



## **ANGEL BIOTECHNOLOGY HOLDINGS PLC**

("Angel Biotechnology" or the "Company")

### **INTERIM RESULTS**

**For the six months ended 30<sup>th</sup> June 2006**

#### **Chairman's Statement**

Angel Biotechnology Holdings plc has enjoyed another successful trading period, building its client base and its manufacturing capabilities.

Key to Angel's growth is the conclusion of the build of the new GMP manufacturing facility at the Company's headquarters in Cramlington. The build concluded in May and validation progressed through June, culminating in July with an inspection by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The inspection focussed on Angel's Quality systems and Good Manufacturing Practices (GMPs) and found them to be compliant with the EU Clinical Trials Directive (2001/20/EU). This licence is a mandatory requirement for operating the facility to GMP in compliance with the Directive.

The MHRA licence was received in late August. This was three months later than plan and was a result of building delays. This significant milestone marks the end of the development phase for Angel. The Business Development team can now, for the first time, offer this important new capability as immediately available to meet customers' needs. This moves us into a significant growth phase and we expect to see our forward order book grow rapidly. The early signs are already there. The extensive equipment, flexibility of operation, and staff training undertaken in preparing the facility for GMP inspection, means that we can provide to our customers the quality of service and the professionalism required to meet the demands of a marketplace driven by increasingly demanding quality and regulatory standards.

The Pentlands facility in Edinburgh has been particularly successful in attracting cell culture based projects and is becoming recognised as a centre of excellence, especially for work with stem cells. We are actively considering what must be done to remove the capacity constraints to signing larger and more lucrative contracts in this sector of activity.

After a very brisk start in Q1, new business in Q2 has been slower to sign than expected, with one potential client in particular delaying into Q3/4. The Business Development team is focussed on securing near term work to maximise the revenue for the year. A number of current customers are requiring additional work on existing projects whilst others are bringing new programmes; new customers are talking to Angel through word of mouth recommendation. These are good indicators that Angel is delivering a high standard of customer service. The operational team is now at full strength and there are no restrictions to deliver the revenue from the business

generated, near term. We can therefore take opportunities which fit our current capabilities as they arise.

We have a number of prospects who are looking for commercial manufacturing as distinct from manufacturing clinical trial materials. This very welcome development has accelerated our strategic planning regarding facilities and capacity. Commercial manufacturing is higher margin and involves longer term contracts. It has been a primary goal for the Company to have this kind of business in our mix since it helps smooth unexpected market fluctuations. We currently have three companies in negotiation for business of this kind in addition to Therapeutic Proteins Inc. Manufacture of such commercial products, for example launch stocks of an approved medicine, requires additions to our current licence. This is a natural progression from our current Manufacturers Licence and serve to validate the Company's ability to carry out some of the most demanding manufacturing tasks.

While Q1 revenue was above plan, in Q2 the revenue was down slightly leaving H1 at £755k, 84% of plan. This represents a 263% rise in revenues from the same period in 2005. The variance from plan is due to revenue generating activities being delayed by the three month late hand over of the Cramlington GMP facility from the builders. Further, due to the delay, additional unplanned spend was incurred to allow a compressed validation of the facility to minimise further delays in gaining our licence. A direct consequence of this has been lost revenue generation opportunity from the GMP facility. Whilst the financial impact of this delay will affect the whole year, every effort is being made in business development and operational activities to deliver the revenue generating opportunities available to Angel. The Company's forward order book (to August 2008) currently stands at £6.69M, assuming successful delivery of services.

A focus on meeting (and often exceeding) customer expectations to maximise the revenue potential of each contract combined with careful management of costs has resulted in a cash outflow before financing of £1.117m, 108% of plan. The additional cash outflow due to unplanned expenditure to secure the earliest possible date for facility licensing, coupled with below plan revenues. The Company's short term cash position is expected to improve substantially in H2 as the revenues from existing contracts and the additional revenues from the contracts signed flow through.

Angel has again demonstrated that it is able to meet the high standards required to deliver and operate a GMP facility. The degree of customer satisfaction and flow of repeat business provides tangible evidence of our ability to deliver a service required to meet the needs of our customers. Our pipeline of business demonstrates the team's ability to engage with the customer and to provide technically sound solutions at the right price. The performance of the Pentlands facility in a technically challenging field of manufacture exemplifies the breadth and flexibility of the Company's offering. This is a creditable performance and one that reflects the professionalism and commitment of the entire Angel team to its customers and to its shareholders.

