



Press Release

17 August 2005

Cyprotex PLC
(“Cyprotex” or “the company”)

Interim results for the six months to 30 June 2005

Cyprotex PLC (LSE:CRX), the drug discovery technology and information company, today reports its interim results for the half year ended 30 June 2005.

HIGHLIGHTS

- Revenues increased by 58% to £1.40m (First half 2004: £0.89m)
- Gross profits were 66% higher at £1.22m (First half 2004: £0.73m)
- Gross margin rose to 87%, compared with 83% for the same period last year
- Cash resources at end of June 2005 were £1.34m
- Basic loss per share down to 0.33p (First half 2004: 0.62p)
- Significant milestone achieved during the first half 2005, with positive monthly trading cash flow generated for the first time
- Continued expansion of the customer-base and the signing of new, longer-term and collaborative contracts in each of the three continents where drug discovery is focused

Commenting on the results, Robert Morrisson Atwater, Chairman and Chief Executive Officer of Cyprotex PLC, said: *“Cyprotex set itself some major goals at the beginning of 2005. Significant progress toward these had been made by the half-year stage. This bodes well for the full year.”*

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

Meeting Objectives

Cyprotex set itself some major goals at the beginning of 2005. Significant progress toward these had been made by the half-year stage. This bodes well for the full year.

Somewhat earlier than expected, Cyprotex achieved an important milestone. Enjoying the benefits of significant capacity expansion that was largely paid for during 2004, the Group is trading cash flow positive, on a single monthly basis.

Cyprotex continued to outpace the growth of its underlying market. Having added to its North American marketing team, a growing contribution from this continent, both in terms of customer numbers and contract size, is already evident. Cyprotex has also secured its first customer in the Japanese market, which it believes will secure its longer-term presence in the region. Continued expansion of its base of active customers proves both the market opportunity for, and the superiority of, the Group's sector-leading technologies.

Whilst further expansion of its product offering, state-of-the-art laboratory facilities and office reorganisation will be funded during the second half, Cyprotex's resources continued to be carefully guarded and opportunities for cost reduction continually monitored. Cyprotex remains comfortable with the benefit of a significant cash 'cushion'. Existing operations are considered to have sufficient resources to fund their own expansion going forward.

Cyprotex continues to focus on achieving each of the key objectives set out in the Group's 2004 Annual Report and Accounts. Necessary skills, resources and experience will be added at Board level to allow the Group to seize the opportunities its global market offers. Cyprotex will attempt to further capitalise on its significant past expenditure in predictive computational capabilities through academic franchise and industrial collaboration. Management will also focus on meeting the needs of its global customer base through both organic expansion of its product offering and 'bolt-on' acquisitions of related technology.

Financial Highlights of the 2005 half year

- Revenue for the half-year ended 30 June 2005 was £1,400,860, against £886,238 for the comparable period in 2004, representing a 58% increase year-on-year.
- Gross profits rose 66% to £1,216,604, up from £734,433 in the first half of 2004.
- Gross margins reached 87%, compared with 83%.
- The loss on ordinary activity after taxation for the half year was £419,163, down from a loss of £759,200, representing a reduction of 45% year-on-year.
- Cash resources were carefully guarded. Cash in hand at 30 June 2005 amounted to £1.34m, despite continued investment in new products and laboratory capabilities.
- A rapidly expanding customer base has ensured the Group does not have a high dependence on any single customer, the largest of which is likely to contribute less than 15% of total revenue in the year 2005.

Product Development and Laboratory Expansion

Cyprotex's Cloe Screen hERG channel inhibition assay, which was validated in the Group laboratories early in 2005, is now fully integrated into the automated high throughput system. Restructuring of its metabolite profiling and identification is now well advanced. Additional offerings of both in-vitro safety toxicology and new assay development will be commercialised during the second half.

Further laboratory expansion, within the existing Macclesfield site, is already at the planning stage. This is expected to commence during the first half of 2006. Having also completed the commissioning of a major new Quadropole Mass Spectrometer installation and its automated method development now advanced, Cyprotex is anticipating the capacity, turnaround and reliability requirements of its expanding customer base into 2007 and beyond.

Customer Development

Cyprotex continues to retain existing customers while expanding its global reach. Revenue generating contracts were secured from a wide range of customers, including international names such as Roche, Serono, Novo Nordisk, Johnson & Johnson, AstraZeneca and Sepracor.

Cyprotex continues to maintain a high profile at a large number of major pharmaceutical/biotechnology conferences during 2005, including the Drug Discovery Technology & Development World Congress in Boston, USA and the World Pharmaceutical Congress in Philadelphia, USA.

