

**ALTERIAN PLC**  
 ("ALTERIAN" OR "THE COMPANY")

**Interim Results for the six months and second quarter ended 30 September 2002**

*Alterian plc, the leading provider high performance data analysis software, announces its interim results for the six months to 30 September 2002.*

	<b>2<sup>nd</sup> quarter ended 30 September 2002 £'000</b>	2 <sup>nd</sup> quarter ended 30 September 2001 £'000	<b>Six months ended 30 September 2002 £'000</b>	Six months ended 30 September 2001 £'000	Year ended 31 March 2002 £'000
Turnover	<b>744</b>	1,176	<b>1,807</b>	1,803	4,267
Operating expenses before exceptional costs	<b>2,834</b>	3,788	<b>5,757</b>	7,204	14,160
Operating loss before exceptional costs	<b>2,169</b>	2,676	<b>4,130</b>	5,543	10,414
Loss before tax*	<b>2,728</b>	2,310	<b>4,485</b>	4,753	9,247
Net cash & short term investments			<b>16,791</b>	25,929	20,920

\*includes effect of restructuring cost of £732k in the quarter and six months ended 30 September 2002

**Commentary**

- Alterian remains focussed on achieving its long standing target of fourth quarter profitability in the current financial year. Market conditions resulted in lengthening sales cycles during the second quarter, and several potential contracts were deferred, but management actions have been taken to respond to these market conditions.
- Revenue for the first six months was similar to the same period last year at £1,807k (2001: £1,803k). UK sales increased 29% to £1,408k (2001 : £1,092k) but US sales reduced 44% to £399k (2001 : £711k).
- Revenue in the second quarter of £744k was lower than planned and was below that in both Q1 and the same period of last year. UK sales were similar to the same period last year at £681k (2001: £655k) but US sales reduced to £63k (2001 : £521k). Last year's revenue in the US included a single large contract of approximately £350k.
- Operating expenses before exceptional costs reduced to £5,757k in the first half (2001 : £7,204k), resulting in a reduced operating loss before exceptional costs for the period of £4,130k (2001 : £5,543k). A restructuring exercise carried out at the end of the second quarter, which will achieve annualised savings of approximately £2m in operating costs, resulted in a restructuring charge of £732k. Before this restructuring charge, loss before tax for the half year of £3,753k was £1,000k less than in the same period last year (2001 : £4,753k).
- Management have taken a number of steps to drive the achievement of their target of profitability in the fourth quarter of the current financial year :
  - Alterian has tightened focus around opportunities that are expected to provide the best return in the current challenging market conditions. In the UK, Alterian is now focussing it's attention on driving increased revenue through existing key

business partner relationships that have been formed through investment over the last two years rather than forming new business partner relationships that take time and investment to develop.

- Alterian significantly strengthened its team in the US during the first half. The US sales pipeline is building, and US sales are expected to grow in the second half as this action delivers benefit and the growing pipeline of opportunities begins to convert to revenue.
  - A re-organisation was carried out in the second quarter as a result of the tighter focus. The team was reduced by 33 to 78 and annualised cost savings of approximately £2m will result.
  - Product development activities continue to deliver enhancements to Alterian's technology. These enhancements are designed to shorten partners' time to market by reducing the amount of customisation they are required to carry out. Several developments are scheduled for release in the second half.
- Alterian's products remain in demand due to their substantial ability to deliver rapid cost reduction for users. New end users during the second quarter included Sainsbury's Bank and Amnesty International (sold through Occam Direct Marketing), Vernons (sold through The Entire Company) and Chase de Vere (sold through Identex and eWare Interactive). Independent comment from Bloor Research and Gartner during the quarter re-inforced Alterian's strong position in the market it addresses.
  - The sales pipeline remains strong and supports the board's expectation of revenue growth during the second half even at the reduced conversion rates seen in the second quarter. A number of the contracts that were deferred from the second quarter are also expected to close in the second half.
  - Future years sales growth is underpinned by a strong recurring revenue stream that currently represents approximately half of each year's sales revenue repeating in the following year and the maturing sales channel that Alterian has built through earlier investment. Alterian's partner network currently consists of 22 business partner organisations who have trained staff in Alterian technology and sold solutions or service offerings resulting in payment of royalty income to Alterian together with a further 22 who are signed but yet to deliver royalty income.
  - At 30 September 2002 the Company had £16,791k of cash resources representing approximately 43p per share. The Directors believe that Alterian has sufficient funds to finance the business through to planned profitability.

