Interim Report and Accounts

Six months ended 30 September 2010

BTG

Because people depend on us

FINANCIAL HIGHLIGHTS

- Revenue of £46.1m (H1 09/10: £47.9m)
  - Recurring royalties of £30.4m (H1 09/10: £26.3m)
  - Product sales of £14.8m (H1 09/10: £16.1m)
  - Milestone/one-off revenues of £0.9m (H1 09/10: £5.5m)
- Gross profit of £34.4m (H1 09/10: £32.3m)
- Underlying operating profit[1] of £3.1m (H1 09/10: loss of £1.2m)
- Profit before tax of £1.6m (H1 09/10: £2.4m)
- Underlying basic earnings per share[2] of 2.3p (H1 09/10: 2.5p)
- Cash and cash equivalents at 30 September 2010 of £63.9m (31 March 2010: £82.6m)

OPERATING HIGHLIGHTS

- US commercial platform established – BTG now directly marketing its own products in the US
- Clinical programmes progressing well:
  - Varisolve® polidocanol endovenous microfoam (PEM) – US Phase III trials underway
  - Voraxaze™ (glucarpidase) – CMC portion of BLA submitted to the FDA; clinical module being revised to include additional patients with submission now anticipated mid-2011
  - OncoGel™ (paclitaxel) – Phase IIb patient enrolment completed
  - BGC20-0134 (Pleneva™) – Phase IIa study continuing; data from the six-month placebo-controlled phase of the study anticipated mid-2011
- Very strong recent progress in partnered programmes:
  - Campath® (alemtuzumab) – Genzyme reported sustained reductions in relapses and disability in five-year follow-up data from a Phase II trial in multiple sclerosis patients
  - CB7630 (abiraterone acetate) – Johnson & Johnson reported that interim Phase III data showed significant survival benefit in patients with metastatic advanced prostate cancer; marketing applications to be filed in the US and EU by the end of 2010
  - AZD9773 (CytoFab™) – global Phase IIb trial initiated in October by AstraZeneca

[1] Operating profit before acquisition adjustments and reorganisation costs
[2] Earnings adjusted for acquisition adjustments and reorganisation costs

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OVERVIEW

In the first half of the financial year the Group has delivered strong progress in operations and a solid financial performance.

Revenue of £46.1m (H1 09/10: £47.9m) comprised recurring revenue of £45.2m (H1 09/10: £42.4m) and milestone/one-off revenue of £0.9m (H1 09/10: £5.5m). The gross profit was £34.4m (H1 09/10: £32.3m) and the adjusted operating profit before acquisition adjustments and reorganisation costs was £3.1m (H1 09/10: loss of £1.2m). The profit before tax was £1.6m (H1 09/10: £2.4m). Cash and cash equivalents at 30 September 2010 were £63.9m (31 March 2010: £82.6m).

On 1 October 2010, the sales and marketing rights for CroFab™, a crotalid antivenom, and DigiFab™, for treating digoxin toxicity or overdose, were successfully transitioned to BTG, and an agreement with Nycomed US Inc provided BTG with exclusivity in the US market from that date. BTG's US commercial infrastructure is now in place and an Acute Care sales force has been recruited. For the first time in its history, BTG is now marketing and selling its own products.

Good progress has been made with two products from BTG's own pipeline that it intends to market itself if they are approved: Varisolve® PEM, an investigational product for the treatment of varicose veins, and Voraxaze™ (glucarpidase), under development to treat methotrexate toxicity. Two of three Phase III trials of Varisolve® have commenced, with the third expected to be initiated by the end of 2010. Voraxaze™ continues to progress through its rolling Biologic License Application (BLA) in the US, and the chemistry, manufacturing and controls (CMC) module of the BLA has now been submitted. To strengthen the regulatory package, data from around 100 additional patients treated under the IND will be added to the clinical module, and as a result the BLA submission is expected to be finalised around mid-2011.

The Phase IIb study of OncoGel™ (paclitaxel) in oesophageal cancer is on track, and a Phase IIa study of BGC20-0134 (Pleneva™) is progressing in patients with multiple sclerosis.

Over the last few months, BTG's partners have announced important progress on three potential blockbusters. Johnson & Johnson reported data from an interim analysis of a Phase III trial of abiraterone acetate in men with advanced prostate cancer, which showed a clear survival benefit for patients on abiraterone compared with those on placebo. The study was unblinded; based on the data, Johnson & Johnson intends to file marketing applications in the US and EU by the end of 2010. In addition, Genzyme reported five-year follow-up data from a Phase II study of Campath® (alemtuzumab) in patients with multiple sclerosis, which showed sustained reductions in relapse rates and disability accumulation. Lastly, in October 2010, dosing of patients commenced in AstraZeneca's global Phase IIb study to compare the efficacy and safety of AZD9773 (CytoFab™) with placebo in adult patients with severe sepsis and/or septic shock receiving best supportive care.

Further details on BTG's internal and partnered programmes are provided in the operating review.

OPERATING REVIEW

BTG's operations involve commercial activities, which include sales and marketing of its own products together with business development activities, manufacturing and product development.

In May 2010, the Group took the opportunity to secure a key part of its supply chain by purchasing the land in Martindale, Australia where the Group manages its sheep flocks and serum production for CroFab™, DigiFab™ and CytoFab™.

