

Cobra Biomanufacturing Plc

Interim Report 2006
for the half year ended 31 March 2006

www.cobrabio.com

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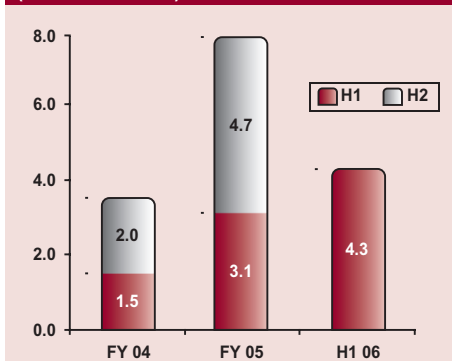
“Cobra is now performing consistently, our business development effort is focused on North America where marketed biopharmaceuticals and those in development provide sector confidence, and our manufacturing capabilities are matching customer expectations in what is a competitive service business. Accordingly the Board remains confident of meeting market expectations for the full financial year.”

G P Fothergill
Executive Chairman

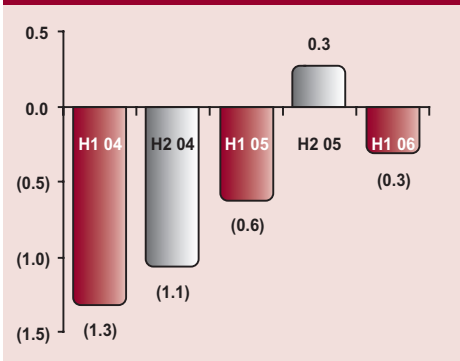


Financial Highlights

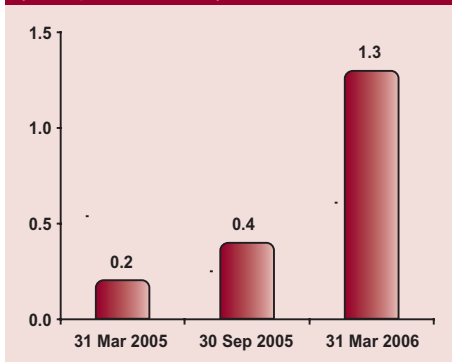
Revenue: £4.3m (H1 2005 : £3.1m)



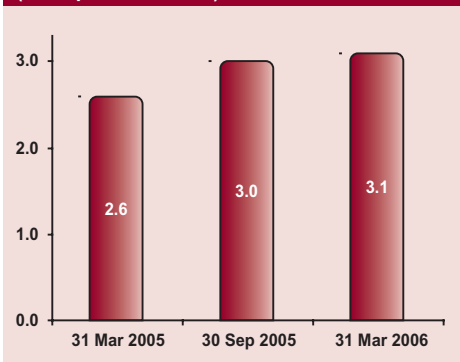
Loss before tax: £0.3m (H1 2005 : £0.6m loss)



Deferred income: £1.3m (30 Sep 2005 : £0.4m)



Cash at bank: £3.1m (30 Sep 2005 : £3.0m)



29 June 2006: Total contracted forward business £6.0m, £4.1m of which is deliverable in H2 2006

Chairman and Chief Executives' Statement

Cobra's performance in the six months to 31 March 2006 showed significant improvement over the same period last year. Turnover increased by 39% to £4.3m (H1 2005: £3.1m) and there was a three fold increase in the closing deferred income balance to £1.3m (30 September 2005: £0.4m), which gives an indication of the value of contracts in progress as at the 31 March 2006. The loss before tax for the period halved to £0.3m (H1 2005: £0.6m loss) and cash at bank as at 31 March 2006 marginally increased to £3.1m (30 September 2005: £3.0m).

The loss before tax in the period was due to the Group expanding its manufacturing capabilities. This resulted in increased costs, but provides the infrastructure necessary to support the contracted forward order book. The benefit of this expansion will be seen in the second half of the financial year, as Cobra progresses the contracted forward order book, which currently stands at £6.0m, £4.1m of which is deliverable in the second half of the financial year in a profitable and cash generative manner.

