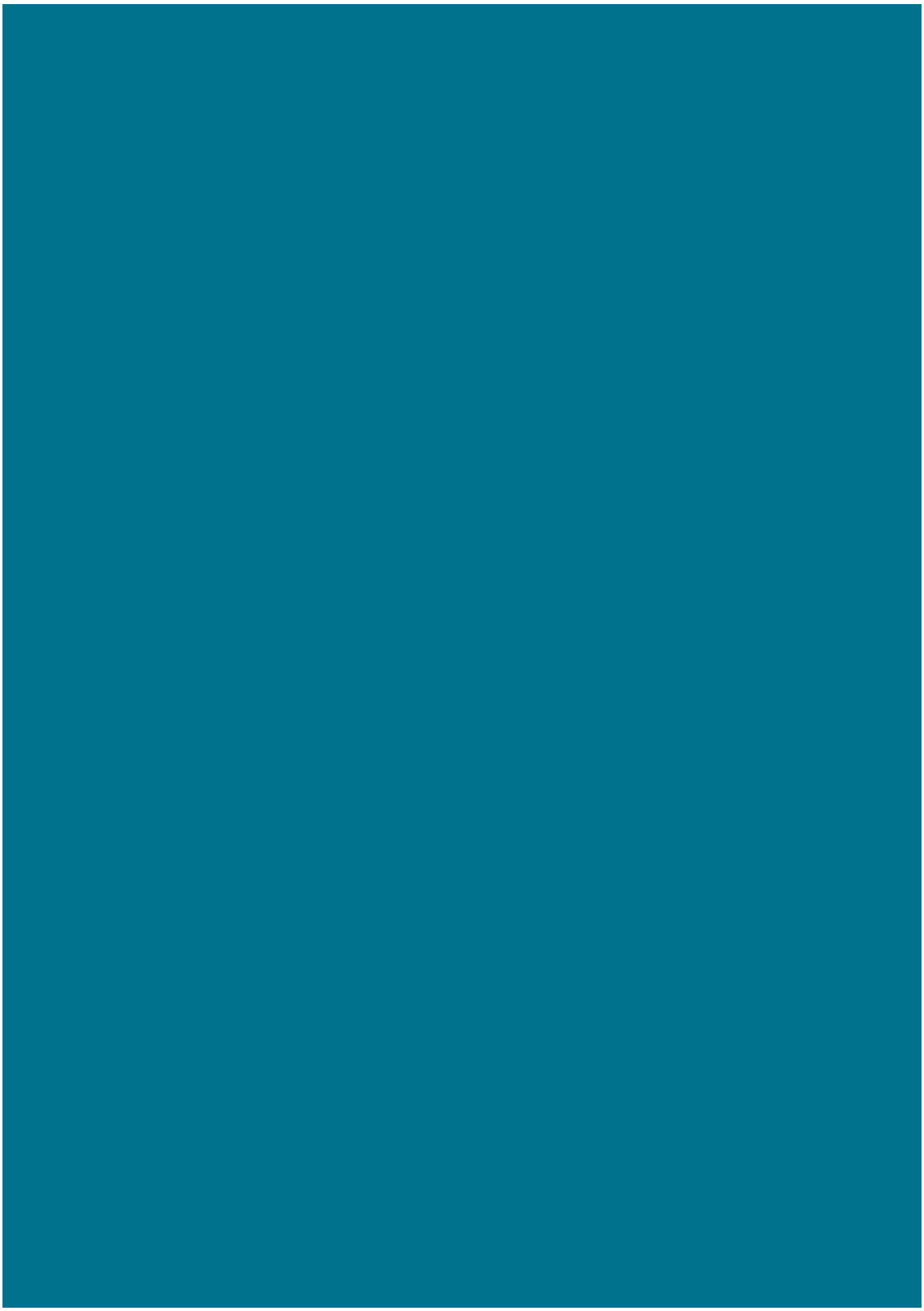
Evolutec

EVOLUTEC GROUP PLC INTERIM REPORT 2005



Contents

Evolutec

Evolutec

Significant Market Opportunities *portfolio diversification*

Highlights

Evolutec

- Biopharmaceutical company developing small protein therapeutics for allergy, inflammation and auto-immune diseases
- Diverse portfolio of product candidates - rEV131, rEV576, rEV598, vaccine technology
- Significant market opportunities - respiratory, ophthalmic, cardiovascular, autoimmune
- Commercial strategy
  - retain marketing rights in specialist US markets
  - partner development and marketing rights in primary care markets

