

Half Year Results Presentation

to 30th September 2018

Ian Barkshire
Chief Executive

Gavin Hill
Group Finance Director

Agenda

01: Highlights

02: Finance Review

03: Horizon Update

04: Operational Review

05: Summary and Outlook

- Horizon well embedded across the Group
- Focused investment in sales, service and operations
- End markets remain positive and robust
- Positive results from increased focus on end market applications
- Strong underlying revenue and profit growth in line with management expectations
- Strong growth in orders and order book
- Strong growth in Materials & Characterisation
- Improved financial performance in Research & Discovery
- Order and order book growth in Service & Healthcare
- Good cash collection

Finance Review

Gavin Hill

Income Statement

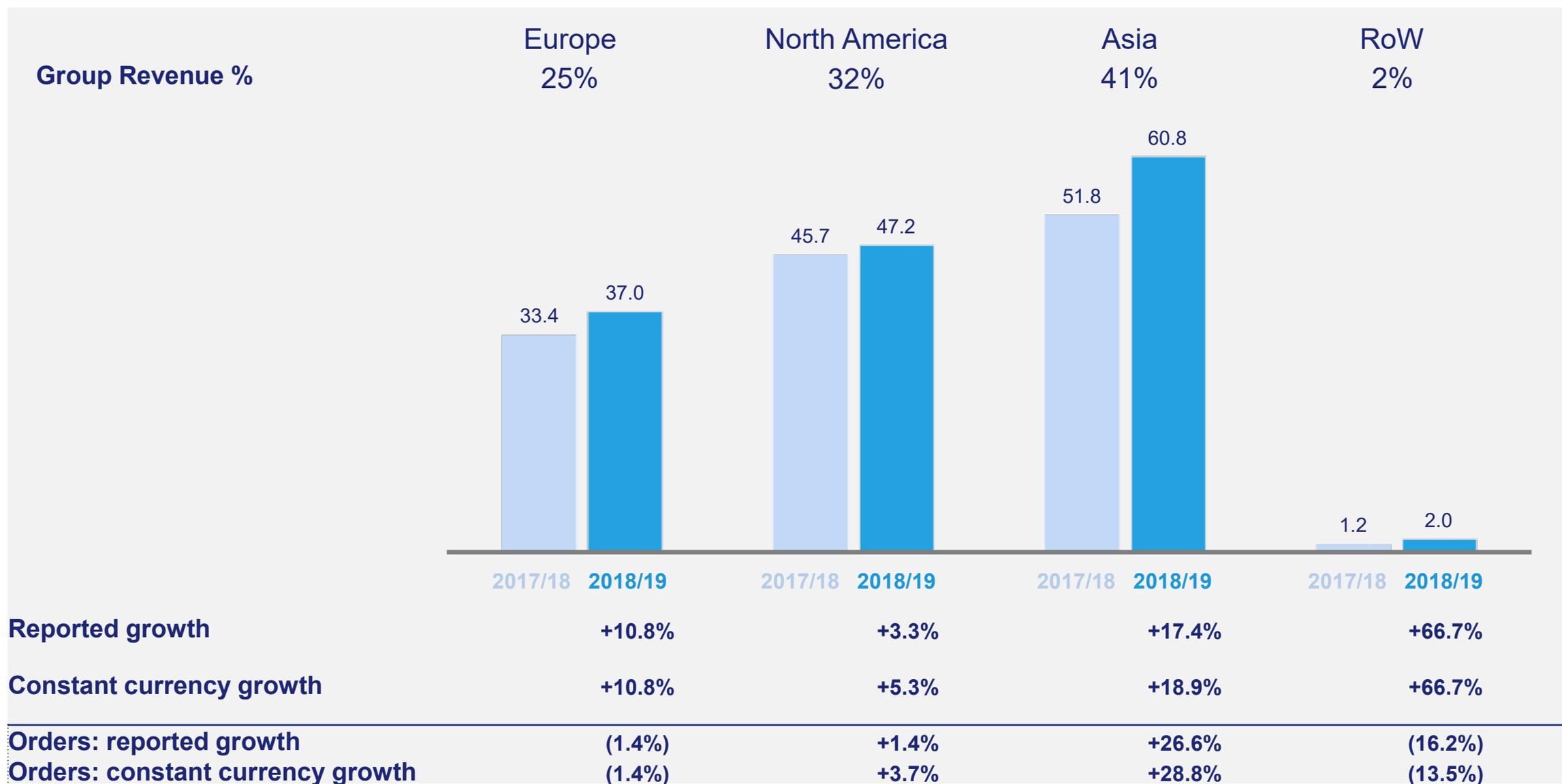
| £m | 2018/19 | 2017/18 | Reported Change | Constant Currency Change |
|----------------------------------------------|---------|---------|-----------------|--------------------------|
| Revenue | 147.0 | 132.1 | +11.3% | +12.6% |
| Adjusted operating profit | 21.0 | 18.8 | +11.7% | +16.0% |
| Net finance costs | (1.2) | (2.5) | | |
| Adjusted profit before tax | 19.8 | 16.3 | +21.5% | +26.4% |
| Amortisation of acquired intangibles | (4.7) | (5.6) | | |
| Non-recurring items | (0.6) | (0.6) | | |
| Mark-to-market of currency hedges | (2.9) | 2.6 | | |
| Profit before tax from continuing operations | 11.6 | 12.7 | | |
| Continuing adjusted basic earnings per share | 27.3p | 22.3p | +22.4% | |
| Dividends per share | 3.8p | 3.7p | +2.7% | |

