlying tax charge rose from 18% to 21% as we use up brought forward losses. We are predicting that the full year tax charge will be in line with last year at 21%
* We are continuing with our progressive dividend policy increasing the Interim dividend by 10%.
* As expected the net cash balance reduced in the period.

**Segments**

* We report in three segments, Nanotechnology Tools, Industrial Products and Service.
* Our largest segment, Nanotechnology tools, had a poor first quarter as a result of budget difficulties in the US and a decline in sales into High Brightness LED markets in Asia. A much improved second quarter wasn’t quite enough to compensate and we ended the half 5% down.
* EBIT margins in Nanotechnology Tools suffered from the decline in volumes, particularly into the HBLED market although we expect this market to improve in the next twelve months. As expected the Asylum acquisition also diluted margins. The acquisition is performing exactly to plan and we should see increasing margins form this business in the future.
* As expected, we saw revenues in Industrial Products fall as the ITER contract and GTAT contract from Austin Scientific completed. Excluding these, we saw growth of 5%.
* EBIT margins improved by 160bps due to better product mix.
* Service revenue grew by 10% aided by the Asylum Research acquisition. Organic growth was over 8% as Platinum Medical Imaging continues to win market share.
* Margins in Service were broadly in line with those reported last year.

**Orders by Segment by Quarter**

* This chart shows orders by quarter by sector for each year and demonstrates the marked improvement across each sector and Group in total in Q2

**Sales Bridge**

* As discussed we saw a fall in underlying volumes. The ITER and GTAT contracts were largely completed last year giving a shortfall of £6m
* Stronger dollar and Euro rates more than compensated for the weaker Yen, giving us a small fx benefit.
* And Asylum Research generated over £7m sales in the period.

**Sales by Destination**

* A very similar sales mix to previous years. Absolute sales were down in Europe and Asia but up in North America. This contrasts with average monthly order intakes which are above last year in Asia and Europe but down in North America.

**Profit Bridge**

* This bridge reconciles the previous half year’s adjusted profit before tax of £22.5m to the £20.6m we report today.
* The volume variance was £3.4m while the completion of the ITER and GTAT contracts equated to £2.4m
* Better than average margins from Asylum helped gross margins increase from 44.6% to 45.0% while the effects of operational gearing impacted efficiency
* Unusually there was no Fx effect on profit in the period but a small increase in pension interest.
* The slow performance in the first quarter led us to rigorous cost control although we increased R&D spend.
* Finally, we saw a positive contribution from asylum research.

**Cash Flow**

* This bridge reconciles the net cash balances at the start and end of the period.
* EBITDA was £26.1m.
* As expected there was an outflow of working capital in the period, however in total, working capital still remains below 10% of sales and we would expect some of this outflow to reverse in the second half.
* Capex has returned to more normal as the new drawbench at our superconducting wire facility comes online.
* R&D capitalisation was £2.4m compared with amortisation of £1.8m.
* £2.4m was paid into the pension fund, an increase of £200k over the same period last year in line with our new funding requirements.
* Corporation tax payments decreased by £2.8m mainly due to a capital gains payment in the prior year on a disposal.
* The dividend is the interim from the prior year, up 10%.
* We ended the period with net cash of £32.2m.

**Sales & Margin Progression**

* This graph shows half year revenue progress since 2005/06, the base year of our original 5 year plan. In that period the compound annual growth rate for the first half of the year has been 13.4%. As acquisitions become integrated with existing Oxford businesses, organic growth rates are harder to calculate but we estimate somewhere around 10%.
* The red line shows margin progress since 2005/06, from negative 0.3% to 13.2% today. The margin in the early years was heavily influenced by the operational gearing effects of having higher sales in H2. As we have grown this has become much less marked.
* I’ll now hand you back to Jonathan to take you through the Operations Review.
* Thank you.

*[Jonathan Flint, Chief Executive, Oxford Instruments plc]*

Thank you Kevin.

