

A copy of this document, which comprises listing particulars relating to e2v technologies plc, prepared in accordance with the listing rules made under section 74(4) of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales in accordance with section 83 of that Act.

Applications have been made to the UK Listing Authority and the London Stock Exchange for the admission of the Ordinary Shares, issued and to be issued in connection with the Offer, to the Official List and to trading on the London Stock Exchange's market for listed securities, respectively. Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 20 July 2004. It is expected that admission to trading and admission to the Official List will become effective and that unconditional dealings on the London Stock Exchange will commence in the Ordinary Shares at 8.00 a.m. on 23 July 2004. All dealings before the commencement of unconditional dealings will be on a "when issued basis" and will be of no effect if Admission does not take place. Such dealings will be at the sole risk of the parties concerned.

See Part IV of this document entitled "Risk Factors" for a discussion of certain factors which should be taken into account in considering whether to subscribe for or purchase Ordinary Shares in the Offer.

The directors of e2v technologies plc, whose names appear on page i of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No Ordinary Shares have been marketed to, nor are any available for subscription or purchase in whole or in part by, the public in the United Kingdom or elsewhere in connection with the Offer. This document does not constitute an offer or invitation to any such person to subscribe for or purchase any securities in the Company.

e2v technologies plc

(incorporated under the Companies Act 1985 and registered in England and Wales with registered no. 4439718)

**Offer of 49,301,164 Ordinary Shares of 5p each
at a price of 155p per Ordinary Share**

and

Admission to the Official List

Bookrunner and Underwriter

ABN AMRO Rothschild

Sponsor and Financial Adviser

N M Rothschild & Sons Limited

Broker

Hoare Govett Limited



Ordinary Share capital immediately following the Offer

Authorised		Issued and fully paid	
Number	Amount	Number	Amount
75,000,000	£3,750,000	55,916,451	£2,795,822.55

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States and, accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, within the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to the Offer has been, or will be, lodged with, or registered by, The Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Offer or the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, Australia or Japan or offered or sold to a resident of Canada, Australia or Japan.

In connection with the Offer, ABN AMRO Rothschild or any of its agents may over-allot or effect other transactions intended to enable it to satisfy any over-allotments or which stabilise, maintain or otherwise affect the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares, in each case at levels which might not otherwise prevail in the open market for a limited period after the Offer Price is announced. Such transactions may be effected on the London Stock Exchange's market for listed securities and on any other securities market, over-the-counter market, stock exchange or otherwise. There is no obligation on ABN AMRO Rothschild or any of its agents to undertake stabilisation transactions and such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Save as required by law, neither ABN AMRO Rothschild nor any of its agents intends to disclose the extent of any stabilisation transactions in connection with the Offer.

Each of N M Rothschild, ABN AMRO Rothschild and Hoare Govett is advising e2v and 3i and no one else in relation to the Institutional Offer and will not be responsible to any person other than e2v or 3i for providing the protections afforded to their respective clients or for advising any other person in relation to the Institutional Offer or any transaction or arrangement referred to or information contained in this document. ABN AMRO Rothschild is the unincorporated equity capital markets joint venture between ABN AMRO Bank N.V. and N M Rothschild & Sons Limited.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Ordinary Shares are not transferable except in accordance with, and the distribution of this document is subject to, the restrictions set out under "Securities Laws" in paragraph 9 of Part VIII of this document.

The contents of this document are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

Unless otherwise indicated, all references in this document to "pounds sterling", "sterling", "£", "pence" or "p" are to the lawful currency of the United Kingdom, all references to "\$", "US\$" or "US dollars" are to the lawful currency of the United States and all references to "€" or "euro" are to the currency introduced at the start of the third stage of European economic or monetary union pursuant to the treaty establishing the European Community, as amended.

Certain terms used in this document, including certain capitalised terms and certain business and other terms, are defined and/or explained in "Definitions" and "Glossary of Defined Terms and Business Definitions".

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DIRECTORS, SECRETARY AND ADVISERS

Directors

George MacDonald Kennedy — Non-executive Chairman
Keith Donald Attwood — Chief Executive
Michael Francis Hannant — Finance Director
Anthony John Reading — Senior independent Non-executive Director
Ian Adam Godden — Independent Non-executive Director

Company Secretary

Michael Francis Hannant

Registered and Head Office

106 Waterhouse Lane
Chelmsford
CM1 2QU

Bookrunner and Underwriter

ABN AMRO Bank N.V. and N M Rothschild & Sons Limited
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Broker

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Solicitors to the Company

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London EC4A 1BD

Solicitors to the Sponsor and Financial Adviser and Underwriter

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Registrar

Lloyds TSB Registrars
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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Conditional dealings commence ⁽¹⁾	8.00 a.m. on 20 July 2004
Admission and commencement of unconditional dealings	8.00 a.m. on 23 July 2004
Crediting of Ordinary Shares to CREST accounts	23 July 2004
Where applicable, definitive share certificates available for despatch from	23 July 2004

Each of the times and dates in the above timetable is subject to change without further notice. All times are London times.

- (1) If Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

OFFER STATISTICS

Offer Price	155p
Number of Ordinary Shares being offered	49,301,164
Number of Existing Shares being offered ⁽¹⁾	30,339,551
Number of New Shares being offered ⁽²⁾	18,961,613
Number of Ordinary Shares in issue following the Offer	55,916,451
Market capitalisation at the Offer Price	£86.67 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders ⁽³⁾	£46.38 million
Estimated net proceeds of the Offer receivable by the Company ⁽⁴⁾	£25.56 million

- (1) In addition and conditional on Admission, 3i has agreed to sell 32,256, 19,352 and 64,515 Existing Shares with a total value at the Offer Price of approximately £50,000, £30,000 and £110,000 respectively to George Kennedy, Anthony Reading and the trustees of the Godden Associates Pension Fund respectively. These sales are not part of the Offer. The Godden Associates Pension Fund is the self-administered pension fund of Godden Associates Limited, the sole beneficiaries of which are Ian Godden and his wife.

- (2) Comprising 18,820,351 Ordinary Shares being offered pursuant to the Institutional Offer and 141,262 Ordinary Shares being offered pursuant to the Employee Offer.

- (3) The estimated net proceeds receivable by the Selling Shareholders are stated after deduction of underwriting commissions and estimated other fees and expenses of the Offer of approximately £0.65 million.

- (4) The estimated net proceeds receivable by the Company are stated after deduction of the underwriting commissions and estimated other fees and expenses of the Offer of approximately £3.83 million. The Company will not receive any of the net proceeds from the sale of the Existing Shares by the Selling Shareholders in the Offer.

Key Information

The following information does not purport to be complete and is derived from, and is qualified in its entirety by, and should be read in conjunction with, more detailed information appearing elsewhere in this document. Unless otherwise stated, the financial information contained in pages 1 and 2 has been extracted without material adjustment from the accountants' report set out in Part VI of this document. See Part IV of this document entitled "Risk Factors" for a discussion of certain factors which should be taken into account when considering whether to purchase Ordinary Shares. Investors should read the whole of this document and not just rely on the key or summarised information.

Introduction

e2v is a leading developer and manufacturer of high-technology electronic components and sub-systems, which it supplies into niche markets within the medical and science, the aerospace and defence and the commercial and industrial sectors.

The Group is headquartered in Chelmsford and employs approximately 1,300 staff. e2v operates two production facilities in the United Kingdom, in Chelmsford and Lincoln, and distributes its products to customers directly from the United Kingdom either through its own sales subsidiaries in North America, France and Germany or through a network of independent distributors. In FY2004, 69.0 per cent. of the Group's products were exported from the United Kingdom to over 50 countries worldwide.

The Group's business originally derived from technology developed during the Second World War for use in radar systems. The General Electric Company plc (latterly Marconi Corporation plc) owned the e2v business for over 30 years until it was acquired in a management buy-out in July 2002 backed by 3i.

e2v has two product groups: electronic tubes and sensors. These are supplied as components or sub-systems into a diverse range of applications and customers and they typically constitute the enabling technology which is key to the performance of those customers' products.

The Group had sales of £97.6 million in FY2004 and, in the same period it made an operating profit of £9.9 million.

Key Strengths

The key strengths of e2v include:

- Entrepreneurial and experienced management team
- Leading positions in selected niche markets
- High barriers to entry
- Balanced product portfolio
- Broad and stable customer base
- Proven ability to identify and commercialise new opportunities
- Stable and balanced workforce
- Strong and stable cash flow generation

Group Strategy

The Group's strategy is to develop technological advantages in niche markets within the medical and science, the aerospace and defence and the commercial and industrial sectors, with several of its products being market leaders in their respective fields. e2v intends to maintain and build upon its key strengths through:

- Actively focusing on high growth and/or high margin products
- Targeting operational improvements and cost savings
- Accelerating growth through a focused acquisition programme
- Extending its scope of supply

Current Trading and Prospects

The Directors view the outlook and prospects of the Group for at least the current financial year with confidence. The Group continues to experience encouraging levels of demand, particularly for its sensor products, and its electronic tubes for applications in the medical and science sector. The Group's total order book of £83.3 million as at 31 May 2004 was £11.6 million or 16.1 per cent. higher than at 31 May 2003 at reported rates of exchange. On a like for like exchange rate, the order book was £15.0 million or 21.0 per cent. higher at 31 May 2004 as compared with 31 May 2003. Sales to date and orders for delivery in FY2005 are £67.6 million compared with £59.8 million at the same stage in FY2004. The Directors are encouraged by the healthy state of the order book but are mindful that it reflects only two months of the current financial year and that it includes some repeat orders which have been received earlier than in previous years.

The Offer

The Institutional Offer comprises the issue by the Company of 18,820,351 Ordinary Shares and the sale by the Selling Shareholders of 30,339,551 Ordinary Shares, together representing 87.92 per cent. of the enlarged issued Ordinary Share capital of the Company. In addition, 141,262 New Shares were made available, at the Offer Price, for subscription by Eligible Employees under the Employee Offer.

Amount and Use of Proceeds

The gross proceeds that the Company will receive from the issue of Ordinary Shares pursuant to the Offer are £29.39 million. After deducting underwriting commissions and estimated other fees and expenses of the Offer, the Company expects to receive net proceeds of £25.56 million. The net proceeds will be used to pay down existing debt, which will provide further borrowing capacity for the Group to fund its organic growth and acquisition growth strategy.

The gross proceeds that the Selling Shareholders will receive from the sale of Ordinary Shares pursuant to the Offer are £47.03 million. After deducting commissions and estimated other fees and expenses incurred in connection with the Offer, the Selling Shareholders expect to receive £46.38 million.

Dividend Policy

Following Admission, the Directors intend to pay dividends. The Directors intend to adopt a progressive dividend policy, recognising the cash generative nature of the Group's operating businesses, but also the opportunities to invest in growth (either organic or through acquisition), with dividends for FY2005 to be initially covered by underlying post tax earnings approximately two times.

The Directors intend that the Company will pay an interim dividend and a final dividend to be declared at the time of the respective interim and preliminary results in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. The first dividend to be paid by the Company is intended to be the interim dividend in respect of FY2005, to be announced with the interim results in December. This interim dividend will reflect the proportion of the six month period to 30 September 2004 that the Company has been listed.

PART I

Information on the Group

Unless otherwise stated, financial information contained in this Part I has been extracted without material adjustment from the accountants' report set out in Part VI of this document. Investors should read the whole of this document and not just rely on the key or summarised information.

Introduction

e2v is a leading developer and manufacturer of electronic tube and sensor components and sub-systems, which it supplies to niche markets within the medical and science, the aerospace and defence and the commercial and industrial sectors.

The Group is headquartered in the United Kingdom and employs approximately 1,300 staff. e2v operates two production facilities in the United Kingdom, in Chelmsford and Lincoln, and distributes its products to customers directly from the United Kingdom, either through its own sales subsidiaries in North America, France and Germany or through a network of independent distributors.

History

e2v TL was incorporated in 1947 as the English Electric Valve Company Limited, a supplier of the key RF sources which had originally been developed for use in radar systems to detect airborne attacks on Britain during the Second World War. In 1968, The General Electric Company plc ("GEC") acquired e2v TL and in 1999 (following GEC's disposal of its defence assets and rebranding as Marconi) it changed its name to Marconi Applied Technologies Limited. In July 2002, e2v TL was sold by Marconi in a Management Buy Out backed by 3i and renamed e2v Technologies Limited. On 29 June 2004, it was renamed e2v technologies (uk) Limited and the holding company of the Group, e2v Holdings Limited was re-registered as e2v technologies plc.

Overview

e2v classifies its products into two groups: electronic tubes and sensors. These are supplied as components or sub-systems for integration into customers' products and typically constitute the enabling technology which is key to the performance of those customers' products.

The following table sets out examples of the applications of certain of the Group's products by sectors and applications together with sales figures for FY2004:

Product Groups			
Sensors	£43m	Electronic Tubes	£54m
Image sensor CCDs and cameras Solid state microwave components Thermal imaging cameras Gas sensors		Magnetrons Thyratrons Klystrons & IOTs TWTs Modulators Satcom amplifiers	
Dental X-ray Life sciences		Radiotherapy cancer treatments Microwave medical therapy High-energy physics	
	£12m		£16m
Military surveillance, targeting and guidance Space based imaging and astronomy Radar and electronic warfare		Radar ECM Electronic warfare Satellite communications	
	£17m		£14m
Marine radars Industrial safety Automotive radars and alarms Cameras used by fire fighters		TV broadcast Satellite communications Marine radar Food/Industrial processing	
	£14m		£24m
Examples of Product lines			
Medical and Science £28m			
Aerospace & Defence £31m			
Commercial & Industrial £38m			
Sectors And Example Applications			

Key Strengths

e2v believes that its key strengths include the following:

- *Entrepreneurial and experienced management team*

The current management team represents a blend of experienced e2v executives and recent appointments with relevant external experience and has, on average, over 20 years' professional experience.

- *Leading positions in selected niche markets*

The Group has established itself as a major supplier to leading OEMs in the commercial and industrial, the aerospace and defence and the medical and science sectors. The Group's products are typically the enabling components that are closely integrated into customers' products which often few suppliers can deliver. The Group has supplied its products over many years to leading OEMs in each of the markets within which it operates including Varian, Harris, Elekta, BAE SYSTEMS and Siemens.

- *High barriers to entry*

The Group's well-established production operations together with its strong intellectual property in proprietary processes and technical know-how would be difficult and costly for competitors to replicate, thus providing high barriers to entry for new competitors.

- *Balanced product portfolio*

The Group is not over-reliant on any one of its products for a significant proportion of its turnover. This portfolio effect provides a strong base for the Group's business and reduces the risk of a material impact to the business if there is a downturn in any of the Group's given markets. In addition, the mix of established products and newly-developed products provides the Group with a balance between maintenance of earnings and the potential for revenue growth.

- *Broad and stable customer base*

Reflecting the Group's broad product portfolio and target markets, no customer accounted for more than seven per cent. of e2v's annual revenue in either FY2003 or FY2004.

- *Proven ability to identify and commercialise new opportunities*

The Directors believe the Group's commitment to its R&D capability and its commercial approach to R&D position the Group well to respond to the needs of its customers and markets. Over the past 36 years, e2v has won 11 Queen's Awards, three of which have been awarded in the past two years.

- *Stable and balanced workforce*

Many of the Group's key employees have more than ten years' service with the Group and are led by experienced senior management. Staff turnover is relatively low for the industry, with annualised turnover of approximately 8.0 per cent., compared to 15.5 per cent. for UK industry generally.

- *Strong and stable cash flow generation*

The key strengths described above, and the recurring revenues arising from sales of spares and replacements, have enabled the Group to generate strong cash flows. For FY2002, FY2003 and FY2004 operating cash flows were, respectively, £11.2 million, £13.8 million and £20.2 million.

Group Strategy

The Group's strategy is to develop technological advantages in niche markets within the medical and science, the aerospace and defence and the commercial and industrial sectors, with several of its

products being market leaders in their respective fields. e2v intends to maintain and build upon its key strengths through:

- *Actively focusing on high growth and/or high margin products*

The Group intends to continue to design, manufacture and sell high growth and/or high margin products both into established markets (for example, dental imaging), into new markets through the adaption of existing technologies and into new applications (for example, automotive radar products derived from technology originally developed for military missile systems).

- *Targeting operational improvements and cost savings*

The recent introduction of the SAP enterprise resource planning system provides the Group with a fully integrated supply chain process for the first time, which will enable efficient real-time supply chain management based on customer demand.

Furthermore, the Group has an ongoing programme focused on the development of its manufacturing process, yield improvement and warranty failure reduction. This programme is primarily aimed at margin improvement, but is also expected to have an additional positive impact on inventory management by improving consistency in the Group's manufacturing process.

- *Accelerating growth through a focused acquisition programme*

e2v believes that its diverse product portfolio and the breadth of the markets it serves creates a number of opportunities to enhance its technology portfolio and extend its addressable market and scope of supply through selective, bolt-on acquisitions. Following the Management Buy Out, e2v has established a programme pursuant to which it evaluates opportunities for acquisition. By way of example, in August 2003, the Group acquired the Microwave Car Alarm Business and then relocated and integrated it at the Group's Lincoln premises within three months. The Company has entered into a facility agreement with the Banks pursuant to which up to £30 million is available to the Group to fund future acquisitions. Following Admission, the Group will continue to evaluate suitable acquisition opportunities.

- *Extending its scope of supply*

The Group intends to continue to extend the range of sub-systems it offers with a view to increasing revenues from existing customers while it simplifies its customers' production and development processes. For example, the Group has achieved such extensions of supply by introducing its compact modulator products, which can be added to the Group's electronic tube components used in both radiotherapy and radar applications, and in its defence camera products built around its image sensor technology.

Current Trading and Prospects

The Directors view the outlook and prospects of the Group for at least the current financial year with confidence. The Group continues to experience encouraging levels of demand, particularly for its sensor products and its electronic tubes for applications in the medical and science sector. The Group's total order book of £83.3 million as at 31 May 2004 was £11.6 million or 16.1 per cent. higher than at 31 May 2003 at reported rates of exchange. On a like for like exchange rate, the order book was £15.0 million or 21.0 per cent. higher at 31 May 2004 as compared with 31 May 2003. Sales to date and orders for delivery in FY2005 are £67.6 million compared with £59.8 million at the same stage in FY2004. The Directors are encouraged by the healthy state of the order book but are mindful that it reflects only two months of the current financial year and that it includes some repeat orders which have been received earlier than in previous years.

Products and Market Applications

This section describes e2v's products, its major customers, highlights the most significant applications for e2v's products and provides an overview of the markets into which e2v supplies its products.

e2v believes that the development and commercialisation of its product groups is underpinned by overlapping and complementary skills and knowledge (especially within the materials science and

physics disciplines). e2v's pool of technical expertise and manufacturing capability can be used across the Group's business.

Electronic Tubes

e2v's electronic tubes are typically used for the controlled generation or amplification of electromagnetic waves (RF and microwave) and for the fast switching of high electric currents at high voltage. They are suitable for applications which demand one or more of high power, high frequency and high performance characteristics. In most of these applications electronic tube technology is the only technology capable of meeting these demanding requirements.

Principal applications for e2v's electronic tubes include:

- radiotherapy cancer treatment;
- high power terrestrial TV broadcasting;
- military and commercial radar;
- military electronic counter-measures; and
- high power switching for welding, industrial lasers and high energy physics.

The markets for the Group's electronic tubes and related sub-systems comprise many individually small, but global, niche applications. Such markets are mostly well-established and characterised by long product lifecycles, significant barriers to entry for new competitors, a relatively low rate of technological change and a small number of established, well-known suppliers. e2v's principal markets have been resilient to erosion by solid state (semiconductor) technology which has largely replaced electronic tube technology in low power, low frequency or low performance electronic systems. The Company believes that, in line with historic trends, any continued erosion at the lower end of the market will be balanced by demand for enhancements and improvements to existing products and by new applications for existing products.

Electronic tubes have a naturally finite life and need regular replacement, typically every three to five years. Usually, only e2v, as the designer and supplier of the original electronic tube, is able to provide spares for a particular application.

Strong customer relationships and the finite life of electronic tube products result in a significant replacements business which the Company estimates represented approximately 25 to 30 per cent. of total Group sales and approximately 50 per cent. of electronic tubes sales in FY2004.

Electronic Tubes — Medical and Science (£16 million of FY2004 Revenues)

The Group's products include:

- a range of magnetrons (microwave power sources);
- thyratrons (high power switches); and
- sub-systems for applications including cancer radiotherapy systems and microwave therapy systems.

Principal customers include cancer radiotherapy OEMs such as Varian, TomoTherapy, Siemens, Elekta and BMEI, microwave therapy system OEMs such as Microsulis and international science facilities such as CERN.

e2v's radiotherapy business benefits from the increasing utilisation of radiotherapy treatments that results from ageing western populations, increased cancer detection rates and steady growth in healthcare spend in the developed world. The typical lifetime of the Group's power tubes is approximately five years and this leads to a steady supply of spares amounting to approximately 60 per cent. of radiotherapy magnetron sales in FY2004. e2v has also developed a new and innovative modulator (power supply) product which, when offered in combination with the Group's electronic tube, enables cancer therapy systems to be built more quickly, leading to valuable increases in the capacity of e2v's customers' system assembly operations. The Group's new modulator has the potential to increase significantly the e2v sales value of each newly-manufactured system and offers customers and end-users the opportunity of enhanced treatment modalities. e2v has already supplied a combined

modulator and magnetron to one customer in the United States and the Company believes that there is opportunity to migrate supply at this level to other long-standing customers.

The Group supplies switch tubes for high energy physics applications to major national and international science facilities (for example, the Council for the Central Laboratory of the Research Councils ("CCLRC") facilities in the United Kingdom and CERN in Switzerland).

Electronic Tubes — Aerospace and Defence (£14 million of FY2004 Revenues)

The Group's products include:

- TWTs for towed decoys which are electronic counter-measure devices towed behind jets to draw missile attacks away from the aircraft itself; and
- magnetrons and TWTs for airborne and ground-based radar and missile systems.

Principal customers include BAE SYSTEMS, Raytheon, EADS, AMS, Finmeccanica, Thales and the UK Ministry of Defence.

The Group's electronic tubes are used in the towed decoy technology found in RAF Tornados. The western world's major air forces are now expected to use disposable towed decoys and e2v is a selected supplier for the Typhoon (previously known as the Eurofighter/EFA) platform. Significant opportunities for e2v exist in the United States where the Group's products are qualified for use on proposed new towed decoy systems for both the US Navy and US Air Force.

The Group also services a number of established defence radar programmes such as Searchwater, Sea Dart, Foxhunter, Sea Wolf, Rapier 2000 and Sky Shadow. A high proportion of the Group's sales in this market are spares for applications with long life cycles. e2v believes that only a small number of new defence radar programmes are likely to be implemented in the foreseeable future.

Electronic Tubes — Commercial and Industrial (£24 million of FY2004 Revenues)

Products include:

- IOTs and klystrons for terrestrial television transmission;
- satellite communications; and
- magnetrons for civilian radar and industrial heating.

Principal customers include Harris, Thales, Furuno and Hüttinger.

Historically, a large proportion of the Group's sales of electronic tubes in this sector have been replacements for its electronic tubes for use in the television transmission business, predominantly in the United States. The market for new television transmitters has weakened in the last two years as a result of repeated revisions in the FCC's mandatory specifications relating to the roll out of digital terrestrial television in the United States. The market is now expected to become more active as television network operators adopt a new generation of high efficiency transmitters and tubes to reduce energy consumption and operational costs. e2v believes that the Group is well-placed, due to strong and long-term customer relationships with key transmitter OEMs, to sustain its major position in this market with its new high efficiency products.

e2v's satellite communications ("satcom") products are used in applications such as satellite news gathering ("SNG") and fixed satcom uplink/ground station installations. In recent years, the Group has increased sales of mid-power range amplifiers for SNG in the United States. The Group's recently-released high power products are expected to reinforce this progress.

Civilian radar applications for the Group's electronic tubes include microwave sources for small marine radars and airborne applications including weather monitoring systems. The industrial heating applications for the Group's electronic tubes include welding and laser switching. These two sectors, which accounted for approximately eight per cent. of the Group's revenues in FY2004, are characterised by simpler products operating at generally lower performance levels and, as a result, are more competitive than most other markets within which the Group operates.

Sensors

e2v's portfolio of solid state sensors, sub-systems and cameras are used for optical or thermal imaging applications and optical, microwave or gas detection. These products are typically used in high performance applications supplied into global niche markets, including:

- high-end CCD image sensors and cameras used for medical imaging, astronomy, space science instruments and defence systems;
- thermal imaging cameras used by fire fighters;
- miniaturised microwave radar sensors and components for defence and commercial applications; and
- gas sensors for industrial safety applications.

The market for the Group's sensors is subject to a faster rate of technological change and a higher overall rate of growth than the market for the Group's electronic tubes. However, as with electronic tubes, the markets for the Group's sensor products are characterised by the small numbers of established suppliers and high barriers to entry for new suppliers due to the significant proprietary know-how in the Group's manufacturing process.

Sensors — Medical and Science (£12 million of FY2004 revenues)

The Group's products include CCD image sensors used in a wide range of scientific instruments, including applications in life sciences and drug discovery research and digital dental X-ray.

Principal customers include Roper Scientific, Andor Technologies, Danaher (Gendex), Henry Schein (Dentrix) and Acteon.

In drug discovery research, sensitive optical imaging is increasingly required to monitor the effect of potential new drugs on cells and biological samples by detecting minute amounts of light. e2v believes that its broad range of CCD sensors and patented ultra-sensitive L3Vision™ sensors means that the Group is well placed to secure an increasing share of this market.

There is a steady adoption of digital X-ray imaging in dental applications in Europe but, to date, limited adoption in the United States. Sustained growth is anticipated largely through increasing penetration of the technology in the United States.

Sensors — Aerospace and Defence (£17 million in FY2004 revenues)

The Group's products include:

- ultra-sensitive L3Vision™ CCD image sensors for application in surveillance and night vision;
- CCD image sensors for defence applications, state-of-the-art astronomy and spacecraft-borne imaging instruments; and
- high performance solid state microwave components for various radar applications, including military aircraft and local battlefield surveillance systems.

Principal customers include BAE SYSTEMS, Ball Aerospace, Lockheed Martin, Galileo Avionica, AMS, the UK Ministry of Defence and Astrium.

In the US and UK defence markets, strategic emphasis is moving away from manned intervention to technology-based warfare, resulting in the migration of defence spend away from uniforms, rations and personnel to unmanned aerial platforms and remote airborne and satellite-based systems. The US government spend on research, technology and evaluation is growing at three times the rate of spend on conventional operations and support, which e2v believes will enable sales of the Group's imaging and radar products to exceed sector average growth. The Group's strong technological position has enabled it to increase its market position in the United States in this sector in the past three years and offers further opportunity for growth.

Sensors — Commercial and Industrial (£14 million of FY2004 revenues)

The Group's products include:

- key radar components for automotive adaptive cruise control ("ACC");
- miniaturised radar sensor sub-systems used as intruder alarms in automotive applications;
- thermal imaging cameras and radio evacuation distress systems for use by fire-fighters; and
- industrial gas sensing components and sub-systems.

Principal customers include Volvo, Bosch, Delphi, Furuno, Dräger and the UK government.

e2v believes that the market for ACC in cars will grow significantly over the next five years and that the Group's products are well positioned to emerge as the technology of choice to meet the automotive industry's requirements for both cost effectiveness and high levels of technical performance. e2v believes that this represents a significant growth opportunity for the Group based around process and product design, intellectual property rights and strong relationships with the Tier 1 providers of ACC systems to car manufacturers.

Sales of the Argus 3® thermal imaging camera increased significantly in FY2004 boosted by a substantial 'homeland security' purchase by the UK government which e2v is confident will assist the Group to sustain its strong European position.

The market for the Group's industrial gas sensing products is relatively stable and the Group's performance in this sector will be underpinned by the recent launch of new products, including a new range of electrochemical gas sensors.

Sales and Marketing

e2v establishes close relationships with its customers and its products are generally incorporated into, and often tailored for, their applications. e2v's products are often subject to demanding customer qualification tests during application development and once e2v has been selected as a supplier to a customer it will usually retain its position, supporting the use of its components and sub-systems throughout the life of the customer's system.

The Group's worldwide sales organisation consists of approximately 50 client-facing sales staff in offices in the United Kingdom (Chelmsford), France (Paris), Germany (Munich) and the United States (various locations), supported by a network of approximately 60 sales support staff. In addition, more than 40 professionally-qualified engineers offer technical and application support to the Group's customers.

The Group has a network of 28 distributors and ten consultants. This network includes a number of long-term relationships in specific countries and a number of global relationships with certain distributors who concentrate on certain market sectors.

The Group's distributors acquire products from the Group and sell them on to end customers at a margin. This relationship ensures that the distributor enters into the contract with the customer and assumes the associated credit risk. The Group's consultants generate sales opportunities and support sales negotiations on behalf of the Group.

Research and Development

Spend

The Group spends approximately five per cent. of its turnover on R&D. Additionally, R&D is funded by customers under contracts which typically contain terms ensuring that intellectual property relating to core technology and generic product enhancements are retained by the Group. In any financial year the amount of customer-funded R&D can fluctuate and accounted for approximately 1.5 per cent. of the Group's revenues for FY2004.

The major part of the Group's R&D spend in FY2004 was in connection with e2v's existing markets and included new product models, improvements and support to existing products and specific tailoring for customer applications. The balance of the Group's R&D spend in FY2004 was incurred developing new opportunities from ideas originating from within the business or from customers or university partners.

