**7 November 2016**
**e2v technologies plc**
**Half year results for the six months ended 30 September 2016**

**Delivering on 'Our vision, our future'**

e2v technologies plc announces its results for the six months ended 30 September 2016. Bringing life to technology, e2v partners with its customers to improve, save and protect people's lives.

| | **Six months ended 30 September 2016 £m** | Six months ended 30 September 2015 £m |
|---|---|---|
| **Revenue** | **102.8** | 109.5 |
| **Adjusted[(1)] operating profit** | **12.0** | 15.7 |
| **Adjusted[(1)] profit before tax** | **11.3** | 15.1 |
| **Adjusted[(2)] earnings per share** | **3.6 p** | 5.2 p |
| **Interim dividend per share** | **1.7 p** | 1.6 p |
| **Net borrowings[(3)]** | **17.8** | 20.3 |
| | | |
| **Operating profit** | **7.8** | 14.4 |
| **Profit before tax** | **7.1** | 13.8 |
| **Earnings per share** | **2.1 p** | 4.8 p |

- Resilient H1 performance in challenging trading conditions, with adjusted operating cash conversion of 135%
- Net borrowings of £17.8m, better than previously targeted
- Due to possible order delays in Space Imaging, the trading performance for the current financial year may be modestly below our previous expectations
- Good strategic progress, with increased customer engagement creating a range of new business opportunities and continued cash control, with operational improvement plan launched
- Interim dividend up 6.25% to 1.7 pence per share, reflecting confidence in our outlook for full year earnings

Notes:
(1) Adjusted operating profit and adjusted profit before tax are before specific items. (2) Adjusted earnings is profit before specific items less tax where applicable. (3) Net borrowings exclude debt issue costs.

**Commenting on the results, Steve Blair, Group CEO, said:**

"We have delivered a resilient performance in the first half in what continued to be challenging trading conditions. We made good strategic progress and the fundamentals of the business continued to improve, and we actively managed areas of under performance.

Our objectives for the second half are to continue the positive momentum from the second quarter in Professional Imaging and Semiconductors, where we have good order cover and pipeline visibility, and progress our operational improvement plan in RF Power. Within Space Imaging, we expect to deliver on a number of technically challenging programmes, and anticipate securing three key follow-on orders, although the timings of these awards is not within our control. We start the second half with order cover of 72%, in line with last year.

Whilst we remain cautious about the broader economic environment, the improved order intake in the second quarter supports an anticipated stronger second half performance. We expect the full year operating margin to be maintained at last year's level and year end net borrowings of c.£8m. However, due to the increased possibility of further delays to the anticipated follow on orders in Space Imaging, the Board now believes the trading performance for the current financial year may be modestly below our previous expectations. We are continuing to build momentum for growth in the areas we have prioritised for investment, and we have put in place solid foundations to provide a platform to deliver a resilient performance in the medium term."

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**SUMMARY AND OUTLOOK**

e2v has delivered a resilient first half performance in what have remained challenging trading conditions. Overall we have reported results which reflect an improvement in activity and stronger order intake in the second quarter. We continued to make good strategic progress during the period and the fundamentals of the business continue to improve, positioning the Group well for the future. We saw increased customer engagement, creating a range of new business opportunities and we maintained cost discipline and have launched further operational improvement plans. Cash conversion improved in the period delivering a reduction in net borrowings better than our target. We continue to focus on our customers, operational foundations and strategic drivers, and as a result, we expect to see full year margins maintained at last year's level.

Revenue was £102.8m (H1 2016: £109.5m), a reduction of 6.1%, including £8.2m benefit from FX. In Imaging, there were some delays in order placement in Professional Imaging and certain Space Imaging programme milestones moved into the second half. In the prior period, Imaging's revenue included £2.6m for the thermal imaging business which was sold in October 2015. RF Power saw some improvement in demand in radiotherapy, more than offset by lower demand in industrial. Semiconductors saw strong order intake in the second quarter, particularly in its lower margin lines. SP Devices contributed £1.1m to revenue in the period, in line with our expectations. Overall, the Group saw demand improve in the second quarter and achieved stronger order intake.

Gross profit margin was slightly lower than the comparable period, at 37% (H1 2016: 38%). The reduction in revenue was largely offset by good cost discipline in the first half. The movement in exchange rates resulted in a positive £0.2m swing compared with the comparable period, with lower losses on the translation of working capital and on exchange contracts of £1.3m (H1 2016: £1.5m). The trading performance reflected a modest contribution from SP Devices, in line with our expectations.

Adjusted(1) operating profit of £12.0m (H1 2016: £20.3m) represents a margin of 11.7% (H1 2016: 14.3%). This reflects the lower gross margin and the planned increase in our selling and marketing resources in the US and Asia to support our customers in these regions. Net R&D was £6.1m, 5.9% of revenue (H1 2016: £6.7m).

Net borrowings at 30 September 2016 were £17.8m (H1 2016: £20.3m), which represents a better than expected reduction from the previous year end net borrowings of £21.1m. Net borrowings were after the payments for dividend and tax, along with earn out payments in relation to the acquisition of AnaFocus of £1.6m. Operating cash generation was £18.9m (H1 2016: £13.4m). The increase in operating cash generation was primarily due to good cash collection. This was partially offset by planned increase in inventory in Professional Imaging and RF Power to support their expected increased activity in the second half, and progress on milestones on Space Imaging programmes that are now targeted to be delivered by the end of the financial year. In Semiconductors the inventory increase was higher than planned, which is being addressed by the new management. As a result of the overall planned inventory increase, capital expenditure was reduced accordingly.

The Board announces an interim dividend of 1.7 pence per share an increase of 6.3%, reflecting our confidence in our outlook for full year earnings. This will be paid on 20 December 2016 to e2v shareholders on the register as at 18 November 2016.

We continue to embed our vision 'Bringing life to technology' and we delivered good strategic progress in the period.

We are focused on our customers: this is our core belief. We have increased customer and partner engagement and have developed some important new relationships. This is creating a range of new business opportunities for us to take market share and make new markets.

We are seeing progress in embedding the new culture, evidenced in our employee engagement survey. We saw a significant improvement in putting the customer at the centre of everything that we do, and all employees see the importance of making changes to benefit our customers.

We further strengthened management within Semiconductors. We continue to focus on operational improvement and process effectiveness in Space Imaging and the restructuring of our operations in Chelmsford. We have launched further programmes to review our production strategy and optimise capacity in Semiconductors and in RF Power.

We are investing in innovation in our areas of focus, industrial vision, space, radiotherapy and semiconductors, where we see that there is strong customer pull, increasingly working with our customers as their trusted innovation partner. In the period we have introduced 7 new products in Professional Imaging and 6 in Semiconductors, and 89% of our R&D spend is customer aligned. We continue to make progress on future technologies and have secured further funding for our quantum technology research programmes. The Group has more than 1,000 patents across its operations and nearly 70 years of operational expertise that is unrivalled in many of its areas of operations. Gross capital invested to date is over £290m. This has been made over decades, and allows us to now deliver the good margins across the business in many areas reflecting our unique offering.

We are continuing our journey with our Safety, Health and Environmental Leadership Team (SHELT) programme. We are encouraged by the commitment of employees to identify hazards and make proactive suggestions for changes to reduce risk. This is improving the safety of our working environment as we can take action before issues arise.

We saw stronger order intake in the second quarter, with an increase in the Group's order book building momentum for the anticipated stronger second half performance. Our performance in Professional Imaging and Semiconductors was stronger in the second quarter and we have a good pipeline of opportunities which support the run rate of orders to be secured for delivery in the second half. Space Imaging anticipates follow on orders from ESA, SLAC and ESO in the second half although there is an increased possibility of further delays, and the delivery of milestones on programmes, which remain technically challenging along with cash milestones on the WUVS programme for Russia. RF Power is expecting to negotiate two radiotherapy OEM contracts in the second half, along with securing programme awards for defence. We have targeted inventory reductions in the second half to support our planned year end net borrowings reduction. Overall our order cover for the second half is 72% (H1 2016: 71%).

