

# AEA Technology plc

## Interim report 2000



# AEA Technology

*Equipping business  
with the technology  
to succeed*

## Financial highlights

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2000	£m
TURNOVER	171.9
ADJUSTED OPERATING PROFIT*	2.4
ADJUSTED PROFIT BEFORE TAX*	3.5
FREE CASH FLOW	3.8
ADJUSTED EARNINGS PER SHARE	3.3p
INTERIM DIVIDEND PER SHARE	3.8p

\* stated before £0.8 million amortisation of goodwill.

# Interim statement

## OVERVIEW

2000/2001 marks AEA Technology's fifth year since privatisation. In those five years, we have steadily reshaped what was a broadly-based science and engineering business, concentrating on the UK public sector and government, to one which now also focuses on the private sector and overseas markets – so providing foundations for growth.

However, the commercial focus of the Group has not progressed as quickly as the Board would have wished and early in the financial year, Chief Executive Peter Watson was asked to undertake a strategic review of the business. The need for change was accelerated by disappointing half-year results, which saw interim profit before tax at £2.7 million – £6.2 million down on last year – and which prompted the trading statement of 26 October. In part, these results reflected external issues: particularly delays in securing certain major engineering software contracts and the postponement of the Ministry of Defence (MoD) BOWMAN batteries contract. However, the results also demonstrated the need to change the business structure and accelerate shareholder value.

The results of this review are announced today. They detail how, in the medium term, AEA Technology will focus on two growing markets where it has a strong product set, deep industry knowledge and a solid customer base – Rail and Environment. In Engineering Software, we will develop shareholder value through partnership and selective divestment. Of the remaining businesses, from 1 April 2001:

- Future Technologies will be split into two. One part will become an intellectual property rights (IPR) business which, after further assessment may be capable of flotation. The remainder will be merged into the Group's existing businesses
- Nuclear Technology. We will again look for progressive divestment, with the aim of freeing cash for investment in the core businesses

AEA Technology is focusing on Rail and Environment, and on Engineering Software through partnerships, because these markets offer the best chance for increasing shareholder value.

**Rail** – The UK rail market is growing rapidly. Regulatory and consumer pressure for reliability and safety is leading to major investment in technology from Railtrack and other industry operators. In Western Europe, meanwhile, liberalisation is also driving investment. AEA Technology is already the leading supplier of technology

*AEA Technology is focusing on Rail and Environment because these markets offer the best chance for increasing shareholder value*

# Interim statement

*Our new strategy will allow us to concentrate on what we are best at, in the markets where there is most potential for growth*

to the UK rail sector, providing a full portfolio, ranging from expert products such as wheel integrity checking mechanisms and track management software to strategic advice. This half-year's acquisition of NSTO, the Technical Centre of Dutch State Railways, gives the Group further leverage in Europe.

**Environment** – Regulation and increasing public awareness is fuelling the demand for technology-based environmental solutions. In the UK, the government is continuing to invest in defining and encouraging best practice, while new legislation is further incentivising industry to meet set standards. AEA Technology has a strong government and public sector base, a growing reputation in the emerging private sector market and a firm foothold in the international arena, including China. The Group's offering ranges from expert advice to products for monitoring and reducing pollution. We are now positioned to move strongly into the private sector.

**Engineering Software** – The global market is growing but also changing. The commercial shift is towards complex multi-year, multi-licence deals where customers can purchase integrated software suites. This, in turn, is causing consolidation in the market-place as software companies are either acquired or seek partnerships.

## **A strategy for improved shareholder return**

Our new strategy will allow us to concentrate on what we are best at, in the markets where there is most potential for growth. It will mean our efforts and investment are no longer diluted by non-core activity. Our existing Rail business has already shown what we can do when we focus: selective acquisition, first-class products and deep market understanding have made us one of the best regarded technology providers in the industry. An increased focus will make our Rail and Environment businesses even better.

Keeping ahead of the field in science and engineering requires continual investment. The cash we raise through divestment and selective partnerships will give us the resources we need to stay at the forefront of expertise and product development.

## **Strengthening our commercial culture**

Since privatisation, we have worked to instil a robust commercial character in the business. We are now acting to galvanise this process. A significant step is the announcement today of the appointment of a chief operating officer.

