Biocompatibles International plc is a leading medical technology company in the field of drug device Combination Products, operating through two businesses. Biocompatibles UK supplies bead and Drug-Eluting Bead products – primarily for use in Oncology, and supplies polymer for Medtronic’s Endeavor drug-eluting stent product. CellMed is developing a bead product for cosmetic dermatology and a Drug-Eluting Bead product for the treatment of stroke, based on proprietary stem cell technology. Our strategic partners include Angiodynamics Inc, Medtronic Inc, Merz AG and Terumo Corporation.

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Further information is available at www.biocompatibles.com

Note: A glossary of terms is available at http://www.biocompatibles.com/pages/glossary-of-terms
Highlights

Period Highlights

- Revenue increase of 46% to £3.8m (H1 2006: £2.6m)
- Gross profit increase of 55% to £2.6m (H1 2006: £1.7m)
- Operating loss of £3.8m (H1 2006: £4.3m).
- Cash, cash equivalents and available-for-sale financial assets at 30 June 2007 of £36.7m (31 December 2006: £37.2m).

Post Period Highlights

- PRECISION V, Phase IIb trial: recruitment complete at 212 patients, first announced on 18 July 2007.
Today’s News

- mCRC Programme with PARAGON Bead in the US: IDE submitted and initial FDA comments received for Phase II trial in United States. Response to FDA planned for October.

- HCC Programme with Drug-Eluting Bead with doxorubicin: 16 patients recruited in PRECISION Italia Phase III survival trial.

- Stroke Programme with CellBead Neuro™, expressing GLP-1: Investigational Medicinal Product Dossier (IMPD) submitted. 90 day review period started on 8 August 2007.

Clinical Trial Summary
- One Phase I/II trial expected to start in 2007 (Stroke).
- Two Phase II trials under way (HCC and mCRC).
- One further Phase II expected to start in 2007 (mCRC).
- One Phase III trial under way (HCC).

Emerging strategic opportunity in Drug Delivery, based on Biocompatibles’ existing technology. Current priorities are:
- Biological Drug Delivery, including RNAi.

- 2007 guidance re-confirmed: Revenue £8-10m, year end cash £33m (revised upwards on 25 May 2007). On track to achieve principal annual goals.

Expected News Flow

On 18 July 2007 the Company identified three key events which were expected over the next twelve months. The announcement of updated survival data from the Italian trial of Biocompatibles’ Drug-Eluting Bead in the treatment of liver metastases was made as planned on 10 September 2007. The remaining items are as follows:

- US launch of Medtronic’s Endeavor® Drug-Eluting Stent (expected by Medtronic Q4 2007)
- Presentation of data from PRECISION V (Q2 2008).
Biocompatibles has made good progress in the first half of this year. Sales of the flagship Drug-Eluting Bead products continued to grow and the milestones and royalties from Medtronic’s Endeavor® Drug-Eluting Stent will provide a valuable new revenue stream. In the 2006 Annual Report, the Company established ten goals for 2007 that were planned for announcement during the course of the year and a review of progress follows below.

2007 Goals

### Biocompatibles UK’s Bead Programmes

- **Launch of DC Bead in China.**
  
  *An overhaul of the operations of the Chinese State Food and Drug Administration means that this goal is unlikely to be achieved.*

- **PRECISION V Safety Committee report.**
  
  *This goal has been achieved. A positive report has been issued.*

- **Recruitment of first patient into HCC Survival trial.**
  
  *This goal has been achieved. PRECISION Italia has recruited 16 patients.*

- **IDE approval of US Phase IIb Irinotecan Bead trial in metastatic colorectal cancer (mCRC).**
  
  *On track. The IDE has been filed. Not yet achieved.*

- **Further survival data presented at CIRSE in September on European Phase IIb Irinotecan Bead trial in mCRC.**
  
