

## Regulatory Announcement

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<b>Company</b>	FuturaGene PLC
<b>TIDM</b>	FGN
<b>Headline</b>	Interim Results
<b>Released</b>	07:00 30-Sep-05

### FUTURAGENE PLC ('the Company')

Interim accounts for the six months ended 30 June 2005

Strong field trial results and broadening of scientific relationships in china. Our licensing discussions continue

Futuragene Plc, which develops environmentally friendly solutions that enable plants to grow in harsh conditions and stabilise and improve crop yields today, reports interim results for the half-year ended June 30 2005.

#### Highlights

- Pre-tax loss of £525,000 (2004: Loss £101,000)
- Basic loss per share of 1.57p (2004: loss 0.9p)
- Cash at period end of £5.5 million following £4.7 million fund raising
- Successful tomato field trials show high salt tolerance
- Joint venture with China Agricultural University
- Discussions with other Chinese institutions
- Incorporation of Chinese subsidiary
- Discussions continue on out licensing
- No dividend declared

FuturaGene has worldwide exclusive licences over patents on genes capable of improving yield for crops facing the impact of cold, high salt concentrations and drought, known as abiotic stresses. FuturaGene's portfolio of genes improves the ability of crops

to withstand these pressures by enhancing the function of genes already natural to the plant, through over expression of these genes.

FuturaGene's aim is to bring to market products based on its research, via partnerships with market leaders and discussions are continuing with commercial entities for the possible out licensing of its technology.

Mark Pritchard, Chairman, commented: 'We are very excited about the success of the tomato field trials which have shown that the our achievements in the laboratory can successfully be transferred into agricultural use. We believe this is a real breakthrough. Tomato plants over expressing the SOS1 gene for which we have the worldwide exclusive patent have been shown to be significantly more salt tolerant than wild types and this offers opportunities for them to be grown successfully in salt degraded soil or to be irrigated with salinated water.

'China also offers great attractions. We are in discussions to broaden our relationships with the Chinese academic community, beyond our existing joint venture with China Agricultural University, and have now established a Chinese subsidiary to commercialise developments from these relationships.

'We are making good progress towards our objective of becoming a leading industry source of high value intellectual property that has the potential to revolutionise agricultural output.'

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Notes

FuturaGene Plc

FuturaGene is committed to the research and development of environmentally friendly solutions to solve crop production problems.

FuturaGene Plc. Sponsors research at a consortium of universities to develop knowledge and create intellectual property that is essential to the development of crop species with enhanced agronomic characteristics including tolerance to a variety of environmental stress such as salt, drought and cold conditions. FuturaGene has established contracts with several universities for the exclusive global commercial rights on a suite of utility and provisional patents.

The Group's technology comprises of a licensed patented portfolio of genes which enhance the function of genes already present in the plant through over expression of these genes. FuturaGene has identified genes which confer enhanced tolerance and enable plants to withstand extreme environmental stresses such as cold, drought, fungal pathogens and high salt concentrations.

FuturaGene already has laboratory prototypes of rice and tomato plants with resistance to salt, drought and cold.

The total seed agricultural biotechnology market is estimated to have a value in the region of \$3bn while the total seeds market is estimated to be worth between \$12 and \$15 bn.

## FUTURAGENE PLC

### CHAIRMAN'S STATEMENT

#### Introduction

In the past six months FuturaGene has successfully met its established internal goals both commercially, financially and in respect of research and product development. During the period under review FuturaGene signed a joint venture agreement with China Agricultural University to develop, together with Purdue University, a new research centre for plant stress physiology. FuturaGene also established a Chinese subsidiary with the purpose of facilitating the commercialisation of intellectual property generated in this research centre and potentially in other Chinese research centres and universities. In addition FuturaGene enlarged its patent portfolio in agricultural biotechnology by signing a licensing agreement with the University of California and started field trials on salt tolerant tomatoes. Finally we also acquired commercial rights from Purdue University to Osmotin, a plant protein with the potential for the treatment of obesity, heart disease and diabetes.

Strategically, the Company is engaged in negotiations with a number of biotech and pharmaceutical companies for the out licensing of its intellectual property.

#### Financial Results

The unaudited financial results for the six months to 30 June 2005 revealed an operating loss of £578,000 compared with a loss of £102,000 in the same period last year. The basic loss per share is 1.57p and on a fully diluted basis is 1.43p. No dividend is being declared.

As previously reported, placings of 970,000 new ordinary shares at 170p and 1.47 million new ordinary shares at 180p were completed successfully during the period, raising a gross sum of £4,310,000. consequently, cash resources at the end of this period were

£5,479,000 and the Board believes the company is well positioned to take its properties forward to commercialisation and to further extend its portfolio of intellectual assets.

### Board Appointment

Kannan Grant was appointed to the board as a non-executive director in September last year and in June 2005 we were delighted to welcome him as a full-time executive member of our team in the position of Vice President of Strategic licensing, reflecting the importance of these elements in creating value for shareholders. Before joining FuturaGene, Mr Grant held the position of Associate Vice Chancellor for technology Development at the University of Nebraska, USA, and has over ten years experience in the commercialisation of university generated intellectual property.