Our investment proposition remains revenue driven growth, by being a trusted expert partner to our customers and to deliver a resilient financial profile.

**Outlook**

Whilst we remain cautious about the broader economic environment, the improved order intake in the second quarter supports an anticipated stronger second half performance. We expect the full year operating margin to be maintained at last year's level and year end net borrowings of c.£8m. However, due to the increased possibility of further delays to the anticipated follow on orders in Space Imaging, the Board now believes the trading performance for the current financial year may be modestly below our previous expectations. We are continuing to build momentum for growth in the areas we have prioritised for investment, and we have put in place solid foundations to provide a platform to deliver a resilient performance in the medium term.

**BUSINESS OVERVIEW**

**Summary**

| | **Six months ended 30 September 2016** | Six months ended 30 September 2015 | Change |
|---|---|---|---|
| | **£m** | £m | % |
| **Revenue** | | | |
| Imaging | **45.0** | 47.4 | (5.1) |
| RF Power | **33.5** | 40.0 | (16.3) |
| Semiconductors | **24.3** | 22.1 | 10.0 |
| | **102.8** | 109.5 | (6.1) |
| **Adjusted[(1)] operating profit** | | | |
| Imaging | **4.8** | 5.3 | (9.4) |
| RF Power | **5.9** | 8.9 | (33.7) |
| Semiconductors | **3.2** | 5.0 | (36.0) |
| Corporate centre and exchange movement | **(1.9)** | (3.5) | 45.7 |
| | **12.0** | 15.7 | (23.6) |

**Imaging**

**Our value proposition - what we do and our key drivers**

Imaging is arranged into two business streams: Professional Imaging and Space Imaging.

We provide high quality imaging sensors, cameras and sub-systems delivering high performance for our customers across a range of applications in the industrial, space, healthcare, defence and security and life sciences markets.

For Professional Imaging we provide high performance image sensors and camera solutions in the form of customer specific products that we develop for them, as their innovation partner, or application specific standard products.

For Space Imaging we provide high performance and high quality space qualified imaging sensors and arrays for space science and astronomy applications and high speed, high resolution sensors for earth observation satellites.

**Customers and markets**

In Professional Imaging, the industrial vision market is driven by the increased use of sensors in industrial automation for quality and efficiency where we see high single figure market growth rates. AnaFocus has brought new customers and strengthened our existing relationships. It provides growth through innovation leading to new product lines and winning custom programmes. We work for specialised OEMs who are market leaders in the application of imaging technology for factory automation, optical inspection, automatic data collection, x-ray radiography and life sciences. We are well positioned to take advantage of the five year plan in China for automation to support the quality drive to 'made in China.'

In Space Imaging, governments increasingly seek to maintain independent observation capabilities. The expansion of climate change monitoring is driving a growing demand for new observation satellite programmes. We have a strong position in Europe, particularly in CCD sensors, and our offering remains attractive to customers due to its long proven performance in flight. The main end users are worldwide space agencies including ESA, NASA, JAXA and CSA, as well as the prime satellite manufacturers including Astrium, Ball Aerospace, Lockheed Martin and Thales. We also provide sensors and sub-systems for use in ground based astronomy applications, where the customers are typically academic institutions.

**Operational progress**

We continued to develop our relationships with the key OEMs as we progress our ambition to be their trusted innovation partner. We have invested in our product portfolio with standard and customer specific CMOS sensors for a range of applications. In Space Imaging we work closely with our customers on their technically challenging programmes, providing solutions that meet their demanding requirements on the next generation of projects. With the delivery of the JPAS system to our customer at the start of the second half we are well positioned for future systems and support business.

**Performance**

Reported revenue decreased 5.1% to £45.0m (H1 2016: £47.4m) including an FX benefit of £3.9m. Professional Imaging reported revenue was £33.3m, with strong demand in automatic data collection, machine vision sensors and new customers for dental sensors. In both cameras for industrial vision and AnaFocus, revenue was lower than anticipated at the start of the period, with customer engagement building and improving demand in the second quarter. Life sciences saw lower end user activity compared with the prior year, as expected. In Space Imaging, revenue was lower than the prior period reflecting the timing of delivery on programmes, which remain technically challenging, and we are continuing to commit the resources needed to improve delivery to our customers.

The division's adjusted[(1)] operating profit was £4.8m (H1 2016: £5.3m), a decrease of 9.4%. Despite the lower revenue, Professional Imaging maintained its margins. In Space Imaging there were additional project costs required to support customer programmes. R&D activities have been increased to drive future growth, focusing on areas of strong customer demand, in particular industrial automation. In Space Imaging, work in progress on programmes has increased, supporting the anticipated step up in revenue in the second half.

As at 30 September 2016 the order book was £98m (H1 2016: £100m) and orders due for delivery in 12 months were £67m (H1 2016: £65m).

**RF Power**

**Our value proposition - what we do and our key drivers**

We add value to our customers through consistently supplying reliable application specific products, addressing difficult engineering challenges and providing long-term continuity support.

We produce systems that deliver high performance and high reliability radio frequency power generation for healthcare, industrial and defence applications. The key growth drivers for the division are the increasing incidence of cancer worldwide, industrial growth and the level of defence spending.

**Customers and markets**

We sell to a diverse range of markets with a common need for high power radio frequency solutions. Our key market is radiotherapy where we work with all of the leading systems suppliers. We also supply OEMs in the healthcare, industrial, defence and security, transportation, and life sciences markets.

In radiotherapy we continue to anticipate that revenue for spares will grow in line with the expansion of the installed base over the last five to ten years. Revenue growth is anticipated from continued new build demand. This accounts for approximately one third of the growth, and currently has low single figure growth rates. The remaining two thirds of the revenue comes from the installed base which has had higher growth rates in prior years. We continue to engage with our customers to support their current organisational priorities. Our principal customers are the radiotherapy system OEMs including Accuray, Elekta and Varian.

Other applications include our commercial and industrial markets, covering radar for commercial shipping and applications such as TV broadcast, industrial heating and cargo screening. In defence, the key driver is the level of NATO defence spending, although we are seeing opportunities in other export markets. Defence budgets across the NATO countries are constrained and we do not anticipate this changing in the short-term despite global and regional threats.

**Operational progress**

The majority of the growth in the division is anticipated to come from radiotherapy, where we continue to prioritise our investment. Our other applications continue to be driven by the general industrial cycle. Defence will remain subdued reflecting budgetary pressures.

During the period we have made progress on our site restructuring programme, Project Sunrise. This incorporates the new vision and brand, drives further operational efficiency, consolidates the footprint of the activities that support the portfolio and provides options for the future use of the space being vacated. We anticipate that this programme will be completed over the next two years. We have launched Project New Dawn which is using lean methodologies to accelerate the efficiency and cost reduction opportunities, along with increasing the focus of the division on its core products. We are building a smaller, but more focused RF Power business, that will be on a secure and sustainable footing for future growth.

**Performance**

Reported revenue in the first half was £33.5m (H1 2016: £40.0m). During the period we saw an accelerated structural change in industrial reflecting a technology shift for industrial lasers. In marine we saw a reduced number of shipping movements, resulting in lower spares requirements, along with a reduction in new ship production. In radiotherapy we saw improved demand from our key OEM customers, after a slower start to the year than had been anticipated. The defence market remained weak, with delayed programme wins.

The division's adjusted(1) operating profit was £5.9m (H1 2016: £8.9m). This reflected the lower revenue detailed above, good cost control, and the benefit of level loading, with planned inventory increase to support the second half deliveries. R&D activities continue to be focused primarily on radiotherapy and novel defence applications.

The order book at 30 September 2016 was £55m (H1 2016: £60m). The decrease from last year reflected deliveries to our key OEM customers under our multi-year radiotherapy contracts. We have also had a reduction in our defence order book reflecting slower than anticipated programme wins. The orders due for delivery in 12 months as at 30 September 2016 were £46m (H1 2016: £44m). We expect to renew two radiotherapy contracts in the final quarter of the current financial year, along with securing further specific defence orders for delivery in the second half.

