



Cyprotex plc

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2006 Interim Results

August 2006

# Business Overview



## A unique packaged solution

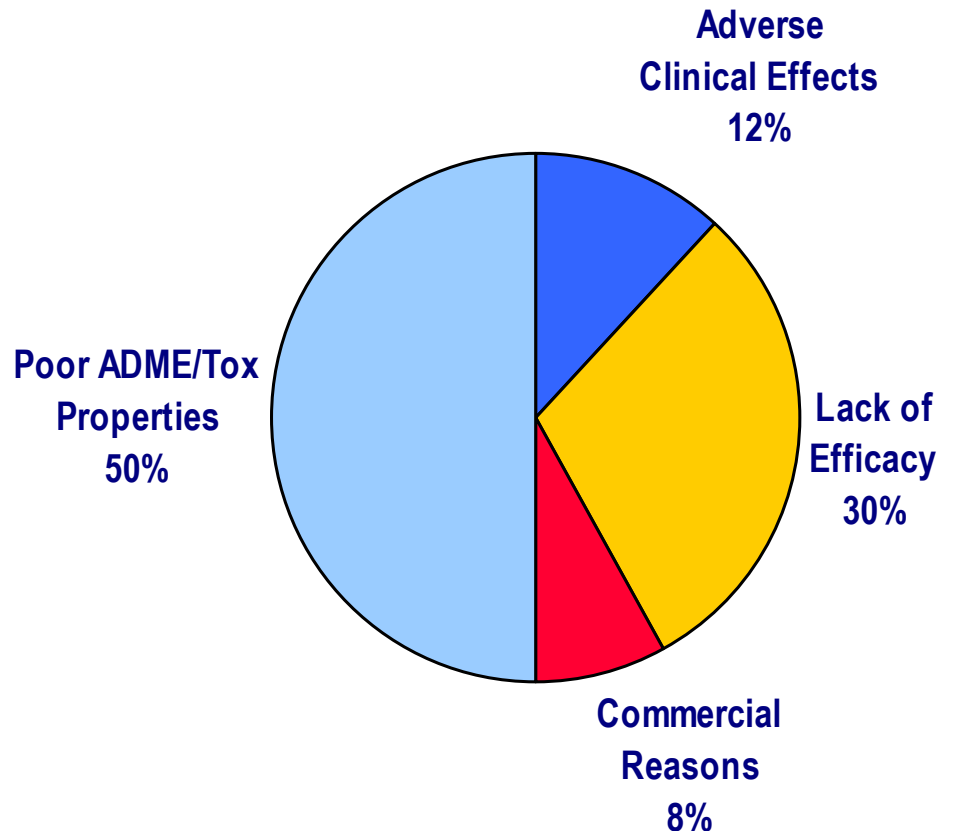
- A specialist provider of technology and information to evaluate and optimise ADME, toxicity and pharmacokinetic properties of potential drug candidates
- A portfolio of technologies to identify potential problems at the drug discovery stage and help determine likely outcome of administering compounds
- Highly automated in-vitro and in-silico screening, designed to significantly accelerate and simplify the process from “hit-to-lead” in drug discovery
- Helps eliminate the potential of costly late-stage development failure or product withdrawal due to unexpected pharmacokinetics and safety problems
- Success of Cloe™ Integrated Product Offering
- Cyprotex is an Ethical investment

# Business Overview



## Challenge

- The industry's main problem is a lack of significantly advanced pipeline products. Most companies have a number of early stage molecules; the hopes for these products are high, but only a very small number progress through all stages of required regulatory approval testing. Most drug compounds fail to reach the market
  - Poor ADME and toxicity properties account for over 50% of drug development failures (*Pharma IQ Website*)
  - 1/5000 compounds make it to clinic (*Tufts Center for Drug Developments*)
  - 1/5 clinical compounds make it to market (*Tufts Center for Drug Developments*)



# Business Overview



- Validated Technology – over 70 customers worldwide
- Highly automated environment supported by proprietary technologies
- Unrivalled scale, reproducibility, turnaround and pricing make Cyprotex the standard-setter for this industry
- Collaborative agreements provide forward visibility
- Exceptional operational gearing
- An Ethical investment

# Highlights



Six months ended 30 June 2006

- Improving trade and working capital management has resulted in Cyprotex becoming cash flow positive during the first half. Cash resources rose to £0.86m, from £0.69m at the 2005 year-end
- Revenues increased by almost 16% to £1.62m (£1.40m)
- Gross profits rose over 16% higher £1.41m (£1.22m)
- Gross margin, at 87%, was stable compared with the same period last year
- Basic loss per share declined to 0.23p (0.37p\*)
- The rapid expansion of the Group's customer base accelerated further, as a result of the marketing drive from its expanded sales force and greater penetration in the United States