Product Development

- rEV131 - Positive Phase II result announced ahead of schedule in allergic rhinitis (hay fever)
- rEV131 – Significantly reduced ($p<0.05$) rhinitis symptoms with rapid onset of action
- rEV131 - Good progress by Cambrex Inc ("Cambrex") on developing a current Good Manufacturing Practice ("cGMP") process
- rEV576 - Exciting preclinical result in myasthenia gravis
- Vaccine technology - Merial has obtained encouraging results from its initial testing
- Vaccine technology - Merial intends to continue to evaluate the technology against tick-borne diseases

Financial Highlights

- Raised £9.5 million (net of expenses) in April 2005
- Operating loss for the 6 month period ended 30 June 2005 £2.1 million (2004: operating loss of £0.6 million)
- Cash and short-term investments of £12.2 million at 30 June 2005 (2004: £(0.1) million).
- £0.35 million foreign exchange gain on US dollar deposits

Chairman's Statement

Evolutec is committed to the accelerated development and commercialisation of superior biopharmaceutical products to treat human diseases. For the immediate future, management's priority is the clinical development of its product candidates.

During the period Evolutec has made considerable operational progress on a number of fronts including:

- building and developing its clinical development pipeline;
- recruiting an experienced development team;
- increasing exposure of the Group's technology to the international pharmaceutical and biotechnology community to prepare for licensing/ marketing arrangements; and
- building a strong and well motivated team at our new headquarters in Green Park, Reading.

The fieldwork for a 112 patient allergic rhinitis trial of rEV131, the Group's leading biopharmaceutical product candidate, was completed ahead of schedule and positive results were announced on 20 September 2005. The observation that rEV131 showed good safety and efficacy against the symptoms of allergic rhinitis is particularly important since it clearly demonstrates the potential utility of tick derived proteins in treating human diseases. This result will underpin the Group's development both in terms of further clinical programmes as well as commercial opportunities.

The Group encountered a delay in the production of drug product for the post-cataract surgery clinical trial. We now expect to deliver the post-cataract trial result and a dry eye result in 2006.

In April, Evolutec raised £9.5 million (net of expenses) through a share placing to institutions. As a result, the Group ended the period under review with net cash of about £12.2 million. This additional funding allows Evolutec to begin to diversify its development portfolio, an important aspect of risk management.

A significant portion of the placing proceeds was converted into US dollars to provide certainty to meet the clinical and manufacturing costs that were anticipated in the business plan in North America. This resulted in a significant currency gain

following the decline of the pound sterling against the dollar. More importantly, the Group's business plan is not adversely impacted because of this change since the appropriate funds are available in dollars.

Merial's initial vaccine trial shows that our tick vaccine candidate significantly reduced tick infestation in cattle. Merial has decided to continue development work and evaluate our vaccine technology against tick-borne diseases of economic importance.

First preclinical results with the complement inhibitor, rEV576, are extremely promising especially when compared to similar antibody products. Importantly, it is effective in a preclinical model of the autoimmune disease, myasthenia gravis, by injection. This highlights the potential of rEV576 in the treatment of severe diseases, which include cardio-pulmonary bypass (heart bypass surgery), myocardial infarction (heart attack), and rheumatoid arthritis. The Group will now push ahead with the further development of this molecule.

During the past six months Evolutec has completed its move to Green Park, Reading, and made a number of key recruits. The first phase of development of the infrastructure of the Group is now nearing completion, although we expect to add individuals in the business development area. Evolutec remains committed to its model of out-sourcing activities wherever possible in order to control its cost base.

At the time of listing on AIM, it was anticipated that I would change my position to Non-Executive Chairman of Evolutec. Terms for my appointment to this position have been agreed with effect from 2 August 2005.

I would like to thank the staff of Evolutec for their hard work during the recent period and to acknowledge the support of the shareholders in allowing us to carry out this exciting work.

David P Bloxham
Chairman
28 September 2005

Chief Executive's Report

The past six months have been a period of substantial progress for the business and I am pleased to report that advances have been made in the development of the technology, the funding, and the infrastructure of Evolutec.