**Semiconductors**

**Our value proposition - what we do and our key drivers**

We provide high performance semiconductors, sub-systems, and signal and data processing solutions. As a partner of choice for high performance signal and data conditioning solutions for professional applications, we provide solutions that meet the demanding specifications of our customers. Our design capability enables us to partner with customers and move up the value chain by providing board-level solutions and specialist applications expertise. SP Devices is providing access to new applications and sectors including test and measurement.

Through our strategic partnerships with NXP, Everspin, Maxim, Micron and Peregrine we provide a range of high reliability versions of their standard products for use in aerospace applications. Our own design high speed data converters provide market leading performance for space and radio frequency communications. We also offer our customers continuity of supply for components that they value, avoiding risks associated with counterfeit products.

**Customers and markets**

We have continued to focus on meeting our customers' requirements for high reliability, excellent service and on-time delivery. We have focused on our customers by increasing our business development and solution selling resources to better understand their requirements. We have co-funded developments, and have strengthened our relationships by continued investment in growing key strategic partnerships.

We see ongoing market growth for high reliability products both within our core aerospace and defense market and in high performance and demanding industrial and professional market which are currently growing in high single digit growth rates. Our own designed space qualified data converters are winning market share as they enable our customers to reduce the size and weight of their satellites, whilst increasing the number of communication channels. The steady demand for products that are provided primarily into defence applications is driven by the flow down of funds into the large defence OEMs.

Our in-house designed high speed data converters provide market leading performance for ADCs and DACs for space RF communications. Our data converters are used by most of the major space primes and tier one suppliers. This includes delivery of our strategic programmes with major North American and European space telecommunication primes where we enable high bandwidth radio frequency communication links.

SP Devices provides high performance sub-system solutions for analogue to digital conversion applications. These are used by customers including leading OEMs across a number of sectors, such as industrial test and measurement, healthcare, communications and science. SP Devices has proven patented technology in software and board level sub-systems and services, which complements and enhances e2v's broadband data converter business.

**Operational progress**

We have introduced new proprietary design high speed data converters and new multi-chip modules which enable our customers' innovation. We have seen good demand coming from our recent partnership with Peregrine and are in the process of moving these products to being tested in-house which will drive margin improvement in the coming year. During the period we completed the integration of SP Devices and this business is performing in line with our expectations.

**Performance**

Reported revenue was £24.3m (H1 2016: £22.1m). After a muted first quarter we saw a stronger performance in the second quarter, with good growth coming from Peregrine and our own design high speed data converters for space applications. This was partially offset by lower demand for microprocessors. In other applications, there was the anticipated decline in the legacy ASIC business, as these products approach the end of their lifecycle.

The division's adjusted(1) operating profit was £3.2m (H1 2016: £5.0m). This reflected the product mix, with stronger growth in the lower margin lines. Inventory levels have been increased both to take advantage of opportunities for strategic inventory purchases and to support the revenue step up anticipated in the second half.

The order book at 30 September 2016 was £38m (H1 2016: £27m). The order intake reflects stronger demand in the second quarter with good order intake for the anticipated last time buy for specific NXP Semiconductor microprocessors. Orders for delivery within 12 months as at 30 September 2016 are £29m (H1 2016: £20m).

**Central functions**

The divisions have end to end P&L responsibility. Where practical, support services are either under divisional control or aligned with divisions. Group provides support services to the divisions across technology, legal and commercial, human resources, IT and finance; these costs are largely included within divisional performance. Central costs not allocated relate to the management of e2v technologies plc and these costs were £0.6m (H1 2016: £2.1m), including £1.1m benefit of R&D tax credits.

**FINANCIAL REVIEW**

The results for the first half of the financial year ending 31 March 2017 reflect a resilient financial performance. We have maintained good cost control and delivered positive cash generation from operations despite lower revenue.

Revenue was £102.8m (H1 2016: £109.5m), representing a decrease of 6.1%, including a FX benefit of £8.2m. In Imaging, there were some delays in order placement in Professional Imaging and in Space Imaging programme milestones moved into the second half. In the prior period, Imaging's revenue included £2.6m for the thermal imaging business that was sold in October 2015. Semiconductors saw strong order intake in the second quarter, particularly in its lower margin lines. SP Devices contributed revenue of £1.1m in the period. RF Power has seen some improvement in demand in radiotherapy, offset by lower demand in commercial and industrial.

Gross profit margin was slightly lower than the comparable period, at 37% (H1 2016: 38%), reflecting both the lower revenue and revenue mix, with stronger growth in Semiconductors in the lower margin lines. Movements in exchange rates in the period resulted in exchange losses of £1.3m on the retranslation of monetary working capital and realised gains on exchange contracts (H1 2016: £1.5m). The gross profit performance also reflects lower provisions for management incentives, along with reduced charges for inventory which reflect improved operational performance.

Net R&D expenditure of £6.1m represented 6% of revenue (H1 2016: £6.7m). This includes the benefit of the R&D tax credits of £1.1m being accounted for within R&D expenditure.

Selling and distribution costs increased to £9.4m (H1 2016: £8.3m) reflecting planned additional resources, particularly in the US and Asia. Administrative costs, excluding specific items, were £10.8m (H1 2016: £10.8m).

Adjusted(1) operating profit was £12.0m (H1 2016: £15.7m), resulting in a margin of 11.7% (H1 2016: 14.3%). At constant exchange rates, adjusted operating profit was £11.2m (H1 2016: £15.7m), a margin of 11.8% (H1 2016: 14.3%).

Specific items included in administrative costs were £4.2m (H1 2016: £1.3m). Amortisation of acquired intangible assets increased to £1.6m (H1 2016: £1.4m), as a result of amortisation on the intangibles acquired with SP Devices. The costs associated with the acquisitions were £0.3m (H1 2016: £0.2m). Fair value losses on foreign exchange contracts amounted to £2.2m (H1 2016: gains £1.2m). The site consolidation programme at the Chelmsford facility is ongoing with £0.2m incurred in the period.

Net finance costs before specific items increased to £0.7m (H1 2016: £0.6m), principally reflecting interest on bank borrowings. The resulting adjusted(1) profit before tax decreased to £11.3m (H1 2016: £15.1m).

Profit before tax decreased by 48% to £7.1m (H1 2016: £13.8m). This reflects the lower operating profit, including the increase in the level of specific items.

The underlying tax rate for the first half was 31% (H1 2016: 25%) due to a higher proportion of profits in France, and accounting for the benefit of the R&D tax credits within R&D expenditure. In the second half we anticipate a higher proportion of profits in the UK, which is likely to result in an effective tax rate for the full year of approximately 30% (FY 2016: 26% adjusted for R&D tax credits).

Adjusted(2) earnings per share decreased to 3.59p (H1 2016: 5.17p) and reported earnings per share amounted to 2.13p (H1 2016: 4.79p).

We have increased our interim dividend by 6% to 1.7 pence per share reflecting our desired payment profile of a one third, two third split between the interim and final dividend and our outlook for the full year.

Operating cash flow before tax in the first half was £18.9m (H1 2016: £13.4m). The increase reflects an inflow on working capital of £1.0m (H1 2016: outflow of £6.6m). Strong collection of receivables generated £10.9m which was offset by an outflow of £5.2m relating to trade and other payables. Cash outflow on inventory was £5.0m. This largely relates to planned inventory build to support delivery in the second half and increased work in progress on Space programmes that reflects progress on milestones planned for the second half. Adjusted operating cash conversion was at 135% a significant improvement from the prior period (H1 2016: 43%). Adjusted operating cash conversion is the ratio of adjusted operating cash flow to adjusted operating profit. Adjusted operating cash flow is adjusted operating profit before depreciation, amortisation, share based payments, less movements in working capital and capital expenditure (CAPEX). Tax payments were £2.1m (H1 2016: £5.3m), reflecting decreased payments on account. After the cash outflow of £1.6m relating to earn outs for AnaFocus, capital expenditure and other financing costs, final dividends of £8.3m and movements due to exchange rates, the decrease in net borrowings in the period was £3.3m.