Robert Morrisson Atwater

Chairman and Chief Executive Officer

17 August 2005

GROUP PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2005

		<i>Unaudited</i> 6 months <i>ended</i> 30 June 2005 £	<i>Unaudited</i> 6 months <i>ended</i> 30 June 2004 £	<i>Audited</i> 12 months <i>ended</i> 31 December 2004 £
Continuing activities	<i>Note</i>			
TURNOVER	2	1,400,860	886,238	2,117,321
Cost of sales		(184,256)	(151,805)	(432,441)
GROSS PROFIT		1,216,604	734,433	1,684,880
Administrative expenses		(1,711,899)	(1,620,730)	(3,255,104)
OPERATING LOSS		(495,295)	(886,297)	(1,570,224)
Interest receivable		34,037	56,121	107,697
Interest payable		(26,369)	(1,691)	(1,762)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(487,627)	(831,867)	(1,464,289)
Taxation	3	68,464	72,667	165,182
LOSS FOR THE PERIOD		(419,163)	(759,200)	(1,299,107)
Loss per ordinary share				
- basic & diluted	4	(0.33)p	(0.62)p	(1.04)p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the six months ended 30 June 2005

	<i>Unaudited</i> 6 months <i>ended</i> 30 June 2005 £	<i>Unaudited</i> 6 months <i>ended</i> 30 June 2004 £	<i>Audited</i> 12 months <i>ended</i> 31 December 2004 £
Loss for the financial period	(419,163)	(759,200)	(1,299,107)
Exchange difference on the re-translation of net assets of subsidiary undertaking	(26,251)	4,486	20,266
Total recognised gains and losses relating to the period	(445,414)	(754,714)	(1,278,841)

GROUP BALANCE SHEET

As at 30 June 2005

	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>At</i>	<i>At</i>	<i>At</i>
	30 June	30 June	31 December
	2005	2004	2004
<i>Note</i>	£	£	£
FIXED ASSETS			
Tangible assets	1,690,827	819,747	915,124
	<hr/>	<hr/>	<hr/>
CURRENT ASSETS			
Stocks	89,388	71,838	86,028
Debtors	562,254	675,048	770,863
Cash at bank and in hand	1,338,409	2,696,757	1,839,800
	<hr/>	<hr/>	<hr/>
	1,990,051	3,443,643	2,696,691
CREDITORS: due within one year	(384,746)	(690,533)	(563,085)
	<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS	1,605,305	2,753,110	2,133,606
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	3,296,132	3,572,857	3,048,730
CREDITORS: due after more than one year	(689,750)	-	-
	<hr/>	<hr/>	<hr/>
NET ASSETS	2,606,382	3,572,857	3,048,730
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CAPITAL AND RESERVES			
Called up share capital	127,620	127,312	127,312
Share premium account	9,619,479	9,616,721	9,616,721
Merger reserve	128,070	128,070	128,070
Profit and loss account	(7,268,787)	(6,299,246)	(6,823,373)
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EQUITY SHAREHOLDERS' FUNDS	2,606,382	3,572,857	3,048,730
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GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2005

		<i>Unaudited</i> 6 months <i>ended</i> 30 June	<i>Unaudited</i> 6 months <i>ended</i> 30 June	<i>Audited</i> 12 months <i>ended</i> 31 <i>December</i> 2004
	<i>Note</i>	2005	2004	2004
		£	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	5	(436,998)	(924,972)	(1,487,748)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Interest received		34,037	56,121	107,697
Interest paid		(26,369)	(4)	(75)
Interest element of finance lease and hire purchase contracts		-	(1,687)	(1,687)
		7,668	54,430	105,935
TAXATION				
UK corporation tax received		166,416	-	163,141
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire tangible fixed assets		(941,793)	(36,605)	(545,432)
Receipts from sales of tangible fixed assets		-	16,702	16,702
		(941,793)	(19,903)	(528,730)
NET CASH OUTFLOW BEFORE FINANCING		(1,204,707)	(890,445)	(1,747,402)
MANAGEMENT OF LIQUID RESOURCES		505,383	(2,536,265)	(1,742,580)
FINANCING				
Issue of ordinary share capital		3,066	3,104,332	3,104,332
Net movement in short term borrowings		10,500	-	-
Net movement in long term borrowings		689,750	-	-
Repayment of capital lease and hire purchase contracts		-	(8,360)	(8,360)
		703,316	3,095,972	3,095,972
INCREASE/(DECREASE) IN CASH	6	3,992	(330,738)	(394,010)

GROUP CASH FLOW STATEMENT (continued)