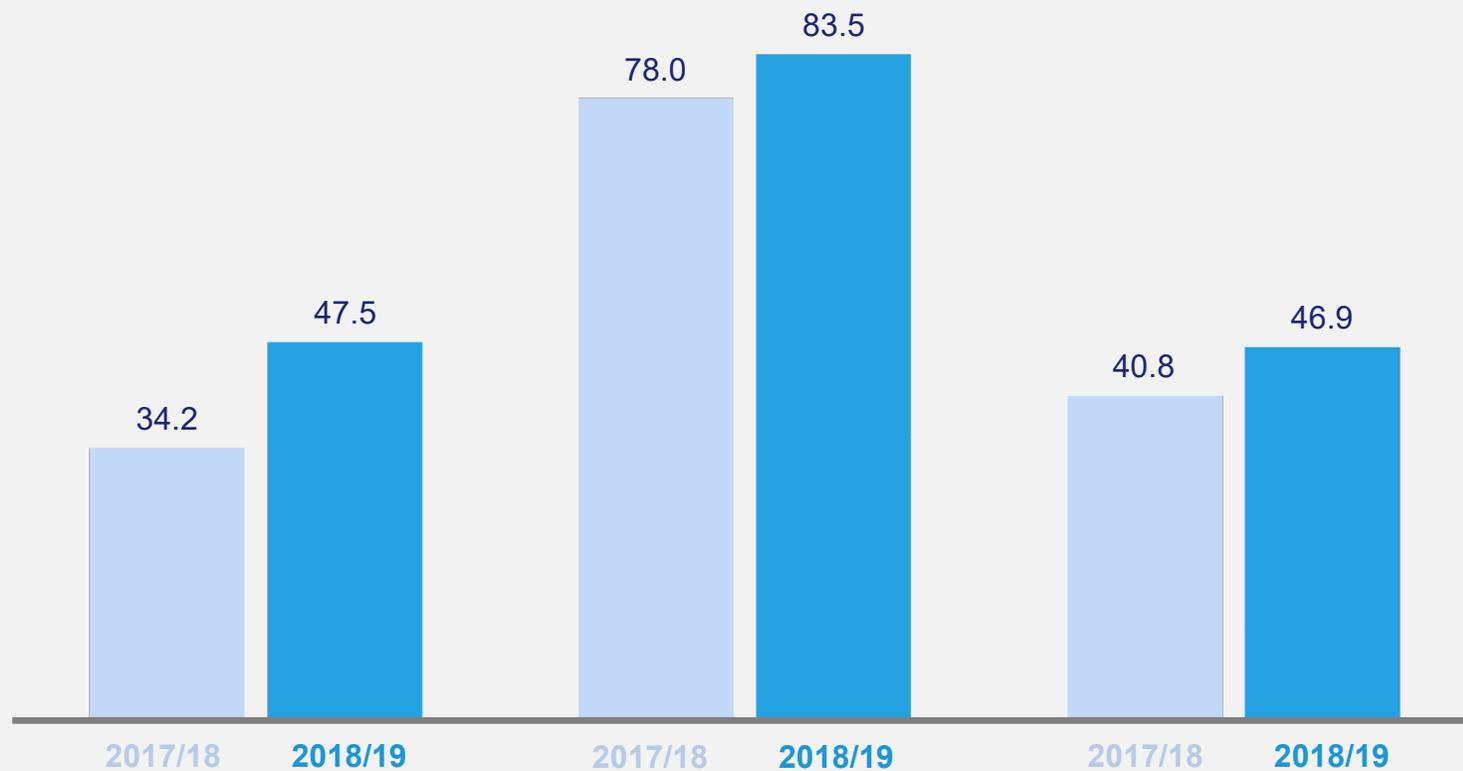
Revenue by Sector

| £m | Materials & Characterisation | Research & Discovery | Service & Healthcare | Total* |
|---------------------|------------------------------|----------------------|----------------------|--------------|
| 2017/18 | 50.1 | 47.9 | 34.1 | 132.1 |
| Underlying movement | 10.6 | 7.0 | (1.0) | 16.6 |
| FX | (0.6) | (0.6) | (0.5) | (1.7) |
| 2018/19 | 60.1 | 54.3 | 32.6 | 147.0 |
| Growth | | | | |
| Reported | +20.0% | +13.4% | (4.4%) | +11.3% |
| Constant currency | +21.2% | +14.6% | (2.9%) | +12.6% |

* Excluding inter-segment revenues

Revenue by Territory: £m





| | | | | |
|--|-----------------------------------------|---------------------------------|---------------------------------|--------------|
| | Materials & Characterisation | Research & Discovery | Service & Healthcare | Total |
|--|-----------------------------------------|---------------------------------|---------------------------------|--------------|

| | | | | |
|------------------------|---------------|--------------|---------------|---------------|
| Reported growth | +38.9% | +7.1% | +15.0% | +16.3% |
|------------------------|---------------|--------------|---------------|---------------|