**David Eldridge, Chief Executive, Alterian plc commented:** "The demand for Alterian technology remains strong, due to the substantial ability to deliver rapid cost reduction for users, and the sales pipeline reflects this.

"Despite the current market environment the outlook is positive for sales growth in the UK following the recent reorganisation and reflecting the strong sales pipeline and deferred contracts now expected to close in the second half. Sales growth is anticipated in the US as the recent strengthening of our team there delivers benefit. The fourth quarter will also benefit from recurring contract revenue.

"Looking forward to next financial year, revenue growth is also underpinned by a strong recurring revenue stream and the maturing sales channel that has been built over the past two years."

- ends -

**For further information, please contact:**

**Alterian plc**

David Eldridge, Chief Executive Officer  
David Cutler, Finance Director

**0117 970 3200**

**Weber Shandwick Square Mile**

Becky Haywood / Nick Osborne

**020 7950 2800**

## **INDEPENDENT REVIEW REPORT TO ALTERIAN PLC**

### **Introduction**

We have been instructed by the Company to review the financial information for the six months ended 30 September 2002 which comprises the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet, consolidated cash flow statement and related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains 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 directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which 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 the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. 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 United Kingdom 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 2002.

**Deloitte & Touche**  
**Chartered Accountants**  
**Bristol**

**ALTERIAN PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT - YEAR TO DATE**

		<b>6 months ended 30 September 2002 £000</b>	6 months ended 30 September 2001 £000	Year ended 31 March 2002 £000
	<b>Note</b>	<b>Unaudited</b>	Unaudited	Audited
<b>Turnover</b>	1, 2	<b>1,807</b>	1,803	4,267
Direct costs		<b>(180)</b>	(142)	(521)
<b>Turnover less direct costs</b>		<b>1,627</b>	1,661	3,746
Net operating expenses				
- before exceptional restructuring costs		<b>(5,757)</b>	(7,204)	(14,160)
<b>Operating loss before exceptional restructuring costs</b>		<b>(4,130)</b>	(5,543)	(10,414)
- exceptional restructuring costs		<b>(732)</b>	-	-
<b>Operating loss</b>		<b>(4,862)</b>	(5,543)	(10,414)
Investment income		<b>377</b>	794	1,171
Interest payable		-	(4)	(4)
<b>Loss on ordinary activities before taxation</b>		<b>(4,485)</b>	(4,753)	(9,247)
<b>Tax on loss on ordinary activities</b>		-	-	-
<b>Retained loss for the financial period</b>		<b>(4,485)</b>	(4,753)	(9,247)
<b>Basic and diluted loss per ordinary share</b>	3	<b>(11.4)p</b>	(12.1)p	(23.8)p

There is no difference between the loss on ordinary activities before taxation or the retained loss for the periods stated above and their historical cost equivalents.

The results above all derive from the continuing operations of the Company.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>6 months ended 30 September 2002 £'000</b>	6 months ended 30 September 2001 £'000	Year ended 31 March 2002 £'000
	<b>Unaudited</b>	Unaudited	Audited
Loss attributable to shareholders	<b>(4,485)</b>	(4,753)	(9,247)
Differences on exchange on retranslation of net assets of overseas subsidiary	<b>(90)</b>	(63)	7
<b>Total recognised gains and losses</b>	<b>(4,575)</b>	(4,816)	(9,240)

**ALTERIAN PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT SECOND QUARTER**

		<b>3 months ended 30 September 2002 £000</b>	3 months ended 30 September 2001 £000	Year ended 31 March 2002 £000
	<b>Note</b>	<b>Unaudited</b>	Unaudited	Audited
<b>Turnover</b>	1, 2	<b>744</b>	1,176	4,267
Direct costs		<b>(79)</b>	(64)	(521)
<b>Turnover less direct costs</b>		<b>665</b>	1,112	3,746
Net operating expenses - before exceptional restructuring costs				
		<b>(2,834)</b>	(3,788)	(14,160)
<b>Operating loss before exceptional restructuring costs</b>		<b>(2,169)</b>	(2,676)	(10,414)
- exceptional restructuring costs		<b>(732)</b>	-	-
<b>Operating loss</b>		<b>(2,901)</b>	(2,676)	(10,414)
Investment income		<b>173</b>	368	1,171
Interest payable		-	(2)	(4)
<b>Loss on ordinary activities before taxation</b>		<b>(2,728)</b>	(2,310)	(9,247)
<b>Tax on loss on ordinary activities</b>		-	-	-
<b>Retained loss for the financial period</b>		<b>(2,728)</b>	(2,310)	(9,247)

