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***NeuTec* Pharma plc to seek admission to AIM**

Overview

NeuTec Pharma plc ("*NeuTec*" or the "Company"), a biopharmaceutical company formed in 1997 by Professors James Burnie and Ruth Matthews of the University of Manchester, both medical doctors, announces its intention to seek admission to the Alternative Investment Market ("AIM") of the London Stock Exchange ("Admission").

NeuTec is developing a portfolio of antibody-based therapeutic products designed to treat life-threatening infections, particularly hospital-acquired infections, such as methicillin resistant *Staphylococcus aureus* ("MRSA"), which are increasingly resistant to conventional antibiotics.

Such infections are now a leading cause of death in many parts of the world. In the US, for example, more than 2 million hospital-acquired infections occur annually with almost 100,000 related deaths, making it amongst the top ten leading causes of death. This accounts for more than 8 million days of extended hospital stay, resulting in more than US\$4.5 billion in additional healthcare costs. In the UK, hospital-acquired infections account for at least 100,000 infections a year, resulting in an estimated annual cost to the NHS of approximately £1 billion.

The development of *NeuTec*'s products differs from the traditional approach used by conventional pharmaceutical companies which screen numerous chemical compounds for activity against bacteria and fungi. Many of these compounds will be too toxic for human use. In contrast, *NeuTec* identifies naturally occurring human antibodies in patients recovering from bacterial and fungal infections and then uses these to generate genetically recombinant antibodies ("grabs") to treat these infections. As a result, these "grabs" are intrinsically likely to be safer and more therapeutically active.

NeuTec's two lead products are Mycograb® and Aurograb®. Mycograb® targets invasive candidiasis, an important and life-threatening form of yeast infection, and is currently in Phase II clinical trials. Aurograb® targets *Staphylococcus aureus*, the most common hospital-acquired infection, including MRSA of which there are an estimated 1.5 million cases annually worldwide. A clinical trial exemption certificate ("CTX") has been applied for in respect of Aurograb®, with Phase II clinical trials anticipated to commence in 2002.

NeuTec intends to seek admission to AIM in February 2002 by way of a placing of new ordinary shares with institutional investors to raise approximately £10 million net of expenses (the "Placing"). No existing shareholders are selling shares in the Placing such that the directors and the University of Manchester will retain significant equity holdings post-Admission. Hoare Govett Limited is acting as nominated adviser and broker to the Company.

***NeuTec* Pharma plc to seek admission on AIM (contd.)**

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Professor James Burnie, Chief Executive Officer of *NeuTec*, said:

“Our products are designed to stop antibiotic resistant infections from killing people. A solution to this significant, unmet clinical need could result in tens of thousands of lives being saved every year across the world.

“We believe that *NeuTec*’s products have the potential to increase the effectiveness of existing antibiotics and to significantly reduce the spread of hospital-acquired antibiotic resistant infections.”

(Full details attached)

Antibiotic resistance and the pharmaceutical industry

Before antibiotics became widely available in the 1940's, patients suffered from life-threatening bacterial infections such as pneumonia, wound infections, meningitis and septicaemia, which were virtually untreatable. Then, for over 50 years, antibiotics provided the ability to cure and prevent these infections. They revolutionised medicine worldwide, providing cures for many formerly life-threatening infections and became the essential ingredient in most modern medical and surgical practices. Without antibiotics many patients would die, not from the underlying disease, but from infectious complications.

However, within a relatively short period of time of introducing an antibiotic, some bacteria become resistant to it such that the antibiotic loses its effectiveness against the infections caused by the bacteria. Pharmaceutical companies have responded by modifying existing antibiotics or by generating new classes. However, this is a slow process associated with high research and development costs, long lead times and a high risk of product failure. While modification of existing antibiotics may be more economically viable, resistance is more likely to develop sooner rather than later if the new treatment is a variant of an existing antibiotic rather than a new class of antibiotic.

There is worldwide concern that the pace of development of new classes of antibiotics has slowed down, so widening the gulf between infections and the means to treat them.

Introduction to NeuTec

NeuTec is a biopharmaceutical company specialising in the development of antibody-based therapeutics for the treatment of life-threatening infections, particularly those hospital-acquired infections, such as MRSA and systemic candidiasis, which are increasingly resistant to conventional antibiotics.

Antibodies are an important component of the body's defence system against infectious diseases. The Company's approach is to identify naturally occurring protective antibodies from patients who have recovered from an infection and to then use these to generate "grabs". It is intended that these "grabs" will be given as a therapeutic treatment either in combination with existing antibiotics or antifungals, to reduce the mortality rate of life-threatening infections, or alone, where no suitable antibiotic or antifungal treatment exists. In addition, over the longer term, "grabs" may be used as part of a preventative regime.

NeuTec was founded in 1997 by Professors James Burnie and Ruth Matthews, now Chief Executive Officer and Research and Development Director respectively, both of whom are medical doctors and who between them have nearly 40 years experience of investigating clinical infectious diseases and immunology.

