Press Release **20 September 2004**

CYPROTEX PLC

Interim Report and Accounts for the six months ended 30 June 2004

Cyprotex PLC, a drug discovery technology and information company, today reports its interim results for the six months ended 30 June 2004.

Highlights

- Turnover up by 140% at £886,000 (£369,000)
- Gross profit 185% higher at £734,000 (£257,000)
- Pre-tax loss over 22% lower at £832,000 (£1.08 million)
- Placing of £2.94 million (net of expenses) at beginning of period leaves cash balances at £2.7 million (£868,000)
- Customer portfolio expanded to 25 major companies including revenue generating contracts with Roche, AstraZeneca, Altana and Solvay
- Contractual discussions well advanced with further blue-chip pharmaceutical and biotechnology companies.

Commenting on the results, Robert Atwater, Chairman of Cyprotex PLC, said:

“Cyprotex has established a unique position in the world of drug discovery, and with our innovative approach and focus on further improving operational efficiencies remaining the same, management is now confident of achieving the financial goals it set itself at the start of 2004.”

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Chairman’s Statement

I have been greatly encouraged by progress registered in the first six months of our financial year.

Following the period of upheaval and background uncertainty, Cyprotex’ staff should be congratulated for rapidly refocusing their attentions back onto the Group’s core area of excellence, as a specialist ADME drug discovery and information company.

Revenue growth and loss reduction for the first half significantly exceeded targets set by management at the beginning of 2004. The continued rapid expansion and exceptional quality of Cyprotex’ customer portfolio, serves to remind us of the global opportunities that exist within its chosen market niche. By repeatedly servicing some of the world’s most demanding customers in a suitably economical, timely and detailed manner, the Group is proving the competitive advantage of its technology and operational capacity. The uptake of its ‘virtual human’ predictive technology also clearly places Cyprotex at the intellectual forefront of its sector. I am now confident that Cyprotex is well placed to achieve the financial goals it set itself during the institutional placement the Group undertook at the beginning of 2004.

- Revenue for the six months ended 30 June 2004 was £886,238 against £368,804 for the comparative period in 2003, representing more than a 140% increase.
- The loss on ordinary activities before taxation for the six months period ended 30 June 2004 was £831,867 against a loss of £1,071,808 for the comparative period in 2003, representing a reduction of over 22%.
- Having raised additional funds through the issuance of new capital at the beginning of 2004, Cyprotex carefully monitors its cash deposits, which presently amount to some £2.7m. Despite continuing to fund expansion of the operating facility, management focus remains on targeting a period during which the Group should find itself moving cash flow positive on a monthly basis. The Group expects to be fully self-financing going forward.

Important achievements during the first half of 2004 included:

- A transitional phase that is well advanced. Cyprotex now offers automated, very high throughput low-cost screening without loss of ‘classic laboratory’ quality. This clearly sets Cyprotex apart from its competitors.
- A customer portfolio that expanded to 25 major companies. Delivery of revenue generating contracts during the period included Roche, AstraZeneca, Altana and Solvay.
- Good acceptance being registered for integrated projects that combine experimental screening with ‘virtual human’ predictive modelling for forecasting the pharmacokinetics of drug candidates.
- Detailed planning to ensure the scalability of Group activities. New laboratory installations in the second half will guarantee the operational availability, execution and reliability demanded by major customers. Such services are being delivered despite maintaining very tight control of costs.
- Heavy investment in the next generation of predictive modelling systems. Technical evaluations with major pharmaceutical companies continue to progress well. The Group is looking forward to customer trials of the new products taking place in the second half of 2004.

Cyprotex continues both to retain and develop relationships with existing customers. It is also well advanced in contractual discussions with further blue-chip pharmaceutical and biotechnology companies. A reputation is being built and this lends visibility going forward in its core activity. From this point, the Board’s focus will be on further improving operational efficiencies and capitalising on its forward thinking and innovation in the world of drug discovery. Sound investment in the past has uniquely positioned Cyprotex. The next stage for the Group must be to secure fully this opportunity using existing resources along with appropriate collaborations.