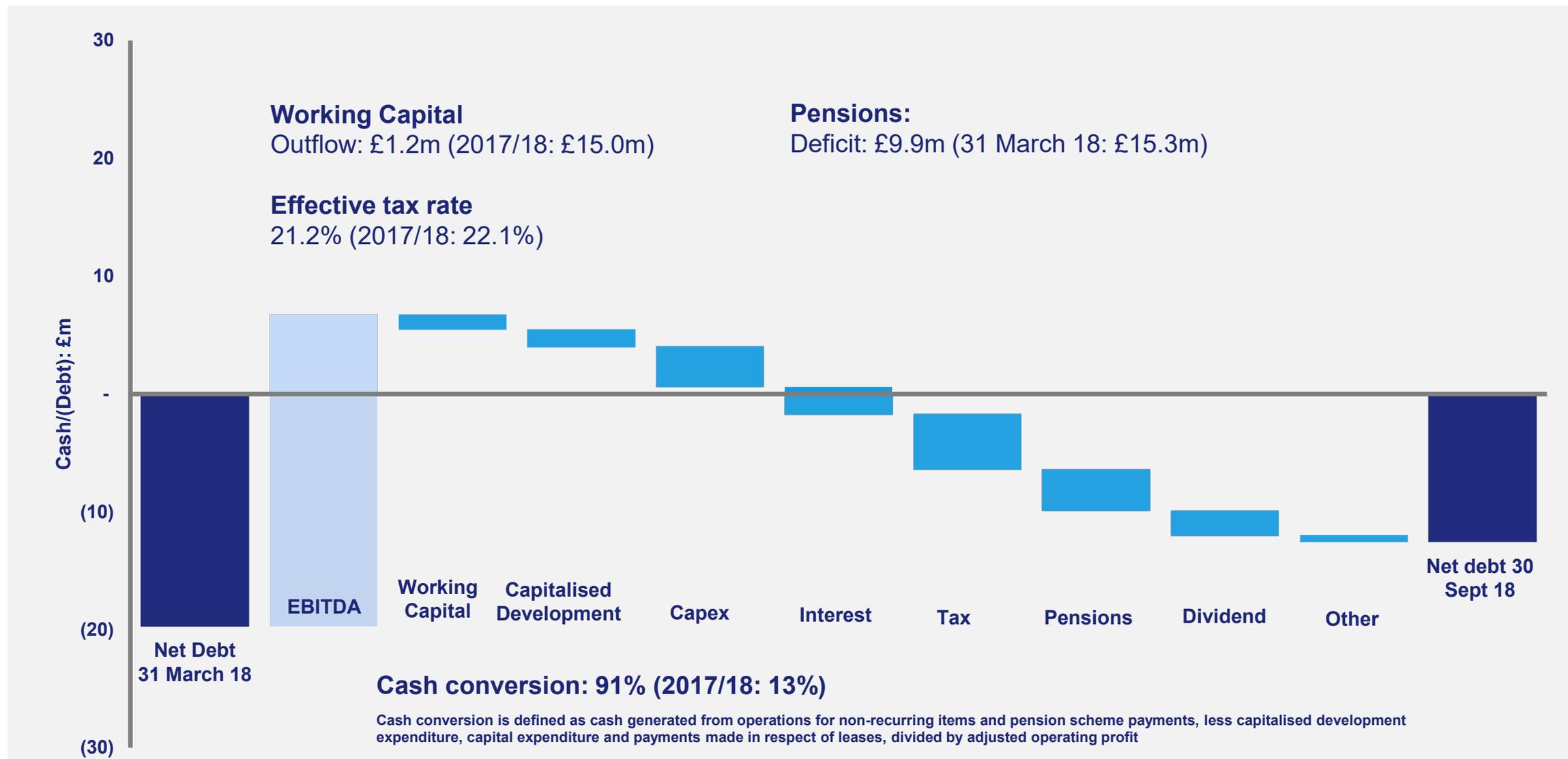
| | | | | |
|---------------------------------|---------------|--------------|--------------|---------------|
| Constant currency growth | +33.3% | +5.0% | +9.3% | +12.5% |
|---------------------------------|---------------|--------------|--------------|---------------|

