Press Release

14 November 2017

AVEVA GROUP PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

AVEVA Group plc ('AVEVA' or 'the Group'), one of the world's leading providers of engineering design and information management software, today announces its interim results for the six months ended 30 September 2017.

Financials

Six months ended 30 September	2017	2016	Change
Revenue	**£93.9m**	£84.3m	11.5%
Adjusted* profit before tax	**£10.3m**	£9.1m	13.2%
Adjusted* diluted earnings per share	**12.35p**	9.92p	24.5%
Exceptional acquisition costs**	**£20.0m**	-	-
(Loss)/profit before tax	**(£12.4m)**	£5.5m	-
Basic (loss)/earnings per share	**(19.91p)**	6.47p	-
Net cash	**£133.0m**	£124.4m	6.8%

* Adjusted profit before tax and adjusted earnings per share are calculated before amortisation of intangible assets (excluding other software), share-based payments, gain/loss on fair value of forward foreign exchange contracts and exceptional items. Adjusted earnings per share also include the tax effects of these adjustments.

** Exceptional costs of £20.0m were incurred in relation to the planned combination with the Schneider Electric Software Business.

Highlights

- Good performance reflects strong sales execution and more stable market conditions
- Revenue increased 11.5% to £93.9 million (2016 – £84.3 million)
- Constant currency revenue up 5.9%, with strong growth in Asia Pacific and stabilisation in EMEA
- Adjusted profit before tax up 13.2% to £10.3 million (2016 – £9.1 million)
- Reported loss before tax of £12.4 million (2016 – £5.5 million profit) as a result of the exceptional costs incurred in relation to the Schneider Electric Software Business combination
- Constant currency adjusted profit before tax up 16.1%
- Full year outlook remains in line with the Board's expectations
- Preparation for completion is on track with closure expected to be at or around the end of 2017. A further update on progress and timing will be provided in due course.

Chief Executive Officer, James Kidd said:

"I am pleased with AVEVA's performance in the first half. Although we have yet to see a broad-based recovery in our end markets, we have seen solid growth in constant currency revenue and adjusted profit before tax. This improved performance was partly driven by the changes made to the business last year, when we simplified AVEVA's management structure, giving both greater decision-making capabilities and direct accountability for performance to our regions. The Board remains confident in AVEVA's outlook for the full year and excited about the growth opportunities that the combination with the Schneider Electric Software Business will bring."

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Conference call and webcast

AVEVA management will host a conference call and audio-webcast, for registered participants, at 09:30 (GMT) today. The audio-webcast will be also accessible via the AVEVA website following the presentation.
To register for the webcast and access the presentation materials please visit:
http://www.aveva.com/en/Investors.aspx.

Conference calls dial in details:

Telephone: +44(0)20 3427 1918

Conference call code: 6603733

Participants are advised to visit the website at least 15 minutes prior to the commencement of the call in order to register and, for those accessing the webcast, in order to download and install any audio software that may be required.

Conference call participants will be able to ask questions during the Q&A session, but those on the webcast will be in a listen only mode.

A full replay facility will be made available later in the day.

Strategic Review

Summary

Overview of trading

AVEVA delivered a much-improved performance in the six months to 30 September 2017. Revenue increased 11.5% to £93.9 million (2016 – £84.3 million) and on a constant currency basis revenue increased 5.9%. Adjusted profit before tax grew 13.2% to £10.3 million (2016 – £9.1 million) and on a constant currency basis increased 16.1%. On a reported basis, the Group returned a £12.4 million loss before tax (2016 – £5.5 million profit) as a result of the exceptional costs incurred in relation to the Schneider Electric Software Business combination.

This improved performance was driven by a sharp focus on execution and getting closer to our customers. This followed simplification of AVEVA's management structure with greater decision-making capabilities and direct accountability for performance being allocated to our regions. More customer-facing people were added to the Executive team, including a Chief Revenue Officer, with overall responsibility for leading Global Sales, Partnership Management and Marketing.

Market developments have also been favourable. There have been some pockets of growth in Marine, which is our second largest end market and signs of stabilisation in our largest end market of Oil & Gas.

On a regional basis, AVEVA delivered a strong performance in Asia Pacific where growth was driven by new orders from Marine customers including Mitsui Engineering & Shipbuilding, DSEC, China Merchants Heavy Industries and Xiamen Shipbuilding.

The performance in EMEA was robust, with constant currency revenue broadly flat on the prior year, representing a significant sequential improvement in trend from H2 2017.

We also saw a good performance in the Americas, with a solid increase in recurring revenue on a constant currency basis; although there was a slight reduction in overall regional revenue due to lower Initial Licence Fees. This related to a strong prior year comparative, when the Group signed a large contract with an Owner Operator (OO) in the Power market. Market conditions in Latin America remained difficult.

AVEVA Everything3D™ (AVEVA E3D™) grew strongly during the period as existing customers continued to migrate and new contracts were won. It contributed around 16% of total revenue, up from approximately 11% in the prior year, representing revenue growth of some 50%.

AVEVA continues to be highly cash generative with net cash at 30 September 2017 increasing to £133.0 million (March 2017 – £130.9 million). This was after dividend payments of £17.3 million, losses on the translation of non-Sterling cash deposits of £2.0 million and exceptional cash costs relating to the planned combination with the Schneider Electric Software Business of £2.4 million.

Planned combination with the Schneider Electric Software Business

On 5 September 2017, AVEVA and Schneider Electric announced an agreement to combine AVEVA and the Schneider Electric Software Business to create a global leader in engineering and industrial software. This proposed combination received shareholder approval on 29 September 2017 and preparation for completion is on track with closure expected to be at or around the end of 2017. A further update on progress and timing will be provided in due course.

The combination will be transformational for AVEVA and supports all of our strategic objectives in growing sales of More than 3D (MT3D) products, sales to OOs, increasing scale in Growth Markets, broadening our exposure into additional industrial end markets and developing our Software as a Service (SaaS) and Cloud offering.

It will also advance our vision for the widespread adoption of constantly-evolving Digital Assets by the capital-intensive industries that we serve. By adding new capabilities to AVEVA's engineering design and 3D visualisation technologies, the combination will enable the Group to offer customers Digital Twins of their physical assets throughout their whole life cycle.

A Digital Twin is a virtual replica of a physical asset, an evolving, digital model that updates and changes as its physical counterpart changes. Together the product portfolios of AVEVA and the Schneider Electric Software Business are in a unique position to create and visualise Digital Twins that will accompany a physical asset from the initial simulations phase, through design and build, into operations. Digital Twins can help customers reduce costs, manage change and increase safety, enabling them to leverage new technology including machine learning and the Internet of Things.