  *On Track. Not yet achieved.*

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### CellMed Programmes

- **Start of CE Mark trial for the cosmetic bead.**
  
  *Not yet achieved. Awaiting our partner’s decision to start the clinical trial.*

- **Start of Phase I/II trial in stroke.**
  
  *On track. The regulatory filing has been made. Not yet achieved.*

- **Out-licence of CellMed peptide.**
  
  *Not yet achieved. Transaction process under way.*

---

### Financial

- **Revenue in the range £8m to £10m (51% growth at the mid point).**
  
  *On track. H1 growth was 46% on prior year.*

- **Closing net funds of £30m (increased to £33m in May 2007).**
  
  *On track. There is the potential for the revised goal to be exceeded if a milestone payment is received from Abbott as a result of Medtronic’s first commercial sale of the Endeavor® stent in the US.*
Business Unit Developments

- Biocompatibles UK: Sales of Bead Products

Sales of the Company’s Bead Products, Bead Block™, LC Bead™, DC Bead™ and PRECISION Bead™, grew by 27% in comparison with the corresponding period in the prior year. Sales were strong across all products and across all regions – EU, US and Rest of World. However, there was a build-up of excess inventory of one of the main product lines at one customer which we plan to correct in the second half. As previously stated, sales booked by Biocompatibles are sales to distributors and pass into their supply chain before being sold to hospitals. Our sales are therefore ultimately dependent on distributors’ sales to hospitals.

Growth in distributors’ sales to hospitals of our flagship Drug-Eluting Bead products remains strong – 117% unit growth in Europe and 61% in the US, in comparison with the comparative prior year period.

- Biocompatibles UK: Bead Product Development; and Drug-Eluting Stents

A key focus of our development team is support for Medtronic’s Endeavor® Drug-Eluting Stent programme and product and clinical development in support of the commercialisation of our Drug-Eluting Bead products. Highlights of the period were respectively the signing of an agreement with Abbott Laboratories for supply of polymer for Medtronic’s Endeavor® Drug-Eluting Stent; and the presentation of further survival data for the doxorubicin Drug-Eluting Bead in the treatment of Hepatocellular Carcinoma (HCC).

In addition, we have concluded, in the course of our annual strategic planning cycle, that we will increase investment in a range of Drug Delivery technologies developed by Biocompatibles UK’s R&D group, based in Farnham – where pharmaceutical regulation, as distinct from medical device regulation, will apply. We have projects for delivery of biological agents, including those in the rapidly developing field of RNAi. We have also applied for Orphan Drug designation of the Drug-Eluting Beads using non-vascular delivery for the treatment of Glioma, a form of brain cancer. We believe that these are potentially valuable opportunities that can be developed at a reasonable cost, and that we are well equipped to address.

Scale-up of our manufacturing plant in Farnham continued according to plan. The proportion of product, by sales value, supplied into inventory from the Farnham plant increased to 78% in H1 2007 from 55% in the corresponding half of 2006, the remainder of the product still being supplied by Biocure.

Drug-Eluting Beads:

Our Drug-Eluting Bead clinical programme consists of the following four principal trials:

- Two Phase II trials under way:
  - PRECISION V, sponsored by Biocompatibles (HCC)
  - Professor Fiorentini’s trial in mCRC

- One further Phase II trial expected to start in 2007 – PARAGON I, the US trial, sponsored by Biocompatibles (mCRC)

- One Phase III trial under way – Professor Golfieri’s trial in HCC
There were ten scientific presentations and abstracts relating to our Drug-Eluting Bead products at the 2007 meeting of the Cardiovascular and Interventional Radiological Society of Europe (CIRSE) in September. We are pleased with the interest shown in our Drug-Eluting Bead technology by some of Europe’s most respected investigators.

- **Doxorubicin Beads for HCC:**

  In PRECISION V, enrolment was completed with the recruitment of 212 patients at 22 active sites in France, Germany, Austria, Switzerland and Greece. The Safety and Data Monitoring committees completed reports on the basis of the first 109 and the first 65 patients, respectively, with no actions required. The data remains blinded for regulatory purposes and we expect final data on all enrolled patients in the middle of 2008.

