Ablynx

Update following positive clinical trial results

Edison investment research

Study data may elicit a partner

Pharma & biotech

Ablynx's technology platform received further validation from the promising Phase II study data for ALX-0061, an anti-IL6 Nanobody for rheumatoid arthritis (RA), as well as the formation of a new collaboration with Merck & Co. ALX-0061 seems to compare favourably with Roche's Actemra, while offering the potential for a more convenient dosing schedule. The positive trial results could attract a partner for ALX-0061 and may even help with partnering of ATN-103 if the two products can be bundled together. We have increased our valuation by €20m to €521m.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/10	31.4	(24.0)	(56.9)	0.0	N/A	N/A
12/11	21.9	(43.3)	(99.1)	0.0	N/A	N/A
12/12e	27.4	(34.3)	(78.5)	0.0	N/A	N/A
12/13e	36.7	(29.8)	(68.1)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Promising initial data on ALX-0061

Initial data from a Phase II trial in RA with ALX-0061, an anti-IL-6R Nanobody, showed a promising evidence of efficacy, with encouraging improvements in the key markers of disease progression. Although a small trial, it suggests ALX-0061 is well tolerated. Furthermore, the Nanobody's safety and efficacy profile would appear to compare favourably with Roche's tocilizumab (Actemra), while potentially it could have a dose frequency advantage.

Aim to partner ALX-0061 could help ATN-103

Ablynx needs an appropriate partner to progress the ALX-0061 programme. The strength of the data could attract some partners, but RA is very competitive. As well as Roche's tocilizumab there are three other monoclonals targeting IL-6 or IL-6R in development. This competition led to UCB recently ceasing internal development of olokizumab (anti-IL-6). It is also possible that ALX-0061 and ATN-103 could be bundled together to provide an attractive package to a potential partner.

New alliance with Merck & Co

Ablynx has separately formed a new collaboration with Merck & Co to develop Nanobodies targeted towards a voltage-gated ion channel. The deal involves a €6.5m upfront and a €2m fee for research funding. A total of a further €448m in milestones could be payable as well as tiered royalties on eventual sales. There is an option for a second ion channel target with similar commercial terms.

Valuation: DCF valuation of €521m

We have increased our valuation by €20m to €521m after increasing the likelihood of ALX-0061 achieving peak sales of $900m by 20% to 30% and adding the potential milestone payments from the Merck & Co collaboration. The next significant catalyst could be the 24-week data on ALX-0061, an update on the potential licensing of ATN-103 or an announcement of another collaboration.

Ablynx is a research client of Edison Investment Research Limited

10 October 2012

Price	€5.78
Market cap	€253m

Shares in issue	43.7m
Free float	56%
Code	ABLX
Primary exchange	Brussels
Other exchanges	N/A

Share price performance

%	1m	3m	12m
Abs	93.3	96.6	44.1
Rel (local)	95.7	80.7	29.6
52-week high/low		€5.9	€2.2

Business description

Ablynx is a drug discovery company with a proprietary technology platform. It is developing a novel class of therapeutic proteins called Nanobodies to treat a range of indications. It has seven products in clinical development.