### Field Trials

During the summer of 2005, Dr Bressan and Dr Hasegawa completed the field trials for salinity stress tolerance of transgenic tomatoes over expressing the SOS1 gene. These tests were part of the SBIR research proposal that Futuragene and Purdue University presented in 2004 and which was sponsored by the United States Department of Agriculture (USDA). The successful results of these trials indicate that the transgenic tomato plants over expressing the SOS1 gene have significantly high salt tolerance than the wild type plants and show much better ability to grow under such conditions. Those results will allow FuturaGene and Purdue University to submit the second phase SBIR proposal to the USDA. The goal of this proposal will be the implementation of such technology into a commercial variety and its commercialisation. In the US alone the economic losses due to salinity stress are in the order of several billions of dollars annually. We have now demonstrated with our technology a much greater stress tolerance in the field of commercial crops. This is a major breakthrough and we believe that the commercialisation of plants utilizing our technology will greatly benefit industry, farmers, and end uses.

### China

In March we created a joint research centre with Purdue University and China Agricultural University (CAU), the leading academic agricultural organization in the People's Republic of China. This is the first such research centre in China. The Scientific Advisory Board of this centre will include over fifteen leading scientists from round the world in the area of plant stress physiology and nutrition, and it will be sponsored by the Chinese Ministry of Science and technology. As a result of the agreement signed with CAU last March, and through our wholly owned subsidiary, FuturaGene Investment Consulting (Beijing), Inc, FuturaGene is poised to exploit the intellectual property that will be discovered at the centre. Furthermore, FuturaGene is negotiating with several other universities and research centres in China to enlarge its network of research and academic institutions in that region. The directors believe that such operations will allow FuturaGene to become the largest plant genetic research

company in China and the preferred bridge through which related technologies from China will be commercialized worldwide.

#### Out Licensing

In the past six months FuturaGene has been engaged in negotiations with a number of seed and AgBiotech companies for the commercialisation of its intellectual property portfolio in major crops and ornamentals, such as corn that represents \$11 billion of the annual biotech market value, and turf grass a \$15 billion market.

#### Osmotin

In May this year we exclusively licensed the plant protein Osmotin from Purdue University. This component has shown early promise as a therapeutic agent for the treatment of obesity, diabetes, and heart disease. The cost of diabetes is estimated to be 4132 billion every year, and approximately one-third of the US population, and a fifth of the UK population are obese. Heart disease is major killer in both the US and UK. We are in the process of developing a research and commercialisation plan together with several major research and commercial entities to establish the best strategy to bring Osmotin to the market and to create value for shareholders.

#### Outlook

The results of the tomato trials mark an important stage as we successfully move laboratory research into the field and move towards the commercialisation of our technologies. The extension of our relationships with some of the leading scientific institutions in the People's Republic of China and the incorporation of FuturaGene's subsidiary in China are important steps that will allow us to sustain the FuturaGene business model in the future. Our success thus far gives us confidence that we will achieve our goals for the second half of 2005 as it will take us closer to or objectives of becoming leading industry source of value added genetic material.

Mark Pritchard  
Chairman  
30 September 2005

#### FUTURAGENE PLC

#### Consolidated Profit & Loss Account for the six months ended 30 June 2005

	Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited year ended 31 December 2004
Note	£'000	£'000	£'000

Turnover	-	-	37
Administration expenses:	(578)	(54)	(1,112)
- Continuing			
- Acquisition	-	(13)	-
- Discontinued	-	(35)	-
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Operating Loss	(578)	(102)	(1,075)
Other interest receivable and similar income	53	1	20
Loss on ordinary activities before taxation	(525)	(101)	(1,055)
Tax credit on loss on ordinary activities	-	-	-
Loss on ordinary activities after taxation	(525)	(101)	(1,055)
Dividends	-	-	-
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Retained loss for the period	£(525)	£(101)	£(1,055)
Earnings per ordinary share – basic	2	(1.57p)	(0.9p)
- diluted	2	(1.43p)	(0.7p)

There were no recognized gains or losses other than those recognized in the profit and loss account above.

