CELLTECH GROUP PLC
Form 6-K
March 16, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

For the month of March, 2004

Commission File Number: 1-10817

CELLTECH GROUP PLC

(Translation of registrant s name into English)

208 Bath Road, Slough, Berkshire SL1 3WE ENGLAND

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F x Form 40-F ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____).

Enclosure: Final Results

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CELLTECH GROUP PLC

(Registrant)

By: /s/ PETER ALLEN

Peter Allen

Chief Financial Officer

Dated: 16 March, 2004

Embargoed for release at 7am

16th March 2004

CELLTECH GROUP PLC

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR YEAR

ENDED 31 DECEMBER 2003

Celltech Group plc (LSE: CCH; NYSE: CLL) today announces preliminary results for the year ended 31 December 2003. Results highlights are as follows:

Financial Results

Product sales and royalties: £353.3 million (+7%; +12% at constant exchange rates (CER)).

Net pre-tax profit (pre-goodwill amortisation and exceptional items): £52.2 million (+4%).

Earnings per share (pre-goodwill amortisation and exceptional items): 16.0p (+3%).

Exceptional charges: £8.8 million, arising from restructuring items, closure costs and other one-off charges, offset by release of tax provisions.

Cash and liquid resources at 31 December 2003: £155.0 million (2002: £105.1 million)

Post tax results on a UK GAAP basis after goodwill amortisation and exceptional items: loss of £53.9 million, 19.5p per share (2002: loss of £45.8 million, 16.7p per share).

R&D operations

Pfizer agrees to return rights to CDP870.

Initiation of two large Phase III studies with CDP870 in Crohn s disease.

Entry of four products into Phase I clinical development: CDP484 and CDP323 for inflammatory diseases, CDP791 and CMC-544 for cancer.

Successful acquisition and completion of integration of Oxford GlycoSciences (OGS).

Commercial operations

Product sales: £259.2 million (+6% at CER); 22% growth at CER in key promoted brands.

Successful relaunch of Dipentum.

Completion of EU sales force restructuring, to focus on specialist prescribing audiences.

Dr Goran Ando, Chief Executive of Celltech, commented: The past year has seen good performances in Celltech s commercial operations and royalty income, coupled with exceptional progress in our early stage pipeline and the continued advancement of CDP870 development in rheumatoid arthritis and Crohn s disease. During the past year we have also streamlined Celltech s operations to better support our future growth. Celltech s strong balance sheet and robust financial performance enable us to fully support the development and commercialisation of our innovative pipeline of products as we progress towards our goal of becoming a global biotechnology leader.

A key event during 2003 was the unexpected opportunity that arose through Pfizer s return of rights to CDP870. The changes we have made in Celltech s business, along with its experienced management team, position us well to maximise the value of CDP870 for our shareholders.

R&D operations

Celltech s product pipeline encompasses both antibody and small molecule approaches targeting high value disease areas. Celltech is currently strengthening its development capabilities to ensure rapid progression of key programmes, and appointed Grahaem Brown as Development Director in late 2003. Recent advances with key development programmes are summarised below.

CDP 870

CDP870 is being developed as a new treatment for rheumatoid arthritis (RA) and Crohn s disease, and is expected to be a competitive entrant into the fast growing TNF-alpha inhibitor market, in particular through its convenient four-weekly subcutaneous dosing regimen. Following Celltech s announcement in December 2003 that it would regain all rights to CDP870 from Pfizer, it has received a large number of unsolicited licensing approaches from pharmaceutical and biotechnology companies, and is currently in discussions with a view to securing a new collaboration partner for CDP870 during the second quarter of 2004.

In Crohn s disease, Celltech initiated a large international Phase III programme during December 2003. These studies will assess the ability of CDP870 to induce and maintain a clinical response, and will incorporate patient stratification based upon baseline C-reactive protein (CRP) levels in its primary endpoints. Crohn s disease will be the first regulatory submission for CDP870, planned for 2005. Celltech intends to market CDP870 in Crohn s disease using its specialist sales forces in the US and Europe.

In RA, two trials are ongoing to assess the impact of CDP870 on signs and symptoms of disease. The first of these studies, in which CDP870 is being assessed in combination with methotrexate (MTX), will conclude in late March 2004. The second of these studies, in which CDP870 is being assessed as monotherapy, is due to conclude early in the second half of 2004. The majority of patients who have completed the blinded phase of these two studies have opted to continue treatment with CDP870 in a long-term safety, open label extension study.