Robert M. Atwater
Chairman
20 September 2004

INDEPENDENT REVIEW REPORT TO CYPROTEX PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2004 which comprises the Group Profit and Loss Account, Group Balance Sheet, Group Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Funds, Group Statement of Total Recognized Gains and Losses, and the related notes 1 to 9. We have read the other information contained in the interim report, which comprises only the Chairman's Statement, and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report and ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

Grant Thornton UK LLP
Manchester
20 September 2004

GROUP PROFIT AND LOSS ACCOUNT
For the six months ended 30 June 2004

	Note	**Unaudited 6 months ended 30 June 2004**	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
		£	£	£
Continuing activities				
TURNOVER	2	**886,238**	368,804	1,052,953
Cost of sales		**(151,805)**	(111,606)	(249,852)
GROSS PROFIT		**734,433**	257,198	803,101
Administrative expenses		**(1,620,730)**	(1,334,310)	(2,838,223)
OPERATING LOSS		**(886,297)**	(1,077,112)	(2,035,122)
Interest receivable		**56,121**	29,518	38,875
Interest payable		**(1,691)**	(24,214)	(53,154)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(831,867)**	(1,071,808)	(2,049,401)
Taxation	3	**72,667**	104,048	189,256
LOSS FOR PERIOD		**(759,200)**	(967,760)	(1,860,145)
Loss per ordinary share (pence)				
- basic	4	**(0.62)p**	(1.07)p	(2.05)p
- diluted	4	**(0.62)p**	(1.07)p	(2.05)p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the six months ended 30 June 2004

	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
	£	£	£
Loss for the financial period	**(759,200)**	(967,760)	(1,860,145)
Exchange difference on the re-translation of net assets of subsidiary undertaking	**4,486**	18,515	52,649
Total recognised gains and losses relating to the period	**(754,714)**	(949,245)	(1,807,496)

GROUP BALANCE SHEET
As at 30 June 2004

	Note	**Unaudited At 30 June 2004**	Unaudited At 30 June 2003	Audited At 31 December 2003
		£	£	£
FIXED ASSETS				
Tangible assets		**819,747**	808,352	661,557
CURRENT ASSETS				
Stocks		**71,838**	68,105	67,766
Debtors		**675,048**	672,176	407,837
Cash at bank and in hand		**2,696,757**	868,385	491,230
		3,443,643	1,608,666	966,833
CREDITORS: due within one year		**(690,533)**	(530,365)	(405,151)
NET CURRENT ASSETS		**2,753,110**	1,078,301	561,682
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,572,857**	1,886,653	1,223,239
CREDITORS: due after more than one year		**-**	(354,663)	-
PROVISION FOR LIABILITIES AND CHARGES		**-**	(220,000)	-
NET ASSETS		**3,572,857**	1,311,990	1,223,239
CAPITAL AND RESERVES				
Called up share capital		**127,312**	90,414	94,914
Share premium account		**9,616,721**	5,779,787	6,544,787
Merger reserve		**128,070**	128,070	128,070
Profit and loss account		**(6,299,246)**	(4,686,281)	(5,544,532)
EQUITY SHAREHOLDERS' FUNDS	7	**3,572,857**	1,311,990	1,223,239

GROUP STATEMENT OF CASHFLOWS
For the six months ended 30 June 2004

	Note	**Unaudited 6 months ended 30 June 2004**	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
		£	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	5	**(924,972)**	(1,322,626)	(2,303,390)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Interest received		**56,121**	29,518	38,875
Interest paid		**(4)**	-	(51,407)
Interest element of finance lease and hire purchase payments		**(1,687)**	(24,214)	(1,747)
		54,430	5,304	(14,279)
TAXATION				
UK Corporation tax received		-	-	179,460
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire tangible fixed assets		**(36,605)**	(50)	(3,812)
Receipts from sales of tangible fixed assets		**16,702**	48,644	256,126
		(19,903)	48,594	252,314
NET CASH OUTFLOW BEFORE FINANCING		**(890,445)**	(1,268,728)	(1,885,895)
MANAGEMENT OF LIQUID RESOURCES		**(2,536,265)**	50,000	330,000
FINANCING				
Issue of ordinary share capital		**3,104,332**	-	769,500
Net movement in short term borrowings		-	(81,031)	(166,315)
Net movement in long term borrowings		-	-	(383,685)
Repayment of capital lease and hire purchase contracts		**(8,360)**	(45,032)	(105,551)
		3,095,972	(126,063)	113,949
DECREASE IN CASH	6	**(330,738)**	(1,344,791)	(1,441,946)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
	£	£	£
Decrease in cash during the period	**(330,738)**	(1,344,791)	(1,441,946)
Cash outflow/(inflow) to/(from) short term deposits	**2,536,265**	(50,000)	(330,000)
Cash outflow from decrease in short term loans	-	81,031	166,315
Cash outflow from decrease in long term loans	-	-	383,685
Repayment of capital element of finance lease and hire purchase contracts	**8,360**	45,032	105,551
Movement in net funds/(debt) during the period	**2,213,887**	(1,268,728)	(1,116,395)
Opening net funds	**482,870**	1,599,265	1,599,265
Closing net funds	**2,696,757**	330,537	482,870

