Oxford Instruments plc half-year results 2024/25

Good performance with positive momentum into H2

In line with full-year expectations

Oxford Instruments plc, a leading provider of high technology products and systems for industry and research, today (12 November 2024) announces its interim results for the six months to 30 September 2024.

Richard Tyson, Chief Executive Officer of Oxford Instruments plc, said:

"The Group has delivered a good first half performance, with both divisions growing, reflecting strong demand in our semiconductor and materials analysis markets which more than offset the well-documented softer demand from the healthcare & life science market. I would like to thank the incredibly talented team across the Group for their significant contribution to these results and the transformation that is underway as we unlock Oxford Instruments' full potential.

"Order intake for the first half has been robust, with underlying book-to-bill above one, and our healthy order book provides good visibility, although the timing of the recovery in our healthcare & life science market remains uncertain. As expected, margin was impacted by currency and the mix effect of strong growth in Advanced Technologies. However, at constant currency, Group profit improved and Imaging & Analysis (more than 95% of FY24 profit) margins were stable at over 23%.

"We expect to deliver our typical stronger trading performance in the second half, supported by delivery of some larger orders in Advanced Technologies and efficiency improvements. As a result, we expect to report a performance for the full year in line with expectations on a constant currency basis.

"We have made good progress with our medium-term strategic priorities. Our actions to rebalance our regional activity are driving strong growth, particularly in North America and Asia ex-China, the simplification of the business is well underway, and the first phases of our operational performance programme have identified further value creation opportunities ahead. This underlines our confidence that we can improve the returns from the business in the medium term."

Adjusted[1]	**Half year 2024/25**	Half year 2023/24	% change reported	% change constant currency[4]
Revenue	**£225.8m**	£209.7m	+7.7%	+10.4%
Adjusted operating profit	**£33.9m**	£36.5m	(7.1%)	+3.6%
Adjusted operating profit margin	**15.0%**	17.4%	(240bps)	(110bps)
Adjusted profit before taxation	**£34.6m**	£37.5m	(7.7%)	
Adjusted basic earnings per share	**44.7p**	49.4p	(9.5%)	
Normalised cash conversion[2]	**17%**	41%		
Net cash[3]	**£39.3m**	£79.1m		

Statutory	**Half year 2024/25**	Half year 2023/24	% change reported
Revenue	**£225.8m**	£209.7m	+7.7%
Operating profit	**£31.1m**	£28.6m	+8.7%
Operating profit margin	**13.8%**	13.6%	+20bps
Profit before taxation	**£31.7m**	£29.6m	+7.1%
Basic earnings per share	**41.6p**	38.6p	+7.8%
Dividend per share (interim)	**5.1p**	4.9p	+4.1%

Financial highlights

- **Strong revenue growth of 10.4% at constant currency ('CC')**
- **Orders up 2.6% (CC) with underlying book-to-bill of 1.01 (Imaging & Analysis: 1.04)**
- **Adjusted operating profit up 3.6% at CC (2023: £36.5m)**
- **CC adjusted operating profit margin of 16.3% (2023: 17.4%), reflecting:**
  - Imaging & Analysis CC margin of 24.6% maintained
  - mix effect of stronger growth from Advanced Technologies
  - continued investment in operational improvement
- **Growth in both divisions:**
  - Imaging & Analysis: 6.0% CC revenue growth with strong margins maintained
  - Advanced Technologies: 21.4% CC revenue growth with good visibility of margin improvements
- **Strong balance sheet with £39.3m net cash and cash conversion expected to improve in H2**
  - Low normalised cash conversion of 17% reflects normal seasonality and increased working capital due to timing of quantum contract cash receipts; improvement expected in H2
- **Growth in interim dividend of 4.1% to 5.1p reflects confidence in the future**

Significant strategic progress

- **Regional rebalancing driving strong revenue growth** in North America (up 32.2% at constant currency) and Asia ex-China, offsetting impact of pivot to new markets in China

- **Investment in new products and market-leading technology driving strong CC revenue growth** in semiconductor (+26.9%) and materials analysis (+9.6%) offsetting softer healthcare & life science market (-17.3%)

- **Imaging and Analysis simplified with operational transformation well underway**
  - Four business units integrated to one, with reduced operating costs
  - First wave of operational transformation underway; second wave on track
  - Acquisition of nanoindentation tools developer FemtoTools completed, enhancing capabilities in materials research and semiconductor applications

- **Good progress towards return to profitability in Advanced Technologies**
  - 'Fix, improve and grow' programme progressing well, with new reference customers added
  - New compound semiconductor facility ramping up as planned, with strong double digit revenue growth, a strong pipeline and customer demo requests up 60% year on year
  - Good progress made towards returning quantum business to profitability with first deliveries to a key global technology customer, order book rebuilt and costs reduced

Order book and efficiency improvements provide good visibility for the full year

- **Order book of £294.9m (31 March 2024: £301.5m)**
  - Expect continued strong demand in semiconductors and materials analysis, stabilised healthcare & life science order demand and larger orders in Advanced Technologies

Notes

1. Adjusted items exclude the amortisation and impairment of acquired intangible assets, acquisition items, business reorganisation costs, other significant non-recurring items, and the mark-to-market movement of financial derivatives. A full definition of adjusted numbers can be found in the finance review and Note 3.
2. Normalised cash conversion measures the percentage of adjusted cash from operations to adjusted operating profit, as set out in the finance review.
3. Net cash includes total borrowings, cash at bank and bank overdrafts but excludes IFRS 16 lease liabilities.
4. Constant currency numbers are prepared on a month-by-month basis using the translational and transactional exchange rates which prevailed in the previous year rather than the actual exchange rates which prevailed in the year. Transactional exchange rates include the effect of our hedging programme.

The financial information in this preliminary announcement has been prepared in accordance with UK adopted international accounting standards and IAS 34 interim financial reporting. The Group has applied all accounting standards and interpretations issued relevant to its operations and effective for accounting periods beginning on 1 April 2024. The UK adopted IFRS accounting policies have been applied consistently to all periods.

LEI: 213800J364EZD6UCE231

Oxford Instruments management will present its half-year results at Deutsche Numis, 45 Gresham Street, London EC2V 7BF, to analysts and investors at 10.00 today (12 November 2024). The presentation will be streamed live at https://brrmedia.news/OXIG_IR24/25 and a recording will be made available later today at www.oxinst.com/investors-content/financial-reports-and-presentations.

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Notes to Editors

About Oxford Instruments plc

Oxford Instruments provides academic and commercial organisations worldwide with market-leading scientific technology and expertise across its key market segments: materials analysis, semiconductors, and healthcare & life science.

Innovation is the driving force behind Oxford Instruments' growth and success, supporting its core purpose to accelerate the breakthroughs that create a brighter future for our world. The vigorous search for new ways to make our world greener, healthier and more productive is driving unprecedented levels of R&D investment in new materials and techniques to support productivity and decarbonisation worldwide, creating a significant opportunity for Oxford Instruments to grow.

Oxford Instruments holds a unique position to anticipate global drivers and connect academic researchers with commercial applications engineers, acting as a catalyst that powers real world progress.

Founded in 1959 as the first technology business to be spun out from Oxford University, Oxford Instruments is now a global, FTSE250 company listed on the London Stock Exchange (OXIG).

For more information, visit www.oxinst.com

Chief Executive Officer's Review

Good half-year performance with positive progress made on organisational transformation

I am pleased to report a good performance for the half. We have delivered 10.4% revenue growth at constant currency, primarily driven by growth in our semiconductor and materials analysis markets, more than offsetting a softer performance in healthcare & life science. Both divisions delivered revenue growth (Imaging & Analysis up 6.0% and Advanced Technologies up 21.4%, both at constant currency).

Our strong revenue performance supported growth in adjusted operating profit of 3.6% at constant currency. Imaging & Analysis maintained its excellent margins and, as anticipated, the mix effect of stronger revenue growth in Advanced Technologies, together with ongoing strategic investment, resulted in a 110bps reduction in adjusted operating margin at constant currency to 16.3% (2023: 17.4%).

Demand has been robust. Order intake of £224.6m (2023: £224.3m), was 2.6% ahead of the prior year on a constant currency basis, with growth in semiconductor orders, healthcare & life science broadly flat in a challenging external market, and materials analysis slightly behind prior year. The orderbook provides good visibility for the remainder of the year, supported by strong pipelines in all markets and geographies.

Group	**Half year 2024/25**	Half year 2023/24	% change reported	% change constant currency
Orders	**£224.6m**	£224.3m	+0.1%	+2.6%
Revenue	**£225.8m**	£209.7m	+7.7%	+10.4%
Adjusted operating profit	**£33.9m**	£36.5m	(7.1%)	+3.6%
Adjusted operating margin	**15.0%**	17.4%	(240bps)	(110bps)

Positive operational and strategic progress

A year on from joining Oxford Instruments, I am encouraged by the initial progress we have made on the delivery of our medium-term strategic priorities, including the restructure of the Group into two new divisions: **Imaging & Analysis** and **Advanced Technologies**. Our new divisional structure streamlines and simplifies the Group's operations, providing greater transparency on performance and, crucially, facilitating the delivery of profitable growth.

Imaging & Analysis (95%+ FY24 operating profit) has delivered a strong performance in the half, with revenue and adjusted operating profit up 6.0% and 5.4% respectively at constant currency, and with the division's excellent margin maintained. This is a particularly pleasing outcome in the context of softer healthcare & life science revenue. Ongoing demand for our differentiated product range remains strong, with 6% order growth and book-to-bill positive, at 1.04.

Advanced Technologies has made good progress towards a return to profitability, with 21.4% revenue growth, reduced overheads and good order book visibility.

Both divisions have taken tangible actions in line with the priorities we set out in June, with the benefits of the reductions in their cost bases expected to be realised in the second half. Our operational transformation programme is underway, and early insights indicate further opportunities for future value creation.

From a market perspective, we are focused on three core markets. We have seen strong growth in **semiconductor**, with reported revenue of £69.5m (up 26.9% at constant currency), stemming from both silicon and compound semiconductor applications, and benefiting both divisions. We delivered 9.6% constant currency revenue growth to £95.7m in **materials analysis**, reflecting the strength of our differentiated product portfolio, and pleasing progress on adoption of new product lines. Growth in these markets more than offset reduced revenue of £34.8m in **healthcare & life science**, which reflected a reduction in orders from key original equipment manufacturers (OEM) combined with wider destocking, now stabilising. In other markets, Advanced Technologies made the first deliveries of quantum orders to a key global technology customer, marking the beginning of an ongoing partnership.

Sales to commercial and industrial customers were up by 23% on the prior year, reflecting our focus on making further inroads into applications for commercial applied R&D and production markets. Academic revenue was broadly flat year on year.

Regionally, our actions to rebalance our focus, including the reconfiguring of the Americas team, and increased investment in marketing in the region, has delivered strong revenue growth in North America (up 32% at constant currency). This combined with strong growth in Japan and elsewhere in Asia, and continued good growth in Europe, has more than offset the anticipated reduction in China revenue which resulted from our decision to pivot to new markets both within and beyond the country. We are continuing to share best practice and streamline processes in our regional sales and marketing structures with a view to generating further efficiencies.

Underlying book-to-bill of 1.01 (1.04 in Imaging & Analysis), meant we had a healthy order book of £294.9m at the end of the half year (31 March 2024: £301.5m), giving good visibility for the remainder of the year.