Dr Paul Harper

Chairman Angel Biotechnology Holdings plc

**ANGEL BIOTECHNOLOGY HOLDINGS**  
(“Angel Biotechnology” or the “Company”)

**FINANCIAL RESULTS FOR THE SIX MONTHS ENDED**  
**30<sup>th</sup> JUNE 2006**

## Angel Biotechnology Holdings plc

### Unaudited Consolidated Profit & Loss Account for the half year ended 30 June 2006

|  | Unaudited<br>Half Year to<br>30 Jun 06<br>£'000 | Unaudited<br>Half Year to<br>30 Jun 05<br>£'000 | Audited<br>Year ended<br>31 Dec 05<br>£'000 |
|--|---|---|---|
| <b>Turnover</b>                                    | <b>755</b>                                      | <b>287</b>                                      | <b>1118</b>                                 |
| Cost of sales                                      | (911)   | (479)   | (1,027)                                     |
| <b>Gross loss</b>                                  | <b>(156)</b>                                    | <b>(192)</b>                                    | <b>91</b>                                   |
| Administrative expenses                            | (653)   | (567)   | (1,027)                                     |
| <b>Operating loss</b>                              | <b>(809)</b>                                    | <b>(759)</b>                                    | <b>(936)</b>                                |
| Interest receivable and similar income             | 6   | -   | 2   |
| Interest payable and similar charges               | (23)  | (53)  | (52)  |
| <b>Loss on ordinary activities before taxation</b> | <b>(826)</b>                                    | <b>(812)</b>                                    | <b>(986)</b>                                |
| Tax on loss on ordinary activities                 | 5   | -   | 7   |
| <b>Loss on ordinary activities after taxation</b>  | <b>(821)</b>                                    | <b>(812)</b>                                    | <b>(979)</b>                                |
| <i>Loss per share (pence)</i>                      |   |   |   |
| <i>Basic and diluted</i>                           | £0.0014   | £0.70   | £0.004                                      |

## Angel Biotechnology Holdings plc

### Unaudited Consolidated Balance Sheet as at 30 June 2006

|   | Unaudited<br>30 Jun 06<br>£'000 | Unaudited<br>30 Jun 05<br>£'000 | Audited<br>31 Dec 05<br>£'000 |
|---|---------------------------------|---------------------------------|-------------------------------|
| <b>Fixed assets</b>                                     |                                 |                                 |                               |
| Intangible assets                                       | 142                             | 3                               | -                             |
| Tangible assets   | 3,886                           | 3,134                           | 3,582                         |
|   | <b>4,028</b>                    | <b>3,137</b>                    | <b>3,582</b>                  |
| <b>Current assets</b>                                   |                                 |                                 |                               |
| Debtors   | 923                             | 273                             | 500                           |
| Cash at bank and in hand                                | 46                              | 26                              | 1,025                         |
|   | <b>969</b>                      | <b>299</b>                      | <b>1,525</b>                  |
| Creditors: amounts falling due within one year          | (1,358)                         | (1,430)                         | (690)                         |
| <b>Net current assets</b>                               | <b>(389)</b>                    | <b>(1,131)</b>                  | <b>835</b>                    |
| <b>Total assets less current liabilities</b>            | <b>3,639</b>                    | <b>2,006</b>                    | <b>4,417</b>                  |
| Creditors: amounts falling due after more than one year | (113)                           | (185)                           | (70)                          |
| <b>Net assets</b>                                       | <b>3,526</b>                    | <b>1,821</b>                    | <b>4,347</b>                  |
| <b>Capital and reserves</b>                             |                                 |                                 |                               |
| Called up share capital                                 | 602                             | 116                             | 602                           |
| Share premium account                                   | 2,207                           | -                               | 2,207                         |
| Merger reserve  | 3,947                           | 3,947                           | 3,947                         |
| Profit and loss account                                 | (3,230)                         | (2,242)                         | (2,409)                       |
| <b>Equity shareholders' funds</b>                       | <b>3526</b>                     | <b>1,821</b>                    | <b>4,347</b>                  |