Process

The Group's management processes evaluate the potential of all significant prospective development projects and, if appropriate, allocate further resources to them. Each proposal is reviewed to assess its strategic and financial benefits and executional risks in order to allocate resources across the business and, where appropriate, seek to leverage internal funding with external agency and government support.

Potentially significant development activities or projects are elevated to 'Major Programme' status which secures a full time dedicated programme team and an experienced programme manager. Recent "Major Programmes" include L3Vision™ ultra sensitive CCD image sensors and dental X-ray CCD image sensors, which have become significant contributors to revenue, and microwave radar for ACC which the Directors anticipate will become a significant contributor to revenue.

Operations

Engineering and development activities are carried out within the Group's manufacturing operations, rather than at separate dedicated facilities, making efficient use of highly-complex and costly process equipment and minimising later difficulties in transferring products from prototype into production.

Although the Group does not operate a stand-alone R&D department, there are central specialist facilities that underpin the execution of product R&D. These include mechanical, thermal, electrical and electronic simulation and modelling and analysis using state-of-the-art analytical tools. The Group operates a small off-site CCD design office with three employees.

The Group has also established external links to aid its R&D programme, including links with universities, national laboratories and other governmental agencies. The Group is a founder member and provided the first chairman of the DTI-sponsored and funded Faraday Partnership in High Power RF engineering.

Intellectual Property

The intellectual property owned or used by the Group is protected principally through a combination of patents and confidentiality undertakings, copyright, trademarks and design rights. Of equal importance is the know-how, technical expertise and innovative abilities within the Group and its proprietary methods developed over many years.

e2v believes that a material part of the Group's intellectual property is embodied in the manufacturing processes that remain unpublished and confidential. It is therefore not readily possible for a third party to dismantle, understand and reverse engineer the Group's products because the manufacturing process essential for the correct functioning of the product cannot be determined by so doing.

On a case-by-case basis, the merits of patenting any new product, process or idea are reviewed and appropriate action taken. In consequence, the Group owns a number of patents, particularly in the United States and the United Kingdom. While the patents owned by the Group provide some competitive advantage, the Directors believe that no individual patent is critical to its current operations.

The Group has been trading under its current name since 2002 and no objection to its use of "e2v" or "EEV" has been received. The Group has applied to register "e2v" and "EEV" as trade marks in the United Kingdom and as Community trade marks; these applications are still pending. The Group has a range of other product brands and has registered certain other trade marks.

Information Technology

The Directors believe that the Group's information technology systems have the capability and capacity to meet the Group's present and ongoing requirements. The Group is in the process of rolling out SAP which is an enterprise resource planning system which is part of management's global alignment of processes programme. The implementation of SAP began in November 2002 and is scheduled to be substantially complete by May 2005. As at 31 March 2004, £3.4 million had been spent on the implementation, with a further £1.5 million forecast for completion of the implementation.

Purchasing and Supply

A wide diversity of purchased parts is required to manufacture the Group's range of products, with many suppliers customising materials for use by the Group. Components and materials are often complex and highly-specified and there is a wide spread of purchase lead times.

In FY2004, the top ten suppliers accounted for approximately 28 per cent. of e2v's total purchases.

Production Facilities

The Group's production facilities are located in the United Kingdom at sites in Chelmsford and Lincoln. The Chelmsford site manufactures more than 85 per cent. of the Group's products. Much of the manufacturing is carried out in a controlled "clean room" environment. The Group's clean room facilities range from Class 10,000 Clean Rooms used in general assembly and manufacture of its products to dedicated ultra clean Class 10 Clean Room areas for the most critical CCD manufacturing processes.

Manufacturing Processes

Manufacturing methods range from batch processing of up to 6,000 units per month for lower value products, to one-off processes for higher value projects extending over more than one year (for example, for custom-designed CCD sensors for hostile space environments).

Most of the manufacturing activities require sophisticated technology and significant investment to enable e2v to compete successfully. In addition, there is often material proprietary know-how inherent in the processes.

In July 2002, the Company achieved the ISO 9001:2000 quality standard certification. From July 1993 to July 2002, the Company was certified to ISO 9001:1987.

Additionally, the Lincoln facility achieved certification in July 2003 to the ISO/TS 16949:2002 automotive standard for the design and manufacture of microwave components for supply into the automotive sector. Re-certification to this standard was secured in April 2004.

Environmental

Both of the UK manufacturing sites have historically used, and continue to use, a range of hazardous chemicals and industrial gases in various manufacturing processes. The Group continually seeks to improve its manufacturing processes to remove if possible, or further reduce and further contain, any hazardous materials. The Chelmsford and Lincoln sites are certified to ISO 14001:1996, the international standard for environmental management and in addition, the Lincoln site has a licence for the use of explosives.

Employees, Pensions and Share Schemes

As at 31 March 2004, e2v employed 1,295 full time staff and a further 41 temporary employees. A majority of the employees have more than ten years' service with the Group with almost ten per cent. of employees having more than 30 years' service with the Group.

The Directors believe that recruitment of competent operators is assisted by the number of high technology manufacturing businesses in the East of England and the East Midlands that create local labour markets. Specialist engineering skills have proven more difficult to source and this has been addressed by the establishment of resourcing partnerships with specialist agencies.

Certain of the Group's Chelmsford employees are members of the Amalgamated Engineering & Electrical Union. There have been no material industrial disputes involving the Group over the last ten years.

Following the sale of the business by Marconi in July 2002, the Group ceased to participate in the GEC 1972 Plan and formed a stakeholder pension scheme for UK employees and an executive pension scheme, both of which are defined contribution schemes. These schemes allow individuals to make additional contributions which will, subject to limits, be matched in full by additional contributions from the Group. The Group has no liability in respect of its historic participation in the GEC 1972 Plan, which is a final salary scheme.

In the United States, the Group has formed a 401k retirement plan ("the 401k Plan"), the basis of which is that the Group will match up to 100 per cent. of the first six per cent. of employee contributions. Membership of the 401k Plan has ranged from 40 to 50 employees. The Group does not operate pension schemes in its French or German operations, where statutory or state pension arrangements cover the employees.

Prior to Admission, the Group established the EBT and the Pre-IPO Plan and, conditionally on Admission, the Group will establish four new share schemes for employees: the e2v Company Share Option Plan, the e2v Long Term Incentive Plan, the e2v Sharesave Scheme and the e2v Share Incentive Plan. Further details of the New Share Schemes are set out in paragraph 6 of Part VIII of this document.

e2v created the EBT to operate in conjunction with the New Share Schemes and to grant options under the Pre-IPO Plan. The EBT will immediately upon Admission hold 884,239 Ordinary Shares, which are not under option, representing approximately 1.6 per cent. of the enlarged share capital of the Company. Additionally the EBT has granted, conditional only on Admission, options over 345,636 Ordinary Shares to certain employees under the Pre-IPO Plan. Further details in respect of these options are set out in paragraphs 4.2 and 6.2 of Part VIII of this document.

Dividend Policy

Following Admission, the Directors intend to pay dividends. The Directors intend to adopt a progressive dividend policy, recognising the cash generative nature of the Group's operating businesses, but also the opportunities to invest in growth (either organic or through acquisition), with dividends for FY2005 to be initially covered by underlying post tax earnings approximately two times.

The Directors intend that e2v will pay an interim dividend and a final dividend to be declared at the time of the respective interim and preliminary results in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. The first dividend to be paid by e2v is intended to be the interim dividend in respect of FY2005, to be announced with the interim results in December. This interim dividend will reflect the proportion of the six month period to 30 September 2004 that the Company has been listed.

PART II

Directors and Senior Management

The board of directors of the Company consists of a Non-executive Chairman, two further Non-executive Directors, the Chief Executive Officer and the Finance Director. In due course, the Company intends to appoint one or more further non-executive directors.

The Group's executive management team combines relevant industry expertise together with experience from other industrial sectors. A brief biography of each member of the management team is set out below.

Directors

Keith Attwood — Chief Executive Officer, age 43

Keith's industrial experience has been gained in telecommunications, avionics and, more recently, electronic components. He has been with the Group for over five years and, prior to assuming his current role, held various senior positions, including Operations Director (GEC-Marconi Avionics Limited, now called BAE SYSTEMS Avionics (Management) Limited) and Project Director (GPT Limited, now called Marconi Communications Limited). He has had significant international business development experience and holds an MBA. Oriented towards business improvement and customer focus, Keith has a track record of successful change management and business growth.

Mike Hannant — Finance Director, age 47

Mike is a Chartered Accountant with 17 years commercial experience primarily in the electronics sector, 13 of which have been with the Group. He qualified as a Chartered Accountant in 1982 and held various senior financial positions with a subsidiary of the Philips Electronics Group and Project Office Furniture plc (now called Workspace Office Solutions Limited), prior to his joining the Group in January 1991. He was Assistant Finance Director prior to appointment to his current role in 1998.

Non-Executive Directors

George Kennedy — Non-executive Chairman, age 63

George has spent most of his career at the Smiths Group, which he joined in 1973 and where he was an executive director holding various positions including chairman of the Medical Systems Division. In addition to his position as non-executive Chairman of the Company, he is also currently chairman of Carclo Plc, which makes technical plastics for automotive, telecommunications, medical and optical applications and Vernalis PLC, where he is deputy chairman, and holds other non-executive positions. He also has experience working with government organisations and is currently chairman of the Healthcare Division of the Iraqi Reconstruction Group. George has demonstrated a track record of leading high-tech businesses working in a global market place. In 1997, he was awarded a CBE for services to the healthcare industry and exports.

Anthony Reading — Senior independent non-executive Director, age 60

Tony is a Chartered Accountant and has significant experience of working in senior positions at publicly listed companies. He was a director of Tomkins plc and chairman of Tomkins Corporation for 11 years until the end of 2003. He joined Tomkins as a divisional director in 1990 and prior to that served as group managing director of Pepe Group plc from 1989 to 1990. In his earlier career, Tony worked at Polly Peck International PLC, was a group executive with Thomas Tilling Plc, group chief executive of the manufacturing and engineering division of BTR plc, and has been based overseas in Belgium and the United States. He was appointed a non-executive director of Spectris plc in 2004.

Ian Godden — Independent non-executive Director, age 50

Ian has an MBA from Stanford University and significant experience in management and strategic consultancy in the United States and Europe. He was a founder member of two start-ups; OC & C Strategy Consultants, which was bought out by Coopers & Lybrand (as it then was) and IPG, which was bought out by Roland Berger Strategy Consultants. From 1995 to 1998 he was UK Managing Partner and European Board Member of Booz Allen and Hamilton. Ian is currently UK Managing Partner and

Senior Partner of Roland Berger Strategy Consultants and a non-executive director of Havelock Europa PLC. He has been a Non-executive Director of the Company since 2003.

Senior Management

Mike Tierney — Operations Director, age 43

Mike joined the business in July 2002 from Atmel Smartcard IC where he was a Business and Operations Director. Mike has over 20 years experience in the semiconductor industry and has held various senior positions within Digital, National Semiconductor and latterly Motorola, prior to the sale of its Smartcard operation to Atmel. Mike has a Certificate in Management, ONC and HNC in Electrical and Electronic Engineering.

John Brewster — Sales Director, age 48

John has been with the Group since 1999 when he was recruited to strengthen e2v's position in the imaging sector, taking full responsibility for the Group's sales and distribution activities in April 2001. John has extensive UK and US-based sales management and business development experience in the component and broader technology sectors, gained at Thomson-CSF (now Atmel), GEC-Plessey Semiconductors and Hughes Microelectronics.

Dr Trevor Cross — Technical Director, age 44

Trevor has 17 years' experience with the Group and has a background as a technologist and engineer specialising in III-V materials and physics. He has authored over 35 technical papers and patent applications, has built his market and business development experience in the communications, science and space sectors over recent years and is currently focused on strategic development. He holds a PhD in Semiconductor Physics and a DMS (Diploma in Management Studies).

Neil Martin — Programmes Director, age 39

Neil was appointed in February 2002 to assist the board in managing the strategic growth opportunities identified by the business and to further develop Lifecycle and Project Management skills. He also has responsibility for the quality management activity and the manufacturing facility at Lincoln. Neil has a track record of successfully managing business groups, operations functions and major programmes in high technology businesses and has a BSc (Hons) in Electronics and Electrical Engineering.

Corporate Governance

e2v intends, taking into account its size, to comply with the relevant requirements of the Combined Code Principles of Good Governance and Code of Best Practice contained in the report by the Committee on Corporate Governance (the "Combined Code") including the revisions to the Combined Code which took effect on 1 November 2003. In order to comply with the Combined Code's requirements for at least half of the board, excluding the chairman, to be independent, the Company has appointed Anthony Reading as an additional Non-executive Director, and Ian Godden, who became a Non-executive Director on 1 June 2003, has agreed to remain in that role for a further period of up to six months following Admission.

For the purposes of assessing compliance with the Combined Code, the Board considers Anthony Reading and Ian Godden, who are Non-executive Directors, to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. e2v expects that the Board will meet at least four times per year and may meet at other times at the request of any Director.

The Company has an audit committee and a remuneration committee and, upon Admission, will establish a nomination committee.

The audit committee is chaired by George Kennedy, and its other members are Anthony Reading and Ian Godden. The audit committee will meet not less than three times a year and will meet the external auditors at least once a year without the Executive Directors present.

The audit committee is responsible for making recommendations to the Board on the appointment of the external auditors and their remuneration. The committee considers the nature, scope and results of the external auditors' work and reviews (and reserves the right to approve) any non-audit services that are

to be provided by the external auditors. It receives and reviews reports from management and the Company's auditors relating to e2v's annual report and accounts. The committee focuses particularly on compliance with legal requirements, accounting standards and the Listing Rules and ensuring that an effective system of internal financial and non-financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board.

The remuneration committee is chaired by Anthony Reading and its other members are George Kennedy and Ian Godden. The committee, which will normally meet at least once a year, has responsibility for making recommendations to the Board on e2v's policy for remuneration of senior executives, for reviewing the performance of Executive Directors and senior management and for determining, within agreed terms of reference, specific remuneration packages for each of the executive Directors and members of senior management, including pension rights, any compensation payments and the implementation of executive incentive schemes. In accordance with the committee's terms of reference, no Director may participate in discussions relating to his or her own terms and conditions of service or remuneration.

The nomination committee will be chaired by George Kennedy, and its other members will be Anthony Reading, Ian Godden and Keith Attwood. The committee will meet not less than once a year, has responsibility for considering the size, structure and composition of the Board, and retirements and appointments of additional and replacement Directors, and will make appropriate recommendations to the Board.

The identity of each of the chairmen of the committees referred to above will be reviewed on an annual basis. The membership of these committees and their terms of reference will be kept under review.

PART III

The Offer

Section A — Details of the Offer

The Institutional Offer

The Institutional Offer comprises the issue by the Company of 18,820,351 Ordinary Shares and the sale by the Selling Shareholders of 30,339,551 Ordinary Shares, together representing 87.92 per cent. of the enlarged issued Ordinary Share capital of the Company. The Ordinary Shares being issued by the Company will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to vote and to receive all dividends and other distributions declared, made or paid on the existing Ordinary Shares after Admission. The Ordinary Shares will, immediately following Admission, be freely transferable under the Articles.

Existing Shares and New Shares are being made available by way of an offering of Ordinary Shares to investors in the United Kingdom and to institutional investors elsewhere outside the United States in reliance on Regulation S under the Securities Act.

Immediately following Admission, 90.93 per cent. of the Ordinary Shares will be held in public hands (as defined in paragraph 3.20 of the Listing Rules).

The Employee Offer

A total of 141,262 New Shares were made available, at the Offer Price, for subscription by Eligible Employees under the Employee Offer.

Applications by Eligible Employees must be for Ordinary Shares having an aggregate value of at least £100, but not more than £7,000 and must be in multiples of £100. Applications by Eligible Employees to subscribe for Ordinary Shares under the Employee Offer must have been made on the Employee Application Form and must have been received, together with a cheque, building society cheque or banker's draft for the value of New Shares applied for, by the Registrar or the Company in accordance with certain time-limits.

The New Shares available under the Employee Offer are not available in uncertificated form and successful applicants will, instead, receive share certificates, which are expected to be posted on or as soon as possible after 23 July 2004.

Amount and Use of Proceeds

The gross proceeds that the Company will receive from the issue of Ordinary Shares pursuant to the Offer are £29.39 million. After deducting underwriting commissions and estimated other fees and expenses of the Offer, the Company expects to receive net proceeds of £25.56 million. The net proceeds will be used to pay down existing debt, which will provide further borrowing capacity for the Group to fund its organic growth and acquisition growth strategy.

The gross proceeds that the Selling Shareholders will receive from the sale of Ordinary Shares pursuant to the Offer are £47.03 million. After deducting commissions and estimated other fees and expenses incurred in connection with the Offer, the Selling Shareholders expect to receive £46.38 million.

Stabilisation

In connection with the Offer, ABN AMRO Rothschild or any of its agents may over-allot or effect other transactions with a view to supporting the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares, in each case at a level higher than that which might otherwise prevail for a limited period after the Offer Price is announced. Such transactions may be effected on the London Stock Exchange, in over-the-counter markets or otherwise. There is no obligation on ABN AMRO Rothschild or any of its agents to undertake stabilisation transactions and such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Save as required by law, neither ABN AMRO Rothschild nor any of its agents intends to

disclose the extent of any stabilisation transactions in connection under the Offer. In undertaking such stabilisation transactions, ABN AMRO Rothschild may act as principal.

Dealing Arrangements

The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, including Admission occurring and becoming effective by 8.00 a.m. on 23 July 2004 or such later time or date as may be determined in accordance with the Underwriting Agreement (not being later than 30 July 2004) and to the Underwriting Agreement not having been terminated. Further details of the Underwriting Agreement are set out in paragraph 10 of Part VIII of this document.

Application has been made to the UK Listing Authority for all of the Ordinary Shares to be listed on the Official List and application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities.

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. on 20 July 2004. The earliest date for settlement of such dealings will be 23 July 2004. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be in unlisted securities and on a "when issued basis". **If the Offer does not become unconditional in all respects any such dealings will be of no effect and any such dealings will be at the risk of the parties concerned.**

The expected time and date for Admission to become effective and for dealings in the Ordinary Shares to commence on an unconditional basis on the London Stock Exchange is 8.00 a.m. on 23 July 2004. Temporary documents of title will not be issued.

CREST

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Upon Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. An investor applying for Ordinary Shares in the Institutional Offer may, however, elect to receive Ordinary Shares in uncertificated form if such investor is a system-member (as defined in the CREST Regulations) in relation to CREST.

The New Shares available under the Employee Offer will not be in uncertificated form, and successful applicant will, instead, receive share certificates.

Allocation and Pricing

ABN AMRO Rothschild will determine the investors that can participate in the Institutional Offer and allocations of Ordinary Shares in the Institutional Offer will be determined by ABN AMRO Rothschild (following consultation with the Company and certain of the Selling Shareholders). All Ordinary Shares issued or sold pursuant to the Offer will be issued or sold at the Offer Price.

The rights attaching to the Ordinary Shares will be uniform in all respects and will form a single class for all purposes.

Underwriting Arrangements

The Company, the Directors, ABN AMRO Rothschild, N M Rothschild and others have entered into the Underwriting Agreement, pursuant to which ABN AMRO Rothschild has agreed, subject to certain conditions, to procure subscribers or purchasers for, or failing which itself to subscribe for or purchase, the Ordinary Shares made available in the Offer. All such subscriptions or purchases will be at the Offer Price.

Further details of the terms of the Underwriting Agreement are set out in paragraph 10 of Part VIII of this document.

Lock-Up Arrangements

Each of the Company and Keith Attwood, Michael Hannant, John Brewster, Michael Tierney, Trevor Cross and Neil Martin have agreed to certain lock-up arrangements. Further details of these arrangements are set out in paragraph 10 of Part VIII of this document.

Selling Restrictions

The distribution of this document and the Offer in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

General

No action has been or will be taken in any jurisdiction, that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer and sale of Ordinary Shares, including those in the paragraphs above. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United States

The Ordinary Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States. The Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act.

Until the expiration of 40 days after the commencement of the Offer, an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to another exemption from registration under the Securities Act.

United Kingdom

ABN AMRO Rothschild has warranted that (a) it has not offered or sold and will not offer or sell any Ordinary Shares to persons in the United Kingdom prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or FSMA, (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of the Ordinary Shares in circumstances in which Section 21(1) of FSMA does not apply to the Company and (c) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Ordinary Shares in, from or otherwise involving the United Kingdom.

Section B — Terms and Conditions of the Institutional Offer

1 Introduction

These terms and conditions apply to persons making an offer to subscribe for New Shares and/or purchase Existing Shares under the Institutional Offer.

Each person to whom these conditions apply, as described above, who confirms his agreement to ABN AMRO Rothschild, N M Rothschild, the Registrar, the Company and the Selling Shareholders to subscribe for New Shares and/or purchase Existing Shares under the Institutional Offer (which may include ABN AMRO Rothschild or its nominee(s)) (an "Investor") hereby agrees with each of ABN AMRO Rothschild, N M Rothschild, the Registrar, the Company and the Selling Shareholders to be bound by these terms and conditions as being the terms and conditions upon which Ordinary Shares will be issued or sold under the Institutional Offer. An Investor shall, without limitation, become so bound if ABN AMRO Rothschild (a) confirms to such Investor (i) the Offer Price and (ii) its allocation and (b) notifies, on behalf of the Company and the Selling Shareholders, the Registrar of the name of the Investor.

2 Agreement to Acquire Ordinary Shares

Conditional on (i) Admission occurring and becoming effective by 8.00 a.m. on or prior to 23 July 2004 (or such later date as the Company, certain of the Selling Shareholders, ABN AMRO Rothschild and N M Rothschild may agree (not being later than 30 July 2004)) and (ii) the confirmation mentioned under paragraph 1 above, an Investor agrees to become a member of the Company and agrees (in respect of New Shares) to subscribe for and/or (in respect of Existing Shares) to purchase Existing Shares from the Selling Shareholders, as more particularly described below, at the Offer Price, the number of Ordinary Shares issued or sold to such Investor under the Institutional Offer in accordance with the arrangements described in Section A of this Part III. To the fullest extent permitted by law, each Investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights such Investor may have.

3 Payment for Ordinary Shares

Each Investor undertakes to pay the Offer Price for the Ordinary Shares issued or sold to such Investor in such manner as shall be directed by ABN AMRO Rothschild. Liability for stamp duty and SDRT is described in paragraph 8.3 of Part VIII of this document.

In the event of any failure by any Investor to pay as so directed by ABN AMRO Rothschild or the Company, the relevant Investor shall be deemed hereby to have appointed ABN AMRO Rothschild or any nominee of ABN AMRO Rothschild to sell (in one or more transactions) any or all of the Ordinary Shares in respect of which payment shall not have been made as so directed and to have agreed to indemnify on demand ABN AMRO Rothschild in respect of any liability for stamp duty and/or SDRT arising in respect of any such sale or sales.

4 Representations and Warranties

By receiving this document, each Investor and, in the case of paragraphs 4.4, 4.5 and 4.6 below, any person confirming his agreement to subscribe and/or to purchase Ordinary Shares on behalf of an Investor or authorising ABN AMRO Rothschild to notify an Investor's name to the Registrar, is deemed to represent and warrant to each of ABN AMRO Rothschild, N M Rothschild, the Registrar, the Company and the Selling Shareholders that:

- 4.1 if the Investor is a natural person, such Investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such Investor's agreement to subscribe and/or purchase Ordinary Shares under the Institutional Offer and will not be any such person on the date any such offer is accepted;
- 4.2 in agreeing to subscribe and/or purchase Ordinary Shares under the Institutional Offer, the Investor is relying on this document and any supplementary listing particulars issued by the Company, and not on any other information or representation concerning e2v or the Institutional Offer. Such Investor agrees that none of the Company, the Selling Shareholders, the Registrar, N M Rothschild

and ABN AMRO Rothschild nor any of their respective officers or directors will have any liability for any such other information or representation;

- 4.3 if the laws of any place outside the United Kingdom are applicable to the Investor's agreement to subscribe and/or to purchase Ordinary Shares and/or acceptance thereof, such Investor has complied with all such laws and none of the parties mentioned under paragraph 1 above will infringe any laws outside the United Kingdom as a result of such Investor's agreement to subscribe and/or purchase Ordinary Shares and/or acceptance thereof or any actions arising from such Investor's rights and obligations under the Investor's agreement to subscribe and/or purchase Ordinary Shares and/or acceptance thereof or under the Articles;
- 4.4 in the case of a person who confirms to ABN AMRO Rothschild on behalf of an Investor an agreement to subscribe and/or purchase Ordinary Shares and/or who authorises ABN AMRO Rothschild to notify the Investor's name to the Registrar as mentioned under paragraph 1 above, *that person represents and warrants that he has authority to do so on behalf of the Investor as provided under paragraph 1 above;*
- 4.5 the Investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services); and
- 4.6 in the case of a person who confirms to ABN AMRO Rothschild on behalf of an Investor which is an entity other than a natural person an agreement to subscribe and/or purchase Ordinary Shares and/or who authorises the notification of such Investor's name to the Registrar, that person warrants that he has authority to do so on behalf of the Investor.

5 Supply and Disclosure of Information

If any of ABN AMRO Rothschild, N M Rothschild, the Registrar, the Company and any of the Selling Shareholders or any of their agents request any information about an Investor's agreement to subscribe and/or to purchase Ordinary Shares, such Investor must promptly disclose it to them.

6 Miscellaneous

The rights and remedies of ABN AMRO Rothschild, N M Rothschild, the Registrar, the Company and the Selling Shareholders under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, each Investor may be asked to disclose, in writing or orally to ABN AMRO Rothschild:

- (a) if he is an individual, his nationality; or
- (b) if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to ABN AMRO Rothschild.

Each Investor agrees to be bound by the Articles (as amended from time to time) once the Ordinary Shares which such Investor has agreed to subscribe and/or to purchase have been issued or transferred to such Investor.

The contract to subscribe and/or to purchase Ordinary Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England. For the exclusive benefit of the parties mentioned under paragraph 1 above, each Investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.

In the case of a joint agreement to subscribe and/or to purchase Ordinary Shares, references to an "Investor" in these terms and conditions are to each of such Investors and such Investors' liability is joint and several.

ABN AMRO Rothschild, N M Rothschild, the Company and the Selling Shareholders expressly reserve the right to modify the Institutional Offer (including, without limitation, its timetable and settlement) at any time before the Offer Price and allocations are determined.

PART IV

Risk Factors

An investment in ordinary shares involves a high degree of risk. Accordingly, before deciding whether to invest in the Ordinary Shares, prospective investors should carefully consider the risks described below together with all other information contained in this document. If any of the following risks actually occur, e2v's business, financial condition and/or results of operations could be materially and adversely affected. In such case, the trading price of the Ordinary Shares could decline and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on e2v's business, financial condition and/or results of operations.

Risks relating to the Group

Foreign Currency Exchange Risk

The Group is exposed to currency fluctuations, predominantly between pounds sterling and either the US dollar or the euro, which may affect its profitability. The Group has operations within a number of countries and is therefore subject to currency translation risks; the Group's operating units also conduct their business in a number of currencies and are, therefore, exposed to transaction currency risk.

Transaction currency risk arises when an operating unit either buys or sells in a currency other than its base reporting currency. The risk is created by the potential movement in the rate of exchange of a currency against the base reporting currency of the operating unit between the time of the transaction and the eventual cash flow. For example, if the UK business sold products at a price in US dollars, such price being set when the exchange rate was \$1.80 to £1, but the cash flow (being payment for the products), which may take place several months later, occurs when the exchange rate was \$1.85 to £1, this would result in the amount received in pounds sterling being less than originally envisaged. The Group's product prices are often set in US dollars or euro and so accurate and frequent adjustments to the Group's price lists to reflect the currency fluctuations are not easy to achieve. The Group manages these transaction currency risks by the use of forward foreign exchange contracts.

Translation currency risk arises because the Group reports in pounds sterling but its overseas subsidiaries report in US dollars or euro. These overseas subsidiaries' assets and liabilities are accounted for, on a non-consolidated basis, in their respective reporting currencies. Therefore, when relevant exchange rates move, the Group will experience changes in the value, as reflected in the Group's reporting currency and as between reporting periods, of these assets and liabilities and revenues and costs. The Group may from time to time experience losses resulting from fluctuations in these exchange rates which could adversely affect its financial condition and operating results. The Group seeks to minimise its exposure to these risks by matching costs and revenues and assets and liabilities by currency. However, when there is a mismatch, the Group is exposed to currency fluctuations, which could adversely affect its financial condition and results of operations.

Competition

While the markets for a large proportion of the Group's products are well-established and characterised by comparatively long product life-cycles, certain of the Group's products are at risk of being superseded as a result of improvements in alternative technologies which provide the same or comparable functionality. For example, the use of electronic tubes in some applications (in particular, low performance, low level power applications) has been superseded over time. While the Group primarily targets higher performance, higher power applications, it faces the risk that its lower power applications may increasingly become superseded by competitors' products and demand for either enhancements and improvements to existing products or new applications for higher power electronic tubes does not increase.

The market for the Group's sensors is subject to a faster rate of technological change and the Group expects competition to increase. For example, in the area of CCD technology, the Group is exposed to the risk that competitors which currently focus on high volume, lower specification products may increasingly seek to address certain of the applications for the Group's products.

Certain of the Group's current and potential competitors have greater name recognition, access to larger customer bases and significantly greater financial, sales and marketing, manufacturing,

distribution, technical and other resources than the Group. As a result, some of the Group's current and potential competitors may develop and introduce new products at a lower price or which provide superior performance to, or achieve greater market acceptance than, the Group's products.