**ALTERIAN PLC**  
**CONSOLIDATED BALANCE SHEET**

	<b>At 30 September 2002 £000</b>	At 30 September 2001 £000	At 31 March 2002 £000
<b>Note</b>	<b>Unaudited</b>	Unaudited	Audited
<b>Fixed assets</b>			
Intangible assets	<b>1,365</b>	928	1,601
Tangible assets	<b>771</b>	806	984
Investments	<b>104</b>	-	192
	<b>2,240</b>	1,734	2,777
<b>Current assets</b>			
Debtors	<b>1,344</b>	1,841	1,983
Investments	<b>16,320</b>	25,431	20,149
Cash at bank and in hand	<b>471</b>	498	771
	<b>18,135</b>	27,770	22,903
<b>Creditors: amounts falling due within one year</b>	<b>(1,481)</b>	(2,059)	(2,663)
<b>Net current assets</b>	<b>16,654</b>	25,711	20,240
<b>Total assets less current liabilities</b>	<b>18,894</b>	27,445	23,017
<b>Creditors: amounts falling due after more than one year</b>	-	(4)	-
<b>Provisions for liabilities and charges</b>	<b>(452)</b>	-	-
<b>Net assets</b>	<b>18,442</b>	27,441	23,017
<b>Capital and reserves</b>			
Called up share capital	<b>9,803</b>	9,803	9,803
Share premium account	<b>31,054</b>	31,054	31,054
Merger reserve	<b>(4,756)</b>	(4,756)	(4,756)
Profit and loss account	<b>(17,659)</b>	(8,660)	(13,084)
<b>Total shareholders' funds</b>	<b>18,442</b>	27,441	23,017

**ALTERIAN PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**

		<b>At 30 September 2002 £000</b>	At 30 September 2001 £000	At 31 March 2002 £000
	<b>Note</b>	<b>Unaudited</b>	Unaudited	Audited
<b>Net cash outflow from operating activities</b>	6	<b>(4,406)</b>	(6,477)	(10,498)
<b>Returns on investments and servicing of finance</b>				
Interest received		377	794	1,171
Interest element of finance lease		-	(4)	(4)
		<b>377</b>	790	1,167
<b>Capital expenditure and financial investment</b>				
Payments to acquire intangible fixed assets		<b>(55)</b>	(992)	(1,805)
Payments to acquire tangible fixed assets		<b>(7)</b>	(256)	(619)
Receipts from sales of tangible fixed assets		<b>2</b>	140	140
Purchase of fixed asset investments		<b>(27)</b>	-	(192)
<b>Cash outflow before use of liquid resources and financing</b>		<b>(4,116)</b>	(6,795)	(11,807)
<b>Management of liquid resources</b>				
Net decrease in current asset investments		<b>3,829</b>	7,200	12,482
<b>Cash (outflow)/inflow before financing</b>		<b>(287)</b>	405	675
<b>Financing</b>				
Capital element of finance lease rentals		-	(59)	(59)
<b>Net cash outflow from financing</b>		<b>-</b>	(59)	(59)
<b>(Decrease)/increase in cash in the period</b>	8	<b>(287)</b>	346	616

## **ALTERIAN PLC NOTES TO THE ACCOUNTS**

The unaudited interim report was approved by the Board of Directors on 18 October 2002.

### **1. ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The unaudited interim accounts for the six months to 30 September 2002 have been prepared in accordance with accounting policies adopted in the preparation of the accounts of Alterian plc for the year ended 31 March 2002 which are set out in the Company's annual report.

The abridged results for the twelve months ended 31 March 2002 do not constitute statutory accounts within the meaning of S240(3) of the Companies Act 1985. The auditors' report on the accounts of Alterian plc was unqualified and did not contain any statement under S237 of the Companies Act 1985 and has been delivered to the Registrar of Companies.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Turnover**

Turnover represents amounts invoiced to customers (net of value added tax) for goods and services. Turnover from licence sales is recognised upon delivery to the customer. Maintenance and support contracts are recognised over the period of the contract. Professional services such as training and consultancy are recognised when the services are performed. Royalty income is recognised as it falls due.

