

CELLTECH GROUP PLC
Form 20-F
June 25, 2004
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-10817

CELLTECH GROUP PLC

(Exact name of Registrant as specified in its Charter)

ENGLAND AND WALES

(Jurisdiction of incorporation or organization)

208 BATH ROAD

SLOUGH

BERKSHIRE SL1 3WE

ENGLAND

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
|---|--|
| Ordinary Shares, nominal value 50 pence sterling per share | New York Stock Exchange* |

* Listed, not for trading, but only in connection with the listing of the issuer's American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each class of the issuer's capital or common stock as of the close of the period covered by the annual report.

277,654,453 Ordinary Shares, nominal par value 50 pence sterling per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

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FORWARD LOOKING STATEMENTS

We have made forward-looking statements in this annual report that are based on the beliefs of our management as well as assumptions made by and information currently available to us. These statements include those addressed to the completion of research and clinical trials involving our products, the receipt of regulatory approvals, the acquisition of other companies in the biopharmaceutical industry and the integration thereof into our group, the adequacy of our capital resources, trends relating to the biopharmaceutical industry and others. When used in this document, the words anticipate, believe, estimate, expect, plan, intend, will and may and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements.

Forward-looking statements reflect our current view with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from the future results, performance or achievements that may be expressed or implied by the forward-looking statements, including, among others, those set forth elsewhere in this annual report, especially in Item 3 Key Information Risk Factors, Item 4 Information on the Company Business Overview Government Regulation and Item 5-Operating and Financial Review and Prospects, in our reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and the following:

the consummation of the proposed acquisition of our company by UCB S.A., described in Item 4 below;

the results of research and pre-clinical and clinical trials involving our products;

the failure to receive regulatory approvals on a timely basis or at all and to maintain them once received;

the loss of or inability to obtain patent or trademark protection for certain products;

legislative and regulatory changes relating to pharmaceutical products, including those related to mandated prices for our pharmaceutical products;

the difficulties inherent in scaling pilot manufacturing processes up to commercial levels;

the failure to maintain adequate capital resources;

the difficulties inherent in integrating acquired businesses into the Company's business operations;

the introduction of competing products by other companies or other events that change anticipated levels of demand for products;

disruption to our Rochester or Bardsley Vale facilities;

the lack of acceptance of any new products we may develop;

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failure of government agencies and other third party payers to reimburse drug and treatment costs of our products;

changes in currency exchange rates and interest rates;

changes in general economic and business conditions;

the outcome of pending legal proceedings;

the failure of our development, manufacturing and marketing partners to perform our contractual obligations;

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the decision of our research and development partners to terminate their collaborations with us.

changes in business strategy; and

unidentified side effects of, or adverse publicity in respect of, our products.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this annual report as anticipated, believed, estimated, expected, planned or intended. We disclaim any obligation to update the forward-looking statements contained herein.

CURRENCIES AND EXCHANGE RATES

We publish our financial statements in pounds sterling. In this annual report, references to US dollars, \$ or ¢ are to the currency of the United States (US) and references to pounds sterling, pounds, sterling, £, pence or p are to the currency of the United Kingdom (UK). There are each \$1.00 and 100p to each £1.00.

Solely for your convenience, we have translated certain pounds sterling amounts in this annual report into US dollars. The rate of translation is based on the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York on the various dates specified where the translations are set forth in this annual report. These translations should not be taken as assurances that the sterling amounts actually represent these US dollar amounts or were or could be converted in US dollars at the rate indicated or at any other rate. When we refer to the noon buying rate in this annual report, we are referring to this rate. The noon buying rate was \$1.82 per £1.00 on June 14, 2004. See Item 3 Key Information Risk Factors Currency Fluctuations .