People at the centre of our success

I am grateful to my colleagues for their significant contribution to these results, and their support for the transformation that is underway as we seek to unlock the full potential of Oxford Instruments. The leadership of the business has engaged at pace with the delivery of our strategic priorities. I have also been impressed with the adaptability and agility colleagues have shown Group-wide as we have forged ahead with structural change, simplification and the pursuit of operational excellence, while continuing to focus on our core strengths. Our talented teams are fundamental to Oxford Instruments' ongoing success.

To support the delivery of our strategic programme, we have bolstered our senior leadership with new hires, including the appointment of a new Chief Information Officer, a Group Programmes Director, new leadership for our EMEA-I region and new senior hires in the USA.

New divisional structure and market focus

Our exceptional technology, strong talent base, well-distributed regional infrastructure and choice of markets give us a strong platform from which to grow. We highlighted in June the significant opportunities ahead – and the fact that to capture them in full and achieve industry-leading margins, we needed to structure Oxford Instruments differently. During the half we have restructured the business into the two new divisions we set out in June: **Imaging & Analysis** and **Advanced Technologies**.

Imaging & Analysis comprises our microscopy and cameras business (Andor and our materials analysis businesses Asylum Research, Magnetic Resonance, NanoAnalysis and WITec), with recent adjusted operating profit margin history 22-24%. The division represents c. 70% of group revenue, and the businesses within it have strong existing synergies and a track record of success. They provide similar relatively small-scale imaging and analysis equipment and software, have common business models, go to market strategies and margins, and they address a similar client base in their three key markets in materials analysis, healthcare & life science, and semiconductors.

Our new Advanced Technologies division (representing c. 30% of Group revenue) comprises our compound semiconductor business Plasma Technology and our quantum-focused business NanoScience, together with the much smaller X-Ray Technology business (recent adjusted operating profit margin history 0-4%). They sell much lower volumes of larger-scale complex systems into very specialised markets with unique growth drivers and principally separate customer bases. These businesses require a dedicated, focused approach to leverage their well-invested base, deliver improved margins and achieve their full growth and margin potential.

Our deep dive strategic review highlighted that 90% of our revenue is generated in **three primary markets – materials analysis, semiconductors**, and **healthcare & life science**. All three have clear sustainability drivers with high single digit structural growth potential. Quantum technology, a much smaller contributor to our current revenue, also represents a growth opportunity, though its trajectory is less linear.

Imaging & Analysis

The Imaging & Analysis division develops and manufactures microscopes, scientific cameras, analytical instruments and software, with manufacturing bases in the UK (High Wycombe and Belfast), Europe (Aix-en-Provence, Ulm and Zurich) and the USA (Santa Barbara).

Key highlights

Imaging & Analysis	**Half year 2024/25**	Half year 2023/24	% change reported	% change constant currency[1]
Orders	£157.5m	£152.8m	+3.1%	+6.0%
Revenue	£153.9m	£149.4m	+3.0%	+6.0%
Adjusted[2] operating profit	£35.9m	£37.0m	(3.0%)	+5.4%
Adjusted[2] operating margin	23.3%	24.8%	(150bps)	(20bps)

1. For definition refer to note on page 2.
2. Details of adjusting items can be found in note 3 to the half-year financial statements.

We have delivered robust growth in Imaging & Analysis (which represents 68% of group revenue), with 6.0% constant currency growth in both revenue and orders. The division's strong margin performance was maintained at constant currency, with the reported decline of 150bps resulting from currency headwind.

Revenue growth was underpinned by a notably strong performance in semiconductor, up 39% year on year at constant currency (primarily into silicon semiconductor applications) and good growth in materials analysis, up 12% at constant currency. Both markets saw growth in sales of products relating to electron and Raman microscopy.

Revenue performance in healthcare & life science was below last year, as a weaker market translated into a reduction in OEM sales, and wider destocking. This impacted profitability in our primary life science business in Belfast, including the trading performance of our recent acquisition First Light. As a result, we have undertaken a cost reduction programme to rightsize the business. Orders in the market segment were slightly up year on year, with strong demand for microscopy products offsetting lower demand from OEMs.

Activity in the half has focused on the delivery of the strategic priorities intended to take the division from 'good to great', including simplification, streamlining and implementing a step change in operational performance, together with the sharing of best go-to-market practice across regions.

Four existing business units have been consolidated under one leadership team, with associated cost savings driven by delayering. An early priority for the new team will be to create a shared R&D route map and consolidated product portfolio, as well as continuing to identify and exploit cross-selling opportunities, given similar customer base and routes to market. In a further move to simplify previous structures, we have instigated a new marketing centre of excellence for Imaging & Analysis. This initiative will create a single cross-division function to replace individual business unit marketing teams, with the intention of better serving our customers while removing duplication.

Actions taken to strengthen the Group's position in North America, as part of the wider rebalancing of our regional position, have had a positive impact on revenue in Imaging & Analysis, with double digit year-on-year growth in the region. The division has also delivered strong double digit growth in Japan and South East Asia, and a good performance in Europe.

Our operational transformation programme is well underway, currently focusing on the cameras workstream at our microscopy and scientific camera facility in Belfast. Led by our Chief Transformation Officer, the programme team is upskilling colleagues, designing more efficient production processes and reconfiguring production areas. We have made significant progress to date:

- teams have been trained in the fundamentals of performance management, with the introduction of daily, weekly and monthly review meetings;
- the layout of the factory floor is being reorganised and equipment enhancements are underway;
- root cause problem solving has been introduced;
- improved sales and operations planning has been put in place, supporting a reduction in stock levels with associated cost efficiencies and working capital benefits.

The actions taken to date have delivered a 30%+ improvement in labour productivity, together with a 27% reduction in in-process failures, and the programme is on track to deliver a 10% reduction in inventory by the end of the financial year.

Maturity assessments and detailed on-site investigations carried out since the start of the programme have identified significantly greater opportunity for improvement than had been anticipated. While this will require more work than we expected, it also provides more scope for productivity, revenue and margin enhancement. Wave two of the programme, beginning in January, will cover two areas, one remaining focused on Belfast to address systems capabilities, with the second getting underway in our Advanced Technologies quantum facility in Oxford.

We were pleased to augment our strong capabilities in materials analysis with the acquisition of nanoindentation instrumentation developer FemtoTools for £15.8m, completed during the period. This bolt-on acquisition has introduced a new technique for Oxford Instruments, as well as giving FemtoTools access to our much broader customer base. FemtoTools will be integrated into our material analysis product lines, taking advantage of the wider streamlining and restructuring underway in this part of the business.

Imaging & Analysis market dynamics

The division focuses on our three core markets: materials analysis, semiconductor and healthcare & life science, with strong positions in each thanks to our differentiated product ranges and ongoing investment in innovation.

We have delivered a strong performance in **semiconductor**, with revenue up 39% at constant currency. In this division, our focus is primarily on silicon semiconductor applications, where the breadth of our capabilities, from supporting early stage academic research through to quality assurance and failure analysis in production settings, provides resilience to the inherent cyclicality of the silicon semiconductor market. Our technology is a key differentiator here: this year, we have made good progress on adoption of our new Unity detector for electron microscopy into semiconductor applications, such as the rapid identification of nickel contamination for a tier 1 commercial customer. Our new semiconductor-specific Raman microscope, capable of analysing 300mm wafers, has also been adopted by tier 1 commercial customers in the US and Japan.

With strong double digit growth in commercial semiconductor customers, representing the majority of semiconductor revenue in the division, we have also seen notably strong growth (over 80% year on year) to academic customers.

Materials analysis has performed well, with 12% revenue growth, underpinned by growth in sales to commercial customers. We have seen strong growth in structural materials analysis and the analysis of metals, alloys and composites, together with applications in energy and environment including safety applications for nuclear energy. The successful use of Unity in a mineral analysis application led to it being cited, for the first time, in an academic paper, for enabling researchers to acquire their samples 18 times faster than via the traditional method.

In **healthcare & life science**, revenue for the half was down 17% in a softer market, and against a strong comparator, primarily as a result of lower OEM orders and wider destocking relating to our Belfast microscopy and scientific cameras facility. We have responded to this by rightsizing the Belfast facility and pausing planned expansion.

Healthcare & life science orders were marginally up year on year, with continued strong demand for microscopes and broader life science applications, and an uptick in sales of our Dragonfly confocal microscope. Sales of our Imaris software were maintained at previous robust levels. The structural growth drivers for this market remain in place, supporting our view on medium-term growth rates.

Overall, assuming continuation of current demand and pipeline conversion, our positive book to bill and healthy order book, combined with the realisation of cost efficiencies, support a stronger second half revenue and profit weighting in this division.

Advanced Technologies

The Advanced Technologies division develops and manufactures compound semiconductor fabrication capital equipment (Severn Beach, UK), cryogenic and superconducting magnet technology (Oxford, UK), and X-ray tubes (Scotts Valley, USA).

Key highlights

Advanced Technologies	**Half year 2024/25**	Half year 2023/24	% change reported	% change constant currency[1]
Orders	£67.1m	£71.5m	(6.2%)	(4.8%)
Revenue	£71.9m	£60.3m	+19.2%	+21.4%
Adjusted[2] operating profit	(£2.0m)	(£0.5m)	(300.0%)	(140.0%)
Adjusted[2] operating margin	(2.8%)	(0.8%)	(200bps)	(80bps)

1. For definition refer to note on page 2.
2. Details of adjusting items can be found in note 3 to the half-year financial statements.

The two larger businesses in this division each benefit from a dedicated, focused approach to reflect their specialist markets (compound semiconductor and quantum), unique growth drivers and principally separate customer bases. Both are making good progress with actions to 'fix, improve and grow' the division, resulting in strong revenue growth, up 21.4% for the half. This performance reflects the ramp up in our new compound semiconductor facility and the first deliveries of an ongoing series of orders to a key customer in quantum. The increase in the half-year loss relates primarily to a standardisation of stock provisioning. The actions taken and the positive progress made in the first half give us confidence in the return to profitability for the full year.

Regionally, revenue has grown strongly in North America and Europe, more than offsetting a reduction in revenue from China, following the withdrawal from quantum commercial activities and some sensitive compound semiconductor applications in the country.

Orders overall were slightly behind last year, largely reflecting the lumpy order profile of the large capital equipment typically sold in the division.

Compound semiconductor operational developments and market dynamics

Our new compound semiconductor facility at Severn Beach, near Bristol, UK, continues to scale, with revenue and manufacturing output in line with plans. The business has continued to deliver strong double digit revenue growth as it takes advantage of the improved layout and process flow at the purpose-built facility versus the legacy site, and the increasingly modular approach to assembly which continues to support lead time improvements.

The facility is on track to be fully operational within the financial year, with its new state-of-the-art cleanroom having reached specification, and the first systems being installed in January 2025, while final bids are under consideration for the sale of our legacy site. The business is focused on driving efficiencies and improving customer service, which has already delivered a significant improvement (up by more than 40 percentage points) in the volume of spares being shipped to customers within 24 hours.