HIGHLIGHTS

- The clinical study with rEV131 in allergic rhinitis was completed ahead of schedule and the results were reported on 20 September 2005. The primary endpoint was met and rEV131 demonstrated a rapid onset of activity. This is an exceptional outcome for the Group and will be the foundation for further clinical work and partnering of the molecule.
- In April 2005, the Group raised £9.5 million (net of expenses) via an institutional placing improving the funding of the Group and enabling ongoing investment in the development of rEV131 and a degree of diversification in the product portfolio.
- rEV576 has shown exciting preclinical results in myasthenia gravis which suggest potential in acute and chronic inflammatory diseases. Therefore, the strategy of diversification has begun to deliver results.
- Initial vaccine results from the Merial cattle trial have shown a significant reduction in tick infestation. Merial has decided to continue development work and evaluate Evolutec's vaccine technology against tick-borne diseases.
- A delay was encountered in the preparation of rEV131 drug product for the planned post-cataract surgery clinical trial. We now expect to submit this Investigational New Drug ("IND") in early 2006.
- We have successfully recruited staff in the product development, research and finance functions.

rEV131

Allergic rhinitis

The most important event for the development of our technology has been the positive Phase II clinical result for rEV131 in seasonal allergic rhinitis (hay fever). Evolutec had 3 objectives for rEV131 in the undertaking of this 112 patient Phase II study:

1. A proof of concept in the lead clinical indication
2. The selection of the optimum dose for further clinical studies
3. The demonstration of safety via this new route of administration

In addition to accomplishing all 3 objectives, the results show that rEV131 has an onset of action of 45 minutes or less - quicker

than steroid nasal sprays which have an onset of action of approximately 8 hours. Furthermore, the main effects of rEV131 were against congestion and mucus production, symptoms that patients find the most troublesome and which are not well addressed by oral antihistamines. The rapid onset of action and efficacy against congestion and mucus underpin the potential commercial advantages of rEV131 making this an exceptional result.

This Phase II dose-ranging nasal allergen challenge study of rEV131 administered as a nasal spray was undertaken at two centres in San Antonio, Texas, under the leadership of Dr Paul Ratner. The trial was conducted in accordance with the Food & Drug Administration's Guidance for Industry recommendations.

The trial comprised four cohorts of 20 patients (16 active, 4 placebo), with the active patients on ascending single doses of rEV131, followed by a fifth cohort of 32 patients (16 active, 16 placebo) at the optimum dose. The ragweed pollen extract was administered 30 minutes after dosing.

The trial met its primary endpoint, a statistically significant difference ($p<0.05$) in the mean sum of symptom scores at 15 minutes post allergen challenge versus placebo in the patients who completed the trial according to the protocol. rEV131 showed a dose dependent drug effect enabling Evolutec to select the optimum dose for further work. There were no significant adverse events and rEV131 was comfortable and well-tolerated.

The result highlights the potential of rEV131 in the $6 billion allergic rhinitis market. The group will now undertake additional multi-dose Phase II studies to define further the onset and duration of action which will guide commercial positioning and facilitate a partnering deal for rEV131.

The result also emphasises the potential of molecules sourced from the saliva of ticks and supports the need to prime the pipeline in terms of further molecule research.

The metabolism programme, device selection and formulation studies on rEV131 are underway and will deliver results in 2006. Good progress has been made with the process development work on the manufacture of rEV131 to cGMP standard. Large scale engineering runs are on track to enable cGMP drug substance to be manufactured in 2006. This process will be suitable for commercialisation of the product and underpins future Phase III trials.

The Group has maintained its partnering activities in Europe and the US. Evolutec will seek to partner rEV131 as a means of funding, risk sharing and accelerating the development of an increasingly diverse portfolio.

Dry eye

The anti-inflammatory effects of rEV131, its effect on adhesion molecules and downstream cytokines provide a good rationale for the selection of dry eye as a third indication. In the US, dry eye is a $1 billion market with substantial unmet need because the majority of products provide only transient relief from the condition. Restasis™, the first and only

prescription product for dry eye, achieved $100m sales in 2004, its first full year after launch. Dry eye is a good fit with Evolutec's intention to retain the marketing rights in ophthalmology.

