PRESS RELEASE

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

Results for the second quarter and first half ended 30 September 2004

STRONG GROWTH IN REVENUE AGAINST A STABLE COST BASE

Alterian plc ("Alterian"), the leading provider of marketing and customer insight solutions, announces its interim results for the second quarter and first half ended 30 September 2004.

Highlights

- Revenue for the second quarter of £1.46m, up 43% on the prior year period (2003: £1.02m). First half revenue of £2.51m represents a 38% increase on the prior year period (2003: £1.83m)
- Operating costs for the second quarter of £1.96m, reduced by 8% on the prior year period (2003: £2.13m). First half operating costs of £4.25m were below the level of the prior year period (2003: £4.27m)
- Loss after tax for the second quarter of £0.16m, reduced by 80% on prior year period (2003: £0.82m). Loss after tax for the first half of £1.40m represented a reduction of 33% on the prior year period (2003: £2.11m)
- Strong cash and investments position at 30 September 2004 of £11.2m (30 September 2003: £13.8m)
- The Board confirms its target of earnings neutrality for the current year.

Commenting on trading for the period and outlook, David Eldridge, Alterian Chief Executive said:

"These results are further evidence of the strength of our recurring revenue model and our strategy of building on our successful UK offering in international markets, focusing primarily on North America where we are making very good progress.

Revenues in the first half have increased substantially against a stable cost base and adoption of Alterian technology by Marketing Service Providers and their end users has continued to be strong. Over seventy percent of these revenues are expected to recur next year.

The outlook for the full year is positive and the Board remains firmly focused on our financial objective of achieving earnings neutrality and satisfactory cash flow for the full year to 31 March 2005. The compounding of our recurring licence fee income is expected to convert into substantial profitability going forward."

OVERVIEW

Alterian achieved significant revenue growth against a stable cost base during the six months to 30 September 2004. This reflects the roll out of our revenue model based on long term contracts with revenue flows that compound over a number of years, and our strategy of building on our successful UK offering in international markets, focusing primarily on North America.

Revenue for the second quarter of £1.46m was up 43% on the prior year period (2003: £1.02m). For the first half, revenue of £2.51m reflected a 38% increase on the prior year period (2003: £1.83m).

The quality of this revenue continued to be high, reflecting Alterian's success in generating structural revenue streams. Both key indicators of revenue quality – the proportion of revenue that is expected to recur into the following year and customer attrition rates – were better than the levels achieved for the last financial year (2003: 70% and 4% respectively).

Operating costs for the second quarter of £1.96m reflect an 8% saving on the prior year period (2003: £2.13m), as continued cost efficiencies were sought. In the first half, operating costs of £4.25m were below the prior year period (2003: £4.27m).

The increase in revenue and reduction in operating costs resulted in an 80% improvement in the loss after tax for the second quarter of £0.16m (2003: £0.82m). For the first half, the loss after tax of £1.40m represents a 33% improvement on the prior year period (2003: £2.11m).

Cash and Investments

At 30 September 2004, the Company had £11.2m of cash and investments providing sound funding for future development (30 September 2003: £13.8m).

OPERATIONAL REVIEW

Alterian's Focus and The Market

Alterian's structural revenue flows are derived principally from relationships with Marketing Service Providers (MSPs), who incorporate Alterian technology into their offering for database management services, list rental, or marketing analysis products and then sell these on to their customer base. The Company typically receives an annual partner fee from each MSP partner, together with an annual fee for each client for whom they use or to whom they sub-licence Alterian technology.

Good progress continued to be made in adding new partnerships and end users in the UK and in North America where the Company continued to develop its business and enhance its market presence. The opportunities for Alterian products in North America are substantial and growing strongly.

Evidence of enhanced market presence was a recent Forrester Research report by Eric Schmitt published in North America in October 2004 which identified Alterian as one of "two technologies that marketing service providers should know about".

The Company's major relationships with Experian and infoUSA continued to roll out. During the period, new partnerships were also signed including an agreement with the American List Counsel (ALC) in North America, and Miller Bainbridge in the UK.

New end users were signed across all key geographies, and included Maplin (through MarkIT Information Services), the BBC Worldwide (through Identex), ARAG, EMASESA and ASC (all through Alterian Iberica), and the World Wildlife Fund (through Occam Direct Marketing) as well as a UK retail chain, a German retail chain, a UK insurer, a US credit card issuer and a US clothes retailer. Further sales were also made to RSA (through Marketing Databasics). This progress has secured significant future structural revenues.

Research & Development

The benefits of last year's investment in Research and Development – including a major new release of Alterian's core data engine which provides for analysis of double-byte characters, the completion of a range of applications for marketers and new applications for internal use by MSPs - were seen in further sales of these products during the first half.

Alterian has grown its Research and Development investment, increasing spend by approximately 20% as set our in out last full year results, and further re-inforcing Alterian's market leading position. The Company has further enhanced its existing products and released a new product in September 2004 – List Manager. This product accelerates and improves the accuracy of the processes carried out by organisations selling lists of data. Significant interest has been seen in this product already, with a sale to Automated Resources Group International LLC in North America signed in October.