A further trial required for registration, designed to assess the impact of CDP870 on disease progression, is scheduled to commence in the second half of 2004, facilitating a 2006 regulatory filing in RA. Celltech is currently finalising plans for this study, which it is anticipated will be conducted by a new collaboration partner.

The reversion of CDP870 rights to Celltech removes the limitations within the Pfizer agreement and provides an opportunity to fully exploit indications, such as psoriasis and psoriatic arthritis. Phase II studies in new indications are planned to commence during the next 12 months. Celltech has also initiated various lifecycle management initiatives, in particular improvements in the delivery system for CDP870.

Sales of TNF-alpha inhibitors continue to grow significantly, increasing from $2.1 billion in 2002 to $3.3 billion in 2003, driven by both increased penetration in RA and Crohn s disease, along with a strong initial uptake in new diseases such as psoriasis, psoriatic arthritis and ankylosing spondylitis. This market is expected to show significant further growth, providing an attractive commercial opportunity for CDP870.

CDP484, a PEGylated antibody fragment targeting the pro-inflammatory cytokine interleukin-1-beta, was entered into a large placebo controlled Phase I/II study in RA patients during 2003. This study will assess the safety and efficacy of ascending doses of CDP484 and is expected to conclude in late 2004.

2

CDP791, a PEGylated antibody fragment targeting a growth factor receptor involved in tumour angiogenesis, was entered into a Phase I/II study in patients with a range of advanced solid tumours during 2003. Results from this study, which will assess the safety of ascending doses of CDP791 along with its pharmacological activity, are expected during the second half of 2004.

CDP323, a small molecule inhibitor of alpha-4 integrins, has demonstrated potent anti-inflammatory activity in preclinical models of disease. Celltech is currently completing Phase I studies to assess the safety and bioavailability of CDP323. The first Phase II study with CDP323, in RA patients, is planned to start during the second half of 2004. A competitor antibody approach has demonstrated encouraging efficacy in multiple sclerosis, and Celltech is currently evaluating the optimum development strategy for further indications.

CMC-544, a humanised anti-CD22 monoclonal antibody linked to the potent toxin calicheamicin, is currently being assessed in a Phase I study in patients with Non-Hodgkin s lymphoma being undertaken by Celltech s partner, Wyeth.

CDP146, a small molecule inhibitor of p38 MAP kinase, has demonstrated potent anti-inflammatory effects in preclinical models. Celltech has generated a series of compounds with both high potency and selectivity. The lead compound, CDP146, was entered into preclinical development in late 2003. Phase I clinical trials are planned to commence during the second half of 2004.

CDP923, a second-generation oral substrate reduction therapy for the treatment of inherited storage disorders, is currently undergoing a Phase I multiple dose study in healthy volunteers designed to confirm preclinical findings that this compound lacks the gastrointestinal toxicity seen with the first generation compound, Zavesca (miglustat). Celltech is evaluating the optimum development route for this compound for entry into pivotal Phase II studies.

Development of CDP860, a PEGylated antibody fragment targeting PDGF-beta receptor, has been discontinued, reflecting lack of progress in partnering discussions. There are no costs associated with this termination.

Celltech s research pipeline, underpinned by its state-of-the-art technology platforms including its PEGylated antibody fragment and SLAM antibody technologies, continues to progress well, in particular with several important milestones having been met in its osteoporosis collaboration with Amgen, and a new collaboration with Biogen Idec on autoimmune diseases. Celltech s research operations have been augmented through the integration of OGS, significantly expanding its oncology research efforts.

Commercial operations

Celltech has made significant progress during the last year in reinforcing and focusing its commercial operations to maximise the returns from both its existing and future marketed products. In parallel, Celltech s commercial organisation continues to work closely with key international opinion leaders and its R&D organisation to shape the development of CDP870 and its earlier stage development programmes. Celltech s acquisition of rights to Dipentum during 2002 is an important component of this strategy, enabling Celltech to build strong relationships with the gastroenterology community ahead of the launch of CDP870 in Crohn s disease.

Due to the variability of foreign currencies, all comparisons of sales performance have been made at constant exchange rates. All other financial comparisons have been made at historic exchange rates.