*2017/18 adjusted for IFRS 15

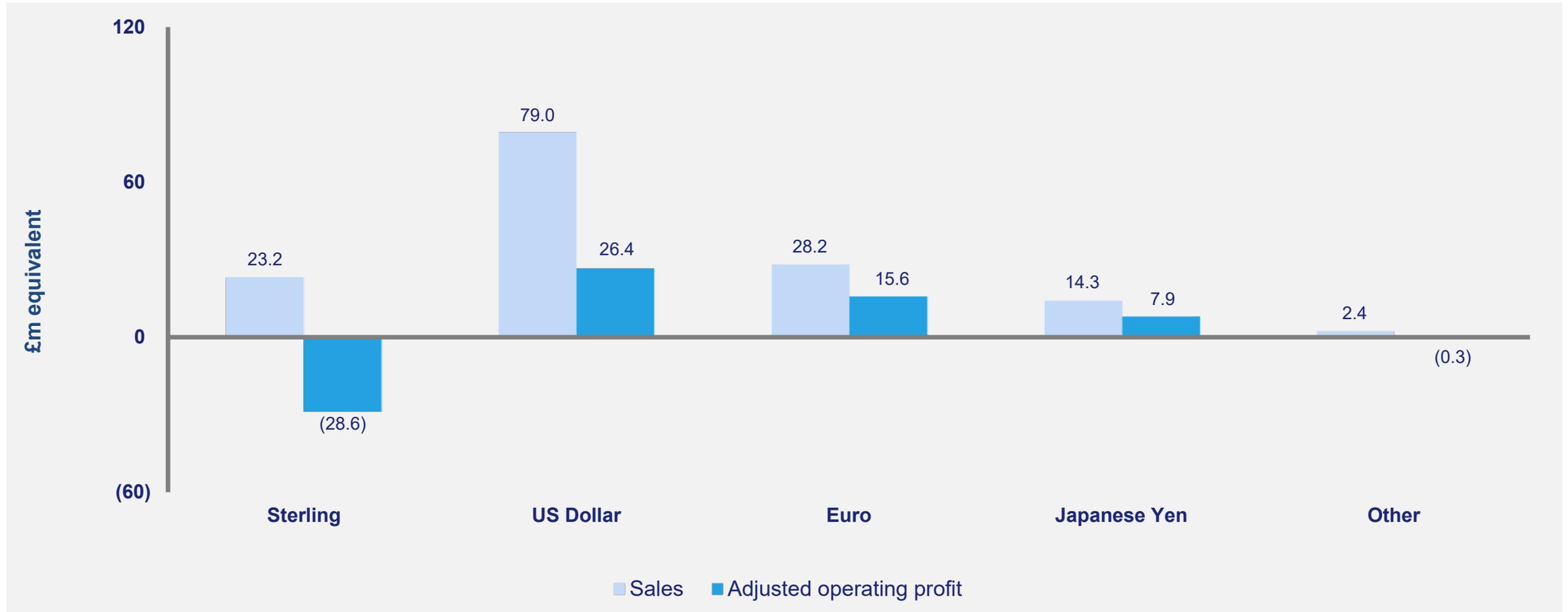
Adjusted Operating Profit by Sector

| £m | Materials & Characterisation | Research & Discovery | Service & Healthcare | Total |
|---------------------|------------------------------|----------------------|----------------------|--------------|
| 2017/18 | 7.2 | 4.2 | 7.4 | 18.8 |
| Underlying movement | 2.8 | 1.0 | (0.8) | 3.0 |
| FX | (0.3) | (0.4) | (0.1) | (0.8) |
| 2018/19 | 9.7 | 4.8 | 6.5 | 21.0 |
| EBIT Margin | | | | |
| 2017/18 | 14.4% | 8.8% | 21.7% | 14.2% |
| 2018/19 | 16.1% | 8.8% | 19.9% | 14.3% |

Cash Flow



Currency Exposure

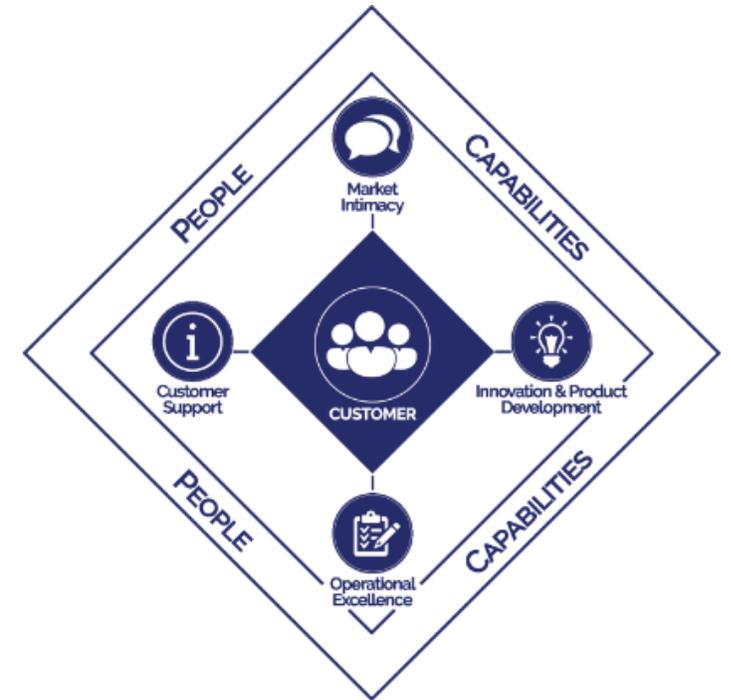


- Good growth in orders and order book at reported and constant currency
- Adjusted operating margin up 10 basis points to 14.3%
- Continuing adjusted basic earnings per share up 22.4%
- Strong cash conversion of 91% and net debt down to £12.5m
- Refinancing completed in July 2018 with new multi-currency facilities of €50m and \$80m

Horizon Update & Operations Review

Ian Barkshire

- Good progress with the implementation of Horizon
 - Translating into positive results
- Continue to embed sharper commercial focus and increased capabilities across sales, marketing and operations
- Increased market and customer application focus
 - Chosen markets remain positive & robust
- Increased investment and focus on Operational Excellence:
 - Strategic procurement
 - Operational efficiencies
 - Logistics

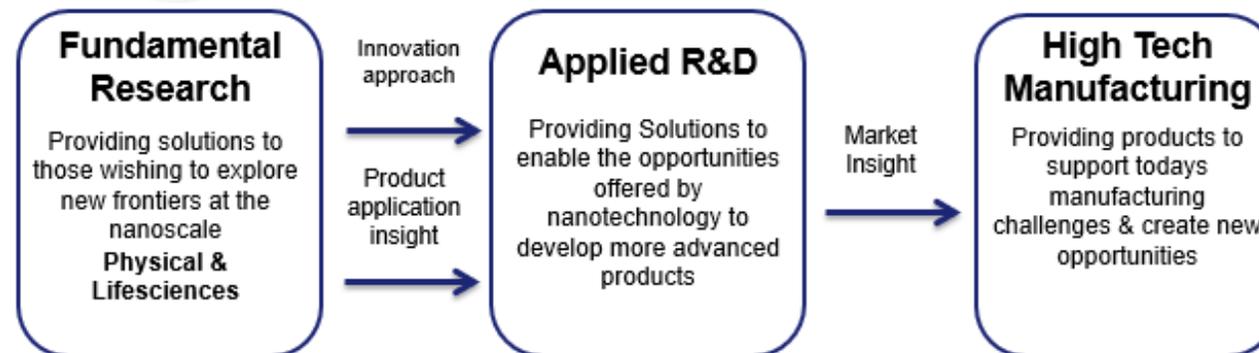


Materials & Characterisation

Research & Discovery

Service & Healthcare

- Good growth in underlying orders, revenue and operating profit
- Revenue growth from commercial & industrial customers to 53% (2017: 45%)
- Order book growth for all reporting sectors
- Modest H1 impact from increased challenges in international trading environment