Next events

Q312 results	14 November 2012
24-wk data on ALX0061	Q1 2013

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Ablynx datasheet

Exhibit 1: Ablynx's R&D pipeline

Product (target)	Development stage	Indication	Notes
Caplacizumab (ALX-0081 and ALX-0681) (vWF)	Phase II	Acquired thrombotic thrombo-cytopenic purpura	Bivalent Nanobody (two identical Nanobodies), manufactured in E. coli. ALX-0081 is delivered intravenously and ALX-0681 subcutaneously. Phase II single-blind, placebo controlled trial in patients with acquired TTP (n=110, 40 sites worldwide) should report data in H213. ALX-0081 iv bolus injected followed by daily sc injections of ALX-0681 for the duration of plasma exchange and for up to 30 days. Primary endpoint is reduction in time to confirmed normalisation of platelet count. Three Phase I trials have been completed in a total of 123 patients. The development of ALX-0081 in acute coronary syndrome has been stopped as insufficient efficacy was detected in a Phase II trial (n=380).
ATN-103/ Ozoralizumab (TNFα)	Phase II	Rheumatoid arthritis (RA), psoriatic arthritis, ankylosing spondylitis, Crohn's disease	Bivalent Nanobody with half-life extension moiety (anti-HSA Nanobody). Phase II study (n=253) met primary endpoint: 72% of patients on 80mg sc dose every four weeks achieved ACR20 compared to 42% on placebo, p=0.006 at week 16. Results also suggested that 80mg every eight weeks might be efficacious. No dose limiting toxicity or increase in side effects was seen with increased dosing. Phase II open label extension (n=266) showed safety profile comparable to other TNFα inhibitors and suggested that ATN-103 might have lower immunogenicity than adilimumab. Single ascending dose Phase I study (US, Japan, rest of world, n=144) was successfully completed mid-2009. Programme was licensed to Wyeth in 2006. Pfizer returned rights in Nov 2011. Further trials are dependent on partnering.
ALX-0061 (IL-6R)	Phase II	RA	Monovalent Nanobody against the interleukin-6 receptor (IL-6R), with a half-life extension moiety (anti-HSA Nanobody). Phase I/II (n=64) with patients on stable methotrexate completed: in Phase I component (single-ascending dose up to 6mg/kg (iv), n=28) biomarkers changed as expected and in Phase II stage (MAD, n=36) ACR20 scores at week 12 were 67%, 80% and 56% with 1mg/kg every four weeks, 3mg/kg every four weeks and 6mg/kg every eight weeks, respectively, compared to 17% with placebo. Ablynx received €1.2m from the Flemish agency for Innovation by Science and Technology to support development. IL-6R targeted by Roche's tocilizumab (Actemra/RoActemra). Monovalent structure of ALX-0061 means that it cannot cause dimerisation of IL-6R.
ALX-0141 (RANKL)	Phase I	Prevention of SREs in metastatic solid tumours	Bivalent Nanobody, subcutaneous, with half-life extension moiety (anti-HSA Nanobody). Phase I study: single ascending dose (0.003-1mg/kg), double blind, randomised, placebo-controlled study in postmenopausal women (n=42); well tolerated and serum levels of bone biomarker CTX-1 suppressed in all patients that received drug (n=31); in 27 pts biomarker suppressed at 120 days; in four out of six pts on 1mg/kg still suppressed at nine months. Further development, probably a 300-600-pt Phase II head-to-head study vs Xgeva, is dependent on partnering.
ALX-0171 (RSV)	Phase I	Respiratory syncytial virus (RSV) infection	Trivalent Nanobody (three identical Nanobodies joined by linker peptides) that binds to protein F (fusion protein) on the RSV virus, preventing it from entering lung cells and multiplying. Delivered into lungs using a nebuliser, first non-injected Nanobody. Only one approved drug to prevent RSV infection, AstraZeneca's Synagis (FY11 sales of $1.0bn). In contrast ALX-0171 is being developed to treat RSV infection. Phase I trial (n=60) completed, Nanobody was well tolerated up to 210mg per day for five days, with no immunogenicity detected locally or systemically. Further Phase I studies to determine more accurately the PK profile or another in adults with hypersensitive lungs could start in 2013.
ATN-192 (TNFα)	Phase I	Rheumatoid arthritis	PEGylated version of ATN-103.
TAS266 (DR5)	Phase I	Solid tumours	Developed as part of the collaboration with **Novartis**, signed in 2005. Phase I study (n=36) underway (results: Jul 2013).
N/A (β amyloid*)	CTA submitted	Alzheimer's disease	Developed as part of the collaboration with **Boehringer Ingelheim**, signed in January 2007.

Source: Ablynx, Edison Investment Research. Note: * Target not disclosed or confirmed by Ablynx.

Update: Promising data and new alliance

Ablynx's Nanobody technology platform received further validation from positive Phase II trial data for ALX-0061 for RA, as well as a new collaboration with Merck & Co covering the development of Nanobodies to ion channel targets. Ablynx is developing a novel class of therapeutic proteins, termed Nanobodies, which have the specificity of monoclonal antibodies but offer many of the benefits of small molecule drugs. It has established a broad pipeline over the past 10 years, with six proprietary and two partnered projects in or approaching the clinic (see Exhibit 1). As detailed in a previous note, *Start of an important six months* (19 July 2012), the strength of Ablynx's Nanobody platform is becoming clearer and we expect this to result in formation of more partnerships.