North American Revenue

Up 80% to £3.8m (H1 2005: £2.1m)

The pattern of business continues to be dominated by North America which generated £3.8m, or 88% of the Group's turnover in the first half of the year (H1 2005: £2.1m), a region that attracts 78%* of global research and development expenditure on biopharmaceuticals.

*Ernst & Young's – 'Beyond Borders Global Biotechnology Report 2006'

April 2006

Appointment of Business Development Executive for Eastern US region

The appointment of an additional business development executive in the period, based in Washington DC, underpins our continued commitment to expansion in the region; we now have three sales offices in North America, covering the West Coast, East Coast and Maryland, the key biotechnology hubs in the US.

Protein Revenue

More than doubles to £3.0m (H1 2005: £1.3m)

Turnover derived from protein-based biopharmaceuticals more than doubled to £3.0m, or 69% of the total turnover in the period (H1 2005: £1.3m), and was primarily derived from two major US contracts.



Although virus-based turnover contributed only £0.7m or 16% of the total in the period (H1 2005: £1.0m), the contracted forward order book includes important contracts for virus based vaccines, most notably from IAVI/GSK's HIV adenoviral vaccine and Oncolytic Biotech Inc's Reovirus product currently in Phase II clinical trials, which will ensure an improvement in the second half. DNA manufacturing contributed £0.5m or 12% of the total (H1 2005: £0.6m) and is expected to remain at this level for the foreseeable future.

Given the volume of current activity, the Keele Facility is approaching full utilisation and consequently the Oxford Facility is currently recruiting additional production employees to provide further capacity for the next financial year.

Cobra is now performing consistently; our business development effort is focused on North America where marketed biopharmaceuticals and those in development provide sector confidence, and our manufacturing capabilities are matching customer expectations in what is a competitive service business. Accordingly the Board remains confident of meeting market expectations for the full financial year.

May 2006

Cobra signs manufacturing agreement with International AIDS Vaccine Initiative (IAVI) and GSK for two HIV vaccine candidates



G P Fothergill
Chairman
29 June 2006



David Thatcher
Chief Executive
29 June 2006

Group Profit and Loss Account

	Notes	Unaudited 6 months ended 31 March 2006 £	Unaudited 6 months ended 31 March 2005 £	Year ended 30 September 2005 £
Turnover	2	4,321,134	3,055,015	7,720,576
Cost of sales		(2,160,383)	(1,499,693)	(3,397,853)
Gross profit		2,160,751	1,555,322	4,322,723
Other operating costs		(2,482,301)	(2,174,684)	(4,674,226)
Loss on ordinary activities before and taxation		(321,550)	(619,362)	(351,503)
Bank interest receivable		26,859	56,311	79,219
Interest payable		(52,184)	(74,944)	(122,155)
Loss before tax		(346,875)	(637,995)	(394,439)
Taxation	3	-	21,072	53,568
Retained loss for the period	6	(346,875)	(616,923)	(340,871)
Loss per share				
Basic	4	(1.8)p	(3.2)p	(1.7)p
Diluted	4	(1.8)p	(3.2)p	(1.7)p

Group Statement of Total Recognised Gains and Losses

There were no recognised losses or gains other than the loss for the period/year.