**Angel Biotechnology Holdings plc**  
**Unaudited Consolidated Cash Flow Statement for the half year ended**  
**30 June 2006**

|   | Unaudited<br>Half year to<br>30 Jun 06<br>£'000 | Unaudited<br>Half year to<br>30 Jun 05<br>£'000 | Audited<br>Year to<br>31 Dec 05<br>£'000 |
|---|---|---|--|
| Net cash outflow from operating activities      | (519)   | (470)   | (1,369)                                  |
| Returns on investments and servicing of finance | (17)  | (53)  | (12)                                     |
| Capital Expenditure                             | (586)   | (42)  | (589)                                    |
| Taxation  | 5   |   | 91                                       |
| <b>Cash flow before financing</b>               | <b>(1,117)</b>                                  | <b>(565)</b>                                    | <b>(1,879)</b>                           |
| Financing                                       | 138   | 516   | 2,816                                    |
| <b>Increase/(Decrease) in cash</b>              | <b>(979)</b>                                    | <b>(49)</b>                                     | <b>937</b>                               |

**Reconciliation of operating loss to net cash outflow from operating activities**

|   | Unaudited<br>Half year to<br>30 Jun 06<br>£'000 | Unaudited<br>Half year to<br>30 Jun 05<br>£'000 | Audited<br>Year to<br>31 Dec 05<br>£'000 |
|---|---|---|--|
| Operating loss                          | (809)   | (759)   | (936)                                    |
| Depreciation and amortisation           | 140   | 97  | 198                                      |
| Amortisation of government grants       | (46)  | (91)  | (182)                                    |
| (Increase) in debtors                   | (423)   | (97)  | (408)                                    |
| Increase/(Decrease) in creditors        | 619   | 380   | (41)                                     |
| <b>Net cash outflow from operations</b> | <b>(519)</b>                                    | <b>(470)</b>                                    | <b>(1,369)</b>                           |

**Reconciliation of net cash flow to movement in net funds**

|                                      | Unaudited<br>Half year to<br>30 Jun 06<br>£'000 | Unaudited<br>Half year to<br>30 Jun 05<br>£'000 | Audited<br>Year to<br>31 Dec 05<br>£'000 |
|--------------------------------------|---|---|--|
| Increase/(Decrease) in cash          | (979)   | (49)  | 937                                      |
| Cash inflow/(outflow) from financing | 204   | 700   | 67                                       |
| Other non-cash items                 | -   | -   | 982                                      |
| Movement of net debt in period       | (775)   | 651   | 1,986                                    |
| Net funds at period start            | 703   | (1,283)   | (1,283)                                  |
| <b>Net funds at period end</b>       | <b>(72)</b>                                     | <b>(632)</b>                                    | <b>703</b>                               |

**Analysis of changes in net funds**

|                           | 1 Jan 06<br>£'000 | Cash flow<br>£'000 | 30 Jun 06<br>£'000 |
|---------------------------|-------------------|--------------------|--------------------|
| Cash in hand and at bank  | 1,025             | (979)              | 46                 |
| Debt: due within one year | (298)             | 15                 | (283)              |
| due after one year        | (24)              | 18                 | (6)                |
| finance lease agreements  |                   | 171                | 171                |
| <b>Net funds</b>          | <b>703</b>        | <b>(775)</b>       | <b>(72)</b>        |

## ANGEL BIOTECHNOLOGY HOLDINGS PLC

### NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

#### 1. FINANCIAL INFORMATION

The results for the six months ended 30 June 2006 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The 31 December 2005 Annual Report and Accounts are available from Angel Biotechnology's web site, [www.angelbio.com](http://www.angelbio.com).

#### 2. BASIS OF ACCOUNTING

They have been drawn up using the same accounting policies and principles as are detailed in the Company's 31 December 2006 Annual Report and Accounts.

#### 3. TAXATION

No liability arises for corporation tax for the period ended 30 June 2006. Research and Development tax credits are estimated to be £5,000 for the period.

#### 4. DIVIDENDS

The directors do not propose the payment of a dividend in respect of the six months ended 30 June 2006.

#### 5. LOSS PER SHARE

|                                  |                      |
|----------------------------------|----------------------|
| Basic and diluted loss per share | £0.00014 (2005: 70p) |
|----------------------------------|----------------------|

The basic loss per ordinary share is based on the Group's loss for the six months of £821,000 (2005: £812,000) divided by the weighted average number of shares in issue. The weighted average number of shares in issue during the period was 601,827,439 (2005: 1,157,629 shares of £1 each).