Initial data from Phase II study with ALX-0061

Initial Phase II data with ALX-0061, Ablynx's second Nanobody for RA, shows promising levels of activity. The interim analysis at 12 weeks showed a significant improvement in the key markers of disease activity, with a strong efficacy indicated and an encouraging safety profile. The study will continue for a further 12 weeks, with the results of the full 24-week treatment expected in Q113. Meanwhile, these interim results will be used as a basis for discussions with potential partners, since Ablynx will only progress ALX-0061 to pivotal clinical trials with a collaboration in place.

ALX-0061 is an anti-IL-6R Nanobody that targets the IL-6 (interleukin) pathway, which plays a fundamental role in driving the inflammation in RA and is directly associated with the stage of disease and severity of joint damage. Current therapy guidelines for RA favour the early introduction of DMARDs (disease modifying anti-rheumatic drugs) once NSAIDs, steroids and methotrexate have failed, with TNFα blockers dominating the biological DMARDs segment (worth an estimated $8.2bn in 2011). The IL-6 approach is clinically and commercially attractive with Roche's Actemra (tocilizumab) finding rapid acceptance since its launch (EU in 2009 and US in 2010), as shown by the 39% growth at H112 and annual sales of over $700m. Industry forecasts suggest the IL-6 segment is set to maintain this growth as it becomes the preferred treatment option for TNFα-refractory patients and is used earlier in the treatment guidelines. It could be worth around $2.4bn by 2021.

Exhibit 2: ALX-0061 - efficacy at 12 weeks

Treatment arm	ACR20	ACR50	ACR70	DAS28 <2.6 (remission)
1mg/kg every 4 weeks (n=9)	67%	33%	22%	33%
3mg/kg every 4 weeks (n=10)	80%	50%	10%	60%
6mg/kg every 8 weeks (n=9)	56%	56%	44%	56%
Placebo (n=6)	17%	0%	0%	0%
Pooled data (n=28)	68%	46%	25%	50%

Source: Ablynx

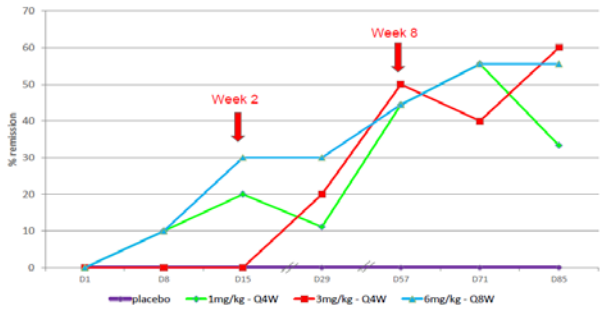
The interim results suggest that ALX-0061 is well placed to benefit from these commercial opportunities. There were 37 patients recruited to the multiple dose Phase II trial, with three dose groups (1mg/kg every four weeks, 3mg/kg every four weeks, and 6mg/kg every six weeks) and placebo. Three patients in the active groups withdrew from the study, but only one was related to treatment (allergic reaction). At the 12 week analysis, the 3mg/kg regimen was statistically significant in both the DAS28[1] remission and ACR20[2] scores compared to placebo. The 6mg/kg regimen was statistically significant for the DAS28 remission score, as was the pooled data. Interestingly, although

[1] DAS28 is an RA disease activity score based on C-reactive protein (CRP), tender and swollen joint counts of 28 defined joints and physician's global health assessment; where a total score of >5.1 is associated with high disease activity, moderate is from 3.2 to 5.1, low disease from 3.2 to 2.6 and remission if <2.6.
[2] ACR criteria measure improvement in tender or swollen joint counts and improvement in three of five other disease-activity measures: ACR20 measures the percentage of patients with a 20% improvement, ACR50 measures the number with a 50% improvement, and ACR70 measures those with a 70% improvement.

comparing across clinical trials is fraught with difficulties, ALX-0061 posted the highest pooled DAS28 remission data at 12 weeks (50%) among the IL-6 inhibitors that are either marketed or currently in clinical development (eg tocilizumab 38%, sarilumab 21% and clazakizumab 24%) to date.