Post-cataract

The drug product prepared for the post-cataract clinical trial failed a release assay and this has meant that all product from the same batch has had to be abandoned. Accelerated stability tests have identified that the bottle tips and not the drug substance were the source of this problem. Alternative caps have been tested and will now be used for future drug product preparation. Inevitably this has delayed the submission of the planned IND in post-cataract surgery. A new batch of drug substance has been commissioned to replace that originally prepared and packed for the study. It is anticipated that the IND will be submitted early in 2006. This means that a clinical result will now be delivered in 2006.

rEV576

Exciting preclinical results have been generated with rEV576. This molecule is a complement inhibitor, a new class of drugs which target the complement system. Over stimulation of the complement system is implicated in a range of acute and chronic inflammatory conditions including cardio-pulmonary bypass (heart bypass), acute myocardial infarction (heart attack) and rheumatoid arthritis. Results have confirmed the high affinity of rEV576 for C5 in the complement system and shown that half life of the molecule is of the order of 30 hours. In an acute model of the chronic disease myasthenia gravis, a single injection of rEV576 completely prevented onset of clinical symptoms. The mechanism of action of this molecule and these pronounced results suggest potential in both acute and chronic conditions. A clear track to the clinic in several major and minor indications exists for rEV576. A product in these therapeutic areas would represent a substantial commercial opportunity and diversify the risk in Evolutec's portfolio. Our current plan is to progress rEV576 into the clinic in the next 12 to 18 months.

VACCINE TECHNOLOGY

Merial has completed the initial anti-tick screen against *Boophilus* in cattle and showed that the vaccine significantly reduced the level of tick infestation. A research programme to evaluate the vaccines against tick-borne diseases is under definition and a new agreement will be drawn up to cover this work.

This proof of concept trial is encouraging and the Group intends to further investigate potential in the human vaccine area.

FUNDING

The progress made by the Group in its clinical and preclinical programmes facilitated the institutional placing in April 2005. Evolutec raised £9.5 million (net of expenses) and the demand generated at the time of the placing enabled 3i, Evolutec's original venture capital backer, to sell its share holding. Some 80

percent of the Company's shares are now held by institutional investors. This placing allows us to expand our investment in the cGMP manufacture of rEV131, undertake a clinical study in dry eye, contribute towards a further Phase II clinical study in allergic rhinitis and invest in preclinical programmes with rEV576 and rEV598.

INFRASTRUCTURE

The Group's move from Oxford to Reading was successful and we have recruited new research, development and finance staff in line with the business plan. We are currently seeking to recruit business development staff to support the partnering activities described previously. David Bloxham moved from Executive to Non-Executive Chairman in August. I should like to thank him for his work as an executive of the Company and wish him every success in his new role as Non-Executive Chairman.

Mark Carnegie Brown
Chief Executive Officer
28 September 2005

Financial Review

The Company raised £9.5 million (net of expenses) via an equity placing in April 2005. The net cash position was £12.2 million at 30 June 2005, which included a £0.35 million exchange gain on the company's US dollar deposits.

FINANCIAL AND OPERATING STRATEGY

The Group's financial and operating strategy continues to be to maintain a small number of employees providing core skills and to sub-contract the clinical and preclinical development, research and manufacturing work. As of 28 September 2005, Evolutec had 8 full-time employees. This outsourcing strategy means that Evolutec can be more efficient as it has lower in-house operating costs and is able to leverage world class expertise and services at the most competitive market rates globally.

CAPITAL STRUCTURE

Share capital

The Company had 17.3 million 10p ordinary shares outstanding at 30 June 2005. The 48.0 million deferred shares (which arose at the time of the Company's initial public offering in 2004) were bought back for nil consideration and cancelled during the financial period.

Net cash position and funding

The Group had net cash and short-term investments of £12.2 million as at 30 June 2005 compared with net debt of £(0.1) million at 30 June 2004. The increase in cash and cash equivalents reflects a £9.5 million (net of expenses) placing in April 2005 and a £5.1 million (net of expenses) placing upon the Company's admission to AIM in August 2004. The net cash outflow before the management of liquid resources and financing was £1.2 million (June 2004: £0.4 million).

The Group had no borrowings during the period (June 2004: £0.1 million).

Treasury

As at 30 June 2005 the Group had £11.9 million on treasury deposit. The Group's treasury policy is to split its deposits between at least two banks each with a minimum credit rating of F1/A. The objective is to derive the maximum interest consistent with flexibility to undertake ongoing activity and safeguarding the asset.