Group Balance Sheet

	Notes	Unaudited 6 months ended 31 March 2006 £	Unaudited 6 months ended 31 March 2005 £	Year ended 30 September 2005 £
Fixed assets				
Tangible assets		7,620,457	6,937,059	7,495,274
		7,620,457	6,937,059	7,495,274
Current assets				
Stocks and work in progress		569,335	236,617	231,652
Debtors		1,956,461	1,584,893	2,013,909
Cash at bank and in hand		3,109,440	2,603,600	3,035,884
		5,635,236	4,425,110	5,281,445
Creditors: amounts falling due within one year	5	(3,434,503)	(2,069,192)	(2,781,400)
Net current assets		2,200,733	2,355,918	2,500,045
Total assets less current liabilities		9,821,190	9,292,977	9,995,319
Creditors: amounts falling due after more than one year		(2,355,779)	(1,756,743)	(2,183,033)
Net assets		7,465,411	7,536,234	7,812,286
Capital and reserves				
Called up share capital	6	1,950,727	1,950,727	1,950,727
Share premium	6	9,633,766	9,633,766	9,633,766
Merger reserve	6	29,728,872	29,728,872	29,728,872
Profit and loss account	6	(33,847,954)	(33,777,131)	(33,501,079)
Equity shareholders' funds		7,465,411	7,536,234	7,812,286

Group Statement of Cash flows

	Notes	Unaudited 6 months ended 31 March 2006 £	Unaudited 6 months ended 31 March 2005 £	Year ended 30 September 2005 £
Net cash inflow/(outflow) from operating activities	7	424,884	(223,762)	571,662
Returns on investments and servicing of finance				
Interest received		26,859	56,311	79,219
Interest on bank loans		(9,085)	(36,336)	(45,331)
Interest element of finance lease payments		(43,099)	(38,608)	(76,824)
		(25,325)	(18,633)	(42,936)
Taxation				
R&D tax credit		-	69,189	69,189
Capital expenditure				
Payments to acquire tangible fixed assets		(551,418)	(258,305)	(786,461)
Net cash outflow before the management of liquid resources and financing		(151,859)	(431,511)	(188,546)
Management of liquid resources (Increase)/decrease in short term deposits		(353,363)	675,379	352,077
Financing				
Issue of ordinary shares		-	2,000	2,000
Repayment of long term loans		-	(39,321)	(1,067,639)
New long term loans		-	-	1,280,000
Repayment of capital element of finance leases		(176,816)	(173,081)	(341,231)
Lease finance acquired		402,231	86,940	192,727
		225,415	(123,462)	65,857
(Decrease)/increase in cash	8	(279,807)	120,406	229,388



Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	Unaudited 6 months ended 31 March 2006 £	Unaudited 6 months ended 31 March 2005 £	Year ended 30 September 2005 £
(Decrease)/increase in cash		(279,807)	120,406	229,388
Cash outflow/(inflow) from increase in loans		-	39,321	(212,361)
Repayment of capital element of finance leases		176,816	173,081	341,231
Lease finance acquired		(402,231)	(86,940)	(376,884)
Cash outflow to/(inflow from) short term deposits		353,363	(675,379)	(352,077)
Movement in net funds during the period		(151,859)	(429,511)	(370,703)
Net funds at the start of the period		546,409	917,112	917,112
Net funds at the end of the period	8	394,550	487,601	546,409

Notes to the Unaudited Results

1 Interim accounts

The Group's Interim Results consolidate the results of the Company and its subsidiary companies made up to 31 March 2006.

The interim financial information has been prepared on the basis of the accounting policies set out in the Group's financial statements for the year ended 30 September 2005. The financial information contained in this interim statement does not constitute statutory accounts as defined in the Companies Act 1985. The financial information for the full preceding year is based on the financial statements for the financial year ended 30 September 2005. These accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

The Board of Directors approved the interim report on 29 June 2006.

2 Turnover

The Group operates in one principal area of activity, that of contract manufacture.

All turnover originates from the UK. The geographical analysis of turnover by destination is shown as follows:

	Unaudited 6 months ended 31 March 2006 £	Unaudited 6 months ended 31 March 2005 £	Year ended 30 September 2005 £
Continuing			
United Kingdom	226,902	786,136	1,284,832
North America	3,768,309	2,130,379	6,138,082
Europe	276,250	111,384	209,976
Rest of the World	49,673	27,116	87,686
	4,321,134	3,055,015	7,720,576

3 Taxation

The Group is entitled to Research and Development tax relief under Schedule 20 of the Finance Act 2000, in respect of the period ended 31 March 2006 and the period ended 30 September 2005.