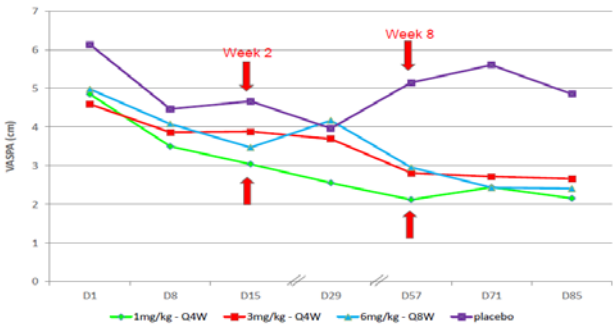
IL-6 pathway inhibitors typically see a fast onset of clinical effect since IL-6 is a major driver of inflammation. ALX-0061 showed the expected rapid effect (Exhibit 3), with the earliest onset of DAS28 remission seen at week two and over 40% of patients achieving DAS28 remission at week eight at all dose levels.

Exhibit 3: Fast onset of DAS28 remission



Source: Ablynx

Exhibit 4: VAS patient assessment of disease activity



Source: Ablynx

The VAS is a visual scale ranging from one to 10 that allows patients to easily score their assessment of disease severity and the impact it has on their well being. This is a valuable measure since it can show the relative agreement between a physician's clinical assessment and a patient's perception of a drug's usefulness. Exhibit 4 shows how after an initial close correlation between all groups (arguably caused by a Hawthorne effect), the placebo arm fails to maintain its improvement while all three treatment arms show a clear and sustained perception of improvement.

The safety profile also appears promising, with few serious adverse events (3%) and treatment being well tolerated and comparing favourably with other DMARDs. Interestingly, there were no cases of neutropenia, no serious infections, no changes in lipid levels and no clinically significant raises of liver enzymes.

Exhibit 5: Biologic anti-IL-6 projects in clinical development or on the market

Product/Company	Target	Stage	Notes
Actemra (tocilizumab), **Roche**	IL-6R	Market	Approved for RA, JIA. FY11 sales: $694m.
Sarilumab **Regeneron/Sanofi**	IL-6R	Phase III	1,594-pt Phase II/III trial in RA pts with inadequate response to MTX (results: Oct 2013). 1,900-pt Phase III trial in RA on top of DMARDs (results: May 2016).
ALX-0061/**Ablynx**	IL-6R	Phase II	Being developed for RA. 38-pt Phase II study (results Oct 2012). Positive results.
Sirukumab/**J&J**	IL-6	Phase III	1,500-pt Phase III study in RA on top of DMARD therapy (results: Jul 2016). 990-pt Phase III study in RA on top of anti-TNF-α therapy (results: Sept 2015). 21-pt Phase II study in lupus nephritis.
clazakizumab **BMS/Alder**	IL-6	Phase II	Being developed for RA, CD & PsA. 210-pt Phase IIb study in RA patients unresponsive to methotraxate (results: Sept12). 150-pt Phase IIb study in psoriatric arthritis (results: June 2013). 288-pt Phase IIb study in CD (results: Nov 2015).
olokizumab/**UCB**	IL-6	Phase II	120-pt Phase II study in RA patients who have failed TNFα therapy (results: Sept 2012) Positive results, with efficacy similar to tocilizumab, however insufficiently differentiated. UCB evaluating "appropriate options".

Source: Edison Investment Research. Note: RA – rheumatoid arthritis; JIA – juvenile idiopathic arthritis; CD – Crohn's disease; PsA – psoriatic arthritis.

Admittedly the trial was small and so the results need to be confirmed by larger studies, but it does suggest that ALX-0061 has a worthwhile efficacy/safety profile and may have the potential to differentiate itself in what is becoming a more competitive market (Exhibit 5). Currently there is only one

IL-6R inhibitor (tocilizumab, Roche) on the market, with one other in Phase III trials (sarilumab, Regeneron/Sanofi) and a further two IL-6 inhibitors in Phase II development. Tellingly, UCB announced on 26 September 2012 that while olokizumab showed positive efficacy compared to placebo in a Phase II study, it was not sufficiently differentiated from tocilizumab to warrant further development in the absence of a partner. Conversely, ALX-0061 would seem to have potential for significant commercial differentiation.

In contrast, ALX-0061 does have at least the potential for a dose frequency advantage. Tocilizumab (marketed as Actemra/RoActemra) is approved for moderate-to-severe RA (after failure on one or more anti-TNF agents) and is administered at between 4-8mg/kg every four weeks. The study suggests that ALX-0061 could have similar efficacy at c 1mg/kg (based on its relative molecular weight) and hence the 6mg/kg dose may allow efficacy to be maintained with the convenience of dosing once every eight weeks. A better picture should emerge in Q113 when 24 week treatment data become available, including patients that switch arms from placebo and to those who move up to higher doses, up to 6mg/kg every four weeks, if not in remission.