A key focus of the Group's activities during the first half of the year was to ensure commercial readiness for the return of rights to CroFab™ and DigiFab™ in the US. An agreement was reached with Nycomed US Inc to reacquire exclusive US marketing rights to CroFab™ and DigiFab™ from 1 October 2010. The Group completed the establishment of its supporting infrastructure including medical affairs, pharmacovigilance, compliance, distribution networks, and sales and marketing. It

established an Acute Care field force comprising ten representatives, with a further nine representatives to be added by February 2011 ahead of the season for snake bites and CroFab™ sales.

The Group's strategy is to leverage its US commercial infrastructure and it continues to review opportunities to acquire additional products to develop and market direct in the US to specialist physicians.

Development pipeline

BTG's internal development pipeline currently comprises six programmes.

Varisolve® PEM is progressing through US Phase III studies to explore its safety and efficacy as a treatment for moderate to severe varicose veins. The first study, VV017, was initiated in September 2010. In this study, Varisolve® is used following endovenous thermal ablation (ETA) to treat those veins in the great saphenous vein (GSV) system not treated by ETA. Two doses of Varisolve® are being assessed against placebo in 105 patients. The primary endpoint will be the improvement in appearance at eight weeks as measured by a patient assessment of appearance instrument (PA-V^3) and a physician assessment of appearance instrument (IPR-V^3). Patients will be followed up for six months in total.

The second study, VV016, initiated in October 2010, is assessing three doses of Varisolve® against placebo. This study is recruiting 57 patients into each of the four arms of the trial. The primary endpoint is an assessment of symptoms improvement at eight weeks, as measured by a patient symptoms assessment instrument (VVSymQ). Improvement of appearance will be a secondary endpoint, as measured by PA-V^3 and IPR-V^3. Patients will be followed up for a year in total.

The third study, VV015, is due to initiate by the end of 2010 and will assess four doses of Varisolve® against placebo, with 50 patients in each of the five arms. The primary endpoint will be an assessment of symptoms improvement at eight weeks.

In parallel, the observational study in the UK to complete quantitative validation of the symptoms assessment instrument (PA-V^3) is on track.

The NDA submission is anticipated in 2012 with potential US approval in 2013. BTG plans to market and sell Varisolve® directly in the US reimbursed sector following approval.

Voraxaze™ (glucarpidase) is in development as an adjunctive treatment for the rapid and sustained reduction of toxic methotrexate levels due to impaired renal function and is progressing through a rolling BLA in the US. Recent progress includes the submission to the FDA of the CMC portion of the BLA in September. To provide a more robust BLA clinical package, including in total more than 650 patients in the dossier, the clinical module is being revised to incorporate approximately 100 additional patients treated under the US IND and to include an assessment of immunogenicity data from an ongoing study which will facilitate FDA review. The BLA filing is now expected to be completed around mid-2011. If approved, BTG intends to market Voraxaze™ itself in the US.

OncoGel™, a sustained-release formulation of paclitaxel, an established chemotherapy for solid tumours, is designed to provide high concentrations of paclitaxel at the tumour site for up to six weeks while minimising exposure to other organs. A controlled multinational Phase IIb study in patients with oesophageal cancer has completed enrolment and is continuing to evaluate OncoGel™ administered in combination with pre-operative chemo-radiotherapy compared to pre-operative chemo-radiotherapy alone. Preliminary tumour response and histopathology data are expected to be available in early 2011, with survival data around the end of 2011.

BGC20-0134 (Pleneva™) is an investigational compound that is designed to restore the balance between pro-inflammatory (e.g. tumour necrosis factor-α TNFα) and anti-inflammatory (e.g.

transforming growth factor-β1, TGFβ1) cytokines in patients with multiple sclerosis. BGC20-0134 is orally administered and has been shown to be well tolerated in a Phase I study. Patient recruitment is proceeding well in a European multicentre Phase IIa study, with data anticipated to be received in mid 2011. If clinical proof of principle is demonstrated in the Phase IIa study, development partners will be sought to conduct Phase IIb and subsequent studies.

Angiotensin Therapeutic Vaccine (ATV) is being developed as an innovative treatment for high blood pressure (hypertension). The vaccine, administered with a novel, proprietary adjuvant, CoVaccine HT™, produces antibodies to angiotensin I, one of the hormones involved in the regulation of blood pressure. A Phase IIa study of ATV in patients with mild to moderate hypertension was initiated as described previously. However, enrolment in this trial was halted in April 2009 due to observation of an overall tolerability profile that was not acceptable for the target indication. A thorough review of the data led to the conclusion that the adverse events were related to the dose of adjuvant included in this trial rather than the vaccine itself. In order to identify an appropriate adjuvant dose range for investigation in future ATV clinical trials, a Phase I dose escalation study of CoVaccine HT™ adjuvant was successfully completed. BTG is actively exploring future development and partnering options for ATV.

BGC20-1531 is the lead molecule in a portfolio of prostanoid EP4 receptor targeting compounds, with the potential to be developed in a variety of indications including pain and inflammation. Preclinical development and Phase I safety and tolerability studies have been successfully completed. BTG is actively exploring partnering options for BGC20-1531.

Partnered programmes

There has also been significant progress in key partnered programmes.

Campath® (alemtuzumab), which is approved for the treatment of B-cell chronic lymphocytic leukaemia (B-CLL) and in Phase III development as a potential treatment for multiple sclerosis, is licensed to Genzyme Corporation. In October 2010, Genzyme reported results from a five-year review of data from a Phase II trial of alemtuzumab in multiple sclerosis patients, indicating a sustained reduction in relapses and disability; significant benefits were observed in particular for patients with highly active forms of the disease. Two Phase III trials are fully enrolled and data are anticipated beginning in mid-2011. Genzyme expects to file for US and EU approvals in early 2012 and has been granted fast track status by the FDA for the US submission.