Furthermore the Group's competitiveness is dependent in part on its costs of production. Increasing labour costs in the United Kingdom may render certain of the Group's UK manufacturing processes *uncompetitive as compared with manufacturing conducted overseas by the Group's competitors.*

The Group's cost base is primarily in pounds sterling, whereas its major competitors' cost bases may primarily be in other currencies, such as US dollars or euro. Consequently, there may be occasions when competitors' pricing levels may be attractive to the Group's customers, due to global exchange rate fluctuations.

Reliance on Certain Suppliers

Some of the Group's products are manufactured using materials that are only available from a limited number of suppliers. Although to-date it has not experienced difficulty in obtaining such materials, the Group cannot be sure that supply interruptions will not occur in the future or that it will not have to obtain substitute materials. Further, while the Group has an active programme to mitigate risk in relation to any *limited-source supplier, including developing long-term supply commitments and relationships,* identifying alternative back-up sources of supply and maintaining appropriate stock holdings, the Group cannot be certain that its third party suppliers will continue to supply to it and any failure of supply could have an adverse effect on the Group's relationships with its customers, its reported financial condition and results of operations. In addition, changes in the suppliers of the Group's raw materials could result in delays in production, higher costs of materials and loss of sales and customers.

Certain components for the Group's products are sourced from overseas (including the United States) and may in the future be subject to more stringent export control requirements creating delays or requiring the Group to find alternative sources.

Reliance on Information Technology and Other Systems

The Group is currently in the process of implementing a SAP enterprise resource planning system. The implementation began in November 2002 and is scheduled to be substantially complete by May 2005.

However, the roll out may involve a longer commissioning period than estimated, cause higher levels of inventory and generally be more disruptive than is currently envisaged. If the Group is not able to complete the implementation as intended it may suffer unforeseen costs and may not realise the expected improvement in the level of business support, with a consequent impact on its results of operations.

Although the Group has recently established a disaster recovery plan and has entered into a contract with a third party to provide disaster recovery services, the Group is exposed to the risk that its information technology and other systems may be subject to damage or interruption from, for example, natural disasters, power loss, security breaches and equipment failure. The measures taken by the Group to ensure continuity of operation of its information technology, data safety and security may not be sufficient to fully protect the Company against these risks.

Manufacturing

The Group manufactures its products at its Chelmsford and Lincoln sites. Various events could disrupt the Group's manufacturing capability at these sites, including interruptions to power supplies, industrial accidents, fire and failure of equipment and facilities. Events of this nature may also result in personal injury and damage to property and the environment, leading to business interruption and possible legal liability. In the event that the operation of these sites is impaired (whether as a result of issues beyond the Group's control or otherwise), *irrespective of the adequacy of insurance cover,* the Group could experience delays in production and loss of sales and customers, each of which could have an adverse effect on its financial condition and results of operations.

The Group relies on test equipment which, for some of its products, are specialised and not readily replaceable. In the event that the Group cannot replace such test equipment, or do so in a timely manner, this may have a material adverse effect on the Group's manufacturing process.

Markets and Customers

e2v has limited control over the marketing and sale of the products into which its electronic tubes or sensors are incorporated. In respect of many of its products, e2v is therefore dependent on the ability of its customers to develop and sell products to their customers and their effectiveness in so doing.

The Group can be subject to significant variations in revenues and costs attributable to individual product lines and markets as a result of the timing and quantum of customer orders, the impact of new product introductions and product improvements and the applicable legislative and regulatory framework. However, the overall impact of such factors is mitigated by the breadth and diversity of its products and target markets.

A significant proportion of the Group's products are supplied for use in the defence and aerospace industries. These industries are dependent in large part on governmental policy and national and international political considerations and are subject to a high degree of governmental control, such factors being outside the control of the Group.

In particular, due to the sensitive nature of certain of the Group's products, certain of the Group's customers require it to maintain appropriate security processes, procedures and controls. While audits of these processes, procedures and controls are carried out by the customers concerned, breaches of them could result in a loss of business for the Group and a consequent adverse effect on its business, financial condition and results of operations.

Changes in governmental policies and defence and aerospace spending levels may have an adverse effect on the Group's results of operations. For example, the UK government may significantly change its export control regulations, as a result impairing the Group's ability to supply to defence industry customers outside of the United Kingdom. In addition, national agencies could rephase or alter major programmes in defence and space, delaying or curtailing certain aerospace, defence and other government programme related sales. Such changes could have an adverse effect on the Group's results of operations.

Employees

Whilst the Group has entered into employment or service contracts with its key senior management, with the aim of retaining their services and protecting its legitimate business interests, the retention of their services cannot be guaranteed.

The loss of the services of any of the Group's senior management or key personnel could have an adverse effect on its financial condition and results of operations and there can be no assurance that the Group will be able to attract or retain suitable replacements for the Group's senior management or key personnel.

The Group depends on the technical and specialist skills and knowledge of many of its employees for the development, manufacturing and sale of its products, particularly given the technical nature of its products and the number and diversity of its target markets. Further, the Group's manufacturing processes are varied and specialised, increasing its reliance upon the technical abilities of its employees.

Intellectual Property

The Group's ability to protect itself against competition depends in part on its ability to protect its intellectual property effectively. The Group's ability to market successfully its products also depends in part on not infringing valid third party intellectual property rights.

Despite the steps taken by the Group to protect its intellectual property rights, in particular its confidential know-how, it may be unable to prevent third parties from copying aspects of the Group's products. Competitors may also seek to recruit Group employees who have had access to confidential know-how of the Group or otherwise obtain and use know-how that the Group regards as proprietary. Any such failure to prevent copying or to protect its confidential know-how from incorporation in a competing product could have an effect on the Group's financial conditions and results of operations.

The Group also uses patent protection to protect certain of its products and manufacturing processes from competition. The Group cannot be certain that its pending patent applications will result in granted patents nor that its granted patents will alone provide adequate protection or provide the means to

prevent third parties from selling products which compete with those of the Group. There is a risk that patents issued to the members of the Group may be challenged or declared invalid or unenforceable.

There is also a risk that the Group's products and manufacturing processes could infringe the intellectual property rights of third parties. The Group has procedures in place when designing its products and processes to avoid such infringement, but there can be no guarantee that these procedures will be effective. The intellectual property position in many of the fields of application of the Group's products is complex and difficult and costly to analyse with certainty. In addition, some patent applications may not have been published at the time of a patent search and are, therefore, not reviewable. Development of new products may be impeded by the need to avoid infringement of existing patents or require the acquisition of licences from the patentholders which may, in turn, reduce the margin available to the Group on the sale of the products.

The Group is also exposed to the risk of becoming involved in intellectual property litigation, including confidentiality disputes, which, whether or not successful, could absorb large amounts of management time and could be costly and interfere with the Group's ability to market its products. An unfavourable outcome in any action brought against the Group could force or require the Group to stop selling products or using technology that was held to infringe third party intellectual property rights and pay damages and costs to the party claiming infringement.

Further, there can be no assurance that third parties will not make infringement claims against the Group. Such claims, with or without merit, could be costly to investigate or defend and may require significant management attention. There can be no assurance that any such claim will not have an adverse effect on the Group's business or financial results. Any potential intellectual property or trade secret litigation brought by or against the Group could involve a substantial commitment of both time and expense to defend or prosecute.

Research and Development

While the Group has in place a specialist process for identifying, evaluating and monitoring development opportunities, the Group cannot be certain that research and development expenditures will result in the development of products which prove to be commercially successful.

The Group is exposed to the risks of delay, technical difficulties and failure of any new product development preventing it from gaining significant, or any, revenue benefit from its investment in research and development.

Once a product has been developed, the Company is subject to the risk that defects in the product are not identified, leading to unanticipated subsequent costs, including the risks of product liability and other litigation. In most cases, the Group's customers are primarily responsible for the safe operation of the Group's products when integrated into systems produced by them; however, there can be no assurance that the Group will not face material product liability claims in the future. Although the Group maintains product liability insurance cover that it believes to be adequate, such insurance cover may not be sufficient to insure fully against losses that may result from such claims.

Delays in completing developments, defects, litigation and other difficulties in the Company's R&D activities could have an adverse financial effect on the Group and its relationship with its customers.

Environmental

The Group is subject to various European, UK and local environmental and health and safety laws, rules and regulations, all of which may be subject to change over time. Among the more significant of these are the Waste Electrical and Electronic Equipment Directive ("WEEE Directive") and the Restriction of Hazardous Substances Directive ("RoHS Directive"), each of which is expected to come into force in the United Kingdom in August 2004. While the Group is currently considering how it will achieve compliance with the WEEE Directive and the RoHS Directive, there can be no assurance as to the costs associated with such compliance.

Both of the Group's UK manufacturing sites have historically used, and continue to use, a range of hazardous chemicals and a range of industrial gases in various manufacturing processes. Whilst the Group follows appropriate health and safety procedures, there can be no assurance that, due to factors beyond the Group's control, the health and safety of its employees will not be affected during the manufacturing process. Additionally, the Group has been operating from its UK sites for many years and

there could be unknown environmental issues associated with these sites that would require significant costs to rectify. Such costs could have an adverse impact on the Group's financial condition.

The Company is aware of contamination of the Lincoln site and as a consequence, a remediation plan to address soil and groundwater issues is in the process of being implemented. Following a report by ERM, the Group increased the level of its provision for the remediation from £0.8 million as at 31 March 2003, to £1.4 million as at 31 March 2004; however, there can be no assurance that the total costs of the work involved will not exceed current estimates.

Whilst the Group employs an environmental co-ordinator who is responsible for managing the Group's compliance with environmental laws and regulations, there can be no assurance that the Group will not be found to be in violation of or required to take action under environmental, or health and safety, laws and regulations in the future. Liabilities for alleged or actual non-compliance with environmental and health and safety laws could have an adverse effect on the Group, its financial condition, results of operations and cashflows.

Implementation of an Acquisition Programme

In order to enhance its growth, the Group intends to make acquisitions. The availability of acquisition targets may be limited and there can be no assurance that any of such targets will be available at prices which make them suitable for acquisition at the relevant time or at all. To finance such acquisitions, the Group may incur additional indebtedness or may seek to raise additional equity finance. The Group may incur operational and financial risks in relation to any acquisitions, including, but not limited to, continuity or integration of operations and personnel and dissipation of the Group's management resources. Any such acquisitions, or the funding and integration of them, may have an adverse effect on the Group, its financial condition, results of operations and cashflows and there can be no assurance that any such acquisition will be successfully integrated within the Group.

The Group's Banking Arrangements

e2v and certain of its subsidiaries have entered into a credit facility with Barclays Capital and Lloyds TSB Bank PLC to provide the Group with debt facilities in the aggregate amount of £60,000,000, conditional, among other things, on Admission. The credit facility contains various financial and other covenants. Any failure to comply with these or the other undertakings and restrictions contained in the credit facility could result in the indebtedness under the credit facility, together with accrued interest, being declared immediately due and payable. The Group's ability to comply with the provisions of the credit facility may be affected by events beyond its control and any default under the credit facility may have a significant adverse effect on the value of the Ordinary Shares.

Risks inherent in Ordinary Shares

Fluctuations in Price of Ordinary Shares

Prior to the Offer there has been no public trading market for the Ordinary Shares. Although e2v has applied to the UK Listing Authority for admission to the Official List and has applied to the London Stock Exchange for admission to trading on its market for listed securities, there is no assurance that an active trading market for the Ordinary Shares will develop or, if developed, be sustained following the closing of the Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Offer Price. As a result of fluctuations in the market price on the Ordinary Shares, investors may not be able to sell their Ordinary Shares at or above the Offer Price, or at all.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares, like the share price of many publicly traded technology companies, may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which are beyond e2v's control, including: variations in operating results in the Group's reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; loss of a major customer; additions or departures of key personnel; any shortfall in turnover or net profit or any increase

in losses from levels expected by securities analysts; and future issues or sales of Ordinary Shares. Any or all of these events could result in a material decline in the price of the Ordinary Shares.

Effect of Future Sales of Ordinary Shares

The Company cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial amounts of Ordinary Shares in the public market following the Offer, or the perception that such sales could occur, could adversely affect the market price of Ordinary Shares and may make it more difficult for investors to sell their Ordinary Shares at a time and price which they deem appropriate.

Immediately following the Offer, approximately 55,916,451 Ordinary Shares will be in issue and there will be no outstanding options over the unissued share capital of the Company. While certain of the holders of Existing Shares have agreed to certain lock-up arrangements in respect of any Ordinary Shares held by them prior to Admission, after these lock-up arrangements cease to apply there will be no contractual restriction on the sale of the Ordinary Shares owned by them. Furthermore, N M Rothschild and ABN AMRO Rothschild may, in their sole discretion, and at any time or from time to time, without notice, release all or any portion of the Ordinary Shares subject to these lock-up arrangements. Approximately 10.0 per cent. of the Ordinary Shares in issue after Admission will be subject to these lock-up arrangements. The Company has agreed to enter into a similar lock-up arrangement relating to the issue of shares by it. See paragraph 10 of Part VIII of this document for further information relating to the lock-up arrangements.

PART V

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following review should be read in conjunction with the accountants' report on the Group set out in Part VI of this document. Investors should read the whole of this document and should not just rely on key or summarised information.

Overview of Group

The Group is a leading developer and manufacturer of electronic tubes and sensor components and sub-systems. It supplies its products to niche markets within the medical and science, the aerospace and defence and the commercial and industrial sectors. The Group was a subsidiary of Marconi until July 2002, when it was sold in the Management Buy Out. In August 2003, the Group acquired the Microwave Car Alarm Business for consideration of £2.0 million in cash. Sensor products from the Microwave Car Alarm Business contributed £2.4 million to the Group's revenues for FY2004.

The Group's turnover is derived from the sale of the Group's products and the completion of contract milestones on customer-funded product development programmes. It is stated net of value added and other sales taxes.

The Group's revenues are affected by currency exchange fluctuations, particularly as between sterling and the US dollar, as a large proportion of the Group's revenues are US dollar denominated while most of its expenses are incurred in pounds sterling. Between FY2002 and FY2004, the Group's revenues increased from £95.6 million to £97.6 million which translates to 8.9 per cent. growth on a constant currency basis.

The Group experienced an unusually high level of sales of its electronic tube products in FY2002 as a result of the FCC announcing a deadline for the roll out of digital television in the United States. Subsequent growth was primarily driven by increased sales of sensor products across all market sectors, increased sales of tubes to the medical and science sector and the impact of the Microwave Car Alarm Business acquisition on sensor sales. This growth was partly offset by a decline in sales of the Group's electronic tube products for certain applications in the aerospace and defence and the commercial and industrial sectors.

The Group's costs were increased by one-off costs in FY2003 relating to the Management Buy Out and by an increase in ongoing administrative costs previously borne by Marconi and not recharged to the Group. Against this, the Group has benefited from operating efficiency improvements in FY2003 and FY2004 and a reduction in cost of sales as a result of currency hedging activities.

The Group's cost of sales includes all manufacturing costs including costs of raw materials and components, direct and indirect labour costs and factory overheads as well as product warranty costs. Cost of sales is stated after the impact of hedging the Group's exposure to exchange rate fluctuations in connection with sales. Other overheads include R&D costs as well as selling, distribution and administration costs. The largest element of the Group's expenses is employees' wages and salaries.

Results of Operations

The following table summarises the Group's audited results of operations for FY2002, FY2003 and FY2004:

		Year ended 31 March		
		2002	2003	2004
		£000	£000	£000
1. Turnover	.....	95,576	92,885	97,566
Cost of sales	.....	(63,719)	(63,572)	(63,886)
2. Gross profit	.....	31,857	29,313	33,680
3. Research and development	.....	(4,792)	(4,388)	(5,417)
4. Selling and distribution costs	.....	(10,740)	(9,409)	(9,664)
5. Administrative expenses	.....	(7,450)	(8,753)	(8,744)
Amortisation of intangible assets	.....	(29)	(710)	(1,084)
Restructuring costs	.....	(1,674)	(681)	(124)
Environmental costs	.....	(500)	(346)	(402)
Cost associated with the MBO	.....	—	(946)	(60)
Other Administrative expenses	.....	(5,247)	(6,070)	(7,074)
Total administrative expenses	.....	(7,450)	(8,753)	(8,744)
Operating profit	.....	8,875	6,763	9,855
Dividends Receivable	.....	6,071	—	—
Interest receivable	.....	791	489	298
6. Interest payable	.....	(21)	(3,825)	(5,510)
Profit on ordinary activities before taxation	.....	15,716	3,427	4,643
7. Tax on ordinary activities	.....	(1,797)	(1,007)	(1,362)
Profit on ordinary activities after taxation	.....	13,919	2,420	3,281

1 Turnover

Between FY2002 and FY2004 the Group's total turnover has grown from £95.6 million in FY2002 to £97.6 million in FY2004, which represents sales growth of 2.1 per cent. on a reported currency basis. On a constant currency basis, turnover would have increased by 8.9 per cent. between FY2002 and FY2004. On a constant currency basis, turnover would have increased by 0.5 per cent. between FY2002 and FY2003 as a result of an increase in turnover from products supplied into the medical and science sector being offset in part by a decline in sales of IOTs and ECM towed decoys. However, reported turnover declined by 2.8 per cent. between FY2002 and FY2003 primarily as a result of a weakening of the US dollar against sterling. On a reported currency basis, turnover increased by 5.0 per cent. between FY2003 and FY2004 despite a further weakening of the US dollar against sterling and, on a constant currency basis, increased by more than 8.3 per cent.

The following table sets out an analysis of the Group's total turnover in FY2002, FY2003 and FY2004 (on a reported currency basis):

		Year ended 31 March					
		2002		2003		2004	
		£000	%	£000	%	£000	%
Tubes							
Medical and science	.....	14,784	15.5	15,816	17.0	16,506	16.9
Aerospace and defence	.....	16,426	17.2	14,342	15.4	13,731	14.1
Commercial and industrial	.....	31,965	33.4	28,511	30.7	23,850	24.4
	.....	63,175	66.1	58,669	63.1	54,087	55.4
Sensors							
Medical and science	.....	6,941	7.3	10,869	11.7	12,350	12.7
Aerospace and defence	.....	16,801	17.6	16,771	18.1	16,910	17.3
Commercial and industrial	.....	8,659	9.0	6,576	7.1	14,219	14.6
	.....	32,401	33.9	34,216	36.9	43,479	44.6
Total	.....	95,576	100	92,885	100	97,566	100

Electronic Tubes

Sales of the Group's electronic tubes fell from £63.2 million in FY2002 to £54.1 million in FY2004 driven in large part by currency exchange fluctuations but also reflecting a fall from peak demand levels within the aerospace and defence sector as well as the commercial and industrial sector in FY2002. Sales into the medical and science sector have shown steady growth.

In the medical and science sector, notwithstanding currency exchange fluctuations, sales of the Group's electronic tubes grew by 11.6 per cent. from FY2002 to FY2004 driven principally by increasing demand from radiotherapy and microwave therapy OEMs.

In the aerospace and defence sector, sales from the Group's electronic tubes fell by 16.4 per cent. from FY2002 to FY2004 primarily reflecting a decrease in demand for the Group's electronic tubes in radar applications but also the phasing of towed decoy programs resulting in no significant business since FY2002. A significant proportion of sales in this sector is attributable to spares supplied to existing defence platforms.

In the commercial and industrial sector, sales from the Group's electronic tubes fell by 25.4 per cent. from FY2002 to FY2004 driven in large part by currency exchange fluctuations but also reflecting the high level of demand for IOTs for UHF television broadcast transmitters in the United States in FY2002 as a result of the FCC announcing a deadline for the roll out of digital television in the United States. In FY2004, revenues were also adversely affected by the late introduction of the Group's magnetrons adapted to comply with new regulations for supply to the marine radar market.

Sensors

Sales of the Group's sensors grew from £32.4 million in FY2002 to £43.5 million in FY2004. Despite the adverse impact of currency exchange fluctuations, growth in sales of the Group's sensors was achieved in all the sectors and, in particular, in the medical and science and the commercial and industrial sectors.

In the medical and science sector, sales of the Group's sensors grew by 77.9 per cent. from FY2002 to FY2004 which was largely attributable to increased demand for CCDs for dental imaging and life science applications.

In the commercial and industrial sector, sales of the Group's sensors grew by 64.2 per cent. from FY2002 to FY2004, which was largely attributable to the launch of a new fire-fighter thermal imaging camera and the acquisition of the Microwave Car Alarm Business. Sensor products from the Microwave Car Alarm Business contributed £2.4 million to the Group's revenues for FY2004.

2 Gross Profit

Gross profit represents the Group's turnover less cost of sales. A large part of cost of sales is the Group's labour and factory overhead costs. Cost of sales is increased or reduced by the effect of hedging foreign currency sales.

Although there has been growth in revenues on a constant currency basis, cost of sales remained largely stable between FY2002 and FY2004. This was partly due to operational improvements, resulting in a reduction in the operational headcount by more than 30 per cent. and resources being made available for R&D activities as well as exchange rate gains offsetting inflationary and volume-driven cost increases.

3 Research and Development

The Group's R&D costs relate to developing existing and new products as well as a limited amount of general research. Such costs include the costs of the Group's engineering resource (when employed on specific R&D projects), associated overheads, third party consultants (including universities) and raw materials and components.

The Group's funded R&D expenditure amounted to 4.7 per cent. of sales in FY2003 compared with 5.0 per cent. in FY2002. In FY2004, this increased to 5.6 per cent. of sales as additional engineering resources were made available to R&D activities.

4 Selling and Distribution Costs

Selling and distribution costs include the costs of operating the Group's overseas sales and support offices as well as its UK sales force (which manages sales to the rest of the world), together with associated marketing costs and commission. The Group reduced distribution expenditure by £1.3 million in FY2003 principally as a result of a reduction of staffing in the United States and lower commissions. Costs increased by £0.3 million in FY2004 principally due to the opening of a sales office in Germany and increased commissions.

5 Administrative Expenses

Administrative expenses include those relating to the finance, IT, human resources and head office functions of the Group, amortisation of intangible assets, rationalisation costs, environmental provisions and one-off MBO costs.

The increase in other administrative expenses from FY2002 to FY2003 of £0.8 million was principally due to the Group bearing certain administrative costs following the Management Buy Out, such costs having been previously borne by Marconi. The further £1.0 million increase in other administrative expenses in FY2004 in part reflected additional legal expenses and the full-year impact of additional costs previously borne by Marconi.

Amortisation of intangible assets primarily arises as a result of the annual write down of the goodwill arising from the Management Buy Out, which increased in FY2004 due to the full year impact of the Management Buy Out, and the acquisition of the Microwave Car Alarm Business. The goodwill arising from the Management Buy Out is currently being amortised over 12 years and the goodwill arising from the acquisition of the Microwave Car Alarm Business is currently being amortised over six years.

Restructuring costs of £1.7 million for FY2002 arose because of redundancy policies implemented by Marconi. Since the Management Buy Out, the Group has implemented redundancy policies which have led to a significant decrease in redundancy costs incurred by it.

Environmental provisions relate primarily to remediation work being conducted at the Lincoln premises, as described under the heading "Risks relating to the Group — Environmental" in Part IV of this document.

Costs associated with the MBO relate primarily to one-off costs incurred at the time of the Management Buy Out.

6 Interest Payable

The interest charges in FY2003 and FY2004 primarily reflect the impact of the Management Buy Out, and from FY2003, includes interest on the senior and mezzanine debt from HBOS and the Institutional Loan Notes. The Group has negotiated with the Banks to provide appropriate facilities to the Group, conditional on Admission, to replace these facilities.

The Group has entered into an interest rate hedge agreement, which expires on 1 November 2005, in order to crystallise the interest charges on the senior and mezzanine debt to HBOS. Further details of this are set out in paragraph 11 of Part VIII of this document.

7 Tax on Ordinary Activities

The effective tax rate for the Group in FY2002 was lower than the effective tax rate in both FY2003 and FY2004 principally due to the availability of group relief within the Marconi group in FY2002. In FY2003 and FY2004, the effective tax rate which otherwise would have applied was reduced by R&D tax credits. Corporate tax rates applicable to overseas subsidiaries are generally higher than the 30 per cent. UK rate and this partly offsets the R&D tax credits.

Amortisation of £916,000 of goodwill arising from the Management Buy Out is not a tax deductible expense and, in FY2004, this increased the effective tax rate on profit before tax by 5.9 per cent..

Other Factors Affecting Results of Operations

Exchange Rates and Hedging

e2v annually converts US dollars and euro received from customers into pounds sterling to pay the operating costs of the Group. In order to reduce the impact of exchange rate movements on its results, the Group enters into forward currency contracts to cover committed and forecast foreign currency receipts.

Dividends Received

The dividend received in FY2002 related to an intra-Marconi group arrangement which was a one-off payment to Marconi Applied Technologies SAS (the company from which the French assets were acquired as part of the Management Buy Out). Following the Management Buy Out, the Group no longer holds any investments in any Marconi group companies.

Capitalised Expenses

The Company incurred expenses negotiating the facilities made available by Bank of Scotland in connection with the Management Buy Out. In accordance with UK GAAP, these expenses have been capitalised by the Company and are being amortised over the term of the relevant facilities. As at 31 March 2004, there are £2.2 million of such capitalised expenses. Upon Admission, these facilities will be repaid and the Company will be required to write off the remainder of the capitalised expenses in FY2005.

Liquidity and Cash Flow

The following table extracts the principal components of the Group's operating cash flow for FY2002, FY2003 and FY2004:

	Year ended 31 March		
	2002	2003	2004
	£000	£000	£000
Operating profits	8,875	6,763	9,855
Depreciation and amortisation	4,297	5,433	6,503
EBITDA	13,172	12,196	16,358
Decrease/(Increase) in working capital	(2,630)	1,448	2,909
Increase in provisions	692	179	945
Net cash flow from operating activities	11,234	13,823	20,212
Other cashflow movements:			
Capital expenditure	(4,347)	(5,761)	(8,290)
Interest receipts/(payments)	285	(1,364)	(2,630)
Taxation — United Kingdom and overseas	(864)	(1,038)	(988)

The growth in EBITDA and reduction of working capital increased net cash flow from operating activities from £11.2 million in FY2002 to £20.2 million in FY2004. The reduction in inventory in FY2003 of £5.3 million was the main contributor to the £1.4 million decrease in working capital for that year. Inventory increased by £3.9 million in FY2004, particularly towards the end of the year reflecting increased activity levels, although the cash impact was minimal, principally due to the timing of payments to suppliers. The principal working capital reductions in FY2004 arose as a result of the receipt of advance payments from customers on contracts, and the payments for increased capital expenditure incurred within FY2004 being due for payment in FY2005.

Capital expenditure levels increased from £4.3 million in FY2002 to £8.3 million in FY2004. Levels of capital expenditure increased primarily on new product introductions within the Group's sensor product group as well as investment in the SAP enterprise resource planning system. The introduction of SAP is a three year programme and capital expenditure of approximately £1.3 million and £2.1 million was incurred in FY2003 and FY2004 respectively.

The levels of interest paid reflect the historic financing of the Group and, in FY2003 and FY2004, reflect the impact of the increased borrowing arising from the Management Buy Out.

PART VI

Accountants' Report



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19 July 2004

Dear Sirs

1. Introduction

We report on the financial information set out below on pages 34 to 57. This financial information has been prepared for inclusion in the listing particulars dated 19 July 2004 of e2v technologies plc (the "Company").

The Company was incorporated on 15 May 2002 as a private limited company with the name Redwood 2002 Limited. The Company then, either directly or through newly acquired intermediate subsidiaries, acquired from Marconi Corporation plc the businesses that had formerly traded as the Marconi Applied Technologies Division in two stages:

- On 12 July 2002 the Company acquired from Marconi Corporation plc the entire share capital of e2v Technologies Limited, e2v Technologies Inc. and e2v Technologies Canada Limited; and
- On 14 August 2002, e2v Technologies SAS (a wholly owned subsidiary of the Company) acquired the trade and certain trading assets of Marconi Applied Technologies SAS.

Collectively these acquisitions are referred to as the "Management Buy Out" in this report.

On 17 September 2002 the Company changed its name to e2v Holdings Limited and on 29 June 2004 it changed its name to e2v technologies Limited.

The Company re-registered as a public limited company on 29 June 2004.

The Company and its subsidiary undertakings are referred to as the "Group".

The entities, which carried on the business currently operated by the Group prior to the Management Buy Out, are together referred to as the "Marconi Applied Technologies Division".

Basis of preparation

Prior to the Management Buy Out, the Marconi Applied Technologies Division, while under the common control and ownership of Marconi Corporation plc, did not form a legal group of companies and accordingly, there was no requirement to prepare consolidated statutory financial statements and no such financial statements were prepared.

Therefore, the financial information set out in paragraphs 2 to 6 on pages 34 to 58 has been prepared on the basis set out in note 1 of paragraph 6 and is based on the aggregated audited non

statutory financial statements of the Marconi Applied Technologies Division for the year ended 31 March 2002, the audited consolidated statutory financial statements for the Group for the period from incorporation on 15 May 2002 to 31 March 2003 and the audited consolidated statutory financial statements for the Group for the year ended 31 March 2004, after making such adjustments as we considered necessary.

Responsibility

Such financial statements referred to above are the responsibility of the directors of the Company who approved their issue.

The directors of the Company are responsible for the contents of the listing particulars dated 19 July 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the listing particulars dated 19 July 2004, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended.