## FUTURAGENE PLC

### Consolidated Balance Sheet As at 30 June 2005

	Note	Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited year ended 31 December 2004
		£'000	£'000	£'000
<b>FIXED ASSETS</b>				
Tangible Assets		14	54	11
Intangible Assets		-	14	-
Goodwill		7,251	7,582	7,442

		7,265	7,650	7,453
<b>CURRENT ASSETS</b>				
Debtors		43	41	85
Cash at bank and in hand		5,479	1,920	1,020
		5,522	1,961	1,105
Creditors: amounts falling due within one year		(453)	(371)	(110)
		5,069	1,590	995
Net current assets		5,069	1,590	995
		12,334	9,240	8,448
Total assets less current liabilities		12,334	9,240	8,448
		(200)	(200)	(200)
Creditors: amounts falling due after more than one year including convertible debt		(200)	(200)	(200)
		£12,134	£9,040	£8,248
<b>NET ASSETS</b>		<b>£12,134</b>	<b>£9,040</b>	<b>£8,248</b>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	3	176	151	163
Share premium account		15,720	11,407	11,520
Capital redemption reserve		2,415	2,415	2,415
Share capital to be issued		1,140	1,140	1,140
Merger reserve		(844)	(844)	(844)
Profit and loss account		(6,473)	(5,229)	(6,146)
		£12,134	£9,040	£8,248
Equity Shareholders' Funds		£12,134	£9,040	£8,248

## FUTURAGENE PLC

### Consolidated Cash Flow Statement for the six months ended 30 June 2005

Unaudited 6 months ended 30	Unaudited 6 months ended 30	Audited year ended 31 December
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		June 2005	June 2004	2004
	Note	£'000	£'000	£'000
Cash inflow/(outflow) from operating activities	4	199	251	(966)
Returns on investments and servicing of finance		53	1	20
Taxation		-	-	-
Capital expenditure		(6)	-	(2)
Acquisitions: Purchase of subsidiary net of cash balances		(-)	(260)	(260)
Financing: Share issues		4,213	1,900	2,200
Cash increase in the period		£4,459	£1,892	£992

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

		Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited year ended 31 December 2004
	Note	£'000	£'000	£'000
Increase in cash in the period		4,459	1,892	992
Loan received during the year		-	(175)	(175)
Net funds at start of the period		820	3	3
		£5,279	£1,720	£820
Net funds consist of:				
Cash at bank		5,479	1,920	1,020
Debt due after more than one year		(200)	(200)	(200)
		£5,279	£1,720	£820

## FUTURAGENE PLC

### Reconciliation of movement in Shareholders' Funds for the six months ended 30 June 2005

	Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited year ended 31 December 2004
	£'000	£'000	£'000
Retained loss for the period	(525)	(101)	(1,055)
Shares to Issue	-	-	1,140
New share capital subscribed (net of issue costs)	4,213	9,120	8,105
Exchange movement on overseas net assets	198		37
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Net increase in shareholders' funds	3,886	9,019	8,227
Opening shareholders' funds	8,248	21	21
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Closing shareholders' funds	£12,134	£9,040	£8,248

## FUTURAGENE PLC

### NOTES TO THE INTERIM REPORT

#### 1. Accounting Policies

##### Basis of preparation

The interim report has been prepared using accounting policies consistent with those set out in the Company's Annual Report and Accounts for the year ended 31 December 2004.

The financial statements, and the Annual Report and Accounts for the year ended 31 December 2004 were prepared on a going concern basis.

The interim report for the six months to 30 June 2005 was approved by the Board on 28 September 2005.

## 2. Loss per Share

	6 months ended 30 June 2005	6 months ended 30 June 2004	Year ended 31 December 2004
	Pence	Pence	Pence
Earnings per ordinary share – basic	(1.57p)	(0.9p)	(4.8p)
- diluted	(1.43p)	(0.7p)	(4.1p)
	=====	=====	=====

Loss per ordinary share is based on the group's loss for the financial period of £525,000 (December 2004 - £1,055,000 and June 2004 - £101,000).

The weighted average number of shares used in the calculation is – basic 33,531,520; diluted 36,671,520 (December 2004 – basic 21,829,146; diluted 25,476,687 and June 2004 – basic 11,117,186 and diluted 14,232,332)

## 3. Called up Share Capital

The issued share capital as at 31 December 2004, per the audited accounts, was 32,655,650 ordinary shares of £0.005 each. This was increased on 15 February 2005 by the issue of 970,000 shares under the placing at 170p and an issue on 13 June 2005 of 1,478,471 under the placing at 180p per share. There is a contingent additional consideration, as per the merger agreement, of up to 29,000,000 shares.

## FUTURAGENE PLC

### NOTES TO THE INTERIM REPORT continued

## 4. Reconciliation of operating loss to net cash outflow from operating activities

	Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited year ended 31 December 2004
	£'000	£'000	£'000
Operating loss	(578)	(102)	(1,075)
Exchange rate movement on overseas assets	(63)	-	37

Depreciation on tangible fixed assets	3	-	4
Goodwill amortisation	191	18	208
Net (increase)/decrease in working capital	646	335	(140)
Net cash inflow/(outflow) from operating activities	£199	£251	£(966)

5. The information for the year ended 31 December 2004 has been extracted from the audited accounts for that period which have been delivered to the Registrar of Companies and received an unqualified audit opinion. The unaudited results for the six months have been prepared on a basis consistent with the accounting policies disclosed in the Company's 2004 accounts and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

6. Copies of this interim statement are available from the Company at its registered office at 1 Bridge Place, London, SW1V 9QA.