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Stephen Thornton, formerly a vice president with the BOC Group, takes up the new post in January, with a specific remit to improve the marketing and sales performance of the business. His previous experience, particularly his five years at the BOC Group, will prove invaluable in driving the business' success in our markets. In particular, his appointment will support our continuing determination to extend our presence in the UK private sector and abroad. Human Resources and Corporate Affairs Director Andrew McCree also joins the Board, with responsibility for improving management development across the Group.

Ray Proctor, Group Finance Director, who has been a key member of the executive team since privatisation, has decided to retire at the end of the financial year.

*Overall levels of research and development expenditure have been maintained at £6.5 million*

### FINANCIAL PERFORMANCE AND CASH FLOW

Turnover increased by £0.6 million from £171.3 million to £171.9 million.

Operating profit, before goodwill amortisation, fell from £12.4 million to £2.4 million, leading to a fall in operating margin from 7.2% to 1.4%. This results mainly from a redundancy exercise in this year's first half and a significant fall in the margin of the Future Technologies and Engineering Software businesses.

AEA Technology shed some 50 staff and incurred redundancy costs of £1.9 million; a significant number of these were senior managers, a result of the process of consolidating into five businesses. Future Technologies is going through its own process of rationalisation, which will continue in the second half. This process, along with delays in the MoD BOWMAN contract, affected performance. However, the rationalisation will result in a more focused IPR business, well positioned to exploit significant growth opportunities. In Engineering Software, the nature of the business is changing towards a few large multi-year licence deals and a number of significant transactions are in the pipeline. Despite the fall in margins, overall levels of research and development expenditure have been maintained at £6.5 million.

Profit before tax declined from £8.9 million to £2.7 million, reflecting the fall in operating profit partly offset by non-recurring investment income of £4.1 million, from AEA Technology's investment in Hunting BRAE. Adjusted earnings per share fell from 7.7p to 3.3p. Despite the reduction in profit, operating cash flow has improved significantly from an outflow last half-year of £1.1 million to an inflow this half-year of £7.4 million. This reflects ongoing success in improving the management of working capital; days in work in progress have reduced from 42 to 40 and debtor days have reduced from 86 to 84.

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*As we position ourselves increasingly as Europe's leading rail technology supplier, the business returned excellent results*

Free cash flow is unchanged at £3.8 million; last half-year's numbers reflected the sale of property at the Risley site (£14.4 million), with no equivalent receipt in the first half of this financial year. Net debt at the half-year was £73.0 million (1999: £59.2 million) with gearing at 114% (1999: 107%). Net interest was covered 4.9 times (1999: 6.0 times).

## TRADING REVIEW

The following results are presented on the organisational basis outlined in note 3, page 13.

### Rail

Our strategy of selective acquisition combined with a strong business focus enables the Rail business to deliver a first-class product set in a rapidly-growing market. As we position ourselves increasingly as Europe's leading rail technology supplier, the business returned excellent results. Turnover increased from £14.3 million to £21.5 million with operating profit up from £1.0 million to £2.7 million.

In the UK, activity continues to be driven by pressure to improve rail safety and operational performance. Reflecting the demand for our evolving product portfolio, order intake was strong. In partnership with Cap Gemini and SYSECA, we successfully competed to supply Virgin Trains with the core system within its service management capability. This contract, which was signed in October, confirms our status as a front-line provider of railway management software. Meanwhile, the acquisition of Fleet Software extends our capability of maintenance scheduling systems and offers significant opportunities to link the software with our condition-monitoring tools.

Overseas, in alliance with Lloyds Register, we were appointed to provide independent verification and validation services for the Taiwanese High Speed Railway. The contract reflects our international status in railway safety and high speed system engineering. Our acquisition of NSTO, the Technical Centre of Dutch State Railways, will provide further opportunities for overseas expansion, particularly in Western Europe.

### Environment

Our Environment business delivered a strong performance in the UK public sector but disappointed in the private arena. During the six months, turnover declined from £28.8 million to £26.0 million, with operating profit down from £2.6 million to £1.4 million.

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In the public sphere, order flow was encouraging. A UK government contract to manage phase three of the Environmental Technology Best Practice Programme, worth £9 million over seven years, improved the forward order book. However, the weak Euro depressed margins on EC work and, as a result, reduced bidding. Continued uncertainties at NIREX subdued demand from this previously substantial customer.