Potential partnering of ALX-0061

Clearly the next step is to seek an appropriate partner to progress ALX-0061 further, most likely involving a larger Phase II study before going through to the pivotal stages of clinical development. Ablynx does not have the financial resources to conduct the necessary Phase III trial programmes, which we estimate could cost c $250m, suggesting collaboration with a major multinational company is required. From a partnering perspective there could be more interest in this product than ATN-103, a TNFα inhibitor, as there is only one IL-6R inhibitor (tocilizumab, Roche) on the market and one other in clinical development (sarilumab, Regeneron/Sanofi). Also Roche has just shown that tocilizumab as monotherapy has the same efficacy in treating RA as adalimumab in combination with methotrexate and better than adalimumab as monotherapy. It is also possible that Ablynx could bundle ALX-0061 with ATN-103, so that a potential partner could be the marketer of two different Nanobodies for the treatment of RA.

The study suggests ALX-0061 has a promising profile, with licensing partners likely to focus on:

- Efficacy – an early onset of activity is expected from an IL-6R inhibitor and this was confirmed. More importantly, the improvement in DAS28 remission and ACR20 scores suggest activity at least comparable to the leading IL-6 acting drugs marketed or known to be in development.
- Dosing – the potency seen suggests the dosing and administration can be flexed to suit circumstances, with the convenience of 8 week dosing being a real possibility. This could prove to be a useful differentiator against established products.
- Safety – the patient sample was small, but the safety profile was encouraging with none of the key clinical markers being an issue.
- Cost – in contrast with a number of biologicals, ALX-0061 could benefit from an attractive (relatively low) cost of production, which could provide a useful pricing advantage in the market.

New alliance with Merck & Co

Ablynx has announced a new collaboration with Merck & Co to develop Nanobodies that are targeted towards a voltage-gated ion channel. The deal involves a €6.5m upfront and a €2m fee for research funding. Assuming suitable progress is made, a total of a further €448m in milestones could be payable as well as tiered royalties on eventual sales. There is an option for a second ion channel target with similar commercial terms.

The deal is noteworthy because to date monoclonal antibodies have shown little success in targeting ion channels. Ablynx has demonstrated that it can develop Nanobodies that act against both voltage-gated and ligand-gated ion channels, with effects that are either agonistic or antagonistic as desired. The deal with Merck & Co helps validate the technology platform and reassures that Nanobodies have the potential to become a significant and novel means to target a number of major diseases ranging from cardiovascular indications through to metabolic disorders.

An updated list of collaborators is shown in Exhibit 6.

Exhibit 6: Ablynx's collaborations

Partner	Value	Indication	Notes
Novartis	Undisclosed milestones + royalties	Oncology/ undisclosed	Signed 2005. Covers TAS266, an agonistic tetrameric Nanobody to Death Receptor 5 (DR5), and a programme in early preclinical studies. 36-pt Phase I study with TAS266 to start shortly (completion: February 2014).
Boehringer Ingelheim	$265m in milestones + royalties	Alzheimer's disease	Signed Jan 2007 for the development of a Nanobody for Alzheimer's disease, a CTA has been submitted to European regulators to start a Phase I trial.
Boehringer Ingelheim	€1.3bn + milestones (€125m/programme + royalties	Immunology, oncology, respiratory disease	Signed Sept 2007, covers 10 targets with first-in-class Nanobodies for oncology and undisclosed indications. Ablynx has option to co-promote in certain EU countries.
Merck Serono	€10m upfront + potential €325m or profit share	Immunology/ oncology	Signed Sept 2008. R&D costs shared equally on two programmes (ALX-0761 in preclinical studies). Ablynx has option to partial or full opt-out in exchange for reduced profit share or milestones and royalties on sales at pre-agreed points.
Merck Serono	€10m upfront + €15m on IND + milestones or profit share	Inflammation	Signed Oct 2010. Ablynx has sole responsibility for preclinical development bar manufacturing. The Nanobody will then be co-developed or Ablynx can turn the collaboration into a licensing deal. Covers one Nanobody programme.
Merck Serono	€20m upfront + €15m per IND + milestones or profit share	Osteoarthritis	Signed Nov 2011 (similar terms alliance formed in 2010). Ablynx has sole responsibility for preclinical activities and costs (except those associated with manufacturing and certain in vivo models). Covers two programmes.
Merck & Co	€6.5m upfront, €2m of research funding, + €448m in milestones and royalties.	N/A	Signed Oct 2012. Ion channel target is undisclosed. Includes option for a second ion channel target with similar commercial terms.