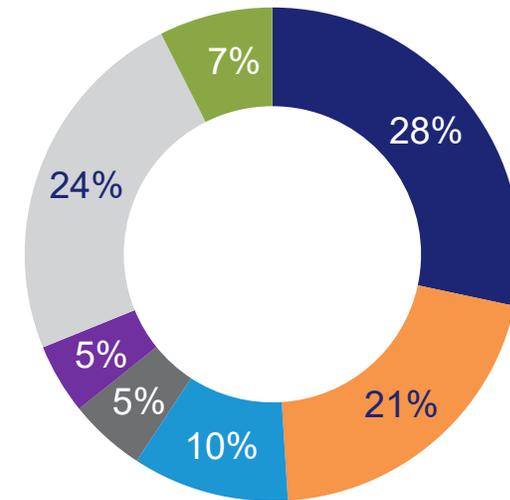


Group Performance – End Markets

Academic: 47%; Commercial: 53%



- Broad customer base across a wide range of applications and end markets
- Strong revenue growth in Advanced Materials, Healthcare & Life Science and Quantum Technologies
- Semiconductor & Communications revenue broadly in line with previous year, good order growth and pipeline



- Healthcare & Lifescience
- Semiconductor & Communications
- Quantum Technology
- Environment
- Energy
- Advanced Materials
- Research & Fundamental Science

Materials & Characterisation

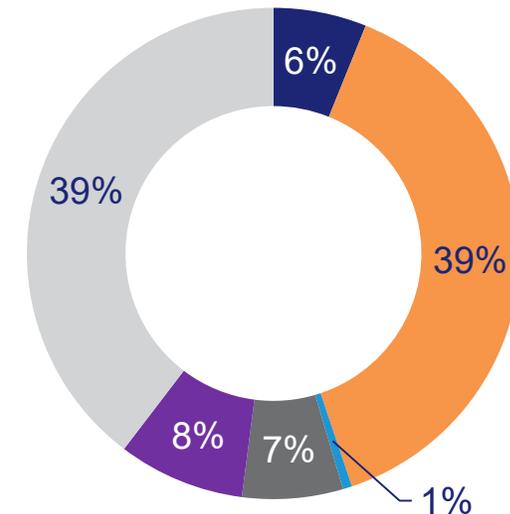
NanoAnalysis; Asylum Research; Plasma Technology

41% Group revenue
Academic: 42%; Commercial: 58%



Enabling the fabrication and characterisation of materials and devices down to the atomic scale

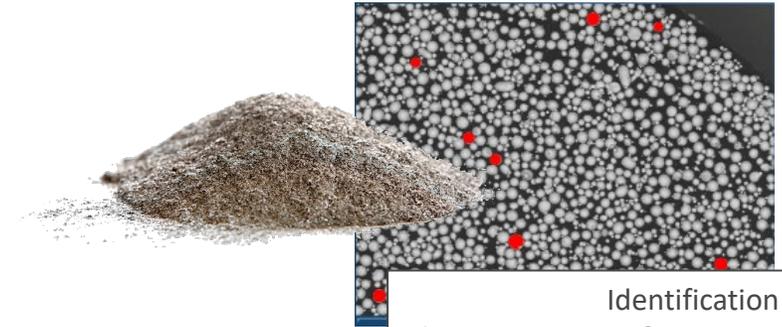
- Double digit growth in orders, revenue and profitability
- Growth and increased margin supported by customer focused solutions and recently launched products
- Revenue growth in US, Europe and Asia
- Increased sales into Advanced Materials segment
- Continued demand from customers across silicon and compound semiconductor end markets



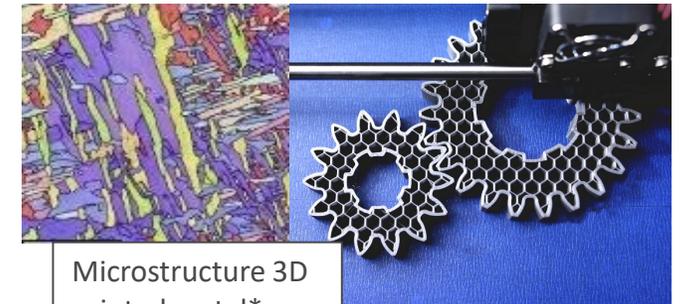
- Healthcare & Lifescience
- Semiconductor & Communications
- Quantum Technology
- Environment
- Energy
- Advanced Materials
- Research & Fundamental Science

Advanced Materials

- Continued success from Symmetry™, Ultim™ and AFM platforms
- Delivering increased capability and productivity for customers in automotive, aerospace, metals, ceramics, composites and polymers
- New solutions addressing additive manufacturing



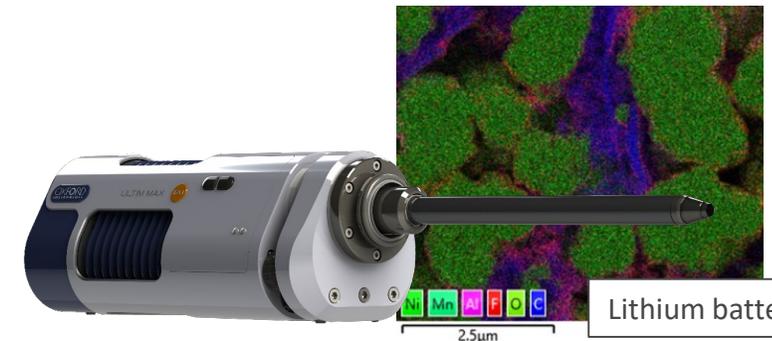
Identification and characterisation of contaminants in the metal powder



Microstructure 3D printed metal*

Energy Generation, Storage and Batteries

- Strong growth from measurement solutions supporting development of next generation power devices