  Professor Rita Golfieri, Director of Radiology at Ospedale Universitario S. Orsola-Malpighi, Bologna has designed and initiated a trial for the evaluation of Biocompatibles’ Drug-Eluting Bead technology in HCC, PRECISION Italia, and will recruit 214 patients in Bologna and up to five other leading hospitals in Italy. Patients will be randomised into a treatment arm with the DC Bead with doxorubicin and a control arm of conventional TACE treatment with epirubicin, a drug in the same class as doxorubicin. The trial is powered to show a 20% improvement in survival at two years. Recruitment is expected to be complete before the end of 2008 with preliminary data available in 2009. 16 patients have now been recruited in Bologna.

- **Irinotecan Beads for mCRC:**

  We have filed an Investigational Device Exemption (IDE) with the US FDA for the start of a trial for an evaluation of the PARAGON Bead in the treatment of hepatic colorectal metastases. PARAGON I is planned to recruit 70 patients in five US hospitals. Patients will be randomised into a treatment arm of the PARAGON Bead plus systemic chemotherapy and a control arm of systemic chemotherapy alone. The trial is designed to show an improvement in progression free survival which can be used to power a Phase III trial. Recruitment is expected to take up to 18 months with the first data available in 2010.

  After the end of the reporting period, Professor Giammaria Fiorentini, Professor of Medical Oncology at the Department of Medical Oncology at the San Giuseppe Hospital, Empoli, Florence provided an update on his Registry trial in patients with hepatic colorectal metastases treated with the Drug-Eluting Bead with irinotecan (DEBIRI). In his CIRSE presentation, Professor Fiorentini reported that, at the new reporting date, 15 of 20 patients in the DEBIRI Group were alive with a median survival of 210 days and 90% of
the patients reported an improvement in quality of life. He also presented data from another trial comparing DEBIRI with FOLFIRI, an approved systemic chemotherapy regimen incorporating irinotecan. In the DEBIRI arm the response rate was 80% and in the FOLFIRI arm the response rate was 10%. The eight week quality of life improvement was 70% and 30% respectively. Preliminary survival data was favourable for the DEBIRI arm.

Further DEBIRI trials in Europe are under way and we will communicate the results as they become available.

**Drug-Eluting Stents, Medtronic:**

In May, we announced an agreement with Abbott Laboratories under which we would supply polymer for Medtronic’s Endeavor® Drug-Eluting Stent. Biocompatibles would receive from Abbott the following payments: an up-front payment (recorded in these interim financial statements as cash and partially as revenue); a milestone payment triggered by Medtronic’s first US sale of the Endeavor® stent; and a 1.5% royalty on Medtronic’s worldwide sales of the Endeavor® stent. In its quarter ended July 2007 Medtronic reported sales of the Endeavor® stent, totalling US$81 million, which were largely in Europe. Medtronic has announced that an FDA advisory panel will review the Endeavor® PMA in October.

Jean Fajadet, M.D., Clinique Pasteur Unité de Cardiologie Interventionnelle, Toulouse, France, and one of the principal investigators for the ENDEAVOR II trial commented on Medtronic’s programme as follows: “These are well-conceived and well-managed clinical trials. The results are excellent ….The number of repeat procedures is low, there are few adverse cardiac events and the lack of late stent thrombosis is truly extraordinary.”

Medtronic expects approval in 2007 and US analysts have forecasted medium-term global annual sales for the Endeavor® stent in excess of $800m. The royalty due from Abbott to Biocompatibles on this basis would be around £6m per annum.

**CellMed:**

We made good progress in the CellMed business, developing the two priority programmes as planned – the Cosmetic Dermatology programme partnered with Merz Pharmaceuticals GmbH; and the CellBead Neuro™ Intra-Cerebral Haemorrhage programme (“ICH”) being developed in collaboration with the International Neuroscience Institute in Hannover.

We completed the third of four development milestones payments for the Cosmetic Dermal Filler programme; and now look forward to the start of EU and US clinical trials. Future revenues from this programme will derive from regulatory approval and sales milestones; royalties; and sales of product manufactured under contract for Merz.