	Unaudited 6 months ended 31 March 2006 £	Unaudited 6 months ended 31 March 2005 £	Year ended 30 September 2005 £
Taxation on loss on ordinary activities			
Current tax:			
Tax credit in relation to R&D claim	-	(16,794)	(49,290)
Adjustments in respect of previous periods	-	(4,278)	(4,278)
Total current tax	-	(21,072)	(53,568)
Deferred tax:			
Origination & reversal of timing differences	-	-	-
Total deferred tax	-	-	-
Total tax	-	(21,072)	(53,568)

4 Loss per ordinary share

The calculation of basic loss per ordinary share is based on losses of £346,875 (six months ended 30 March 2005: £616,923 loss; year ended 30 September 2005: £340,871 loss) and on 19,507,273 ordinary shares (six months ended 30 March 2005: 19,501,239; year ended 30 September 2005: 19,504,264) being the weighted average number of shares in issue during the period.

The loss for the period and the weighted average number of ordinary shares for calculating the diluted loss per share for the period ended 30 March 2006 are identical to those used for the basic loss per share. This is because the outstanding share options and warrants would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of Financial Reporting Standard ("FRS") No 22.

Notes to the Unaudited Results (Continued)

5 Creditors: amounts falling due within one year

	Unaudited 6 months ended 31 March 2006 £	Unaudited 6 months ended 31 March 2005 £	Year ended 30 September 2005 £
Current instalments on loans	-	83,575	-
Work in progress	-	61,335	-
Obligations under finance leases	359,111	275,681	306,442
Trade creditors	1,276,361	1,065,946	1,336,649
Other taxation and social security costs	94,808	85,790	89,480
Deferred income	1,258,499	210,900	356,010
Other creditors	18,615	-	103,899
Accruals	427,109	285,965	588,920
	3,434,503	2,069,192	2,781,400

6 Reconciliation of shareholders' funds and movement on reserves

	Share Capital £	Share Premium £	Merger Reserve £	Profit and Loss Account £	Total £
As at 30 September 2005	1,950,727	9,633,766	29,728,872	(33,501,079)	7,812,286
Loss for the period	-	-	-	(346,875)	(346,875)
As at 31 March 2006	1,950,727	9,633,766	29,728,872	(33,847,954)	7,465,411



7 Reconciliation of operating loss to net cash flow from operating activities

	Unaudited 6 months ended 31 March 2006 £	Unaudited 6 months ended 31 March 2005 £	Year Ended 30 September 2005 £
Operating loss	(321,550)	(619,362)	(351,503)
Depreciation of tangible fixed assets	352,626	349,334	711,141
(Increase)/decrease in stocks and work in progress	(337,683)	38,887	43,852
Decrease/(increase) in debtors	41,008	(56,943)	(417,548)
Increase in deferred income	902,489	(16,114)	128,996
(Decrease)/increase in creditors	(212,006)	80,436	456,724
Net cash inflow/(outflow) from operating activities	424,884	(223,762)	571,662

8 Analysis of movement in net funds

	1 October 2005 £	Cash Flow £	31 March 2006 £
Cash at bank and in hand	375,223	(279,807)	95,416
Short term deposits *	2,660,661	353,363	3,014,024
	3,035,884	73,556	3,109,440
Bank loan	(1,280,000)	-	(1,280,000)
Finance leases	(1,209,475)	(225,415)	(1,434,890)
	546,409	(151,859)	394,550

The majority of finance leases are arranged in respect of sale and leaseback transactions. Accordingly new finance leases are shown as a separate component of cash flow in the cash flow statement.

* Short term deposits are included within the cash at bank and in hand on the balance sheet.

