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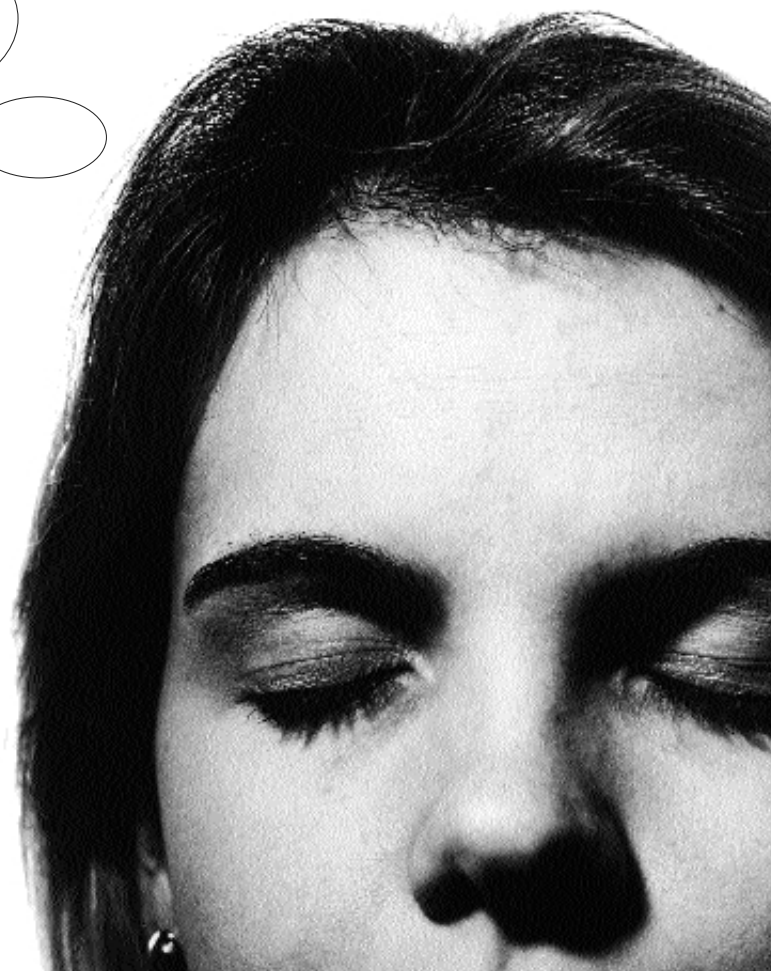
www.oai.co.uk

2000 Interim Statements

Oxford Asymmetry International plc



utilising knowledge



We supply pharmaceutical, biotechnology and agrochemical companies with the chemistry services they need to discover and develop valuable new products. We design and make hundreds of thousands of novel chemical compounds for our clients to test. When they identify a potentially valuable compound, we produce more for further testing; first on a laboratory-scale, then on larger scales right up to commercialisation. We call this total service offering the 'Complete Chemical Solution'. In addition to chemical technology, we invest heavily in people, facilities and Knowledge Management systems. Our extensive capabilities allow us to work in partnership with our customers to provide high-value business solutions that no other company can offer.

Interim statement

for the six months ending 30 June 2000

Summary

OAI made further good progress in the first six months of 2000 and developed in line with our plans. Sales increased by 22% compared with the same period in 1999 and operating profits rose by 37% as the utilisation of our facilities increased in line with expectations.

Significant new business has been won together with material extensions to a number of existing contracts. The Knowledge Management systems are beginning to have a real impact on the business and the construction of our new pilot plant remains on time and on budget, with completion expected by the end of 2000.

Additions have been made to the Board and the Management Team which will support the planned future growth of the Company.

Financial review

Consolidated sales for the six months ended 30 June 2000 were £11.7 million, an increase of 22% compared with the equivalent period in 1999, when they totalled £9.6 million. Gross margins fell from 39% in 1999 to 37% in the first half but we expect these margins to recover in the second half. Operating profits rose 37% to £1.8 million (1999: £1.3 million) while profit before tax increased to £2.0 million, up 19% (1999: £1.7 million). Earnings per share increased 19% to 5.1p (1999: 4.3p). In line with our current policy, no dividend is proposed at this time.