CB7630 (abiraterone acetate), which is in Phase III development for advanced prostate cancer and Phase I/II development for advanced breast cancer, is licensed to Cougar Biotechnology, Inc. which was acquired by Johnson & Johnson in 2009. In September 2010, Cougar announced that it had unblinded a Phase III study of abiraterone acetate plus prednisone in patients with advanced metastatic prostate cancer after a recommendation by the Independent Data Monitoring Committee. The results of the study, which were published at the 35th Annual European Society for Medical Oncology Congress, showed that treatment with abiraterone acetate resulted in a 35% reduction in the risk of death and a 36% increase in median survival compared with placebo. Marketing applications for abiraterone acetate are expected to be submitted to regulatory authorities in the US and Europe by the end of 2010.

Otelixizumab (TRX4) is a monoclonal antibody licensed to Tolerx, Inc. which has an agreement with GlaxoSmithKline for its development in new-onset autoimmune type 1 diabetes and a range of T-cell mediated autoimmune indications including rheumatoid arthritis, for which a Phase II study has started. Otelixizumab is currently progressing in two Phase III studies for the treatment of type 1 diabetes with patient enrolment for the first study, DEFEND-1, complete and results expected in H1 2011. The second Phase III study, DEFEND-2, started recruiting patients in early 2010.

AZD9773 (CytoFab™) (Tumour Necrosis Factor Alpha (TNF-α) Immune Fab (Ovine)), which is in development as a potential treatment for severe sepsis/septic shock, is partnered with AstraZeneca, who are responsible for global development and commercialisation. BTG manufactures AZD9773

using the same polyclonal antibody platform used for the production of its approved products, CroFab™ and DigiFab™. Recent developments include the initiation of a Phase II study of AZD9773 to assess safety and tolerability of two doses of AZD9773 in Japanese patients with severe sepsis/septic shock and the start of patient recruitment in October 2010 to a global, randomised, double-blind, placebo-controlled Phase IIb study of AZD9773 in approximately 300 patients.

FINANCIAL REVIEW

BTG has delivered a solid financial performance in the period to 30 September 2010, which has demonstrated the strength of the Group's diversified revenue base. The operating profit before acquisition adjustments and reorganisation costs of £3.1m (H1 09/10: loss of £1.2m) was underpinned by a broad spread of recurring royalties and product sales. At 30 September 2010 the Group had £63.9m in cash and cash equivalents. The reduction in the Group's cash and cash equivalents of £18.7m in the period included the purchase of land in Australia where it manages its sheep and transition activities associated with the return of US rights to CroFab™ and DigiFab™.

Revenue

Revenue of £46.1m (H1 09/10: £47.9m) included royalties of £31.3m (H1 09/10: £31.8m) and product sales of £14.8m (H1 09/10: £16.1m). Gross recurring royalties were £30.4m (H1 09/10: £26.3m) and milestone/one-off revenues were £0.9m (H1 09/10: £5.5m).

The main contributors to recurring royalties were BeneFIX®, the haemophilia B treatment marketed by Wyeth, at £14.4m (H1 09/10: £13.0m) with underlying growth of 8.5%; the two-part hip cup, licensed to all major manufacturers, at £5.6m (H1 09/10: £4.3m) with broadly steady underlying demand; the MRC humanisation IP, which grew 27% to £4.0m (H1 09/10: £3.1m); and Campath®, which had underlying growth of 24% and contributed £3.1m (H1 09/10: £2.3m). Overall, recurring royalties grew by 15.6%.

Revenues from marketed products reduced from £16.1m in H1 09/10 to £14.8m in H1 10/11. The principal components of marketed products revenue are CroFab™ at £12.1m (H1 09/10: £11.5m) and DigiFab™ at £1.0m (H1 09/10: £2.6m); Voraxaze™ cost recovery/named patient sales were £1.7m (H1 09/10: £1.5m). Under the arrangement with Nycomed, BTG recognised a proportion of revenue upon shipment of product to Nycomed and a further royalty amount when Nycomed sells the product into the market. During the period ended 30 September 2010 the volume of shipments was lower than in the prior period in anticipation of the transition of distribution rights from Nycomed to BTG as of 1 October 2010. Volumes of CroFab™ supplied to the end market were approximately 10% above those in the prior year and volumes of DigiFab™ were in line with those in the prior year, demonstrating the continuing need for these products.

Revenues benefited from a favourable movement in the US$ exchange rate, from an average of $1.64 in the prior year to $1.52 in the current year, which increased reported revenues by £2.7m.

Gross profit

Gross profit was £34.4m (H1 09/10: £32.3m), delivering a gross margin of 75% (H1 09/10: 67%). Revenue sharing was £8.2m (H1 09/10: £8.6m) and cost of goods sold was £3.5m (H1 09/10: £7.0m). The cost of goods was lower than in the prior period due to the significantly lower volume of shipments made to Nycomed; under the arrangement with Nycomed, BTG's policy was to reflect a charge to cost of goods when product was shipped.

Expenditure

Reported operating expenses reduced to £21.2m (H1 09/10: £23.4m). Included in operating expenses is an amortisation charge of £4.6m (H1 09/10: £4.2m) in relation to intangible assets acquired with Protherics, foreign exchange losses of £2.6m (H1 09/10: £7.1m), sales and marketing

costs of £3.1m (H1 09/10: £1.4m) and general and administrative costs of £10.9m (H1 09/10: 10.7m).