Our ability to carry out atomic scale processing, etching and deposing layers in semiconductor devices atom by atom, is a key differentiator for our compound semiconductor operations. We enable next generation device architectures for better performance, helping our production customers to improve wafer performance, yield and therefore cost per wafer. Our advanced capabilities are attracting attention from tier 1 technology companies in applications including augmented reality, next generation power devices, hyperscale data centres and new developments in bio-sensing. We were particularly pleased to secure a key customer within the Nvidia supply chain for a fibreoptic laser application in the half, deploying our equipment to drive the development of hyperscale data centres for power-hungry AI applications. This continues to be a growth area for the business. Trials for a silicon carbide atomic layer deposition application with a Tier 1 power device manufacturer for the automotive supply chain have been successfully completed. Gallium nitride orders made last year are now being installed, ramping capacity for next generation power devices in USB-C fast chargers.

Sample demonstration requests, a key leading indicator for the business, are up by over 60% year on year, with several of the world's top technology companies engaged in trials. These requests reflect growing engagement with the production customers we are increasingly targeting. With commercial customers taking longer, on average, to convert than academic customers, we continue to focus on growing our pipeline and building our understanding of sales cycles.

From a regional perspective, we have seen strong revenue growth in the US, Europe and South East Asia, supported by US CHIPs Act funding and parallel stimulus programmes elsewhere.

With good order book cover for the remainder of FY24/25 and a record pipeline, the new facility is in a strong position to continue to deliver revenue growth at the full year and beyond.

Quantum operational developments and market dynamics

Our quantum business, based outside Oxford, is making good progress towards a return to profitability. As set out above, we have delivered the first two of our modular Proteox QX systems to a high-profile technology customer as part of an ongoing partnership. Further deliveries are anticipated in the second half. With its square shape, the QX is designed for scalability and flexibility, with customers easily able to join multiple systems together. Its modular design is a key differentiator which will allow customers to control more qubits (quantum bits) than ever before. This significant milestone will enable our customer to scale significantly past current cryogenic refrigeration limitations to deliver its quantum roadmap.

Our partnership with Oxford Quantum Circuits continues, with preparations underway for additional 'quantum as a service' data centre roll outs to follow those which are already operational in Tokyo, Japan, Galicia, Spain, and Reading, UK. Here, our dilution refrigerators provide vital cooling for quantum systems which are available on a commercial basis, with customers able to buy time for their quantum research. Together with the dilution refrigerators, we also support 24-7 uptime with a comprehensive service package.

We are well placed to support customers across the spectrum in quantum, with our range of products extending from compact refrigerators, which can easily be accommodated in small laboratory settings, to large systems for commercial customers, as referenced above. With growing demand for our products in this fast-paced, but unpredictable market, orders are up 9% year on year. This reflected strong growth in North America, Europe and Japan, which has more than offset our withdrawal from new quantum sales into China, which was previously an important market for the business.

A key focus for this business is to continue to address the operational and productivity challenges which have hampered growth in recent years, in order to restore profitability and enable scaling. Over the first half year, we have made progress with productivity initiatives, and have also addressed supply chain management and inventory challenges which became apparent following the introduction of a new ERP system. This has allowed us to strengthen output through the first half.

Tiger teams have worked to improve product quality, optimise the new ERP system, and expedite procurement timelines. With support from the Group's new Programmes Director, the team have also targeted front end processes to accelerate release to operations. Early progress on value engineering has highlighted further opportunities to drive efficiencies, and we have engaged an external consultant to support us with this project, beginning in November. From January 2025, this facility will be the focus of Wave 2 of the operational transformation programme, which is currently underway at our Belfast Imaging & Analysis facility, with significant productivity enhancements expected.

Positive impact and progress to net zero

Our deep scientific expertise and our market-leading technology means we are well placed to deliver on our purpose: to accelerate the breakthroughs that create a brighter future for our world. In common with all my colleagues, I am very proud of the contribution our products make to enabling global progress, from the development of personalised treatments for cancer to facilitating the path to decarbonisation through our extensive role in the battery ecosystem.

We want to support a brighter future through the way we run our organisation too. Earlier this year, we set a new target to achieve net zero in Scopes 1 and 2 by 2030, and sooner if we can. I am pleased today to announce our commitment to cut our Scope 3 emissions by 25% by the same date, against a 2023/24 baseline. We have set out how we will reach our ambitious targets in our Net Zero Transition Plan, created in line with the guidelines provided by the Transition Plan Taskforce, and published today. We are now in the process of submitting our targets to the Science Based Targets initiative for validation.

Our commitment to operating sustainably encompasses not just the environmental commitments we make, but also the social impact we have on our employees and our communities, and our ethical approach to doing business. We have reconfirmed our approach to each of these areas through the launch of our new Code of Conduct earlier this month.

Board changes

Anticipating the departure of Mary Waldner after nine years' service as Director in February 2025, in line with best practice in relation to her tenure and independence, we acted to ensure smooth succession for the role of Audit and Risk Committee Chair, held by Mary until the annual general meeting (AGM) on 25 July 2024. We were pleased to appoint Hannah Nichols as Chair of the Audit and Risk Committee, with effect from the conclusion of the AGM. Hannah joined Oxford Instruments as a Non-Executive Director on 1 January 2024, and with her strong financial expertise, extensive international experience and track record of driving transformational change, she is well placed to fulfil this role.

Reshma Ramachandran stood down as a Non-Executive Director with effect from the conclusion of the AGM, due to her appointment to a new executive role externally, which restricted the amount of time she was able to commit to her role with Oxford Instruments. The Board sincerely thanks Reshma for the valuable contributions she made during her time as a Director.

Dividend

The Board is declaring an interim dividend of 5.1p per share, (2023: 4.9p per share), a 4.1% increase, reflecting confidence in the future.

Summary and outlook

Having joined Oxford Instruments just over a year ago, I am pleased with the progress we are making, both in terms of in-year delivery and the longer-term transformation of the business.

The Group has delivered a good first half performance, with both divisions growing, reflecting strong demand in our semiconductor and materials analysis markets which more than offset the well-documented softer demand from the healthcare & life science market. I would like to thank the incredibly talented team across the Group for their significant contribution to these results and the transformation that is underway as we unlock Oxford Instruments' full potential.

Order intake for the first half has been robust, with underlying book-to-bill above one, and our healthy order book provides good visibility, although the timing of the recovery in our healthcare & life science market remains uncertain. As expected, margin was impacted by currency and the mix effect of strong growth in Advanced Technologies. However, at constant currency, Group profit improved and Imaging & Analysis (more than 95% of FY24 profit) margins were stable at over 23%.

We expect to deliver our typical stronger trading performance in the second half, supported by delivery of some larger orders in Advanced Technologies and efficiency improvements. As a result, we expect to report a performance for the full year in line with expectations on a constant currency basis.

We have made good progress with our medium-term strategic priorities. Our actions to rebalance our regional activity are driving strong growth, particularly in North America and Asia ex-China, the simplification of the business is well underway, and the first phases of our operational performance programme have identified further value creation opportunities ahead. This underlines our confidence that we can improve the returns from the business in the medium term.

Richard Tyson

Chief Executive Officer

11 November 2024

Finance Review

Summary

Reported orders were broadly flat at £224.6m (2023: £224.3m), an increase of 2.6% at constant currency. Revenue increased by 7.7% to £225.8m (2023: £209.7m). Revenue at constant currency increased by 10.4%.

Adjusted operating profit at constant currency increased by 3.6%. Due to a currency headwind of £3.9m, adjusted operating profit decreased by 7.1% to £33.9m (2023: £36.5m). As expected, adjusted operating margin at constant currency decreased by 110 basis points to 16.3% reflecting the mix effect of stronger revenue growth from Advanced Technologies and ongoing investment in operational improvement. Reported adjusted operating margin, after currency effects, decreased by 240 basis points to 15.0% (2023: 17.4%).

Statutory operating profit increased by 8.7% to £31.1m (2023: £28.6m). This includes amortisation of acquired intangibles of £4.7m, net non-recurring charges of £0.8m and a credit of £2.7m relating to the movement in the mark-to-market valuation of financial derivatives.

Adjusted profit before tax fell by 7.7% to £34.6m (2023: £37.5m), representing a margin of 15.3% (2023: 17.9%). Statutory profit before tax grew by 7.1% to £31.7m (2023: £29.6m).

The adjusted effective tax rate increased to 25.1% (2023: 24.0%) due to a change in the geographical mix of profits. A lower adjusted operating profit due to currency effects and the higher tax rate resulted in a fall in adjusted basic earnings per share of 9.5% to 44.7p (2023: 49.4p). Basic earnings per share was 41.6p (2023: 38.6p), an increase of 7.8%.

Cash generated from operations was lower at £4.6m (2023: £7.4m), primarily due to seasonality and an increase in working capital, as outlined below, representing negative cash conversion of 1% (2023: negative 21%). Normalised cash conversion was 17%. Net cash after borrowings fell from £83.8m on 31 March 2024 to £39.3m on 30 September 2024. The Group has approximately £191m of committed facilities, representing total headroom of circa £230m, including net cash on the balance sheet.

Consolidated Statement of Income

The Group's Condensed Consolidated Statement of Income is summarised below:

£m	**Half year 2024/25**	Half year 2023/24	Change %
Revenue	**225.8**	209.7	+7.7%
Adjusted operating profit	**33.9**	36.5	(7.1%)
Amortisation of acquired intangible assets	**(4.7)**	(4.6)	
Non-recurring items	**(2.9)**	(0.9)	
Mark-to-market of currency hedges	**2.7**	(2.4)	
Release of contingent consideration	**2.1**	-	
Statutory operating profit	**31.1**	28.6	+8.7%
Net finance income[1]	**0.6**	1.0	
Adjusted profit before taxation	**34.6**	37.5	(7.7%)
Statutory profit before taxation	**31.7**	29.6	+7.1%
Adjusted effective tax rate	**25.1%**	24.0%	
Effective tax rate	**24.0%**	24.7%	
Adjusted earnings per share – basic	**44.7p**	49.4p	(9.5%)
Earnings per share – basic	**41.6p**	38.6p	+7.8%
Dividend per share (interim)	**5.1p**	4.9p	+4.1%

1. Net finance income for 2024 includes a non-cash charge of £0.1m against the unwind of discount on FemtoTools contingent consideration

Orders and revenue

Orders of £224.6m (2023: £224.3m) grew by 2.6% at constant currency. A strengthening in sterling resulted in orders being broadly flat on last year. In Imaging & Analysis, constant currency orders grew by 6.0% with good growth across our electron microscopy range of products, particularly into semiconductor applications. In Advanced Technologies, we saw a small decline in constant currency orders of 4.8% due primarily to a deferral of framework orders within our X-Ray Technology business. Orders for our semiconductor processing systems were in line with last year, and we delivered order growth for our cryogenic systems, which are used in quantum computing applications.

Revenue of £225.8m (2023: £209.7m) grew by 10.4% at constant currency. A strengthening in sterling resulted in a currency headwind of £5.8m, with reported growth of 7.7%. Constant currency revenue increased by 6.0% for Imaging & Analysis with strong demand for our electron microscopy range offsetting fewer shipments of our imaging and microscopy products due to weakness in life science markets.

Strong demand for our semiconductor processing systems, alongside the successful achievement of specific milestones on the first part of a large order for bespoke cryogenic systems to a key customer for quantum computing applications, drove constant currency growth of 21.4% for Advanced Technologies.

The total underlying book-to-bill ratio (orders received to goods and services billed in the period) for the half year was 1.01 times (2023: 1.07 times), with a positive underlying book-to-bill of 1.04 times in Imaging & Analysis. Underlying book-to-bill removes the impact of prior year orders to China cancelled due to UK export licence restrictions.