In August we filed the Investigational Medicinal Product Dossier (IMPD) requesting approval to start a Phase I/II clinical trial for the evaluation of the CellBeads® in ICH and expect feedback within 90 days. A critical part of the submission was the extension of the Alzenau site’s drug manufacturing licence to include cellular products, which was received in August. We believe there only to be a small number of
manufacturing facilities in Europe that have achieved this standard.

The process of out-licensing the CellMed GLP-1 peptide is progressing.

**Financial Review**

The loss for the six months ended 30 June 2007 was £2.0m (H1 2006: profit of £1.8m, which included £5.2m of gain on sale of discontinued operation).

Revenue increased by 46% to £3.8m (H1 2006: £2.6m). Sales of Bead Products grew 27% to £2.0m (H1 2006: £1.6m), Licensing revenue increased 153% to £1.3m (H1 2006: £0.5m) and CellMed contributed £0.5m (H1 2006: £0.5m). Other operating income relates to government grants received by CellMed. Gross profit increased by 55% to £2.6m (H1 2006: £1.7m) as a result of sales of the higher margin Drug-Eluting Bead products and from the Abbott development programme and royalties on Medtronic’s Endeavor® Drug-Eluting Stent sales.

Operating expenses, increased by 6%, from £6.3m in H1 2006 to £6.6m in H1 2007. Selling and marketing costs remained at £1.0m. Research and development costs increased by 9% to £4.5m (H1 2006: £4.1m) mainly due to the PRECISION V clinical trial. Administrative expenses decreased by 9% to £1.1m (H1 2006: £1.2m) due to the combined effect of cost initiatives and provision movements.

We made a contribution to research and development costs, defined as gross profit less selling and marketing costs and administrative expenses, of £0.5m (H1 2006: deficit of £0.5m).

This was the second successive six month period of contribution (H2 2006: £0.4m) and represented 12% of sales (H1 2006: -19%, H2 2006: 12%). At a time of significant investment in the product pipeline, this measure focuses management on a key profit indicator until the business moves into overall profitability.

Overall, the operating loss decreased from £4.3m in H1 2006 to £3.8m in H1 2007.

The Group has recognised Research and Development tax credits of £0.7m (H1 2006: £0.1m), which are receivable from HM Revenue & Customs.

The net cash used in operating activities was only £0.4m (H1 2006: £3.6m), benefiting from the initial milestone received from Abbott under the supplemental agreement and a positive outcome in an additional R&D tax credit claim. Net cash generated from investing activities was £0.1m (H1 2006: used in £2.3m).

Net assets at 30 June 2007 were £40.1m (H1 2006: £39.0m), which included: cash, cash equivalents and available-for-sale financial assets of £36.7m (H1 2006: £37.5m) and goodwill and intangible assets arising from the acquisition of CellMed of £6.9m (H1 2006: £8.2m). Trade and other payables has increased to £5.4m (H1 2006: £2.8m) but includes £2.3m of deferred income (H1 2006: £1.5m).

We reiterate our guidance for revenue in the range of £8m to £10m and year end cash of £33m. This guidance ignores the effect of the milestone payment which is due from Abbott following Medtronic’s first US commercial sale of its Endeavor® stent.
## Consolidated Interim Income Statement

*for the six months ended 30 June 2007*

<table>
<thead>
<tr>
<th>Notes</th>
<th>Unaudited six months ended 30 Jun 2007 £000</th>
<th>Unaudited six months ended 30 Jun 2006 £000</th>
<th>Audited year ended 31 Dec 2006 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,770</td>
<td>2,582</td>
<td>5,964</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(1,187)</td>
<td>(913)</td>
<td>(2,209)</td>
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</table>

### Gross profit

<table>
<thead>
<tr>
<th>Notes</th>
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<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,583</td>
<td>1,669</td>
<td>3,755</td>
</tr>
<tr>
<td>Other operating income</td>
<td>239</td>
<td>290</td>
<td>491</td>
</tr>
<tr>
<td>Selling and marketing costs</td>
<td>(1,044)</td>
<td>(959)</td>
<td>(1,817)</td>
</tr>
<tr>
<td>Research and development costs</td>
<td>(4,499)</td>
<td>(4,128)</td>
<td>(8,375)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(1,087)</td>
<td>(1,199)</td>
<td>(2,005)</td>
</tr>
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</table>