Capital expenditure in the first half amounted to £5.6 million, including £4.4 million associated with the new pilot plant. We expect to spend a further £6.6 million on the completion of the pilot plant during the second half of the year.

The balance sheet remains healthy with net liquid funds at the end of June of £6.9 million compared with £9.5 million at the end of 1999. Cash generated by operations was £2.26 million (1999: £3.36 million).

Operational review

The company operates primarily through two divisions, Discovery Services and Development Services. In addition, as we previously announced, on 31 January 2000 we took a 58% stake in ProPharma, a spin-out from the University of Strathclyde which is involved in the development of formulations for drug substances and the production of sterile vials of formulated drugs for clinical trials.

The Discovery Services Division had sales of £6.8 million in the first half, a 26% increase over 1999. The Development Services Division had sales of £4.9 million, a 17% increase over 1999. Within Development Services there was cancellation of some projects in the pilot plant due to customers terminating programmes but this was balanced by a significant increase in other product areas within this Division. Sales generated by ProPharma developed at a modest rate totalling £46,000 for the period, with a substantial increase in sales anticipated in the second half.

As of 30 June 2000, our order book stood at £17.4 million compared with just under £16 million at the end of 1999. We have been encouraged by the number of significant extensions and expansions of existing contracts during the period as well as by contracts with new customers.

Existing customers

Biogen Inc., USA

This is a contract for laboratory scale custom preparation of one of Biogen's drug candidates.

Bristol-Myers Squibb, USA

Under the terms of this new £2.6 million agreement, we will provide Bristol-Myers Squibb with both discovery and development services. This will include the production of high quality libraries for screening and lead optimisation together with process research and development and scale-up of some of Bristol-Myers Squibb's key drug candidates.

02.Oxford Asymmetry International plc Interim statement continued

Ontogeny Inc., USA

This is a renewal and expansion of a contract to provide lead optimisation services to Ontogeny. Under the new contract OAI has initially doubled the number of full-time equivalent chemists undertaking lead optimisation on compounds involved in Ontogeny's research programmes. This and other agreements also reflect Ontogeny's widening use of OAI's services to fulfil their requirement for the supply of larger quantities of material for preclinical studies.

Parke-Davis, Europe

We announced a £2 million extension renewal of this contract in our 1999 Annual Report that will extend the term of the contract until year end 2001. From 1 June 2000, due to the successful performance of the team and the increasing needs of Parke-Davis, we were asked to increase the group size by 30% to the end of 2000. The Parke-Davis, Europe Research Group became part of Pfizer Global Research and Development on 20 June 2000.

PharmaMar, Spain

We received additional multi-hundred gram orders for the complex key intermediate to PharmaMar's lead anti-cancer drug candidate, which is currently being investigated in Phase II clinical trials.

Vertex Pharmaceuticals Incorporated, USA

This is an extension of an existing contract to provide combinatorial chemistry services to aid Vertex's drug discovery programmes. Under the terms of the contract OAI will provide Vertex with small, focused libraries.

Vivus Inc., USA

During the first half of 2000 we reached a settlement of the dispute with Vivus concerning a supply agreement for prostaglandin E₁. Under the terms of the settlement, OAI and Vivus agreed to terminate the supply agreement for prostaglandin E₁ executed in 1997 and OAI received a payment of \$500,000 for a non-exclusive license to use analytical and stability data related to prostaglandin E₁ that was provided by OAI to Vivus.

New customers

Immunex Corporation

This is a contract to supply an entire 60,000 compound discovery library to Immunex on a semi-exclusive basis. Immunex will screen the library against a variety of targets across their discovery programmes.

Serono, Italy

OAI is undertaking process development and production of a 5 alpha-reductase inhibitor for Serono for use in preclinical and potential future clinical trials. OAI is pleased to be a part of this exciting project as it involves the first small molecule drug that Serono has developed.

SmithKline Beecham Pharmaceuticals, UK

This is a new programme from SmithKline Beecham to provide them with support in the areas of process R&D and laboratory and pilot plant synthesis.