NOTES TO THE UNAUDITED INTERIM RESULTS

1. BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

The financial information contained in this statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ending 31 December 2003 have been extracted from the Statutory Financial Statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985. The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2003 Annual Report and Financial Statements. The accounts are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

The interim financial statements have been reviewed by the Company's auditors. A copy of the auditors' review report is attached to this interim report.

2. SEGMENTAL ANALYSIS

The Group operates in one principal area of activity, that of providing *in-vitro* and *in-silico* ADME/PK (Absorption, Distribution, Metabolism, Excretion / Pharmacokinetic) information to the pharmaceutical industry. The turnover and operating result for the periods are derived from the Group's principal activity.

The geographical analysis of turnover by destination is as follows:

	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
	£	£	£
United Kingdom	**408,474**	197,916	463,397
Rest of Europe	**419,797**	155,329	553,646
USA	**57,967**	15,559	35,910
	886,238	368,804	1,052,953

3. TAXATION

The tax credit represents a claim by the Group for repayable R&D tax credits.

4. LOSS PER SHARE

The loss per share is calculated by reference to the earnings attributable to ordinary shareholders divided by the weighted average of 123,343,826 ordinary shares for the 6 months to 30 June 2004, 90,413,793 ordinary shares for the 6 months to 30 June 2003, and 90,623,382 for the 12 months to 31 December 2003.

	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
Attributable loss (£)	**(759,200)**	(967,760)	(1,860,145)
Average number of ordinary shares in issue for basic and diluted loss per share	**123,343,826**	90,413,793	90,623,382
Basic and diluted loss per share (pence)	**(0.62)p**	(1.07)p	(2.05)p

The loss for the period and the weighted average number of ordinary shares for calculating the diluted loss per share for the period to 30 June 2004, 30 June 2003 and 31 December 2003 are identical to those used for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of Financial Reporting Standard No. 14 ‘Earnings per share’ (FRS 14).

5. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Unaudited 6 months ended 30 June 2004 £	Unaudited 6 months ended 30 June 2003 £	Audited 12 months ended 31 December 2003 £
Operating loss	**(886,297)**	(1,077,112)	(2,035,122)
Depreciation of tangible fixed assets	**130,146**	212,538	269,784
Loss/(profit) on sale of tangible fixed assets	**2,522**	30,107	(42,606)
Increase in stocks and work in progress	**(4,072)**	(17,322)	(16,983)
(Increase)/decrease in operating debtors and prepayments	**(194,544)**	(164,180)	5,908
Increase/(decrease) in operating creditors and accruals	**22,787**	(345,172)	(495,562)
Provision for legal costs	**-**	20,000	-
Exchange rate differences	**4,486**	18,515	11,191
	(924,972)	(1,322,626)	(2,303,390)

6. ANALYSIS OF MOVEMENT IN NET FUNDS

	At 1 January 2004	Cash flow	Non Cash movements	**30 June 2004**
	£	£	£	**£**
Cash at bank and in hand	491,230	(330,738)	-	**160,492**
Short term deposits	-	2,536,265	-	**2,536,265**
Finance leases	(8,360)	8,360	-	**-**
	482,870	2,213,887	-	**2,696,757**

In the Group balance sheet short term deposits are included within cash at bank and in hand.

7. RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
	£	£	£
Loss for the financial period	**(759,200)**	(967,760)	(1,860,145)
Issue of share capital	**3,162,256**	-	810,000
Share issue costs	**(57,924)**	-	(40,500)
Exchange difference on the re-translation of net assets of subsidiary undertaking	**4,486**	18,515	52,649
Increase/(decrease) in equity shareholders' funds	**2,349,618**	(949,245)	(1,037,996)
Opening equity shareholders' funds	**1,223,239**	2,261,235	2,261,235
Closing equity shareholders' funds	**3,572,857**	1,311,990	1,223,239

8. Copies will be available on request from the Company Secretary, Cyprotex PLC, 15 Beech Lane, Macclesfield, Cheshire, SK10 2DR.

9. The interim report was approved by the board of directors on 20 September 2004.