### Operating loss

<table>
<thead>
<tr>
<th>Notes</th>
<th>£000</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>(3,808)</td>
<td>(4,327)</td>
<td>(7,951)</td>
</tr>
<tr>
<td>Interest payable and similar charges</td>
<td>(18)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>951</td>
<td>860</td>
<td>1,696</td>
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### Loss before tax

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<th>Notes</th>
<th>£000</th>
<th>£000</th>
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</thead>
<tbody>
<tr>
<td>Loss before tax</td>
<td>(2,875)</td>
<td>(3,467)</td>
<td>(6,255)</td>
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<tr>
<td>Tax credit</td>
<td>2</td>
<td>924</td>
<td>137</td>
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</table>

### Loss for the period from continuing operations

<table>
<thead>
<tr>
<th>Notes</th>
<th>£000</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss for the period from continuing operations</td>
<td>(1,951)</td>
<td>(3,330)</td>
<td>(5,253)</td>
</tr>
<tr>
<td>Gain on sale of discontinued operation, net of tax</td>
<td>–</td>
<td>5,151</td>
<td>10,276</td>
</tr>
</tbody>
</table>

### (Loss)/profit for the period

<table>
<thead>
<tr>
<th>Notes</th>
<th>£000</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss)/profit for the period</td>
<td>(1,951)</td>
<td>1,821</td>
<td>5,023</td>
</tr>
</tbody>
</table>

### (Loss)/earnings per share (basic and diluted)

<table>
<thead>
<tr>
<th>Notes</th>
<th>£000</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss)/earnings per share (basic and diluted)</td>
<td>(5.3)p</td>
<td>5.2p</td>
<td>14.1p</td>
</tr>
</tbody>
</table>

### Loss per share from continuing operations (basic and diluted)

<table>
<thead>
<tr>
<th>Notes</th>
<th>£000</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss per share from continuing operations (basic and diluted)</td>
<td>(5.3)p</td>
<td>(9.4)p</td>
<td>(14.8)p</td>
</tr>
</tbody>
</table>

### Earnings per share from discontinued operations (basic and diluted)

<table>
<thead>
<tr>
<th>Notes</th>
<th>£000</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share from discontinued operations (basic and diluted)</td>
<td>–</td>
<td>14.6p</td>
<td>28.9p</td>
</tr>
</tbody>
</table>
Consolidated Interim Balance Sheet  

at 30 June 2007

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<tr>
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<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
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</tbody>
</table>

**ASSETS**

**Non-current assets**
- Property, plant and equipment: 720 769 787
- Goodwill: 2,166 2,751 2,051
- Intangible assets: 4,707 5,478 5,026

**Total assets**: 7,593 8,998 7,864

**Current assets**
- Inventories: 399 460 364
- Current income tax assets: 675 609 979
- Trade and other receivables: 2,731 2,411 2,768
- Available-for-sale financial assets: – 16,633 143
- Cash and cash equivalents: 36,684 20,889 37,020

**Total assets**: 40,489 41,002 41,274

**EQUITY**

**Capital and reserves attributable to equity holders**
- Share capital: 8,010 7,755 8,010
- Share premium: 49,781 50,364 49,781
- Shares to be issued: 4 75 1,935
- Merger reserve: 20,789 19,192 20,789
- Other reserves: 47,800 47,763 47,792
- Retained earnings: (86,342) (87,994) (84,670)

**Total equity**: 40,113 39,015 41,702

**LIABILITIES**

**Non-current liabilities**
- Other payables: – 5,130 –
- Deferred income tax liabilities: 1,318 1,643 1,508
- Provisions: 5 137 756 820

**Total liabilities**: 1,455 7,529 2,328

**Current liabilities**
- Current income tax liabilities: – 400 –
- Trade and other payables: 5,351 2,776 4,540
- Provisions: 5 1,163 280 568