Notes to the Unaudited Results (Continued)

9 Post balance sheet events

On 28 April 2006 the Group replaced £0.3m of its £1.3m existing mortgage with National Westminster Bank Plc with a \$0.5m bank loan, again with National Westminster Bank Plc, at an exchange rate of \$1.74. The purpose of the loan is to provide the Group with a foreign currency hedge against its US dollar trade debtors.



Independent Review Report to Cobra Biomanufacturing Plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 March 2006, which comprises the Group Profit and Loss Account, Statement of Total Recognised Gains and Losses, Group Balance Sheet, Group Statement of Cash Flows, and the related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions 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. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

Review work performed

We conducted our review having regard to the 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 Group 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 31 March 2006.

Ernst & Young LLP
Manchester
29 June 2006

Shareholder Information

Share Price Information

The Company's share price is available from the website of Cobra Biomanufacturing Plc under:

www.cobrabio.com

Company Web Site

The Company's website provides information on products, activities and financial information. It includes latest financial information and press releases and any other information that is relevant to the Company.

Shareholder Enquiries

Any queries regarding individual shareholdings, transfers etc. should be directed to Capita Registrars.

Shareholders wishing to consolidate two or more individual certificates may do so by writing to Capita Registrars, enclosing the certificates to be consolidated.

Where shareholders are receiving duplicate sets of accounts or mailing, as a result of inconsistencies in the name or address details, they should advise the registrars so that this can be corrected.

Investor Relations Services

The Company operates an Investor Relations Mailing List and Email Alert Service for investors and other interested parties. Copies of announcements made during the year as well as the annual and interim reports are sent to current registered shareholders. However, if you would like to receive this information regardless of your current shareholding you can register for either one of the above services by writing to Investor Relations at the address below.

Alternatively, you can register to receive updates electronically via the website under:

www.cobrabio.com/investors/investor_email_alert.htm



Data Protection Policy

We will comply with the requirements of all Data Protection legislation in force in England and Wales from time to time. In particular, you may request a copy of any personal data held by us about you upon written request. Please note that we reserve the right to charge the current statutory fee for providing such information.

We do not use or distribute the information provided by you to our Investor Relations Mailing List or Email Alert Service, for any purpose other than the provision to you of up to date company information. We do not sell databases or personal information to third parties.

You can request to be removed from the mailing lists at any time, by writing to the registered office or via email.

Glossary of Terms

Adenoviral vaccine – a vaccine where the active ingredient is an adenovirus, a DNA-containing virus which can be genetically modified for use in gene delivery.

Biopharmaceuticals – medicines where the active principal cannot be chemically synthesised and comprise either recombinant DNA, protein or virus.

Cell line - live cells as medicinal products.

Cobra – Cobra Biomanufacturing Plc and its wholly owned subsidiary Cobra Biologics Limited (“The Group”).

Deferred income – stage payment invoices raised but not yet recognised as revenue at the balance sheet date, in accordance with FRS 5’s Application Note G.

DNA – Deoxyribonucleic acid, a molecule that encodes genetic information.

GMP– Good Manufacturing Practice, a code of practice that ensures medicinal products are produced consistently and to the appropriate quality standards. In the UK, manufacturers of medicinal products require accreditation with the Medicines and Healthcare products Regulatory Agency (“MHRA”).

Plasmid DNA – vaccines/medicines where the active ingredient is made of DNA produced in bacteria and which encodes a therapeutic gene, with plasmid DNA being replicating circular DNA encoding genes.

Protein products/manufacture – medicines (or the manufacture of medicines), where the active ingredient is protein.

Reovirus – the Respiratory Enteric Orphan Virus, an RNA (ribonucleic acid) virus, whose genetic information is stored in RNA. A non-pathogenic variant of this virus could be used to kill some forms of cancer cells.

Virus products/manufacture – medicines (or the manufacture of medicines) where the active ingredient is a recombinant virus engineered to deliver DNA encoding a therapeutic gene.



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