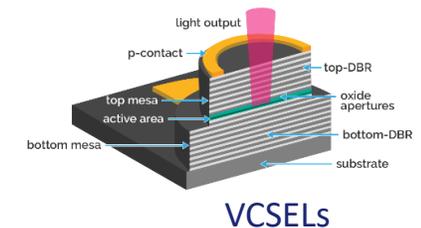
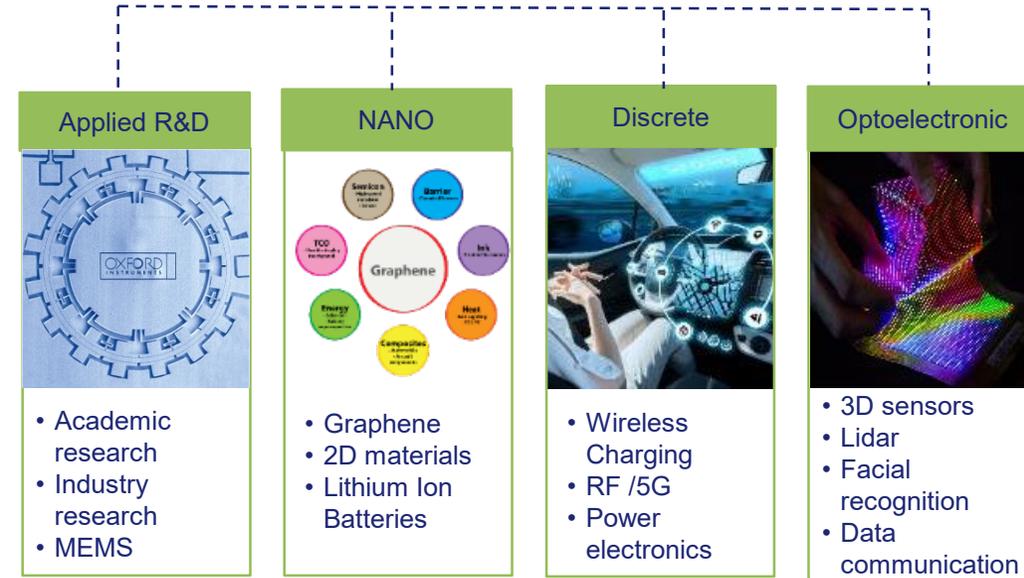


Lithium battery

Semiconductors & Communications

- Core capabilities and strong growth within compound semiconductor applications as we enter “the decade of materials”
- Enabling more compact, higher speed, larger capacity and higher energy efficient devices
- Successful tailoring of our market leading research and applied R&D products for commercial production customers
- Developed leading capabilities in key process steps for the manufacture of discrete and optoelectronic devices

Global Market Drivers



Research & Discovery

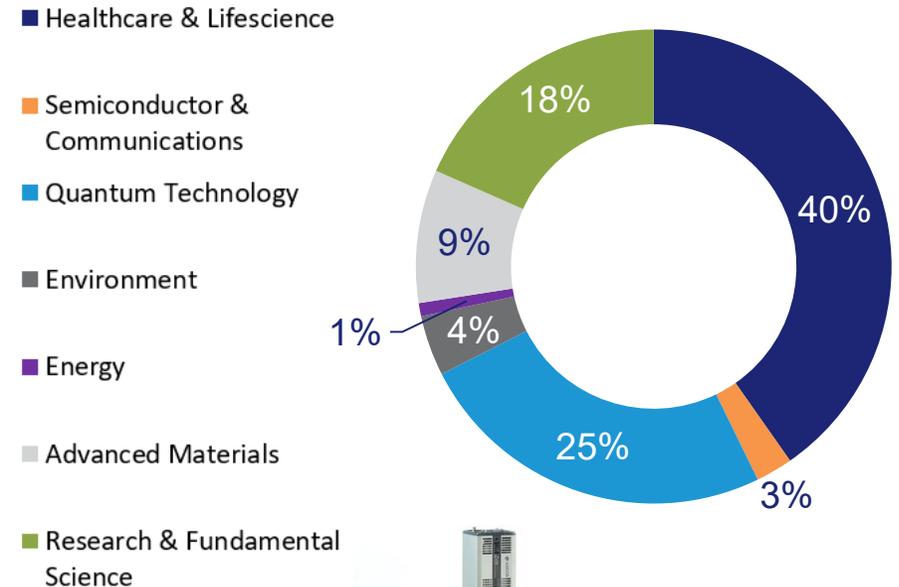
37% Group revenue
Academic: 65%; Commercial: 35%



Andor Technology; NanoScience & Magnetic Resonance; X-ray Technology; Scienta Omicron

Advanced solutions that create unique environments and enable measurements down to the molecular and atomic level

- Improved orders, revenue and profitability
- Strong performance from optical microscopy systems, scientific cameras, cryogenic systems and research magnets
- Growth in Healthcare & Lifescience and Quantum Technologies segments
- Research & Fundamental Science segment remains attractive and significant