**Total liabilities**: 6,514 3,456 5,108

**Total liabilities**: 7,969 10,985 7,436

**Total equity and liabilities**: 48,082 50,000 49,138
## Consolidated Interim Statement of Changes in Equity

for the six months ended 30 June 2007 (unaudited)

<table>
<thead>
<tr>
<th>Notes</th>
<th>Share capital £000</th>
<th>Share premium £000</th>
<th>Shares to be issued £000</th>
<th>Merger reserve £000</th>
<th>Other reserves £000</th>
<th>Retained earnings £000</th>
<th>Total equity £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2006</strong></td>
<td>7,671</td>
<td>49,760</td>
<td>3,246</td>
<td>19,192</td>
<td>47,805</td>
<td>(90,121)</td>
<td>37,553</td>
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<tr>
<td>Fair value losses, net of tax:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– available-for-sale financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(42)</td>
<td></td>
<td>(42)</td>
</tr>
<tr>
<td>Currency translation adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Profit for the period</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Total recognised profit for the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(42)</td>
<td>1,846</td>
<td>1,804</td>
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<tr>
<td>New share capital issued</td>
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<td>12</td>
<td></td>
<td></td>
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<td></td>
<td>14</td>
</tr>
<tr>
<td>Shares in respect of acquisition of subsidiary</td>
<td>82</td>
<td>592</td>
<td>(674)</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Revaluation of consideration</td>
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<td></td>
<td>(637)</td>
<td></td>
<td></td>
<td></td>
<td>(637)</td>
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<tr>
<td>Share-based schemes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– value of employee services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>281</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2006</strong></td>
<td>7,755</td>
<td>50,364</td>
<td>1,935</td>
<td>19,192</td>
<td>47,763</td>
<td>(87,994)</td>
<td>39,015</td>
</tr>
<tr>
<td>Fair value losses, net of tax:</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– available-for-sale financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29</td>
<td></td>
<td>29</td>
</tr>
<tr>
<td>Currency translation adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(96)</td>
<td>(96)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total recognised profit for the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29</td>
<td>3,106</td>
<td>3,135</td>
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<tr>
<td>New share capital issued</td>
<td>25</td>
<td>9</td>
<td></td>
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<td>34</td>
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<tr>
<td>Acquisition of treasury shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(22)</td>
<td></td>
<td>(22)</td>
</tr>
<tr>
<td>Shares in respect of acquisition of subsidiary</td>
<td>230</td>
<td>(592)</td>
<td>(1,235)</td>
<td>1,597</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation of consideration</td>
<td></td>
<td></td>
<td>(700)</td>
<td></td>
<td></td>
<td></td>
<td>(700)</td>
</tr>
<tr>
<td>Share-based schemes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– value of employee services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>240</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2006</strong></td>
<td>8,010</td>
<td>49,781</td>
<td></td>
<td>20,789</td>
<td>47,792</td>
<td>(84,670)</td>
<td>41,702</td>
</tr>
<tr>
<td>Fair value losses, net of tax:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– available-for-sale financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Loss for the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1,951)</td>
<td></td>
<td>(1,951)</td>
</tr>
<tr>
<td>Total recognised loss for the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td>(1,951)</td>
<td>(1,943)</td>
</tr>
<tr>
<td>Shares in respect of acquisition of subsidiary</td>
<td>4</td>
<td></td>
<td>75</td>
<td></td>
<td></td>
<td></td>
<td>75</td>
</tr>
<tr>
<td>Share-based schemes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– value of employee services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>279</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2007</strong></td>
<td>8,010</td>
<td>49,781</td>
<td>75</td>
<td>20,789</td>
<td>47,800</td>
<td>(86,342)</td>
<td>40,113</td>
</tr>
</tbody>
</table>
## Consolidated Interim Cash Flow Statement