People and management

During the first six months, changes to the Board outlined in the 1999 Annual Report were completed. Dr Roger Brimblecombe retired as Chairman. The former Chief Executive Officer, Dr Edwin Moses, took on the role of Executive Chairman and the former Chief Operating Officer, Dr Mario Polywka, became Chief Executive Officer.

Mr Michael Redmond and Dr Robert Dow were appointed as Non-executive Directors. Dr Michael Capaldi joined the Company as Commercial Director from Nycomed Amersham and was appointed to the Board. Mr Ian Laing, a founding Director and shareholder, resigned from the Board.

The Company wishes to thank Dr Brimblecombe and Mr Laing for their enormous contributions to the development of OAI. We are also excited by the experience and commitment brought to the Board by Mr Redmond, Dr Dow and Dr Capaldi.

Internal promotions during the period saw Mr Paul McGee appointed Director of Development Services, Dr Mark Ashton appointed Director of Discovery Services and Mr Jon Cook appointed as Director of Analytical and Central Services. We were also pleased to recruit Mr Joe Mernagh from Cap Gemini as our Chief Knowledge Officer.

Headcount rose by 6% to 251 during the period. A further eight staff are employed at ProPharma.

Facilities

Utilisation of the new laboratories described in the 1999 Annual Report has developed steadily during the period. The construction of our new pilot plant is proceeding on schedule and on budget (approximately £12 million). We expect this new facility, which will quadruple our capacity, to be available for production early in 2001.

Outlook

We are once again encouraged by the performance of OAI in the first six months of the year. Importantly, delivery schedules and overall sales targets have been met and more than £13 million of orders have been won. The Bayer contract for the delivery of significant quantities of 200,000 new chemical compounds for testing was completed successfully. We continue to build and extend our customer portfolio of first class pharmaceutical and biotechnology companies. Gross margins have fallen slightly during the period but we expect them to recover in the second half. Productivity and utilisation of capacity continues to improve, resulting in excellent growth in operating profits. The seasonality in our business is anticipated to make less of an impact than previously.

The trend to outsourcing by the pharmaceutical industry continues to increase. OAI remains committed to ensuring that it has the critical mass and the range of capabilities necessary for it to be the partner of choice for the pharmaceutical companies of the future. This should also enable the Company to secure an appropriate level of reward for its contribution to the acceleration and improvement in drug discovery and development.



Dr Edwin Moses Executive Chairman

04.Oxford Asymmetry International plc
Consolidated profit and loss account

	6 months to 30/6/2000 £000	6 months to 30/6/1999 £000	Year to 31/12/1999 £000
Turnover from continuing activities	11,720	9,597	20,213
Cost of sales	(7,352)	(5,833)	(12,318)
Gross profit from continuing activities	4,368	3,764	7,895
Research and development costs	(359)	(465)	(919)
Marketing costs	(539)	(510)	(1,015)
Administrative expenses	(1,679)	(1,481)	(3,004)
Other operating income	9	–	27
Operating profit	1,800	1,308	2,984
Net interest receivable and similar income	241	398	688
Profit on ordinary activities before taxation	2,041	1,706	3,672
Tax on profit on ordinary activities	–	–	(5)
Profit on ordinary activities after taxation	2,041	1,706	3,667
Minority interests	66	–	–
Retained profit for the period attributable to shareholders	2,107	1,706	3,667
	Pence	Pence	Pence
Basic earnings per share	5.12	4.31	9.13
Fully diluted earnings per share	4.98	4.02	8.69

05.Oxford Asymmetry International plc
Consolidated balance sheet

	30/6/2000 £000	30/6/1999 £000	31/12/1999 £000
Fixed assets			
Intangible assets	523	–	–
Tangible assets	26,439	19,338	23,027
Investments	2	54	10
	26,964	19,392	23,037
Current assets			
Stocks	1,869	1,965	1,716
Debtors	5,306	3,610	5,141
Investment	5,710	11,922	7,563
Cash at bank and in hand	1,355	1,045	1,953
	14,240	18,542	16,373
Creditors: amounts falling due within one year	(4,088)	(5,573)	(5,087)
Net current assets	10,152	12,969	11,286
Creditors: amounts falling due after one year	(184)	–	–
Net assets	36,932	32,361	34,323
Capital and reserves			
Called up share capital	4,138	4,128	4,128
Share premium account	20,812	20,705	20,706
Profit and loss account	11,596	7,528	9,489
Equity shareholders' funds	36,546	32,361	34,323
Minority interests	386	–	–
	36,932	32,361	34,323