Shortly after completion of the combination, £550 million of cash contributed by Schneider Electric and £100 million of excess cash on AVEVA's balance sheet will be distributed to existing AVEVA shareholders. Together this represents approximately £10.14 per AVEVA share. In this context, as previously announced, AVEVA will not pay an interim dividend for the half year.

The combination is expected to create additional value for shareholders through the potential for material revenue and cost synergies over the medium term, which will be quantified post-completion.

The Group is in the process of selecting a Chief Executive Officer for the Enlarged AVEVA Group, with a proven track record and experience in managing a global software business. An announcement identifying the Chief Executive Officer and clarifying the timing of the appointment will be made as soon as practicable. James Kidd will continue in his role as Chief Executive Officer until such time as the Board decides to appoint a new Chief Executive Officer, whereupon it is intended that James will be appointed to the role of Deputy Chief Executive Officer and Chief Financial Officer in order to drive forward the strategy and integration of the Enlarged AVEVA Group.

Delivery against our strategy

AVEVA's strategy is to increase revenue by growing the addressable market for its products as the concept of the Digital Asset is more widely adopted; to sell a wider range of products; and to grow in industry verticals and geographies where the Group's market share is underweight.

During the first half, we made progress against this strategy and significantly furthered its longer-term execution through the planned combination with the Schneider Electric Software Business.

More than 3D

We see a major market opportunity in selling additional engineering software tools, extending beyond our core 3D design platforms. AVEVA's MT3D sales grew 3.6% on a constant currency basis. We saw a strong performance from most of our MT3D product categories, such as Schematics and Enterprise Resource Management (ERM). ERM for Plant is gaining significant traction with customers and has a growing sales pipeline.

This was partly offset by reduced sales in Information Management, which related to the timing of expected order wins during the course of the year, rather than being illustrative of a trend. Encouragingly, together with our core 3D design products, we saw MT3D products being a feature of new business wins across the Engineering Procurement and Construction (EPC), OO and Marine end markets.

The combination with the Schneider Electric Software Business will transform AVEVA's MT3D offering. The combination will add a range of Process Engineering and Simulation, Planning and Scheduling, Operations Execution and Optimisation, Asset Performance Management, and Operations Control software to the portfolio. This will give the Enlarged Group an unmatched set of end-to-end solutions covering all aspects of Digital Asset management.

Owner Operators

OOs such as energy and power generation companies account for approximately 17% of our revenue. However, a much bigger market opportunity is developing as OOs increasingly adopt the Digital Asset concept to help them manage their physical assets throughout their life cycles.

We saw significant incremental business in the period from key OOs in the Power and Pharmaceuticals verticals, including additional business from EDF. Notwithstanding that, overall OO revenue declined 2.8% on a constant currency basis due to the impact of a large initial licence win in Power in the prior year comparative.

We expect the combination with the Schneider Electric Software Business to accelerate AVEVA's access to the OO market as the business works with the majority of the world's leading mining, pharmaceutical, oil, food & beverage and chemical companies.

Growth markets

AVEVA delivered an excellent performance in growth markets during the first half. In particular, we achieved strong growth in China and North East Asia, driven by incremental business in the Marine market from a number of customers. This growth was driven by a combination of sales execution and more stable market conditions.

AVEVA's performance in North America was solid against a tough prior year comparative. We won a major new EPC account in the period and there is a strong pipeline of business for that region for the remainder of the financial year.

Following the combination with the Schneider Electric Software Business, the Enlarged AVEVA Group will have a more evenly distributed revenue profile by region than the existing business. In particular it will have a greatly scaled-up presence in the North American market, which has been a long-term aim for AVEVA.

Broaden market exposure

A key element of our strategy has been to seek growth in markets beyond our core Oil & Gas and Marine sectors, in which demand patterns can be cyclical.

While these core end markets performed well in the period, we saw strong growth in adjacent markets, including Pharmaceuticals, Chemicals and Metals & Mining. For example, AVEVA achieved solid growth from the pharmaceuticals end market, assisted by incremental business from an OO customer win in the prior year.

The combination with the Schneider Electric Software Business will further diversify and broaden the Enlarged AVEVA Group's end markets, enhancing its position in Oil & Gas by adding mid and downstream end markets to AVEVA's predominantly upstream markets and adding leading positions in other verticals. These include Chemicals, Food & Beverage, Pharmaceuticals, Mining, Water and Waste Water, and Critical Infrastructure.

SaaS and the Cloud

AVEVA's business already benefits from high levels of recurring subscription revenue, similar to that usually associated with Cloud delivery. Our strategy is to continue to be technologically ready for Cloud and SaaS delivery in line with customer demand. So far, we have made it possible for customers to access products including AVEVA NET™, Information Standards Manager and AVEVA E3D on our Cloud platform, although currently this is not a significant revenue stream for AVEVA.

Our customers see the value and potential Cloud offers to drive greater efficiency by promoting collaboration through the supply chain and across the operating cycle of their assets, to improve quality and reduce overall costs. We continue to work in partnership with our customers in delivering our solutions supporting their move to Cloud, and expect to continue to launch further capabilities on the AVEVA Connect™ platform as part of our strategic direction.

Like AVEVA, the Schneider Electric Software Business has also developed a Cloud platform for certain products and is transitioning towards a greater degree of product delivery through the Cloud.

AVEVA World Summit 2017

In October 2017, we hosted our annual AVEVA World Summit in Cambridge and marked 50 years since the organisation was founded. The AVEVA World Summit is a thought leadership event for business executives.

This year's theme was 'Digitalisation: Getting it Right'. Some 350 business executives from 33 countries came to the event to attend Plant, Marine and Delivering Digital streams. Presenters included companies as diverse as Boehringer Ingelheim, BAE Systems, GSK, Kawasaki Heavy Industries, McDermott Inc., Siemens, Southern Company and Worley Parsons.

The prevailing topic of discussion at the event was the journey towards digitalisation. Many participants felt that they were in the early stages of that journey, but that the potential benefits of implementing a full Digital Twin strategy could deliver significant advantages around efficiency, cost reduction and safety.

Outlook

Together with strong sales execution, we have seen signs of stabilisation in our Oil & Gas end markets and some pockets of growth in the Marine market. As such, the Board remains confident in its full year expectations.