*\*Restated for FRS 20*

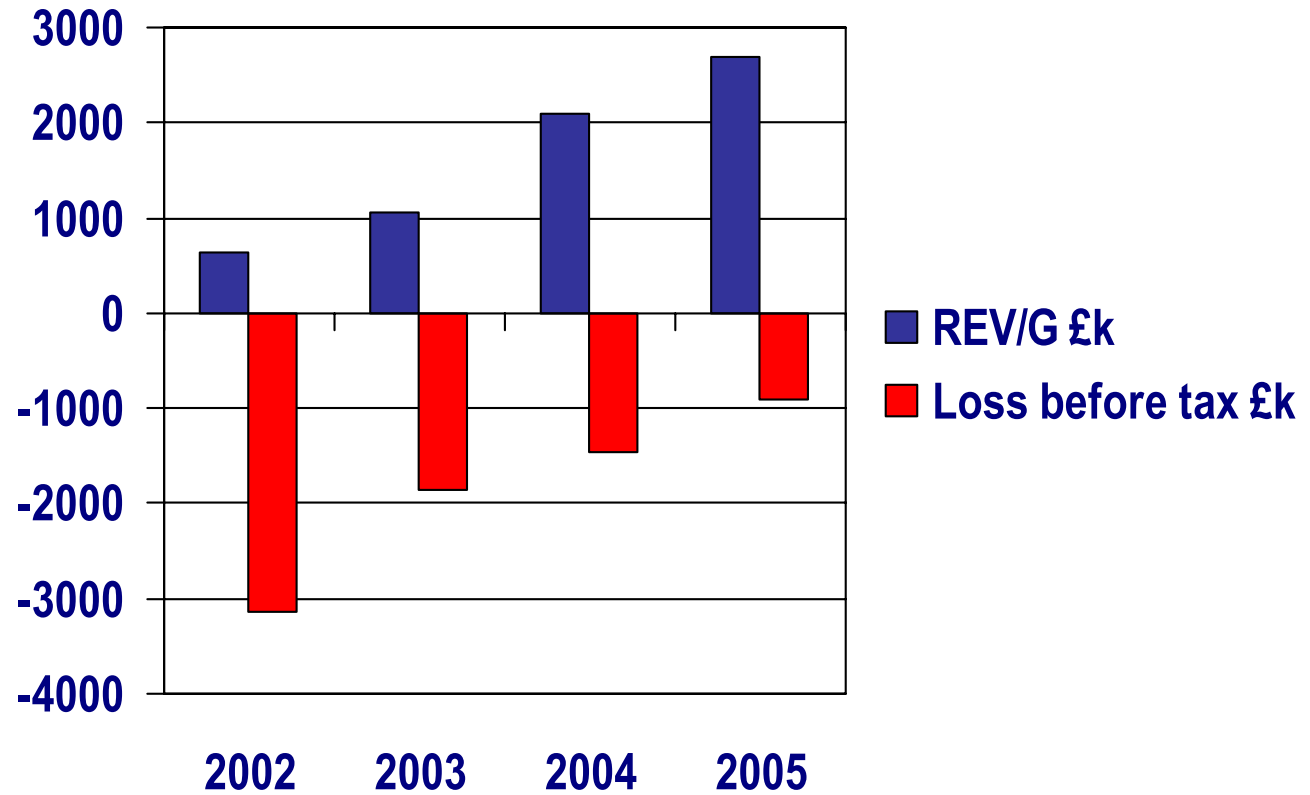
# Summary Profit and Loss



Six months ended 30 June 2006 (£'000)

	Unaudited 6 months June 2006	Restated unaudited 6 months June 2005	Restated audited Year ended Dec 2005
Turnover	1,624	1,401	2,701
Cost of sales	(210)	(184)	(406)
<b>Gross profit</b>	<b>1,414</b>	<b>1,217</b>	<b>2,295</b>
Total administrative expenses	(1,771)	(1,766)	(3,463)
<b>Operating loss</b>	<b>(357)</b>	<b>(549)</b>	<b>(1,168)</b>
Net interest (payable)/ receivable	(10)	8	13
<b>Loss before taxation</b>	<b>(367)</b>	<b>(541)</b>	<b>(1,155)</b>
Taxation	48	68	147
<b>Loss for the period</b>	<b>(319)</b>	<b>(473)</b>	<b>(1,008)</b>
Loss per ordinary share	(0.23)p	(0.37)p	(0.78)p
<b>EBITDA</b>	<b>(175)</b>	<b>(383)</b>	<b>(822)</b>
<b>EBDASBP</b>	<b>(70)</b>	<b>(253)</b>	<b>(554)</b>