Let’s take a look at our business structure. We report, and are managed in, three sectors; Nanotechnology Tools, Industrial Products and Service.

Nanotechnology Tools sector contains our highest technology assets, usually with a selling price counted in the hundreds of thousands of Dollars, sold in small volumes. There is a high degree of technical innovation in the product which is usually sold direct to our customers without the use of distributors.

Our Industrial Products division sells more mature high technology products into Industrial markets for quality control, environmental monitoring and compliance testing. Typical selling price is in the Tens of thousands of dollars range, with volumes of a few hundred per year. Here, we do sell through agents, as well as directly.

Our service sector addresses the aftermarket for our own and third party products. It has grown and now accounts for 19% of our revenue, helped by a growing installed base and an increasing acceptance by our customers of long term support contracts.

Today we announced the acquisition of RMG Technology which will form part of our Industrial Analysis business allowing us to expand and develop our share of the world scrap metal recycling market.

This acquisition will strengthen our ability to offer customers in the recycling industry an unprecedented choice of tools that use three different analytical techniques, tailored to their specific requirements. Those techniques are X-ray Fluorescence, Optical Emission Spectroscopy and now LIBS, Laser Induced Breakdown Spectroscopy. LIBS can offer faster analysis and better performance with light elements. I am delighted to welcome the two of the directors of RMG to our meeting this morning.

Let me give you a few illustrations of what we have been doing around the group.

Starting with the Nanotechnology Tools sector, you can see here an image of the largest (6m by 10m) multi technique nanofabrication system we have built, delivered to Julich University in Germany last month. It will be used to develop new nano-electronics components based on new types of molecules, oxides and even living cells. It includes an Atomic Layer Deposition system from Plasma Technology, a cross business collaboration model we are developing within the Nanotechnology Tools sector.

We have recognised the opportunities and potential in developing technologies and applications for two dimensional materials. This includes materials such as graphene, which I have talked about before, and also new materials like molybdenum disulphide and boron nitride. (there will be a quiz later!) We are in the process of establishing a centre of excellence based in our Bristol facility to exploit this emerging market.

Our NanoAnalysis business continues to maintain its market leading position by launching new detectors for Transmission Electron Microscopes and software designed for the analysis of photovoltaic cells.

The acquisition of Asylum Research gave us the capability to produce atomic force microscopes that are used in both the physical and life sciences markets. New product introductions have helped this business grow market share particularly in Japan. It also established Oxford Instruments as a participant in the Nano-Bio market. The image you see here was produced using our tools and if you look closely you can see an actual DNA helix. I do not know about you but I find it incredibly exciting that we can image the detailed molecular processes of life itself using Oxford Instruments equipment.

Our Industrial Products division has seen a number of new product launches this half. I’d like to mention two today. The PMI-MASTER Smart is the world’s first portable optical emission spectrometer. This new instrument is lighter and easier to carry than other products and has generated significant interest for use by customers who need to analyse metals in hard to reach places such as high platforms and towers in chemical and oil plants.

PULSAR is our new magnetic resonance analyser for rapid and low costs analysis of the fatty acid composition of food samples. In collaboration with the UK Institute of Food Research, we have developed improved methods of testing meat in the food chain and are able to differentiate between beef, lamb, pork and horsemeat, providing new weapons in the battle against food fraud. Previously, a meat sample had to be analysed in a laboratory and the process could take up to two weeks. Now, it takes just a couple of minutes, and the analysis can be performed in situ. We are now talking to major supermarkets, who are keen to adopt this technique. It can also be used to determine contamination in oils. The Institute of Food Research have found hazelnut oil is being used to adulterate pure olive oil. Traditional analysis cannot see the presence of hazelnut oil, but our magnetic resonance instrument can.

Our Service business continues to strengthen and demonstrates the best profitability in the Group. The installed based continues to grow, and we find this is supported by increased service contracts and orders for spares. We continue to invest in our international service capability, driven by our success in Korea earlier this year. and new opportunities for our CT & MR service business in the US have opened up in the veterinary market.