In the private sector, performance was affected by the ERG subsidiary. During the period, in the increasingly competitive engineering contracting market, margins were squeezed and the liquidation of a client resulted in a significant bad debt. ERG is now being restructured to focus on higher value-added markets with reductions in the cost base.

More positively, regulation and legislation continue to focus industry and commerce on environmental issues. To meet this demand we set up a high-level consultancy, Cirrus, with expertise in the management of reputation, risk and fiscal impacts. There were also signs of early demand in the climate change and air quality areas due to the imminent implementation of the UK Climate Change Levy.

Expansion continued in China with the award of further contracts which offer future potential for long-term growth.

### Engineering Software

The Engineering Software business continued to focus on strengthening its portfolio, with new developments including a range of internet-driven applications. Interest remained strong in our key markets with new products including the Computational Fluid Dynamics product CFX 5 and, in partnership with KBC Advanced Technologies, a new refinery simulation tool, HYSYS.Refinery.

However, turnover fell from £25.0 million to £23.2 million with an operating loss of £1.9 million. In part, this reflects the delay in agreeing certain major contracts. This delay, in turn, underlines the evolving – and increasingly complex – nature of marketing our Hyprotech process simulation software. Traditionally, most sales have covered single year licences of small numbers of copies of software. This is changing to involve longer-term company-wide licensing arrangements with global players. The new approach is more dependent on customers' strategic planning and budgeting cycles and is inevitably disrupted by changes in market conditions. However, despite the delays in the first half, we expect to win major contracts in the third and fourth quarters.

*Regulation and legislation continue to focus industry and commerce on environmental issues*

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*Focusing the business has increased our ability to exploit core technologies*

Elsewhere, nCode, our fatigue analysis software business, performed well and secured a contract with Delphi (General Motors) to replace internal fatigue software.

## Future Technologies

Future Technologies was formed to develop and exploit the Group's intellectual property and to reduce time to market for new products and services. In its first half-year, to position itself most effectively for future growth, it continued to strengthen the product portfolio and sharpened its constituent business streams.

Turnover increased from £30.0 million to £31.7 million in the period. However, rationalisation costs and the impact on battery production of delays with the MoD's BOWMAN project pushed operating losses up from £1.2 million to £5.0 million.

However, there is strong potential for future success. Focusing the business has substantially increased our ability to exploit core technologies. These include:

- Electrocat™ – which uses plasma technology to reduce particulates in diesel exhaust streams
- Silver-II™ – which is a technology for destroying chemical weapon stocks
- V-tex™ – our technology for reducing emissions from fossil fuel power plants, where we have entered into technology transfer agreements
- Microsystems – a start-up unit to develop intellectual property in nano technology with potential for exploitation in the manufacture of micro-components in fibre optic communications

As part of the rationalisation of Future Technologies, the Dutch non-destructive field testing business, Sonomatic BV, which had not performed in line with expectations, was sold to its management.

## Nuclear Technology

The newly-formed business continued to develop its products and services – with expertise covering a broad sweep, from submarine safety to ground-breaking medical technologies.

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However, performance was affected significantly by regulatory pressures in the UK which diverted customers' attention to internal procedures. This particularly hit use of Nuclear Technology's highly-specialised analytical facilities. Turnover fell from £73.2 million to £69.5 million, with operating profit down from £5.6 million to £4.3 million.

Consulting activities were strong, particularly in safety consultancy. As well as advising the MoD on the safe operation of reactors in Trident and hunter-killer submarines, work was undertaken in support of proposed repairs to HMS Tireless. A significant contract was also secured at Devonport, linked to an investment programme at the dockyard's facilities.

QSA continued to disengage plant from Nycomed Amersham sites. In April, in partnership with the China Isotope Corporation, we opened a factory in Shenzhen for the production of smoke detectors and components. The business is the world's largest supplier of alpha foil components for smoke detection.

We continued to exploit the exciting prospects for nuclear medicine. The US Food and Drug Administration has approved Novoste's Beta-Cath™ System for the treatment of restenosis. A significant order for source trains has been placed with QSA's German plant.