The Group does not engage in speculative transactions or derivatives trading in respect of cash balances held.

The Group is exposed to US Dollar and Euro currency exchange rate movements. A significant proportion of the Group's expenditure is US dollar denominated. The Group monitors these exposures on a frequent basis and has taken appropriate steps to mitigate large exposures. Management converted £5.0 million of the funds raised in April 2005 into US dollars at an average rate of 1.91 in order to provide certainty about the

cash cost of certain US dollar denominated clinical trial and manufacturing expenses. At 30 June 2005, the sterling US dollar rate was 1.79 and, as a result, Evolutec recorded an unrealised foreign currency gain of £0.35 million.

CASH FLOW

Net cash outflow from operating activities in the period was £1.4 million (June 2004: £0.4 million). This includes a milestone payment of £0.1 million to the Natural Environment Research Council, the originator of certain of the Group's intellectual property and technology. The cash outflow is lower than the operating loss for the period mainly due to accruals made to reflect work carried out but not invoiced in respect of the rhinitis clinical trial and the cGMP manufacture of rEV131.

The other significant cash flow items during the period were interest received of £0.1 million, the R&D tax credit received in respect of the 18 month period ended 31 December 2004 of £0.2 million, and the cash expenses relating to the equity placing in April of £0.5 million.

PROFIT & LOSS

Revenue

Evolutec is a clinical stage biopharmaceutical company and as such has no source of direct revenue.

Research and development

Research and development expenditure of £1.6 million (June 2004: £0.1 million) is up on a like for like basis due to the increased level of development activity, principally the rEV131 rhinitis clinical trial but also some costs associated with the post-cataract development programme, as well as the commencement of work on developing a cGMP manufacturing process with Cambrex.

Administrative expenses

Administrative expenses of £0.6 million (£0.9 million before currency gain) (June 2004: £0.4 million) are up on a like for like basis primarily due to the recruitment of additional staff and the increased professional fees resulting from the Company's admission to AIM.

Taxation

The Group's research and development tax credit of £0.2 million (June 2004: £48,000) is higher on a like for like basis reflecting the increased level of qualifying research and development expenditure.

RELOCATION TO GREEN PARK

During the period, the Group relocated its operational headquarters to Green Park, Reading. Reading has excellent road and rail links. The total cost of the office move was £79,000, the majority of which relates to capital items such as the office refurbishment and the purchase of new equipment and furniture.

Nicholas Badman
Chief Financial Officer
28 September 2005

Review Report by the Auditors

INDEPENDENT REVIEW REPORT TO EVOLUTEC GROUP 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 consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 5. We have read the other information contained in the interim report which comprises only the Chairman's Statement, the Chief Executive's Report and the Financial Review 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. They 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 in accordance with 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 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
OXFORD
28 September 2005

1 The maintenance and integrity of the Evolutec Group plc website is the responsibility of the Directors: the interim review does not involve consideration of these matters and, accordingly, the Company's reporting accountants accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of the interim report differ from legislation in other jurisdictions.

Unaudited consolidated profit and loss account

For the six-month period ended 30 June 2005

	Notes	**Unaudited Six months ended 30 June 2005 £000**	Unaudited Six months ended 30 June 2004 £000	Audited Eighteen months ended 31 December 2004 £000
Turnover		**-**	14	28
Cost of sales		**-**	-	-
Gross profit		**-**	14	28
Research and development expenditure		**(1,555)**	(146)	(993)
Administrative expenses	2,3	**(578)**	(436)	(1,543)
Total administrative expenses		**(2,133)**	(582)	(2,536)
Operating loss on ordinary activities before interest and taxation		**(2,133)**	(568)	(2,508)
Interest receivable and similar income		**149**	3	94
Loss on ordinary activities before taxation		**(1,984)**	(565)	(2,414)
Tax credit on loss on ordinary activities		**170**	48	177
Loss for the period		**(1,814)**	(517)	(2,237)
Basic and diluted loss per share - pence	4	**(14.0)**	(9.7)	(33.6)

Continuing operations

All the activities of the Group are classed as continuing operations.

Statement of recognised gains and losses

There are no recognised gains and losses other than the losses above, and therefore no separate statement of total recognised gains and losses is presented.