Looking to the longer term, we believe that AVEVA has both the market opportunity and the right strategy to deliver substantial growth. The combination with the Schneider Electric Software Business is expected to enhance these growth prospects by enabling an end-to-end engineering and industrial software platform to provide a Digital Twin to accompany the whole life cycle of physical assets in capital-intensive industries.

James Kidd
Chief Executive Officer
14 November 2017

Finance Review

Overview of financial progress

AVEVA delivered a good performance in the six months to 30 September 2017. Total revenue for the period was £93.9 million which was up 11.5% compared to the first half of the previous year (2016 – £84.3 million). On a constant currency basis revenue grew 5.9% and adjusted PBT grew 16.1%.

On an adjusted basis, the Group made a profit before tax of £10.3 million. On a reported basis, the Group made a loss before tax of £12.4 million (2016 – £5.5 million profit) due to the impact of £20.0 million of exceptional costs associated with the combination with the Schneider Electric Software Business.

The Group has a strong balance sheet with no debt and at 30 September 2017 had a cash balance of £133.0 million (March 2017 – £130.9 million).

The results for the half year are summarised below.

£m	Six months ended 30 September		Reported change	Constant currency change**
	2017	2016		
Revenue				
Annual Fees	***37.2***	*34.7*	*7.1%*	*1.5%*
Rental Licence Fees	***31.7***	*29.4*	*7.9%*	*2.6%*
Recurring revenue	**68.9**	64.1	7.5%	2.0%
Initial Licence Fees	**16.1**	11.6	38.7%	33.6%
Training and Services	**8.9**	8.6	3.8%	(2.4)%
Total revenue	**93.9**	84.3	11.5%	5.9%
Cost of sales	**(6.7)**	(6.7)	1.0%	(3.7)%
Gross profit	**87.2**	77.6	12.4%	6.7%
Operating expenses*	**(77.1)**	(68.8)	12.0%	5.2%
Net interest	**0.2**	0.3	(33.0)%	(35.9)%
Adjusted profit before tax	**10.3**	9.1	13.2%	16.1%
Normalised adjustments	**(22.7)**	(3.6)	–	–
Reported (loss)/profit before tax	**(12.4)**	5.5	–	–

* Operating expenses adjusted to exclude amortisation of intangible assets (excluding other software), share-based payments, gain/loss on forward foreign exchange contracts and exceptional items.

** Constant currency is calculated by restating the period's reported results to reflect the previous year's average exchange rates.

Revenue

Revenue model

We operate a 'right-to-use' licensing model. Customers can choose to pay Initial Licence Fees, followed by lower mandatory Annual Fees to cover support, maintenance and upgrades; or Rental Licence Fees. The latter are usually paid upfront on an annual basis.

AVEVA also generates revenue from Training and Services. This is typically associated with the implementation of new installations, customisation to meet specific customer requirements and end user training.

Revenue by category

AVEVA generated 17.1% of revenue from Initial Licence Fees, 39.6% of revenue from Annual Fees, 33.8% of revenue from Rental Licence Fees, and 9.5% from Training and Services.

Recurring revenue, which consists of Annual Fees and Rental Licence Fees, increased 7.5% to £68.9 million (2016 – £64.1 million). On a constant currency basis, recurring revenue grew 2.0% due to growth in both Annual and Rental Fees. Additional growth through strong new Initial Licence wins resulted in a slight fall in recurring revenue as a proportion of total revenue to 73.4% (2016 – 76.0%).

Annual fees grew 7.1% to £37.2 million (2016 – £34.7 million) and were up 1.5% in constant currency terms. This primarily reflected new customer wins in the previous year.

Rental Licence Fees grew 7.9% to £31.7 million (2016 – £29.4 million) and were up 2.6% in constant currency terms, underpinned by significant renewals and extensions from EPCs serving the Oil & Gas industry, OOs in the Power sector and a European Marine customer.

Initial Licence Fees grew 38.7% to £16.1 million (2016 – £11.6 million) and were up 33.6% in constant currency terms. This strong performance primarily reflected new order wins from Marine customers in Asia Pacific.

Training and Services revenue of £8.9 million was largely flat in constant currency terms (2016 – £8.6 million).

Regional execution

On a regional basis, the Group saw a significant improvement in performance in Europe, strong growth in Asia Pacific and a small decline in the Americas, which was entirely due to a reduction in Initial Licence Fees versus a strong comparative in the prior year.

Overall, reported revenue was impacted by a £4.7 million (5.6%) benefit related to foreign exchange translation. The Group's most material currencies were the Euro, Sterling, US Dollar, Korean Won and Japanese Yen.

An analysis of revenue by geography is set out below:

£m	Six months ended 30 September		Reported change	Constant currency change**
	2017	2016		
EMEA	**44.5**	42.1	5.7%	(0.3)%
Asia Pacific	**37.9**	29.7	27.8%	22.7%
Americas	**11.5**	12.5	(7.8)%	(13.2)%
Total revenue	**93.9**	84.3	11.5%	5.9%

EMEA

In EMEA revenue grew 5.7% to £44.5 million (2016 – £42.1 million). On a constant currency basis revenue was broadly flat on the prior year, representing a significant sequential improvement in the trend from H1 2017.

Overall market conditions in EMEA were relatively stable in the first half and we saw some pockets of growth in Power, Oil & Gas and Pharmaceuticals. On a geographic basis, we saw solid growth in several of our larger markets including the UK, France, Germany and Austria.

Asia Pacific

Revenue from the Asia Pacific region was £37.9 million (2016 – £29.7 million) an increase of 27.8% over the prior year with a constant currency increase of 22.7%. This strong growth was driven by an increase in Initial Licence Fees, which nearly doubled year-on-year on a constant currency basis. It was also supported by good constant currency growth in Annual Fees and Rental Fees.

On a geographic basis, we saw strong performances in Japan, China and South Korea.

Americas

AVEVA has a lower market share in the Americas versus EMEA and Asia Pacific. As such, our strategy has been focused on adding new customers to enhance AVEVA's recurring revenue stream.

Revenue in the period reduced by £1.0 million to £11.5 million (2016 – £12.5 million). This small reduction reflected lower Initial Licence Fees, due to a strong prior year comparative when the Group signed a large contract with an OO in the Power market. However, both Annual Fees and Rental Fees increased in constant currency terms, reflecting a growing recurring revenue stream.

We achieved a significant new EPC customer win with Zachry Holdings during the period and as noted above, there is a strong pipeline of business for the region for the remainder of the financial year.

Cost management

AVEVA has a largely fixed cost base, albeit with some annual wage inflation embedded within it.