### OUTLOOK

The first half-year has been challenging. However, having undertaken a considered and fundamental review of our business, we believe we are now on course to accelerate value-creation for our shareholders. We are acting to lay the best possible foundations for AEA Technology's future success: focusing on those areas that offer the best potential for return and exiting those that do not. Although we are moving decisively, successful change does not occur overnight. We are confident, however, that the steps we are taking will lead to substantially higher returns.

### DIVIDEND

An interim dividend of 3.8p net per share (1999: 3.8p) will be paid on 1 February 2001 to shareholders on the register at close of business on 8 January 2001.

*We are acting to lay the best possible foundations for AEA Technology's future success*

# Independent review report to AEA Technology plc

## Introduction

We have been instructed by the company to review the financial information set out on pages 9 to 16 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2000.

PricewaterhouseCoopers  
Chartered Accountants  
London  
26 November 2000

# Consolidated profit and loss account (unaudited)

		Half-year 2000 £m	Half-year 1999 £m	Year ended 31 March 2000 (audited) £m
<b>FOR THE HALF-YEAR ENDED 30 SEPTEMBER</b>				
	Notes			
<b>TURNOVER</b>				
Group and share of joint ventures	2,3,4	171.9	171.3	366.0
Less: Share of joint ventures		(0.4)	(0.9)	(3.5)
		171.5	170.4	362.5
<b>GROUP OPERATING PROFIT</b>				
Share of operating loss in joint ventures		(0.1)	-	-
<b>GROUP OPERATING PROFIT AFTER JOINT VENTURES</b>				
Share of operating loss in associates	3	1.5	11.8	34.0
		-	(0.1)	(0.2)
<b>TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURES AND ASSOCIATES</b>				
Income from other fixed asset investments		4.1	-	2.0
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>				
Net interest payable		(2.9)	(2.8)	(6.1)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				
Tax on ordinary activities	5	(0.8)	(2.8)	(8.9)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>				
Minority interests – Equity		0.2	-	0.2
<b>PROFIT FOR THE FINANCIAL PERIOD</b>				
Dividends	6	(3.4)	(3.4)	(9.8)
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD</b>				
Earnings per share (pence)	7	2.4p	7.0p	24.1p
Adjusted earnings per share (pence)	7	3.3p	7.7p	25.6p
IIMR earnings per share (pence)	7	3.1p	8.1p	24.7p
Diluted earnings per share (pence)	7	2.3p	6.9p	23.6p
Dividend per share (pence)	6	3.8p	3.8p	11.1p

All results relate to continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the retained (loss)/profit for the period stated above, and their historical cost equivalents.

The Group's operating profit includes £0.8 million (£0.6 million for the half-year to 30 September 1999 and £1.3 million for the year ended 31 March 2000) amortisation of goodwill.

## Statement of total recognised gains and losses (unaudited)

	Half-year 2000 £m	Half-year 1999 £m	Year ended 31 March 2000 (audited) £m
<b>FOR THE HALF-YEAR ENDED 30 SEPTEMBER</b>			
Profit for the financial period	2.1	6.1	21.0
Currency translation differences on foreign currency net investments	-	1.6	0.1
<b>TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD</b>	<b>2.1</b>	<b>7.7</b>	<b>21.1</b>

## Consolidated balance sheet (unaudited)

	Notes	Half-year 2000 £m	Half-year 1999 £m	Year ended 31 March 2000 (audited) £m
<b>AS AT 30 SEPTEMBER</b>				
<b>FIXED ASSETS</b>		<b>77.5</b>	77.6	76.4
<b>CURRENT ASSETS</b>				
Stocks and work in progress		26.7	27.5	24.7
Debtors		143.3	147.1	148.4
Cash at bank and in hand		10.9	23.3	10.7
		<b>180.9</b>	197.9	183.8
<b>CREDITORS:</b> amounts falling due within one year		<b>(91.5)</b>	(115.9)	(92.5)
<b>NET CURRENT ASSETS</b>		<b>89.4</b>	82.0	91.3
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>166.9</b>	159.6	167.7
<b>CREDITORS:</b> amounts falling due after more than one year				
Borrowings		(81.5)	(82.1)	(82.5)
Other creditors		(1.4)	(2.5)	(2.2)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>		<b>(19.8)</b>	(19.7)	(17.7)
<b>NET ASSETS</b>		<b>64.2</b>	55.3	65.3
<b>CAPITAL AND RESERVES</b>				
Called up share capital		8.9	8.7	8.8
Share premium		8.1	0.5	7.7
Profit and loss account		46.5	44.8	47.7
<b>EQUITY SHAREHOLDERS' FUNDS</b>	8	<b>63.5</b>	54.0	64.2
Minority interests – Equity		0.7	1.3	1.1
		<b>64.2</b>	55.3	65.3

The interim report was approved by the Board on 26 November 2000.

