

## **ReGen Therapeutics Plc**

### **Interim Results for the Six Months' to 30 June 2004**

#### **CHAIRMAN'S STATEMENT**

The first half of 2004 was a period of scientific, medical and commercial progress for ReGen.

On 17 March we announced that a study of our double blind placebo controlled trial in Poland was published in the peer reviewed Journal of Alzheimer's Disease which concluded that Colostrinin™ has potential in the treatment of Alzheimer's Disease. This favourable review was enhanced by two further scientific studies. On 20 May we reported that US laboratory studies showed that Colostrinin™ had potential to impact on the pathologies involved in Alzheimer's Disease. On 16 June an in-vivo study in chicks, conducted by the Open University, showed that Colostrinin™ enhances memory. We also announced on 22 March that we believed that Colostrinin™ may have other uses. In this regard we expect an in-vitro study evaluating the use of the compound in Parkinson's Disease to start in the third quarter of the year.

On 5 April a new method for the extraction of Colostrinin™ from colostrum was published in The Protein Journal. This process, which we had defined during 2002/3, has formed the basis of the scale up of our manufacturing, which proceeded during the first half of the year. We expect to issue a full report on this during the fourth quarter of 2004.

On the commercial development front we have established contact with a number of potential partners via our licensing agent ProPharma Partners. These discussions are ongoing, but the Board is very aware of the need to maximise shareholder value. The more medical, scientific and commercial inputs we have the better deal we can strike. For example, we had not considered originally, that we would be able to develop our own manufacturing. Thus, in addition to milestone payments and royalties on sales, this also offers the possibility of making a manufacturing margin as well, making our return to shareholders that much greater. To further strengthen our return to shareholders we continue to actively seek profitable company and project acquisitions to widen and secure the Company's base.

A rethink of our strategy in the summer of 2002 and very careful control of costs particularly since then have enabled us to get much further than our original plan anticipated. As our figures show our administrative expenses in the first half were only £484,000 up 8%. This was despite a dramatic reduction in expenses the previous year. We raised £500,000 in the first half, which would cover administrative expenditure in the first half. This represented an immediate dilution to shareholders of 6.9%, but in the long run will strengthen the Company's financial position.

Looking to the future we will continue to drive the medical, scientific and commercial progress of the Company. So far in this second half-year the momentum of the first half has continued bringing us closer, we believe, to our goal of a self-sustaining business.

Percy W Lomax  
Executive Chairman  
15 September 2004

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# ReGen Therapeutics Plc

## Interim Results for the Six Months' to 30 June 2004

### Consolidated Profit and Loss Account For the six months ended 30 June 2004

	Unaudited 6 months to 30-Jun-04	Unaudited 6 months to 30-Jun-03	Audited Year to 31-Dec-03
	(£000)	(£000)	(£000)
Administrative expenses	484	450	906
Goodwill amortisation	37	37	74
Development costs	206	122	326
Operating loss	(727)	(609)	(1,306)
Amounts written off current asset investment	-	(761)	(688)
Interest Receivable	27	-	10
Interest Payable	(2)	(6)	(8)
Loss on ordinary activities before taxation	(702)	(1,376)	(1,992)
Tax on ordinary activities	(30)	(40)	(30)
Loss on ordinary activities after taxation	(672)	(1,336)	(1,962)
Loss per share (basic and diluted)	(0.24)p	(1.05)p	(0.98)p

# ReGen Therapeutics Plc

## Consolidated Balance Sheet

	Unaudited As at 30-Jun-04  (£000)	Unaudited As at 30-Jun-03  (£000)	Audited As at 31-Dec-03  (£000)
<b>Fixed Assets</b>			
Intangible assets	1,801	1,835	1,826
Tangible assets	7	11	4
	<hr/>	<hr/>	<hr/>
	1,808	1,846	1,830
	<hr/>	<hr/>	<hr/>
<b>Current assets</b>			
Investments	-	400	-
Debtors	74	55	484
Cash at bank	1,145	43	996
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	1,219	498	1,480
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<b>Creditors: amounts falling due within one year</b>	(191)	(329)	(282)
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<b>Net current assets</b>	1,028	169	1,198
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<b>Net assets</b>	2,836	2,015	3,028
	<hr/>	<hr/>	<hr/>
<b>Capital and reserves</b>			
Share Capital - Issued and fully paid	280	161	262
- Deferred	5,298	5,298	5,298
Share premium	8,055	6,055	7,593
Profit and loss account	(10,797)	(9,499)	(10,125)
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Equity shareholders' funds	2,836	2,015	3,028
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# ReGen Therapeutics Plc

## Consolidated Cash Flow Statement

	Unaudited As at 30-Jun-04	Unaudited As at 30-Jun-03	Audited As at 31-Dec-03
	(£000)	(£000)	(£000)
<b>Operating loss</b>	(727)	(609)	(1,306)
<b>Amortisation</b>	43	43	86
<b>Depreciation</b>	2	13	20
<b>Decrease/(Increase) in debtors</b>	430	36	(392)
<b>(Decrease)/increase in creditors</b>	(81)	(29)	(18)
<b>Net cash outflow from operating activities</b>	(333)	(546)	(1,610)
<b>Returns on investments and servicing of finance</b>			
Interest received	27	-	10
Interest paid	(2)	(6)	(8)
<b>Taxation</b>	-	84	84
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	(4)	-	-
Payments to acquire intangible fixed assets	(19)	(16)	(50)
<b>Net cash outflow before management of liquid resources and financing</b>	(331)	(484)	(1,574)
<b>Management of liquid resources</b>			
(Increase)/Decrease in short term deposits	(209)	-	(941)
Sales of short-term investments	-	125	597
<b>Financing</b>			
Proceeds of shares issued for cash	500	396	2,095
Expenses paid on share issue	(20)	-	(60)
	480	396	2,035
<b>(Decrease)/Increase in cash</b>	(60)	37	117

## Notes to the Interim Report:

### Basis of preparation

The results for the six months ended 30 June 2004 are unaudited and have been prepared on a basis consistent with the statutory accounts for the year ended 31 December 2003. The comparative amounts for the year ended 31 December 2003 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 but have been extracted from the audited statutory accounts delivered to the Register of Companies on which the auditors issued an unqualified report which did not contain a statement under section 237 of that Act.

### Loss per share

The calculation of loss per share is based on the weighted average number of shares in issue for the period of 275,421,088 and the loss for the period of £672,240.

### Reconciliation of movements in equity shareholders' funds

	<b>30-Jun-04 (£000)</b>
Loss for the six months	(672)
New share issues	18
Premium on new share issues net of issue costs	<u>462</u>
Decrease to equity shareholders' funds	(192)
Opening equity shareholders' funds	3,028
Closing equity shareholders' funds	<u><u>2,836</u></u>

### Intangible fixed assets

Costs amounting to £19,273 relating to patent rights have been capitalised for the six months to 30 June 2004 in accordance with the company's stated accounting policy.

### Share Capital

On 12 February 2004 ReGen Therapeutics Plc placed with new and existing shareholders 18,181,818 0.1p ordinary shares at 2.75p per share raising £500,000 before expenses.