Geographic revenue growth

	Half year 2024/25 £m	**Half year 2024/25 % of total**	Half year 2023/24 £m	Half year 2023/24 % of total	Change £m	Change %	**Constant currency change %**
Europe	**53.3**	**24%**	48.9	24%	+4.4	+9.0%	**+11.2%**
North America	**70.5**	**31%**	54.6	26%	+15.9	+29.1%	**+32.2%**
Asia	**97.2**	**43%**	101.6	48%	(4.4)	(4.3%)	**(1.5%)**
Rest of World	**4.8**	**2%**	4.6	2%	+0.2	+4.3%	**+6.5%**
	225.8	**100%**	209.7	100%	+16.1	+7.7%	**+10.4%**

On a geographical basis, revenue grew by 9.0% in Europe (+11.2% at constant currency), supported by additional deliveries of semiconductor processing systems. Orders declined by 11.8% at constant currency, with fewer orders for semiconductor processing systems, where orders tend to be lumpy in nature, and a fall in orders for our X-Ray tubes as we see an adjustment for over-stocking from some of our larger OEM customers.

Revenue for North America grew by 29.1% on a reported basis and 32.2% at constant currency, with good growth across our electron microscopy range of products and semiconductor processing systems. Orders increased by 20.0% at constant currency.

Asia remains our largest region by revenue, with China constituting 51% of regional revenue and 22% of total Group revenue, a lower proportion than last year. Fewer shipments and the withdrawal from certain markets in China resulted in Asia revenue falling by 4.3% (-1.5% at constant currency), with strong demand for our electron microscopy products mitigating fewer shipments of semiconductor processing tools and lower revenue from life science OEM customers. Orders for the region increased by 2.3% at constant currency, with demand from south-east Asia and Japan offsetting a decline in China. Orders for China constituted 22% of Group orders in the half year against 26% last year.

The total reported order book of £294.9m fell by 2.2% (+0.7% at constant currency) compared to 31 March 2024. The order book, compared to 31 March 2024, increased by 2.8% for Imaging & Analysis. Advanced Technologies' order book fell by 6.5%, due to the timing of deliveries of some large capital items and phasing of OEM orders for our X-Ray tubes.

£m	**Imaging & Analysis**	**Advanced Technologies**	**Total**
Revenue: half year 2023/24	149.4	60.3	209.7
Constant currency growth	9.0	12.9	21.9
Currency	(4.5)	(1.3)	(5.8)
Revenue: half year 2024/25	**153.9**	**71.9**	**225.8**
Revenue growth: reported	3.0%	19.2%	7.7%
Revenue growth: constant currency	6.0%	21.4%	10.4%

Adjusted operating profit and margin

Adjusted operating profit at constant currency increased by 3.6%. A currency headwind of £3.9m resulted in reported adjusted operating profit decreasing by 7.1% to £33.9m (2023: £36.5m). Constant currency adjusted operating margin decreased by 110 basis points to 16.3% reflecting the mix effect of stronger revenue growth from Advanced Technologies and investment. After currency effects, the adjusted operating margin decreased by 240 basis points to 15.0% (2023: 17.4%).

Imaging & Analysis adjusted operating profit at constant currency increased by 5.4%. After currency, reported margin was broadly flat at 24.6% (2023: 24.8%). Strong demand for our electron microscopy products more than offset a decline in shipments of imaging cameras to the Life Science OEM market and weakness in demand for imaging and microscopy products. This impacted profitability within our primary life science business in Belfast, including the recently acquired First Light business.

We have instigated a restructuring programme across the new division to improve efficiencies and drive productivity. In addition, we are removing cost from our primary life science business cost base in response to the weakness in demand, while also continuing to invest in operational improvements. These actions are expected to support an improvement in the second half trading performance.

While we have seen an increase in revenue from our semiconductor processing systems, profit growth has been tempered by the absorption of additional costs of the new semiconductor processing systems facility and dual costs of operating both facilities in the half year. Good progress on the cryogenic platforms for a large quantum customer supported a lower loss within our principal quantum business. As a result, Advanced Technologies recorded a loss of £1.2m, against a loss of £0.5m last year, with lower losses made in our primary cryogenic platform business being offset by a deferral of framework orders for our X-Ray Technology business and an increase to the inventory provision following a standardisation of policy across the Group. The strong order book, continued milestone progress against a large quantum project, restructuring actions and an operational improvement programme, are expected to support an improvement in the run rate profitability of the business in the second half of the year.

£m	**Imaging & Analysis**	**Advanced Technologies**	**Total**
Adjusted operating profit: half year 2023/24	37.0	(0.5)	36.5
Constant currency (CC) growth	2.0	(0.7)	1.3
Currency	(3.1)	(0.8)	(3.9)
Adjusted operating profit: half year 2024/25	**35.9**	**(2.0)**	**33.9**
Adjusted operating margin[1] half year 2023/24	24.8%	(0.8%)	17.4%
Adjusted operating margin[1] half year 2024/25	23.3%	(2.8%)	15.0%
Adjusted operating margin[1] (CC): half year 2024/25	24.6%	(1.6%)	16.3%

1. Adjusted operating margin is calculated as adjusted operating profit divided by revenue. Adjusted operating margin at constant currency is defined as adjusted operating profit at constant currency divided by revenue at constant currency.

Statutory operating profit and margin

Statutory operating profit grew by 8.7% to £31.1m (2023: £28.6m), representing an operating profit margin of 13.8%. The increase in statutory operating profit has been supported by a reduction in non-recurring charges that is offsetting a decline in reported adjusted operating profit, due to a currency headwind.

Adjusting items

Amortisation of acquired intangibles of £4.7m relates to intangible assets recognised on acquisitions, being the value of technology, customer relationships and brands.

During the first half the Group commenced a restructuring programme to deliver productivity and efficiency benefits following the new divisional structure, as well as yielding cost savings where we are seeing short-term order weakness. This resulted in restructuring costs of £2.2m. Non-recurring items within operating profit also comprise costs of £0.7m on transactions over the first half and a £2.1m release of contingent consideration against the acquisition of First Light.

The Group uses derivative products to hedge its short-term exposure to fluctuations in foreign exchange rates. The Group's policy is to have in place at the beginning of the financial year hedging instruments to cover up to 80% of its forecast transactional exposure for the following twelve months and, subject to pricing, up to 20% of exposures for the next six months. The Group does not use hedge accounting for these derivatives.

Net movements on mark-to-market derivatives in respect of transactional currency exposures of the Group in future periods are disclosed in the income statement as foreign exchange and excluded from our calculation of adjusted profit before tax. In the half year this amounted to a credit of £2.7m (2023: £2.4m charge).

Net finance costs

The Group's recorded net interest income was lower at £0.6m (2023: £1.0), due to lower bank interest and an unwind of discount on contingent acquisition consideration.

Adjusted profit before tax and margin

Adjusted profit before tax decreased by 7.7% to £34.6m (2023: £37.5m). The adjusted profit before tax margin of 15.3% (2023: 17.9%) was lower than last year primarily due to the mix effects of higher growth in Advanced Technologies, investment and a currency headwind on operating profit.

Reconciliation of statutory profit before tax to adjusted profit before tax	**Half year 2024/25 £m**	Half year 2023/24 £m
Statutory profit before tax	**31.7**	29.6
Add back:		
Amortisation of acquired intangible assets	**4.7**	4.6
Non-recurring items (note 3)	**0.9**	0.9
Mark-to-market of currency hedges	**(2.7)**	2.4
Adjusted profit before tax	**34.6**	37.5

Statutory profit before tax and margin

Statutory profit before tax increased by 7.1% to £31.7m (2023: £29.6m). The statutory profit before tax margin of 14.0% (2023: 14.1%) was flat on last year due to the mark-to-market valuation movement on financial derivatives offset by adverse currency effects.

Taxation

The adjusted tax charge of £8.7m (2023: £9.0m) represents an effective tax rate of 25.1% (2023: 24.0%) due to a change in the geographical mix of profits. The statutory tax charge of £7.6m (2023: £7.3m) represents an effective tax rate of 24.0% (2023: 24.7%). The half-year tax rate has been calculated based on the expected effective tax rate for the year of 24.5% (having made certain assumptions about where profits will arise).

Earnings per share

Adjusted basic earnings per share decreased by 9.5% to 44.7p (2023: 49.4p) primarily due to currency headwind on operating profit and the higher effective tax rate; adjusted diluted earnings per share fell by 9.4% to 44.1p (2023: 48.7p). Basic and diluted earnings per share increased by 7.8% to 41.6p (2023: 38.6p) and 7.9% to 41.1p (2023: 38.1p) respectively.

The number of undiluted weighted average shares increased to 58.0m (2023: 57.7m) following vesting and issuance of share options.

Currency

The Group faces transactional and translational currency exposure, most notably against the US Dollar, Euro and Japanese Yen.

The Group's foreign currency exposure for the half year is summarised below.

£m (equivalent)	**Revenue**	**Adjusted operating profit**
Sterling	27.9	(92.0)
US Dollar	124.2	88.4
Euro	49.9	25.1
Japanese Yen	14.4	7.8
Chinese Renminbi	3.6	3.2
Other	5.8	1.4
	225.8	**33.9**

The Group maintains a hedging programme against its net transactional exposure using internal projections of currency trading transactions expected to arise over a period extending from 12 to 24 months. On 30 September 2024, the Group had currency hedges in place extending up to 18 months forward.

For the full year 2024/25, our assessment of the currency impact is, based on hedges currently in place and forecast currency rates, a headwind of approximately £13.3m to revenue, and £8.3m to profit. Forecast currency rates for the year on unhedged positions are: GBP:USD 1.30; GBP:EUR 1.20; GBP:JPY 199.

Looking further ahead to the financial year 2025/26, based on the above currency assumptions, we would expect currency effects to have a headwind of approximately £2.2m to revenue, and £2.8m to profit.

Acquisition of First Light Imaging SAS

On 9 January 2024 the Group completed the purchase of 100% of the shared capital of First Light Imaging SAS for consideration of €16.3m. Additional consideration of €3.0m, conditional on trading performance over the first year following completion, is no longer expected to be payable due to delays in two large OEM programmes and Life Science market weakness in China. During the half year, the business contributed revenue of £1.4m and an operating loss of £0.5m.

Acquisition of FemtoTools AG

On 28 June 2024 the Group completed the purchase of 100% of the shared capital of FemtoTools AG for consideration of CHF 17.9m. Additional consideration of up to CHF 5.5m is conditional on trading performance over a period of 33 months following completion. During the period under ownership the business contributed revenue of £2.2m and operating profit of £0.6m.

Dividend

The Group's policy on the dividend considers changes to underlying earnings, dividend cover, movements in currency and demands on our cash. The Board remains confident in the long-term performance of the business and has declared an interim dividend of 5.1p per share (2023: 4.9p per share), growth of 4.1%. The interim dividend will be paid on 10 January 2025 to shareholders on the register as of 29 November 2024.

Consolidated statement of cash flows

The Group's consolidated statement of cash flow is summarised below.