#### **Investments**

Investments are shown at cost less provision for any impairment in value.

#### **Intangible assets**

Software licences and other intellectual property acquired are shown at cost and amortised over their estimated useful lives of two to four years.

## 2. TURNOVER

All turnover and the loss before tax is attributable to the principal activity of the company.

Geographical analysis of turnover by location	<b>6 months</b>	6 months	<b>3 months</b>	3 months	Year
	<b>ended</b>	ended	<b>ended</b>	ended	ended
	<b>30</b>	30	<b>30</b>	30	31
	<b>September</b>	September	<b>September</b>	September	March
	<b>2002</b>	2001	<b>2002</b>	2001	2002
	<b>£000</b>	£000	<b>£000</b>	£000	£000
United Kingdom	<b>1,408</b>	1,092	<b>681</b>	655	3,474
United States	<b>399</b>	711	<b>63</b>	521	793
	<b>1,807</b>	1,803	<b>744</b>	1,176	4,267

## 3. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders for the six months ended 30 September 2002 of £4,485,000 by the weighted average number of ordinary shares during the period of 39,212,250.

FRS 14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally, no adjustment is now made to diluted EPS for out-of-the-money share options.

## 4. INVESTMENTS

	<b>At</b>	At	At
	<b>30</b>	30	31
	<b>September</b>	September	March
	<b>2002</b>	2001	2002
	<b>£000</b>	£000	£000
Fixed Interest securities	-	2,637	5,021
Certificates of deposit	<b>11,602</b>	15,496	8,304
Money market fund	<b>4,718</b>	7,298	6,824
	<b>16,320</b>	25,431	20,149

5. **COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES**

	Called up share capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	At 30 Sept 2002 £000	At 31 March 2002 £000
At the beginning of the period	9,803	31,054	(4,756)	(13,084)	23,017	32,257
Loss attributable to members of the group	-	-	-	(4,485)	(4,485)	(9,247)
Foreign exchange translation differences	-	-	-	(90)	(90)	7
<b>At the end of the period</b>	<b>9,803</b>	<b>31,054</b>	<b>(4,756)</b>	<b>(17,659)</b>	<b>18,442</b>	<b>23,017</b>

6. **RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	Period ended 30 September 2002 £000	Year ended 31 March 2002 £000
Operating loss	(4,862)	(10,414)
Depreciation of tangible fixed assets	167	309
Amortisation of intangible fixed assets	240	221
Loss on sale of tangible fixed assets	59	18
Reduction in fixed asset investments	116	-
Decrease/(increase) in debtors	639	(403)
Decrease in creditors	(765)	(229)
<b>Net cash outflow from operating activities</b>	<b>(4,406)</b>	<b>(10,498)</b>

7. **ANALYSIS OF CHANGES IN NET FUNDS**

	Current asset investments £000	Cash at bank and in hand £000	Total £000
At 1 April 2002	20,149	771	20,920
Cash flows	(3,829)	(287)	(4,116)
Exchange movement	-	(13)	(13)
<b>At 30 September 2002</b>	<b>16,320</b>	<b>471</b>	<b>16,791</b>

**8. RECONCILIATION OF NET CASH FLOW TO MOVEMENT  
IN NET FUNDS**

	<b>Period ended 30 September 2002 £000</b>	Year ended 31 March 2002 £000
(Decrease)/Increase in cash in the period	<b>(287)</b>	616
Cash outflow from decrease in debt and lease financing	-	59
Cash inflow from decrease in liquid resources	<b>(3,829)</b>	(12,482)
	<hr/>	<hr/>
Change in net funds resulting from cash flows	<b>(4,116)</b>	(11,807)
Effect of foreign exchange rate changes	<b>(13)</b>	3
	<hr/>	<hr/>
Movement in net funds in the period	<b>(4,129)</b>	(11,804)
Net funds at start of period	<b>20,920</b>	32,724
	<hr/>	<hr/>
<b>Net funds at end of period</b>	<b>16,791</b>	20,920
	<hr/> <hr/>	<hr/> <hr/>

**9. INTERIM REPORT**

Copies of this interim report will be circulated to shareholders and will also be available from the Company Secretary at the Company's registered office at Century Place, Newfoundland Street, Bristol, BS2 9AG.