Source: Edison Investment Research

Sensitivities

The main uncertainties with Ablynx are the outcome of clinical trials and the ability to partner the lead products, especially ATN-103 and ALX-0061, to partners on favourable economic terms. Ablynx will also have to navigate the regulatory hurdles, especially with the development of a new class of therapeutic proteins. Concerns over the use of proteins derived from llamas as therapeutic agents have, however, been essentially eliminated. Various Nanobodies have been well tolerated in >700 healthy volunteers and recent data from the OLE Phase II data in RA suggested that the immunogenicity of ATN-103 was lower than that of the fully human antibody adalimumab.

In the near term, the shares are most sensitive to Ablynx's ability to make progress in finding partners for ATN-103 and ALX-0061. Other factors that could affect Ablynx's share price performance in the short term are the potential formation of new collaborations, progress with other Nanobodies and possible licensing deals, such as with ALX-0141. Fortunately, the company's future is not dependent on a single clinical trial or licensing/collaboration deal because of its broad pipeline and strong cash position (cash position at H112 was €76.5m).

Valuation

We have increased our DCF valuation of Ablynx from €501m to €521m (€11.93 per share) to reflect the progress seen with ALX-0061; the key assumptions are detailed in Exhibit 8. The main changes to the valuation have been the increase in risk adjustment for ALX-0061 from a 20% to 30% probability of success. We have also adjusted to reflect the terms of the Merck deal, notably the €6.5m upfront fee. We may, In due course, review the assumptions for ATN-103 and ALX-0061 based on indications about the potential success and economics of licensing deals, noting that ALX-0061 addresses a segment of the RA market with considerably less entrenched incumbents than is the case for ATN-103.

Exhibit 7: Valuation of Ablynx

Value driver	Value (€m)	Value per share (€)	Notes
ATN-103 royalties	298.9	6.84	For RA and other autoimmune diseases; launch date: 2018; peak sales: $2.40bn; risk adjustment 40%; royalty: 18%
ALX-0081/0681 royalties	87.7	2.01	For TTP; launch date: 2015; peak sales: $296m; risk adjustment 40%; royalty: 22.5%
ALX-0141 royalties	72.1	1.65	For bone metastases (possibly osteoporosis); launch date: 2018; peak sales: $912m; risk adjustment 30%; royalty: 12.5%
ALX-0061 royalties	91.4	2.09	For RA and other autoimmune diseases; launch date: 2018; peak sales: $903m; risk adjustment 30%; royalty: 17%
ALX-0171 royalties	43.8	1.00	For RSV infections; launch date: 2016; peak sales: $800m; risk adjustment 10%; royalty: 17%
Revenues	45.3	1.04	Revenues adjusted for deferred income and excluding potential milestones
Boehringer Ingelheim milestones	135.3	3.10	Risk-adjusted milestones from both drug discovery collaborations
Merck Serono milestones	79.5	1.82	Risk-adjusted milestones assuming Ablynx does not exercise option to co-develop/co-promote products from the three collaborations
Merck & Co milestones	11.6	0.27	Risk-adjusted milestones from one drug discovery collaboration
R&D	(333.8)	(7.64)	
Admin	(60.2)	(1.38)	
Tax	(25.0)	(0.57)	
Net cash	74.4	1.70	Net estimated cash at FY12 (including €6.5m Merck & Co Inc fee)
Total	**521.1**	**11.93**	

Source: Edison Investment Research. Note: WACC of 12.5% is used. rNPV reflects Ablynx's obligation to pay a low single-digit royalty to GlaxoSmithKline on its first five commercialised products as a result of an IP settlement.

Financials

Ablynx is well capitalised (H112 cash: €76.5m). This should fund operations into 2015 assuming it can generate revenues from the formation of new alliances or receive milestone payments from existing alliances such that it can limits cash burn to €20-25m pa. We estimate that the company's cash burn will be €24.2m and €23.0m in FY12 and FY13 respectively.