The cost of sales reduced by 3.7% on an adjusted constant currency basis, mainly due to the annualisation of cost savings initiatives implemented in the prior year. On a reported basis, cost of sales increased by 1.0%.

On a reported currency basis, adjusted costs were adversely impacted by currency translation and exchange losses relating to non-functional currency translation. These accounted for increases of £3.0 million and £1.7 million respectively. On an adjusted constant currency basis operating costs were up 5.2%.

An analysis of operating expenses is set out below.

£m	Research & Development	Selling and distribution	Administrative expenses	Total
As reported	17.1	43.9	38.8	99.8
Normalised adjustments	(2.1)	(0.4)	(20.2)	(22.7)
Normalised costs	**15.0**	**43.5**	**18.6**	**77.1**
2016	13.2	41.8	13.8	68.8
Change	13.0%	4.2%	34.7%	12.0%
Constant currency change	*8.7%*	*(0.5)%*	*19.3%*	*5.2%*

Normalised adjustments include exceptional costs associated with the planned combination with the Schneider Electric Software Business of £20.0 million, amortisation of intangibles (excluding other software) of £2.9 million (2016 – £2.8 million), share-based payments of £0.8 million (2016 – £0.4 million), a gain on fair value of forward foreign exchange contracts of £0.5 million (2016 – loss of £0.4 million) and other exceptional gains of £0.5 million (2016 – exceptional costs of £0.1 million).

On a normalised basis, Research & Development costs were £15.0 million (2016 – £13.2 million) with the increase in expenditure in normalised constant currency terms of 8.7% mainly related to investment in AVEVA's operations in Hyderabad, which included an increase in headcount and inflation. On a reported basis, Research & Development costs increased 10.0%.

Selling and distribution expenses include the costs of our direct sales force as well as our regionally-based technical support and marketing teams and in total were £43.5 million (2016 – £41.8 million). The moderate decrease in overall costs on a normalised constant currency basis reflected the annualisation of cost savings made in the prior year, partly offset by some cost inflation.

Administrative expenses were £18.6 million (2016 – £13.8 million). The increase in costs on a normalised constant currency basis of 19.3% was driven by investment in corporate functions (IT and HR), higher National Insurance costs relating to employee share schemes due to the improvement in the share price and staff bonus costs with the improved business performance.

Profit before tax

Adjusted profit before tax was £10.3 million (2016 – £9.1 million), an increase of 13.2%, principally due to the growth in revenue. On a constant currency basis, adjusted profit before tax grew 16.1%. Constant currency is calculated by restating the period's reported results to reflect the previous year's average exchange rates and removing exchange gains or losses relating to non-functional currency translation.

The reported loss before tax was £12.4 million (2016 – £5.5 million profit). The change was largely due to underlying growth being more than offset by the exceptional transaction costs associated with the planned combination with the Schneider Electric Software Business of £20.0 million.

Taxation

The adjusted effective tax rate for the half year was 23.2% (2016 – 30.0%). This half year tax rate is slightly higher than we would expect for the full year due to a higher proportion of profit being earned outside the UK in the six month period.

AVEVA's full year 2017 adjusted effective tax rate was 22.1% (2016 – 22.5%). We expect to see a trend towards a reducing tax rate continuing as the UK corporate rate reduces and the increasing benefit from Patent Box relief.

Earnings per share

Adjusted diluted EPS increased 24.5% to 12.35 pence (2016 – 9.92 pence).

The basic loss per share was 19.91 pence (2016 – 6.47 pence profit), reflecting the exceptional costs of £20.0 million associated with the combination with the Schneider Electric Software Business.

Dividends

Following a rebalance of the interim and final dividends, placing more emphasis on the interim than in prior periods, during the first half, the Group paid a final dividend in respect of 2016/17 of 27.0 pence per share (2015/16 – 30.0 pence) at a cost of £17.3 million (2016 – £19.2 million).

At or around completion of the planned combination with the Schneider Electric Software Business, £550 million of cash contributed by Schneider Electric and £100 million of excess cash on AVEVA's balance sheet will be distributed to existing AVEVA shareholders. Together this represents approximately £10.14 per AVEVA share. In this context, as previously announced, the Board is not declaring an interim dividend in relation to the half year.

Following the planned completion of the combination with the Schneider Electric Software Business, AVEVA intends to maintain its existing progressive dividend policy, taking account of the earnings profile of the Enlarged AVEVA Group.

Cash flows and balance sheet

Net cash (including treasury deposits) at 30 September 2017 was £133.0 million (March 2017 – £130.9 million).

Cash generated from operating activities before tax was £25.3 million (2016 – £36.4 million). The key driver of the reduced year-on-year performance related to a larger than usual cash inflow from trade debtors in the prior period. The Group paid £2.4 million relating to transaction costs associated with the planned combination with the Schneider Electric Software Business.

Gross trade receivables at 30 September 2017 were £49.4 million (March 2017 – £91.1 million, September 2016 – £46.6 million). The bad debt provision was £6.5 million (March 2017 – £6.1 million, September 2016 – £7.4 million) and deferred income was £34.7 million (March 2017 – £45.9 million, September 2016 – £37.6 million).

Trade payables and other liabilities were £46.3 million (March 2017 – £42.9 million, September 2016 – £28.9 million) with the increase primarily relating to accrued transaction costs relating to the planned combination with the Schneider Electric Software Business.

David Ward
Chief Financial Officer
14 November 2017

Independent review report

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 2017 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in shareholders' equity, the Consolidated cash flow statement and the related notes 1 to 18. 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 guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

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 United Kingdom. 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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Reading
14 November 2017

Consolidated income statement

for the six months ended 30 September 2017

	Notes	Six months ended 30 September 2017 £000 (unaudited)	Six months ended 30 September 2016 £000 (unaudited)	Year ended 31 March 2017 £000 (audited)
Revenue	5,6	**93,917**	84,252	215,831
Cost of sales		**(6,762)**	(6,695)	(14,233)
Gross profit		**87,155**	77,557	201,598
Operating expenses				
Research & Development costs		**(17,061)**	(15,517)	(31,884)
Selling and administration expenses	7	**(82,692)**	(58,669)	(124,948)
Total operating expenses		**(99,753)**	(74,186)	(156,832)
(Loss)/profit from operations		**(12,598)**	3,371	44,766
Other income	8	**—**	1,753	1,753
Finance revenue		**313**	405	777
Finance expense		**(114)**	(70)	(396)
Analysis of (loss)/profit before tax				
Adjusted profit before tax	2	**10,287**	9,090	55,004
Amortisation of intangibles (excluding other software)		**(2,914)**	(2,803)	(5,806)
Share-based payments		**(825)**	(363)	(1,084)
Gains/(losses) on fair value of forward foreign exchange contracts		**540**	(355)	669
Exceptional items	8	**(19,487)**	(110)	(1,883)
(Loss)/profit before tax		**(12,399)**	5,459	46,900
Income tax expense	9	**(335)**	(1,319)	(8,834)
(Loss)/profit for the period attributable to equity holders of the parent		**(12,734)**	4,140	38,066
(Loss)/earnings per share	11			
- basic		**(19.91p)**	6.47p	59.52p
- diluted		**(19.91p)**	6.46p	59.36p
Adjusted earnings per share:				
- basic		**12.35p**	9.94p	66.98p
- diluted		**12.35p**	9.92p	66.81p
Proposed dividend per share	10	**—**	13.0p	27.0p