At 30 September 2016 net borrowings amounted to £17.8m (H1 2016: £20.3m). The total drawings under the bank facility arrangement were £36.2m of which £32.0m was drawn in sterling with the balance being drawn in US dollars. The unutilised facility (at 30 September 2016 exchange rates) is £61.4m. Year end net borrowings is anticipated to be c.£8m after the planned inventory reduction, full year CAPEX of c.£11m, and full year depreciation and amortisation of c.£15m, of which c.£3m will be included within specific items.

The Group's total order book as at 30 September 2016 was £192m (H1 2016: £187m). This represents an increase of £5m, with strong order intake, particularly in Semiconductors, being partially offset by the cycle on contracts for radiotherapy. The order book for delivery over the coming 12 months was £142m (H1 2016: £130m), an increase of £12m.

Our UK, Spanish and French manufacturing operations sell through the Group's global sales and distribution network and therefore are subject to transactional and translational risks, particularly in relation to the US dollar which accounts for around 49% of the Group's revenue. The Group's US dollar revenues exceed the US dollar costs and surplus US dollars are sold under foreign exchange contracts to cover costs incurred in the UK and France in accordance with the Group's hedging policy. In relation to the Euro, the Group's Euro revenues are largely equal to the Group's Euro denominated costs.

Within the period we have seen a revenue benefit due to FX of £8.2m. Of this £5.2m relates to the US dollar, the balance largely relates to the Euro. The benefit due to the Euro is effectively offset by the translation of the Euro cost base. In terms of the US dollar revenue benefit, £2.1m (c.40%) drops through to adjusted operating profit. In the period we have recognised realised losses on foreign exchange hedges of £1.3m, compared with unrealised losses on our balance sheet as at 31 March 2016 of £0.8m. Overall, adjusted operating profit has seen a net benefit of £0.8m due to changes in FX.

The Group's outlook is based on the current FX rates as at 4 November 2016 and includes the benefit of the rate changes since 13 July 2016. As at 30 September 2016 we have unrealised losses on our foreign exchange contracts on the balance sheet of £2.9m of which £1.7m are expected to be realised in the second half. A one cent strengthening in the US$ relative to Sterling is estimated to increase reported revenue by c.£1m with a c.40% drop through to adjusted operating profit.

**Principal risks and uncertainties for the second half**

In compliance with the UK Corporate Governance Code, the Group has processes in place for identifying, evaluating and managing the significant risks which could have an adverse effect upon the Group's performance.

The principal risks and uncertainties affecting the business activities of the Group remain those detailed on pages 22 and 23 of the Annual Report and Financial Statements for the year ended 31 March 2016, a copy of which is available on the Group website at e2v.com. The Group has reviewed these risks and concluded that they adequately represent its current principal risks and uncertainties and will continue to remain relevant for the second half of the financial year. In summary, the significant risks and uncertainties faced by the Group comprise: delivery of our strategic plan, the wider political and macroeconomic conditions, advancement in technology, change management, knowledge and skills, long term contract execution, cyber security, product quality and liabilities, supply chain disruption, laws and regulations and fluctuations in exchange rates.

**N Johnson**
**Chairman**
**4 November 2016**

**S Blair**
**Group CEO**
**4 November 2016**

# Independent review report to e2v technologies plc

**Introduction**
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 2016 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 reached.

**Directors' responsibilities**
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU.

**Our responsibility**
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**Scope of review**
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity,* issued by the Auditing Practices Board for use in the UK. 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 Ireland) 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.

**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 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

**Mike Barradell**
**for and behalf of KPMG LLP**
*Chartered Accountants*
15 Canada Square, London E14 5GL

4 November 2016

## Condensed consolidated income statement
## Six months ended 30 September 2016

| | Notes | 6 months ended 30 September 2016 Before specific items £000 | 6 months ended 30 September 2016 Specific items (note 3) £000 | 6 months ended 30 September 2016 Total £000 | 6 months ended 30 September 2015 Before specific items £000 | 6 months ended 30 September 2015 Specific items (note 3) £000 | 6 months ended 30 September 2015 Total £000 | Year ended 31 March 2016 Total £000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | 2 | **102,818** | **-** | **102,818** | 109,520 | - | 109,520 | 236,423 |
| Cost of sales | | **(64,567)** | **-** | **(64,567)** | (68,039) | - | (68,039) | (141,256) |
| **Gross profit** | | **38,251** | **-** | **38,251** | 41,481 | - | 41,481 | 95,167 |
| Research and development costs | | **(6,058)** | **-** | **(6,058)** | (6,701) | - | (6,701) | (13,838) |
| Selling and distribution costs | | **(9,431)** | **-** | **(9,431)** | (8,308) | - | (8,308) | (17,116) |
| Administrative costs | | **(10,758)** | **(4,187)** | **(14,945)** | (10,779) | (1,287) | (12,066) | (25,138) |
| **Operating profit** | 2 | **12,004** | **(4,187)** | **7,817** | 15,693 | (1,287) | 14,406 | 39,075 |
| Finance costs | 4 | **(687)** | **-** | **(687)** | (576) | - | (576) | (1,243) |
| Finance revenue | 4 | **3** | **-** | **3** | 4 | - | 4 | 13 |
| **Profit before taxation** | | **11,320** | **(4,187)** | **7,133** | 15,121 | (1,287) | 13,834 | 37,845 |
| Income tax expense | 5 | **(3,485)** | **991** | **(2,494)** | (3,839) | 464 | (3,375) | (8,137) |
| **Profit for the period** | | **7,835** | **(3,196)** | **4,639** | 11,282 | (823) | 10,459 | 29,708 |
| Attributable to: | | | | | | | | |
| Equity holders of the Company | | **7,835** | **(3,196)** | **4,639** | 11,282 | (823) | 10,459 | 29,708 |
| **Earnings per share** | | | | | | | | |
| Basic | 6 | **3.59p** | | **2.13p** | 5.17p | | 4.79p | 13.64p |
| Diluted | 6 | **3.56p** | | **2.11p** | 5.09p | | 4.72p | 13.47p |

## Condensed consolidated statement of comprehensive income
## Six months ended 30 September 2016

| | **6 months ended 30 September 2016 £000** | 6 months ended 30 September 2015 £000 | Year ended 31 March 2016 £000 |
|---|---|---|---|
| Profit for the period | **4,639** | 10,459 | 29,708 |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement of defined benefit liability | **(184)** | 401 | 182 |
| Income tax relating to items not reclassified | **63** | (139) | (62) |
| | **(121)** | 262 | 120 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange differences on retranslation of foreign operations | **14,251** | 1,465 | 11,672 |
| Exchange differences on net investment hedges | **562** | (995) | (1,213) |
| Income tax relating to items that may be reclassified | **(107)** | 198 | 244 |
| | **14,706** | 668 | 10,703 |
| **Other comprehensive income for the period** | **14,585** | 930 | 10,823 |
| **Total comprehensive income for the period** | **19,224** | 11,389 | 40,531 |
| Attributable to: | | | |
| Equity holders of the Company | **19,224** | 11,389 | 40,531 |