	Half year 2024/25 £m	Half year 2023/24 £m
Adjusted operating profit	**33.9**	36.5
Depreciation and amortisation	**5.8**	5.4
Adjusted[1] EBITDA	**39.7**	41.9
Working capital movement	**(29.6)**	(31.6)
Non-recurring costs	**(2.9)**	-
Equity settled share schemes	**1.5**	1.1
Pension scheme payments above charge to operating profit	**(4.1)**	(4.0)
Cash from operations	**4.6**	7.4
Interest	**0.6**	1.2
Tax	**(11.3)**	(7.9)
Capitalised development expenditure	**(0.7)**	(0.3)
Expenditure on tangible and intangible assets	**(8.8)**	(16.7)
Acquisition of subsidiaries	**(15.4)**	-
Dividends paid	**(9.2)**	-
Proceeds from issue of share capital and exercise of share options	**-**	0.1
Payments made in respect of lease liabilities	**(2.6)**	(2.6)
Decrease in borrowings	**(0.6)**	(0.1)
Net decrease in cash and cash equivalents	**(43.4)**	**(18.9)**

1. Adjusted EBITDA is defined as adjusted operating profit before depreciation and amortisation of capitalised development costs.

Cash from operations of £4.6m (2023: £7.4m) represents negative cash conversion of 1% (2023: negative 21%). During the first half we incurred expenditure of £4.5m on the final stage of the semiconductor systems facility in Bristol, dual running costs of the two semiconductor systems facilities of £0.5m, and £0.3m on the Belfast facility, where fit-out has been suspended temporarily. In addition, £0.9m of customer deposits were refunded following export licence rejections and we booked business reorganisation and transaction costs of £2.9m. On a normalised basis, which excludes these costs, cash conversion was 17% (2023: 41%). Cash conversion is defined as cash from operations before business reorganisation costs, transaction costs and pension scheme payments above charge to operating profit, less capitalised development expenditure, capital expenditure and payments made in respect of lease liabilities divided by adjusted operating profit.

Reconciliation of cash generated from operations to adjusted operating cash flow	**Half year 2024/25 £m**	Half year 2023/24 £m
Cash from operations	**4.6**	7.4
Add back:		
Non-recurring items	**2.9**	0.7
Pension scheme payments above charge to operating profit	**4.1**	4.0
Capitalised development expenditure	**(0.7)**	(0.3)
Expenditure on tangible and intangible assets	**(8.8)**	(16.7)
Payments made in respect of lease liabilities	**(2.6)**	(2.6)
Adjusted cash from operations	**(0.5)**	(7.5)
Cash conversion % (adjusted cash from operations/adjusted operating profit)	**(1%)**	(21%)
Cash conversion % (normalised[1])	**17%**	41%

1. Cash conversion calculated on a normalised basis excludes expenditure in the half year of £5.3m on facility capacity expansion, and £0.9m on customer deposits returned due to UK export licence rejections

Working capital increased by £29.6m; inventories and receivables increased by £9.0m and £4.1m respectively, and payables fell by £16.5m. The increase in inventory reflects a high level of work-in-progress to support shipments in Q3. Our focus on inventory control is expected to deliver a reduction in inventory during the second half of the year.

Other movements reflect phasing of cash receipts on a long-term quantum contract. During the half year we shipped the first of several cryogenic systems and recognised revenue on the achievement of factory acceptance testing on two other systems. The timing of these orders is such that customer deposits were received in previous years, and payments on shipment and customer acceptance will be received over the next 18 months. The total working capital impact of this long-term contract in the half-year is £8.3m. In addition, a larger proportion of shipments were made towards the end of the half year. This has resulted in an increase in receivables, which is expected to fully unwind in the second half.

Pension

Pension recovery payments above charge to operating profit total £4.1m (2023: £4.0m).

Interest

Net interest received was £0.6m (2023: £1.2m), reflecting interest received on our foreign currency cash balances, partially offset by overdraft balances on our main sterling accounts due to timing of foreign currency hedges.

Tax

Tax paid was £11.3m (2023: £7.9m); the increase relating to higher payments on account following the increase in the UK corporation tax rate.

Investment in Research and Development (R&D)

Total cash spend on R&D in the half year was £20.7m, equivalent to 9.2% of sales (2023: £19.7m, 9.4% of sales). A reconciliation between the adjusted amounts charged to the consolidated statement of income and the cash spent is given below:

	Half year 2024/25 £m	Half year 2023/24 £m
R&D expense charged to the consolidated statement of income	**20.3**	19.7
Amortisation and impairment of R&D costs capitalised as intangibles	**(0.3)**	(0.3)
Amounts capitalised as intangible assets	**0.7**	0.3
Total cash spent on R&D during the year	**20.7**	19.7

Net cash and funding

Net cash

Cash from operations in the full year was offset by capital expenditure and initial consideration of £15.4m paid on the acquisition of FemtoTools. After tax and dividend payments, the Group's net cash position decreased from £83.8m on 31 March 2024 to £39.3m on 30 September 2024.

Movement in net cash	£m
Net cash after borrowings on 31 March 2024	83.8
Cash generated from operations	4.6
Interest	0.6
Tax	(11.3)
Capitalised development expenditure	(0.7)
Capital expenditure on tangible and intangible assets	(8.8)
Acquisition of subsidiaries	(15.4)
Payments made in respect of lease obligations	(2.6)
Dividends paid	(9.2)
Other items and FX	(1.7)
Net cash after borrowings on 30 September 2024	**39.3**

Net cash including lease liabilities	**Half year 2024/25 £m**	Half year 2023/24 £m
Net cash after borrowings	**39.3**	79.1
Lease liabilities	**(31.2)**	(34.8)
Net cash and lease liabilities after borrowings	**8.1**	44.3

Funding

The Group has a four-year unsecured multi-currency revolving facility agreement, with two extension options, comprising a euro-denominated multi-currency facility of €95.0m (£79m) and a US Dollar-denominated multi-currency facility of $150.0m (£112m). Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times. At 30 September 2024 the business had net cash.

Pensions

The Group has a defined benefit pension scheme in the UK. This has been closed to new entrants since 2001 and closed to future accrual from 2010.

On an IAS 19 basis, the surplus arising from our defined benefit pension Scheme obligations on 30 September 2024 was £19.2m (31 March 2024: £16.1m). The Scheme's assets are hedged against gilt yields, whereas the accounting liabilities are valued based on corporate bond yields. The small improvement in the surplus from 31 March 2024 reflects company contributions paid over the period. The value of scheme assets decreased to £237.8m (31 March 2024: £239.7m) and scheme liabilities decreased to £218.6m (31 March 2024: £223.6m).

The scheme's actuarial valuation review, rather than the accounting basis, determines our cash payments into the scheme. The cash contributions into the scheme are expected to continue until 31 March 2025, at which point we expect, based on current assumptions, the scheme to achieve self-sufficiency. Following this date we have agreed with the trustees to continue voluntary contributions as we explore buy-out options for the scheme. The scheme rules provide that in the event of a surplus remaining after settling contractual obligations to members, the Group may determine how the surplus is utilised.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the performance highlights and Chief Executive Officer's review sections of this half year report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the finance review.

Trading for the Group has been good during the half year. The Group has prepared and reviewed a number of scenarios for the Group based on key risks noted for the business and the potential impact on orders, trading and cash flow performance. In addition, the Group has overlaid the risk of long-term adverse movements in currency rates to our cash flow forecasts. The Board is satisfied, having considered the sensitivity analysis, as well as its funding facilities, that the Group has adequate resources to continue in operational existence for the foreseeable future.

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.

Gavin Hill

Chief Financial Officer

11 November 2024

Condensed consolidated statement of income
Half year ended 30 September 2024

	Note	**Half year to 30 September 2024**			Half year to 30 September 2023		
		Adjusted	**Adjusting items (note 3)**	**Total**	Adjusted	Adjusting items (note 3)	Total
		£m	**£m**	**£m**	£m	£m	£m
Revenue	2	**225.8**	**-**	**225.8**	209.7	-	209.7
Cost of sales		**(108.5)**	**-**	**(108.5)**	(98.7)	-	(98.7)
Gross profit		**117.3**	**-**	**117.3**	111.0	-	111.0
Research and development	4	**(20.3)**	**-**	**(20.3)**	(19.7)	-	(19.7)
Selling and marketing		**(37.9)**	**-**	**(37.9)**	(34.2)	-	(34.2)
Administration and shared services		**(26.1)**	**(5.5)**	**(31.6)**	(28.2)	(5.5)	(33.7)
Foreign exchange gain/(loss)		**0.9**	**2.7**	**3.6**	7.6	(2.4)	5.2
Operating profit		**33.9**	**(2.8)**	**31.1**	36.5	(7.9)	28.6
Financial income		**1.6**	**-**	**1.6**	1.9	-	1.9
Financial expenditure		**(0.9)**	**(0.1)**	**(1.0)**	(0.9)	-	(0.9)
Profit/(loss) before income tax	3	**34.6**	**(2.9)**	**31.7**	37.5	(7.9)	29.6
Income tax (expense)/credit		**(8.7)**	**1.1**	**(7.6)**	(9.0)	1.7	(7.3)
Profit/(loss) for the period attributable to equity shareholders of the parent		**25.9**	**(1.8)**	**24.1**	28.5	(6.2)	22.3

Earnings per share		**pence**		**pence**	pence		pence
Basic earnings per share	7						
From profit for the period		**44.7**		**41.6**	49.4		38.6
Diluted earnings per share	7						
From profit for the period		**44.1**		**41.1**	48.7		38.1

The attached notes form part of these Financial Statements.

Condensed consolidated statement of comprehensive income
Half year ended 30 September 2024

	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
Profit for the period	**24.1**	22.3
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to condensed consolidated statement of income		
Foreign exchange translation differences	**(4.4)**	(0.2)
Items that will not be reclassified to condensed consolidated statement of income		
Remeasurement loss in respect of post-retirement benefits	**(1.4)**	(19.4)
Tax credit on items that will not be reclassified to condensed consolidated statement of income	**0.4**	4.8
Total other comprehensive expense	**(5.4)**	(14.8)
Total comprehensive income for the period attributable to equity shareholders of the parent	**18.7**	7.5

Condensed consolidated statement of financial position
As at 30 September 2024

	Note	**As at 30 September 2024 £m**	*As at 31 March 2024 as restated (1) £m*
Assets			
Non-current assets			
Property, plant and equipment		**86.4**	*80.5*
Intangible assets		**152.4**	*138.2*
Right-of-use assets		**29.7**	*32.4*
Long-term receivables		**1.2**	*1.3*
Derivative financial instruments	10	**0.6**	*0.2*
Retirement benefit asset	11	**19.2**	*16.1*
Deferred tax assets		**11.9**	*13.7*
		301.4	*282.4*
Current assets			
Inventories		**116.4**	*108.1*
Trade and other receivables		**113.9**	*114.7*
Current income tax receivable		**3.1**	*1.0*
Derivative financial instruments	10	**4.6**	*2.3*
Cash and cash equivalents		**53.0**	*97.8*
		291.0	*323.9*
Total assets		**592.4**	*606.3*
Equity			
Capital and reserves attributable to the company's equity shareholders			
Share capital		**2.9**	*2.9*
Share premium		**62.6**	*62.6*
Other reserves		**0.2**	*0.2*
Translation reserve		**3.0**	*7.4*
Retained earnings		**308.0**	*292.6*
		376.7	*365.7*
Liabilities			
Non-current liabilities			
Bank loans		**0.7**	*0.9*
Lease payables		**27.0**	*28.6*
Retirement benefit obligations	11	**0.3**	-
Derivative financial instruments	10	**-**	-
Deferred tax liabilities		**14.8**	*12.9*
		42.8	*42.4*
Current liabilities			
Bank loans and overdrafts		**13.0**	*13.1*
Trade and other payables		**144.7**	*166.2*
Lease payables		**4.2**	*4.8*
Current income tax payables		**4.2**	*7.6*
Derivative financial instruments	10	**0.1**	*0.1*
Provisions		**6.7**	*6.4*
		172.9	*198.2*
Total liabilities		**215.7**	*240.6*
Total liabilities and equity		**592.4**	*606.3*

(1) Details of restatement of prior period numbers can be found in note 8.