# Consolidated cash flow statement (unaudited)

		Half-year 2000 £m	Half-year 1999 £m	Year ended 31 March 2000 (audited) £m
<b>FOR THE HALF-YEAR ENDED 30 SEPTEMBER</b>				
	Notes			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Operating profit		1.6	11.8	34.0
Amortisation of intangible fixed assets		0.8	0.7	1.4
Depreciation of tangible fixed assets		4.0	4.2	8.5
Impairment of tangible fixed assets		-	0.7	0.9
Profit on sale of tangible fixed assets		-	(0.4)	(0.7)
Profit on sale of subsidiaries/businesses		(0.2)	-	(1.0)
Increase in stocks and work in progress		(2.1)	(3.2)	(1.4)
Decrease in debtors		5.1	10.9	9.3
Decrease in creditors		(3.7)	(23.4)	(38.9)
Increase/(decrease) in provisions relating to operating activities		1.9	(2.4)	(5.0)
Reversal of amounts accrued under the Long-Term Incentive Plan		-	-	(0.8)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>				
Returns on investments and servicing of finance		7.4	(1.1)	6.3
Taxation		2.6	(2.4)	(4.5)
Capital expenditure and financial investment		(3.0)	(2.3)	(6.4)
<b>FREE CASH INFLOW</b>				
Acquisitions and disposals		3.8	3.8	1.2
Equity dividends paid		(3.7)	(6.6)	(12.8)
		-	(0.1)	(9.3)
<b>CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>				
Financing		0.1	(2.9)	(20.9)
		(1.1)	4.6	9.2
<b>(DECREASE)/INCREASE IN CASH</b>	9	<b>(1.0)</b>	1.7	<b>(11.7)</b>

# Notes to the interim report

## 1 Basis of preparation

The interim report has been prepared using accounting policies consistent with the annual report and accounts for the year ended 31 March 2000.

The interim results are unaudited but have been reviewed by the auditors. Their report is set out on page 8. The full year figures are extracted from the annual report and accounts for the year ended 31 March 2000 on which the auditors gave an unqualified opinion. A copy of the accounts has been filed with the Registrar of Companies.

The interim report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

## 2 Geographical analysis of turnover

Turnover can be analysed by geographical destination as follows:

	Half-year 2000 £m	Half-year 1999 <sup>(1)</sup> £m	Year ended 31 March 2000 <sup>(1)</sup> £m
UK	111.2	106.2	232.2
Europe	19.7	23.3	44.2
North America	24.4	24.6	51.4
Rest of the World	16.6	17.2	38.2
	<b>171.9</b>	171.3	366.0

<sup>(1)</sup>The analysis of turnover by destination for the half-year ended 30 September 1999 and year ended 31 March 2000 has been restated to reflect changes in the analysis.

Turnover can be analysed by geographical origin as follows:

	Half-year 2000 £m	Half-year 1999 £m	Year ended 31 March 2000 £m
UK	143.5	136.0	289.6
Europe	6.4	10.5	17.2
North America	20.7	18.2	50.7
Rest of the World	1.3	6.6	8.5
	<b>171.9</b>	171.3	366.0