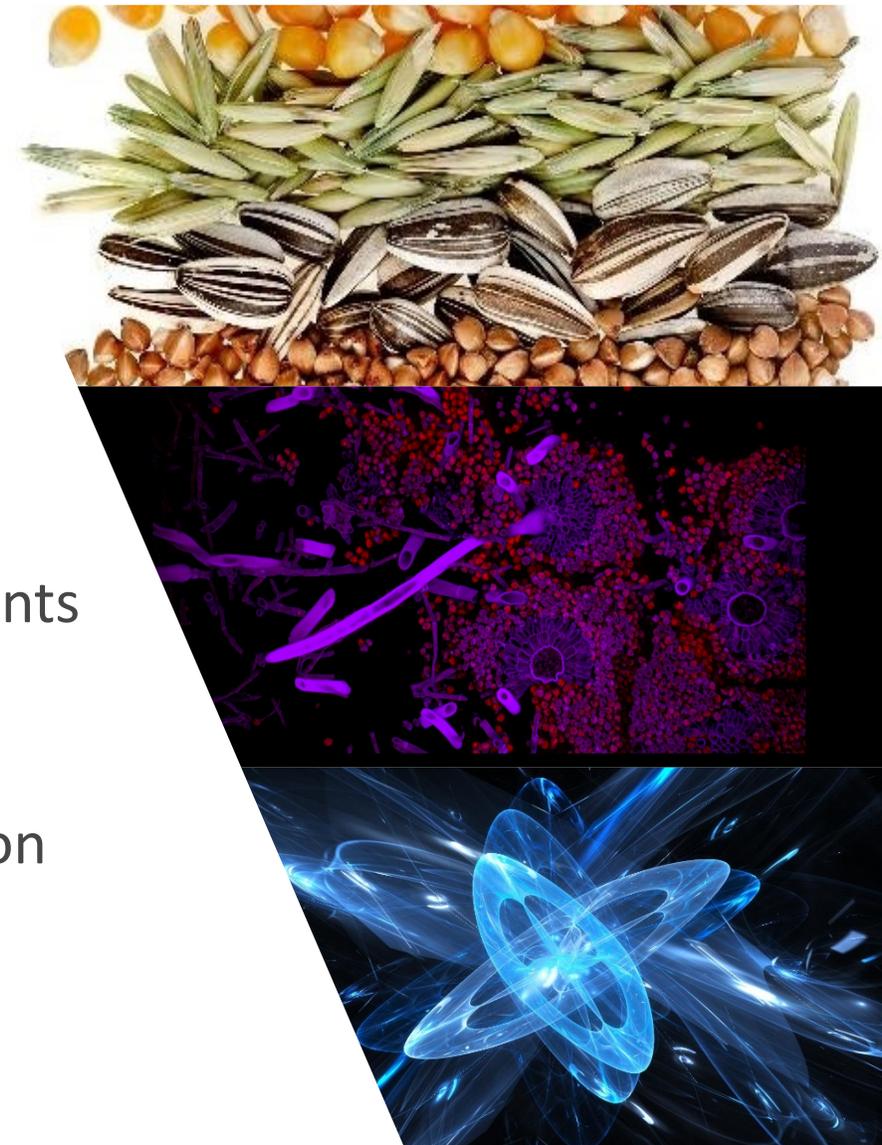


Research & Discovery

37% Group revenue
Academic: 65%; Commercial: 35%



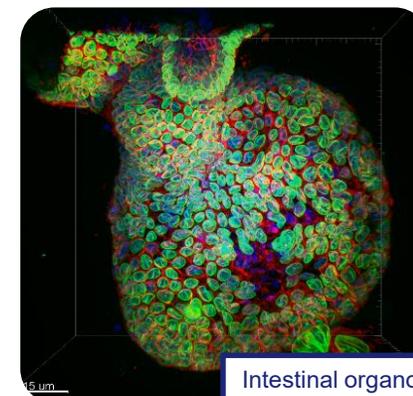
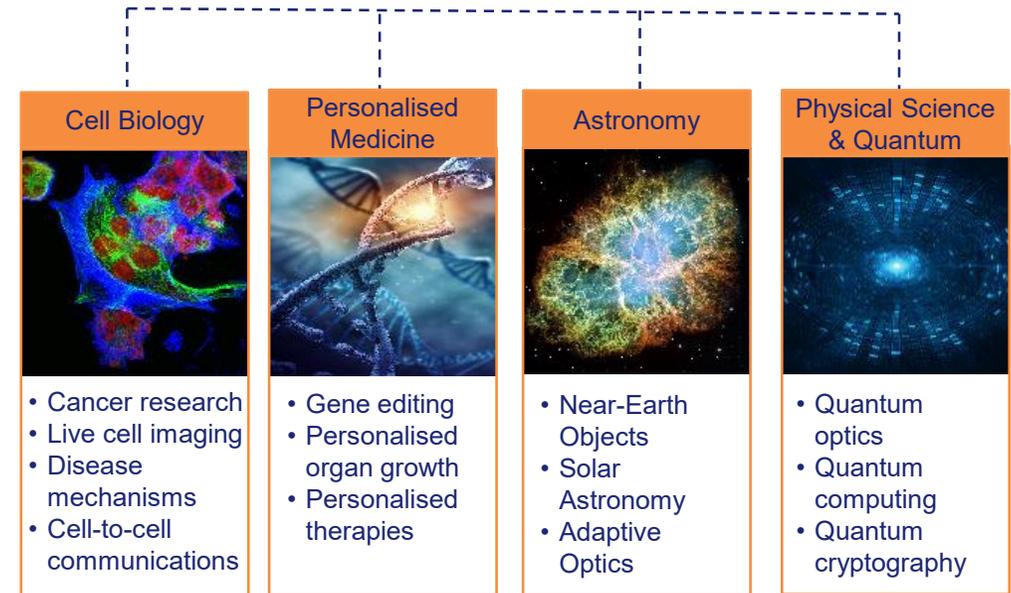
- Improved performance from Andor Technology
- NanoScience transition progressing well
- Markets for benchtop NMR analysers remains positive
- Increased orders for scientific X-ray tubes, delayed shipments impacted revenue and profit
- Order phasing impacted performance from Scienta Omicron joint venture



Scientific Cameras

- Built on market and technical leadership in scientific cameras
- New application specific cameras with optimised performance
 - Sona™ for life science, including cell biology and personalised medicine
 - Marana™ for physical science and astronomy