Condensed consolidated statement of changes in equity
Half year ended 30 September 2024

	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 April 2024	**2.9**	**62.6**	**0.2**	**7.4**	**292.6**	**365.7**
Profit for the period	**-**	**-**	**-**	**-**	**24.1**	**24.1**
Foreign exchange translation differences	**-**	**-**	**-**	**(4.4)**	**-**	**(4.4)**
Remeasurement loss in respect of post-retirement benefits	**-**	**-**	**-**	**-**	**(1.4)**	**(1.4)**
Tax credit on items that will not be reclassified to condensed consolidated statement of income	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Total comprehensive (expense)/income	**-**	**-**	**-**	**(4.4)**	**23.1**	**18.7**
Share-based payment transactions	**-**	**-**	**-**	**-**	**1.5**	**1.5**
Income tax on share-based payment transactions	**-**	**-**	**-**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**-**	**(9.2)**	**(9.2)**
Total transactions with owners:	**-**	**-**	**-**	**-**	**(7.7)**	**(7.7)**
As at 30 September 2024	**2.9**	**62.6**	**0.2**	**3.0**	**308.0**	**376.7**
As at 1 April 2023	2.9	62.6	0.2	12.9	265.4	344.0
Profit for the period	-	-	-	-	22.3	22.3
Foreign exchange translation differences	-	-	-	(0.2)	-	(0.2)
Remeasurement loss in respect of post-retirement benefits	-	-	-	-	(19.4)	(19.4)
Tax credit on items that will not be reclassified to condensed consolidated statement of income	-	-	-	-	4.8	4.8
Total comprehensive (expense)/income	-	-	-	(0.2)	7.7	7.5
Share-based payment transactions	-	-	-	-	1.1	1.1
Income tax on share-based payment transactions	-	-	-	-	(1.0)	(1.0)
Dividends	-	-	-	-	-	-
Total transactions with owners:	-	-	-	-	0.1	0.1
As at 30 September 2023	2.9	62.6	0.2	12.7	273.2	351.6

Condensed consolidated statement of cash flows
Half year ended 30 September 2024

	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
Cash flows from operating activities		
Profit for the period	**24.1**	22.3
Adjustments for:		
Income tax expense	**7.6**	7.3
Net financial income	**(0.6)**	(1.0)
Fair value movement on financial derivatives	**(2.7)**	2.4
Release of contingent consideration	**(2.1)**	-
Amortisation of right-of-use assets	**2.5**	2.7
Depreciation of property, plant and equipment	**3.0**	2.4
Amortisation of intangible assets	**5.0**	4.9
Charge in respect of equity settled employee share schemes	**1.5**	1.1
Contributions paid to the pension scheme more than the charge to operating profit	**(4.1)**	(4.0)
Increase in inventories	**(9.0)**	(22.9)
(Increase)/decrease in receivables	**(4.1)**	3.8
Decrease in payables and provisions	**(12.8)**	(17.2)
(Decrease)/increase in customer deposits	**(3.7)**	5.6
Cash generated from operations	**4.6**	7.4
Interest paid	**(0.6)**	(0.5)
Income taxes paid	**(11.3)**	(7.9)
Net cash (used in)/from operating activities	**(7.3)**	(1.0)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**0.1**	0.1
Acquisition of property, plant and equipment	**(8.9)**	(16.5)
Acquisition of intangible assets	**-**	(0.3)
Acquisition of subsidiaries, net of cash acquired	**(15.4)**	-
Capitalised development expenditure	**(0.7)**	(0.3)
Interest received	**1.2**	1.7
Net cash used in investing activities	**(23.7)**	**(15.3)**
Cash flows from financing activities		
Proceeds from issue of share capital	**-**	0.1
Interest paid on lease payables	**(0.3)**	(0.4)
Repayment of lease payables	**(2.3)**	(2.2)
Repayment of borrowings	**(0.6)**	(0.1)
Dividends paid	**(9.2)**	-
Net cash used in financing activities	**(12.4)**	(2.6)
Change in cash and cash equivalents	**(43.4)**	(18.9)
Cash and cash equivalents at beginning of the year	**85.5**	101.5
Effect of exchange rate fluctuations on cash held	**(1.7)**	(2.3)
Cash and cash equivalents at end of the period	**40.4**	80.3
Comprised of:		
Cash and cash equivalents as per the condensed consolidated statement of financial position	**53.0**	101.7
Bank overdrafts	**(12.6)**	(21.4)
	40.4	80.3

Notes to the half-year financial statements
Half year ended 30 September 2024

1 Basis of preparation

Reporting entity

Oxford Instruments plc is a company incorporated in England and Wales. The condensed consolidated half-year set of 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 UK adopted IAS 34 Interim Financial Reporting. 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 2024. The Group Financial Statements were prepared in accordance with UK adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 and interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to companies reporting under UK adopted IFRS.

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 2024 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.

The Board of Directors approved the Condensed Consolidated Interim Financial Statements on 11 November 2024.

Significant accounting policies

As required by the Disclosure Guidance 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 2024.

Changes in accounting standards

The IASB (International Accounting Standards Board) issued a new Standard, IFRS 18 Presentation and Disclosure in Financial Statements, on 9 April 2024 that will replace IAS 1 Presentation of Financial Statements. The purpose of the new standard is to provide more consistent presentation of financial information across preparers as it is acknowledged that existing standards have given flexibility to present information in different ways. IFRS 18 will not impact the recognition or measurement of items in the financial statements. Many of the existing presentation principles in IAS 1 are retained, but there are some more specific requirements that will require the Group to make some changes in its future Annual Report and Interim Financial Statements.

The new Standard is not yet endorsed by the UK Endorsement Board 'UKEB' but is expected to be applicable for reporting periods beginning on or after 1 January 2027. Comparative information for 2026 will need to be restated when the 2027 Interim Financial Statements and Annual Report and Accounts are published and early adoption is expected to be permitted.

The Group has started an initial review of the Standard and expects changes to the presentation of the income statement. The process of assessing the financial impact on the Consolidated Financial Statements will continue during 2024 and 2025.

There are no other new standards or interpretations issued by the IASB that had a significant impact on the Consolidated Financial Statements.

There are no standards or amendments that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 2024, other than one key new area:

Acquisition of FemtoTools AG (FemtoTools)
On the acquisition of a business in order to comply with IFRS 3 (Revised) Business Combinations it is necessary to reflect the assets and liabilities acquired at their fair value. This requires certain estimates and assumptions in relation to, inter alia, the forecast performance of the acquired business, the expected life of certain intangible assets and the likely future customer base of the business. In order to assist in undertaking this Fair Value exercise, the Group appointed an external firm of advisors. The exercise is incomplete as at the date of this report so the fair value adjustments are reported on a provisional basis. The provisional fair value adjustments arising from this review are set out in Note 8.

Going concern
The 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 Finance Review discloses information relevant to the Group's financial position, its cash flows, borrowing facilities and liquidity.

The directors have considered the appropriateness of the going concern basis of preparation following a detailed assessment of the risks to the Group as outlined above, and have a reasonable expectation that the Group will be able to continue operating and meet its liabilities as they fall due over a period of 12 months from approval of these half year financial statements.

On 19 March 2024 the Group entered into a new multi-currency revolving facility agreement, which is committed until March 2028 with 15-month and 12-month extension options at the end of the first and second years respectively. The facility has been entered into with four banks and comprises a Euro-denominated multi-currency facility of €95m and a US Dollar denominated multi-currency facility of $150m. Debt covenants are net debt to EBITDA less than 3.0 times and EBITDA to interest greater than 4.0 times. At the date of approving these financial statements, the facility remains undrawn.

The relatively diverse nature of the Group together with its current financial strength provides a solid foundation. In its going concern assessment, the directors considered several scenarios, including base case and downside scenarios. The assessment is based on board approved budget, incorporating severe but plausible scenarios in the forecast. These scenarios reflected a 25% reduction in group's performance, a 25% increase in working capital and a third scenario of incorporating both. In each scenario the Group's cash balances remained positive and the facility remains undrawn throughout the going concern period to 12 November 2025.

Based on this assessment, incorporating a review of current position, the scenarios, the principal risks and mitigation, the Directors have a reasonable expectation that the group will be able to continue operating and meet its liabilities as they fall due over a period of 12 months from approval of these half year financial statements and there are no material uncertainties which may cast significant doubt over its ability to continue as a going concern.

2 Segment information

The Group's operating segments were previously combined into three aggregated operating segments; Materials & Characterisation, Research & Discovery, and Service & Healthcare. From 1 April 2024, these have now been combined into two new 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 two aggregated operating segments is a reportable segment. In the previous structure, service revenue for operating segments was reported within Service & Healthcare, in the new structure service revenue is reported within each respective operating segment. The aggregated operating segments are as follows:

- the Imaging & Analysis segment comprises a group of businesses focussing on microscopy, cameras, analytical instruments and software; and
- the Advanced Technologies segment comprises a group of businesses focussing on compound semiconductor fabrication equipment, cryogenic and superconducting magnet technology and X-ray tubes.

Prior period results have been adjusted to reflect the new operating segments.

The Group's internal management structure and financial reporting systems differentiate the two aggregated operating segments based on the economic characteristics discussed above.

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. The operating results of each are regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Executive Directors. Discrete financial information is available for each segment and used by the Executive 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 Executive Directors.

On 9th January 2024, the Group acquired 100% of the issued share capital of First Light Imaging which has been integrated into the Imaging & Analysis segment. On 28th June 2024, the Group acquired 100% of the issued share capital of FemtoTools which has been integrated into the Imaging & Analysis segment. Further information can be found in Note 8.

Results

Half year to 30 September 2024	**Imaging & Analysis £m**	**Advanced Technologies £m**	**Total £m**
External product revenue	**126.0**	**60.5**	**186.5**
External service revenue	**27.9**	**11.4**	**39.3**
Total external revenue	**153.9**	**71.9**	**225.8**
Inter-segment product revenue	**-**	**0.6**	
Total segment revenue	**153.9**	**72.5**	
Segment adjusted operating profit	**35.9**	**(2.0)**	**33.9**

Half year to 30 September 2023	Imaging & Analysis £m	Advanced Technologies £m	Total £m
External product revenue	124.9	51.2	176.1
External service revenue	24.5	9.1	33.6
Total external revenue	149.4	60.3	209.7
Inter-segment product revenue	-	0.8	
Total segment revenue	149.4	61.1	
Segment adjusted operating profit	37.0	(0.5)	36.5

Revenue in the Imaging & Analysis and Advanced Technologies segments represents the sale of products and service income. No individual customer accounts for more than 10% of revenue.