**Condensed consolidated statement of financial position**
**As at 30 September 2016**

| | Notes | **30 September 2016 £000** | 30 September 2015 £000 | 31 March 2016 £000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 8 | **47,441** | 45,367 | 46,869 |
| Intangible assets | | **120,304** | 98,956 | 114,872 |
| Trade and other receivables | | **-** | 143 | - |
| Deferred income tax asset | | **10,936** | 9,235 | 9,952 |
| **Total non-current assets** | | **178,681** | 153,701 | 171,693 |
| **Current assets** | | | | |
| Inventories | | **63,016** | 53,146 | 54,744 |
| Trade and other receivables | | **47,102** | 43,788 | 55,752 |
| Other financial assets | 12 | **-** | 168 | 147 |
| Income tax receivable | | **859** | 2,213 | 3,084 |
| Cash at bank and in hand | 9 | **23,485** | 15,630 | 20,497 |
| Assets held for resale | | **-** | 1,792 | - |
| **Total current assets** | | **134,462** | 116,737 | 134,224 |
| **Total assets** | | **313,143** | 270,438 | 305,917 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **(39,685)** | (46,712) | (46,476) |
| Borrowings | 9 | **(2,341)** | (1,918) | (2,194) |
| Other financial liabilities | 12 | **(2,722)** | (246) | (845) |
| Income tax payable | | **(1,014)** | (2,012) | (1,963) |
| Provisions | | **(4,657)** | (4,893) | (3,559) |
| **Total current liabilities** | | **(50,419)** | (55,781) | (55,037) |
| **Net current assets** | | **84,043** | 60,956 | 79,187 |
| **Non-current liabilities** | | | | |
| Trade and other payables | | **(3,065)** | - | (2,057) |
| Borrowings | 9 | **(38,792)** | (33,560) | (39,109) |
| Other financial liabilities | 12 | **(169)** | - | - |
| Provisions | | **(410)** | (946) | (1,092) |
| Employment and post-employment benefits | 11 | **(6,092)** | (4,579) | (5,298) |
| Deferred income tax liabilities | | **(5,150)** | (5,095) | (5,223) |
| **Total non-current liabilities** | | **(53,678)** | (44,180) | (52,779) |
| **NET ASSETS** | | **209,046** | 170,477 | 198,101 |
| **CAPITAL AND RESERVES** | | | | |
| Called up share capital | | **11,014** | 10,965 | 11,010 |
| Share premium | | **44,631** | 43,610 | 44,534 |
| Merger reserve | | **44,557** | 44,557 | 44,557 |
| Own shares reserve | | **(3,125)** | (4,137) | (4,137) |
| Capital redemption reserve | | **274** | 274 | 274 |
| Foreign currency translation reserve | | **14,494** | (10,247) | (212) |
| Retained earnings | | **97,201** | 85,455 | 102,075 |
| **TOTAL SHAREHOLDERS' FUNDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY** | | **209,046** | 170,477 | 198,101 |

**Condensed consolidated statement of cash flows**
**Six months ended 30 September 2016**

| | Notes | **6 months ended 30 September 2016 £000** | 6 months ended 30 September 2015 £000 | Year ended 31 March 2016 £000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before tax | | **7,133** | 13,834 | 37,845 |
| Net finance costs | 4 | **684** | 572 | 1,230 |
| Operating profit | | **7,817** | 14,406 | 39,075 |
| **Adjustments to reconcile to net cash flows from operating activities** | | | | |
| Depreciation of property, plant and equipment | 8 | **4,579** | 3,936 | 8,113 |
| Amortisation of intangible assets | | **3,386** | 2,466 | 5,513 |
| Profit on disposal of businesses | | **(157)** | (50) | (1,132) |
| Loss/(profit) on sale of property, plant and equipment | | **18** | - | (295) |
| Foreign currency losses/(gains) arising from fair value adjustment | | **2,193** | (1,237) | (618) |
| Share based payment charge | | **121** | 437 | 1,200 |
| Increase in inventories | | **(4,967)** | (10,273) | (9,255) |
| Decrease/(increase) in trade and other receivables | | **10,859** | 7,680 | (2,076) |
| Decrease in trade and other payables | | **(5,176)** | (3,941) | (6,076) |
| Increase/(decrease) in provisions | | **273** | (51) | (1,461) |
| Cash generated from operations | | **18,946** | 13,373 | 32,988 |
| Income taxes paid | | **(2,056)** | (5,285) | (10,461) |
| **Net cash flows from operating activities** | | **16,890** | 8,088 | 22,527 |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of property, plant and equipment | | **266** | - | 27 |
| (Payments)/proceeds related to disposal of businesses | | **(200)** | - | 3,324 |
| Interest received | | **3** | 5 | 13 |
| Acquisition of subsidiary undertakings, net of cash acquired | | **(1,641)** | (1,778) | (12,002) |
| Purchases of property, plant and equipment | | **(3,433)** | (6,577) | (11,310) |
| Purchases of software | | **(48)** | (255) | (616) |
| Expenditure on product development | | **(21)** | (54) | (103) |
| **Net cash flows used in investing activities** | | **(5,074)** | (8,659) | (20,667) |
| **Cash flows from financing activities** | | | | |
| Interest paid | | **(500)** | (315) | (725) |
| Proceeds from issue of shares | | **101** | 59 | 1,028 |
| Purchases of treasury shares | | **-** | (3,656) | (3,656) |
| Dividends paid | 7 | **(8,285)** | (7,863) | (11,335) |
| Net (repayments)/proceeds from borrowings | 9 | **(551)** | 7,141 | 12,321 |
| Payment of finance lease liabilities | 9 | **(728)** | (212) | (889) |
| **Net cash flows used in financing activities** | | **(9,963)** | (4,846) | (3,256) |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,853** | (5,417) | (1,396) |
| Net foreign exchange difference | | **1,135** | (52) | 794 |
| Cash and cash equivalents at beginning of the period | | **20,497** | 21,099 | 21,099 |
| **Cash and cash equivalents at end of the period** | 9 | **23,485** | 15,630 | 20,497 |

## Condensed consolidated statement of changes in equity
## Six months ended 30 September 2016

| | Called up share capital £000 | Share premium £000 | Merger reserve £000 | Own shares reserve £000 | Capital redemption reserve £000 | Foreign currency translation reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|
| 1 April 2015 | 10,963 | 43,553 | 44,557 | (483) | 274 | (10,915) | 81,882 | 169,831 |
| Other comprehensive income | - | - | - | - | - | 668 | 262 | 930 |
| Profit for the period | - | - | - | - | - | - | 10,459 | 10,459 |
| Total comprehensive income | - | - | - | - | - | 668 | 10,721 | 11,389 |
| **Contributions by and distributions to owners** | | | | | | | | |
| Issue of shares | 2 | 57 | - | - | - | - | - | 59 |
| Transfer on issue of treasury shares | - | - | - | 2 | - | - | (2) | - |
| Purchases of treasury shares | - | - | - | (3,656) | - | - | - | (3,656) |
| Dividends paid | - | - | - | - | - | - | (7,863) | (7,863) |
| Share based payment charge | - | - | - | - | - | - | 437 | 437 |
| Tax on share based payment | - | - | - | - | - | - | 280 | 280 |
| 30 September 2015 | 10,965 | 43,610 | 44,557 | (4,137) | 274 | (10,247) | 85,455 | 170,477 |
| Other comprehensive income | - | - | - | - | - | 10,035 | (142) | 9,893 |
| Profit for the period | - | - | - | - | - | - | 19,249 | 19,249 |
| Total comprehensive income | - | - | - | - | - | 10,035 | 19,107 | 29,142 |
| **Contributions by and distributions to owners** | | | | | | | | |
| Issue of shares | 45 | 924 | - | - | - | - | - | 969 |
| Dividends paid | - | - | - | - | - | - | (3,472) | (3,472) |
| Share based payment charge | - | - | - | - | - | - | 763 | 763 |
| Tax on share based payment | - | - | - | - | - | - | 222 | 222 |
| 31 March 2016 | 11,010 | 44,534 | 44,557 | (4,137) | 274 | (212) | 102,075 | 198,101 |
| Other comprehensive income | **-** | **-** | **-** | **-** | **-** | **14,706** | **(121)** | **14,585** |
| Profit for the period | **-** | **-** | **-** | **-** | **-** | **-** | **4,639** | **4,639** |
| Total comprehensive income | **-** | **-** | **-** | **-** | **-** | **14,706** | **4,518** | **19,224** |
| **Contributions by and distributions to owners** | | | | | | | | |
| Issue of shares | **4** | **97** | **-** | **-** | **-** | **-** | **-** | **101** |
| Transfer on issue of treasury shares | **-** | **-** | **-** | **1,012** | **-** | **-** | **(1,012)** | **-** |
| Purchases of treasury shares | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Dividends paid | **-** | **-** | **-** | **-** | **-** | **-** | **(8,285)** | **(8,285)** |
| Share based payment charge | **-** | **-** | **-** | **-** | **-** | **-** | **121** | **121** |
| Tax on share based payment | **-** | **-** | **-** | **-** | **-** | **-** | **(216)** | **(216)** |
| **30 September 2016** | **11,014** | **44,631** | **44,557** | **(3,125)** | **274** | **14,494** | **97,201** | **209,046** |