The commercial operations performed strongly, with product sales increasing by 6% to £259.2 million (2002: £244.2 million). Sales of Celltech s key promoted brands increased by 22% to £138.3 million

3

(2002: £113.8 million), reflecting both the focusing of sales and marketing resources behind these products, and the impact of life cycle management activities. Sales of other products declined by 7% to £120.9 million (2002: £130.4 million), reflecting the cessation of certain co-promotion agreements, which reduced revenues by approximately £5.5 million versus 2002. European sales were also affected by the introduction of pharmacy rebates in Germany during 2003.

Sales of Major Products

	2003	2002*	Change
	£m	£m	%
Key promoted brands:			
Tussionex (US)	68.1	65.6	+4
Metadate CD (US)	20.2	16.6	+22
Delsym (US)	18.0	13.1	+37
Dipentum (US/Europe)	17.1	4.4	+289
Perenterol (Germany)	7.8	7.8	0
Coracten (UK)	7.1	6.3	+13
Total key promoted brands	138.3	113.8	+22
Other products:			
Zaroxolyn (US)	25.3	26.2	-3
Generic methylphenidate (US/Europe)	9.8	11.7	-16
Ionamin (US)	5.0	5.1	-2
Semprex-D (US)	4.0	2.4	+67
Pediapred (US)	1.4	3.6	-61
Other (US/Europe)	75.4	81.4	-7
Total other products	120.9	130.4	-7
Total product sales	259.2	244.2	+6
Effect of exchange differences		8.7	
As reported	259.2	252.9	+2

* At constant 2003 exchange rates

Performances of key products are summarised below:

Celltech s US cough/cold franchise remains an important source of revenues and performed well during 2003. Tussionex, Celltech s 12-hour hydrocodone-based anti-tussive, increased its market share by 11% and total prescriptions by 8%, with sales increasing by 4% to £68.1 million (2002: £65.6 million). Delsym, Celltech s 12-hour OTC anti-tussive, responded well to life cycle management initiatives and proactive brand and channel management, with sales increasing by 37% to £18.0 million (2002: £13.1 million). Celltech s cough/cold franchise is expected to be further strengthened by the implementation of further life cycle management initiatives, including the anticipated launch of Codeprex, the first 12-hour codeine-based anti-tussive, during the second half of 2004 to be ready for the 2004/5 cough/cold season.

Dipentum, a treatment for ulcerative colitis acquired from Pharmacia during 2002, performed well in all territories during its first full year under Celltech s ownership, with sales increasing to £17.1 million (2002: £4.4 million from September 2002).

Metadate CD, Celltech s once-daily methylphenidate product sold in the US, performed strongly during 2003, notwithstanding the reduction of promotional efforts behind this product during 2002. In particular, the launch of 10mg and 30mg strengths for this product during 2003 led to performance above expectations, with sales of Metadate CD increasing by 22% to £20.2 million (2002: £16.6 million). In Europe, Celltech expects to launch Equasym XL, the European trade name for its once-daily methylphenidate product, in certain territories during 2004.

Sales of Zaroxolyn (metolazone), a diuretic sold in the US for the treatment of oedema associated with congestive heart failure, declined to £25.3 million (2002: £26.2 million). Following the expiry of patent protection for Zaroxolyn during 2002, Celltech pre-emptively launched its own generic metolazone during the second half of 2003, and during December 2003 the US FDA approved three generic competitor metolazone products. Due to the genericisation of Zaroxolyn Celltech no longer promotes this product and anticipates a rapid decline in sales during 2004.

Perenterol, an antidiarrhoeal sold in Germany, maintained sales at £7.8 million (2002: £7.8 million) despite the impact of pharmacy rebates of 6% introduced during 2003.

Coracten, a branded generic version of nifedipine sold in the UK, continued to respond to Celltech s strong promotional effort, with sales increasing by 13% to £7.1 million (2002: £6.3 million).

A restructuring of Celltech s UK, French and German sales forces was completed during 2003 and is due to be completed in the first half of 2004 in its Spanish operations. As part of the restructuring process, Celltech has recruited 47 highly skilled new sales representatives, in addition to strengthening senior management in certain countries. The result of this restructuring was a net reduction of 153 representatives to 140, with associated exceptional charges in 2003 of £9.0 million. The annualised cost savings arising from these actions amounts to £5.0 million, including the impact of the cessation of certain co-promotion agreements. These changes, along with continued improvements to the supporting infrastructure, provide Celltech with the key components of a world-class specialist focused organisation in the US and Europe.