Consolidated statement of comprehensive income

for the six months ended 30 September 2017

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
(Loss)/profit for the period	**(12,734)**	4,140	38,066
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange difference arising on translation of foreign operations	**216**	5,457	6,675
Current tax on exchange loss/(gain) on retranslation of foreign operations	**28**	—	(406)
Total of items that may be reclassified to profit or loss in subsequent periods:	**244**	5,457	6,269
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on defined benefit plans	**1,021**	110	2,170
Income tax effect	**(175)**	(67)	(395)
Total of items that will not be reclassified to profit or loss in subsequent periods	**846**	43	1,775
Total comprehensive (loss)/income for the period, net of tax	**(11,644)**	9,640	46,110

Consolidated balance sheet
30 September 2017

	Notes	As at 30 September		As at 31 March
		2017	2016	2017
		£000	£000	£000
	Notes	**(unaudited)**	(unaudited)	(audited)
Non-current assets				
Goodwill		**54,786**	54,357	54,305
Other intangible assets		**18,939**	23,315	21,868
Property, plant and equipment		**6,965**	7,167	7,432
Deferred tax assets		**3,397**	3,121	3,594
Other receivables	13	**1,146**	1,378	1,499
Retirement benefit surplus	16	**2,881**	—	1,222
		88,114	89,338	89,920
Current assets				
Trade and other receivables	13	**53,185**	50,513	93,279
Financial assets	15	**345**	—	—
Treasury deposits	12	**45,424**	59,430	45,486
Cash and cash equivalents	12	**87,533**	65,014	85,462
Current tax assets		**5,860**	5,025	3,557
		192,347	179,982	227,784
Total assets		**280,461**	269,320	317,704
Equity				
Issued share capital		**2,276**	2,275	2,275
Share premium		**27,288**	27,288	27,288
Other reserves		**12,941**	11,678	12,896
Retained earnings		**149,849**	150,554	178,223
Total equity		**192,354**	191,795	220,682
Current liabilities				
Trade and other payables	14	**46,319**	28,888	42,876
Deferred revenue		**34,672**	37,633	45,894
Financial liabilities	15	—	1,219	196
Current tax liabilities		**245**	1,248	865
		81,236	68,988	89,831
Non-current liabilities				
Deferred tax liabilities		**3,324**	3,380	3,381
Retirement benefit obligations	16	**3,547**	5,157	3,810
		6,871	8,537	7,191
Total equity and liabilities		**280,461**	269,320	317,704

Consolidated statement of changes in shareholders' equity

30 September 2017

	Share capital £000	Share premium £000	Merger reserve £000	Cumulative translation adjustments £000	Treasury shares £000	Total other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2016	2,274	27,288	3,921	2,528	(484)	5,965	165,471	200,998
Profit for the period	—	—	—	—	—	—	4,140	4,140
Other comprehensive income	—	—	—	5,457	—	5,457	43	5,500
Total comprehensive income	—	—	—	5,457	—	5,457	4,183	9,640
Issue of share capital	1	—	—	—	—	—	—	1
Share-based payments	—	—	—	—	—	—	363	363
Tax arising on share options	—	—	—	—	—	—	17	17
Investment in own shares	—	—	—	—	(40)	(40)	—	(40)
Cost of employee benefit trust shares issued to employees	—	—	—	—	296	296	(296)	—
Equity dividends	—	—	—	—	—	—	(19,184)	(19,184)
At 30 September 2016	2,275	27,288	3,921	7,985	(228)	11,678	150,554	191,795
Profit for the period	—	—	—	—	—	—	33,926	33,926
Other comprehensive income	—	—	—	812	—	812	1,732	2,544
Total comprehensive income	—	—	—	812	—	812	35,658	36,470
Share-based payments	—	—	—	—	—	—	721	721
Tax arising on share options	—	—	—	—	—	—	12	12
Investment in own shares	—	—	—	—	—	—	—	—
Cost of employee benefit trust shares issued to employees	—	—	—	—	—	—	—	—
Transfers	—	—	—	406	—	406	(406)	—
Equity dividends	—	—	—	—	—	—	(8,316)	(8,316)
At 31 March 2017	2,275	27,288	3,921	9,203	(228)	12,896	178,223	220,682
(Loss)/profit for the period	—	—	—	—	—	—	(12,734)	(12,734)
Other comprehensive income	—	—	—	244	—	244	846	1,090
Total comprehensive income/(loss)	—	—	—	244	—	244	(11,888)	(11,644)
Issue of share capital	1	—	—	—	—	—	—	1
Share-based payments	—	—	—	—	—	—	825	825
Tax arising on share options	—	—	—	—	—	—	81	81
Investment in own shares	—	—	—	—	(323)	(323)	—	(323)
Cost of employee benefit trust share issued to employees	—	—	—	—	124	124	(124)	—
Equity dividends	—	—	—	—	—	—	(17,268)	(17,268)
At 30 September 2017	**2,276**	**27,288**	**3,921**	**9,447**	**(427)**	**12,941**	**149,849**	**192,354**