The notes on pages 19 to 21 form part of these interim financial statements.

Unaudited consolidated balance sheet

As at 30 June 2005

	Notes	**Unaudited Six months ended 30 June 2005 £000**	Unaudited Six months ended 30 June 2004 £000	Audited Eighteen months ended 31 December 2004 £000
Fixed assets				
Tangible assets		**67**	13	11
Current assets				
Debtors		**288**	119	255
Short-term deposits and investments		**11,941**	-	3,761
Cash	2	**287**	-	113
		12,516	119	4,129
Current liabilities				
Creditors: amounts falling due within one year		**(959)**	(458)	(367)
Net current assets		**11,557**	(339)	3,762
Net assets/(liabilities)		**11,624**	(326)	3,773
Capital and reserves				
Share capital	5	**1,734**	5,338	5,824
Share premium account	5	**13,412**	1,943	4,622
Merger reserve	5	**3,734**	1,440	3,734
Capital redemption reserve	5	**4,804**	-	-
Other reserves	5	**161**	100	-
Profit and loss account	5	**(12,221)**	(9,147)	(10,407)
Total shareholders' funds		**11,624**	(326)	3,773

The notes on pages 19 to 21 form part of these interim financial statements.

Unaudited consolidated cash flow statement

For the six-month period ended 30 June 2005

	Unaudited Six months ended 30 June 2005	Unaudited Six months ended 30 June 2004	Audited Eighteen months ended 31 December 2004
	£000	£000	£000
Reconciliation of operating loss to operating cash flows			
Operating loss	**(2,133)**	(568)	(2,508)
Depreciation	**8**	1	16
Increase in debtors	**(66)**	(2)	(69)
Increase in creditors	**673**	179	261
Share based payment charge	**80**	-	-
Net cash outflow from operating activities	**(1,438)**	(390)	(2,300)
Cash flow statement			
Net cash outflow from operating activities	**(1,438)**	(390)	(2,300)
Returns on investments and servicing of finance			
Interest received	**149**	3	94
Net cash inflow from investments and servicing of finance	**149**	3	94
Taxation			
R&D tax credit received	**203**	-	86
Net cash inflow from taxation	**203**	-	86
Capital expenditure			
Purchase of tangible fixed assets	**(64)**	(13)	(13)
Net cash outflow from capital expenditure	**(64)**	(13)	(13)
Net cash outflow before management of liquid resources and financing	**(1,150)**	(400)	(2,133)
Management of liquid resources			
(Increase)/decrease in short term deposits with bank	**(8,180)**	450	(3,586)
Net cash outflow from management of liquid resources	**(8,180)**	450	(3,586)
Financing			
Issue of shares	**10,000**	-	6,067
Conversion of warrants	**-**	-	300
Costs of share issue	**(496)**	(251)	(587)
Net cash inflow from financing	**9,504**	(251)	5,780
Increase/(decrease) in cash in the period	**174**	(201)	61
Reconciliation of net cash flow to movement in net cash/(debt)			
Increase/(decrease) in cash in the period	**174**	(201)	61
Movement in net funds/(debt) in the period	**174**	(201)	61
Net funds at start of the period	**113**	74	52
Net funds/(debt) at end of the period	**287**	(127)	113

The notes on pages 19 to 21 form part of these interim financial statements.

Notes to the unaudited financial information

For the six-month period ended 30 June 2005

1. BASIS OF PREPARATION

The interim financial information has been prepared on the basis of the accounting policies set out in the Group's statutory financial statements for the year ended 31 December 2004 with the exception that FRS 20 "Share Based Payments" has been adopted in the interim financial statements. The comparative figures have not been restated as there is no material effect.

Previously the Group accounted for awards under employee share schemes under UITF Abstract 17, whereby the value of an award was based on its intrinsic value at grant date. However, FRS 20 requires a fair value measurement basis, taking account of the time value of money and the protection offered by options against volatility of the share price or value.

These interim financial statements do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 2005. Results for the periods ended 30 June 2005 and 30 June 2004 have not been audited. The results for the period ended 31 December 2004 have been extracted from the statutory financial statements which have been filed with the Registrar of Companies and upon which the auditors reported without qualification.