Research and development costs were £13.3m (H1 09/10: £14.9m). The rate of expenditure on research and development is expected to increase in the second half of the year as the Varisolve® Phase III trials progress.

An impairment loss of £1.4m was recorded following a funding round being conducted by one of BTG's investee companies at a significantly lower subscription price than previous funding rounds.

Operating profit/loss

Before acquisition adjustments and reorganisation costs but including foreign exchange losses, BTG's operating profit was £3.1m (H1 09/10: loss of £1.2m). The loss from operations after acquisition adjustments and reorganisation costs was £1.5m (H1 09/10: £5.9m).

Net foreign exchange gains of £0.4m (H1 09/10: £0.9m) are included in the profit before tax. This comprises £2.6m of translation and transaction losses within operating profit (H1 09/10: £7.1m) and £3.0m of gains arising on the movement of the mark-to-market value of forward contracts included within financial income (H1 09/10: £8.0m).

Financial income and costs

Forward contracts taken out in 2009 were marked to market at 31 March 2010 at US$1.52. By 30 September 2010, those contracts had either been settled or were revalued at the US$ rate of US$1.57. BTG also took out new forward contracts in the period to 30 September 2010. The movement in the fair value of all forward contracts of £3.0m is included in financial income.

Taxation

A tax credit of £0.8m (H1 09/10: £1.7m) has been recognised in the period, principally due to an unwinding of the deferred tax liability recognised in the year ended 31 March 2010 on the acquisition of Protherics PLC. The unwinding of the deferred tax liability is associated with the amortisation of the intangible assets recognised on acquisition.

Profit after tax

The profit for the period was £2.4m (H1 09/10: £4.1m) resulting in earnings per share of 0.9p (H1 09/10: 1.6p). The basic underlying earnings per share excluding acquisition adjustments and reorganisation costs were 2.3p (H1 09/10: 2.5p).

Non-current assets, current assets, current and non-current liabilities

Non-current assets increased from £197.9m at 31 March 2010 to £205.3m at 30 September 2010, the increase reflecting the Martindale asset purchase and intangible assets realised upon finalisation of the acquisition of exclusive distribution rights from Nycomed, offset by the amortisation of intangible assets acquired with Protherics and the effect of retranslating US-based assets to the closing exchange rate at 30 September 2010. Non-current assets include intangible assets of £152.6m, goodwill of £30.3m, property, plant and equipment of £19.5m, and investments in associates and other investments totalling £2.2m.

Current assets have decreased from £113.1m at 31 March 2010 to £99.0m at 30 September 2010. Inventories of £13.9m represent raw material, work in progress and finished goods of CroFab™ and DigiFab™ held at the Group's facilities in Australia and Wales. Trade and other receivables have reduced from £20.4m to £18.5m principally as a result of a reduction in royalties owed by Nycomed approaching the end of the contractual relationship.

Current liabilities have increased from £43.4m at 31 March 2010 to £44.5m at 30 September 2010. The £2.3m increase in trade and other payables relates primarily to repayment of Nycomed

advance purchase orders offset by the amount owed to Nycomed as a result of the contractual settlement.

The movement in derivative instruments of £3.0m relates to the mark to market of forward foreign exchange contracts.

Non-current liabilities have decreased from £52.4m at 31 March 2010 to £45.7m at 30 September 2010. The major movement relates to the reduction in the deferred tax liability relating to the intangible assets acquired with Protherics. Additionally, following a review of the pensions assumptions, the recognised deficit has decreased to £8.2m at 30 September 2010 compared to a deficit of £9.2m at 31 March 2010.

Cash

Net cash outflow from operations of £7.9m for the six months to 30 September 2010 compared to a £2.1m inflow in the corresponding period to 30 September 2009. The net decrease in cash of £18.7m (H1 09/10: increase of £1.0m) resulted in a closing cash balance at 30 September 2010 of £63.9m.

A payment of £9.7m was made to Nycomed in October 2010 on finalisation of the acquisition of exclusive distribution rights to CroFab™ and DigiFab™.

SUMMARY AND OUTLOOK

BTG has made material progress during the first half of this transitional year in which it started selling its own products in the US. The Group is delivering on its strategy and has reported a solid set of financial results.

Cash balances are expected to reduce in the second half of the year following the £9.7m payment to Nycomed in October 2010, though product revenues are expected to be higher as a result of the agreement with Nycomed. Research and development expenditure is expected to rise in the second half of the year as the Varisolve® Phase III trials progress.

Also in October 2010, BTG reached an initial binding settlement agreement with Samsung Electronics Co., Ltd. (Samsung) in relation to disputes concerning claims of infringement of BTG's multi-level cell (MLC) patents. The terms of the settlement are confidential. After deduction of revenue sharing and costs, BTG does not expect this settlement to have a material impact on its retained profit or loss. A third party agent will be appointed to continue to seek to grant licences to the MLC patents and BTG will retain an economic interest in any licences that are granted.