2. Profit and loss account

	Notes	Year ended 31 March		
		2002 £000	2003 £000	2004 £000
Turnover	2	95,576	92,885	97,566
Cost of sales		(63,719)	(63,572)	(63,886)
Gross profit		31,857	29,313	33,680
Research and development		(4,792)	(4,388)	(5,417)
Distribution costs		(10,740)	(9,409)	(9,664)
Administrative expenses		(7,450)	(8,753)	(8,744)
Amortisation of intangible assets		(29)	(710)	(1,084)
Restructuring costs		(1,674)	(681)	(124)
Environmental costs		(500)	(346)	(402)
Costs associated with the Management Buy Out		—	(946)	(60)
Other administrative expenses		(5,247)	(6,070)	(7,074)
Total administrative expenses		(7,450)	(8,753)	(8,744)
Operating profit	3	8,875	6,763	9,855
Dividends receivable	9	6,071	—	—
Interest receivable	6	791	489	298
Interest payable	7	(21)	(3,825)	(5,510)
Profit on ordinary activities before taxation		15,716	3,427	4,643
Tax on profit on ordinary activities	8	(1,797)	(1,007)	(1,362)
Profit on ordinary activities after taxation		13,919	2,420	3,281
Dividends payable	9	—	(27,999)	—
Retained profit/(loss) for the financial year	19	13,919	(25,579)	3,281
Earnings per share — basic and diluted	10	527.5p	91.7p	123.9p

3. Statement of total recognised gains and losses

	Notes	Year ended 31 March		
		2002 £000	2003 £000	2004 £000
Profit for the financial year attributable to members of the parent company		13,919	2,420	3,281
Exchange difference on retranslation of net assets of subsidiary undertaking	19	(9)	(92)	(265)
Exchange difference on retranslation of inter-company loans	19	—	—	(519)
Total recognised gains and losses relating to the year		13,910	2,328	2,497

4. Balance sheet

	Notes	At 31 March		At 31 March		At 31 March	
		2002		2003		2004	
		£000	£000	£000	£000	£000	£000
Fixed assets							
Intangible assets	11		513		10,700		11,509
Tangible assets	12		<u>17,804</u>		<u>18,762</u>		<u>21,920</u>
			18,317		29,462		33,429
Current assets							
Stock	13	23,029		17,736		21,657	
Debtors	14	57,551		24,359		25,313	
Cash at bank and in hand ..		<u>9,470</u>		<u>6,798</u>		<u>4,475</u>	
		90,050		48,893		51,445	
Creditors: amounts falling due within one year	15	<u>(19,653)</u>		<u>(16,040)</u>		<u>(25,552)</u>	
Net current assets			<u>70,397</u>		<u>32,853</u>		<u>25,893</u>
Total assets less current liabilities			88,714		62,315		59,322
Creditors: amounts due after more than one year ..	16		—		(53,960)		(47,195)
Provisions for liabilities and charges	17		<u>(3,724)</u>		<u>(3,802)</u>		<u>(5,063)</u>
			<u>84,990</u>		<u>4,553</u>		<u>7,064</u>
Capital and reserves							
Called up share capital	18		4,380		264		278
Share premium account	19		—		2,376		2,376
Profit and loss account	19		<u>80,610</u>		<u>1,913</u>		<u>4,410</u>
Equity shareholders' funds	19		<u>84,990</u>		<u>4,553</u>		<u>7,064</u>

5. Statement of cash flows

	Notes	Year ended 31 March		
		2002	2003	2004
		£000	£000	£000
Net cash inflow from operating activities	25	<u>11,234</u>	<u>13,823</u>	<u>20,212</u>
Returns on investments and servicing of finance				
Interest received		306	318	298
Interest paid		(21)	(1,682)	(2,928)
Issue costs on new long-term loans		—	(2,836)	—
Dividends received		6,071	—	—
Dividends paid		—	(18,913)	—
		<u>6,356</u>	<u>(23,113)</u>	<u>(2,630)</u>
Taxation				
Corporation tax received		237	—	—
Corporation tax paid		—	(202)	(672)
Group relief paid		—	(3,615)	—
Overseas tax paid		<u>(1,101)</u>	<u>(836)</u>	<u>(316)</u>
		<u>(864)</u>	<u>(4,653)</u>	<u>(988)</u>
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(4,347)	(5,761)	(8,290)
Receipts from sales of tangible fixed assets		<u>2,495</u>	<u>99</u>	<u>13</u>
		<u>(1,852)</u>	<u>(5,662)</u>	<u>(8,277)</u>
Acquisitions and disposals				
Purchase of subsidiary undertaking	11	—	(51,866)	—
Purchase of business	11	—	—	(2,016)
		<u>—</u>	<u>(51,866)</u>	<u>(2,016)</u>

	Notes	Year ended 31 March		
		2002	2003	2004
		£000	£000	£000
Net cash inflow/(outflow) before management of liquid resources and financing		<u>14,874</u>	<u>(71,471)</u>	<u>6,301</u>
Financing				
Issue of ordinary share capital	19	—	2,640	14
New long-term loans		—	53,435	—
(Repayment)/receipt of vendor loans		<u>(34,427)</u>	<u>13,045</u>	<u>(7,906)</u>
		<u>(34,427)</u>	<u>69,120</u>	<u>(7,892)</u>
Decrease in cash		<u>(19,553)</u>	<u>(2,351)</u>	<u>(1,591)</u>

Reconciliation of net cash flow to movement in net debt

	Notes	Year ended 31 March		
		2002	2003	2004
		£000	£000	£000
Decrease in cash		(19,553)	(2,351)	(1,591)
Cash (inflow)/outflow from (increase)/decrease in loans		<u>34,427</u>	<u>(66,480)</u>	<u>7,906</u>
Decrease/(increase) in net debt resulting from cash flows ..	25	14,874	(68,831)	6,315
Issue of loan note for non cash consideration		—	(2,556)	—
Issue of payment in kind notes		—	(1,128)	(1,743)
Issue costs on new long-term loans		—	2,836	—
Amortisation of debt issue costs		—	(284)	(378)
Settlement of debt for non cash consideration		—	(22,396)	—
Exchange differences		<u>(37)</u>	<u>(321)</u>	<u>(732)</u>
Movement in net debt		<u>14,837</u>	<u>(92,680)</u>	<u>3,462</u>
Net cash/(debt) at 1 April		<u>30,074</u>	<u>44,911</u>	<u>(47,769)</u>
Net cash/(debt) at 31 March		<u>44,911</u>	<u>(47,769)</u>	<u>(44,307)</u>

6. Notes to the financial information

1. Accounting policies

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of preparation and consolidation

Year ended 31 March 2002

The financial information for the year ended 31 March 2002 aggregates the results, assets and liabilities of e2v Technologies (uk) Limited, e2v Technologies Inc, e2v Technologies Canada Limited and Marconi Applied Technologies SAS, which were wholly owned subsidiaries of Marconi Corporation plc at that time. Inter-company trading and balances between these entities have been eliminated in the preparation of the financial information.

Prior to the Management Buy Out, whilst subsidiaries of Marconi Corporation plc, the Marconi Applied Technologies Division was part of the tax arrangements of Marconi Corporation plc. Where tax was borne by the individual companies, including where group relief was paid for, these amounts are included in the combined financial information. Such taxation and cash flows may not be comparable to those reported in subsequent financial periods.

Additionally, whilst subsidiaries of Marconi Corporation plc the Marconi Applied Technologies Division was part of the internal funding arrangements of Marconi Corporation plc and benefited from Marconi Corporation plc's centralised purchasing power. Following the Management Buy Out, the Group has operated independently. Accordingly the overhead

costs, cash flows and related interest prior to the Management Buy Out may not be comparable to those reported in subsequent financial periods.

e2v Technologies SAS, a subsidiary of the Company, was a new company incorporated to acquire only certain trading assets of Marconi Applied Technologies SAS as part of the Management Buy Out. The assets not acquired were cash, amounts owed to and from Marconi Corporation plc and non-trading provisions. These are included in the 31 March 2002 balance sheet.

Year ended 31 March 2003

The Management Buy Out occurred in July and August 2002.

In the period prior to the Management Buy Out the financial information has been aggregated on the same basis as the financial information for the year ended 31 March 2002. As from the date of the Management Buy Out the financial information consolidates the financial statements of e2v technologies plc and its subsidiary undertakings drawn up to 31 March.

The assets not acquired at the date of the Management Buy Out, as commented above, have been eliminated from the financial information for the year ended 31 March 2003 and have been separately identified in note 11.

At the time of the Management Buy Out goodwill of £10,897,000 arose, being the difference between the cost of the Management Buy Out and the aggregate fair value of the identifiable assets and liabilities acquired. This is being amortised over 12 years from the date of the Management Buy Out. Accordingly, the amortisation charges prior to the Management Buy Out are not comparable to those reported in subsequent financial periods.

At the time of the Management Buy Out, the Group entered into new funding arrangements to finance the Management Buy Out and operate as an independent entity. Accordingly, the cash flows and related interest prior to the Management Buy Out may not be comparable to those reported in subsequent financial periods.

Year ended 31 March 2004

The financial information for the year ended 31 March 2004 consolidates the financial statements of e2v technologies plc and its subsidiary undertakings drawn up to 31 March.

Depreciation

Freehold land is not depreciated and is held at historical cost. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the original cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	— 50 years
Plant & machinery	— 3 to 10 years
Office equipment, fixtures and fittings	— 3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a maximum of 20 years. It will be reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the assets have a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets created within the business are not capitalised and expenditure is charged against profit in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	— purchase cost on an average basis
Work in progress and finished goods	— cost of direct materials and labour plus attributable overheads based on a normal level of activity

Provisions

Provisions for the expected costs of maintenance and warranty claims are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the period end, by recording turnover and related costs (as defined in Stock above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the period in which they are first foreseen.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development

Research and development expenditure is written off to the profit and loss account as incurred.

Foreign currencies

The balance sheets of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The profit and loss and cash flow of overseas subsidiary undertakings are translated at the average rate for the year. The exchange differences arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken directly to the profit and loss account with the exception of differences on permanent intercompany loans with the same characteristics as equity, which are taken directly to reserves; and on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Derivative instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The Group also uses interest rate swaps to adjust interest rate exposures.

The Group considers its derivative instruments qualify for hedge accounting when the following criteria are met:

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

- the instrument must be related to a firm foreign currency commitment;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the Group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognised until the transaction occurs.

Interest rate swaps

The Group's criteria for interest rate swaps are:

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing the net interest payable. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the year end. If they are

terminated early, the gain or loss is spread over the remaining maturity of the original instrument.

Pension scheme arrangements

The Group contributes to group personal pension arrangements for its employees. The pension cost is the amount of contributions payable in the year (see note 21).

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

Turnover is attributable to two continuing activities, being the supply of electronic tubes and sub-systems, as well as the supply of sensor components and sub-systems. The acquisition of the automotive security business from Dynex Semiconductors Limited during the year ended 31 March 2004 is considered immaterial for disclosure purposes, hence no analysis of continuing acquisitions is made.

An analysis of turnover, profit and net assets by activity is given below:

	Year ended 31 March		
	2002 £000	2003 £000	2004 £000
Group turnover			
Electronic Tubes			
— Medical and Science	14,784	15,816	16,506
— Aerospace and Defence	16,426	14,342	13,731
— Commercial and Industrial	31,965	28,511	23,850
	<u>63,175</u>	<u>58,669</u>	<u>54,087</u>
Sensors			
— Medical and Science	6,941	10,869	12,350
— Aerospace and Defence	16,801	16,771	16,910
— Commercial and Industrial	8,659	6,576	14,219
	<u>32,401</u>	<u>34,216</u>	<u>43,479</u>
Total	<u>95,576</u>	<u>92,885</u>	<u>97,566</u>
Operating profit			
— Electronic Tubes	21,834	18,692	13,539
— Sensors	7,613	8,355	11,393
— Central overheads	(20,572)	(20,284)	(15,077)
	<u>8,875</u>	<u>6,763</u>	<u>9,855</u>
Net assets/(liabilities)			
— Electronic Tubes	13,920	10,966	13,006
— Sensors	13,536	13,261	15,974
— Central unallocated net assets/(liabilities)	57,534	(19,674)	(21,916)
	<u>84,990</u>	<u>4,553</u>	<u>7,064</u>

Central unallocated net assets/(liabilities) comprise certain fixed assets, debtors, creditors, loan notes, net debt and taxation.

An analysis of turnover, profit and net assets by geographical market is given below:

	Year ended 31 March		
	2002	2003	2004
	£000	£000	£000
Group turnover			
Turnover by destination:			
United Kingdom	24,222	26,006	29,893
United States	38,147	32,860	30,313
Rest of the World	33,207	34,019	37,360
	<u>95,576</u>	<u>92,885</u>	<u>97,566</u>
Turnover by origin:			
United Kingdom	52,994	53,697	60,566
United States	37,975	32,578	30,910
Rest of the World	4,607	6,610	6,090
	<u>95,576</u>	<u>92,885</u>	<u>97,566</u>
Operating profit			
United Kingdom	6,717	4,873	8,649
United States	1,665	1,470	1,062
Rest of the World	493	420	144
	<u>8,875</u>	<u>6,763</u>	<u>9,855</u>
Net assets			
United Kingdom	53,970	2,696	5,437
United States	15,516	1,636	1,275
Rest of the World	15,504	221	352
	<u>84,990</u>	<u>4,553</u>	<u>7,064</u>

3. Operating profit

	Year ended 31 March		
	2002	2003	2004
	£000	£000	£000
The operating profit is stated after charging:			
Depreciation of owned fixed assets	4,268	4,723	5,419
Auditors' remuneration — audit services	53	59	84
— non-audit services	—	—	11
Operating lease rentals — land and buildings	178	171	182
— plant and machinery	179	395	355
Amortisation of patents and goodwill	29	710	1,084
Environmental costs	500	346	402
Restructuring costs	1,674	681	124
Product warranty costs	<u>1,475</u>	<u>1,544</u>	<u>2,632</u>

4. Directors' emoluments

The remuneration of the statutory directors for the period from incorporation of the Company to 31 March 2004 is as follows:

Year ended 31 March 2003

Prior to incorporation of the Company the business did not form a legal group and there were no statutory directors of e2v technologies plc. The information provided below is based on the remuneration of the directors of the Company for the period from incorporation to 31 March 2003:

<u>For the period from the incorporation of the Company to 31 March 2003</u>	<u>Basic salary and fees £</u>	<u>Benefits £</u>	<u>Performance related bonuses £</u>	<u>Total 2003 £</u>
Executive directors:				
K Attwood	104,351	9,304	36,000	149,655
M Hannant	52,633	6,628	—	59,261
Non-executive directors:				
M Hassall	28,821	—	—	28,821
I Slaughter	18,013	—	—	18,013
J Davison	—	—	—	—
I Godden	—	—	—	—
	<u>203,818</u>	<u>15,932</u>	<u>36,000</u>	<u>255,750</u>

Year ended 31 March 2004

The remuneration of the directors of the Company for the year ended 31 March 2004 is as follows:

	<u>Basic salary and fees £</u>	<u>Benefits £</u>	<u>Performance related bonuses £</u>	<u>Total 2004 £</u>
Executive directors:				
K Attwood	146,000	10,533	33,030	189,563
M Hannant	83,600	8,733	18,350	110,683
Non-executive directors:				
M Hassall	40,000	—	—	40,000
I Slaughter	25,000	—	—	25,000
J Davison	—	—	—	—
I Godden	<u>25,000</u>	<u>—</u>	<u>—</u>	<u>25,000</u>
	<u>319,600</u>	<u>19,266</u>	<u>51,380</u>	<u>390,246</u>

The Company has contracted for consultancy services with Horne Roberts, a company in which Messrs Hassall and Slaughter have an interest. Amounts paid under the agreement for the period ended 31 March 2004 amounted to £105,415 (2003: £284,988; 2002: £nil). The Group has also contracted for consultancy services with Roland Berger, a company in which I Godden has an interest. Amounts paid under the agreement in the year ended 31 March 2004 amounted to £38,150 (2003: £nil, 2002: £nil).

In the year ended 31 March 2004, the Group paid fees to 3i plc for the services of J Davison of £27,500 (2003: £nil; 2002: £nil).

The Group contributed to each director's stakeholder pension for the period from the Management Buy Out to 31 March 2003 and for the year ended 31 March 2004 as follows:

	<u>2003 £000</u>	<u>2004 £000</u>
K Attwood	9	9
M Hannant	4	5

5. **Staff costs**

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
	£000	£000	£000
Wages and salaries	32,486	31,325	30,571
Social security costs	3,175	3,366	3,400
Other pension costs (note 21)	<u>1,224</u>	<u>1,564</u>	<u>1,080</u>
	<u>36,885</u>	<u>36,255</u>	<u>35,051</u>

The average monthly number of employees (including executive directors) during the year was as follows:

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
	No.	No.	No.
Manufacturing	921	911	881
Administration	<u>434</u>	<u>428</u>	<u>411</u>
	<u>1,355</u>	<u>1,339</u>	<u>1,292</u>

6. **Interest receivable**

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
	£000	£000	£000
Interest receivable on loan to Marconi Corporation plc	643	180	—
Bank interest receivable	<u>148</u>	<u>309</u>	<u>298</u>
	<u>791</u>	<u>489</u>	<u>298</u>

7. **Interest payable**

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
	£000	£000	£000
Interest payable on overdrafts and bank loans	21	2,298	3,134
Interest payable on other loans	—	1,243	1,998
Amortisation of issue costs on debt	<u>—</u>	<u>284</u>	<u>378</u>
	<u>21</u>	<u>3,825</u>	<u>5,510</u>

8. **Tax on profit on ordinary activities**

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
	£000	£000	£000
(a) The tax charge represents:			
UK corporation tax — current year	2,335	435	1,177
— prior year	<u>(125)</u>	<u>—</u>	<u>(268)</u>
	2,210	435	909
Foreign tax	<u>(267)</u>	<u>673</u>	<u>390</u>
Total current tax (8(b))	1,943	1,108	1,299
Deferred tax — origination and reversal of timing differences	<u>(146)</u>	<u>(101)</u>	<u>63</u>
	<u>1,797</u>	<u>1,007</u>	<u>1,362</u>

- (b) The tax assessed on the profit on ordinary activities for the year varies from the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
	£000	£000	£000
Profit on ordinary activities before tax	9,645	3,427	4,643
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%; 2002: 30%)	2,894	1,028	1,393
Effect of:			
Disallowed expenses and non-taxable income	23	167	318
Research and development tax credit	—	(125)	(192)
Depreciation in excess/(arrears) of capital allowances	65	119	(45)
(Lower)/higher taxes on overseas earnings	(919)	(3)	111
Other timing differences	5	(78)	(18)
Tax overprovided in previous years	(125)	—	(268)
Current tax charge for the year	1,943	1,108	1,299

- (c) Deferred tax is provided at 30% in the financial statements as follows:

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
	£000	£000	£000
Capital allowances in advance of depreciation	470	379	425
Short term timing differences	(7)	(17)	—
Provision for deferred tax (note 17)	463	362	425

Prior to the Management Buy Out, whilst subsidiaries of Marconi Corporation plc, the Marconi Applied Technologies Division was part of the tax arrangements of Marconi Corporation plc. Where tax was borne by the individual companies, including where group relief was paid for, these amounts are included in the combined financial information. Such taxation and cash flows may not be comparable to those reported in subsequent financial periods.

9. Dividends

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
	£000	£000	£000
Dividend receivable — from Marconi Data Systems SA	6,071	—	—
Equity dividends on ordinary shares:			
Dividends payable on Ordinary shares — final paid	—	27,999	—

10. Earnings per ordinary share

The calculation of earnings per share for the year ended 31 March 2004 is based on earnings of £3,281,000 being the profit for the year and on 2,647,728 ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The calculation of earnings per share for the year ended 31 March 2003 is based on earnings of £2,420,000 (2002: £13,919,000) being the profit for the year and on 2,638,637 (2002: 2,638,637) ordinary shares, being the weighted average number of ordinary shares as explained below. As the Group did not exist as a statutory group of companies prior to the

Management Buy Out, for comparative purposes the 2002 and 2003 earnings per share has been calculated on the basis of the average number of shares in issue from the date of acquisition to 31 March 2003.

11. **Intangible fixed assets**

	Patents £000	Goodwill £000	Total £000
Cost:			
At 31 March 2002	122	459	581
Adjustment on the Management Buy Out	(15)	(60)	(75)
Arising on the Management Buy Out	—	10,897	10,897
At 31 March 2003	107	11,296	11,403
Arising on acquisition of subsidiary undertakings	—	1,491	1,491
Adjustment for fair values of net assets acquired *	—	402	402
At 31 March 2004	107	13,189	13,296
Amortisation:			
At 31 March 2002	14	54	68
Adjustment on the Management Buy Out	(15)	(60)	(75)
Provided during the year	6	704	710
At 31 March 2003	5	698	703
Provided during the year	6	1,078	1,084
At 31 March 2004	11	1,776	1,787
Net book value at 31 March 2004	96	11,413	11,509
Net book value at 31 March 2003	102	10,598	10,700

* The adjustment of £402,000 in the year ended 31 March 2004 reflects an additional provision arising on the Management Buy Out. This has been determined following an environmental study and report performed in the current year. The effect of this adjustment has been to increase goodwill on acquisition and provisions by £402,000.

Intangible assets are being amortised as follows:

- Goodwill of £11,299,000 arising on the Management Buy Out of the Marconi Applied Technologies Division is being amortised evenly over the directors' estimate of its useful economic life of 12 years;
- Goodwill of £4,399,000 arising on the acquisition of the high power satcom business from Siemens in 1999 was being amortised evenly over its estimated useful economic life of 20 years. After an impairment review during the year ended 31 March 2004, this has been adjusted to 15 years. The outstanding balance will be amortised evenly over the remaining 10 years;
- Goodwill of £1,491,000 arising on the acquisition of the automotive security business from Dynex Semiconductors Limited during the year ended 31 March 2004 is being amortised evenly over the directors' estimate of its useful economic life of six years; and
- Patents were being amortised evenly over their useful economic life of 20 years. After an impairment review during the year ended 31 March 2004 this has been adjusted to 15 years. The outstanding balance will be amortised evenly over the remaining 10 years.

Goodwill arising on the Management Buy Out:

On 12 July 2002 the Company acquired Marconi Applied Technologies Limited (since renamed e2v Technologies (uk) Limited) and Marconi Applied Technologies Inc. (since renamed e2v Technologies Inc.) for a consideration of £51.9m. On 14 August 2002 the Company acquired the assets and trade of Marconi Applied Technologies SAS together with assigned trade debts for a further consideration of £2.5m.

Net assets acquired during the Management Buy Out:

	Book value of assets pre-acquisition £000	Book value of assets not acquired £000	Book value and fair value to Group £000
Intangible fixed assets	506	—	506
Tangible fixed assets	18,033	7	18,026
Stock	21,940	(6)	21,946
Debtors	18,910	77	18,833
Cash	2,744	285	2,459
Creditors due within one year	(15,124)	(146)	(14,978)
Provisions for liabilities and charges	(3,429)	(162)	(3,267)
Loans	13,826	13,826	—
Net assets	57,406	13,881	43,525
Goodwill arising on the Management Buy Out			10,897
			<u>54,422</u>

Discharged by:

	Consideration paid £000
Loan note	2,556
Cash	50,012
	52,568
Costs associated with the Management Buy Out	1,854
	<u>54,422</u>

On 23 August 2003 the Company acquired the trade and assets of Dynex Semiconductors Limited's automotive security business for a consideration of £2,016,000.

Net assets at date of acquisition:

	Book value £000	Fair value adjustments £000	Fair value to Group £000
Tangible fixed assets	—	300	300
Stock	286	—	286
Creditors due within one year	(46)	—	(46)
Provisions for liabilities and charges	(15)	—	(15)
Net assets	225	300	525
Goodwill arising on acquisition	1,791	(300)	1,491
	<u>2,016</u>	<u>—</u>	<u>2,016</u>

Discharged by:

	£000
Cash	1,970
Costs associated with the acquisition	46
	<u>2,016</u>

The resulting goodwill is being amortised over the directors' estimate of its useful economic life of six years.

12. Tangible fixed assets

	Freehold land & buildings £000	Plant and machinery £000	Office equipment, fixtures & fittings £000	Payments on account & assets under construction £000	Total £000
Cost:					
At 31 March 2002.....	4,384	48,437	10,604	2,441	65,866
Additions.....	—	2,177	1,098	2,612	5,887
Adjustment on the Management Buy Out* ...	(3,423)	(35,797)	(9,237)	—	(48,457)
Disposals.....	—	(591)	(880)	—	(1,471)
Reclassification between categories.....	52	2,029	330	(2,411)	—
At 31 March 2003.....	1,013	16,255	1,915	2,642	21,825
Additions.....	—	2,578	1,746	3,966	8,290
Additions from acquisition of business.....	—	295	5	—	300
Disposals.....	—	(30)	(509)	—	(539)
Reclassification between categories.....	4	(715)	711	—	—
Transfers from payments on account.....	—	1,153	1,450	(2,603)	—
At 31 March 2004.....	<u>1,017</u>	<u>19,536</u>	<u>5,318</u>	<u>4,005</u>	<u>29,876</u>
Depreciation:					
At 31 March 2002.....	3,409	35,779	8,874	—	48,062
Provided during the year....	124	3,449	1,150	—	4,723
Adjustment on the Management Buy Out* ...	(3,423)	(35,797)	(9,237)	—	(48,457)
Disposals.....	—	(518)	(747)	—	(1,265)
At 31 March 2003.....	110	2,913	40	—	3,063
Provided during the year....	101	3,835	1,483	—	5,419
Disposals.....	—	(30)	(496)	—	(526)
Reclassification between categories.....	—	(548)	548	—	—
At 31 March 2004.....	<u>211</u>	<u>6,170</u>	<u>1,575</u>	<u>—</u>	<u>7,956</u>
Net book value at 31 March 2004.....	<u>806</u>	<u>13,366</u>	<u>3,743</u>	<u>4,005</u>	<u>21,920</u>
Net book value at 31 March 2003.....	<u>903</u>	<u>13,342</u>	<u>1,875</u>	<u>2,642</u>	<u>18,762</u>

* Adjustment on the Management Buy Out adjusts cost and accumulated depreciation to net book value at the date of the Management Buy Out.

13. Stock

	At 31 March 2003 £000	At 31 March 2004 £000
Raw materials and consumables	5,601	7,367
Work in progress	5,704	6,799
Contracts work in progress	1,189	2,631
Contracts payments on account	(239)	(799)
Finished goods and goods for resale.....	<u>5,481</u>	<u>5,659</u>
	<u>17,736</u>	<u>21,657</u>

14. Debtors

	At 31 March 2003	At 31 March 2004
	£000	£000
Trade debtors	22,753	22,160
Other debtors	636	540
Prepayments and accrued income	818	2,613
Corporation tax	152	—
	<u>24,359</u>	<u>25,313</u>

15. Creditors: amounts falling due within one year

	At 31 March 2003	At 31 March 2004
	£000	£000
Current instalments due on loans	607	1,587
Payments received on account	1,184	3,448
Trade creditors	4,800	11,839
Other taxation and social security costs	760	863
Other creditors	426	1,724
Accruals and deferred income	8,263	5,882
Corporation tax	—	209
	<u>16,040</u>	<u>25,552</u>

16. Creditors: amounts falling due after more than one year

Loans

	At 31 March 2003	At 31 March 2004
	£000	£000
Amounts falling due:		
In more than one year but not more than two years	1,872	2,460
In more than two years but not more than five years	14,516	14,582
In more than five years	<u>37,572</u>	<u>30,153</u>
	<u>53,960</u>	<u>47,195</u>

Details of loans not wholly repayable within five years are as follows:

	At 31 March 2003	At 31 March 2004
	£000	£000
Secured loan 2% over LIBOR (2003: 2.25%):		
Repayable 1 May 2008	3,800	—
Repayable 1 November 2008	1,800	—
Secured loan 2.5% over LIBOR (2003: 2.75%):		
Repayable 12 July 2009	5,000	4,366
Secured loan 3.5% over LIBOR (2003: 3.75%):		
Repayable 12 January 2010	5,000	4,366
9% loan notes repayable in 6 monthly instalments from June 2010 to June 2012	19,964	21,706
6% unsecured loan notes with no fixed repayment date	<u>2,671</u>	—
	38,235	30,438
less: issue costs	<u>(663)</u>	<u>(285)</u>
	<u>37,572</u>	<u>30,153</u>

The loans are secured by a floating charge over the net assets of the Group.

17. Provisions for liabilities and charges

	Deferred taxation £000	Restructuring £000	Environmental £000	Product warranty £000	Total £000
At 31 March 2002	463	236	500	2,525	3,724
Arising during the year ...	(101)	681	346	1,544	2,470
Utilised	—	(796)	(40)	(1,394)	(2,230)
Adjustment on the Management Buy Out (see note 11)	—	—	—	(162)	(162)
At 31 March 2003	362	121	806	2,513	3,802
Arising during the year ...	63	124	402	2,632	3,221
Fair value adjustment (see note 11)	—	—	402	—	402
On acquisition made during the year	—	—	—	15	15
Utilised	—	(194)	(208)	(1,975)	(2,377)
At 31 March 2004	<u>425</u>	<u>51</u>	<u>1,402</u>	<u>3,185</u>	<u>5,063</u>

In accordance with FRS 19 provision has been made in full for deferred taxation.

Restructuring

A provision is recognised for expected restructuring costs relating to the reduction in employees planned. It is expected that all costs provided will be utilised in the next financial year.

Environmental

A provision is recognised for expected environmental costs relating to UK manufacturing operations. It is expected that most of these costs will be incurred within two years of the balance sheet date.

Product warranty

A provision is recognised for expected claims on products sold in the warranty period. The warranty period can be date based or hours usage based. It is expected that most of these costs will be incurred in the next financial year, and all will have been incurred within four years of the balance sheet date.