for the six months ended 30 June 2007

<table>
<thead>
<tr>
<th></th>
<th>Unaudited six months ended 30 Jun 2007 £000</th>
<th>Unaudited six months ended 30 Jun 2006 £000</th>
<th>Audited year ended 31 Dec 2006 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash used in operations</td>
<td>(2,314)</td>
<td>(4,770)</td>
<td>(5,840)</td>
</tr>
<tr>
<td>Interest received</td>
<td>829</td>
<td>457</td>
<td>1,076</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(18)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Tax credit received</td>
<td>1,063</td>
<td>667</td>
<td>667</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(440)</td>
<td>(3,646)</td>
<td>(4,097)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of subsidiary</td>
<td>–</td>
<td>(79)</td>
<td>(102)</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(47)</td>
<td>(124)</td>
<td>(279)</td>
</tr>
<tr>
<td>Disposals of property, plant and equipment</td>
<td>–</td>
<td>–</td>
<td>12</td>
</tr>
<tr>
<td>Purchases of available-for-sale financial assets</td>
<td>–</td>
<td>(5,341)</td>
<td>(14,133)</td>
</tr>
<tr>
<td>Proceeds from sale/redemption of available-for-sale financial assets</td>
<td>151</td>
<td>3,000</td>
<td>27,517</td>
</tr>
<tr>
<td>Interest received</td>
<td>–</td>
<td>226</td>
<td>1,231</td>
</tr>
<tr>
<td><strong>Net cash generated from/(used in) investing activities</strong></td>
<td>104</td>
<td>(2,318)</td>
<td>14,246</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from the issue of share capital</td>
<td>–</td>
<td>2</td>
<td>26</td>
</tr>
<tr>
<td><strong>Net cash generated from financing activities</strong></td>
<td>–</td>
<td>2</td>
<td>26</td>
</tr>
<tr>
<td><strong>Net (decrease)/increase in cash and cash equivalents</strong></td>
<td>(336)</td>
<td>(5,962)</td>
<td>10,175</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>37,020</td>
<td>26,851</td>
<td>26,851</td>
</tr>
<tr>
<td>Exchange losses on cash and bank overdrafts</td>
<td>–</td>
<td>–</td>
<td>(6)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>36,684</td>
<td>20,889</td>
<td>37,020</td>
</tr>
</tbody>
</table>
Notes to the Consolidated Interim Financial Statements

1. Accounting policies
These financial statements are the unaudited consolidated interim financial statements of Biocompatibles International plc, a company incorporated and domiciled in Great Britain, and its subsidiaries (together, ‘the Group’) for the six month period ended 30 June 2007.

These financial statements comprise the consolidated interim balance sheets as of 30 June 2007 and 30 June 2006 and related consolidated interim statements of income and cash flows for the six months then ended.

These financial statements have been prepared in accordance with the Listing Rules of the Financial Services Authority. In preparing these financial statements management has used the principal accounting policies as set out on pages 47 to 53 of the Group’s annual financial statements for the year ended 31 December 2006.

The Group has chosen not to adopt IAS 34, ‘Interim financial statements’, in preparing its 2007 interim statements and, therefore, this interim financial information is not in compliance with IFRS.

2. Taxation
The tax credit for the period includes an amount of £510,000 (Jun 2006: £nil and December 2006: £362,000) representing cash received under the HMRC Research and Development Tax Credit Scheme in relation to prior years.

3. Loss per share
The calculation of basic (loss)/earnings per ordinary share has been based on the loss of £1,951,000 (Jun 2006: profit of £1,821,000 and Dec 2006: profit of £5,023,000) and on 36,753,621 (Jun 2006: 35,268,407 and Dec 2006: 35,517,062) ordinary shares, being the weighted average number of ordinary shares in issue.

Potential ordinary shares are not treated as dilutive as their conversion to ordinary shares does not increase the net loss per ordinary share from continuing operations.

4. Business combinations
On 7 March 2005, the Group acquired 100% of the share capital of CellMed AG, a medical technology company developing medical device and drug delivery products in Germany. The remaining element of the purchase consideration for the acquisition of CellMed AG is as follows:
4. Business combinations continued

Contingent consideration

The total consideration included contingent consideration which may become payable in shares and cash calculated on cash received from the commercialisation of certain intellectual property. The Company has valued an element of this consideration based on cash that has been received or the receipt of which is probable. It continues not to value this consideration that is uncertain because it is not able to measure the consideration reliably. The maximum contingent consideration payable is €3,608,000 in cash and the issue of 2,418,823 shares. The Company has accounted for 40,504 shares to be issued in 2008, valued at £75,000.