To add further critical mass to the European organisation, Celltech in-licensed European rights to Xyrem, a treatment for narcolepsy, from Orphan Medical during 2003. Under the terms of the licensing agreement, Celltech made an upfront payment to Orphan Medical of $2.5 million and will make further milestone payments of up to $13 million dependent upon achieving certain development and sales-based milestones, in addition to paying a royalty on sales. This product will be filed for approval in the first quarter of 2004 and is anticipated to be launched during 2005. Xyrem has been granted Orphan Drug Designation status in Europe, which provides a 10 year period of marketing exclusivity upon approval.

Royalties

A substantial increase in royalty income was achieved during 2003, arising mainly from Celltech s antibody engineering revenues, which increased by 28% to £62.7 million at constant exchange rates, notwithstanding the impact of Celltech s 2001 settlement agreement with Genentech, which reduced the effective rate for royalty income received during the last quarter of 2003. Antibody engineering revenues are expected to remain at broadly the 2003 level in 2004, with the anticipated growth in the underlying products being offset by further tapering of the effective rate due to the Genentech settlement.

	2003	2002*	Change
	£m	£m	%
Antibody engineering	62.7	48.8	+28
Pertactin	8.6	10.1	-15
Asacol	6.1	7.0	-13
Mylotarg	3.1	2.5	+24
Other	3.1	2.1	+48
	83.6	70.5	+19
Exchange gains on forward contracts	10.5		
Total royalties	94.1	70.5	+33
Effect of exchange differences		6.2	
As reported	94.1	76.7	+23

* At constant 2003 exchange rates

Financial Results

Operational profit and loss account for the year ending 31 December 2003

	2003	2002	Change
	£m	£m	%
Sales	353.3	329.6	+7
Cost of sales	(101.5)	(94.7)	+7
Gross profit	251.8	234.9	+7
Research and development	(106.1)	(95.7)	+11
Selling, marketing and distribution	(67.4)	(71.5)	-6
Corporate and general administration	(31.3)	(26.8)	+17
Total expenses	(204.8)	(194.0)	+6
Operating profit before other income	47.0	40.9	+15
Other income	2.5	8.1	-69
Operating profit pre exceptional items and goodwill	49.5	49.0	+1
Interest	2.7	1.4	+93
Net profit pre exceptional items and goodwill	52.2	50.4	+4
Tax	(7.8)	(7.6)	+3
Net profit after tax pre exceptional items and goodwill	44.4	42.8	+4
Earnings per share pre exceptional items and goodwill	16.0p	15.5p	+3
Operating loss (statutory basis)	(63.6)	(44.7)	+42
Loss on ordinary activities after taxation (statutory basis)	(53.9)	(45.8)	+18
Earnings per share (statutory basis)	(19.5p)	(16.7p)	+17

Discussion of overall financial performance for the year is based upon the operational profit and loss account, which excludes goodwill amortisation and exceptional items, and is derived from the statutory profit and loss account. Goodwill arises from accounting treatment of company acquisitions, representing the difference between the underlying fair value of the business and its acquisition price, and for acquisitions since January 2000 is written off over the useful economic life of those businesses. It is Celltech s view that the operational performance is best assessed with reference to the financial results before taking account of either amortisation of goodwill or one-off exceptional items.

The strong performance of marketed products and royalties enabled Celltech to increase its R&D expenditure to £106.1 million (2002: £95.7 million), reflecting the significant progress with both CDP870 and Celltech s earlier stage pipeline products, along with the addition of certain aspects of OGS R&D activities into Celltech s operations. Selling, marketing and distribution costs were reduced by 6% to £67.4 million (2002: £71.5 million), primarily arising from the impact of sales force restructuring

initiatives and exchange rate movements. General and administrative expenses were affected by the continued increase in insurance charges, increasing by 17% to £31.3 million (2002: £26.8 million). Operating profit before other income increased by 15% to £47.0 million (2002: £40.9 million).

Other income arising from product collaborations was markedly lower than 2002, which included a $10 million (£6.4 million) payment from Pharmacia relating to the initiation of Phase III studies with CDP870. Other income is expected to be substantially higher during 2004, following the anticipated outlicensing of CDP870.