18. Share capital

Authorised

	At 31 March 2003 No.	At 31 March 2004 No.	At 31 March 2003 £000	At 31 March 2004 £000
Ordinary shares of 10p each	409,091	409,091	41	41
A Ordinary shares of 1p each	2,045,455	2,045,455	20	20
B Ordinary shares of £1 each	272,727	272,727	<u>273</u>	<u>273</u>
			<u>334</u>	<u>334</u>

Allotted, called up and fully paid

	At 31 March 2003	At 31 March 2004	At 31 March 2003	At 31 March 2004
	No.	No.	£000	£000
Ordinary shares of 10p each	388,636	388,636	39	39
A Ordinary shares of 1p each	2,045,455	2,045,455	20	20
B Ordinary shares of £1 each	204,546	218,182	<u>205</u>	<u>219</u>
			<u>264</u>	<u>278</u>

The Company was incorporated on 15 May 2002 with an authorised and allotted share capital comprising 1 Ordinary share of £1.

On 11 July 2002 the authorised share capital was increased from £1,000 to £334,091 by the creation of 2,045,455 A Ordinary shares of 1p each, 271,727 B Ordinary shares of £1 each and a further 409,091 Ordinary shares of 10p each.

The Ordinary shares were issued with an aggregate nominal value of £38,864 for cash of £388,636.

The A Ordinary shares were issued with an aggregate nominal value of £20,454 for cash of £2,045,455.

The B Ordinary shares were issued with an aggregate nominal value of £204,546 for cash of £206,591.

During the year ended 31 March 2004, 13,636 B Ordinary Shares were issued with an aggregate nominal value of £13,636 for cash of £13,772.

All three classes of shares carry equal voting rights.

All three classes of shares are treated as one class of share in respect of dividend rights.

On a return of assets on liquidation or capital reduction or otherwise, the assets of the Company remaining after the payment of its liabilities shall be applied in the following order of priority:

- First in paying to the holders of the A Ordinary shares £1.00 per share together with a sum equal to any arrears or accruals of any dividend declared;
- Second in paying to the holders of B Ordinary shares and the Ordinary shares, equally as if they constituted one class of share, £1.00 per share in the case of the Ordinary shares and £1.01 per share in the case of the B Ordinary shares, in each case together with a sum equal to any arrears or accruals of any dividend declared;
- The balance of the assets shall be distributed amongst the holders of the Equity Shares (equally as if they were one class of share) in proportion to the numbers of A Ordinary shares, B Ordinary shares and Ordinary shares held by them respectively.

19. **Reconciliation of movements in shareholders' funds/(deficit) and movement on reserves**

	Aggregated share value	Share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 31 March 2001	4,405	—	—	66,700	71,105
Profit for the year	—	—	—	13,919	13,919
Exchange differences	(25)	—	—	(9)	(34)
At 31 March 2002	4,380	—	—	80,610	84,990
Loss for the period to the Management Buy Out	—	—	—	(27,584)	(27,584)
Adjustment at the Management Buy Out (see note 11)	(4,380)	—	—	(53,026)	(57,406)
Issue of shares	—	264	2,376	—	2,640
Profit for the period from the Management Buy Out	—	—	—	2,005	2,005
Exchange differences	—	—	—	(92)	(92)
At 31 March 2003	—	264	2,376	1,913	4,553
Issue of shares	—	14	—	—	14
Profit for the year	—	—	—	3,281	3,281
Exchange differences	—	—	—	(784)	(784)
At 31 March 2004	—	278	2,376	4,410	7,064

Prior to the Management Buy Out the share value has been generated by aggregating the issued share capital of the individual companies within the Marconi Applied Technologies Division. Post the Management Buy Out, the share capital represents the share capital of the Company as required in the preparation of consolidated accounts.

20. **Obligations under operating leases**

At 31 March 2003 and 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	At 31 March 2003	At 31 March 2004	At 31 March 2003	At 31 March 2004
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	69	—	77	218
In two to five years	139	182	304	163
	<u>208</u>	<u>182</u>	<u>381</u>	<u>381</u>

21. **Pensions**

The Group operates three defined contribution pension schemes, the e2v Technologies Directors Standard Life Pension Scheme, the e2v Technologies Employees Norwich Union Pension Scheme and the e2v Technologies Inc 401K Pension Scheme. The costs incurred in relation to these schemes, during the year ended 31 March 2004 were £1,080,000 (2003: £729,000; 2002: £nil). There were no outstanding contributions at 31 March 2004 (2003: £nil; 2002: £nil).

Prior to the Management Buy Out, employees were eligible to join the G.E.C. 1972 Plan, a company pension scheme operated by Marconi. In the three months prior to the Management Buy Out the costs incurred were £835,000 (Year ended 31 March 2002: £1,224,000).

22. Related party transactions

The Company has contracted for consultancy services with Horne Roberts, a company in which Messrs Hassall and Slaughter have an interest. Amounts paid under the agreement for the year ended 31 March 2004 amount to £105,415 (2003: £284,988; 2002: £nil), and the Company owed £nil under the agreement at 31 March 2004 (2003: £19,500; 2002: £nil).

The Company has contracted for consultancy services with Roland Berger, a company in which Ian Godden has an interest. Amounts paid under the agreement for year ended 31 March 2004 amounted to £38,150 (2003: £nil; 2002: £nil), and the Group owed £nil under the agreement at 31 March 2004 (2003: £nil; 2002: £nil).

23. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £2,622,000 (2003: £2,346,000; 2002: £762,000).

24. Derivatives and other financial instruments

Prior to the Management Buy Out, the Group was part of the internal funding arrangements of Marconi plc. Funding was provided through intercompany loans. The principal financial instruments, other than derivatives, held by the Group, comprised cash and intercompany loans and trade debtors and trade creditors arising directly from operations.

The policies discussed below are those of the Group following the Management Buy Out.

Following the Management Buy Out the Group's principal financial instruments, other than derivatives, comprise bank loans, loan notes and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

The Group also enters into derivative transactions (principally interest rate swaps and forward currency contracts). The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risks. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has sterling denominated borrowings at both fixed and floating rates of interest and uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest fluctuations. The Group's policy is to maintain as much of its borrowings as possible as fixed rates of interest to minimise this exposure. At the year end, 100% (2003: 100%) of the Group's borrowings were at fixed rates of interest after taking account of interest rate swaps. In 2002, the Group had no borrowings. The terms of the interest rate swap match the terms of the floating rate loans to maximise the effectiveness of the hedge.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and loan notes. The Group's policy is to use funds in excess of the ongoing operating requirements to make early repayments against the bank borrowings on an annual basis.

The Group's objective is to maintain a positive cash balance at a level adequate for daily operations while retaining the option to use overdraft facilities for short term flexibility as necessary.

Foreign currency risk

The Group has operations in the United States, France, Canada and Germany. As a result, the Group's balance sheet can be affected by movements in the sterling exchange rates with each of those countries. The Group does not currently hedge against this exposure, other than using natural hedges where appropriate, such as purchasing components in US dollars or euro.

The Group has transactional currency exposures. Such exposures arise from sales by an operating unit in currencies other than the unit's functional currency. The Group sells approximately 70 per cent of its sales outside the UK, much of which is non sterling and therefore subject to foreign exchange movements as all product is manufactured in the UK. The Group manages its transactional currency exposures centrally by using roll forward currency contracts to minimise these currency exposures. The forward currency contracts must be in the same currency as the hedged item. The majority of these contracts are entered into to hedge against cash received on US\$ sales.

At 31 March 2004, the Group had hedged 100 per cent of its forecast US\$ cash flow, extending to 31 March 2005. The foreign exchange strategy is set by the directors and is operated within these parameters with the assistance of specialist foreign exchange advisors.

With the exception of the analysis of currency exposures, the disclosures below exclude short-term debtors and creditors.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 March is as follows:

	Fixed rate financial liabilities	
	£000	
2003		
Sterling		<u>54,567</u>
2004		
Sterling		<u>48,782</u>

	Fixed rate financial liabilities	
	Weighted average interest rate	Weighted average period for which rate is fixed
	%	Years
2003		
Sterling	<u>8.7</u>	<u>5.9</u>
2004		
Sterling	<u>8.7</u>	<u>5.2</u>

The amounts shown in the tables above take into account the interest rate swap used to manage the interest rate profile of financial liabilities.

The floating rate financial liabilities comprise sterling denominated bank loans that bear interest at rates based on LIBOR plus an average of 3.6% (2003: 3.6%), which are then fixed through the use of interest rate swaps.

Interest on some of the financial liabilities is converted into payment in kind notes in accordance with the terms of the loan agreement.

The interest rate profile of the financial assets of the Group as at 31 March is as follows:

	Floating rate financial assets
	£000
2003	
Sterling	3,914
US dollar	1,935
Euro	949
Total	<u>6,798</u>
2004	
Sterling	1,635
US dollar	1,286
Euro	1,554
Total	<u>4,475</u>

Floating rate financial assets comprise cash deposits bearing interest at either daily rates or seven day rates.

Currency exposures

Gains and losses arising from the Group's net investment overseas (in other words its structural currency exposures) are recognised in the statement of total recognised gains and losses.

The table below shows the Group's currency exposures; in other words, those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved.

At 31 March, these currency exposures are as follows:

	Net foreign currency monetary assets/(liabilities)			
	Sterling	US dollar	Other	Total
	£000	£000	£000	£000
Functional currency of Group operations				
2003				
Sterling	—	833	374	1,207
Other	458	—	—	458
	<u>458</u>	<u>833</u>	<u>374</u>	<u>1,665</u>
2004				
Sterling	—	(158)	492	334
Other	405	—	—	405
	<u>405</u>	<u>(158)</u>	<u>492</u>	<u>739</u>

The amounts shown in the table above take into account the effect of forward foreign currency contracts entered into to manage these currency exposures.

At 31 March 2004, the Group also held open various forward foreign currency contracts taken out to hedge future firm foreign currency commitments.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March is as follows:

	<u>2003</u>	<u>2004</u>
	<u>£000</u>	<u>£000</u>
In one year or less, or on demand	607	1,587
In more than one year, but not more than two	1,872	2,460
In more than two years, but not more than five	14,516	14,582
In more than five years	<u>37,572</u>	<u>30,153</u>
	<u>54,567</u>	<u>48,782</u>

Borrowing facilities

Following the Management Buy Out, the Group has various borrowing facilities available to it, which are repayable on demand. The undrawn committed facilities available at 31 March in respect of which all conditions precedent had been met at that date are as follows:

	<u>2003</u>	<u>2004</u>
	<u>£000</u>	<u>£000</u>
Expiring in more than two years	<u>4,832</u>	<u>5,695</u>

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and financial liabilities as at 31 March:

	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2003</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Primary financial instruments				
Short-term borrowings and current portions of long term borrowings	(607)	(607)	(1,587)	(1,587)
Long-term borrowings	(53,960)	(53,960)	(47,195)	(47,195)
Cash and short-term deposits	<u>6,798</u>	<u>6,798</u>	<u>4,475</u>	<u>4,475</u>
Derivative financial instruments held to manage the interest rate profile				
Interest rate swaps	—	(981)	—	(114)
Derivative financial instruments held to hedge the currency exposure on firm future commitments				
Forward foreign currency contracts	<u>—</u>	<u>(125)</u>	<u>—</u>	<u>1,336</u>

Market values have been used to determine the fair value of interest rate swaps and forward foreign currency contracts. The fair value of all other items have been calculated by discounting the expected future cash flows at prevailing interest rates.

Hedges

The Group's policy is to hedge the following exposures:

- Interest rate risk; and
- Transactional currency exposures and currency exposures on future committed sales.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses and deferred gains and losses on financial instruments used for hedging are as follows:

	<u>Gains</u> <u>£000</u>	<u>Losses</u> <u>£000</u>	<u>Total</u> <u>£000</u>
2003			
Gains and losses arising in previous years that were recognised in 2003	<u>8</u>	<u>(328)</u>	<u>(320)</u>
Gains and losses unrecognised at 31 March 2003	<u>18</u>	<u>(143)</u>	<u>(125)</u>
Of which:			
Gains and losses expected to be recognised in the profit and loss account in 2004	<u>18</u>	<u>(143)</u>	<u>(125)</u>
2004			
Gains and losses arising in previous years that were recognised in 2004	<u>18</u>	<u>(143)</u>	<u>(125)</u>
Gains and losses unrecognised at 31 March 2004	<u>1,336</u>	<u>—</u>	<u>1,336</u>
Of which:			
Gains and losses expected to be recognised in the profit and loss account in 2005	<u>1,161</u>	<u>—</u>	<u>1,161</u>

25. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	<u>Year ended</u> <u>31 March</u> <u>2002</u> <u>£000</u>	<u>Year ended</u> <u>31 March</u> <u>2003</u> <u>£000</u>	<u>Year ended</u> <u>31 March</u> <u>2004</u> <u>£000</u>
Operating profit	8,875	6,763	9,855
Depreciation and impairment of tangible fixed assets	4,268	4,723	5,419
Amortisation of patents	6	6	6
Amortisation of goodwill	23	704	1,078
(Decrease)/increase in prepayments on contracts	(1,215)	(309)	2,264
Decrease/(increase) in debtors	4,518	(2,097)	(1,106)
Decrease/(increase) in stock	1,411	5,293	(3,921)
(Decrease)/increase in creditors	(7,344)	(1,439)	5,672
Increase in provisions	692	179	945
Net cash inflow from operating activities	<u>11,234</u>	<u>13,823</u>	<u>20,212</u>

Within net cash inflows from operating activities were cash outflows of £194,000 (2003: £644,000; 2002: £nil) in respect of restructuring costs, £208,000 (2003: £40,000; 2002: £nil) in respect of environmental costs and £60,000 (2003: £946,000; 2002: £nil) were incurred in respect of costs associated with the Management Buy Out.

(b) Analysis of net debt

	<u>At</u> <u>31 March</u> <u>2001</u> <u>£000</u>	<u>Cash</u> <u>flow</u> <u>£000</u>	<u>Exchange</u> <u>differences</u> <u>£000</u>	<u>At</u> <u>31 March</u> <u>2002</u> <u>£000</u>
Cash	29,060	(19,553)	(37)	9,470
Loans	<u>1,014</u>	<u>34,427</u>	<u>—</u>	<u>35,441</u>
	<u>30,074</u>	<u>14,874</u>	<u>(37)</u>	<u>44,911</u>

	At 31 March 2002	Cash flow	Interest converted to loan notes	Issue costs	Non-cash settlement of vendor debts	Exchange differences	At 31 March 2003
	£000	£000	£000	£000	£000	£000	£000
Cash	9,470	(2,351)	—	—	—	(321)	6,798
Marconi loans	35,441	(13,045)	—	—	(22,396)	—	—
New loans	—	(53,435)	(1,128)	2,552	(2,556)	—	(54,567)
	<u>44,911</u>	<u>(68,831)</u>	<u>(1,128)</u>	<u>2,552</u>	<u>(24,952)</u>	<u>(321)</u>	<u>(47,769)</u>

Issue costs comprise £2,836,000 on new long-term loans and £284,000 amortisation of issue costs during the year. Non-cash settlement of vendor debts represents funding balances with Marconi Corporation plc settled as part of the consideration paid at the time of the Management Buy Out.

	At 31 March 2003	Cash flow	Interest converted to loan notes	Issue costs	Exchange differences	At 31 March 2004
	£000	£000	£000	£000	£000	£000
Cash	6,798	(1,591)	—	—	(732)	4,475
Loans	(54,567)	7,906	(1,743)	(378)	—	(48,782)
	<u>(47,769)</u>	<u>6,315</u>	<u>(1,743)</u>	<u>(378)</u>	<u>(732)</u>	<u>(44,307)</u>

Yours faithfully

Ernst & Young LLP

PART VII

Pro-forma Statement of Net Assets



Ernst & Young LLP
1 More London Place
London
SE1 2AF

19 July 2004

The Directors,
e2v technologies plc
106 Waterhouse Lane
Chelmsford
Essex
CM1 2QU

The Directors,
N M Rothschild & Sons Limited
New Court
St Swithins Lane
London
EC4P 4DU

Dear Sirs

e2v technologies plc ("the Company")

We report on the pro forma financial information set out in Part VII of the listing particulars dated 19 July 2004, which has been prepared, for illustrative purposes only, to provide information about how the admission of the ordinary share capital of the Company to (i) the Official List of the UK Listing Authority and (ii) trading on the London Stock Exchange's markets for listed securities and certain related transactions ("the Transaction") might have affected the financial information presented.

Responsibility

It is the responsibility solely of the directors of e2v technologies plc to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority.

It is our responsibility to form an opinion, as required by the Listing Rules of the UK Listing Authority, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and the Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the e2v technologies plc.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

Ernst & Young LLP

Pro forma Statement of Net Assets

Set out below is an unaudited consolidated pro forma balance sheet of the Group illustrating the effect of the Transaction.

The pro forma is based on the audited consolidated balance sheet of the Group as at 31 March 2004 and the notes set out below. The pro forma balance sheet has been prepared to illustrate how the Transaction would have affected the balance sheet had it taken place on 31 March 2004. The pro forma balance sheet has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the balance sheet of the Group.

Note	Group as at 31 March 2004 £000	Effect of receipt of net proceeds from the Transaction £000	Effect of restructuring of debt facilities £000	Group Pro forma net assets £000
	i	ii	iii	
Fixed assets				
Intangible assets	11,509	—	—	11,509
Tangible assets	21,920	—	—	21,920
	33,429	—	—	33,429
Current assets				
Stock	21,657	—	—	21,657
Debtors	25,313	—	—	25,313
Cash at bank and in hand	4,475	25,560	(25,956)	4,079
	51,445	25,560	(25,956)	51,049
Creditors: amounts falling due within one year	(25,552)	—	1,587	(23,965)
Net current assets	25,893	25,560	(24,369)	27,084
Total assets less current liabilities	59,322	25,560	(24,369)	60,513
Creditors: amounts falling due after more than one year				
— Existing bank and 3i loans	(47,195)	—	47,195	—
— New loan facilities	—	—	(25,000)	(25,000)
Provisions for liabilities and charges	(5,063)	—	—	(5,063)
Net assets	7,064	25,560	(2,174)	30,450

Notes:

i The financial information for the Group has been extracted without material adjustment from the accountants' report set out in Part VI of this document.

ii The adjustment represents the net proceeds received from the Transaction as follows:

	£000
Gross proceeds from the Transaction	29,390
Transaction costs	(3,830)
	25,560

iii The adjustment in respect of the restructuring of debt facilities relates to the repayment of the existing bank and 3i debt, the write off of the capitalised costs incurred in raising the bank and 3i debt and the draw down of new loan facilities as follows:

	Capitalised cost write off £000	Debt repayment £000	Total £000
Repayment of existing bank and 3i debt			
Current instalments of debt repayments	—	1,587	1,587
Other bank and 3i debt	(2,174)	49,369	47,195
Total debt repayment	(2,174)	50,956	48,782
Draw down of new loan facilities	—	25,000	25,000

The debt restructuring generates a net cash payment of £25,956,000, as adjusted in the table above, which is to be financed from the net proceeds of the Transaction and existing cash resources.

iv No adjustments have been made to reflect the effect of trading or any other events or transactions occurring in respect of the Group since 31 March 2004.

PART VIII

Additional Information

1 Incorporation and registered office

- 1.1 The Company was incorporated and registered in England and Wales on 15 May 2002 under the Act as a private company limited by shares (with registered number 4439718) under the name Redwood 2002 Limited. On 17 September 2002, the Company changed its name to e2v Holdings Limited and on 29 June 2004 changed its name and re-registered as a public company limited by shares with the name e2v technologies plc.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder. The liability of the members is limited.
- 1.3 The Company's registered office and principal place of business is at 106 Waterhouse Lane, Chelmsford, CM1 2QU.

2 Share capital

- 2.1 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each, one of which was issued to the subscriber to the Company's Memorandum of Association. Since that date there have been a number of changes to the Company's share capital, which are described further in paragraph 2.2 below.
- 2.2 Since incorporation, the following changes to the authorised and the issued share capital of the Company have occurred:
 - 2.2.1 on 11 July 2002, the authorised share capital of the Company was increased from £1,000 to £334,090.65 by the creation of 2,045,455 A ordinary shares of £0.01 each in the Company, 409,091 ordinary shares of £0.10 each in the Company and 271,727 B ordinary shares of £1 each in the Company, while the one issued and each of the 999 authorised but unissued ordinary shares were re-designated as B ordinary shares of £1 each; and
 - 2.2.2 on 11 July 2002, the issued share capital of the Company was increased to £225,000.60 by the issue of 204,545 B ordinary shares of £1 each at a price of £1.01 per share and 204,546 ordinary shares of £0.10 each at a price of £1 per share;
 - 2.2.3 on 12 July 2002, the issued share capital of the Company was increased to £245,455.15 by the issue of 2,045,455 A ordinary shares of £0.01 each at price of £1.00 per share;
 - 2.2.4 on 31 July 2002, the issued share capital of the Company was increased to £259,773.45 by the issue of 143,183 ordinary shares of £0.10 each at a price of £1.00 per share;
 - 2.2.5 on 22 November 2002, the issued share capital of the Company was increased to £263,864.35 by the issue of 40,909 ordinary shares of £0.10 each at a price of £1.00 per share; and
 - 2.2.6 on 4 August 2003, the issued share capital of the Company was increased to £277,500.35 by the issue of 13,636 B ordinary shares of £1 each at a price of £1.00 per share.
- 2.3 As at the date of this document, the authorised share capital of the Company is £334,090.65 comprising 409,091 ordinary shares of 10p each, 2,045,455 A ordinary shares of 1p each and 272,727 B ordinary shares of £1 each. Save in respect of 20,453 authorised but unissued ordinary shares of 10p each and 54,545 authorised but unissued B ordinary shares of £1 each, all of the authorised share capital of the Company has been issued fully paid or credited as fully paid.
- 2.4 Immediately prior to Admission (and before the operation of the ratchet referred to in paragraph 2.5 below contained in the articles of association adopted by the Company at the time of the Management Buy Out), the issued share capital of the Company will increase to £286,675.65 by the issue of 20,453 ordinary shares of 10p each at a price of ten pence per share and 7,130 B ordinary shares at a price of £1.00 per share to the EBT.

- 2.5 In accordance with the operation of the ratchet contained within the existing articles of association of the Company (which were adopted at the time of the Management Buy Out), immediately prior to Admission:
- 2.5.1 1,240,506 of the A ordinary shares of 1p each in the capital of the Company will be converted into 1,240,506 deferred shares of 1p in the capital of the Company; and
- 2.5.2 223,531 of the ordinary shares of 10p each in the capital of the Company will be converted into 2,235,310 deferred shares of 1p each in the capital of the Company.
- 2.6 Pursuant to resolutions passed at an Extraordinary General Meeting of the Company held on 17 July 2004, it was resolved:
- 2.6.1 subject to and conditional upon Admission becoming effective on 23 July 2004 (or such later date as may be agreed by the Company, certain of the Selling Shareholders, N M Rothschild and ABN AMRO Rothschild (but in any event not later than 30 July 2004)):
- 2.6.1.1 to reduce the capital of the Company from £334,090.65 to £286,675.65 by cancelling 47,415 B ordinary shares of £1 each in the capital of the Company that have not been taken or agreed to be taken by any person;
- 2.6.1.2 to convert each of the existing issued ordinary shares of 10p each in the capital of the Company into one ordinary share of 1p each in the capital of the Company and nine deferred shares of 1p each in the capital of the Company;
- 2.6.1.3 to convert each of the existing issued B ordinary shares of £1.00 each in the capital of the Company into one B ordinary share of 1p each in the capital of the Company and 99 deferred shares of 1p each in the capital of the Company;
- 2.6.2 conditional upon and following the conversion of the ordinary shares of 10p each and the B ordinary shares of £1 each referred to in paragraphs 2.6.1.2 and 2.6.1.3 above respectively, to convert each of the existing issued A ordinary shares of 1p each and each of the existing issued B ordinary shares of 1p each in the capital of the Company into one ordinary share of 1p each in the capital of the Company which, together with the existing ordinary shares of 1p in the capital of the Company, constitute a single class of ordinary shares;
- 2.6.3 conditional upon and following the conversion of the A ordinary shares and B ordinary shares referred to in paragraph 2.6.2 above, to consolidate every five of the existing issued ordinary shares of 1p in the capital of the Company into one Ordinary Share, with any fractional shares arising upon such consolidation automatically converting into deferred shares of 1p in the capital of the Company;
- 2.6.4 conditional upon and following the consolidation of the share capital of the Company referred to in paragraph 2.6.3 above, to increase the authorised share capital of the Company from £286,675.65 to £4,024,517.75 by the creation of an additional 74,756,842 Ordinary Shares ranking *pari passu* in all respects with the existing Ordinary Shares;
- 2.6.5 to authorise the Directors pursuant to section 80 of the Act generally and unconditionally to exercise all the powers of the Company to allot relevant securities (within the meaning of that section of the Act) to such persons and at such times and on such terms as they think proper up to a maximum aggregate nominal amount of relevant securities equal to £2,792,839.45, such authority to expire (unless previously revoked, varied or renewed) immediately following the issuance of shares in connection with the Offer or, if earlier, 30 July 2004, but so as to enable the Company before such date to make offers or agreements which would or might require relevant securities to be allotted after such date and to enable the Directors to allot relevant securities in pursuance of any such offers or agreements as if the authority conferred thereby had not expired, such authority to be in substitution (with effect from Admission) for all prior authorities conferred upon the Directors in respect of the allotment of relevant securities, but without prejudice to any allotments made pursuant to the terms of such authorities;
- 2.6.6 on the expiry of the authority given in the resolution referred to in paragraph 2.6.5, to authorise the Directors pursuant to section 80 of the Act generally and unconditionally to exercise all the powers of the Company to allot relevant securities (within the meaning of

that section of the Act) to such persons and at such times and on such terms as they think proper up to an aggregate nominal amount of relevant securities equal to £931,940.85, such authority to expire (unless previously revoked, varied or renewed) at the conclusion of the next annual general meeting of the Company or, if earlier, the date falling 15 months after Admission, but so as to enable the Company before such time to make offers or agreements which would or might require relevant securities to be allotted after such time and to enable the Directors to allot relevant securities in pursuance of any such offers or agreements as if the authority conferred thereby had not expired, such authority to be in substitution for all prior authorities conferred upon the board of Directors, but without prejudice to any allotments made pursuant to the terms of such authorities;

- 2.6.7 to empower the Directors to allot equity securities (within the meaning of section 94 of the Act) for cash, pursuant to the general authorities described in paragraphs 2.6.5 and 2.6.6 above in substitution for all prior powers conferred upon the Directors but without prejudice to any allotments made pursuant to the terms of such powers, as if section 89(1) of the Act did not apply to any such allotment, such power being limited to:

2.6.7.1 the allotment of up to an aggregate nominal amount of £14,152.30 to the EBT in connection with the allotments referred to in paragraphs 2.4 above and 2.7 below;

2.6.7.2 the allotment of up to an aggregate nominal amount of £948,080.65 in the Offer in accordance with its terms;

2.6.7.3 the allotment of equity securities for cash in connection with or pursuant to an offer in favour of the holders of relevant shares of the Company and other persons entitled to participate therein in proportion (as nearly as may be) to their existing holdings of relevant shares (or, as appropriate, the numbers of such shares which such other persons are for those purposes deemed to hold) but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or any legal or practical problems under the laws of, or the requirements of any recognised regulatory body of, or any stock exchange in, any territory; and

2.6.7.4 the allotment of equity securities for cash otherwise than pursuant to paragraphs 2.6.7.1, 2.6.7.2 or 2.6.7.3 above up to an aggregate amount equal to five per cent. of the issued and unconditionally allotted share capital of the Company immediately following Admission;

provided that this power shall expire (unless previously revoked, varied or renewed) at the conclusion of the next annual general meeting of the Company, but so as to enable the Company before the end of such period to make offers or agreements which would or might require equity securities to be allotted after such expiry and to empower the Directors to allot equity securities in pursuance of any such offers or agreements.

The power conferred by the resolution summarised in paragraph 2.6.7 also applies in relation to a sale of relevant shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this paragraph 2.6.7 the words "pursuant to the general authorities described in paragraphs 2.6.5 and 2.6.6" were omitted.

- 2.6.8 conditional upon and following (i) the increase in the authorised share capital referred to in paragraph 2.6.4 and (ii) the allotment and issue by the Company to the EBT of 4,977 Ordinary Shares (being the Ordinary Shares referred to in paragraph 2.7 below), to authorise and direct the Directors to appropriate up to £1,835,334.65 (being part of the amount standing to the credit of the Company's share premium account) to and amongst the holders of Ordinary Shares on the Company's register of members immediately prior to the issue of new Ordinary Shares pursuant to the Offer ("the Relevant Shares") and to apply such sum on their behalf in paying up in full 36,706,914 new Ordinary Shares ("the Bonus Shares"), such Bonus Shares to be allotted and distributed, credited as fully paid, to and amongst the holders of Relevant Shares in the proportion to their holdings of Relevant Shares, rounding all fractions down to the nearest whole number and so that the Bonus Shares shall rank *pari passu* with the Relevant Shares and provided that no holder of Relevant Shares shall be entitled to receive an allotment of a fractional part of a Bonus Share or to payment in lieu thereof and that such of the Bonus Shares as represent

fractional entitlements shall be aggregated and allotted and distributed, credited as fully paid, to the EBT.

2.6.9 to adopt the New Share Schemes referred to in paragraphs 6.3 to 6.6 below; and

2.6.10 to adopt the Articles referred to in paragraph 3 below to the exclusion of all existing articles of association of the Company.