06.Oxford Asymmetry International plc
Consolidated cash flow statements

	6 months to 30/6/2000 £000	6 months to 30/6/1999 £000	Year to 31/12/1999 £000
Net cash inflow from operating activities	2,263	3,364	4,839
Returns on investments and servicing of finance	273	290	676
Taxation			
Corporation tax paid	–	–	(5)
Capital expenditure			
Payments to acquire fixed assets	(5,620)	(5,421)	(10,748)
Acquisitions			
Acquisition expenses	(43)	–	(43)
Net cash acquired with subsidiary	196	–	–
Net cash inflow from acquisition	153	–	(43)
Cash outflow before management of liquid resources and financing	(2,931)	(1,767)	(5,281)
Management of liquid resources			
Movement of cash on deposit	1,853	1,116	5,474
Financing			
Exercise of options and net proceeds from share sales	480	5	68
(Decrease)/increase in cash in period	(598)	(646)	261
Reconciliation of net cash flow to movement in net funds/(debt)			
(Decrease)/increase in cash in the period	(598)	(646)	261
Decrease in cash on deposit	(1,853)	(1,116)	(5,474)
Loan acquired with subsidiary	(200)	–	–
Movement in net funds/(debt) in the period	(2,651)	(1,762)	(5,213)
Net funds at end of prior period	9,516	14,729	14,729
Net funds at end of period	6,865	12,967	9,516

07.Oxford Asymmetry International plc

Notes to the financial statements

Basis of preparation

The financial information has been prepared on the basis of accounting policies set out in the 1999 statutory accounts. This financial information was approved by the Board on 25 July 2000. The figures for the six months to 30 June 2000 and 30 June 1999 are unaudited and do not constitute statutory accounts. The financial information above does not constitute the Company's statutory accounts for the year ended 31 December 1999 but is derived from those accounts, which have been delivered to the Registrar of Companies. The auditors have reported on the 1999 accounts; their report was unqualified and did not contain a statement under Section 237(2), (3) or (4) of the Companies Act 1985.

Acquisition of subsidiary

On 31 January 2000, Oxford Asymmetry International acquired 58% of the share capital of ProPharma Limited, a drug formulation company. For the period after the acquisition, the subsidiary's turnover was £46,000 and its operating loss was £174,000. The goodwill written off in respect of the acquisition was £13,000 and is classified within administration expenses. The net effect on the Group's profit for the period attributable to shareholders was a loss of £104,000.

Earnings per share

Basic earnings per share is calculated on earnings of £2,107,000 (June 1999: £1,706,000; December 1999: £3,667,000) and on a weighted average number of ordinary shares of 41,149,976 (June 1999: 39,591,996; December 1999: 40,184,065). Fully diluted earnings per share have been calculated by dividing the earnings of £2,107,000 (June 1999: £1,706,000; December 1999: £3,667,000) by the weighted average number of shares of 42,334,023 (June 1999: 42,447,466; December 1999: 42,221,515).

Recognised gains and losses

There were no recognised gains or losses in any period other than the profit for the period, which was entirely derived from continuing activities.

08.Oxford Asymmetry International plc
Notes to the financial statements continued

Net cash inflow from operating activities

	6 months to 30/6/2000 £000	6 months to 30/6/1999 £000	Year to 31/12/1999 £000
Operating profit	1,800	1,308	2,984
Depreciation	1,774	1,248	2,843
Goodwill amortisation	13	–	–
Increase in stock	(153)	(749)	(501)
Decrease/(increase) in debtors	6	125	(1,442)
(Decrease)/increase in creditors	(969)	1,367	881
Loss on disposal of fixed assets	9	65	74
Gain on shares sold	(217)	–	–
Net cash inflow from operating activities	2,263	3,364	4,839

Interim Report

Interim Reports will be mailed to shareholders, and copies will be available from the Company's registered office at 151 Milton Park, Abingdon, Oxon OX14 4SD.

The Directors of Oxford Asymmetry International plc accept responsibility for the information contained in this document. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

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