Copies of the interim results for the six months ended 30 June 2005 are being sent to all shareholders. Details can also be found on the Company's website at www.evolutec.co.uk. Further copies of the interim results and copies of the full financial statements can be obtained by writing to the Company Secretary at Evolutec Group plc, 250 South Oak Way, Green Park, Reading, Berkshire, RG2 6UG.

2. FOREIGN CURRENCIES

As at 30 June 2005, Evolutec Group plc had an unrealised exchange gain of £351,000 (six months ended 30 June 2004 – £Nil ; eighteen months ended 31 December 2004 - £4,000) on its US Dollar denominated cash deposits. This unrealised gain is based on a Sterling – US Dollar exchange rate of 1.79 at the close of business on 30 June 2005.

The effect of this unrealised gain on the profit and loss account and balance sheet is shown below.

Administrative expenses	Unaudited Six months ended 30 June 2005 £000	Unaudited Six months ended 30 June 2004 £000	Audited Eighteen months ended 31 December 2004 £000
Administrative expenses before gain	**(929)**	(436)	(1,547)
Foreign exchange gain	**351**	-	4
Administrative expenses after gain	**(578)**	(436)	(1,543)

Short-term deposits and investments	Unaudited At 30 June 2005 £000	Unaudited At 30 June 2004 £000	Audited At 31 December 2004 £000
Short-term deposits and investments/(debt) before gain	**11,590**	(127)	3,757
Foreign exchange gain	**351**	-	4
Short-term deposits and investments/(debt) after gain	**11,941**	(127)	3,761

3. SHARE BASED PAYMENTS

FRS 20 "Share Based Payments" has been adopted in the interim financial statements. Previously the policy was in accordance with Urgent Issues Task Force Abstract 17 "Employee Share Schemes". The FRS 20 "Share Based Payments" charge is £12,000 higher for the six months ended 30 June 2005 that the UITF 17 charge (30 June 2004 £Nil, 31 December 2004 £Nil).

4. LOSS PER SHARE

	Unaudited Six months ended 30 June 2005 £000	Unaudited Six months ended 30 June 2004 £000	Audited Eighteen months ended 31 December 2004 £000
Attributable loss	**(1,814)**	(517)	(2,237)
Weighted average number of shares in issue	**13,000**	5,338	6,660
Loss per share (basic and diluted) pence	**(14.0)**	(9.7)	(33.6)

The calculation of loss per share is based on the weighted average number of ordinary shares in issue during the period.

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called-up share capital	Share premium account	Merger reserve	Capital redemption reserve	Other reserves	Profit and loss account	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2005	5,824	4,622	3,734	-	-	(10,407)	3,773
Issue of ordinary shares on 20 April 2005	714	9,286	-	-	-	-	10,000
Expenses of issue of ordinary shares	-	(496)	-	-	-	-	(496)
Cancellation of deferred shares	(4,804)	-	-	4,804	-	-	-
Loss for the period	-	-	-	-	-	(1,814)	(1,814)
Fair value of share based payments	-	-	-	-	161	-	161
Balance at 30 June 2005	1,734	13,412	3,734	4,804	161	(12,221)	11,624

The deferred shares were acquired for nil consideration in an off-market purchase on 4 May 2005 and were subsequently cancelled. A transfer of £4,804,000 was made to the capital redemption reserve at that date.

Addresses and Advisers

Evolutec Group plc
250 South Oak Way
Green Park
Reading RG2 6UG

Tel: +44 (0) 118 922 4480
Fax: +44 (0) 118 975 6694
Registered number 05067291
www.evolutec.co.uk

Registrar and Transfer Office
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: +44 (0) 870 1623100
Fax: +44 (0) 20 8658 3430
Email: SSD@capitaregistrars.com
www.capitaregistrars.com

Registered Auditors
Grant Thornton UK LLP
1 Westminster Way
Oxford OX2 0PZ

Tel: +44 (0) 1865 799899
Fax: +44 (0) 1865 724420
www.grant-thornton.co.uk

Nominated Financial Adviser and Stockbroker
Robert W. Baird Ltd
Mint House
77 Mansell Street
London E1 8AF