Excluding the impact of exceptional items, the Group maintained a taxation rate of 15% for the year (2002: 15%). Celltech expects to maintain a taxation rate of not more than 20% for at least three years, based upon the current fiscal environments in the US and UK.

The factors outlined above resulted in a small increase, as expected, in operating profit pre exceptional items and goodwill, to £49.5 million (2002: £49.0 million). Earnings per share pre exceptional items and goodwill increased by 3% to 16.0p (2002: 15.5p). In line with normal practice amongst international biotechnology peer companies, no dividend is proposed for the year.

As previously indicated, Celltech anticipates a flat earnings profile, excluding the impact of the weakening of the US dollar as noted in the Financial Results section below, ahead of the planned launch of CDP870 in Crohn s disease during 2006, reflecting the anticipated growth in sales of its marketed products and new partnering arrangements, offset by the tapering of antibody engineering revenues described above, and its desire to maintain a competitive level of investment in R&D.

Celltech maintained a strong financial position during the year, with year-end cash and liquid resources increasing to £155.0 million (2002: £105.1 million). The Group s treasury operations have been simplified during the year, with the repayment of the $50 million, 5-year loan note in December 2003, and the early repayment of the £31 million convertible debt due from PowderJect Pharmaceuticals plc, following its acquisition by Chiron during 2003. The Group retains a £65 million, three-year revolving credit facility, designed to provide flexibility in its future funding arrangements.

Strategic review of Celltech s business

Celltech has implemented a number of changes during 2003, designed to further strengthen its business and to release resources to invest in its early stage development pipeline and late stage research activities, along with life cycle management measures for its key marketed products.

European sales force restructuring

As highlighted in the review of Commercial Operations, Celltech has undertaken a substantial restructuring in its European commercial operations, resulting in an exceptional charge of £9.0 million.

Restructuring of US manufacturing operations

As highlighted at the half year, Celltech closed its satellite manufacturing facility in Santa Ana, California during the second half of 2003, giving rise to an exceptional charge of £4.5 million.

Closure of Seattle facility

Following a review of Celltech s long-term R&D needs, the decision was made in the second half of 2003 to close its Seattle research facility, resulting in an exceptional charge of £5.6 million. The annual savings of approximately £11 million will be reinvested in Celltech s early stage development pipeline and late stage research activities.

Integration of OGS

Following its acquisition of OGS in the first half of 2003 for £106.1 million, including transaction costs, Celltech has undertaken a substantial restructuring of this business. At the time of its acquisition by Celltech, OGS had net cash of £126.6 million. Celltech has recorded exceptional restructuring costs, mainly relating to staff redundancies and discontinued projects, of £4.5 million in 2003. The costs of restructuring and cash outflows relating to discontinued projects amounted to £20.2 million, which, along with the anticipated cash inflows and outflows during 2004, is expected to meet Celltech s goal of a cash neutral acquisition of valuable assets.

Development reorganisation

Reorganisation charges associated with the strengthening of Celltech s development group totalling £1.5 million have been reflected in the 2003 financials, with the reorganisation due to be completed in 2004.

Write down of investment in NeoGenesis

In light of the current environment for biotechnology IPO s, Celltech has written down its investment in NeoGenesis to nil, reflecting the estimated value of Celltech s investment in NeoGenesis in the event of a trade sale, leading to an exceptional charge of £7.0 million. The write down of NeoGenesis shares acquired through its purchase of OGS, with a value of £4.3 million has been reflected as an adjustment to the fair value of assets acquired.

Discontinuation of CDP 571

As highlighted at the half year, following the discontinuation of the development of CDP571, Celltech wrote off stock with a book value of £7.5 million.

Release of tax provision

Following resolution of most of the outstanding issues with tax authorities in various jurisdictions, relating to the tax affairs of Celltech through 2000, Celltech has released a provision for tax liabilities amounting to £28.5 million, held primarily by Medeva at January 2000, shown as an exceptional credit in 2003.

A breakdown of exceptional charges for the year is detailed below. The estimated cash impact of these exceptional charges amounts to £20.0 million, of which £8.7 million has been spent during 2003. Celltech does not anticipate any further exceptional charges in 2004 related to the activities detailed above.