OUTLOOK

The revenues for the second half will depend upon the rate at which Alterian's business partners roll out products which utilise the Company's software.

Based on the rate of sales growth achieved in the first half, and stable operating costs, the Board expects to achieve its stated financial objective of earnings neutrality for the current year. The Company's high level of recurring revenue is expected to result in this rate of sales growth converting to substantial profitability going forward.

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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 2004 which comprises the consolidated year to date profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet information as at 30 September 2004, the consolidated cash flow statement, and related notes 1 to 10. 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.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

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 are 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 2004.

Deloitte & Touche LLP
Chartered Accountants
Bristol

ALTERIAN PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT - YEAR TO DATE

	Note	**6 months ended 30 September 2004 £000 Unaudited**	6 months ended 30 September 2003 £000 Unaudited	Year ended 31 March 2004 £000 Audited
Turnover	1, 2	**2,511**	1,825	5,668
Direct costs		**(302)**	(221)	(658)
Turnover less direct costs		**2,209**	1,604	5,010
Net operating expenses		**(4,252)**	(4,274)	(8,649)
Operating loss		**(2,043)**	(2,670)	(3,639)
Investment income		**235**	221	407
Loss on ordinary activities before taxation		**(1,808)**	(2,449)	(3,232)
Research and development tax credit	3	**404**	338	488
Retained loss for the financial period		**(1,404)**	(2,111)	(2,744)
Basic and diluted loss per ordinary share	4	**(3.6)p**	(5.4)p	(7.1)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 Group.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	6 months ended 30 September 2004 £000 Unaudited	6 months ended 30 September 2003 £000 Unaudited	Year ended 31 March 2004 £000 Audited
Loss attributable to shareholders	**(1,404)**	(2,111)	(2,744)
Differences on exchange on retranslation of net assets of overseas subsidiary	**3**	(107)	(65)
Total recognised gains and losses	**(1,401)**	(2,218)	(2,809)

ALTERIAN PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT - SECOND QUARTER

	Note	**3 months ended 30 September 2004 £000 Unaudited**	3 months ended 30 September 2003 £000 Unaudited	Year ended 31 March 2004 £000 Audited
Turnover	1, 2	**1,457**	1,024	5,668
Direct costs		**(197)**	(143)	(658)
Turnover less direct costs		**1,260**	881	5,010
Net operating expenses		**(1,954)**	(2,130)	(8,649)
Operating loss		**(694)**	(1,249)	(3,639)
Investment income		**127**	94	407
Loss on ordinary activities before taxation		**(567)**	(1,155)	(3,232)
Research and development tax credit		**404**	338	488
Retained loss for the financial period		**(163)**	(817)	(2,744)

ALTERIAN PLC
CONSOLIDATED BALANCE SHEET

	Note	At 30 September 2004 £000 Unaudited	At 30 September 2003 £000 Unaudited Restated (see note 1)	At 31 March 2004 £000 Audited Restated (see note 1)
Fixed assets				
Intangible assets		**403**	904	496
Tangible assets		**333**	485	357
		736	1,389	853
Current assets				
Debtors		**2,702**	1,917	3,699
Investments	5	**10,795**	13,622	11,679
Cash at bank and in hand		**442**	161	345
		13,939	15,700	15,723
Creditors: amounts falling due within one year		**(1,698)**	(2,147)	(2,221)
Net current assets		**12,241**	13,553	13,502
Total assets less current liabilities		**12,977**	14,942	14,355
Net assets		**12,977**	14,942	14,355
Capital and reserves				
Called up share capital	6	**9,803**	9,803	9,803
Share premium account	6	**31,054**	31,054	31,054
Merger reserve	6	**(4,756)**	(4,756)	(4,756)
Own shares	1,6	**(95)**	(121)	(117)
Profit and loss account	6	**(23,029)**	(21,038)	(21,629)
Total equity shareholders' funds		**12,977**	14,942	14,355

ALTERIAN PLC
CONSOLIDATED CASH FLOW STATEMENT

	Note	**6 months ended 30 September 2004 £000 Unaudited**	6 months ended 30 September 2003 £000 Unaudited	Year ended 31 March 2004 £000 Audited
Net cash outflow from operating activities	7	**(1,362)**	(1,315)	(3,362)
Returns on investments and servicing of finance				
Interest received		**235**	221	407
Net cash inflow from investments and servicing of finance		**235**	221	407
Taxation				
Research and development tax credit		**404**	338	488
Capital expenditure and financial investment				
Payments to acquire intangible fixed assets		**-**	(1)	-
Payments to acquire tangible fixed assets		**(57)**	(35)	(56)
Receipts from sales of fixed assets		**9**	-	7
Purchase of own shares		**(19)**	(11)	(37)
Cash outflow before use of liquid resources and financing		**(790)**	(803)	(2,553)
Management of liquid resources				
Net decrease in current asset investments		**884**	533	2,476
Increase/(decrease) in cash in the period	8,9	**94**	(270)	(77)