Global Market Drivers



Intestinal organoid

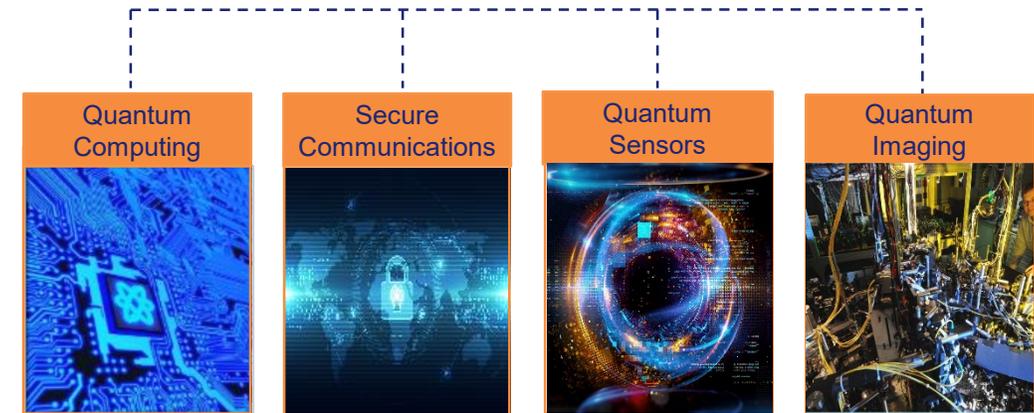


Elephant Trunk Nebula

Quantum Technologies

- Continued investment by large corporates, increased academic funding from EU, US and China governments
- Quantum making rapid progress from fundamental to applied research – targeting commercial applications
- Cryogenics, magnets and scientific cameras drive fundamental research through to commercial exploitation
- Revenue opportunities remain irregular in value and frequency

Global Market Drivers



Research & Fundamental Sciences

- Remains attractive growth segment
- Customers exploring new frontiers predominantly for physical sciences
- A broad range of standard as well as bespoke platforms, solutions and services
- BepiColumbo mission to Mercury has our X-ray detectors

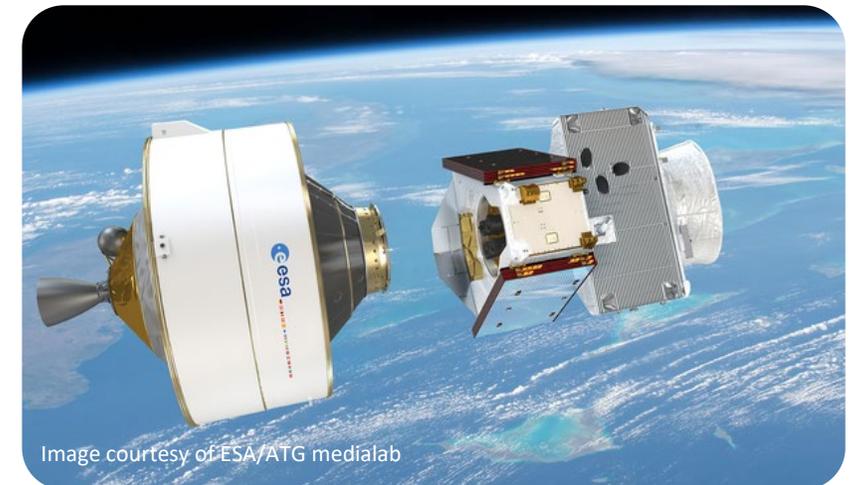
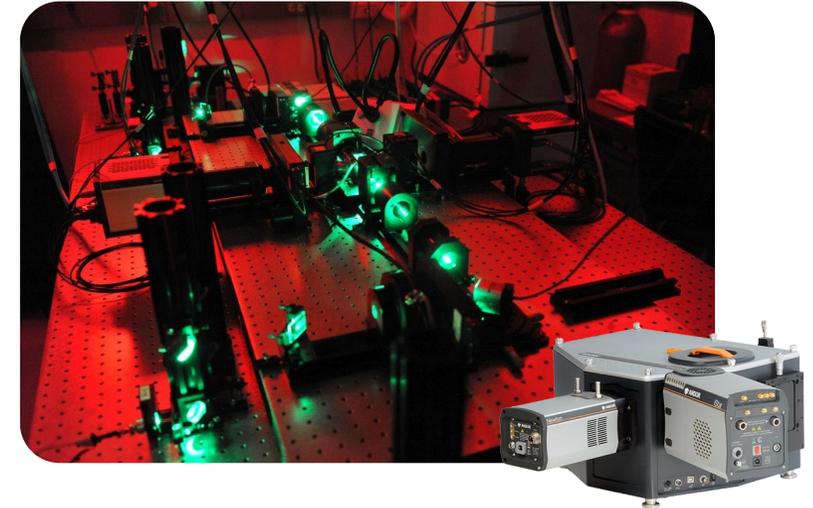


Image courtesy of ESA/ATG medialab

Service & Healthcare

22% Group revenue

OXFORD
INSTRUMENTS

OiService; OI Healthcare

Provides customer service and support for our own products and the service, sale and rental of third party healthcare imaging systems

- Revenue decline but double digit order and order book growth

OiService

- Increased demand for services relating to own products
- Broader range of products, training and services

OI Healthcare

- Strategic progress with growth of service contracts and improved utilisation of our leasing fleet
- Soft market for refurbished imaging equipment impacted revenue
- New service agreement in Japan with Hitachi Healthcare



- Continued progress with the implementation of our Horizon strategy
- End markets and underlying drivers remain positive, with strong growth from commercial and industrial customers
- Good financial performance in the first half

- Expectations for the current financial year remain unchanged, supported by growth in constant currency orders and order book, along with our anticipated second half seasonal bias

Questions

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