The Group reiterates its guidance of full year revenues in the range £93m-£97m, excluding any impact of the MLC settlement, and cash and cash equivalents at year end of £45m-£50m. With BTG now marketing and selling its own products in the US, good clinical progress being made by both BTG and its partners and a strong financial underpin for the business, BTG has established a firm foundation from which to continue its transition into a sustainably profitable company.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group for the remaining six months of the year have not changed from those set out on pages 24 to 27 of the BTG plc Annual Report and Accounts 2010, available from the Group's website at www.btgplc.com. These include but are not limited to: competition for new programmes and projects; general market competition affecting product sales or royalty income; pricing and reimbursement issues; the inherent uncertainty of drug development; reliance on third-party contractors for the supply of key manufacturing materials and services; the highly regulated nature of the pharmaceuticals industry; the inherent risks of managing an intellectual property portfolio; and movements in foreign exchange rates.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2010

	Note	Six months ended 30 September 2010 Results before acquisition adjustments and reorganisation costs £m	Acquisition adjustments and reorganisation costs £m	Total £m	Six months ended 30 September 2009 Results before acquisition adjustments and reorganisation costs £m	Acquisition adjustments and reorganisation costs £m	Total £m
Revenue	2	**46.1**	**-**	**46.1**	47.9	-	47.9
Cost of Sales	2	**(11.7)**	**-**	**(11.7)**	(15.4)	(0.2)	(15.6)
Gross Profit	2	**34.4**	**-**	**34.4**	32.5	(0.2)	32.3
Operating expenses: amortisation of acquired intangibles		**-**	**(4.6)**	**(4.6)**	-	(4.2)	(4.2)
Operating expenses: foreign exchange losses	4	**(2.6)**	**-**	**(2.6)**	(7.1)	-	(7.1)
Operating expenses: other		**(14.0)**	**-**	**(14.0)**	(12.1)	-	(12.1)
Operating expenses: total		**(16.6)**	**(4.6)**	**(21.2)**	(19.2)	(4.2)	(23.4)
Research and development		**(13.3)**	**-**	**(13.3)**	(14.9)	-	(14.9)
Profit on disposal of intangible assets and investments		**-**	**-**	**-**	0.4	-	0.4
Reorganisation costs		**-**	**-**	**-**	-	(0.3)	(0.3)
Amounts written off investments	5	**(1.4)**	**-**	**(1.4)**	-	-	-
Operating profit/(loss)		**3.1**	**(4.6)**	**(1.5)**	(1.2)	(4.7)	(5.9)
Financial income	4			**3.2**			8.4
Financial expense				**(0.1)**			(0.1)
Profit before tax				**1.6**			2.4
Tax	6			**0.8**			1.7
Profit for the period				**2.4**			4.1
Basic and diluted earnings per share	7			**0.9p**			1.6p

All activity arose from continuing operations

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2010

	Note	Six months ended 30 September 2010 £m	Six months ended 30 September 2009 £m
Profit for the period		**2.4**	4.1
Other comprehensive income			
Foreign exchange translation differences		**(2.5)**	(4.4)
Actuarial loss on pension liabilities	10	**(0.7)**	(11.7)
Change in fair value of equity securities available-for-sale		**(0.2)**	-
Other comprehensive income for the period		**(3.4)**	(16.1)
Total comprehensive income for the period		**(1.0)**	(12.0)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2010

	Note	30 September 2010 £m	30 September 2009 £m	31 March 2010 £m
ASSETS				
Non-current assets				
Goodwill	8	**30.3**	30.3	30.3
Intangible assets	8	**152.6**	150.6	152.7
Property, plant and equipment	9	**19.5**	10.9	10.6
Investments in associates		**-**	0.2	-
Other investments		**2.2**	3.6	3.7
Deferred tax asset		**0.4**	0.7	0.6
Biological assets		**0.3**	-	-
		205.3	196.3	197.9
Current assets				
Inventories		**13.9**	10.7	9.6
Trade and other receivables		**18.5**	21.6	20.4
Taxation		**0.5**	-	0.5
Derivative instruments		**2.2**	1.0	-
Cash and cash equivalents		**63.9**	79.2	82.6
		99.0	112.5	113.1
Total assets		**304.3**	308.8	311.0
EQUITY				
Share capital		**25.8**	25.7	25.8
Share premium account		**188.1**	187.8	188.1
Merger reserve		**158.1**	158.3	158.1
Other reserves		**(3.6)**	(4.5)	(0.9)
Retained earnings		**(154.3)**	(163.3)	(155.9)
Total equity attributable to equity holders of the parent		**214.1**	204.0	215.2
LIABILITIES				
Non-current liabilities				
Trade and other payables		**5.4**	8.9	8.5
Obligations under finance leases		**0.3**	1.0	0.6
Employee benefits	10	**8.2**	10.4	9.2
Deferred taxation		**31.2**	31.2	33.4
Provisions		**0.6**	1.5	0.7
		45.7	53.0	52.4
Current liabilities				
Trade and other payables		**43.1**	45.4	40.8
Obligations under finance leases		**0.6**	0.7	0.7
Derivative instruments		**-**	0.2	0.8
Taxation		**-**	3.3	-
Provisions		**0.8**	2.2	1.1
		44.5	51.8	43.4
Total liabilities		**90.2**	104.8	95.8
Total equity and liabilities		**304.3**	308.8	311.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2010