So that is the current business. Let’s look now at our strategy.

As most of you know, in June 2011, we defined a medium term strategic objective for the Group in which we sought to achieve a compound annual growth rate of 14% per year and a net return on sales of 14% by the end of the 2014 financial year. This is our *14 Cubed* Plan.

The strong performance of the Group over the first two years of the plan, driven by our technological advantage and exposure to growing markets and geographies, meant that we hit the 14% return on sales target a year early in March 2013.

The revenue growth rates in the first two years averaged 15.6 %, in excess of the 14% required. In the current year, our growth rate has slowed as two large contracts have been successfully completed. It is therefore envisaged that the growth rate this year will be less than the high figures seen previously. Revenue this half year represents compound growth of 13.7% over the same period in 2011, the base year of the plan.

With this strong foundation in place, now is the time to look forward to the next stage of the group’s strategy evolution.

At the prelims I talked about continuing to expand our technology and expertise in our existing market sectors. This chart may be familiar to many of you. It shows our current business map. Down the left hand side you see the various scientific techniques that we can deploy. The scale across the top represents increasing standardisation and commercialisation. You can see where Asylum Research’s atomic force microscopy fits within Nanotechnology Tools. The RMG acquisition sits in Industrial products and I gives us Laser Induced Breakdown Spectroscopy as shown. LIBS has long been on our target list to add to our technique portfolio.

Over the past eighteen months, I talked about extending our reach into adjacent markets where our ability to manipulate matter at the atomic and molecular level can be put to work. Many amongst you worked out that an extension into life sciences would make sense.

We believe the current trend towards convergence of the sciences provides a unique opportunity for Oxford Instruments to access a new set of customers who want to work at the atomic and molecular level. Areas like genomics and DNA modelling hold enormous potential for researchers worldwide. The mechanisms of protein folding and enzyme replication, for example, are amenable to research using tools at the nano scale. Initially, our technological focus will be on analysis, observing biological mechanisms in their natural state. Whilst many of our existing analytical techniques can be used in Life Sciences, there is a difference. Biological samples are often best studied in their natural, liquid environments, rather than in vacuum environments, as is generally the case in the analysis of inorganic samples.

We call the analysis, and manipulation of, organic molecules the Nano Bio arena. This will form the basis of the next strategic step for the Group. In this market we are already seeing significant progress with Asylum Research acquired in December 2012. Its atomic force microscopy systems address both our traditional Nano materials markets and also the Nano Bio markets.

Building on this success we want to accelerate the implementation of our Nano-Bio strategy by looking for investments which further expand our technology and give us the expertise to address this exciting sector.

One possible way to do this would be to acquire a high technology company which already had roots in this area and today we announced that we are in discussions with Andor. This would provide some of the techniques we have identified as desirable for the group although of course there are other ways of bringing them into the portfolio.

Let’s look at how this particular acquisition might shape up. Short term, there would be benefits from using our strong emerging markets infrastructure for Andor’s products. Our existing Nanotechnology businesses will benefit from Andor’s brand and strong research presence.

Longer term we would be able to leverage technology synergies to develop greater software capability and combined products, like a hybrid optical and electron microscope to address the Nano-Bio and Nano-Materials markets.

So let us take a look at the outlook.

The improving market conditions in Europe and sustained strength in Asia should continue to drive up orders and we believe that the tentative recovery in the US market will also support growth.

We have a strong new product pipeline, with a number of key launches as I have shown you and more to come. We believe that the second quarter momentum will continue into the remainder of the year. This together with new products and our efficiency measures, will enable us to deliver an improved performance in the second half.

The acquisition of RMG and our discussions with Andor are part of our continuing acquisition programme, and are examples of our strategy to add techniques to our portfolio and extend our capabilities in both our current markets and into the Nano Bio sector.

Thank you