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited interim accounts have been prepared on a basis consistent with the accounting policies adopted in the Annual Report and Accounts for the year ended 31 March 2004, except for the impact of UITF 37 'Purchase and sale and of own shares' and UITF 38 'Accounting for ESOP trusts'. These abstracts will be adopted for the year ending 31 March 2005 and so the Group has shown the impact for the interim period and restated comparatives accordingly. The effect of UITF 37 and UITF 38 has been that own shares held by the Group's Employee Benefit Trust and the Share Incentive Plan are shown as a deduction in arriving at shareholders' funds, instead of as fixed assets. Hence, there has been a transfer of £95,000 (31 March 2004: £117,000, 30 September 2003: £121,000) from fixed assets to the Own Shares Reserve. There has been no effect on the profit and loss account or reserve in any period.

The unaudited interim accounts were approved by a duly appointed committee of the Board of Directors on 22 October 2004. The interim financial statements for the six months ended 30 September 2004 are unaudited, but have been reviewed by the auditors and their report to the Company is set out on the page immediately preceding the consolidated profit and loss account. The information presented for the three months ended 30 September 2004 and the comparative period are unaudited and are not subject to review by the auditors. The unaudited interim accounts do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The information for the year ended 31 March 2004 is an extract from the statutory accounts to that date which have been delivered to the Registrar of Companies. Those accounts included an audit report which was unqualified and which did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

Accounting convention
The financial statements are prepared under the historical cost convention.

Turnover
Turnover arises from 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 six years.

2. TURNOVER

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

Geographical analysis of turnover by origin	**6 months ended 30 Sept 2004 £000 Unaudited**	6 months ended 30 Sept 2003 £000 Unaudited	**3 months ended 30 Sept 2004 £000 Unaudited**	3 months ended 30 Sept 2003 £000 Unaudited	Year ended 31 March 2004 £000 Audited
United Kingdom	**1,421**	1,076	**940**	655	4,213
United States	**1,090**	749	**517**	369	1,455
	2,511	1,825	**1,457**	1,024	5,668

3. RESEARCH AND DEVELOPMENT TAX CREDIT

The credit relates to a research and development tax credit receivable.

4. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders for the six months ended 30 September 2004 of £1,404,000 (2003: £2,111,000) by the weighted average number of ordinary shares during the period of 38,846,981 (2003: 38,879,711).

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 made to diluted EPS for out-of-the-money share options.

5. CURRENT ASSET INVESTMENTS

	At 30 September 2004 £000	At 30 September 2003 £000	At 31 March 2004 £000
Fixed interest securities	**-**	1,438	-
Certificates of deposit	**7,803**	8,131	7,586
Call deposit account	**16**	86	37
Other deposits	**-**	-	120
Money market fund	**2,976**	3,967	3,936
	10,795	13,622	11,679

6. 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**	**Own shares £000**	**Profit and loss account £000**	**30 Sept 2004 £000**	**31 Mar 2004 £000**
As previously reported	9,803	31,054	(4,756)	-	(21,629)	14,472	17,281
Restatement (see note 1)	-	-	-	(117)	-	(117)	(113)
As restated	9,803	31,054	(4,756)	(117)	(21,629)	14,355	17,168
Loss attributable to members of the group	-	-	-	-	(1,403)	(1,403)	(2,744)
Movement in the period	-	-	-	22	-	22	(4)
Foreign exchange translation differences	-	-	-	-	3	3	(65)
At the end of the period	**9,803**	**31,054**	**(4,756)**	**(95)**	**(23,029)**	**12,977**	**14,355**

7. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	6 months ended 30 September 2004 £000	Year ended 31 March 2004 £000
Operating loss	**(2,043)**	(3,639)
Depreciation of tangible fixed assets	**81**	268
Amortisation of intangible fixed assets	**84**	644
Profit on sale of tangible fixed assets	-	(7)
Charges in respect of own shares	**42**	32
Decease/(increase) in debtors	**997**	(706)
(Decrease)/increase in creditors	**(523)**	46
Net cash outflow from operating activities	**(1,362)**	(3,362)

8. ANALYSIS OF CHANGES IN NET FUNDS

	Current asset investments £000	**Cash at bank and in hand £000**	**Total £000**
At 1 April 2004	11,679	345	12,024
Cash flows	(884)	94	(790)
Exchange movement	-	3	3
At 30 September 2004	**10,795**	**442**	**11,237**

9. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	6 months ended 30 September 2004 £000	Year ended 31 March 2004 £000
Increase/(decrease) in cash in the period	**94**	(77)
Cash inflow from decrease in liquid resources	**(884)**	(2,476)
Change in net funds resulting from cash flows	**(790)**	(2,553)
Effect of foreign exchange rate changes	**3**	(17)
Movement in net funds in the period	**(787)**	(2,570)
Net funds at start of period	**12,024**	14,594
Net funds at end of period	**11,237**	12,024

10. 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.