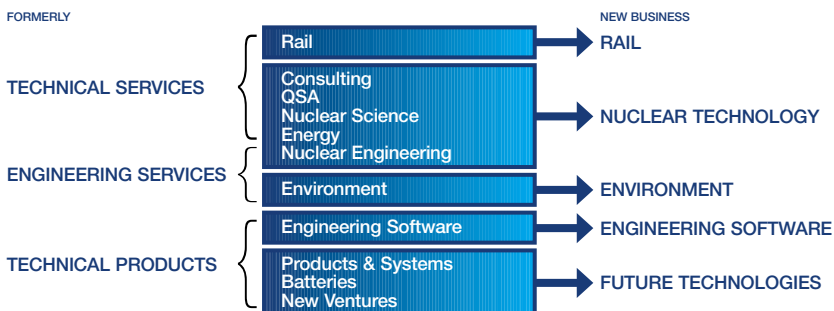
# Notes to the interim report

## 3 Segmental analysis of turnover and operating profit

	Half-year 2000		Half-year 1999 <sup>(1)</sup>		Year ended 31 March 2000 <sup>(1)</sup>	
	Turnover	Operating profit/(loss)	Turnover	Operating profit/(loss)	Turnover	Operating profit/(loss)
	£m	£m	£m	£m	£m	£m
Rail	21.5	2.7	14.3	1.0	36.4	6.6
Environment	26.0	1.4	28.8	2.6	57.0	6.3
Engineering Software	23.2	(1.9)	25.0	3.8	53.5	7.9
Future Technologies	31.7	(5.0)	30.0	(1.2)	63.1	(1.3)
Nuclear Technology	69.5	4.3	73.2	5.6	156.0	14.5
	<b>171.9</b>	<b>1.5</b>	<b>171.3</b>	<b>11.8</b>	<b>366.0</b>	<b>34.0</b>

Inter-segment sales, which have been eliminated in the analysis above, amounted to £4.6 million for the half-year to 30 September 2000 (£4.0 million for the half-year to 30 September 1999 and £10.0 million for the year ended 31 March 2000).

<sup>(1)</sup>The comparative segmental analysis for the half-year ended 30 September 1999 and for the year ended 31 March 2000 has been restated to reflect the new business structure.



## 4 Customer analysis of turnover

	Half-year	Half-year	Year ended
	2000	1999 <sup>(1)</sup>	31 March
	£m	£m	£m
UK Government	36.7	35.0	78.1
UK Public Sector	12.8	8.4	24.1
UK Private Sector	61.7	62.8	130.0
Overseas	60.7	65.1	133.8
	<b>171.9</b>	<b>171.3</b>	<b>366.0</b>

<sup>(1)</sup>The customer analysis of turnover for the half-year ended 30 September 1999 and year ended 31 March 2000 has been restated to reflect changes in the analysis.

# Notes to the interim report

## 5 Taxation

The taxation charge for the half-year ended 30 September 2000 is based on the Group's estimated effective tax rate of 30% for the year ending 31 March 2001 (32% for the half-year ended 30 September 1999).

## 6 Dividends

An interim dividend of 3.8p (1999: 3.8p) per share will be paid on 1 February 2001 to shareholders registered at the close of business on 8 January 2001.

The final dividend payable in respect of the year ended 31 March 2000 was paid on 2 October 2000.

## 7 Earnings per share

Earnings per share is calculated as follows:

	Half-year 2000	Half-year 1999	Year ended 31 March 2000
Profit for the period (£m)	2.1	6.1	21.0
Weighted average number of ordinary shares for the period (m)	88.5	86.5	87.2
Earnings per share (p)	2.4p	7.0p	24.1p

### ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share is based on the profit for the period before the amortisation of goodwill.

### IIMR EARNINGS PER SHARE

The IIMR earnings per share is calculated as follows:

	Half-year 2000 £m	Half-year 1999 £m	Year ended 31 March 2000 £m
Profit for the financial period	2.1	6.1	21.0
Impairment of tangible fixed assets	-	0.7	0.9
Profit on sale of tangible fixed assets	-	(0.4)	(0.7)
Profit on sale of subsidiaries/businesses	(0.2)	-	(1.0)
Amortisation of goodwill	0.8	0.6	1.3
IIMR adjusted profit	2.7	7.0	21.5
Weighted average number of ordinary shares for the period (m)	88.5	86.5	87.2
IIMR earnings per share (p)	3.1p	8.1p	24.7p

# Notes to the interim report

## 7 Earnings per share (continued)

### DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated as follows:

	Half-year 2000	Half-year 1999	Year ended 31 March 2000
Profit for the period (£m)	2.1	6.1	21.0
Weighted average number of ordinary shares for the period (m)	89.8	88.4	89.0
Diluted earnings per share (p)	2.3p	6.9p	23.6p