	Six months ended 30 September 2010 £m	Six months ended 30 September 2009 £m
Profit after tax for the year	**2.4**	4.1
Tax	**(0.8)**	(1.7)
Financial income	**(3.2)**	(8.4)
Financial expense	**0.1**	0.1
Operating loss	**(1.5)**	(5.9)
Adjustments for:		
Profit on disposal of intangible assets and investments	**-**	(0.4)
Amounts written off associates and investments	**1.4**	-
Amortisation and impairment of intangible assets	**4.9**	4.5
Depreciation on property, plant and equipment	**1.1**	1.2
Share-based payments	**0.4**	0.6
Pension scheme funding	**(1.7)**	(1.3)
Other	**-**	0.2
Share of associates' losses	**-**	0.2
Cash from operations before movements in working capital	**4.6**	(0.9)
Increase in inventories	**(4.2)**	(0.3)
Decrease in trade and other receivables	**2.4**	8.9
Decrease in trade and other payables	**(10.2)**	(1.7)
Decrease in provisions	**(0.5)**	(4.1)
Cash from operations	**(7.9)**	1.9
Interest expense	**-**	(0.1)
Taxation paid	**-**	0.3
Net cash (outflow)/inflow from operating activities	**(7.9)**	2.1
Investing activities		
Interest received	**0.2**	0.4
Purchases of intangible assets	**(0.4)**	(0.8)
Purchases of property, plant and equipment	**(9.9)**	(0.6)
Expenditure on investments	**-**	(0.4)
Proceeds on disposal of investments	**-**	0.2
Net cash outflow from investing activities	**(10.1)**	(1.2)
Cash flows from financing activities		
Repayment of borrowings	**-**	(0.2)
Repayment of finance leases	**(0.4)**	(0.3)
Proceeds of share issues	**-**	2.2
Net cash (outflow)/inflow from financing activities	**(0.4)**	1.7
(Decrease)/increase in cash and cash equivalents	**(18.4)**	2.6
Cash and cash equivalents at start of period	**82.6**	78.2
Effect of exchange rate fluctuations on cash held	**(0.3)**	(1.6)
Cash and cash equivalents at end of period	**63.9**	79.2

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2010

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2009	25.5	187.3	156.5	(0.1)	(156.6)	212.6
Profit for the period	-	-	-	-	4.1	4.1
Other comprehensive income	-	-	-	(4.4)	(11.7)	(16.1)
Total comprehensive income for the period	-	-	-	(4.4)	(7.6)	(12.0)
Transactions with owners:						
Issue of BTG plc ordinary shares	0.2	0.5	1.8	-	-	2.5
Movement in shares held by the Trust	-	-	-	-	0.3	0.3
Share-based payments	-	-	-	-	0.6	0.6
At 30 September 2009	**25.7**	**187.8**	**158.3**	**(4.5)**	**(163.3)**	**204.0**

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2010	25.8	188.1	158.1	(0.9)	(155.9)	215.2
Profit for the period	-	-	-	-	2.4	2.4
Other comprehensive income	-	-	-	(2.7)	(0.7)	(3.4)
Total comprehensive income for the period	-	-	-	(2.7)	1.7	(1.0)
Transactions with owners:						
Issue of BTG plc ordinary shares	-	-	-	-	-	-
Movement in shares held by the Trust	-	-	-	-	(0.5)	(0.5)
Share-based payments	-	-	-	-	0.4	0.4
At 30 September 2010	**25.8**	**188.1**	**158.1**	**(3.6)**	**(154.3)**	**214.1**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

Statement of compliance
These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.* They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2010.

These condensed unaudited consolidated interim financial statements were approved by the Board of Directors on 3 November 2010.

Comparative financial information
The comparative figures for the year ended 31 March 2010 do not constitute the Group's statutory accounts for that financial year. Statutory accounts for the year ended 31 March 2010, prepared in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Accounting policies
Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2010.

The Group has adopted IAS 41 *Biological Assets* during the period. As part of the acquisition of land in Australia on which the Group manages sheep, a breeding flock of sheep was purchased. These have been accounted for in accordance with IAS 41 and are held at fair value. At 30 September 2010 the carrying value of this breeding flock was £0.3m. As in previous periods the Group continues to account for its production flock of sheep within property, plant and equipment in accordance with IAS 16.

The following amendments and standards have also been adopted, but have had no significant effect on the reported results or financial position of the Group:

- IFRS 1 (Revised) – simplification of the structure of IFRS 1 without making any technical changes
- Amendments to IFRS 2 - Group Cash-Settled Share-based Payments Transactions
- IFRS 3 (Revised) - harmonisation of business combination accounting with US GAAP
- IAS 27 – this requires the effects of all transactions with non-controlling interests where there is no change in control to be recorded in equity
- IFRIC 18 - clarification of the accounting for arrangements where an item of property, plant and equipment provided by the customer, is used to provide an ongoing service.

Acquisition adjustments and reorganisation costs
The Condensed Consolidated Income Statement includes a separate column to disclose the significant acquisition adjustments and reorganisation costs arising from the acquisition of Protherics PLC on 4 December 2008 and from other decisions to rationalise operating sites and business operations. The costs relate to the following: the fair value uplift of inventory acquired; amortisation arising on intangible assets acquired; and reorganisation costs principally comprising redundancy and property costs.

Going concern and liquidity
The Group has considerable cash resources and does not require significant debt financing to operate its business. The Group's principal licensees are global industry leaders in their respective fields and the Group's royalty-generating intellectual property covers a broad portfolio of both licensees and industries. In addition, the Group's sales products are life-saving in nature, providing some protection against the current uncertain economic outlook. Accordingly the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing these Interim Financial Statements.

Seasonality of the business
The Group's royalty income is derived from a number of different licensees and underlying products and markets. Typically it does not demonstrate a highly cyclical pattern but is dependent on the timing of milestones due from licensees upon completion of certain contractual development or sales milestones. These, by their very nature, are not predictable. Revenues from Marketed Products are dependent on both the timing of shipments of product to the Group's distributors and the underlying markets for the products. CroFab™, in particular, demonstrates seasonality since the main snake biting season, when the product is in highest demand, runs from March to October.

2. Segmental disclosures

The Group has two reportable segments, being Marketed Products and Royalties. In assessing performance and making resource allocation decisions, the Leadership Team (which is BTG's chief operating decision-making body) reviews Gross Profit by segment, reflecting the two distinct routes available to it in realising commercial value from its assets, but all other financial information is presented on a consolidated basis for the Group as a whole.