## Notes to the condensed consolidated half-yearly financial statements

## Six months ended 30 September 2016

### 1. Basis of preparation and significant accounting policies

**Basis of preparation**

The Group's Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

These condensed half-yearly financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules (DTR) of the United Kingdom's Financial Conduct Authority. The condensed half-yearly financial statements have been prepared on the going concern basis as the Directors, having considered all relevant information including the level of its current facility and covenant requirements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

These condensed half-yearly financial statements are unaudited but have been formally reviewed by the Company's auditor and their report to the Company is set out above. The comparative figures for the financial year ended 31 March 2016 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

These condensed half-yearly financial statements were approved by the Board of Directors on 4 November 2016.

**Accounting policies**

The accounting policies, presentation and methods of computation adopted are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 March 2016.

**Key sources of estimation uncertainty**

The preparation of the Interim Financial Statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed half-yearly financial statements, the key sources of estimation uncertainty at the balance sheet date remain the same as those that applied to the Consolidated Financial Statements for the year ended 31 March 2016.

The Directors have considered the facts and circumstances as at 30 September 2016 and concluded that there are no indicators of impairments that require an impairment review to be undertaken on goodwill at the interim statement of financial position date. The annual impairment review will be undertaken later in the financial year consistent with the timing in previous years.

### 2. Segment information

The Group is organised into three operating divisions which are organised and managed separately based on the key products they provide. Each is treated as an operating segment and a reportable segment in accordance with IFRS 8, 'Operating Segments'.

The operating and reportable segments are:

- **Imaging** providing high quality imaging sensors, cameras and sub-systems which deliver high performance for our customers across a range of applications in the industrial, space, healthcare, defence and security and life sciences markets.

- **RF Power** producing systems that deliver high performance and high reliability radio frequency power generation for healthcare, industrial and defence applications.

- **Semiconductors** providing high performance semiconductors, sub-systems, and signal and data processing solutions. Our design capability is enabling us to partner with customers and move up the value chain by providing board-level solutions and specialist applications expertise.

Centre-corporate includes those unallocated costs directly associated with the management of the Group's public quotation and other related costs arising from the corporate management of the Group along with treasury related activities.

The following is an analysis of the Group's revenue, results and net assets and other information by reportable segment. There was no inter-segment trading during the period covered by these financial statements.

**2. Segment information (continued)**

| **6 months ended 30 September 2016** | **Imaging £000** | **RF Power £000** | **Semi-conductors £000** | **Centre - corporate £000** | **Total operations £000** |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenue from external customers | **44,963** | **33,521** | **24,334** | **-** | **102,818** |
| **Segment result** | | | | | |
| Adjusted segment profit | **4,833** | **5,906** | **3,200** | **-** | **13,939** |
| Corporate costs | **-** | **-** | **-** | **(619)** | **(619)** |
| Exchange differences | **-** | **-** | **-** | **(1,316)** | **(1,316)** |
| **Adjusted operating profit/(loss)** | **4,833** | **5,906** | **3,200** | **(1,935)** | **12,004** |
| Specific operating items | **(663)** | **(253)** | **(1,113)** | **(2,158)** | **(4,187)** |
| **Operating profit/(loss)** | **4,170** | **5,653** | **2,087** | **(4,093)** | **7,817** |
| Net finance costs | | | | | **(684)** |
| **Profit before tax** | | | | | **7,133** |
| Tax charge | | | | | **(2,494)** |
| **Profit for the period** | | | | | **4,639** |
| Total assets | **94,810** | **44,481** | **126,138** | **47,714** | **313,143** |
| Total liabilities | **(14,328)** | **(7,340)** | **(5,680)** | **(76,749)** | **(104,097)** |
| **Net assets** | **80,482** | **37,141** | **120,458** | **(29,035)** | **209,046** |

| 6 months ended 30 September 2015 | Imaging £000 | RF Power £000 | Semi-conductors £000 | Centre - corporate £000 | Total operations £000 |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Revenue from external customers | 47,461 | 39,987 | 22,072 | - | 109,520 |
| Segment result | | | | | |
| Adjusted segment profit | 5,306 | 8,902 | 5,026 | - | 19,234 |
| Corporate costs | - | - | - | (2,064) | (2,064) |
| Exchange differences | - | - | - | (1,477) | (1,477) |
| Adjusted operating profit/(loss) | 5,306 | 8,902 | 5,026 | (3,541) | 15,693 |
| Specific operating items | (731) | (668) | (833) | 945 | (1,287) |
| Operating profit/(loss) | 4,575 | 8,234 | 4,193 | (2,596) | 14,406 |
| Net finance costs | | | | | (572) |
| Profit before tax | | | | | 13,834 |
| Tax charge | | | | | (3,375) |
| Profit for the period | | | | | 10,459 |
| Total assets | 86,315 | 47,411 | 97,452 | 39,260 | 270,438 |
| Total liabilities | (16,840) | (9,852) | (5,612) | (67,657) | (99,961) |
| Net assets | 69,475 | 37,559 | 91,840 | (28,397) | 170,477 |

**2. Segment information (continued)**

| Year ended 31 March 2016 | Imaging £000 | RF Power £000 | Semi-conductors £000 | Centre - corporate £000 | Total operations £000 |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Revenue from external customers | 103,473 | 80,540 | 52,410 | - | 236,423 |
| Segment result | | | | | |
| Adjusted segment profit | 15,666 | 18,763 | 14,171 | - | 48,600 |
| Corporate costs | - | - | - | (4,455) | (4,455) |
| Exchange differences | - | - | - | (2,108) | (2,108) |
| Adjusted operating profit/(loss) | 15,666 | 18,763 | 14,171 | (6,563) | 42,037 |
| Specific operating items | (420) | (989) | (2,099) | 546 | (2,962) |
| Operating profit/(loss) | 15,246 | 17,774 | 12,072 | (6,017) | 39,075 |
| Net finance costs | | | | | (1,230) |
| Profit before tax | | | | | 37,845 |
| Tax charge | | | | | (8,137) |
| Profit for the period | | | | | 29,708 |
| Total assets | 95,691 | 47,480 | 117,812 | 44,934 | 305,917 |
| Total liabilities | (17,043) | (7,468) | (4,891) | (78,414) | (107,816) |
| Net assets | 78,648 | 40,012 | 112,921 | (33,480) | 198,101 |

**Geographical information**

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

| | **6 months ended 30 September 2016 £000** | 6 months ended 30 September 2015 £000 | Year ended 31 March 2016 £000 |
|---|---|---|---|
| **Revenue by destination** | | | |
| United Kingdom | **12,636** | 15,420 | 32,443 |
| North America | **34,558** | 36,451 | 77,129 |
| Europe | **26,915** | 29,085 | 64,373 |
| Asia Pacific | **26,163** | 26,095 | 56,937 |
| Rest of the world | **2,546** | 2,469 | 5,541 |
| | **102,818** | 109,520 | 236,423 |

| | **6 months ended 30 September 2016 £000** | 6 months ended 30 September 2015 £000 | Year ended 31 March 2016 £000 |
|---|---|---|---|
| **Non-current assets (excluding taxes)** | | | |
| United Kingdom | **40,370** | 43,205 | 42,910 |
| North America | **39,145** | 34,742 | 35,639 |
| Europe | **87,728** | 66,274 | 82,694 |
| Asia Pacific | **502** | 245 | 498 |
| | **167,745** | 144,466 | 161,741 |