2.7 On 16 July 2004, the Company, subject to the authorities referred to in paragraphs 2.6.5 and 2.6.7 above becoming effective, agreed to issue and allot 4,977 Ordinary Shares to the EBT at a price of five pence per share conditional only on and immediately following the passing of the resolution to consolidate the issued share capital of the Company referred to in paragraph 2.6.3 above. Upon this issue, the issued share capital of the Company will increase to £286,924.50.

2.8 On 30 June 2004, the Company entered into:

2.8.1 an agreement with the Institutional Investors pursuant to which the Institutional Investors agreed to sell and the Company agreed to purchase all of the deferred shares of 1p each in the capital of the Company held by the Institutional Investors at Admission for a consideration of one pence per deferred share; and

2.8.2 an agreement with the Selling Shareholders (other than the Institutional Investors) and the EBT (together, the "Non-Institutional Shareholders") pursuant to which the Non-Institutional Shareholders agreed to sell and the Company agreed to purchase all of the deferred shares of 1p each in the capital of the Company held by the Non-Institutional Investors at Admission for a consideration of one pence payable to each Non-Institutional Investor.

2.9 On Admission and the completion of the deferred share buy-back referred to in paragraph 2.8, the authorised share capital of the Company shall be £3,750,000 comprising 75,000,000 Ordinary Shares of which 55,916,451 Ordinary Shares shall be issued fully paid or credited as fully paid.

2.10 The Company will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of shares for cash. The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95(2) of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme (as defined in section 743 of the Act)) apply to the authorised but unissued Ordinary Shares which are not the subject of the disapplication referred to in paragraph 2.6.7 above. Statutory rights of pre-emption have been disapplied in order to:

2.10.1 permit the Directors to allot shares to the EBT as envisaged by paragraphs 2.4 and 2.7 above;

2.10.2 permit the Directors to allot the Ordinary Shares pursuant to the Offer;

2.10.3 give the Directors flexibility in relation to rights issues; and

2.10.4 permit the Directors to allot Ordinary Shares for cash following the Offer having a nominal value of up to five per cent. of the issued ordinary share capital of the Company following Admission.

2.11 Save as disclosed in this paragraph 2 and in paragraph 6 below:

2.11.1 no share or loan capital of the Company or any of its subsidiaries has, within the three years preceding the date of this document, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person save for:

2.11.1.1 the Institutional Loan Notes, which will be redeemed immediately upon Admission; and

2.11.1.2 the Marconi Loan Notes, which were redeemed on 25 September 2003;

2.11.2 otherwise than pursuant to the Underwriting Agreement, no commissions, discounts, brokerages or other special terms have within the same three year period been granted by

the Company or any of its subsidiaries in connection with the issue or sale of any part of the share or loan capital of any such company; and

- 2.11.3 no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- 2.12 The New Shares to be allotted and issued pursuant to the Offer will be allotted pursuant to a resolution of the Directors (or a duly authorised committee thereof) in accordance with, and pursuant to, the authority conferred on the Directors by the resolutions referred to in paragraph 2.6 above.
- 2.13 The New Shares to be allotted and issued by the Company pursuant to the Offer will rank *pari passu* in all respects to the Existing Shares including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission. The Existing Shares to be sold by the Selling Shareholders in the Offer will be sold together with the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.
- 2.14 Other than pursuant to the Offer, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the applications for Admission described in this document.
- 2.15 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles are, in all respects, consistent with (i) the holding of Ordinary Shares in uncertificated form, (ii) the transfer of title to Ordinary Shares by means of the relevant system and (iii) the Regulations. Accordingly, the Directors have resolved to make the holding of Ordinary Shares in uncertificated form and the transfer of title to the Ordinary Shares by means of the relevant system. For these purposes, CREST is a relevant system.
- 2.16 CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons applying for Ordinary Shares under the Institutional Offer may, however, elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a "system-member" (as defined in the Regulations) in relation to CREST.

3 Memorandum of Association and Articles

- 3.1 The principal objects of the Company are set out in clause 4 of its Memorandum of Association (the "Memorandum") (which is available for inspection at the address specified in paragraph 13 below) and are, *inter alia*, to carry on business as a holding company.
- 3.2 The Articles, which were, conditionally on Admission, adopted on 17 July 2004 contain provisions, *inter alia*, to the following effect:

3.2.1 Rights of Ordinary Shares

Voting: subject to disenfranchisement in the event of (a) non-payment of calls or other monies due and payable in respect of Ordinary Shares and (b) non-compliance with a statutory notice requiring disclosure as to beneficial ownership, and subject to any special terms as to voting upon which any shares may for the time being be held (as to which there are none at present), upon a show of hands every member present in person or by representative (in the case of a corporate member) shall have one vote and upon a poll every member present in person, by representative (in the case of a corporate member) or by proxy shall have one vote for every share held by him;

Dividends: subject to the Statutes (as defined in the Articles) and to any special rights attached to any shares issued by the Company in the future, the holders of Ordinary Shares are entitled *pari passu* amongst themselves, but in proportion to the amounts paid up on the shares held by them, to share in the whole of the profits of the Company paid out as dividends; and

Return of capital: on a winding-up, the assets remaining after payment of the debts and liabilities of the Company and the costs of the liquidation, shall, subject to any special rights attaching to any other class of shares, be applied in repaying to the holders of Ordinary Shares the amounts paid up on such shares and any surplus shall be distributed amongst such holders according to the numbers of shares held by them respectively.

3.2.2 Variation of Share Rights

Subject to section 125 of the Act, the rights attached to any class of shares may be varied or abrogated in such manner (if any) as may be provided by those rights, or with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a general meeting of the holders of the shares of that class, but not otherwise.

3.2.3 Changes in Share Capital

The Company may by ordinary resolution increase its share capital, alter the nominal amount of each share and cancel any unissued shares. The Company may by special resolution reduce its share capital in any manner authorised by law.

3.2.4 Transfer of Shares: Certificated

All transfers of shares in certificated form must be in writing in the usual form or any other form permitted by the Stock Transfer Act 1963 or approved by the Directors. The instrument of transfer must be signed by or on behalf of the transferor and, if the shares being transferred are not fully paid, by or on behalf of the transferee. The Directors may in their absolute discretion and without giving any reason refuse to register any transfer of certificated shares which are not fully paid or on which the Company has a lien, provided that such discretion may not be exercised in such a way as to prevent dealings from taking place on an open and proper basis. The Directors may also refuse to register any transfer of a certificated share if the duly stamped transfer instrument is not accompanied by the relevant share certificate and such other evidence reasonably required by the Directors to show the right of the transferor to make the transfer.

3.2.5 Transfers of Shares: Uncertificated

Subject to the Regulations and the Articles, the Company may issue Ordinary Shares in uncertificated form and permit such Ordinary Shares to be transferred by means of a relevant system (as defined in the Articles) or in any manner which is permitted by the Statutes (as defined in the Articles) and is from time to time approved by the Directors. The Directors may in their absolute discretion and, without giving any reason, refuse to register a transfer of uncertificated shares in any circumstances permitted by those regulations. The Directors may refuse to register any transfer of shares unless it is in respect of only one class of shares. No more than four persons may be registered as joint holders of any share.

3.2.6 Unclaimed Dividends

Any dividend unclaimed after a period of 12 years from the date of its declaration or from the date when it becomes due for payment shall be forfeited and shall revert to the Company.

3.2.7 Untraced Shareholders

The Company may, after advertising its intention and fulfilling various other requirements, sell any shares of a member or person entitled to those shares by transmission who is untraceable for a period of 12 years during which period the Company has paid at least three dividends none of which has been claimed and the cheques or warrants or order or other instrument for all amounts payable to such member have remained uncashed, no dividend sent by means of a funds transfer has been paid and the Company has not received any communication from the member in question or the person so entitled. Upon such sale, the Company shall be regarded as indebted to the former member or to any other person so entitled to an amount equal to the net proceeds of sale.

If cheques or warrants or similar financial instruments in respect of dividends are returned undelivered or are left uncashed on two consecutive occasions or after only one occasion, if reasonable enquiries by the Company have failed to establish any new address of the registered holder, the Company may stop sending such cheques or warrants or similar financial instruments by post to the member in question.

3.2.8 Non-UK Shareholders

There are no limitations in the Memorandum or Articles on the rights of non-UK Shareholders to hold or exercise voting rights attaching to Ordinary Shares. However, a member who has no registered address within the United Kingdom and has not given notice to the Company to register such an address shall not be entitled to receive any notices from the Company.

3.2.9 Restrictions on Shareholders

Subject to the Statutes, the Company may disenfranchise any holder of shares of the Company if he or any other person appearing to be interested in those shares fails to comply with a notice issued by the Company requiring the disclosure of interests in the shares specified in the notice within 14 days after service. If Shareholders holding 0.25 per cent. or more in nominal value of the shares of the Company have not complied with the notice within 14 days after service, the Company may impose restrictions on them which include not only disenfranchisement but also the withholding of the right to receive dividends or other monies payable and, subject to the Statutes, restrictions on the transfer of the shares in question. For Shareholders holding less than 0.25 per cent. in nominal value of the shares of the Company, disenfranchisement is the only restriction which the Company may impose.

3.2.10 Directors

Number: unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be fewer than two or more than ten.

Restrictions on voting: no Director may vote or be counted in the quorum in respect of any contract, arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. The prohibition does not apply in any event to resolutions regarding:

- (i) the giving of any security or indemnity to a Director in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries or to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares, debentures or other securities of or by any member of the Company in which offer the Director is or is to be interested as a participant as a holder of securities or in the underwriting or sub-underwriting;
- (iii) any proposal concerning any other company in which the Director is interested, directly or indirectly, unless he is the holder of or beneficially interested in one per cent. or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company;
- (iv) an arrangement for the benefit of employees of the Company, or any of its subsidiaries which does not confer on any Director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; and
- (v) any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit.

Proposals concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employment with the Company may be divided and considered in relation to each Director separately and in such cases each Director (if not debarred from voting under (iii) above) shall be entitled to vote in respect of each resolution except that concerning his own appointment.

Remuneration: The aggregate fees of the Directors for their services in the office of Director shall not exceed £300,000 but the Directors may be paid such further sums by way of additional remuneration as may from time to time be determined by the Company in general meeting. The Directors are entitled to be paid all expenses reasonably incurred by them in

attending meetings of the Directors or committees of the Directors or general meetings or otherwise in or about the business of the Company.

Any Director who is appointed to any executive office or who serves on any committee or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director may be paid, in addition to any remuneration to which he may be entitled (as referred to above) such remuneration (whether by way of salary, percentage of profits or otherwise) as the Directors may determine.

The Directors may grant pensions or other benefits to any executive Directors or ex-Directors and to persons connected with them.

Borrowing powers: Subject as provided below, the Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries for the time being ("the subsidiaries") so as to ensure (but as regards the subsidiaries only in so far as by the exercise of such rights or powers of control the Directors can ensure) that the aggregate amount for the time being owing in respect of money borrowed (as such expression is defined in the Articles) or secured by the Company and its subsidiaries (exclusive of intra-group borrowings) shall not without the previous sanction of the Company in general meeting exceed an amount equal to three times the aggregate of:

- (a) the amount paid up or credited as paid up on the share capital of the Company; and
- (b) the amount standing to the credit of the reserves of the Company and the subsidiaries, after adjustment as more particularly set out in the relevant Article.

Retirement under an age limit: Directors shall be capable of being appointed or re-elected and are not required to retire on attaining the age of 70 or any other age and section 293 of the Act does not apply to the Company.

Rotation and appointment of Directors: At each annual general meeting of the Company, the following Directors shall retire from office by rotation:

- (i) any Director who has been in office for more than three years without having offered himself for re-election; and
- (ii) such Directors as when added to any Director retiring pursuant to sub-paragraph (i) above represent one-third (or the nearest number to one-third) of the Directors.

The Directors to retire in each year shall be those who have been longest in office since their last election but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by lot. A retiring Director shall be eligible for re-election.

The Company may from time to time by ordinary resolution appoint any person to be a Director of the Company, provided the maximum number of ten is not exceeded. The Directors may also from time to time appoint any person to be a Director of the Company, provided the maximum number of ten is not exceeded, but any Director so appointed by the Directors shall hold office only until the next annual general meeting when he shall retire, but shall be eligible for election, and any Director who retires under this provision shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting.

4 Directors' and Other Interests

- 4.1 The Directors and their functions in the Company are set out in Part II of this document under the heading "Directors and Senior Management". The Directors' business address is 106 Waterhouse Lane, Chelmsford, CM1 2QU.

- 4.2 As at 16 July 2004 (being the latest practicable day before the publication of this document) the interests of the Directors and their immediate families, all of which, unless otherwise stated, are beneficial, in the issued ordinary share capital of the Company which have been notified by each Director to the Company pursuant to sections 324 or 328 of the Act, or which are required to be entered in the register of directors' interests maintained pursuant to section 325 of the Act, or are interests of a person connected with a Director which would, if the connected person were a Director, be required to be disclosed under this paragraph 4 and the existence of which is known to, or could with reasonable diligence be ascertained by, that Director, were, and will upon Admission and immediately following Admission be, as follows:

Director ⁽²⁾	At Present				Upon Admission ⁽¹⁾		Immediately Following Admission	
	Number of ordinary shares	Number of A ordinary shares	Number of B ordinary shares	% Holding	Number of Ordinary Shares	% Holding	Number of Ordinary Shares	% Holding
K. D. Attwood	115,909	—	34,091	5.66	2,581,410	6.99	2,065,128	3.69
M. F. Hannant ⁽³⁾	40,909	—	13,636	2.06	958,813	2.59	958,813	1.71

Notes:

- (1) This reflects the position following (i) the operation of the ratchet contained within the existing articles of association of the Company (which were adopted at the time of the Management Buy Out) referred to in paragraph 2.5 above and (ii) the allotment and issue of shares in the capital of the Company as envisaged by paragraphs 2.4 and 2.7 above, but prior to the issue and sale of Ordinary Shares in the Offer.
- (2) In addition, and conditional on Admission, 3i has agreed to sell 32,256, 19,352 and 64,515 Existing Shares with a total value at the Offer Price of approximately £50,000, £30,000 and £110,000 respectively to George Kennedy, Anthony Reading and the trustees of the Godden Associates Pension Fund respectively. These sales are not part of the Offer. The Godden Associates Pension Fund is the self-administered pension fund of Godden Associates Limited, the sole beneficiaries of which are Ian Godden and his wife.
- (3) In addition, and conditional on Admission, Michael Hannant has been granted options by the EBT over 51,129 Ordinary Shares pursuant to the Pre-IPO Plan described in paragraph 6.2 below.

- 4.3 Save as disclosed in this paragraph 4, none of the Directors, their immediate families, nor any person connected with any Director (within the meaning of section 346 of the Act) will at Admission have any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company or any of its subsidiaries.

- 4.4 In addition to the interests disclosed in paragraph 4.2 above, the Company is aware of the following Shareholders who, directly or indirectly, will be interested (other than interests held by the Directors) in three per cent. or more of the Company's issued share capital at the date of this document, upon Admission or immediately following Admission:

Shareholder	At Present				Upon Admission ⁽¹⁾		Immediately Following Admission	
	Number of ordinary shares	Number of A ordinary shares	Number of B ordinary shares	% Holding	Number of Ordinary Shares	% Holding	Number of Ordinary Shares	% Holding
3i Nominees Ltd.	—	1,227,273	—	46.27	14,385,631	38.93	—	—
3i PVLP Nominees Ltd.	—	409,091	—	15.42	4,795,260	12.98	—	—
3i EF3 Nominees A Ltd.	—	296,026	—	11.16	3,469,928	9.39	—	—
3i EF3 Nominees B Ltd.	—	113,065	—	4.26	1,325,331	3.59	—	—
Michael Hassall	13,637	—	68,182	3.08	2,215,041	5.99	—	—
Ian Slaughter	13,636	—	68,182	3.08	2,215,041	5.99	—	—

Note:

- (1) This reflects the position following (i) the operation of the ratchet contained within the existing articles of association of the Company (which were adopted at the time of the Management Buy Out) referred to in paragraph 2.5 above and (ii) the allotment and issue of shares in the capital of the Company as envisaged by paragraphs 2.4 and 2.7 above, but prior to the issue and sale of Ordinary Shares in the Offer.

- 4.5 Save as disclosed in paragraph 4.4 above, the Company is not aware of any person who will, immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 4.6 No outstanding loans or guarantees have been granted or provided to or for the benefit of any Director by the Company or any of its subsidiaries.
- 4.7 The Directors and Senior Managers have the relevant management and expertise as set out in Part II of this document under the heading "Directors and Senior Management". The Executive Directors and Senior Managers have no other current directorships (within the five years immediately preceding the date of this document), other than in respect of current directorships of companies which are members of the Group.
- 4.8 During the five years immediately prior to the date of this document, the Non-executive Directors have held or currently hold the following directorships (excluding subsidiaries of any company of which he is also a director):

Director	Current Directorships	Former Directorships
George Kennedy	Carclo PLC Eschmann Holdings Limited Inprint Systems Limited Isotron Public Limited Company Eschmann Bros. & Walsh Limited Vernalis PLC	S.I. Pension Nominees Limited S.I.M. Trustees Limited Association of British Health-Care Industries Limited SIMS Portex Limited Graseby Medical Limited Pneupac Limited Smiths Medical International Limited Smiths Industries Medical Systems Limited Smiths Group PLC S.I. Pension Trustees Limited Vernalis Group Limited
Ian Godden	Godden Associates Limited Charlton House Residents Association Limited (The) Roland Berger Strategy Consultants Limited Polygnostics Limited Havelock Europa PLC	IPG Capital Limited IPG Consulting Limited
Anthony Reading	Spectris PLC	Tomkins PLC

- 4.9 None of the Directors has any interest in any company or business which would give rise to a conflict of interest on his part as a Director of the Company.
- 4.10 At the date of this document, none of the Directors or Senior Managers:
- 4.8.1 has any unspent convictions in relation to indictable offences;
 - 4.8.2 has been declared bankrupt or entered into an individual voluntary arrangement;
 - 4.8.3 was a director with an executive function of any company at a time within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
 - 4.8.4 has been a partner in partnership at any time within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangements of such partnership;
 - 4.8.5 has had its assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of such receivership; or
 - 4.8.6 has been the subject of any public criticism by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court for acting as a director of a company or from acting in the management or conduct of any affairs of a company.
- 4.11 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or any subsidiary of the Company and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected during any earlier financial year and remains in any respect outstanding or unperformed.

5 Directors' Remuneration and Service Agreements

- 5.1 The Executive Directors have each entered into new service agreements with the Company dated 17 July 2004, which are conditional upon Admission, and which update their service agreements entered into on 12 July 2002 to include additional provisions appropriate to a listed company as follows:

<u>Name</u>	<u>Commencement Date</u>	<u>Salary</u>	<u>Notice Period</u>
Keith Donald Attwood	2 January 1979	£200,000	12 months
Michael Francis Hannant	2 January 1991	£120,000	12 months

- 5.2 Keith Attwood's new service agreement (which updates the service agreement he entered into on 12 July 2002) provides for him to receive a basic salary of £200,000 per annum with effect from 1 July 2004. He is obliged to devote all his working time to the business of the Group. He is entitled to participate in an annual bonus scheme specified by the remuneration committee of the Board. Mr Attwood is provided with a car allowance and a contribution by the Company to the Group's executive pension scheme of 12 per cent. of his salary.
- 5.3 Mike Hannant's new service agreement (which updates the service agreement he entered into on 12 July 2002) provides for him to receive a basic salary of £120,000 per annum with effect from 1 July 2004. He is obliged to devote all his working time to the business of the Group. He is entitled to participate in an annual bonus scheme specified by the remuneration committee of the Board. Mr Hannant is provided with a car allowance and a contribution by the Company to the Group's executive pension scheme of 12 per cent. of his salary.
- 5.4 George Kennedy and Anthony Reading entered into letters of appointment with the Company dated 25 June 2004, the terms of which provide for:
- 5.4.1 an initial fixed term of one year from 25 June 2004;
 - 5.4.2 Anthony Reading to be paid an annual director's fee of £30,000, and George Kennedy to be paid an annual director's fee of £30,000 with an additional annual fee of £55,000 in respect of

his role as Non-executive Chairman. These fees shall be reviewed annually by the remuneration committee of the Board;

5.4.3 the Company to reimburse the Non-executive Directors in full for all reasonable out-of-pocket expenses which they properly incur in the course of performing their duties as Non-executive Directors of the Company; and

5.4.4 the appointment of a Non-executive Director being terminable on any of (i) the expiry of the initial fixed period; (ii) the Non-executive Director resigning his position in accordance with the Articles; (iii) the removal of the Non-executive Director by resolution of the members of the Company; (iv) the removal of the Non-executive Director by the Company giving summary notice in writing in certain specified circumstances, including if Admission does not take place by 30 July 2004. On termination, neither Mr Kennedy nor Mr Reading is entitled to any compensation, save that if their appointment is terminated due to Admission not taking place by 30 July 2004, each shall be entitled to a lump sum equal to six months' fees less any fees paid prior to the date of termination.

5.5 Godden Associates Limited entered into a consultancy agreement with the Company on 30 June 2004 which provides for the services of Ian Godden as a Non-executive Director to continue to be provided to the Company for a period of up to six months following Admission. The appointment can be terminated by the Company at any time. The fee payable to Godden Associates Limited under this agreement is £2,500 per calendar month (exclusive of VAT) for up to 1.25 days work per month.

5.6 Save as aforesaid, there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries.

5.7 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during either FY2004 or the three month period ended 30 June 2004.

5.8 In FY 2004, the aggregate remuneration paid and benefits in kind (including pension contributions) granted from the Company or any of its subsidiaries to all the Directors was £390,246. It is estimated that the aggregate amounts payable to the Directors under the arrangements in force at the date of this document (including pension contributions) from the Company or any of its subsidiaries in respect of FY2005 will be £550,000.

6 Share Schemes

Paragraphs 6.3 to 6.6 below summarise the principal terms of the New Share Schemes.

The Company has established the EBT and the Share Schemes. The EBT and the Pre-IPO Plan have been established unconditionally. The New Share Schemes have been established conditionally on Admission.

The following is a summary of the main features of the New Share Schemes but it does not form part of them and should not be taken as affecting their interpretation.

6.1 The e2v Employee Benefit Trust (the "EBT")

The Trustee of the EBT is Abacus Corporate Trustee Limited, a professional offshore trustee.

The EBT is a discretionary employee benefit trust of which all employees of the Group are potential beneficiaries.

The main purpose of the EBT will be to operate with the Share Schemes, but especially the Pre-IPO Plan and the LTIP described in paragraphs 6.2 and 6.3 below. Having considered recommendations received from the Board or the remuneration committee (the "Remuneration Committee") of the Board (as appropriate), the Trustee may grant options to purchase Ordinary Shares under the appropriate Share Scheme or allocate Ordinary Shares under the LTIP. Alternatively, the Trustee may agree to deliver Ordinary Shares following the exercise of options granted by the Remuneration Committee.

The Trustee may purchase Ordinary Shares in the market or subscribe for them. Any Ordinary Shares for which the Trustee subscribes after the day of Admission will count towards the limits on

dilution under the rules of the New Share Schemes. Shareholder approval has been given to allow the Trustee to hold more than five per cent. of the issued ordinary share capital of the Company.

The Trustee will fund the acquisition of Ordinary Shares through one or more of the following:

- (a) by non-recourse loan or loans from group companies;
- (b) by contributions from group companies; and
- (c) by payments from the optionholders under the Share Schemes.

The Trustee will be required to waive its right to any dividends on Ordinary Shares whilst they are held within the EBT unless the Company instructs the Trustee to accept the dividend.

6.2 The e2v Pre-IPO Share Option Plan (the "Pre-IPO Plan")

(a) Operation of Pre-IPO Plan and Grant of Options

The Pre-IPO Plan was adopted by the Board on 25 June 2004 and by the Trustee on 30 June 2004. It is operated by the Trustee (after considering recommendations from the Board). Options granted by the Trustee under the Pre-IPO Plan can only be over the shares to be issued and allotted to the EBT as envisaged by paragraphs 2.4 and 2.7 of this Part VIII.

Conditional upon Admission, the Trustee will grant options to a total of up to seven employees over a total of up to an aggregate of 345,636 Ordinary Shares.

Options cannot be granted after the date of Admission.

There is no exercise price under the options granted under the Pre-IPO Plan.

(b) Exercise of Options

Options granted under the Pre-IPO Plan may not be exercised unless Admission occurs before 30 July 2004, but, subject to that, an option will normally be exercisable before the day before the tenth anniversary of the date of grant.

Options will also be exercisable within a limited period in the event of a takeover of the Company; its reconstruction or amalgamation with another company by virtue of a compromise or arrangement sanctioned by the court; or the voluntary winding up of the Company. Alternatively the optionholder may be allowed to roll over his options to become options over the acquiring company's shares.

(c) Variation of Share Capital

In the event of any increase or variation in the share capital of the Company (whether by way of capitalisation, rights issue, sub-division or consolidation of the Ordinary Shares), the exercise price under each subsisting option and/or the number and nominal value of Ordinary Shares comprised in the option may be adjusted by the Trustee in such manner as it decides is fair and reasonable.

(d) Amendments to the Pre-IPO Plan

The Board may amend the Pre-IPO Plan in any way it thinks fit save that no amendment may be made which would adversely affect the subsisting rights of optionholders, without the consent of the optionholder whose rights would be adversely affected by the amendment.

(e) General

An option will be personal to the optionholder and may not be assigned, charged, transferred or otherwise disposed of except as provided under the rules of the Pre-IPO Plan.

No optionholder will be entitled, on the termination of their employment with a member of the Group, to any compensation for the loss of any rights under the Pre-IPO Plan.

Benefits under the Pre-IPO Plan will not be pensionable.

6.3 The e2v Long Term Incentive Plan (the "LTIP")

(a) Operation

The LTIP will be operated by the Trustee of the EBT (after considering recommendations from the Remuneration Committee).

The structure and operation of the LTIP will be reviewed within five years of Admission.

In this summary, the term "Grantor" is used to describe the body which grants the options which could be either the Remuneration Committee or the Trustee depending on the circumstances.

(b) Allocations of Shares

(i) Eligibility

Any employee of the Group will be eligible for an allocation of Ordinary Shares under the LTIP ("Allocation") at the discretion of the Trustee. However it is currently intended that no awards will be granted under the LTIP to individuals who have in the same year been granted options under the e2v Company Share Option Plan. It is also currently intended that only the Executive Directors and Senior Managers will be granted awards under the LTIP.

No Allocation may be granted to an eligible employee or director who is within six months of his anticipated retirement age.

(ii) When Allocations May be Made

Allocations may be made within any period of 42 days following either: (i) the date that the LTIP is adopted by the Company; or (ii) the announcement of the results of the Company for any period. Allocations will not be made more than ten years after the date that the LTIP is adopted by the Company.

If the Trustee is prevented from making Allocations within the periods in (i) and (ii) above, by, *inter alia*, statute, order, regulation or government directive, the Trustee may make Allocations within the period of 21 days after the lifting of such restrictions. Allocations may also be made at other times in exceptional circumstances.

(iii) Individual Limit

Prior to the grant of an Allocation, the Remuneration Committee may impose (and notify the Grantor of) any limit on the number of Ordinary Shares that are subject to an Allocation made to a participant during any financial year of the Company, such amount to be determined taking account of market practice.

It is intended that this amount should normally be an amount not exceeding the participant's annual salary save that the Remuneration Committee may, in exceptional circumstances, determine that it should be an amount not exceeding twice the participant's annual salary, for example where recruitment or retention of a key employee makes it desirable.

(c) Source of Ordinary Shares and Limits

It is envisaged that all Ordinary Shares required under the LTIP will be purchased in the market by the Trustee. However, to the extent that new Ordinary Shares are used, the number of Ordinary Shares which may be allocated under the LTIP on any day shall not, when added to the aggregate number of Ordinary Shares either issued or issuable by the Company under the LTIP and any other employees' share scheme adopted by the Company in the previous ten years, exceed ten per cent. of the ordinary share capital of the Company in issue immediately prior to that day.

Similarly, the number of issued shares which may be allocated under the LTIP on any day shall not, when added to the aggregate number of shares either issued or issuable by the Company under the LTIP and any other discretionary executive share scheme adopted by the Company in the previous ten years, exceed five per cent. of the ordinary share capital of the Company in issue immediately prior to that day.

Any shares or rights to acquire shares that have lapsed or have been surrendered will be disregarded for the purposes of calculating the above limits. The limits do not apply to any options granted on or before the date of Admission nor to any options granted by the Trustee unless the Trustee has subscribed for the Ordinary Shares after the date of Admission in order to satisfy the relevant option. The limits will however apply to any Treasury Shares that may be used under the LTIP for so long as this is required by the Association of British Insurers.

(d) *Performance Target and Release and Transfer of Shares*

All Allocations made under the LTIP will be subject to performance targets set by the Trustee which shall determine the number of Ordinary Shares to be released and transferred to the participant. The Trustee intends to impose the following performance target on the first set of Allocations:

A Unless the Remuneration Committee decides in exceptional circumstances that it would be inappropriate to apply it, there will be an "earnings per share underpin" which will require the Company's earnings per share to grow over a three year period by at least two per cent. more than the growth in the retail prices index over the same period.

B If the underpin is achieved (or disappplied), the number of Ordinary Shares to be released and transferred shall be determined by measuring the total shareholder return performance of the Company against a comparator group initially comprising 15 similar companies. If the Company's performance is such as to place it in the top 20 per cent. among that group of companies, all of the allocated Ordinary Shares will be released and transferred. If the Company's performance is such as to place it below median none of the allocated Ordinary Shares will be released and transferred. For performance between the minimum and the maximum there is a sliding scale which is shown in the following table:

<u>Ranking</u>	<u>Percentage of Ordinary Shares Released/Transferred</u>
In bottom half	0%
Median	25%
In top 20 per cent.	100%

There is straight line vesting between median and top 20 per cent performance.