Exhibit 8: Financial summary

€'000s	2009	2010	2011	2012e	2013e	2014e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue	**29,683**	**31,432**	**21,869**	**27,420**	**36,729**	**42,238**
Cost of Sales	0	0	0	0	0	0
Gross Profit	29,683	31,432	21,869	27,420	36,729	42,238
EBITDA	**(19,556)**	**(22,988)**	**(42,751)**	**(33,670)**	**(28,606)**	**(25,682)**
Operating Profit (before GW and except.)	**(21,962)**	**(25,378)**	**(44,920)**	**(35,601)**	**(30,470)**	**(27,576)**
Intangible Amortisation	(198)	(487)	(609)	(581)	(529)	(519)
Operating Profit	**(22,160)**	**(25,865)**	**(45,529)**	**(36,181)**	**(30,999)**	**(28,095)**
Net Interest	2,165	1,395	1,634	1,284	712	113
Profit Before Tax (norm)	**(19,797)**	**(23,983)**	**(43,286)**	**(34,316)**	**(29,758)**	**(27,463)**
Profit Before Tax (FRS 3)	**(19,995)**	**(24,470)**	**(43,895)**	**(34,897)**	**(30,287)**	**(27,982)**
Tax	0	0	0	0	0	0
Profit After Tax (norm)	**(19,797)**	**(23,983)**	**(43,286)**	**(34,316)**	**(29,758)**	**(27,463)**
Profit After Tax (FRS 3)	**(19,995)**	**(24,470)**	**(43,895)**	**(34,897)**	**(30,287)**	**(27,982)**
Average Number of Shares Outstanding (m)	36.9	42.2	43.7	43.7	43.7	43.7
EPS - normalised (c)	(53.7)	(56.9)	(99.1)	(78.5)	(68.1)	(62.9)
EPS - FRS 3 (c)	(54.3)	(58.0)	(100.5)	(79.9)	(69.3)	(64.0)
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets	**4,277**	**10,319**	**11,979**	**11,972**	**12,016**	**12,166**
Intangible Assets	799	1,416	1,018	917	868	829
Tangible Assets	3,478	4,692	4,984	4,415	4,508	4,697
Other	0	4,211	5,977	6,640	6,640	6,640
Current Assets	**97,645**	**121,070**	**86,550**	**63,184**	**43,016**	**22,736**
Stocks	0	0	0	0	0	0
Debtors	1,697	5,277	2,233	1,502	2,013	2,314
Cash	92,321	112,842	80,822	57,939	37,262	16,680
Other	3,627	2,951	3,495	3,742	3,742	3,742
Current Liabilities	**(25,796)**	**(29,465)**	**(38,147)**	**(48,253)**	**(56,535)**	**(62,412)**
Creditors	(7,200)	(7,582)	(9,867)	(8,540)	(9,175)	(9,542)
Short term borrowings	(3)	(322)	(805)	(815)	(815)	(815)
Other	(18,593)	(21,561)	(27,475)	(38,898)	(46,546)	(52,055)
Long Term Liabilities	**0**	**(1,134)**	**(1,752)**	**(1,341)**	**(1,341)**	**(1,341)**
Long term borrowings	0	(1,134)	(1,752)	(1,341)	(1,341)	(1,341)
Net Assets	**76,126**	**100,790**	**58,630**	**25,562**	**(2,844)**	**(28,851)**
CASH FLOW						
Operating Cash Flow	**(22,243)**	**(21,962)**	**(32,302)**	**(22,336)**	**(18,952)**	**(18,132)**
Net Interest	2,332	1,361	1,689	1,317	712	113
Capex	(1,883)	(3,007)	(2,672)	(1,840)	(2,437)	(2,563)
Financing	527	47,331	164	37	0	0
Net Cash Flow	(21,267)	23,723	(33,121)	(22,823)	(20,677)	(20,582)
Opening net debt/(cash)	**(113,474)**	**(92,318)**	**(114,386)**	**(81,265)**	**(58,443)**	**(37,766)**
Other	111	(1,655)	0	(0)	(0)	0
Closing net debt/(cash)	**(92,318)**	**(114,386)**	**(81,265)**	**(58,443)**	**(37,766)**	**(17,184)**

Source: Edison Investment Research, company accounts