PART I.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CELLTECH

The following selected historical consolidated financial data of Celltech Group plc and subsidiaries (referred to herein interchangeably as Celltech, the company, the group, we and us) have been derived from the audited Consolidated Financial Statements of Celltech as of December 31, 2003 and 2002, and for the years ended December 31, 2003, 2002 and 2001 included elsewhere in this annual report. The financial results of Oxford Glycosciences PLC (OGS) have been consolidated within our financial results with effect from April 14, 2003. The selected consolidated financial data as of December 31, 2000 and September 30, 1999 for the years ended December 31, 2000 and September 30, 1999 are derived from the audited financial statements included in our annual reports to shareholders for the relevant years, reclassified where appropriate to conform with our presentation. In 1999, we changed our financial year-end from September to December and accordingly we present results for the 15 months

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ended December 31, 1999 and the three months ended December 31, 1999. The selected financial data are qualified by, and should be read in conjunction with, the financial statements included elsewhere in this annual report.

Our financial statements are prepared in accordance with UK GAAP which differs from US GAAP. The significant differences applicable to us are set out in Note 30 of Notes to the Financial Statements of Celltech included elsewhere in this annual report.

| | Year Ended December 31, 2003 | Year Ended December 31, 2002 | Year Ended December 31, 2001 | Year Ended December 31, 2000 | 15 Months Ended December 31, 1999 | 3 Months Ended December 31, 1999 | Year Ended September 30, 1999 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|---|-------------------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| (in millions, except share and per share data) | | | | | | | |
| Profit and loss account data | | | | | | | |
| AMOUNTS IN ACCORDANCE WITH UK GAAP | | | | | | | |
| Sales | 353.3 | 329.6 | 303.1 | 235.5 | 55.4 | 4.7 | 50.7 |
| Cost of sales | (101.5) | (94.7) | (83.5) | (69.7) | (21.3) | (1.1) | (20.2) |
| Gross profit | 251.8 | 234.9 | 219.6 | 165.8 | 34.1 | 3.6 | 30.5 |
| Research and development | (106.1) | (95.7) | (90.7) | (74.8) | (81.6) | (19.9) | (61.7) |
| Selling, marketing and distribution expense | (67.4) | (71.5) | (78.6) | (46.8) | | | |
| Corporate, general and administrative | (144.4) | (120.5) | (125.3) | (476.0) | (14.0) | (2.7) | (11.3) |
| Other operating income | 2.5 | 8.1 | 18.8 | 4.6 | 24.2 | 2.4 | 21.8 |
| Operating loss | (63.6) | (44.7) | (56.2) | (427.2) | (37.3) | (16.6) | (20.7) |
| (Loss)/profit on ordinary activities before taxation | (82.5) | (43.3) | (52.6) | (425.6) | 38.2 | 66.5 | (28.3) |
| (Loss)/profit for the period | (53.9) | (45.8) | (55.5) | (424.5) | 36.6 | 67.9 | (31.3) |
| (Loss)/earnings per share basic | (19.5)p | (16.7)p | (20.3)p | (161.6)p | 24.8p | 45.6p | (21.5)p |
| (Loss)/earnings per share diluted | (19.5)p | (16.7)p | (20.3)p | (161.6)p | 24.3p | 44.6p | (21.5)p |
| Weighted average number of shares basic | 276.4 | 275.4 | 274.5 | 262.8 | 146.5 | 148.6 | 146.2 |
| Weighted average number of shares diluted | 278.0 | 277.9 | 279.0 | 269.3 | 150.5 | 152.3 | 146.2 |
| AMOUNTS IN ACCORDANCE WITH US GAAP | | | | | | | |
| Net sales | 343.0 | 328.1 | 303.1 | 235.5 | 18.0 | 4.5 | 13.5 |
| | (107.2) | (99.4) | (99.1) | (74.8) | (52.1) | (19.6) | (32.5) |

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|----------------------------|-----|--------|--------|---------|--------|--------|--------|
| Research and development | | | | | | | |
| Operating profit/(loss) | 0.3 | (9.0) | (82.8) | (174.9) | (55.5) | (22.2) | (33.3) |
| Profit/(loss) before taxes | 3.0 | (7.6) | (79.2) | (173.3) | (51.7) | (20.8) | (31.0) |
| Net profit/(loss) | 6.0 | (15.2) | (85.8) | (177.2) | (51.9) | (19.4) | (32.6) |
| Basic an | | | | | | | |