# Financial Progress



Targeted Deal Size £k    50    100-200    100-400    100-1,000

# Summary Balance Sheet



As at 30 June 2006 (£'000)

	unaudited 6 months June 2006	unaudited 6 months June 2005	audited Year ended Dec 2005
Fixed assets	1,520	1,691	1,696
Current assets excluding cash	645	651	949
Current liabilities excluding debt	(276)	(374)	(303)
<b>Net assets before net debt</b>	<b>1,889</b>	<b>1,968</b>	<b>2,342</b>
Debt	(792)	(700)	(829)
Cash	855	1,338	690
<b>Net assets</b>	<b>1,952</b>	<b>2,606</b>	<b>2,203</b>

# Summary Cash Flow



Six months ended 30 June 2006 (£'000)

	unaudited 6 months June 2006	unaudited 6 months June 2005	audited year ended Dec 2005
<b>Inflow/(outflow) from operations</b>	<b>77</b>	<b>(437)</b>	<b>(1,093)</b>
Interest (paid)/received	(10)	8	12
Taxation received	147	166	166
Capital expenditure	(6)	(942)	(966)
Financing	(43)	703	731
<b>Net cash flow</b>	<b>165</b>	<b>(502)</b>	<b>(1,150)</b>

# Market



## Global Market Opportunities

### Pharma Majors

- Looking to replace integrated services with trusted external development collaborations
- Presently account for over 70% of global drug development spending
- Pressure to outsource comes from
  - Weak pipelines
  - Slow development processes
  - Cost cutting drives
  - Failure litigation
  - Need to accelerate throughput
- Need to change business model
  - Safeguarding IP
  - Focus on core skills
  - Purchasing new early stage development
  - Generics
  - Global distribution

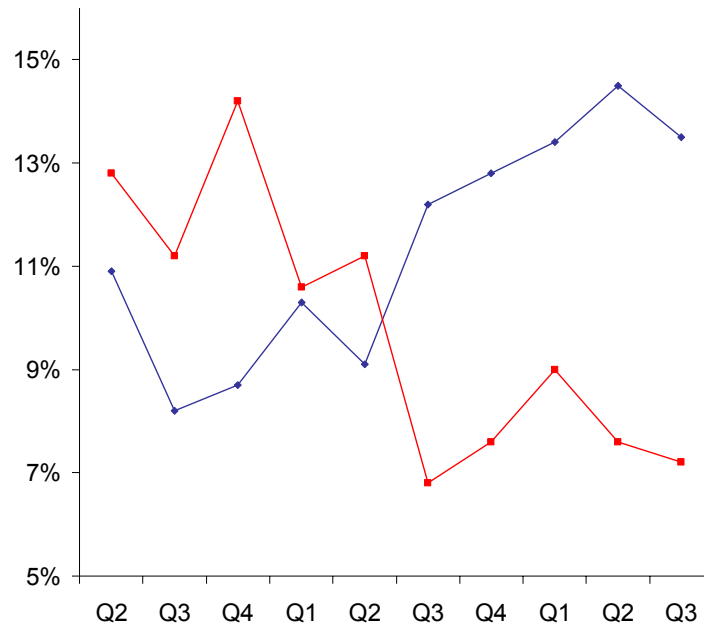
### Biotech/CROs

- Rely on key R&D outsourcing relationships
- Presently account for around 30% of global drug development spending
- Hold over half of development molecules
- Growth powered by corporate structure
  - Cash rich
  - Limited exposure to generics
  - Self-funding R&D
  - Partnerships arrangement in later stages
- Successful R&D achievements
  - Highly efficient pricing
  - Rapid turnaround
  - Independent scrutiny
  - Access to external database/PK analysis