Consolidated cash flow statement

for the six months ended 30 September 2017

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Cash flows from operating activities			
(Loss)/profit for the period	**(12,734)**	4,140	38,066
Income tax	**335**	1,319	8,834
Net finance revenue	**(199)**	(335)	(381)
Other income (indemnified receivable)	**—**	—	(1,753)
Amortisation of intangible assets	**3,064**	2,980	6,160
Depreciation of property, plant and equipment	**1,272**	1,234	2,487
(Profit)/loss on disposal of property, plant and equipment	**(29)**	(33)	(27)
Share-based payments	**825**	363	1,084
Difference between pension contributions paid and amounts charged to operating profit	**(885)**	(303)	(1,139)
Research & Development expenditure tax credit	**(600)**	(600)	(1,750)
Changes in working capital:			
Trade and other receivables	**41,304**	45,795	2,567
Trade and other payables	**(6,476)**	(18,472)	3,711
Changes to fair value of forward foreign exchange contracts	**(540)**	355	(669)
Cash generated from operating activities before tax	**25,337**	36,443	57,190
Income taxes paid	**(2,972)**	(3,118)	(9,332)
Net cash generated from operating activities	**22,365**	33,325	47,858
Cash flows from investing activities			
Purchase of property, plant and equipment	**(1,038)**	(945)	(2,419)
Purchase of intangibles	**(23)**	(546)	(2,252)
Refund of consideration for prior year business combination	**—**	—	1,753
Proceeds from disposal of property, plant and equipment	**39**	101	194
Interest received	**313**	405	777
Redemption/(purchase) of treasury deposits (net)	**62**	(16,114)	(2,170)
Net cash used in investing activities	**(647)**	(17,099)	(4,117)
Cash flows from financing activities			
Interest paid	**(29)**	(24)	(58)
Purchase of own shares	**(323)**	(40)	(40)
Proceeds from the issue of shares	**1**	1	1
Dividends paid to equity holders of the parent	**(17,268)**	(19,184)	(27,500)
Net cash used in financing activities	**(17,619)**	(19,247)	(27,597)
Net increase/(decrease) in cash and cash equivalents	**4,099**	(3,021)	16,144
Net foreign exchange difference	**(2,028)**	3,424	4,707
Opening cash and cash equivalents	**85,462**	64,611	64,611
Closing cash and cash equivalents	**87,533**	65,014	85,462

Notes to the Interim Report

1 The Interim Report

The Interim Report was approved by the Board on 14 November 2017. The interim condensed financial statements set out in the Interim Report is unaudited but has been reviewed by the auditor, Ernst & Young LLP, and their report to the Company is set out above.

The Interim Report will be made available to shareholders in due course from the Company's website at www.aveva.com.

2 Basis of preparation and accounting policies

The Interim Report for the six months ended 30 September 2017 has been prepared in accordance with IAS 34 Interim Financial Reporting and the disclosure requirements of the Listing Rules.

The Interim Report does not include all the information and disclosures required in the Annual Report and should be read in conjunction with the Annual Report for the year ended 31 March 2017.

The financial information set out within this report does not constitute AVEVA's Consolidated statutory financial statements as defined in Section 435 of the Companies Act 2006. The results for the year ended 31 March 2017 have been extracted from the Consolidated statutory financial statements for AVEVA Group plc for the year ended 31 March 2017 which are prepared in accordance with IFRS as adopted by the European Union, on which the auditor gave an unqualified report (which made no statement under Section 498 (2) or (3) respectively of the Companies Act 2006 and did not draw attention to any matters by way of emphasis) and have been filed with the Registrar of Companies.

The Interim Report has been prepared on the basis of the accounting policies set out in the most recently published Annual Report of the Group for the year ended 31 March 2017.

The Group presents a non-GAAP performance measure on the face of the Consolidated income statement. The Directors believe that this alternative measure of profit provides a reliable and consistent measure of the Group's underlying performance. The face of the Consolidated income statement presents adjusted profit before tax and reconciles this to profit before tax as required to be presented under the applicable accounting standards. Adjusted earnings per share is calculated having adjusted profit after tax for the same items and their tax effect. The term adjusted profit is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures of profit.

The business is managed and measured on a day-to-day basis using adjusted results. To arrive at adjusted results, certain adjustments are made for normalised and exceptional items that are individually important and which could, if included, distort the understanding of the performance for the year and the comparability between periods.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 must be applied for periods beginning on or after 1 January 2018. It is endorsed by the EU (except for the Clarifications to IFRS 15 issued by the IASB in April 2016). The Company plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 March 2019, using the full retrospective approach.

The Company is still evaluating the impact as noted in the 2017 Annual Report.

3 Going concern

The Group has significant financial resources and although returning a loss for the period, this was only resulting from the one-off exceptional costs of £20.0 million, and expects to make a profit for the full year. At 30 September 2017, the Group had bank, cash and treasury deposits of £133.0 million (31 March 2017 – £130.9 million) and no debt.

After making enquiries and considering the cash flow forecasts for the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the interim financial statements.

The Group has announced its intention to return £100 million of its cash to shareholders upon completion of the proposed combination with certain software assets from Schneider Electric, but is expected to continue to be profitable and cash generative and therefore this does not affect the going concern basis of preparation.

4 Risks and uncertainties

As with any organisation, there are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance.

The primary risk and uncertainty related to the Group's performance for the remainder of the year is the challenging macro-economic environment, which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results.

Following the decision of the UK referendum vote to leave the European Union in June 2016, there has been significant uncertainty and volatility in currency prices and the stock markets. Until negotiations over the timing, as well as political and legal issues are resolved, there is likely to be further uncertainty. The Risk Committee continues to meet regularly to assess this and the other principal risks listed below. The Group has a strong cash balance with no debt and continues to show robust cash generation, and is therefore not adversely affected by short-term fluctuations in interest rates. Due to the geographic diversity and strength of the balance sheet, the Group does not consider Brexit to be of material concern to the operations nor going concern of AVEVA Group plc.

The other principal risks and uncertainties faced by the Group have not changed from those set out in the Annual Report for the year ended 31 March 2017. These include:

- dependency on key markets;
- competition;
- professional services;
- acquisitions;
- recruitment and retention of employees;
- protection of intellectual property rights;
- Research & Development;
- risks associated with widespread international operations; and
- foreign exchange risk.

These risks are described in more detail on pages 30 and 31 of the 2017 Annual Report. The Directors routinely monitor all of these risks and uncertainties and appropriate actions are taken where possible to mitigate these risks. Included in the Business Review is a commentary on the outlook of the Group for the remaining six months of the year.

5 Revenue

An analysis of the Group's revenue is as follows:

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Annual fees	**37,164**	34,682	71,845
Rental licence fees	**31,733**	29,399	94,188
Total recurring revenue	**68,897**	64,081	166,033
Initial licence fees	**16,091**	11,540	32,214
Training and services	**8,929**	8,631	17,584
Total revenue	**93,917**	84,252	215,831
Finance revenue	**313**	405	777
	94,230	84,657	216,608

The operations of the Group are not subject to significant seasonality, but the timing of customer contract renewals can be significant to the phasing of revenue between six-month periods. Typically there are more renewals in the second half of any financial year.