## 3. Specific operating items

| | **6 months ended 30 September 2016 £000** | 6 months ended 30 September 2015 £000 | Year ended 31 March 2016 £000 |
|---|---|---|---|
| Amortisation of acquired intangible assets | **1,603** | 1,358 | 2,795 |
| Acquisition related costs | **323** | 193 | 824 |
| Business improvement programme expenses, net | **209** | 1,023 | 1,377 |
| Foreign currency losses/(gains) arising from fair value adjustment | **2,193** | (1,237) | (618) |
| Disposal of businesses | **(141)** | (50) | (1,132) |
| Profit on sale of properties | **-** | - | (284) |
| | **4,187** | 1,287 | 2,962 |

**Acquisition related costs**
The Group completed the acquisition of SP Devices in January 2016 and in connection with this incurred one-off transaction costs of £232,000 in the year ended 31 March 2016. Exchange losses of £162,000 (6 months ended 30 September 2015: gains £12,000 and year ended 31 March 2016: losses £199,000) have been recorded relating to the contingent consideration for both SP Devices and AnaFocus. Where payments in connection with the acquisition are dependent upon future employment, they are treated as a cost of continuing employment, costs of £161,000 (6 months ended 30 September 2015: £205,000 and year ended 31 March 2016: £393,000) have been recorded in relation to AnaFocus.

In connection with the acquisition of AnaFocus, during the period ended 30 September 2016, the Group has paid £1,239,000 representing full payment of the final instalment of contingent consideration, and £402,000 to AnaFocus' employees in connection with the acquisition.

A liability of £3,065,000 (31 March 2016: £2,939,000) is recorded in connection with contingent consideration on the acquisition of SP Devices. Management continues to anticipate that the maximum payment will be made, which is dependent upon the achievement of revenue targets over a two year period from acquisition. Payment is anticipated to be made in the second half of the year ending 31 March 2018. At 30 September 2016, the fair value of the identifiable assets and liabilities acquired with SP Devices remain provisional and are unchanged from those reported in note 13 of the 31 March 2016 financial statements.

**Business improvement programme expenses, net**
During the 6 months ended 30 September 2016, these costs primarily relate to Project Sunrise, the reorganisation of the footprint at the Chelmsford facility (6 months ended 30 September 2015: £106,000 and year ended 31 March 2016 £441,000).

During the year ended 31 March 2016, the Group repositioned its regional teams in US and Asia so that they too are aligned with the divisions and has also reorganised RF's defence business into three distinct units. Costs of £917,000 and £1,205,000 were incurred in the 6 months ended 30 September 2015 and year ended 31 March 2016, respectively.

In connection with the closure of the sales office in Bievres, France a credit of £269,000 was also recorded during the year ended 31 March 2016, principally on the release of an onerous lease provision which was no longer required.

**Foreign currency losses/(gains) arising from fair value adjustments**
The Group, in part, hedges its exposure to foreign currency risks through the use of forward exchange contracts. The changes in the fair value of the instruments are recorded as specific items in the income statement. Fluctuations in the exchange rates in the period have resulted in net fair value loss of £2,193,000 (6 months ended 30 September 2015: gain £618,000 and year ended 31 March 2016: gain £1,237,000).

**Disposal of businesses**
In October 2015, the Group sold its thermal imaging business. The valuation of the assets included in this business disposal have been agreed during the period ended 30 September 2016 and has resulted in an additional gain of £141,000 being recorded (year ended 31 March 2016: £1,082,000) and a payment of £200,000 being made (year ended 31 March 2016: receipt £3,274,000).

During 6 months ended 30 September 2015 and year ended 31 March 2016, £50,000 of deferred consideration relating to the sale of the Group's RF Satcom business was received and recognised as profit on disposal of businesses.

**Profit on the sale of properties**
In the year ended 31 March 2010, the Group sold its former Lincoln site. The contract included the provision for a further payment dependent upon the square footage of the new properties built, with £284,000 recorded as an other debtor at 31 March 2016, which has been received in the period ended 30 September 2016.

## 4. Finance costs and finance revenue

| | 6 months ended 30 September 2016 £000 | 6 months ended 30 September 2015 £000 | Year ended 31 March 2016 £000 |
|---|---|---|---|
| **Finance costs** | | | |
| Bank loan interest | **405** | 309 | 685 |
| Other interest | **85** | 106 | 194 |
| Interest on employment and post-employment benefits | **39** | 26 | 52 |
| Interest on finance leases | **16** | - | 42 |
| Amortisation of debt issue costs | **142** | 135 | 270 |
| **Total finance costs** | **687** | 576 | 1,243 |
| | | | |
| **Finance revenue** | | | |
| Bank interest receivable | **3** | 4 | 13 |

## 5. Income tax expense

The tax charge for the period has been calculated on the basis of the Directors' best estimate of the annual effective tax rate for the year, consistent with the previous period.

The Finance Bill 2015, which was substantively enacted on 26 October 2015 reduces the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and to 18% from 1 April 2020. The Finance Bill 2016, which was substantively enacted on 15 September 2016, reduces the corporation tax rate from 1 April 2020 to 17%. Where this reduced rate of 17% is the rate that is expected to apply to the period in which the asset is realised or the liability is settled, this rate has been taken into account when calculated the UK deferred tax position as at 30 September 2016.

## 6. Earnings per share

Basic earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of dilutive options.

Adjusted earnings per share is calculated on the basis of net profit for the period before specific items. In the Directors' judgement adjusted earnings per share is considered to more appropriately reflect the underlying performance of the business period on period.

The following reflects the net profit and share data used in the earnings per share computations:

| | 6 months ended 30 September 2016 £000 | 6 months ended 30 September 2015 £000 | Year ended 31 March 2016 £000 |
|---|---|---|---|
| Profit for the period | **4,639** | 10,459 | 29,708 |
| Amortisation of acquired intangible assets | **1,603** | 1,358 | 2,795 |
| Acquisition related costs | **323** | 193 | 824 |
| Business improvement programme expenses, net | **209** | 1,023 | 1,377 |
| Foreign currency losses/(gains) arising from fair value adjustment | **2,193** | (1,237) | (618) |
| Disposal of businesses | **(141)** | (50) | (1,132) |
| Profit on sale of properties | **-** | - | (284) |
| Tax effect of the above | **(991)** | (464) | (900) |
| **Adjusted profit attributable to ordinary shareholders** | **7,835** | 11,282 | 31,770 |

## 6. Earnings per share (continued)

| | **No. 000** | No. 000 | No. 000 |
|---|---|---|---|
| **Weighted average number of ordinary shares** | | | |
| For basic earnings per share | **218,095** | 218,154 | 217,777 |
| Effect of dilution: | | | |
| Share options | **2,258** | 3,397 | 2,731 |
| **For diluted earnings per share** | **220,353** | 221,551 | 220,508 |

| | **Pence** | Pence | Pence |
|---|---|---|---|
| **Earnings per share** | | | |
| Basic | **2.13** | 4.79 | 13.64 |
| Adjusted basic | **3.59** | 5.17 | 14.59 |
| Diluted | **2.11** | 4.72 | 13.47 |
| Adjusted diluted | **3.56** | 5.09 | 14.41 |

## 7. Dividends paid and proposed

| | **6 months ended 30 September 2016** | | 6 months ended 30 September 2015 | | Year ended 31 March 2016 | |
|---|---|---|---|---|---|---|
| | **Pence** | **£000** | Pence | £000 | Pence | £000 |
| **Equity dividends on ordinary shares paid during period** | | | | | | |
| Final dividend in respect of the prior year | **3.8** | **8,285** | 3.6 | 7,863 | 3.6 | 7,863 |
| Interim dividend in respect of the current year | **-** | **-** | - | - | 1.6 | 3,472 |
| | **3.8** | **8,285** | 3.6 | 7,863 | 5.2 | 11,335 |

On 4 November 2016 the Board declared an interim dividend of 1.7p per share, with a total dividend payment of £3,713,000. The interim dividend is to be paid on 20 December 2016 to shareholders registered at close of business on 18 November 2016 and is based on the number of shares in issue, excluding those held by the Employee Benefit Trust and the Company, at the date that these financial statements have been approved and authorised for issue. The actual payment may differ due to increases or decreases in the number of shares in issue between the date of approval of the financial statements and the record date of the interim dividend.