Six months ended 30 September 2010

	Six months ended 30 September 2010			Six months ended 30 September 2009		
	Marketed products £m	**Royalties £m**	**Total £m**	Marketed products £m	Royalties £m	Total £m
Revenue	**14.8**	**31.3**	**46.1**	16.1	31.8	47.9
Cost of Sales*	**(3.5)**	**(8.2)**	**(11.7)**	(7.0)	(8.6)	(15.6)
Gross Profit	**11.3**	**23.1**	**34.4**	9.1	23.2	32.3
Operating expenses:						
Amortisation of acquired intangibles			**(4.6)**			(4.2)
Foreign exchange losses			**(2.6)**			(7.1)
Other			**(14.0)**			(12.1)
Total operating expenses			**(21.2)**			(23.4)
Research and development			**(13.3)**			(14.9)
Profit on disposal of intangible assets and investments			**-**			0.4
Reorganisation costs			**-**			(0.3)
Amounts written off investments			**(1.4)**			-
Operating profit			**(1.5)**			(5.9)
Financial income			**3.2**			8.4
Financial expense			**(0.1)**			(0.1)
Profit before tax			**1.6**			2.4
Tax			**0.8**			1.7
Profit for the period			**2.4**			4.1
Unallocated assets			**304.3**			308.8

*Six months ended 30 September 2009 includes a £0.2m release of the fair value uplift of inventory purchased on acquisition of Protherics PLC on 4 December 2008.

Geographical revenue analysis
Geographical analysis of revenue, based on the geographical location of customers:

Six months ended 30 September 2010

	Six months ended 30 September 2010	Six months ended 30 September 2009
	£m	£m
USA	**39.4**	39.8
UK	**4.8**	4.8
Europe (excluding UK)	**1.6**	2.6
Other regions	**0.3**	0.7
	46.1	47.9

Major customers
Products that utilise the Group's Intellectual Property Rights are sold by licensees. Royalty income is derived from over 70 licences. Two licences individually generated royalty income in excess of 10% of Group revenue, being £14.4m and £5.6m respectively (2009: 1 licence generated £13.0m of revenue representing more than 10% of Group revenue).

The majority of the Group's marketed products have been sold through a distribution agreement with one distributor in the USA during the periods under review. Revenues in the period generated from that distribution agreement of £12.4m represent more than 10% of Group revenue (2009: £13.0m).

3. Nycomed

On 27 August, BTG signed an agreement with Nycomed US Inc. concerning the accelerated transition to BTG on 1 October 2010 of marketing rights to CroFab™ and DigiFab™. Under the terms of the agreement BTG purchased the exclusive rights to sell the products for which a consideration of £9.7m was paid on 15 October 2010. The purchase price has been capitalised at 30 September 2010 and will be amortised over the 6 month period ending 31 March 2011 (see note 8) representing the length of the exclusive period.

4. Foreign exchange gains and losses in the income statement

During the six months ended 30 September 2010 the Group recognised foreign exchange losses of £2.6m (2009: losses of £7.1m) within operating profit. These arose from the retranslation of foreign currency balance sheet amounts, transactional exchange gains and losses in the period and the settlement of the Group's foreign exchange forward contracts during the period.

Included within 'Financial income' of £3.2m (2009: £8.4m) is £3.0m (2009: £8.0m) which represents the movement in the fair value of the Group's foreign exchange forward contracts.

5. Amounts written off investments

An impairment charge of £1.4m has been recognised in the Condensed Consolidated Income Statement in relation to one of the Group's equity investments in an unlisted drug development company. The impairment charge was triggered by a funding round conducted by the investee company at a price per share significantly below previous funding rounds. It is the Group's policy to hold unlisted equity investments at fair value, which is deemed to be the most recent funding round price. The magnitude of the reduction in price per share has resulted in an impairment charge reflected in the Condensed Consolidated Income Statement rather than through the Group's fair value reserve within equity.

6. Tax charge/(credit)

Six months ended 30 September 2010

	Six months ended 30 September 2010 £m	Six months ended 30 September 2009 £m
Current tax	**-**	-
Deferred tax		
Release of deferred tax liability	**(1.0)**	(1.8)
Decrease in estimate of recoverable deferred tax asset	**0.2**	0.1
	(0.8)	(1.7)

Tax for each six-month period has been provided on the basis of the anticipated effective rate for the full year.

The tax credit of £1.0m (H1 09/10: £1.8m) relates to the unwinding of the deferred tax liability recognised in the year ended 31 March 2010 in line with the amortisation charged in the period relating to the acquired intangible assets of Protherics PLC, adjusted for any change in tax losses available to offset the deferred tax liability as a result of trading activities in the period.

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

Six months ended 30 September 2010

	Six months ended 30 September 2010	Six months ended 30 September 2009
Profit for the period (£m)	**2.4**	4.1
Earnings per share (p)		
Basic and diluted	**0.9**	1.6
Number of shares (m)		
Weighted average number of shares – basic	**256.6**	255.3
Effect of share options in issue	**2.6**	1.9
Weighted average number of shares – diluted	**259.2**	257.2

The calculation of basic and diluted earnings per share from underlying earnings is based on the following data:

Six months ended 30 September 2010

	Six months ended 30 September 2010	Six months ended 30 September 2009
Profit for the period (£m)	**2.4**	4.1
Add back		
Fair Value adjustment on acquired inventory	**-**	0.3
Amortisation of acquired intangible fixed assets	**3.6**	2.4
Reorganisation costs	**-**	(0.5)
Underlying earnings	**6.0**	6.3
Profit per share (p)		
Basic	**2.3**	2.5
Diluted	**2.3**	2.4

Adjustments to profit are shown after taking into account the tax effect of such adjustments.