For the six months ended 30 June 2005

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>Unaudited</i> 6 months <i>ended</i> 30 June 2005 £	<i>Unaudited</i> 6 months <i>ended</i> 30 June 2004 £	<i>Audited</i> 12 months <i>ended</i> 31 December 2004 £
Increase/(decrease) in cash during the period	3,992	(330,738)	(394,010)
Cash (inflow)/outflow (from)/to short term deposits	(505,383)	2,536,265	1,742,580
Cash inflow from increase in short term loans	(10,500)	-	-
Cash inflow from increase in long term loans	(689,750)	-	-
Repayment of capital element of finance lease and hire purchase contracts	-	8,360	8,360
Movement in net funds during the period	(1,201,641)	2,213,887	1,356,930
Opening net funds	1,839,800	482,870	482,870
Closing net funds	638,159	2,696,757	1,839,800

NOTES TO THE UNAUDITED INTERIM REPORT

1. BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ending 31 December 2004 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) or 237(3) 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 2004 Annual Report and Financial Statements. The financial information is prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

The interim financial information has 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* ADMET/PK (Absorption, Distribution, Metabolism, Excretion, Toxicity / 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 2005 £	Unaudited 6 months ended 30 June 2004 £	Audited 12 months ended 31 December 2004 £
United Kingdom	139,930	408,474	808,820
Rest of Europe	1,058,776	419,797	1,183,168
USA	202,154	57,967	125,333
	1,400,860	886,238	2,117,321

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 127,387,951 ordinary shares for the 6 months to 30 June 2005, 123,343,826 ordinary shares for the 6 months to 30 June 2004, and 125,338,821 for the 12 months to 31 December 2004.

	Unaudited 6 months ended 30 June 2005	<i>Unaudited</i> <i>6 months</i> <i>ended</i> <i>30 June</i> <i>2004</i>	<i>Audited</i> <i>12 months</i> <i>ended</i> <i>31 December</i> <i>2004</i>
Attributable loss (£)	(419,163)	(759,200)	(1,299,107)
Average number of ordinary shares in issue for basic and diluted loss per share	127,387,951	123,343,826	125,338,821
Basic and diluted loss per share	(0.33)p	(0.62)p	(1.04)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 2005, 30 June 2004 and 31 December 2004 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 2005 £	<i>Unaudited</i> <i>6 months</i> <i>ended</i> <i>30 June</i> <i>2004</i> <i>£</i>	<i>Audited</i> <i>12 months</i> <i>ended</i> <i>31 December</i> <i>2004</i> <i>£</i>
Operating loss	(495,295)	(886,297)	(1,570,224)
Depreciation of tangible fixed assets	166,090	130,146	272,641
Loss on sale of tangible fixed assets	-	2,522	2,522
Increase in stocks and work in progress	(3,360)	(4,072)	(18,262)
Decrease/(increase) in operating debtors and prepayments	110,657	(194,544)	(360,985)
(Decrease)/increase in operating creditors and accruals	(188,839)	22,787	166,294
Exchange rate differences	(26,251)	4,486	20,266
	(436,998)	(924,972)	(1,487,748)

6. ANALYSIS OF MOVEMENT IN NET FUNDS

	<i>At 1 January 2005</i>	<i>Cash flow</i>	<i>Non cash movements</i>	<i>At 30 June 2005</i>
	£	£	£	£
Cash at bank and in hand	97,220	3,992	-	101,212
Short term deposits	1,742,580	(505,383)	-	1,237,197
Bank loans due within one year	-	(10,500)	-	(10,500)
Bank loans due after one year	-	(689,750)	-	(689,750)
	<u>1,839,800</u>	<u>(1,201,641)</u>	<u>-</u>	<u>638,159</u>

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

7. RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	<i>Unaudited 6 months ended 30 June 2005</i>	<i>Unaudited 6 months ended 30 June 2004</i>	<i>Audited 12 months ended 31 December 2004</i>
	£	£	£
Loss for the financial period	(419,163)	(759,200)	(1,299,107)
Issue of share capital	3,066	3,162,256	3,162,256
Share issue costs	-	(57,924)	(57,924)
Exchange difference on the re-translation of net assets of subsidiary undertaking	(26,251)	4,486	20,266
(Decrease)/ increase in equity shareholders' funds	(442,348)	2,349,618	1,825,491
Opening equity shareholders' funds	3,048,730	1,223,239	1,223,239
Closing equity shareholders' funds	<u>2,606,382</u>	<u>3,572,857</u>	<u>3,048,730</u>

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 17 August 2005.

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 2005 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 recognised 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 and Chief Executive Officer'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. This report is made solely to the company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 "Review of interim financial information". Our review work has been undertaken so that we might state to the company's members those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report 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 2005.

Grant Thornton UK LLP
Chartered Accountants
Manchester
17 August 2005