5. Provisions

<table>
<thead>
<tr>
<th></th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 Jan 2007</td>
<td>1,388</td>
</tr>
<tr>
<td>Additional provision</td>
<td>43</td>
</tr>
<tr>
<td>Utilised during the period</td>
<td>(131)</td>
</tr>
<tr>
<td><strong>At 30 Jun 2007</strong></td>
<td><strong>1,300</strong></td>
</tr>
</tbody>
</table>

Provisions have been analysed between current and non-current as follows:

<table>
<thead>
<tr>
<th></th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>1,163</td>
</tr>
<tr>
<td>Non-Current</td>
<td>137</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,300</strong></td>
</tr>
</tbody>
</table>

Provisions relate to the potential outflow of funds in relation to the Group’s legal contracts, of which £644,000 relate to the disposals made in 2002 (June 2006: £667,000 and December 2006: £644,000).
6. Statement by the Directors

The financial information does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. This interim statement has not been audited by the Company’s Auditors. Statutory accounts for Biocompatibles International plc for the year ended 2006, on which the Auditors gave an unqualified report and did not contain any statements under section 237 of the Companies Act 1985, have been delivered to the Registrar of Companies. The Directors of Biocompatibles International plc accept responsibility for the information contained in this announcement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this announcement is in accordance with the facts and does not omit anything that is likely to affect the import of such information.

Copies of this statement are being posted to shareholders and will also be available on the investor relations pages of the Group’s website (www.biocompatibles.com). Further copies are available from the Company Secretary at Biocompatibles International plc, Chapman House, Farnham Business Park, Weydon Lane, Farnham, Surrey GU9 8QL.
MEMBERS OF THE BOARD OF DIRECTORS

Gerry Brown Chairman
Jeremy Curnock Cook Senior Non-Executive Director
Sir Thomas Harris Non-Executive Director
Tony Weir Non-Executive Director
Crispin Simon Chief Executive
Ian Ardill Finance Director and Company Secretary
Peter Stratford Managing Director, Farnham Product Development Centre
John Sylvester Managing Director, International

Board Committees

Audit Committee*
Members of the Audit Committee are:
  Tony Weir (Chairman)
  Jeremy Curnock Cook
  Sir Thomas Harris

Remuneration Committee*
Members of the Remuneration Committee are:
  Sir Thomas Harris (Chairman)
  Gerry Brown
  Sir Thomas Harris
  Tony Weir

Nomination Committee*
Members of the Nomination Committee are:
  Gerry Brown (Chairman)
  Jeremy Curnock Cook
  Sir Thomas Harris
  Tony Weir

*Terms of reference for the Board Committees are available on the Company’s Website www.biocompatibles.com

ADVISORS

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Piper Jaffray Limited
Fifth Floor
One South Place
London EC2M 2RB

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0870 600 3964

Auditors
PricewaterhouseCoopers LLP
The Atrium
1 Harefield Road
Uxbridge
Middlesex UB8 1EX

Solicitors
Linklaters
One Silk Street
London EC2Y 8HQ

UK Bankers
HSBC Bank plc
33 The Borough
Farnham
Surrey GU9 7NJ
Biocompatibles International plc is a public limited company incorporated in England on 3 April 1992.

Registered in England and Wales No: 2703724

Investment Information
Trading Symbol: LSE:BII
Shares Outstanding: 37,348,089
Employees: UK 68 (47 in R&D)
            Germany 26 (21 in R&D)

Major Holders
(13 September 2007)
Hunter Hall Investment Management Limited
Invesco English & International Trust plc
Aberforth Smaller Companies Trust plc
Dresdner Bank AG
Barclays plc

Analyst Coverage
Piper Jaffray Limited
Nomura Code Securities
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Our printers and paper merchant are fully accredited to the ISO 14001 environmental management standard.