The Remuneration Committee has power to vary any performance condition after the Allocation has been made if, because of a change in circumstances, it considers the condition to have become unfair or impractical.

The Ordinary Shares determined under the performance targets will normally be released and transferred at the end of the performance period (expected to be a three year period commencing on the date of Allocation). If a participant ceases to be an employee or director of a company participating in the LTIP, any outstanding Allocation granted to him under the LTIP will lapse subject to the limited exercise periods referred to below.

If a participant ceases to be an employee of a company participating in the LTIP by reason of: death; injury or disability; redundancy; retirement at or after 55; his employing company leaving the Group; or his employment being transferred out of the Group, the release and transfer of his Allocation shares will be accelerated with the number of Ordinary Shares being released depending on the Remuneration Committee's view of the Company's performance against the performance target with the number of Ordinary Shares subject to an Allocation reduced pro rata to the proportion of the three year performance period that has elapsed by the relevant date. If for some other reason a participant ceases to be an employee of a company participating in the LTIP, the Trustee and the Remuneration Committee will retain a discretion to allow allocated shares to be released and transferred to that participant.

The release and transfer of allocated shares will also be accelerated in the event of a takeover of the Company; its reconstruction or amalgamation with another company (but excluding an internal reorganisation) by virtue of a compromise or arrangement sanctioned by the court; or the voluntary winding up of the Company with the number of Ordinary Shares being released depending on the Remuneration Committee's view of the Company's performance against the performance target and making allowance for the reduction in value of the shares arising from the early release and

transfer with the number of Ordinary Shares subject to the Allocation being reduced pro rata to the proportion of the three year performance period that has elapsed at the relevant time.

(e) Amendments to the LTIP

The Trustee may, with the agreement of the Remuneration Committee, amend the LTIP in any way it thinks fit but certain provisions of the LTIP dealing with eligibility, limits and the basis for determining a participant's entitlements under the LTIP cannot be altered to the advantage of participants without the prior sanction of the Company in general meeting, except in the case of minor amendments to benefit the administration of the LTIP to take account of any change to legislation, or to obtain favourable tax, exchange control, or regulatory treatment for participants or any Group company.

The LTIP may also be amended to allow it to operate outside the United Kingdom taking account of overseas legal, taxation and securities laws.

(f) General

An Allocation will be personal to the participant and may not be assigned, charged, transferred or otherwise disposed of except as provided under the rules of the LTIP.

No participant will be entitled, on the termination of their employment with a member of the Group, to any compensation for the loss of any rights under the LTIP.

Benefits under the LTIP will not be pensionable.

6.4 The e2v Company Share Option Plan (the "Plan")

(a) Operation

The Plan is to be operated by the Remuneration Committee. The Plan may also be operated by the Trustee (after considering recommendations from the Remuneration Committee). The Remuneration Committee will grant options to subscribe for Ordinary Shares and the Trustee may grant options to purchase Ordinary Shares.

The structure and operation of the Plan will be reviewed within five years of Admission.

In this summary, the term "Grantor" is used to describe the body which grants the options which could be either the Remuneration Committee or the Trustee depending on the circumstances.

(b) Inland Revenue Approval

The Plan will be divided into two parts. One part (the "Approved Part") has been designed to qualify for approval by the Inland Revenue under ITEPA. Inland Revenue approval will automatically be deemed to have been given once the Plan is approved by Shareholders. Options granted under the Approved Part are called "Approved Options".

The other part (the "Unapproved Part") contained at appendix III to the rules of the Plan will not qualify for Inland Revenue approval. Accordingly the Unapproved Part allows greater flexibility than is permitted under the Approved Part; in particular the £30,000 individual limit (see below) will not apply to options granted under the Unapproved Part. Options granted under the Unapproved Part are called "Unapproved Options". Wherever possible options up to the £30,000 limit will first be granted under the Approved Part.

(c) Grant of Options

(i) Eligibility

Any full-time director (being one who is contractually required to work at least 25 hours per week) and any other employee of the Company or any of its subsidiaries (the "Group"), will be eligible to be granted options under the Plan at the discretion of the Grantor. Unapproved Options may be granted to any executive director (i.e. the 25 hours per week requirement does not apply for Unapproved Options).

No option may be granted to an eligible employee or director who is within six months of his anticipated retirement age.

It is currently intended that no options will be granted under the Plan to individuals who have in the same year received an Allocation under the LTIP.

(ii) *When Options May be Granted*

Approved Options may be granted within any period of 42 days following either: (i) approval of the Plan by the Inland Revenue; or (ii) the announcement of the results of the Company for any period. Approved Options will not be granted more than ten years after the date of approval of the Plan by the Inland Revenue.

Unapproved Options may be granted within any period of 42 days following either: (i) the date that the Plan is adopted by the Company; or (ii) the announcement of the results of the Company for any period. Unapproved Options will not be granted more than ten years after the date that the Plan is adopted by the Company.

If the Grantor is prevented from granting options within the periods in (i) and (ii) above, by, inter alia, statute, order, regulation or government directive, the Grantor may grant options within the period of 21 days after the lifting of such restrictions. Options may also be granted at other times in exceptional circumstances.

(iii) *Option Exercise Price*

The price at which optionholders may acquire Ordinary Shares on the exercise of their Approved Options will be determined by the Grantor at the time of grant and must be not be less than the higher of: (a) the nominal value of an Ordinary Share; and (b) the middle market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the dealing day immediately preceding the date of grant.

The price at which optionholders may acquire Ordinary Shares on the exercise of their Unapproved Options will be determined by the Grantor as its reasonable opinion of the market value of an Ordinary Share at the time of grant and where the Unapproved Option is an option to subscribe it will not be less than the nominal value of an Ordinary Share.

(iv) *Individual Limit*

At any one time, the Approved Options which any optionholder may hold under the Plan and any other share option scheme (excluding savings-related schemes) approved under ITEPA and established by the Company (or any associated company) must be limited to Ordinary Shares with a market value (calculated at the date of grant of each option) that does not exceed £30,000.

Prior to the grant of an option, the Remuneration Committee may determine (and notify the Grantor of) any maximum aggregate amount payable by the optionholder on the exercise of any option granted to the optionholder during any financial year of the Company such amount to be determined taking account of market practice.

It is intended that this amount should normally be an amount not exceeding the optionholder's annual salary save that the Remuneration Committee may in exceptional circumstances determine that it should be an amount not exceeding twice the optionholder's annual salary, for example where recruitment or retention of a key employee makes it desirable.

(d) *Plan Limits*

The number of Ordinary Shares over which options may be granted under the Plan will be limited as follows:

(i) *All Employee Share Schemes*

The aggregate number of Ordinary Shares which may be issued pursuant to options granted in the ten year period prior to a proposed date of grant under the Plan and any other employee share scheme approved by the Company in general meeting may not exceed ten per cent. of the issued ordinary share capital of the Company at the proposed date of grant.

(ii) *Executive Share Option Schemes*

The aggregate number of Ordinary Shares which may be issued pursuant to options granted in the ten year period prior to a proposed date of grant under the Plan and any other executive-style share scheme approved by the Company in general meeting may not exceed five per cent. of the issued ordinary share capital of the Company at the proposed date of grant.

The limits set out in (i) and (ii) above do not apply to any options granted on or before the date of Admission nor to any options granted by the Trustee unless the Trustee has subscribed for Ordinary Shares after the date of Admission in order to satisfy the relevant option. However, for so long as is required by the Association of British Insurers, the limits do apply to any Treasury Shares that may be used under the Plan.

(e) *Performance Conditions*

All options granted under the Plan will be subject to performance conditions set by the Grantor.

The performance conditions which the Remuneration Committee proposes should be imposed on the initial grant of options is that over a period of three financial years (commencing with the financial year prior to Admission) there must be an increase in the earnings per share of the Company ("EPS") of a fixed percentage per annum that is more than the increase in the Retail Prices Index ("RPI") for the same period.

<u>EPS Growth</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>
EPS exceeds RPI by 15 per cent	10%	20%	40%	100%
EPS exceeds RPI by 20 per cent	25%	50%	100%	
EPS exceeds RPI by 25 per cent	50%	100%		
EPS exceeds RPI by 30 per cent	100%			

The extent to which (in percentage terms) an optionholder can exercise his options depends upon which tier of classification the optionholder has been placed in. For example, if EPS exceeds RPI by 20 per cent. then a Tier 2 optionholder can only exercise 50 per cent. of his option. Tier 1 includes senior overseas territory and operations managers of the Company's three largest business areas. Tier 2 includes operations managers of smaller business sectors as well as business sector and key growth managers. Tier 3 includes senior functional managers. Tier 4 includes key technologists and high potential employees.

The EPS figure used to measure the performance condition will be normalised EPS which will exclude exceptional items, goodwill amortisation, restructuring costs etc..

The Grantor has power to vary any performance condition after the option has been granted if, because of a change in circumstances, it considers the condition to have become unfair or impractical.

(f) *Exercise of Options*

An option will normally be exercisable between three and ten years from the date of grant. If an optionholder ceases to be an employee or director of a company participating in the Plan, any outstanding option granted to him under the Plan will lapse subject to the limited exercise periods referred to below.

If an optionholder ceases to be an employee or director of a company participating in the Plan by reason of: death; injury or disability; redundancy; retirement at or after 55; his employing company leaving the Group; or his employment being transferred out of the Group, his Approved Options will be exercisable within a limited period, whether or not the performance conditions have been satisfied. Unapproved Options will only be exercisable to the extent that the Grantor considers the performance conditions to have been satisfied. If, for some other reason, an optionholder ceases to be an employee or director of a company participating in the Plan, the Grantor will retain a discretion to allow that optionholder to exercise his options within a limited period. The Grantor may extend that limited period and/or make the exercise subject to conditions.

Options will also be exercisable within a limited period in the event of a takeover of the Company; its reconstruction or amalgamation with another company (but excluding an internal reorganisation) by virtue of a compromise or arrangement sanctioned by the court (a "Section 425 Scheme"); or the

voluntary winding up of the Company. In these circumstances options will be exercisable whether or not the performance conditions have been satisfied, save that for Unapproved Options in the event of a takeover of the Company, or a Section 425 Scheme, an option may not be exercised unless the Grantor is satisfied with the performance of the Company over the period since the date that the option was granted. Alternatively the optionholder may be allowed to roll over his options to become options over the acquiring company's shares.

(g) Variation of Share Capital

In the event of any increase or variation in the share capital of the Company (whether by way of capitalisation, rights issue, sub-division or consolidation of the Ordinary Shares), the exercise price under each subsisting option and/or the number and nominal value of Ordinary Shares comprised in the option may be adjusted by the Remuneration Committee in such manner as it decides is fair and reasonable. Adjustment to options granted by the Trustee must be approved by the Trustee. In the case of Approved Options, the prior approval of the Inland Revenue will also be required.

(h) Rights attaching to Ordinary Shares

Any Ordinary Shares allotted (or transferred) pursuant to the exercise of an option will rank equally in all respects with the other Ordinary Shares in issue on the date of allotment (or transfer).

(i) Amendments to the Plan

The Board may amend the Plan in any way it thinks fit save that no amendment may be made which would adversely affect the subsisting rights of optionholders, without the consent of the optionholder whose rights would be adversely affected by the amendment.

Certain provisions of the Plan dealing with eligibility, limits and the basis for determining an optionholder's entitlements under the Plan cannot be altered to the advantage of optionholders without the prior sanction of the Company in general meeting, except in the case of minor amendments to benefit the administration of the Plan to take account of any change to legislation, or to obtain favourable tax, exchange control, or regulatory treatment for optionholders or any Group company.

In the case of Approved Options, the prior approval of the Inland Revenue will also be required to the amendment of key features of the Plan.

The Plan may be amended to allow it to be operated outside the United Kingdom taking account overseas legal, taxation and securities laws.

(j) General

The Company will at all times keep available sufficient authorised and unissued Ordinary Shares or Treasury Shares to satisfy the exercise of all options granted under the Plan taking into account arrangements for such options to be satisfied with issued shares.

An option will be personal to the optionholder and may not be assigned, charged, transferred or otherwise disposed of except as provided under the rules of the Plan.

No optionholder will be entitled, on the termination of their employment with a member of the Group, to any compensation for the loss of any rights under the Plan.

Benefits under the Plan will not be pensionable.

6.5 The e2v Sharesave Scheme (the "Scheme")

(a) Operation

The Scheme is to be operated by the Board. The Scheme may also be operated by the Trustee (after considering recommendations from the Board). The Board will grant options to subscribe for Ordinary Shares and the Trustee may grant options to purchase Ordinary Shares.

In this paragraph 6.5, the term "Grantor" is used to describe the body which grants the options which could be either the Board or the Trustee depending on the circumstances.

(b) Inland Revenue Approval

The Scheme has been designed to qualify for approval by the Inland Revenue under ITEPA. Inland Revenue approval will automatically be deemed to have been given once the Scheme is approved by Shareholders.

(c) Eligibility

All employees who have worked continuously or a company in the Group for a qualifying period of time determined by the Board (not exceeding five years) are eligible to participate in the Scheme. The Board has a discretion to invite employees who do not satisfy these conditions to participate in any grant of options. No director or employee may participate in the Scheme if he has a material interest in the Company (being an interest in 25 per cent. or more of the Company's share capital, if the Company is a close company).

(d) Option Exercise Price

The exercise price of an option is determined by the Board prior to invitations being sent to all eligible employees. The exercise price must not be less than the nominal value of an Ordinary Share (if it is an option to subscribe for Ordinary Shares) and also must not be less than 80 per cent. of the middle market quotation of an Ordinary Share on the London Stock Exchange on the last dealing day preceding the issue of invitations under the Scheme. The maximum discount to the middle market quotation may vary in line with changes in the applicable legislation.

(e) Issue of Invitations and Grant of Options

The Board may issue invitations during the period of 42 days following the obtaining of Inland Revenue approval of the Scheme. Thereafter invitations may be issued within 42 days of the announcement of the results of the Company for any period. In exceptional circumstances the Board may issue invitations outside these periods.

On receipt of an invitation, participants may apply for the grant of an option by entering into a savings contract to save a monthly amount which may not be less than the minimum specified in the savings contract (currently £5) and may not exceed £250. The limit of £250 per month may increase in line with changes in the applicable legislation. Applications must be received within a specified period and if the Board receives applications for options over more shares than are available, applications may be scaled down. On receipt of the applications (after scaling down, if applicable) options are granted to participants by the Board.

(f) Scheme Limits

The aggregate number of Ordinary Shares which may be issued pursuant to options granted in the ten year period prior to a proposed date of grant under the Scheme and any other employee share scheme approved by the Company in general meeting may not exceed ten per cent. of the issued ordinary share capital of the Company at the proposed date of grant.

The limit set out in this paragraph above does not apply to any options granted on or before the date of Admission nor to any options granted by the Trustee unless the Trustee has subscribed for Ordinary Shares after the date of Admission in order to satisfy the relevant opinion. The limits will however apply to Treasury Shares that may be used under the Plan.

(g) Exercise of Options

Options may be exercised in the six month period following the maturity date of the related savings contract which may be the third, fifth or the seventh anniversary of the commencement of the contract.

If the optionholder ceases employment or to hold office by reason of injury, disability, redundancy, retirement at age 65 or such other age at which he is bound to retire, because his employing company ceases to be a member of the Group or because the business by which he is employed is transferred out of the Group, his options may be exercised within six months of cessation. His options will then lapse.

If an optionholder dies before the option becomes exercisable, his option may be exercised within 12 months of his death by his personal representatives. If he dies after his option becomes exercisable the option may be exercised within 12 months after the bonus date under his savings contract by his personal representatives. His options will then lapse.

If an optionholder ceases employment more than three years after the date of the grant, the option may be exercised within six months of cessation. His options will then lapse.

An optionholder may (but need not) exercise his option on reaching age 65, even if he does not retire then.

If the optionholder ceases employment in other circumstances then the option will lapse.

Options are also exercisable within limited periods if the Company is taken over or is wound up or if there is a scheme of reconstruction. Alternatively, the optionholder may be allowed to roll over his Options to become options over the acquiring company's shares.

(h) Variation of Share Capital

On a variation of the Company's share capital by way of capitalisation or rights issue, sub-division, consolidation or a reduction, the exercise price and the number of Ordinary Shares comprised in an option can be varied at the discretion of the Board subject to prior Inland Revenue approval.

(i) Amendments to the Scheme

The Board will have power to administer, interpret and amend the Scheme.

Certain provisions of the Scheme dealing with eligibility, limits and the basis for determining an optionholder's entitlements under the Scheme cannot be altered to the advantage of optionholders without the prior sanction of the Company in general meeting, except in the case of minor amendments to benefit the administration of the Scheme to take account of any change to legislation, or to obtain favourable tax, exchange control, or regulatory treatment for optionholders or any Group company.

The prior approval of the Inland Revenue will also be required to the amendment of key features of the Scheme.

The Scheme may be amended to allow it to be operated outside the United Kingdom taking account of overseas legal, taxation and securities laws.

(j) General

Ordinary Shares allotted (or transferred) on the exercise of options rank *pari passu* with Ordinary Shares in issue at the date of allotment (or transfer).

The Company must have sufficient available unissued Ordinary Shares or Treasury Shares to meet the exercise of options, taking into account any arrangements for such options to be satisfied with issued shares.

Options may not be transferred or charged and if an optionholder attempts to do so his options will lapse *immediately*.

If an optionholder ceases employment he will not be entitled to compensation for the loss of his options.

Benefits under the Scheme will not be pensionable.

6.6 e2v Share Incentive Plan (the "SIP")

(a) Inland Revenue Approval

The SIP has been designed to qualify for approval by the Inland Revenue under ITEPA. The trustees of the SIP will be a subsidiary company within the Group or professional trustees (the "SIP Trustees").

(b) Operation

The SIP contains three elements and the Board will decide each year which (if any) of these elements will be offered to employees.

- (i) "Free Shares", which are Ordinary Shares which may be allocated to an employee by the Company.

The market value of Free Shares allocated to an employee in any tax year may not exceed £3,000 or such higher limit as may be permitted by the relevant legislation. Free Shares may be allocated equally, or on the basis of salary, length of service or hours worked, or on the basis of the performance of the Company, one or more business units and/or individual performance, within the limits specified by the relevant legislation.

- (ii) "Partnership Shares", which are Ordinary Shares which an employee may purchase out of his or her pre-tax earnings.

The market value of Partnership Shares which an employee can agree to purchase in any tax year under the current legislation may not exceed £1,500 (or ten per cent. of an employee's salary if lower). Partnership Shares are purchased on behalf of an employee by the SIP Trustees. The funds used to purchase shares will be deducted from the employee's salary. The time when or intervals at which deductions will take place will be communicated to employees prior to the commencement of their participation in the SIP. Funds deducted from salary will be held on the employee's behalf until they are used to buy Partnership Shares.

- (iii) "Matching Shares", which are Ordinary Shares which may be allocated to an employee by the Company following the purchase of Partnership Shares.

Matching Shares are additional free shares which are distributed to employees who buy Partnership Shares. The maximum number of Matching Shares which the Company can allocate to an employee following the purchase of Partnership Shares by the employee are two Matching Shares for every one Partnership Share purchased by the employee. There is no minimum ratio of Matching Shares which the Company must provide following a purchase of Partnership Shares. The same ratio will apply to all employees who purchase Partnership Shares under the SIP at that time.

It is not intended that any award of Free Shares or Matching Shares under the SIP will be pensionable.

The SIP may not be operated for more than ten years after its approval by shareholders.

(c) Eligibility

The Company must offer all UK tax-resident employees the opportunity to participate in the SIP whether they work full or part time. The Company can require employees to have completed a minimum qualifying period of employment before they can participate but that period must not be more than 18 months (or such other period as may be provided for by the relevant legislation).

(d) Source of Shares and the SIP Limit

The SIP Trustees may either subscribe for new shares or purchase shares in the market for the purpose of the SIP. The money to buy the shares will be provided either by the Company or, in respect of the acquisition of Partnership Shares, by the employee.

No new shares will be issued under the SIP where such issue would cause the number of shares which have been or may be issued pursuant to awards made (including options granted) in the preceding ten year period under all employee share schemes approved by the Company in general meeting to exceed ten per cent. of the Company's issued ordinary share capital. The limit in this paragraph does not apply to options or rights granted on or before the date of Admission.

(e) Retention of Shares

The SIP Trustees will initially hold all Free Shares or Matching Shares allocated to employees and any Partnership Shares acquired on the employees' behalf. Employees can withdraw Partnership Shares from the SIP Trust at any time. Free Shares and Matching Shares held by employees will be

subject to a requirement that the shares are held by the SIP Trustees for a period after the initial allocation. This period will be notified to employees at the time of allocation and will not normally be for less than three years or more than five years.

The SIP may provide that if an employee ceases to be employed by a Group company within three years of being allocated Free Shares or Matching Shares (or such shorter period as the Company may specify), his rights to those shares will be forfeited. However, in certain circumstances, for example death, injury, redundancy, transfer of the employing business or company or retirement on reaching age 65, employees will retain any Free Shares and Matching Shares.

(f) Issue Price – Free and Matching Shares

If new shares are issued to the SIP Trustees, their price will not be less than their market value on, or shortly before, the day they are issued.

(g) Issue Price – Partnership Shares

Where there is only one deduction from employees' pay, the price at which Partnership Shares are issued will be their market value on, or shortly before, the day they are issued.

Where there is more than one deduction from employees' pay, the price at which Partnership Shares are issued will be the lower of their market value on, or shortly before, the start and end of the pay periods over which the deductions are made. The pay period may be up to 12 months long.

(h) Rights Attaching to Ordinary Shares

Any Ordinary Shares issued under the SIP will rank equally with all the Company's other Ordinary Shares in issue at that time. If the relevant record date is before the date they are issued, they will not normally rank for dividends or for any other rights.

(i) Dividends on Ordinary Shares held by the SIP Trustees

Where Ordinary Shares are held by the SIP Trustees, employees will be treated as the beneficial owners of the shares. Any dividends received in respect of shares held by the SIP Trustees may be used to acquire additional shares for employees or may be distributed to employees.

(j) Amendments to the SIP

The SIP may at any time be amended by the Board in any respect, provided that the prior approval of shareholders is obtained for alterations or additions (to the advantage of participants) to the rules governing eligibility, the limits on participation and the basis for determining a participant's entitlement to shares, except for any alterations required to obtain or maintain Inland Revenue approval of the SIP and any minor alterations to benefit the administration of the SIP, to take account of changes in legislation or to obtain or maintain favourable tax, exchange control, or regulatory treatment for participants or Group companies. No alteration to a key feature of the SIP or the trust deed establishing the SIP may be made while the SIP is approved by the Inland Revenue without their approval.

7 Subsidiary Undertakings

7.1 The subsidiary undertakings of the Company, their registered offices and countries of incorporation are:

<u>Name and Registered Office</u>	<u>Country of incorporation</u>	<u>Issued share capital</u>	<u>Proportion of capital held</u>	<u>Principal activity</u>
e2v Technologies (uk) Limited 106 Waterhouse Lane Chelmsford CM1 2QU	England and Wales	3,000,000 ordinary shares of £1 each	100%	Electrical Component Manufacturer

<u>Name and Registered Office</u>	<u>Country of incorporation</u>	<u>Issued share capital</u>	<u>Proportion of capital held</u>	<u>Principal activity</u>
e2v Technologies Inc. Corporation Trust Center 1209 Orange Street Wilmington Delaware 19801 United States of America	United States	400,000 of US\$1.00 each	100%	Sales & Distribution
e2v Technologies SAS Parc Burospace 16 route de Crisy 91570 Bièvres France	France	One share of €37,000	100%	Sales & Distribution
e2v Technologies (Canada) Limited Suite 2000 145 King Street West Toronto Ontario MSH 2B6 Canada	Canada	2,000 common shares US\$10 each	100%	Sales & Distribution
e2v Technologies GmbH Industriestraße 29 D-82194 Gröbenzell Germany	Germany	One share of €25,000	100%	Sales & Distribution
e2v Holdings, Inc. Corporation Trust Center 1209 Orange Street Wilmington Delaware 19801 United States of America	United States	10,000 of US\$0.01 each	100%	Holding Company
e2v Limited 106 Waterhouse Lane Chelmsford CM1 2QU	England and Wales	One ordinary share of £1	100%	Name Protection
EEV Limited 106 Waterhouse Lane Chelmsford CM1 2QU	England and Wales	One ordinary share of £1	100%	Name Protection

7.2 Principal Establishments

Summary details of the principal establishments occupied by the Group are as follows:

<u>Location</u>	<u>Country</u>	<u>Use</u>	<u>Rent and Principal Terms</u>	<u>Term</u>
106 Waterhouse Lane Chelmsford Essex CM1 2QU	England	Manufacturing	Freehold	Freehold
Carholme Road Lincoln LN1 1SP	England	Manufacturing	Freehold	Freehold
4 Westchester Plaza Elmsford NY 10523-0482	United States	Offices & Warehouses	US\$217,500 p.a.	3¼ year lease extension commencing 1 January 2003

<u>Location</u>	<u>Country</u>	<u>Use</u>	<u>Rent and Principal Terms</u>	<u>Term</u>
Suite 301 6700 SW 105th Ave. Beaverton OR 97008	United States	Offices	US\$9,678 p.a.	18 months from 1 November 2002
Bat 16 Burospace F91752 Bièvres	France	Offices	€97,804.97 p.a.	9 year lease commencing 7 May 1999
Room C3 Ground Floor Centre Block Elstree Business Park Elstree Way Borehamwood Herts WD6 1RX	England	Office /design laboratory	£43,000 p.a.	3 years from 25 March 2002
Industriestraße 29 82194 Gröbenzell	Germany	Offices	€35,744.52 p.a.	1 January 2003 to 31 December 2006

8 UK Taxation

The following summary of the tax treatment in the United Kingdom (which applies only to persons who are resident or ordinarily resident in the United Kingdom holding Ordinary Shares as an investment and who are the beneficial owners of the Ordinary Shares) is intended as a general guide only and is based on current United Kingdom tax law and published practice at the date of this document. Prospective subscribers for, or purchasers of, Ordinary Shares who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser.

8.1 Dividends

8.1.1 Under current UK taxation legislation, the Company is not required to withhold tax at source from dividends.

8.1.2 Individual Shareholders resident in the United Kingdom for tax purposes, who receive dividends paid by the Company, will be entitled to a tax credit. The amount of the tax credit is currently one-ninth of the cash dividend or ten per cent. of the aggregate of the cash dividend and the associated tax credit.

8.1.3 Such individual Shareholders will be liable to income tax on an amount of income equal to the aggregate of the dividend and the associated tax credit. This amount of income is treated as the top slice of an individual's income and the individual will be subject to income tax (if at all) at the Schedule F ordinary rate (ten per cent.) or the Schedule F upper rate (32.5 per cent.) or partly at the Schedule F ordinary rate and partly at the Schedule F upper rate depending upon the individual's circumstances. The tax credit will be offset against the individual's total income tax liability. As a result, an individual Shareholder who, after taking into account such dividend income, is subject to UK income tax only at the starting or the basic rate will have no further liability to income tax. Higher rate taxpayers will, after taking into account the tax credit, have an additional tax liability of an amount equal (at present rates) to 25 per cent. of the cash dividend received.

8.1.4 UK-resident Shareholders whose income tax liability is less than the tax credit are not entitled to claim a repayment of any part of the tax credit associated with dividends paid by the Company.

8.1.5 A UK-resident Shareholder who holds Ordinary Shares in a PEP or ISA will be exempt from income tax on dividends in respect of such shares.

8.1.6 UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

8.1.7 UK-resident corporate Shareholders will not generally be liable to corporation tax on any dividend received from the Company. Such corporate Shareholders will not be able to claim repayment of the tax credit attaching to any such dividend.

8.1.8 Shareholders who are not resident in the United Kingdom or who are subject to tax in a jurisdiction outside the United Kingdom should consult their own tax advisers concerning their liability to pay tax on dividends received from the Company.

8.2 Chargeable Gains

8.2.1 A disposal of Ordinary Shares by a Shareholder resident or ordinarily resident for tax purposes in the United Kingdom or a shareholder who is not UK-resident but carries on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a non-resident company, a permanent establishment) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency or permanent establishment may, depending on the Shareholder's circumstances, and subject to any available exemptions or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK tax on chargeable gains. Special rules apply to individuals at a time when they are temporarily not resident or ordinarily resident in the United Kingdom.

8.2.2 A UK-resident Shareholder who holds Ordinary Shares in a PEP or an ISA will be exempt from capital gains tax on gains accruing to him on a disposal or deemed disposal of Ordinary Shares.

8.3 Stamp Duty and Stamp Duty Reserve Tax

8.3.1 *The following statements are intended as a general guide to the position under current UK law and practice. They do not apply to certain categories of persons, in particular, market makers, dealers, intermediaries and persons (or nominees for persons) who issue depositary receipts or operate clearance services.*

8.3.2 The allotment and issue of Ordinary Shares by the Company pursuant to the Offer will not normally give rise to a charge to stamp duty or stamp duty reserve tax ("SDRT").

8.3.3 Agreements to transfer Ordinary Shares within CREST (where there is a change in the beneficial ownership of Ordinary Shares) will attract SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration. The charge to SDRT arises, in the case of an unconditional agreement to transfer such shares within CREST, on the date of the agreement, and in the case of a conditional agreement, on the date the agreement becomes unconditional.