# Market



## Industry R&D Spending Patterns



Annualised % R&D Growth by CROs

Annualised % R&D Growth by Big Pharma

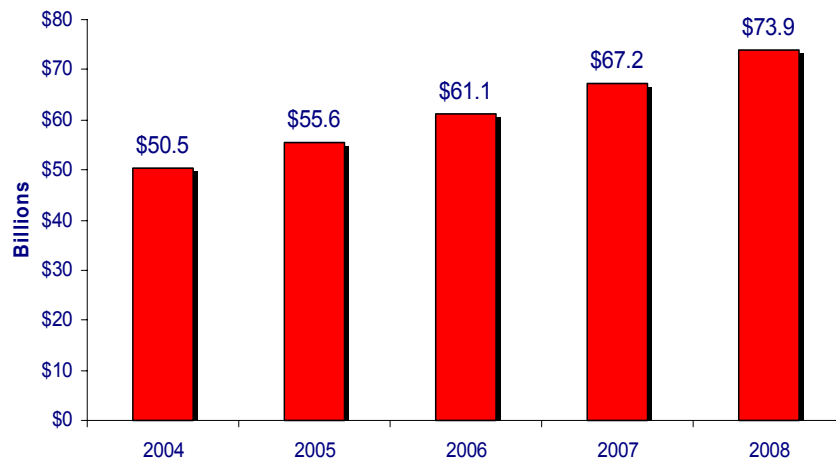
- CRO and Biotech companies choose to outsource much early stage R&D, particularly where independent assessment maximises integrity of early development, pace of turnaround and efficiency.
- Pharmaceutical majors will lower dependence on in-house operations, in order to cut costs and focus on key expertise

# Market

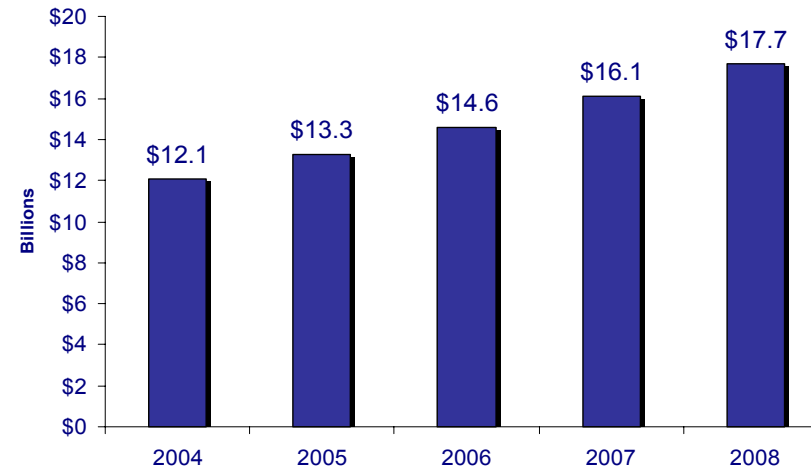


## International Investment in Drug Development

Forecast at 10% CAGR



Forecast at 10% CAGR



- Outsourced drug development presently amounts to about one quarter of total international investment
- Of this, approximately 10% - 12% is directly in ADME/Tox market area that Cyprotex addresses
- Cyprotex anticipates an accelerating willingness by 'Big Pharma' to reduce reliance on in-house spending and move toward trusted outsourcing partners.

*\*base estimate*

*Sources: PhRMA, Reuters, Dow Jones, Industry Sources, broker estimates*



### Services & Software Model – fast track profitability

- Drive sales of existing services
- Enormous scope to build turnover of business over next 3 years
- The worldwide ADME/Tox/screening market in 2005 was worth in excess of \$1bn. This is expected to grow to beyond \$2bn by end-2008. As the industry standard-setter, in terms of service, product, turnaround, reproducibility etc, Cyprotex expects to benefit from a general move toward outsourcing such services by big pharma and the increasing proliferation of biotech development companies
- Continued revenue growth driven by Cloe services
- Pathway to revenue generating business with growing portfolio of clients
  - Valuation uplift from first commercial demonstration
  - Multiple exit / out licensing routes

# High Operational Gearing



- Major investment phase now complete
- Significant cash balance remains
- Very low cost of consumables
- Break-even at just over 40% of present operational capacity and existing site capable of further significant expansion
- Significant carried forward tax losses
- Enlargement of sales force

“Increased activity will now drop largely to the bottom line”

# Outlook



## Key Objectives 2006

- Target achieving a break-even situation
- Significantly outpace sector growth as recognised standard-setter industry-wide
- Broaden Cyprotex's range of products, services and technologies, both organically and through acquisition
- Add further downstream value and visibility through integrated drug discovery collaborations
- Build rapidly upon contribution from the US
- Expand foothold in Japanese market

# Summary



- Unique, validated and standard-setting industrial-scale lab testing (Cloe®Screen) supported and integrated predictive software to offer “virtual human” screening.
- Enormous global market opportunity
- Major investment phase now complete. Strict management has ensured the Group remains cash rich
- Very highly operationally geared
- An Ethical investment