	£m
Write off of CDP571 stocks	7.5
Closure of Santa Ana manufacturing facility	4.5
Closure of Seattle research facility	5.6

EU sales force restructuring	9.0
OGS integration	4.5
Development reorganisation	1.5
Write down of investment in NeoGenesis	7.0
Other asset write downs	0.9
Exceptional items before taxation	40.5
Partial release of tax provision	(28.5)
Tax credit on exceptional items	(3.2)
TOTAL EXCEPTIONAL ITEMS	8.8

As is typical in the pharmaceutical sector, a large component of Celltech s revenues arises in the US. During 2003, the average US dollar exchange rate was $1.64, compared to $1.50 for 2002. The effect of the weaker dollar was offset by gains on foreign exchange contracts of £10.5 million, which has been recorded as a component of royalty revenues. In line with the planned new International Accounting Standard IAS39, Celltech has in place forward cover for 2004 for its expected net royalty income. It is estimated that each $0.10 adverse movement versus the average 2003 rate of $1.64 will impact net profit before goodwill and restructuring items in 2004 by approximately £5 million.

Celltech s 2003 results presentation to analysts and investors will be webcast commencing at 09:30 a.m. today, with a full replay service of the presentation available following the meeting. The webcast and replay are accessible through Celltech s website at www.celltechgroup.com.

Contacts

Goran Ando	Chief Executive Officer	(44) (0) 1753 534655
Peter Allen	Deputy CEO and CFO	
Richard Bungay	Director of Corporate Communications	
Jon Coles	Brunswick	(44) (0) 207 404 5959
Wendel Carson	Brunswick	

Celltech Group plc (LSE: CCH; NYSE: CLL) is one of Europe s largest biotechnology companies, with an extensive late stage development pipeline, funded by its profitable, cash-generative pharmaceutical business. Celltech also possesses drug discovery capabilities of exceptional strength, including a leading position in antibody engineering. More details can be found at www.celltechgroup.com.

Celltech desires to take advantage of the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995, with respect to forward-looking statements contained within this document. In particular certain statements with regard to: the ability to secure a new collaboration partner for CDP870 on acceptable terms or at all, including the likely timing of such a collaboration and the ability to secure significant up front collaboration payments; the anticipated timing of clinical studies, regulatory submissions and product launches, including CDP870, CDP484, CDP323, CDP791, CDP146, CDP923, Codeprex, Xyrem and Equasym XL; the ability to increase revenues from existing marketed products; the ability to maintain the current level of royalty revenues; and the ability to maintain the current earnings profile ahead of the launch of CDP870, are forward-looking in nature. By their nature forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements. In addition to factors set forth elsewhere in this document, the following factors, although not exhaustive, could cause actual results to differ materially from those the Company expects: pricing and product initiatives of the Company s competitors, including the introduction of branded competition or generic substitution for the Company s products, unanticipated difficulties in the design or implementation of clinical trials, studies and investigations, results from clinical trials, studies and investigations that are inconsistent with previous results and the Company s expectations, failure to obtain and maintain required approvals for products from governmental authorities, unavailability of raw materials or other interruptions in production or product distribution both internal and external, unexpected difficulties in the scale-up of production to viable commercial levels, unexpected fluctuations in production yields for development products or marketed products, fluctuations in currency exchange rates, inability of the Company to market existing and new products effectively, the failure of the Company s development, manufacturing and marketing partners to perform their contractual obligations and the risk of substantial product liability claims. Other factors that could affect these forward-looking statements are described in the Company s reports filed with the US Securities and Exchange Commission. The forward-looking statements included in this document represent the Company s best judgement as of the date hereof based in part on preliminary information and certain assumptions which management believes to be reasonable. The Company disclaims any obligation to update these forward-looking statements.

Consolidated Profit and Loss Account for the year ended 31 December 2003

	Notes	2003			2002		
		Pre exceptional items and goodwill	Exceptional items and goodwill	Total	Pre exceptional items and goodwill	Exceptional items and goodwill	Total
		£m	£m	£m	£m	£m	£m
Turnover		353.3		353.3	329.6		329.6
Cost of sales		(101.5)		(101.5)	(94.7)		(94.7)
Gross profit		251.8		251.8	234.9		234.9
Investment in research and development		(106.1)		(106.1)	(95.7)		(95.7)
Selling, marketing and distribution expenses		(67.4)		(67.4)	(71.5)		(71.5)
Corporate and general administration expenses excluding exceptional items and goodwill charges		(31.3)		(31.3)	(26.8)		