Reconciliation of reportable segment profit

Half year to 30 September 2024	**Imaging & Analysis £m**	**Advanced Technologies £m**	**Unallocated Group items £m**	**Total £m**
Segment adjusted operating profit/(loss)	**35.9**	**(2.0)**	**-**	**33.9**
Restructuring costs and charges associated with management changes	**(1.6)**	**(0.4)**	**(0.2)**	**(2.2)**
Transaction-related costs	**(0.5)**	**(0.2)**	**-**	**(0.7)**
Amortisation and impairment of acquired intangibles	**(4.7)**	**-**	**-**	**(4.7)**
Fair value movement on financial derivatives	**-**	**-**	**2.7**	**2.7**
Financial income	**-**	**-**	**1.6**	**1.6**
Financial expenditure	**-**	**-**	**(1.0)**	**(1.0)**
Release of contingent consideration	**2.1**	**-**	**-**	**2.1**
Profit/(loss) before income tax	**31.2**	**(2.6)**	**3.1**	**31.7**

Half year to 30 September 2023	Imaging & Analysis £m	Advanced Technologies £m	Unallocated Group items £m	Total £m
Segment adjusted operating profit/(loss)	37.0	(0.5)	-	36.5
Transaction-related costs	(0.4)	(0.3)	-	(0.7)
Intellectual property litigation	-	(0.2)	-	(0.2)
Amortisation and impairment of acquired intangibles	(4.6)	-	-	(4.6)
Fair value movement on financial derivatives	-	-	(2.4)	(2.4)
Financial income	-	-	1.9	1.9
Financial expenditure	-	-	(0.9)	(0.9)
Profit/(loss) before income tax	32.0	(1.0)	(1.4)	29.6

The Group's revenue by destination of the end user is as follows:

Revenue	**Half year to 30 September 2024 £m**	Half year to 30 September 2023 £m
UK	**8.9**	12.8
China	**49.4**	65.1
Japan	**15.1**	16.0
USA	**64.6**	51.2
Germany	**21.2**	15.4
Rest of Europe	**23.2**	20.7
Rest of Asia	**32.7**	20.5
Rest of World	**10.7**	8.0
	225.8	209.7

3 Adjusting items
In the preparation of adjusted numbers, the Directors exclude certain items in order to assist with comparability between peers and to give what they consider to be a better indication of the underlying performance of the business. In determining whether an event or transaction is an adjusting item, the Directors consider quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

These adjusting items are excluded in the calculation of adjusted operating profit, adjusted profit before tax, adjusted profit for the period, adjusted EBITDA (defined as adjusted operating profit before depreciation and amortisation of capitalised development costs), adjusted EPS, adjusted cash conversion and adjusted effective tax rate. Details of adjusting items are given below.

Adjusted EBITDA is calculated by adding back depreciation of property, plant and equipment, amortisation of right-of-use assets and amortisation of intangible assets to adjusted operating profit, and can be found in the condensed consolidated statement of cash flows. The calculation of adjusted EPS can be found in Note 7. Adjusted effective tax rate is calculated by dividing the share of tax attributable to adjusted profit before tax by adjusted profit before tax. The definition of cash conversion is set out in the Finance Review.

Reconciliation between operating profit and profit before income tax and adjusted profit

	Half year to 30 September 2024		Half year to 30 September 2023	
	Operating profit	**Profit before income tax**	Operating profit	Profit before income tax
	£m	**£m**	£m	£m
Statutory measure	**31.1**	**31.7**	28.6	29.6
Intellectual property litigation settlement	**-**	**-**	-	-
Adjustments relating to defined benefit pension schemes	**-**	**-**	-	-
Transaction-related costs	**0.7**	**0.7**	0.7	0.7
Restructuring costs and charges associated with management changes	**2.2**	**2.2**	-	-
Intellectual property litigation costs	**-**	**-**	0.2	0.2
Amortisation and impairment of acquired intangibles	**4.7**	**4.7**	4.6	4.6
Fair value movement on financial derivatives	**(2.7)**	**(2.7)**	2.4	2.4
Unwind of discount in respect of contingent consideration	**-**	**0.1**	-	-
Release of contingent consideration	**(2.1)**	**(2.1)**	-	-
Total adjusting items	**2.8**	**2.9**	7.9	7.9
Adjusted measure	**33.9**	**34.6**	36.5	37.5
Adjusted income tax expense		**(8.7)**		(9.0)
Adjusted profit	**33.9**	**25.9**	36.5	28.5
Adjusted effective tax rates		**25.1%**		24.0%

Intellectual property litigation settlement
This represents one-off settlement income in the Advanced Technologies segment from defending our intellectual property.

Adjustments relating to defined benefit pension schemes
During the prior year, the Group recognised a one-off charge of £0.4m in respect of removing the pension increase exchange at retirement option for deferred members.

Transaction-related costs
These represent the costs of one-off charges incurred at the balance sheet date relating to transactional work.

Restructuring costs and charges associated with management changes
In the current year, these represent the costs of one-off restructuring within the group. In the prior year, these represent £1.7m of costs associated with the relocation of production facilities within the semiconductor business and charges of £2.0m incurred in respect of the recruitment of the CEO and one-off dual-running costs associated with this appointment.

Intellectual property litigation costs
These represent one-off legal costs to defend our intellectual property.

Amortisation and impairment of acquired intangibles
Adjusted profit excludes the non-cash amortisation and impairment of acquired intangible assets.

Fair value movement on financial derivatives
Under IFRS 9, 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 IFRS 9 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 period is stated before changes in the valuation of these instruments so that the underlying performance of the Group can be more clearly seen.

Unwind of discount in respect of contingent consideration
This represents the unwind of the discount in respect of the contingent consideration on the acquisition of FemtoTools (Note 8).

Release of contingent consideration
This represents the release of the earn-out provision in respect of the acquisition of First Light Imaging.

Adjusted income tax expense
Statutory income tax is adjusted for the income tax impact on the adjusting items described above. In the prior year, adjusted income tax also includes a prior year adjustment in relation to deferred tax recognised on the Asylum intangibles.

Reconciliation of changes in cash and cash equivalents to movement in net cash after borrowings

	Half year to 30 September 2024 £m	*Year to 31 March 2024 £m*
Net decrease in cash and cash equivalents	**(43.4)**	*(13.1)*
Effect of exchange rate fluctuations on cash held	**(1.7)**	*(2.9)*
Movement in net cash in the year	**(45.1)**	*(16.0)*
Bank loans at First Light Imaging acquired	**-**	*(2.2)*
Repayment of borrowings	**0.6**	*1.8*
Net cash after borrowings at the start of the period	**83.8**	*100.2*
Net cash after borrowings at the end of the period	**39.3**	*83.8*

Reconciliation of net cash after borrowings to Statement of Financial Position

	Half year to 30 September 2024 £m	*Year to 31 March 2024 £m*
Bank loans at First Light Imaging	**(0.4)**	*(0.8)*
Covid-19 loan at WITec	**(0.7)**	*(0.9)*
Overdrafts	**(12.6)**	*(12.3)*
Cash and cash equivalents	**53.0**	*97.8*
Net cash after borrowings at the end of the period	**39.3**	*83.8*

4 Research and development (R&D)
The total research and development spend by the Group is as follows:

	Half year to 30 September 2024 £m	Half year to 30 September 2023 £m
R&D expense charged to the condensed consolidated statement of income	**20.3**	19.7
Less: amortisation of R&D costs previously capitalised as intangibles	**(0.3)**	(0.3)
Add: amounts capitalised as intangible assets	**0.7**	0.3
Total cash spent on R&D during the period	**20.7**	19.7

5 Taxation
The total effective tax rate on profits for the half year is 24.0% (prior half year: 24.7%). The weighted average tax rate in respect of adjusted profit before tax (see Note 3) for the half year is 25.1% (prior half year: 24.0%).

For the full year the Group expects the tax rate in respect of adjusted profit before tax to be 24.5%.

6 Dividends
The following dividends per share were paid by the Group:

	Half year to 30 September 2024 pence	Half year to 30 September 2023 pence
Previous period final dividend	**15.9**	-
Current period interim dividend	**-**	-
	15.9	-

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

	Half year to 30 September 2024 pence	Half year to 30 September 2023 pence
Interim dividend	**5.1**	4.9
Final dividend	**-**	-
	5.1	4.9

The interim dividend for the year to 31 March 2024 of 4.9 pence was approved by a sub-committee of the Board on 13 November 2023 and was paid on 12 January 2024. The final dividend for the year to 31 March 2024 of 15.9 pence per share was approved by Shareholders at the Annual General Meeting on 25 July 2024 and was paid on 20 August 2024.

The interim dividend for the year to 31 March 2025 of 5.1 pence per share was approved by a sub-committee of the Board on 5 November 2024 and has not been included as a liability as at 30 September 2024. The interim dividend is expected to be paid on 10 January 2025 to Shareholders on the register on the record date of 29 November 2024, with an ex-dividend date of 28 November 2024 and with the last date of election for the Dividend Reinvestment Plan (DRIP) being 17 December 2024.

7 Earnings per share

Basic earnings per ordinary share (EPS) is calculated by dividing the profit attributable to equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held by the Employee Benefit Trust, which have been treated as if they had been cancelled.

For the purposes of calculating diluted and diluted adjusted EPS, the weighted average number of ordinary shares is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive ordinary shares expected to vest, relating to the company's share-based payment plans. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS.

The following table shows the weight average number of shares used in the calculation and the effect of share options on the calculation of diluted earnings per share:

	Half year to 30 September 2024 Shares million	Half year to 30 September 2023 Shares million
Weighted average number of shares used in calculation of basic earnings per share	**58.0**	57.7
Effect of shares under option	**0.7**	0.8
Number of ordinary shares per diluted earnings per share calculations	**58.7**	58.5

Basic and diluted EPS are based on the profit for the period attributable to equity shareholders of the parent, as reported in the consolidated statement of income. Adjusted and diluted adjusted EPS are based on adjusted profit for the period, as reported in Note 3:

	Half year to 30 September 2024		Half year to 30 September 2023	
	£m	**Pence**	£m	Pence
Profit attributable to equity shareholders of the parent/Basic EPS	**24.1**	***41.6***	22.3	*38.6*
Total underlying adjustments to profit before tax (Note 3)	**2.9**	**5.0**	7.9	13.7
Related tax effects	**(1.1)**	**(1.9)**	(1.7)	(2.9)
Adjusted profit attributable to equity shareholders of the parent/adjusted EPS	**25.9**	**44.7**	28.5	49.4
Diluted basic EPS		**41.1**		38.1
Diluted adjusted EPS		**44.1**		48.7

8 Acquisitions

Acquisition of First Light Imaging
On 9 January 2024, the Group acquired 100% of the issued share capital of First Light Imaging SAS ("First Light Imaging") on a cash-free, debt-free basis for consideration of €19.3m (£16.6m), of which €3.0m (£2.5m) was conditional on trading performance over a period of twelve months from the acquisition. The conditions for the contingent consideration were meeting certain revenue, order and margin thresholds. In the calculations below, it was assumed that these thresholds were to be met.

Retrospective adjustment for prior year business combination accounting
A restatement has been made in the prior year, in relation to a fair value adjustment to inventory at acquisition of First Light Imaging.

In the consolidated financial statements for the year ended 31 March 2024, provisional values for the book and fair value of the assets and liabilities acquired were used because the initial acquisition accounting was incomplete as at the date of the report. A fair value adjustment has been made to the provisionally reported amounts, reducing inventory by £0.3m with a corresponding increase in goodwill. The book and fair value of the assets and liabilities acquired given in the table below, are no longer provisional.