Services consist of consultancy, implementation services and training fees.

6 Segment information

The Group is organised into three geographical segments: Asia Pacific; EMEA; and Americas. Each segment is determined by the location of the Group's operations and is organised and managed separately due to the differing local requirements in each market.

The Executive Board monitors the operating results of the Regions for the purposes of making decisions about performance assessment and resource allocation. Performance is evaluated based on regional contribution using the same accounting policies as adopted for the Group's financial statements. There is no inter-segment revenue. Balance sheet information is not included in the information provided to the Executive Board. Support functions such as head office departments are controlled and monitored centrally.

	Six months ended 30 September 2017 (unaudited)				
	Asia Pacific	**EMEA**	**Americas**	**Corporate**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Revenue					
Annual fees	17,347	15,386	4,431	—	37,164
Initial fees	11,436	3,554	1,101	—	16,091
Rental fees	7,015	20,405	4,313	—	31,733
Training and services	2,130	5,106	1,693	—	8,929
Regional revenue total	37,928	44,451	11,538	—	93,917
Cost of sales	(1,374)	(4,272)	(1,116)	—	(6,762)
Selling and administration expenses	(12,380)	(16,867)	(7,946)	(24,921)	(62,114)
Regional contribution	**24,174**	**23,312**	**2,476**	**(24,921)**	**25,041**
Research & Development costs					(14,953)
Profit from operations					**10,088**
Net finance expense					199
Adjusted profit before tax					**10,287**
Exceptional items and other normalised adjustments					(22,686)
Profit/(loss) before tax					**(12,399)**

6 Segment information continued

	Six months ended 30 September 2016 (unaudited)				
	Asia Pacific	**EMEA**	**Americas**	**Corporate**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Revenue					
Annual fees	15,574	15,144	3,964	—	34,682
Initial fees	5,584	3,028	2,928	—	11,540
Rental fees	5,879	19,525	3,995	—	29,399
Training and services	2,649	4,353	1,629	—	8,631
Regional revenue total	29,686	42,050	12,516	—	84,252
Cost of sales	(1,466)	(4,245)	(984)	—	(6,695)
Selling and administration expenses	(12,285)	(16,111)	(9,106)	(18,069)	(55,571)
Regional contribution	**15,935**	**21,694**	**2,426**	**(18,069)**	**21,986**
Research & Development costs					(13,231)
Profit from operations					**8,755**
Net finance revenue					335
Adjusted profit before tax					**9,090**
Exceptional items and other normalised adjustments					(3,631)
Profit before tax					**5,459**

	Year ended 31 March 2017 (audited)				
	Asia Pacific	**EMEA**	**Americas**	**Corporate**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Revenue					
Annual fees	32,996	30,453	8,396	—	71,845
Initial fees	18,688	8,600	4,926	—	32,214
Rental fees	19,693	57,907	16,588	—	94,188
Training and services	4,913	9,719	2,952	—	17,584
Regional revenue total	76,290	106,679	32,862	—	215,831
Cost of sales	(3,314)	(8,968)	(1,951)	—	(14,233)
Selling and administration expenses	(26,938)	(33,345)	(18,593)	(40,925)	(119,801)
Regional contribution	46,038	64,366	12,318	(40,925)	81,797
Research & Development costs					(27,174)
Profit from operations					54,623
Net finance revenue					381
Adjusted profit before tax					**55,004**
Exceptional items and other normalised adjustments					(8,104)
Profit before tax					**46,900**

7 Selling and administration expenses

An analysis of selling and administration expenses is set out below:

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Selling and distribution expenses	**43,860**	44,031	93,023
Administrative expenses	**38,832**	14,638	31,925
	82,692	58,669	124,948

8 Exceptional items

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Acquisition activities	**19,952**	—	—
Restructuring costs	—	2,013	4,152
Indemnified receivable claim for previous business combination	—	(1,753)	(1,753)
Movement in provision for sales taxes in an overseas location	**(465)**	(150)	(516)
	19,487	110	1,883

During the period, the Group incurred acquisition costs of £20.0 million relating to fees paid to professional advisers primarily for legal and financial due diligence advice concerning the proposed acquisition of certain software assets from Schneider Electric.

In the prior year, the Group received an exceptional credit of £1.8 million as a result of a partial refund of the acquisition consideration paid to 8over8 Limited shareholders, with no movement in the current period. This year the Group benefited from a partial reversal of a provision for sales taxes in an overseas location of £0.5 million (2016 – £0.1 million). The Group has provided for a potential underpaid sales tax liability in respect of prior periods, related to the local sales of one of the Group's subsidiary companies. The provision includes an estimate of the underpaid tax as well as related interest for late payment.

The tax credit on the exceptional items of £19.5 million is £1.4 million, with a large proportion of the exceptional costs not expected to be deductible for tax purposes.

9 Income tax expense

The total tax charge for the half year of £0.3 million (2016 – £1.3 million charge) is made up of a UK tax credit of £0.8 million (2016 – £0.1 million charge) and an overseas tax charge of £1.1 million (2016 – £1.2 million charge).

The effective tax rate on the loss before tax for the half year is -2.7%. The difference from the UK tax rate of 19% is mainly due to exceptional items which are not deductible for tax, and also higher overseas tax rates.

The tax charge on adjusted profit before tax for the half year ended 30 September 2017 is £2.4 million which equates to an effective tax rate of 23.2% (half year ended 30 September 2016 – 30.0%).

9 Income tax expense continued

The differences between the total tax expense and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax are as follows:

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Tax on Group profit/(loss) before tax at standard UK corporation tax rate of 19% (March 2017 – 20%, September 2016 – 20%)	**(2,356)**	1,092	9,380
Effects of:			
– acquisition activities (see note 8)	**2,259**	—	(1,200)
– movement on unprovided deferred tax balances	**226**	444	1,026
– differing tax rates	**209**	(95)	(72)
– other movements	**(3)**	(122)	(300)
Income tax expense reported in Consolidated income statement	**335**	1,319	8,834

The tax credit on exceptional items (see note 8) is £1.4m (March 2017 – £2.0m credit, September 2016 – £0.6m credit).

10 Ordinary dividends

At or around completion of the planned combination with the Schneider Electric Software Business, £550 million of cash contributed by Schneider Electric and £100 million of excess cash on AVEVA's balance sheet will be distributed to existing AVEVA shareholders. Together this represents approximately £10.14 per AVEVA share. In this context, as previously announced, the Board is not declaring an interim dividend in relation to the half year.