8. Goodwill and intangible assets

Goodwill of £30.3m relates to the acquisition of Protherics PLC on 4 December 2008.

Intangible assets comprising Developed technology, Contractual relationships and In-process research and development relate to assets acquired on the purchase of Protherics on 4 December 2008. Movements in intangible assets are predominately driven by (1) amortisation charges and (2) foreign exchange retranslation of the US based assets at the closing exchange rate at 30 September 2010. The repurchase of contractual rights of £9.7m at 30 September 2010 represents the carrying value of the asset recognised in relation to the Nycomed agreement as detailed in note 3.

As at 30 September 2010

Net book value	**30 September 2010 £m**	30 September 2009 £m	31 March 2010 £m
Intangible assets			
Developed technology	**104.7**	107.6	111.1
Contractual relationships	**26.5**	30.2	29.8
In-process research and development	**6.9**	7.7	6.9
Patents	**4.8**	5.1	4.9
Repurchase of contractual rights (note 3)	**9.7**	-	-
	152.6	150.6	152.7

9. Property, plant and equipment

The net book value of the Group's Property, plant and equipment has increased by £8.9m in the period since 31 March 2010 to £19.5m. The principal movement was the purchase of the land in Australia on which the Group manages its sheep and serum production for CroFab™, DigiFab™ and CytoFab™. This is a central part of the Group's supply chain and an integral part of the FDA approved manufacturing process. The purchase price was A$14.7m and the transaction was completed on 18 May 2010.

10. Defined benefit pension fund liability

The liability recognised on the Group's balance sheet in accordance with IAS19 – *Employee benefits* in relation to the BTG Pension Fund is £8.2m (30 September 2009: £10.4m; 31 March 2010: £9.2m). The decrease in the liability since 31 March 2010 relates principally to actuarial gains and losses, which are recognised in the Condensed Consolidated Statement of Comprehensive Income.

11. Related parties

Giles Kerr, a non-executive director of BTG plc is also the Director of Finance for Oxford University and a director of Isis Innovations Limited, a wholly owned subsidiary of Oxford University. Wholly owned subsidiaries of BTG plc have pre-existing licence agreements with Oxford University and Isis Innovations under which they are obliged to pay royalties on amounts received from commercialising certain Intellectual Property. Payments in the six months to 30 September under these agreements were £0.5m and amounts still outstanding and payable at 30 September 2010 were £1.1m.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Board

The Board of Directors that served during the six-month period to 30 September 2010 and their respective responsibilities can be found on pages 34 to 35 of the BTG plc Annual Report and Accounts 2010. Ian Much joined BTG as a non-executive director on 1 August 2010 and is a member of the Audit and Remuneration Committees. Professor Colin Blakemore retired from the Board on 13 July 2010.

By order of the Board

Dr Louise Makin — Chief Executive Officer
Rolf Soderstrom — Chief Financial Officer

3 November 2010

INDEPENDENT REVIEW REPORT TO BTG PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 which comprises the Group's condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows and the condensed statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

David Bills
For and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square
London E14 5GL

3 November 2010

SHAREHOLDER INFORMATION

Financial calendar

Interim management statement	January 2011
Preliminary announcement of annual results for year ended 31 March 2011	May 2011

Capita share dealing services

A quick and easy share dealing service is available from Capita Registrars, to either buy or sell more shares. An online and telephone dealing facility is available providing shareholders with an easy-to-access and simple-to-use service. For further information on this service, or to buy and sell shares, please contact: www.capitadeal.com (online dealing) or +44 (0) 871 664 0446 (telephone dealing) – calls cost 10p per minute plus network extras, lines are open 8am-4.30pm Monday-Friday. Full terms, conditions and risks apply and are available on request or by visiting www.capitadeal.com.

This is not a recommendation to buy or sell shares. The price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested.

Shareholder change of address

The Company offers the facility, in conjunction with Capita Registrars, our Registrars, to conduct a number of routine matters via the web including the ability to notify any change of address. If you are a shareholder and are either unable or would prefer not to use this facility, please do not send the notification to the Company's registered office. Please write direct to Capita Registrars, at their address shown below, where the register is held.

Relating to beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly.

Addresses for correspondence

Registered office and head office
BTG plc
5 Fleet Place
London
EC4M 7RD
Tel: +44 (0)20 7575 0000
Fax: +44 (0)20 7575 0010
Email: info@btgplc.com

Website: www.btgplc.com

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0LA

Tel (callers from the UK): 0871 664 0300
(please note that calls cost 10p per minute, plus network extras, lines are open 8.30am - 5.30pm Monday - Friday)
Tel (callers outside UK): +44 208 639 3399

Registered number 2670500

Cautionary statement regarding forward-looking statements

This Interim Report and Accounts may contain certain projections and other forward-looking statements with respect to the financial condition, results of operations and businesses of BTG plc ('BTG'). These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Although BTG currently believes that the assumptions underlying these forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and therefore there can be no assurance that any results contemplated in the forward-looking statements will actually be achieved. Nothing contained in this Interim report should be construed as a profit forecast or profit estimate. Investors or other recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. BTG undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances. This Interim Report and Accounts does not constitute an invitation or inducement to any person to subscribe for or otherwise acquire securities in BTG.

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