As a result, the condensed consolidated statement of financial position as at 31 March 2024 has been restated as follows:

	31 March 2024 £m	Restatement £m	31 March 2024 (restated) £m
Condensed consolidated statement of financial position			
Non-current assets			
Intangible assets	137.9	0.3	138.2
Current assets			
Inventories	108.4	(0.3)	108.1

The restatement did not result in any change to reported profit, earnings per share, net assets or net cash from operating activities reported in the 2024 full-year financial statements.

The book and fair value of the assets and liabilities acquired is 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.

	Book value £m	**Adjustments £m**	**Fair value £m**
Intangible assets	0.1	10.3	10.4
Property, plant and equipment	0.5	-	0.5
Right-of-use assets	0.7	-	0.7
Inventories	1.7	(0.3)	1.4
Trade and other receivables	2.9	-	2.9
Deferred tax	-	(2.6)	(2.6)
Trade and other payables	(2.1)	-	(2.1)
Lease liabilities	(0.7)	-	(0.7)
Bank loans	(2.2)	-	(2.2)
Cash	0.6	-	0.6
Net assets acquired	**1.5**	**7.4**	**8.9**
Goodwill			5.7
Total consideration			**14.6**
Net debt acquired			1.6
Contingent consideration after discounting to transaction date			(2.3)
Net cash outflow relating to the acquisition			**13.9**

The goodwill arising is considered to represent the value of the acquired workforce and the value of technology that has not been individually fair valued.

Acquisition related costs in the period of £0.1m were expensed to the condensed consolidated statement of income as an adjusting item in the administration and shared services cost line. Acquisition related costs in the prior year of £0.7m were expensed to the condensed consolidated statement of income as an adjusting item in the administration and shared services cost line.

The acquisition contributed revenue of £0.6m, adjusted operating loss of £0.6m and a statutory loss before tax of £0.6m to the Group's profit for the prior year.

If the acquisition had occurred on the first day of the prior year the acquisition would have contributed revenue of £5.7m, adjusted operating profit of £0.3m and a statutory result before tax of £0.3m for the year ended 31 March 2024.

During the period, £0.5m of deferred consideration in relation to a net asset adjustment was paid. This is included within "acquisition net of subsidiaries, net of cash acquired" in the period in the condensed consolidated statement of cash flows.

It is now expected that the thresholds to pay the remaining contingent consideration will not be met and the payable has been released to the condensed consolidated statement of income (Note 3).

Acquisition of FemtoTools
On 28 June 2024, the Group acquired 100% of the issued share capital of FemtoTools AG ("FemtoTools") on a cash-free, debt-free basis for consideration of CHF 17.9m (£15.8m), with a further CHF 5.5m (£4.8m) was conditional on trading performance over a period of 33 months from the acquisition. The conditions for the contingent consideration were meeting certain revenue, order and margin thresholds. In the calculations below, it has been assumed that these thresholds will be met.

The book and provisional fair value of the assets and liabilities acquired is given in the table below. Provisional values have been used for all assets and liabilities, including contingent tax, because the initial acquisition accounting is incomplete at the date of this report. 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.

	Book value **£m**	**Provisional adjustments** **£m**	**Provisional fair value** **£m**
Intangible assets	-	11.3	11.3
Property, plant and equipment	0.3	-	0.3
Inventories	0.6	-	0.6
Trade and other receivables	0.9	-	0.9
Deferred tax	0.1	(2.3)	(2.2)
Trade and other payables	(0.8)	-	(0.8)
Retirement benefit obligations	(0.3)	-	(0.3)
Provisions	(0.1)	-	(0.1)
Cash	1.1	-	1.1
Net assets acquired	**1.8**	**9.0**	**10.8**
Goodwill			8.8
Total consideration			**19.6**
Net cash acquired			(1.1)
Contingent consideration after discounting to transaction date			(3.6)
Net cash outflow relating to the acquisition			**14.9**

The goodwill arising is considered to represent the value of the acquired workforce and the value of technology that has not been individually fair valued.

Acquisition related costs in the period of £0.3m were expensed to the condensed consolidated statement of income as an adjusting item in the administration and shared services cost line. There were no acquisition related costs in the prior year in relation to this acquisition.

The acquisition contributed revenue of £2.2m, adjusted operating profit of £0.6m and a statutory loss before tax of £0.8m in the period.

If the acquisition had occurred on the first day of the year the acquisition would have contributed revenue of £3.5m, adjusted operating profit of £0.4m and a statutory result before tax of £0.4m in the period.

9 Goodwill

	Goodwill £m
Cost	
Balance at 1 April 2023	124.6
Additions - business combinations (as restated Note 8)	5.7
Effect of movements in foreign exchange rates	(0.8)
Balance at 31 March 2024 and 1 April 2024 as restated (Note 8)	129.5
Additions - business combinations	8.8
Effect of movements in foreign exchange rates	(1.7)
Balance at 30 September 2024	**136.6**
Impairment losses	
Balance at 1 April 2023	22.9
Effect of movements in foreign exchange rates	(0.3)
Balance at 31 March 2024 and 1 April 2024	22.6
Effect of movements in foreign exchange rates	(0.7)
Balance at 30 September 2024	**21.9**
Carrying amounts	
Balance at 1 April 2023	101.7
Balance at 31 March 2024 and 1 April 2024 as restated (Note 8)	106.9
Balance at 30 September 2024	**114.7**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill was allocated to individual CGUs as follows:

	Half year to 30 September 2024 £m	As at 31 March 2024 as restated (1) £m
Imaging & Analysis		
NanoAnalysis	**9.8**	9.9
Magnetic Resonance	**2.3**	2.3
WITec	**20.4**	21.0
Andor	**66.8**	67.0
FemtoTools	**8.8**	-
Advanced Technologies		
NanoScience	**6.6**	6.7
	114.7	106.9

(1) Details of restatement of prior period numbers can be found in note 8.

In the current and prior period, Andor includes a goodwill amount of £5.7m relating to the acquisition of First Light Imaging as shown in Note 8. In the current period, a provisional goodwill amount of £8.8m relates to the acquisition of FemtoTools as also shown in Note 8. All other movements in the year relate to changes in exchange rates.

10 Financial instruments

Fair values of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		As at 30 September 2024		Year to 31 March 2024	
	Fair value hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		£m	**£m**	£m	£m
Financial assets measured at fair value					
Derivative financial assets:					
- Foreign currency contracts	2	**5.2**	**5.2**	2.5	2.5
Financial assets measured at amortised cost					
Long-term receivables		**1.2**		1.3	
Trade receivables		**82.2**		84.9	
Other receivables and accrued income		**16.9**		15.1	
Cash and cash equivalents		**53.0**		97.8	
Financial liabilities measured at fair value					
Derivative financial liabilities:					
- Foreign currency contracts	2	**(0.1)**	**(0.1)**	(0.1)	(0.1)
- Contingent consideration	3	**(3.6)**	**(3.6)**	(2.8)	(2.8)
Financial liabilities measured at amortised cost					
Trade and other payables		**(58.4)**		(75.8)	
Bank overdrafts		**(12.6)**		(12.3)	
Borrowings		**(1.1)**		(1.7)	
Lease payables		**(31.2)**		(33.4)	

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the above table.

Derivative financial instruments

Derivative financial instruments are marked-to-market using market prices.

Fixed and floating rate borrowings

The fair value of fixed and floating rate borrowings is estimated by discounting the future contracted principal and interest cash flows using the market rate of interest at the reporting date.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine their fair value. Advances received are excluded from other payables above as these are not considered to be financial liabilities. Tax related receivables and payables are excluded from the above table as these are not considered to be financial assets and liabilities.

Lease payables

The lease liability is measured at amortised cost using the effective interest method.

Fair value hierarchy
The table above gives details of the valuation method used in arriving at the fair value of financial instruments. The different levels have been identified as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

There have been no transfers between levels during the period.

11 Retirement benefit assets and obligations
The Group operates a defined benefit plan in the UK. A full actuarial valuation of the UK plan was carried out as at 31 March 2021 which, for reporting purposes, has been updated to 30 September 2024 by a qualified independent actuary.

At 31 March 2024, the scheme actuary calculated a retirement benefit asset of £16.1m, being the net of £239.7m of assets and a present value of future liabilities of £223.6m.

In the period to 30 September 2024, there has been an increase in the discount rate from 4.8% to 5.0% and changes to market conditions have reduced the value of the scheme's obligations. The impact of these changes has decreased the benefit obligation to £218.6m (31 March 2024: £223.6m). There have been no material changes to the demographic assumptions associated with the scheme.

The Group has agreed a basis for deficit recovery payments with the trustees of the UK pension scheme. The deficit recovery payments are payable through to and including 2026 and will rise by approximately 3% per annum. The deficit recovery payment for the period was £4.4m (year to 31 March 2024: £8.5m). However, changes in market conditions reduced the scheme's assets during the period. As a result, the fair value of plan assets decreased to £237.8m (31 March 2024: £239.7m).

The overall effect is that for the purposes of IAS 19 the surplus on the scheme increased from £16.1m to £19.2m.

On acquisition of FemtoTools AG on 28 June 2024, the Group now operates a defined benefit pension scheme in Switzerland. At 30 September 2024 the overall position of the scheme is a deficit of £0.3m which comprises a defined benefit obligation of £1.9m and a fair value of plan assets of £1.6m.

12 Related parties
There have been no related party transactions in the first 6 months of the current financial year which have materially affected the financial position or performance of the Group.

Related parties are consistent with those disclosed in the Group's annual report for the year ended 31 March 2024.

Principal risks and uncertainties

Information regarding the risk management process in place at the Group is set out on pages 70 to 73 of the 2024 Report and Financial Statements.

The principal risks and uncertainties identified through that process are set out on pages 73 to 78 of the 2024 Report and Financial Statements and can be found on the Group's website at www.oxinst.com.

In keeping with the risk management process, the Group has performed a quarterly update of its risk register as at 30 September 2024. It has evaluated the disclosures made on pages 73 to 78 of the 2024 Report and Financial Statements and has concluded that all of the risks identified continue to be relevant for the remainder of the year ending 31 March 2025.

Further it considers that there are no additional significant risks to be disclosed.

A summary of the risks and uncertainties identified in the 2024 Report and Financial Statements is set out below:

- Geopolitical risk
- Operational transformation risk
- Supply chain risk
- Routes to market risk
- New Product Introduction risk
- Macroeconomic risk
- Cyber / Information Technology risk
- Legal and regulatory compliance risk
- People and capability risk
- Business interruption risk
- Climate change risk

The Board has reviewed the risk ratings set out on page 73 and considers that no update is required based on either the potential impact or likelihood of the risk materialising.

Responsibility statement of the directors in respect of the half-year financial statements

The Directors confirm that, to the best of their knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK; and
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance 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 consolidated interim 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 Guidance 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.

Richard Tyson	Gavin Hill
Chief Executive Officer	Chief Financial Officer

11 November 2024

Independent review report to Oxford Instruments Plc

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 2024 is not prepared, in all material respects, in accordance with UK adopted IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 2024 which comprises the condensed consolidated statement of income, 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.

Basis for conclusion

We conducted our review in accordance with Revised International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410 (Revised)"). 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 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.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with UK adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006 and interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to companies reporting under UK adopted IFRS. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410 (Revised), however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
Reading, UK
11 November 2024

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