An analysis of dividends paid is set out below:

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Final 2016/17 paid at 27.0 pence per share	**17,268**	—	—
Interim 2016/17 paid at 13.0 pence per share	—	—	8,316
Final 2015/16 paid at 30.0 pence per share	—	19,184	19,184
	17,268	19,184	27,500

11 Earnings per share

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	pence	pence	pence
	(unaudited)	(unaudited)	(audited)
(Loss)/earnings per share for the period:			
- basic	**(19.91)**	6.47	59.52
- diluted	**(19.91)**	6.46	59.36
Adjusted earnings per share:			
- basic	**12.35**	9.94	66.98
- diluted	**12.31**	9.92	66.81

The calculation of earnings per share is based on the loss after tax for the six months ended 30 September 2017 of £12,734,000 and the following weighted average number of shares:

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	Number of shares	Number of shares	Number of shares
	(unaudited)	(unaudited)	(audited)
Weighted average number of ordinary shares for basic earnings per share	**63,965,996**	63,946,210	63,959,162
Effect of dilution: employee share options	**182,761**	151,170	163,002
Weighted average number of ordinary shares adjusted for the effect of dilution	**64,148,757**	64,097,380	64,122,164

Details of the calculation of adjusted earnings per share are set out below:

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
(Loss)/profit after tax for the period	**(12,734)**	4,140	38,066
Intangible amortisation (excluding other software)	**2,914**	2,803	5,806
Share-based payments	**825**	363	1,084
(Gains)/losses on fair value of forward foreign exchange contracts	**(540)**	355	(669)
Exceptional items	**19,487**	110	1,883
Tax effect on exceptional items	**(1,424)**	(572)	(1,990)
Tax effect on other normalised adjustments	**(631)**	(839)	(1,343)
Adjusted profit after tax	**7,897**	6,360	42,837

12 Cash and cash equivalents and treasury deposits

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Cash at bank and in hand	**54,590**	47,110	49,704
Short-term deposits	**32,943**	17,904	35,758
Total cash and cash equivalents	**87,533**	65,014	85,462
Treasury deposits	**45,424**	59,430	45,486
Total cash and deposits	**132,957**	124,444	130,948

Treasury deposits represent bank deposits with an original maturity of greater than three months.

13 Trade and other receivables

Current

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Trade receivables	**42,845**	39,224	85,041
Prepayments and other receivables	**8,851**	9,072	7,465
Accrued income	**1,489**	2,217	773
	53,185	50,513	93,279

Non-current

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Other receivables	**1,146**	1,378	1,499

Non-current other receivables consist of rental deposits for operating leases.

14 Trade and other payables

	Six months ended 30 September		Year ended 31 March
	2017	2016	2017
	£000	£000	£000
	(unaudited)	(unaudited)	(audited)
Trade payables	**11,157**	3,780	5,835
Social security, employee and sales taxes	**9,345**	10,438	14,699
Accruals and other payables	**25,817**	14,203	21,994
Deferred consideration	**—**	467	348
	46,319	28,888	42,876

15 Financial instruments

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial assets include forward foreign exchange contracts which were measured at Level 2 fair value subsequent to initial recognition and were calculated as the present value of the estimated cash flows based on spot and forward exchange rates. There were no transfers between levels during the periods disclosed. At 30 September 2017, the fair value of the financial asset in respect of foreign exchange contracts was £345,000 (31 March 2017 – liability of £196,000 and at 30 September 2016 – liability of £1,219,000).

16 Retirement benefit obligations

The movement on the provision for retirement benefit obligations during the period was as follows:

	UK defined benefit scheme	German defined benefit schemes	South Korean severance pay	Total
	£000	£000	£000	£000
At 1 April 2016	2,271	1,393	1,498	5,162
Current service cost	—	—	136	136
Net interest on pension scheme liabilities	33	14	—	47
Actuarial remeasurements	(258)	148	—	(110)
Employer contributions	(700)	343	(82)	(439)
Exchange adjustment	—	160	201	361
At 30 September 2016	1,346	2,058	1,753	5,157
Current service cost	—	—	91	91
Net interest on pension scheme liabilities	241	14	36	291
Actuarial remeasurements	(1,929)	(121)	(10)	(2,060)
Employer contributions	(880)	(29)	(18)	(927)
Exchange adjustment	—	(38)	74	36
At 31 March 2017	(1,222)	1,884	1,926	2,588
Current service cost	—	—	145	145
Net interest on pension scheme liabilities	70	15	—	85
Actuarial remeasurements	(1,029)	8	—	(1,021)
Employer contributions	(700)	(41)	(289)	(1,030)
Exchange adjustment	—	58	(159)	(101)
At 30 September 2017	**(2,881)**	**1,924**	**1,623**	**666**

The discount rate used to value the liabilities of the UK defined benefit pension scheme at 30 September was 2.7% (March 2017 – 2.5%, September 2016 – 2.3%).

17 Related party transactions

Transactions between Group subsidiaries have been eliminated on consolidation. A list of subsidiaries can be found in the notes to the AVEVA Group plc financial statements in the 2017 Annual Report.

18 Significant events during the period

Planned combination with the Schneider Electric Software Business

On 5 September 2017, AVEVA and Schneider Electric announced an agreement to combine AVEVA and the Schneider Electric Software Business to create a global leader in engineering and industrial software. This proposed combination received shareholder approval on 29 September 2017 and preparation for completion is on track with closure expected to be at or around the end of 2017. A further update on progress and timing will be provided in due course.

At or around completion of the combination, £550 million of cash contributed by Schneider Electric and £100 million of excess cash on AVEVA's balance sheet will be distributed to existing AVEVA shareholders, as described in note 3. Together this represents approximately 1,014 pence per AVEVA share. In this context, as previously announced, AVEVA will not pay an interim dividend for the half year, as declared in note 10.

Responsibility statement of the Directors

in respect of the Interim Report

The Directors of the Company confirm that to the best of our knowledge:

- the Interim Report has been prepared in accordance with IAS 34;
- the Interim Report includes a fair review of the information required by DTR 4.2.7R, being an indication of the important events that have occurred during the first six months of the financial year and a description of the principal risks and uncertainties for the remaining six months of the year; and
- the Interim Report includes a fair review of the information required by DTR 4.2.8R, being disclosure of related party transactions and changes therein since the last Annual Report.

By order of the board

James Kidd	**David Ward**
Chief Executive Officer	**Chief Financial Officer**

14 November 2017