8.3.4 There is no additional stamp duty or SDRT liability where Ordinary Shares are taken out of CREST (otherwise than pursuant to a transfer on sale), and there is no additional stamp duty or SDRT liability if Ordinary Shares are deposited in CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale).

8.3.5 Transfers on sale of existing Ordinary Shares outside CREST will be liable to ad valorem stamp duty normally at the rate of 0.5 per cent. of the amount or value of the chargeable consideration. A charge to SDRT, normally at the rate of 0.5 per cent. of the consideration, arises, in the case of an unconditional agreement to transfer shares outside CREST, on the date of the agreement, and in the case of a conditional agreement, the date of the agreement becomes unconditional. The SDRT is payable on the seventh day of the month following the month in which the charge arises. However, where an instrument of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement (or, if the agreement is conditional, the date on which the condition is satisfied), the SDRT charge is cancelled to the extent that the SDRT has not been paid and, if any of the SDRT has been paid, a claim may be made for its repayment, generally with interest. SDRT and stamp duty are normally the liability of the purchaser.

8.3.6 The sale of the Sale Shares by the Selling Shareholders under the Offer will give rise to a liability to stamp duty and/or SDRT as explained above. Under the terms of the Underwriting Agreement, the Sellers (as defined therein) have agreed to meet the liability to stamp duty of

original purchasers of the Sale Shares (as defined therein) which will arise on such initial sale to the extent that such liability does not exceed 0.5 per cent of the consideration. The Sellers will also meet any liability to SDRT of the original purchasers arising in respect of the initial transfer of the Sale Shares by the Sellers within the CREST system to the extent that such liability does not exceed 0.5 per cent of the consideration.

8.3.7 Liabilities to stamp duty will be rounded up to the nearest multiple of £5.

8.4 Employee Shareholders

Special rules apply to Shareholders who are also employees of the Company or a connected company. The rules are complex, and broadly can have the effect of charging income tax on an acquisition, disposal or certain other transactions in relation to Ordinary Shares, rather than under the (generally more favourable) capital gains tax regime.

8.5 Inheritance Tax

A gift of Ordinary Shares on the death of a Shareholder (including those Shareholders who are resident or ordinarily resident in the United Kingdom but are domiciled elsewhere) may give rise to a liability to UK inheritance tax. For these purposes, a transfer of assets at less than their full market value may be treated as a gift.

9 Securities Laws

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required.

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not and will not be registered under the Securities Act and may not be offered or sold within the United States.

10 Underwriting Arrangements

10.1 Pursuant to the Underwriting Agreement dated the same date as this document and made between (1) the Company (2) the Directors (3) the Selling Shareholders (4) ABN AMRO Rothschild (5) N M Rothschild and others, ABN AMRO Rothschild has agreed, subject to the fulfilment of certain conditions, to procure subscribers for (or, failing which, itself to subscribe for) the Ordinary Shares issued by the Company and to procure purchasers for (or, failing which, itself to purchase) the Ordinary Shares sold by the Selling Shareholders in the Institutional Offer at the Offer Price. ABN AMRO Rothschild has agreed to procure subscribers for or, failing which, to subscribe the New Shares offered under the Employee Offer in respect of which cheques for payment have been dishonoured.

10.2 The underwriting obligations of ABN AMRO Rothschild are subject to certain conditions. These conditions include, among others, Admission occurring not later than 8.00 a.m. on the Closing Date (or such later time and/or date as ABN AMRO Rothschild, N M Rothschild, certain of the Selling Shareholders and the Company may determine, being not later than 8.00 a.m. on 30 July 2004). If Admission occurs, ABN AMRO Rothschild will be subject to an unconditional obligation to underwrite the offer and sale of all Ordinary Shares issued or sold in connection with the Offer.

10.3 Under the Underwriting Agreement:

10.3.1 the Company and the Selling Shareholders (other than 3i) have severally agreed to pay to ABN AMRO Rothschild, provided the Underwriting Agreement becomes unconditional, a commission of 2.5 per cent. of the aggregate value at the Offer Price of the Ordinary Shares sold by it and 3i has agreed on the same terms to pay a commission of £160,408 to ABN AMRO Rothschild;

- 10.3.2 the Company and the Selling Shareholders may, each at their absolute discretion, pay to ABN AMRO Rothschild an additional commission of up to 0.5 per cent. of the product of (i) the Offer Price; and (ii) the sum of the aggregate number of New Shares and Existing Shares;
- 10.3.3 *certain customary warranties and indemnities have been given to N M Rothschild and ABN AMRO Rothschild by the Company, as well as by the Executive Directors, as to the accuracy of the information in this document and as to other matters in relation to the Group and its business;*
- 10.3.4 each of the Non-executive Directors has given to N M Rothschild and ABN AMRO Rothschild certain customary warranties relating to the accuracy of the information in this document and himself;
- 10.3.5 *each of the Selling Shareholders who will remain as employees of the Group following Admission has given to N M Rothschild and ABN AMRO Rothschild certain customary warranties relating to himself or itself and the Ordinary Shares being sold by him or it;*
- 10.3.6 each of the other Selling Shareholders (including the Institutional Investors) has given to N M Rothschild and ABN AMRO Rothschild certain warranties relating to the Ordinary Shares being sold by him or it;
- 10.3.7 the Company has agreed not to, without the prior written consent of ABN AMRO Rothschild and the N M Rothschild, during the period ending 180 days after the Closing Date (a) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase or subscribe, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any Securities convertible into or exercisable or exchangeable for Ordinary Shares or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of Ordinary Shares, whether any such transaction described in (a) or (b) is to be settled by delivery of Ordinary Shares or such other Securities, in cash or otherwise. The foregoing undertaking shall not apply to (i) the issue and offer by the Company of the Ordinary Shares pursuant to the Offer, (ii) the issue by the Company of any Ordinary Shares upon the exercise of an option or warrant or the conversion of a Security outstanding on the date of the Underwriting Agreement, details of which are contained in this document, (iii) the granting or exercise of options or other rights to acquire Ordinary Shares or rights related to Ordinary Shares or the issue of Ordinary Shares under the Share Schemes, (iv) the issue of the Bonus Shares referred to in paragraph 2.6.8 of this Part VIII and (v) the issue and allotment of 4,977 Ordinary Shares to the EBT as referred to in paragraph 2.7 of this Part VIII;
- 10.3.8 each of Keith Attwood, John Brewster, Michael Tierney, Trevor Cross and Neil Martin has agreed not to, without the prior written consent of ABN AMRO Rothschild and N M Rothschild, during the Lock-up Period (a) offer, sell, contract to sell, grant or sell any option over, purchase any option or contract to sell, transfer, charge, pledge, grant any right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any Securities convertible into or exercisable or exchangeable for Ordinary Shares or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of Ordinary Shares, whether any such transaction described in (a) or (b) is to be settled by delivery of Ordinary Shares or such other Securities, in cash or otherwise, or any other disposal or other agreement to dispose of Ordinary Shares or announce or publicise the intention to do any of the foregoing.
- 10.3.9 Michael Hannant has also agreed to restrictions on the same terms as the other Senior Managers as set out in paragraph 10.3.8 save that, as he is not a Selling Shareholder, for a period of one month following the announcement of the Company's interim results for the six months ending on 30 September 2004, he shall be entitled to sell Ordinary Shares representing up to 23 per cent. of the aggregate of (i) the number of Ordinary Shares held by him immediately following Admission and (ii) the number of Ordinary Shares over which he held options under the Pre-IPO Share Option Plan immediately following Admission; and

10.3.10 ABN AMRO Rothschild may terminate the Underwriting Agreement before Admission in certain circumstances, including if the warranties referred to above have ceased to be true and accurate and not misleading in any respect which is material in the context of the Offer and if certain *force majeure* circumstances arise before Admission.

11 Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company and/or its subsidiaries during the two years immediately preceding the date of this document or, in the case of the Underwriting Agreement referred to in paragraph 11.1 below, is expected to be entered into prior to Admission, and are or may be material:

11.1 the Underwriting Agreement referred to in paragraph 10 above;

11.2 the sale and purchase agreement for all of the issued share capital of Marconi Applied Technologies Limited (since renamed e2v TL) and Marconi Applied Technologies Inc. (since renamed e2v Technologies Inc.) and the assets of Marconi Applied Technologies SA dated 12 July 2002 and entered into between Marconi (1) and the Company (2) (the "2002 Agreement"). Pursuant to the terms of this agreement, Marconi agreed to sell the issued share capital of e2v TL to the Company, the issued share capital of e2v Technologies Inc. to e2v Holdings, Inc. (then called Redwood 2002, Inc.) and the business of Marconi Applied Technologies SA (referred to in more detail in paragraph 11.4 below) (the "French Business") to e2v Technologies SAS. Completion took place on 12 July 2002, save for completion of the sale and purchase of the French Business which occurred on 23 August 2002 (in accordance with the terms of the asset transfer agreement referred to in paragraph 11.4 below). The purchase price (the "Purchase Price") for the acquired entities was:

e2v TL	£49,300,000
e2v Technologies Inc.	£5,200,000
the French Business	£500,000
certain of the assigned trade receivables	£2,000,000

The Purchase Price was settled by the payment of £50,000,000 in cash and the issuance of loan notes by the Company with a nominal value of £7,000,000. The Company was also required to procure the repayment of certain intra-group payables with a value of £2,000,000. The trade receivables had a face value of £2,000,000 and were assigned from Marconi Applied Technologies SA and related to the French Business. The 2002 Agreement contained an adjustment to the purchase price by reference to the difference between the completion net worth (as determined in accordance with the agreement) and £43,078,000. The 2002 Agreement contains warranties from Marconi in favour of the Company. The period for notifying claims under the warranties expired 18 months after completion, save in respect of claims under the environmental warranties, which will expire on 12 July 2005. The 2002 Agreement also contains other limitations on Marconi's liability (including an overall cap on liability equal to 60 per cent. of the Purchase Price);

11.3 the deed of tax covenant entered into between Marconi (1) the Company (2) Marconi Optical Components Limited (3) Marconi Software Solutions Limited (4) and Albany Partnership Limited (5) dated 12 July 2002. The deed contains a covenant given by Marconi to the Company in respect of tax liabilities of Marconi Applied Technologies Limited (since renamed e2v TL) and Marconi Applied Technologies Inc (since renamed e2v Technologies Inc) which relate to events occurring before 12 July 2002 or which arise as a result of e2v TL and e2v Technologies Inc's connection with the Marconi group of companies. The tax covenant is subject to a limitation period which expires on 12 July 2009, a financial cap and certain other standard limitations. The deed provides for the surrender of group relief by members of the Marconi group of companies to e2v TL and e2v Marconi Applied Technologies Inc for payment (surrenders are at the option of the Company save where these have already been paid for). In addition, Marconi is responsible for the administration of (i) e2v TL's tax affairs for accounting periods which end before 31 March 2002 and (ii) e2v Technologies Inc.'s tax affairs up to 12 July 2002. The deed includes a covenant given by the Company in respect of secondary tax liabilities that could arise in the Marconi group of companies as a result of a failure by e2v TL and e2v Technologies Inc. or the Company to discharge tax payable by them;

- 11.4 the French asset sale agreement dated 23 August 2002 by and among Marconi Applied Technologies SA ("Marconi France") (1) Marconi (2) e2v Technologies SAS (3) and the Company (4). In connection with the 2002 Agreement and in accordance with the terms of this agreement, Marconi France transferred to e2v Technologies SAS the business (as a going concern) of the sale and marketing of radio frequency and sensing components and sub-systems for medical, scientific, communication, industrial and defence markets in France, Benelux and other associated territories. The execution of this agreement was conditional upon a condition contained in the 2002 Agreement, stipulating that the consent of the French Minister of Economy and Finance (pursuant to Clause L 151-3 of the French Monetary and Financial Code relating to foreign investments in France) was obtained, and this consent was duly granted obtained on 19 August 2002. The Company guaranteed the performance at e2v Technologies SAS and Marconi guaranteed the performance of Marconi France under this agreement;
- 11.5 an instrument dated 12 July 2002 constituting £7,000,000 fixed rate unlisted unsecured subordinated loan notes of the Company and a redemption agreement dated 25 September 2003 relating to these loan notes entered into between Marconi Corporation plc (1) and the Company (2);
- 11.6 a stock subscription agreement dated 12 July 2002 between e2v Holdings, Inc. (then called Redwood 2002, Inc.) and the Company. Pursuant to this agreement, e2v Holdings, Inc. issued and sold to the Company 1,000 shares of common stock (par value US\$0.01 per share) for an aggregate purchase price of £1,200,000 (thereby increasing the Company's holding of common stock of e2v Holdings, Inc. to 2,000 shares);
- 11.7 deeds of assignment of debt dated 27 June 2002 and 12 July 2002 entered into between Marconi Applied Technologies Limited (since renamed e2v TL) (1) and Marconi Corporation plc (2) relating to debts of £586,000 and £18,273.30 (the "Debts") respectively owed by Bookham Technology plc to the Company. In consideration of the sums of £586,000 and £18,273.30 (which were payable in cash, but left outstanding as on-demand inter-company loans), e2v TL assigned the Debts to Marconi together with all present and future rights it was entitled to in relation to the Debts;
- 11.8 an investment agreement dated 12 July 2002 and entered into between the Company (1) Keith Attwood, Michael Hannant and John Brewster (2) Michael Hassall and Ian Slaughter (3) the Institutional Investors (4) and 3i Investments plc (5). This agreement provided for the terms of the investment made by the Institutional Investors into the Company. The parties to this investment agreement have entered into a termination agreement, which provides that the investment agreement will terminate immediately upon Admission;
- 11.9 a loan note instrument constituting £21,354,545 of loan notes and payment in kind notes dated 12 July 2002 and executed by the Company. The loan notes constituted by this instrument were issued to the Institutional Investors at the time of their investment in the Company and will be repaid upon Admission;
- 11.10 a facility agreement entered into between, inter alia, the Company (1) Marconi Applied Technologies Limited (since renamed e2v TL) (2) the bank and financial institutions listed therein (3) and The Governor and Company of the Bank of Scotland ("BoS") (4) dated 12 July 2002 (as amended on 23 August 2002, 10 February 2003 and 31 March 2003) (the "Facility Agreement"). In accordance with terms of the Facility Agreement, BoS has made available to the Company a term loan facility of up to £35,000,000 (this is fully drawn) and a revolving credit facility of up to £9,000,000 (the "Facilities"). The final repayment date is 11 January 2010. The Company may, by giving not less than five business days' prior notice) prepay the whole or part of the Facilities and all accrued interest. A prepayment will incur break costs if not prepaid on an interest payment date. No prepayment fee is payable;
- 11.11 in connection with the Facility Agreement, the Company (1) Marconi Applied Technologies Limited (since renamed e2v TL), e2v Holdings, Inc. (then called Redwood 2002, Inc.) e2v Technologies Inc., e2v Technologies (Canada) Limited and e2v Technologies GmbH (subject to a limit of £500,000) (2) the bank and financial institutions listed therein as senior lenders (3) BoS as facility agent and senior security trustee (4) BoS Treasury Services plc as hedging lender (5) 3i Investments plc as investor security trustee (6) the financial institutions listed therein as investors (7) and Marconi as Vendor (8) entered into an intercreditor deed dated 12 July 2002 which sets out the priority arrangements between the various named creditors;

- 11.12 an interest rate swap letter agreement entered into between the Company (1) and HBOS (2) on 22 August 2002. Pursuant to this letter agreement the Company has hedged a notional amount (£37,000,000 as at 4 October 2002) against interest rate fluctuations for the period 14 October 2002 to the 1 August 2005. This letter provides that the Company shall pay an amount to HBOS on the first day of February, May, August and November (calculated in accordance with the terms of this agreement) ("Payment Dates") in each of the years up to termination at a fixed rate of 4.89 per cent.. In addition, HBOS shall pay to the Company an amount, calculated in accordance with the terms of the letter agreement by reference to a "Floating Rate Option" (GBP-LIBOR-BBA), on each of the Payment Dates. This letter agreement contains representations which are standard for such a contract;
- 11.13 an agreement dated 26 August 2003 entered into between e2v TL (1) and Dynex Semiconductor Limited ("Dynex") (2) in respect of the acquisition of the business of the design, manufacture, test, marketing and sale of radio frequency microwave sensors for use in automotive security alarms carried on by Dynex. The maximum liability of Dynex under the warranties is the amount of the consideration (being £2,072,930 less an adjustment for stock of £41,955.06). The warranty period expires on 25 February 2005; and
- 11.14 a facility agreement between (1) e2v technologies plc and e2v technologies (uk) Limited (together the "Borrowers"), (2) e2v technologies plc, e2v technologies (uk) Limited, e2v technologies Inc. and e2v Holdings, Inc. (together, the "Guarantors"), (3) Barclays Capital and Lloyds TSB Bank plc as arrangers, (4) the financial institutions listed therein as original lenders (the "Original Lenders") and (5) Lloyds TSB Bank plc as agent dated 30 June 2004 (the "New Facility Agreement"), as amended, pursuant to which the Original Lenders have agreed to make available to the Borrowers a multi-currency term loan of £25,000,000 and multi-currency revolving credit facilities of up to £35,000,000 (the "Facilities") until the date five years from the date of the New Facility Agreement.

The New Facility Agreement contains events of default standard for facilities of this nature which on breach may result in the advances being either immediately due and payable or payable on demand.

The New Facility Agreement contains warranties and covenants standard for facilities of this nature including certain ongoing financial monitoring provisions and specific financial ratios which the Group must maintain.

Interest payable under the New Facility Agreement equals the aggregate of:

- (i) the applicable Margin (as defined therein and which is dependent on the ratio of consolidated total net borrowings to EBITDA of the Group);
- (ii) IBOR (being either LIBOR or EURIBOR); and
- (iii) Mandatory Costs (as defined therein), if any.

The Facilities are secured by way of fixed and floating charges from certain members of the Group created in favour of Lloyds TSB Bank plc as agent and trustee for the Original Lenders.

Save as set out above, there are no other contracts (not being contracts entered into in the ordinary course of business) entered into at any time by the Company and/or any other member of the Group which contain any provisions under which the Company and/or any other member of the Group has any obligations or entitlements which are material to the Company at the date of this document.

12 General

12.1 Working Capital

The Directors are of the opinion that, taking into account bank facilities available to it and the net proceeds of the Offer receivable by the Company, the Company has available sufficient working capital for its present requirements, that is, for at least the next 12 months following the publication of this document.

12.2 Expenses

The expenses of and incidental to the Offer, including the UK Listing Authority fee and the fees of the London Stock Exchange, commissions and fees payable to ABN AMRO Rothschild, and the costs of printing and distribution of documents are estimated to amount to approximately £3.83 million (exclusive of VAT) and are payable by the Company.

12.3 Significant Changes

There has been no significant change in the financial or trading position of the Group since 31 March 2004, the date to which the accountants' report set out in Part VI of this document has been prepared.

12.4 Litigation

Neither the Company nor any of its subsidiaries is or has been engaged in nor, so far as the Company is aware, has pending or threatened, any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Company's financial position.

12.5 Nature of Financial Information

The financial information in this document relating to the Group and, in particular, contained within the accountants' report set out in Part VI of this document does not comprise statutory accounts within the meaning of section 240 of the Act. Statutory accounts for the Company for the period from incorporation to 31 March 2003 included within the accountants' report set out in Part VI of this document have been delivered to the Registrar of Companies in England and Wales and statutory accounts for the Company for FY 2004 have been audited by the auditors and approved by the Board and will be delivered to the Registrar of Companies in due course. The auditors gave reports pursuant to section 235 of the Act in respect of these accounts and each such report was an unqualified report and did not contain a statement under section 237(2) or (3) of the Act.

12.6 Consents

- 12.6.1 Each of ABN AMRO Rothschild, N M Rothschild and Hoare Govett has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.
- 12.6.2 Ernst & Young LLP are the reporting accountants for the purposes of the Offer. Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion of its report in Parts VI and VII of this document and to its name and references to its name and such reports in the form and respective contexts in which they are included and has authorised those parts of this document to which it consents for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 (as amended).

12.7 Miscellaneous

- 12.7.1 The Ordinary Shares offered under the Institutional Offer have been underwritten by ABN AMRO Rothschild.
- 12.7.2 The Ordinary Shares being placed or sold pursuant to the Offer have a nominal value of 5p each and the premium on issue pursuant to the Offer will be 150p per Ordinary Share.
- 12.7.3 Directors and officers liability insurance has been effected by the Company in respect of each of the Directors for a sum assured of £5 million.
- 12.7.4 There have not been any interruptions to the business of the Company which may have, or have had, a significant effect on its financial position in the last 12 months.
- 12.7.5 Save as provided in paragraph 6.1 above, the Directors are not aware of any arrangement under which future dividends are waived or agreed to be waived.

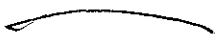
12.7.6 The ISIN number for the Ordinary Shares is GB00BO1DW905. The Sedol number for the Ordinary Shares is BO1DW90.

13 Documents available for inspection

Copies of the following documents may be inspected at the offices of Macfarlanes, 10 Norwich Street, London EC4A 1BD during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 14 days from the date of this document:

- 13.1 the Memorandum of Association of the Company and the Articles referred to in paragraph 3 above;
- 13.2 the service agreements referred to in paragraph 5 above;
- 13.3 the material contracts referred to in paragraph 11 above;
- 13.4 the letters of consent referred to in paragraph 12.6 above;
- 13.5 the accountants' report from Ernst & Young LLP set out in Part VI of this document, together with the statement of adjustments relating thereto;
- 13.6 the Pro-forma Statement of Net Assets set out in Part VII of this document;
- 13.7 the rules of the Share Schemes; and
- 13.8 the audited consolidated accounts of the Company and its subsidiaries for the period ended 31 March 2003 and for the year ended 31 March 2004 and the aggregated accounts for the Group for the year ended 31 March 2002.

Dated: 19 July 2004



DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"3i"	3i Group plc, 3i Europartners III A LP, 3i Europartners III B LP and 3i Parallel Ventures LP
"ABN AMRO Rothschild"	ABN AMRO Bank N.V. and N M Rothschild & Sons Limited (each acting through ABN AMRO Rothschild, an unincorporated equity capital markets joint venture)
"Act"	the Companies Act 1985, as amended
"Admission" or "Listing"	the admission of the Ordinary Shares issued and to be issued to (i) the Official List and (ii) trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Admission and Disclosure Standards
"Admission and Disclosure Standards"	the requirements contained in the publication "Admission and Disclosure Standards" dated 4 April 2004 containing, <i>inter alia</i> , the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's market for listed securities
"Articles"	the articles of association of the Company adopted conditionally upon Admission
"Banks"	Barclays Capital and Lloyds TSB Bank plc
"Board" or "Directors"	the board of directors of the Company listed on page i of this document, each member of which is a "Director"
"certificated" or "in certificated form"	not in uncertificated form
"Closing Date"	23 July 2004 or such other date as the Company, certain of the Selling Shareholders, ABN AMRO Rothschild and N M Rothschild may agree (being no later than 30 July 2004)
"Combined Code"	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance (as amended) and appended to, but not forming part of, the Listing Rules
"Company"	e2v technologies plc
"CREST"	the relevant system (as defined in the Regulations) for the paperless settlement of trades in listed securities in respect of which CRESTCo is the operator
"CRESTCo"	CRESTCo. Limited, a company incorporated under the laws of England and Wales
"e2v"	the Group
"e2v TL"	e2v Technologies (uk) Limited, a company registered in England and Wales with registered number 432014
"EBT"	the Company's employee benefit trust established by a trust deed dated 29 June 2004, which is known as the e2v Employee Benefit Trust
"Eligible Employees"	employees and former employees of the Group (both full time and part time) aged 18 and over, who were on the Group's payroll on 16 June 2004 and who remain on the Group's payroll as at Admission and who are resident in the United Kingdom
"Employee Application Form"	the form for use by Eligible Employees who have applied for New Shares under the Employee Offer

"Employee Offer"	the sale of New Shares by the Company (through subscription) to Eligible Employees more particularly described in Part III of this document, the terms and conditions governing which are set out in the Employee Application Form
"ERM"	Environmental Resources Management Limited
"EURIBOR"	the European inter-bank offered rate
"Executive Directors"	the executive directors of the Company listed on page i of this document
"Existing Shares"	the 30,339,551 Ordinary Shares which the Selling Shareholders are selling in the Institutional Offer
"FSMA"	the Financial Services and Markets Act 2000
"FY2002"	the financial year of the Company ended on 31 March 2002
"FY2003"	the financial year of the Company ended on 31 March 2003
"FY2004"	the financial year of the Company ended on 31 March 2004
"FY2005"	the financial year of the Company ending on 31 March 2005
"Group" or "e2v"	the Company and its subsidiary undertakings
"HBOS"	HBOS Treasury Services PLC
"Hoare Govett"	Hoare Govett Limited
"IBOR"	LIBOR or EURIBOR
"Institutional Investors"	3i Group plc, 3i Europartners IIIa LP, 3i Europartners IIIb LP and 3i Parallel Ventures LP
"Institutional Loan Notes"	the £21,826,423.45 of loan notes and payment in kind notes issued by the Company to the Institutional Investors
"Institutional Offer"	the sale of Ordinary Shares (through subscriptions or purchase) to institutional and other investors as more particularly described in Section A of Part III of this document, the terms and conditions to which are set out in Section B of Part III of this document, comprising, in aggregate, 49,159,902 Ordinary Shares
"ITEPA"	the Income Tax (Earnings and Pensions) Act 2003
"IPO"	initial public offer
"LIBOR"	the London inter-bank offered rate
"Listing Rules"	the rules and regulations made by the UK Listing Authority under section 74(4) of FSMA, as amended from time to time
"Lock-up Period"	the period commencing on Admission and ending on the date on which the Group's preliminary results for FY2005 are published
"London Stock Exchange"	London Stock Exchange plc
"Management Buy Out" or "MBO"	the management buy out of e2v from Marconi which occurred in July and August 2002 and which was backed by 3i
"Marconi"	Marconi Corporation plc
"Marconi Loan Notes"	the £7,000,000 fixed rate unlisted unsecured subordinated loan notes of the Company issued by the Company to Marconi in 12 July 2002
"Microwave Car Alarm Business"	the business and assets of the microwave car alarm division of Dynex Semiconductors Limited, purchased by the Group in August 2003
"N M Rothschild"	N M Rothschild & Sons Limited

"New Share Schemes"	the e2v Company Share Option Plan, the e2v Long Term Incentive Plan, the e2v Sharesave Scheme and the e2v Share Incentive Plan
"New Shares"	the 18,961,613 new Ordinary Shares to be allotted and issued by the Company pursuant to the Offer
"Non-executive Directors"	the non-executive directors of the Company listed on page i of this document
"OEM"	an original equipment manufacturer
"Offer"	the Institutional Offer and the Employee Offer
"Offer Price"	155p per Ordinary Share
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 5p each in the capital of the Company
"Pre-IPO Plan"	the e2v Pre-IPO Share Option Plan summarised at paragraph 6.2 of Part VIII of this document
"Registrar"	Lloyds TSB Registrars
"Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755)
"Securities"	any securities of any member of the Group in issue, including shares, warrants and bonds
"Securities Act"	the US Securities Act of 1933, as amended
"Selling Shareholders"	those persons who are selling Existing Shares pursuant to the Offer
"Senior Managers"	the senior managers of the Group listed under the heading "Senior Management" in Part II of this document
"Shareholder"	a holder of Ordinary Shares
"Share Schemes"	the New Share Schemes and the e2v Pre-IPO Share Option Plan
"Treasury Shares"	Ordinary Shares purchased by the Company in circumstances in which Section 162A of the Act applies and held in treasury
"Trustee"	the trustee or trustees of the EBT
"UK GAAP"	accounting principles generally accepted in the United Kingdom
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"uncertificated" or "in uncertificated form"	recorded on the relevant register of the share or security concerned being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST
"Underwriting Agreement"	the underwriting and sponsor's agreement described in paragraph 10 of Part VIII of this document
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions
"VAT"	value added tax

GLOSSARY OF DEFINED TERMS AND BUSINESS DEFINITIONS

"ACC"	adaptive cruise control
"Argus®"	a trademark used by e2v in relation to certain of its thermal imaging cameras which is licensed from Argus Industries Inc.
"CCD"	charge coupled device — a solid state imaging sensor which is an integrated circuit (a microchip) that converts optical images into electronic signals
"Class 10 Clean Room"	a clean, air-conditioned environment suitable for the most sensitive manufacturing processes, requiring full body protection for the limited number of people operating within the area, with significant use of automatic product handling to remove all effects of the environment or the human operators to create an environment that is cleaner (with fewer particles) than a hospital operating theatre and is used in the critical areas of CCD fabrication
"Class 10,000 Clean Room"	an air-conditioned, humidity-controlled room with controlled access and air filtration to exclude most airborne particles, suitable for general high technology sensitive product manufacturing which is extensively used for vacuum tube assembly and CCD post processing
"DTI"	Department of Trade and Industry (UK)
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"ECM"	electronic counter-measures
"ESA"	European Space Agency
"FCC"	the US Federal Communications Commission
"IOT"	an inductive output tube
"Klystron"	a vacuum electron tube used for the amplification of RF signals
"L3Vision™"	a registered trademark owned by e2v
"Magnetron"	a vacuum electronic tube that converts a high voltage electrical pulse into a pulse of microwave power
"MRI"	magnetic resonance imaging, being a common medical imaging technique
"R&D"	research and development
"RF"	radio frequency
"Thyratron"	a vacuum electronic tube used to switch very quickly and efficiently typically thousands of amps at very high voltages
"TWT"	travelling wave tube, being a linear electron beam tube used for the amplification of RF signals
"UHF"	ultra-high frequency