# Appendices

# Cloe™ Integrated Product Offering



- Industrial Scale testing
- Unit cost 1/10<sup>th</sup> of competition
- Complete outsourcing solution, new applications
- A predictive software product now bundled with Cloe Screen, to offer “virtual human” synthesis
- Annual subscriptions £100,000 to £500,000 p.a.
- Target market all drug discovery scientists
- Software that predicts pharmacokinetics from chemical structure
- Enables pre-screening of compounds that do not yet exist, so only the most promising proceed to development
- Complementary to other Cloe technologies

# An Ethical Investment



- Cyprotex's "in-silico" technology is designed to create a "virtual human". Drugs can be screened within this "virtual human" to test for pharmacokinetics. The evolution of this process will allow drug development to bypass "in vivo" testing.
- Part of ECVAM (the European Consortium for Validation of Alternative Methods) – designed to demonstrate that in vivo toxicity can be predicted using a combination of in vitro ADME data and cytotoxicity
- Declared policy on corporate governance and stakeholder management
- Strict environmental and pollution controls. Cyprotex "engages" with its environment
- Cyprotex is an Equal Opportunities Employer

# Board of Directors



## Executive Directors and Senior Management

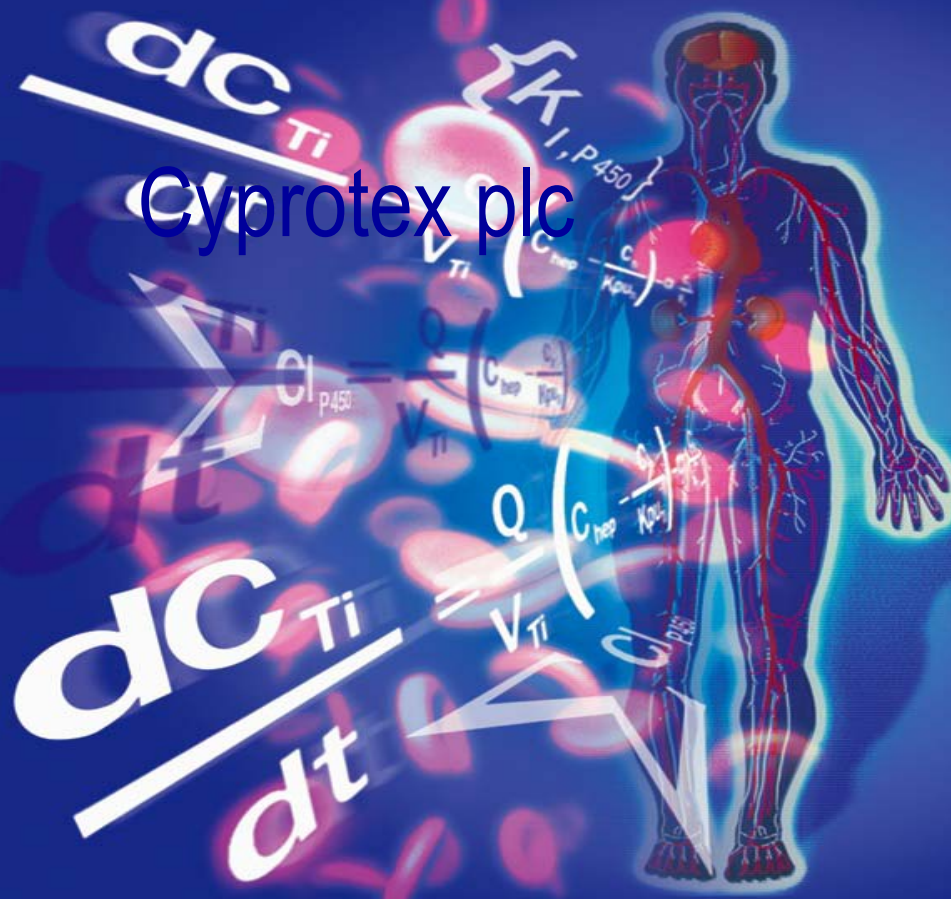
- Mr Robert Morrisson Atwater - Chairman/CEO – previously Biochem Pharma / Shire
- Mr Russell Gibbs - Group Chief Financial Officer, previously UBS
- Dr Darwin Cheney - Chief Scientific Officer – previously CIBA-GEIGY Pharmaceutical Company and FIDIA Research Foundation

## Non-Executive Directors

- Mr Minhaz H Manji - Director – advisory board of InterContinental
- Dr Martial Lacroix - Director - co-founder of Biochem Pharma / Shire, currently VC for Genechem Montreal (Canada's largest biotech VC)
- Mr David Evans - Director – senior director of IP Genentech
- Mr Nikolas Sofronis - Director – Banque Edmund de Rothchild



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