## 8. Property, plant and equipment

| | **6 months ended 30 September 2016 £000** | 6 months ended 30 September 2015 £000 | Year ended 31 March 2016 £000 |
|---|---|---|---|
| Opening net book value | **46,869** | 43,537 | 43,537 |
| Additions | **3,433** | 6,075 | 10,763 |
| Acquisition of subsidiary | **-** | - | 8 |
| Depreciation | **(4,579)** | (3,936) | (8,113) |
| Disposals | **(18)** | - | (263) |
| Transfer to assets held for sale | **-** | (258) | - |
| Exchange adjustment | **1,736** | (51) | 937 |
| **Closing net book value** | **47,441** | 45,367 | 46,869 |

## 9. Borrowings

| | 6 months ended 30 September 2016 £000 | 6 months ended 30 September 2015 £000 | Year ended 31 March 2016 £000 |
|---|---|---|---|
| **Current** | | | |
| Finance leases | **1,594** | 1,276 | 1,403 |
| Other loans | **747** | 642 | 791 |
| **Total current borrowings** | **2,341** | 1,918 | 2,194 |
| **Non-current** | | | |
| Bank debt | **36,243** | 29,996 | 36,234 |
| Finance leases | **955** | 2,185 | 1,587 |
| Other loans | **1,729** | 1,791 | 1,565 |
| Unamortised debt issue costs | **(135)** | (412) | (277) |
| **Total non-current borrowings** | **38,792** | 33,560 | 39,109 |
| **Borrowings per the balance sheet** | **41,133** | 35,478 | 41,303 |

| | At 1 April 2016 £000 | Cash flow £000 | Non-cash movements £000 | Exchange movement £000 | At 30 September 2016 £000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 20,497 | 1,853 | - | 1,135 | 23,485 |
| Bank loans | (36,234) | 421 | - | (430) | (36,243) |
| **Net bank borrowings** | (15,737) | 2,274 | - | 705 | (12,758) |
| Finance leases | (2,990) | 728 | (16) | (271) | (2,549) |
| Other loans | (2,356) | 130 | (60) | (190) | (2,476) |
| **Net borrowings** | (21,083) | 3,132 | (76) | 244 | (17,783) |
| Debt issue costs | 277 | - | (142) | - | 135 |
| **Net debt** | (20,806) | 3,132 | (218) | 244 | (17,648) |

Non cash movements include finance charges on finance leases £16,000, unwinding of discount on interest free and low interest loans £60,000 and amortisation of debt issue costs £142,000.

The Group has a revolving credit facility which expires on 28 July 2018. At period end exchange rates, the facility was £97,664,000 (30 September 2015: £92,560,000 and 31 March 2016: £94,268,000). Provided covenants continue to be met, the drawdowns under the revolving credit facility are at the discretion of the Group and consequently the loan is treated as non-current. At 30 September 2016, the Group had available £61,421,000 (30 September 2015: £62,564,000 and 31 March 2016: £58,034,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Net borrowings exclude unamortised debt issue costs, which amounted to £135,000 at 30 September 2016 (30 September 2015: £412,000 and 31 March 2016: £277,000).

## 10. Capital commitments and contingent liabilities

**Capital commitments**

At 30 September 2016, the Group had capital commitments of £1,792,000 (30 September 2015: £2,309,000 and 31 March 2016: £1,277,000) principally relating to the acquisition of new plant and machinery.

**10. Capital commitments and contingent liabilities (continued)**

**Contingent liabilities**
The Company and its subsidiaries may be parties to legal proceedings and claims which arise in the normal course of business, and can be material in value. Appropriate provision has been made in these accounts where, in the opinion of the Directors, liabilities are likely to materialise. Furthermore, in the ordinary course of business, the Group may issue performance and advance payment guarantees. Guarantees are treated as contingent liabilities until such time as it becomes probable that a payment will be required under the terms of the guarantee. As at 30 September 2016, bank guarantees of £2,231,000 (30 September 2015: £3,276,000 and 31 March 2016: £3,406,000) are outstanding.

The Group has received grant assistance from the UK government's Regional Growth Fund which is conditional on certain job targets being achieved in future years. The Directors are of the opinion that the risk of repayment of the grants is not significant and consequently no provision is recorded for the repayment of such grants.

## 11. Employment and post-employment benefits

In addition to the state pension scheme, e2v semiconductors SAS and e2v SAS have arrangements where there are obligations to provide termination allowances and 'Medailles du Travail' (long service awards). These are unfunded arrangements and the actuarial liability has been calculated at 30 September 2016 by a qualified actuary using the projected unit credit method. The cost of providing these benefits is charged to the income statement in the period in which those benefits have been earned by the employees. Remeasurement gains and losses are recognised in full in the period in which they arise. For termination allowance the remeasurement gains and losses are recorded in other comprehensive income whereas for the long service award the remeasurement gains and losses are recorded in the income statement.

## 12. Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements:

| | **30 September 2016** | | 30 September 2015 | | 31 March 2016 | |
|---|---|---|---|---|---|---|
| | **Carrying value £000** | **Fair value £000** | Carrying value £000 | Fair value £000 | Carrying value £000 | Fair value £000 |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | **23,485** | **23,485** | 15,630 | 15,630 | 20,497 | 20,497 |
| Derivative financial instruments recognised at fair value through profit or loss | **-** | **-** | 168 | 168 | 147 | 147 |
| **Financial liabilities** | | | | | | |
| Floating rate bank loans | **(36,108)** | **(36,243)** | (29,584) | (29,996) | (35,957) | (36,234) |
| Interest free and low interest loans | **(2,476)** | **(2,476)** | (2,433) | (2,433) | (2,356) | (2,356) |
| Derivative financial instruments recognised at fair value through profit or loss | **(2,891)** | **(2,891)** | (246) | (246) | (845) | (845) |

The carrying value of interest bearing loans and borrowings is after a deduction for unamortised debt issue costs of £135,000. (30 September 2015: £412,000 and 31 March 2016: £277,000).

**Financial risk management**
The risks associated with the Group's financial instruments are detailed in note 31 of the Group's 2016 Annual Report. There have been no changes in the risks and the management thereof since 31 March 2016.

**Fair value hierarchy**
The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of inputs used in making measurements of fair value. The fair value hierarchy has the following levels:

Level 1 quoted prices (unadjusted) in active markets for identifiable assets or liabilities;

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. 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 (unobservable inputs).

The fair value of forward currency contracts is calculated by management based on external valuations received from the Group's bankers which are based on forward exchange rates. The fair value measurement basis of the instruments is categorised within Level 2. The carrying amount of the other financial instruments of the Group, i.e. short term trade receivables, payables and provisions that are not included in the above table, is a reasonable approximation of fair value.

### 13. Related party disclosures

Transactions between Group subsidiaries have been eliminated on consolidation. A list of subsidiaries can be found in the notes to e2v technologies plc, the parent company, financial statements in the Group's 2016 Annual Report.

## Directors' statement of responsibilities

The Directors confirm that to the best of their knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and any changes in the related party transactions described in the last annual report that could do so).

The Directors of e2v technologies plc and their respective responsibilities are listed in the Group's Annual Report for the year ended 31 March 2016. There have been no changes since that date, except for the resignation from the board of Dr. Krishnamurthy Rajagopal on 3 November 2016.

On behalf of the Board

**S Blair**
**Group CEO**
**4 November 2016**

**C Hindson**
**Group Finance Director**
**4 November 2016**