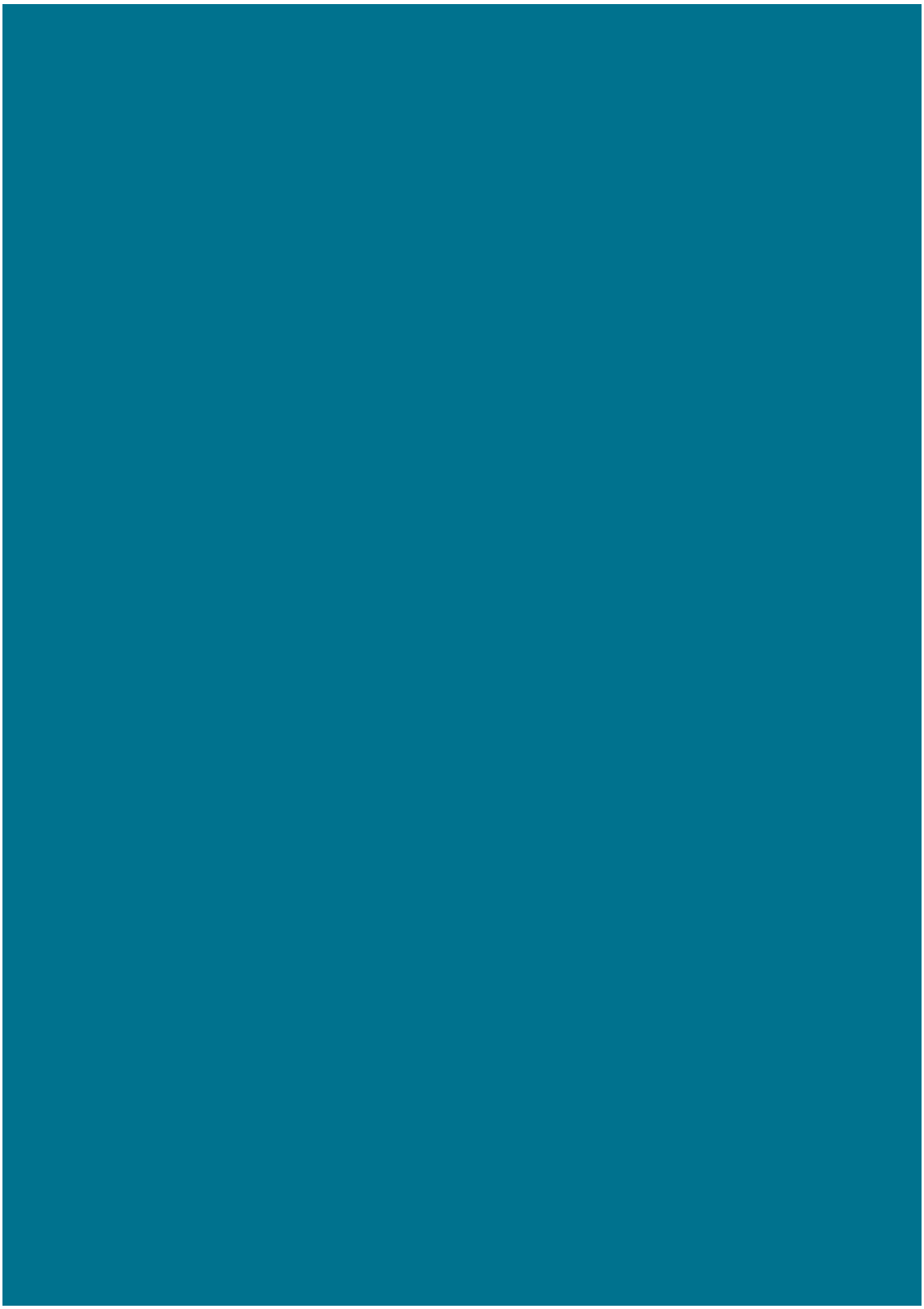
Tel: +44 (0) 20 7488 1212
Fax: +44 (0) 20 7702 3134
www.rwbaird.com/europe

Solicitors
Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

Tel: +44 (0) 20 7283 6000
Fax: +44 (0) 20 7283 6500
www.nortonrose.com

Public relations
Buchanan Communications Limited
107 Cheapside
London EC2V 6DT

Tel: +44 (0) 20 7466 5000
Fax: +44 (0) 20 7466 5001
www.buchanan.uk.com



Evolutec Group plc
250 South Oak Way
Green Park
Reading
RG2 6UG

Tel: +44 (0) 118 922 4480
Fax: +44 (0) 118 975 6694
www.evolutec.co.uk