## 8 Reconciliation of movements in equity shareholders' funds

	Half-year 2000 £m	Half-year 1999 £m	Year ended 31 March 2000 £m
<b>FOR THE HALF-YEAR ENDED 30 SEPTEMBER</b>			
Opening equity shareholders' funds	64.2	49.1	49.1
Issue of share capital	0.4	0.3	4.3
Profit for the period	2.1	6.1	21.0
Dividends	(3.4)	(3.4)	(9.8)
Goodwill arising on acquisitions before 1 April 1998	0.2	0.3	0.3
Currency translation differences on foreign currency net investments	-	1.6	0.1
Reversal of amounts accrued under the Long-Term Incentive Plan	-	-	(0.8)
<b>CLOSING EQUITY SHAREHOLDERS' FUNDS</b>	<b>63.5</b>	<b>54.0</b>	<b>64.2</b>

## 9 Reconciliation of net cash flow to movement in net debt

	Half-year 2000 £m	Half-year 1999 £m	Year ended 31 March 2000 £m
<b>MOVEMENT IN NET FUNDS/(DEBT) IN THE PERIOD</b>			
(Decrease)/increase in cash in the period	(1.0)	1.7	(11.7)
Cash outflow/(inflow) from decrease/(increase) in debt	1.4	(4.2)	(4.9)
Change in net (debt) resulting from cash flow	0.4	(2.5)	(16.6)
(Debt) acquired on acquisitions	(0.1)	-	-
Opening net (debt) at 1 April	(73.3)	(56.7)	(56.7)
<b>CLOSING NET (DEBT)</b>	<b>(73.0)</b>	<b>(59.2)</b>	<b>(73.3)</b>

# Notes to the interim report

## 9 Reconciliation of net cash flow to movement in net debt (continued)

	At 1 April 2000 £m	Cash flow £m	Acquisitions £m	At 30 Sept 2000 £m
<b>ANALYSIS OF NET FUNDS/(DEBT)</b>				
Cash net of overdraft	9.6	(1.0)	-	8.6
(Debt) due after 1 year	(82.5)	1.1	(0.1)	(81.5)
(Debt) due within 1 year	(0.4)	0.3	-	(0.1)
	(73.3)	0.4	(0.1)	(73.0)

## 10 Acquisitions

	Fleet Software £m	Index Data Systems £m	NSTO £m	Total £m
Consideration including acquisition costs	1.5	0.6	0.8	2.9
Provisional fair value of net liabilities/(assets) acquired	0.3	-	(0.8)	(0.5)
<b>PROVISIONAL GOODWILL</b>	<b>1.8</b>	<b>0.6</b>	<b>-</b>	<b>2.4</b>

On 14 April 2000 the Group acquired the whole of the share capital of ANT Holdings Limited, the holding company of Fleet Software Limited, a software company specialising in products that help train and bus operators improve the management and control of their fleets. On 11 May 2000 the Group acquired the whole of the share capital of Index Data Systems Limited, a company which develops software products for the noise vibration and harshness market predominantly in the automotive sector. On 25 August 2000 the Group acquired the assets and trade of NSTO, the Technical Centre of Nederlandse Spoorwegen, the Dutch State Railway Organisation.

## 11 Shareholder information

The interim report is being sent to all shareholders on 28 November 2000 and copies are available to the public at the Registered Office of the Company at 329 Harwell, Didcot, Oxfordshire, OX11 0QJ. The interim report will also be made available on the Company's website. The Company's registered number is 3095862.

We offer shareholders a dividend reinvestment plan (DRIP) under which shareholders can reinvest their cash dividends in ordinary shares in the Company, bought in the market at competitive dealing rates. If you have elected to join the DRIP, there is no further action for you to take.

If you would like to join for the first time, please contact our Registrars at the address below. Completed forms returned to the Registrars by 11 January 2001 will apply to the interim dividend payable on 1 February 2001.

Lloyds TSB Registrars  
The Causeway  
Worthing  
West Sussex BN99 6DA  
Telephone 0870 600 3970

# Financial calendar

## Year end

31 March 2001

## Dividend

Interim – payable 1 February 2001

Final – payable 1 October 2001

## Results

Interim – announcement 27 November 2000

Full year – preliminary results announcement early June 2001

Report and Accounts – circulation June 2001

Annual General Meeting – 26 July 2001

The latest financial information on AEA Technology is available on the internet:

[www.aeat.co.uk](http://www.aeat.co.uk)

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