The founding scientific team, led by Professors Burnie and Matthews, the related technological know-how and early patent portfolio created by them at the University of Manchester were transferred to *NeuTec* on its formation in 1997. In that year, the Company raised approximately £1.2 million of initial funding from ABN AMRO Ventures B.V. and then subsequently raised approximately £6.1 million in 1998 from, amongst others, 3i Group plc to enable the Company to fund its research and development programmes.

The principal shareholders of *NeuTec* are 3i Group plc with 39.0 per cent, the directors with 16.0 per cent, the University of Manchester with 14.5 per cent, ABN AMRO Ventures B.V. with 11.0 per cent and Hoare Govett Limited with 3.7 per cent.

NeuTec currently employs ten full-time employees, including the executive directors, the majority of whom are post-doctoral scientists.

NeuTec has excellent relationships with the University of Manchester and those associated teaching hospitals with which the Company works. These relationships are a strategic advantage for *NeuTec*, providing authorised and consented access to patient blood samples from which to identify bacterial and fungal targets and the potentially protective antibodies associated with them. The University of Manchester provides the premises from which the Company operates. James Burnie is Professor of Medical Microbiology and Ruth Matthews is Professor of Infectious Diseases, both also being honorary consultants.

***NeuTec's* product portfolio**

NeuTec has identified a pipeline of 8 potential therapeutic targets and has filed 14 families of patent applications on major bacterial and fungal infections and associated antibody technology, of which 55 patents have been granted to date.

The Company's two lead products are:

Mycograb®, a “grab” targeting systemic candidiasis, a life-threatening fungal infection which accounts for 7 per cent of all hospital-acquired infections in the US. Post-surgical and immunocompromised patients are particularly at risk from this infection. *NeuTec* has been granted Orphan Drug Status for Mycograb® in Europe by the European Medicines Evaluation Agency (“EMA”), which provides for a 10 year exclusive marketing period for the product, once regulatory marketing approval has been obtained.

Mycograb® has successfully completed a pre-clinical toxicology programme and first human studies to assess safety and pharmacokinetics. Phase II clinical trials in the UK commenced in the third quarter of 2001. This is a 60 patient multicentre trial.

Aurograb®, a “grab” targeting *Staphylococcus aureus*, including MRSA and vancomycin-resistant *Staphylococcus aureus* (“VRSA”). MRSA is now endemic in hospitals around the world with an estimated 1.5 million cases per year worldwide and mortality from bloodstream infections of up to 50 per cent. More recently, VRSA has been recognised as an emerging threat, with incidence appearing around the world, and is increasingly perceived as a significant issue.

Pre-clinical studies were successfully completed on Aurograb® in November 2001 and a CTX application has been submitted to the Medicines Control Agency (“MCA”), with Phase II clinical trials expected to commence in 2002.

In addition, the Company has research programmes targeted at the following infections:

- *Enterococci*, including vancomycin-resistant *enterococci* (“VRE”), a common cause of hospital-acquired infections;
- *Burkholderia cepacia*, a cause of morbidity and mortality in cystic fibrosis patients which is particularly difficult to treat given its multiple antibiotic resistance;
- *E. coli* O157, an important cause of community acquired infections, the toxin from which is one of the commonest causes of acute renal failure in children in the UK;
- *Viridans streptococci*, the commonest cause of infection of the heart valves, a significant cause of septicaemia in immunocompromised patients, as well as playing a critical role in tooth decay;
- *Helicobacter pylori*, now recognised as the main underlying cause of duodenal and gastric ulcers; and
- *Chlamydia pneumoniae*, now believed to play a key role in the development of atheroma, the disease process underlying ischaemic heart disease.

Corporate objective and strategy

NeuTec’s objective is to develop “grabs” for the treatment of a range of life-threatening infections.

NeuTec identifies and, importantly, files patent applications on a range of bacterial and fungal targets or “antigens” and the potentially protective antibodies associated with them. Central to NeuTec’s research and development work is the filing of patent applications for the microbial target itself, thereby leaving it free to select the best available method for the commercial and economic production of protective antibodies for human therapeutic use.

Since 1998, in order to accelerate the value creation from its work, the Company's primary target has been to fast track the development of its two lead products, Mycograb® and Aurograb®, into clinical trials. *NeuTec's* current goal is to establish the clinical efficacy of these two products and then bring them to market soon thereafter. The directors believe this is most likely to be after the successful completion of Phase II trials, at which time the directors currently anticipate forming strategic alliances with other pharmaceutical companies. The Company has already received interest from such companies with regard to both Mycograb® and Aurograb®, as well as other *NeuTec* research programmes.

The market for Mycograb®

Systemic fungal infections are estimated at 320,000 incidences per year worldwide. Most common is systemic candidiasis, representing about 70 per cent of all such infections with a mortality rate of approximately 40 per cent. Mycograb® is being assessed in the treatment of systemic candidiasis and may also be active against other fungal infections.

At particular risk are low birth-weight babies, surgical patients and patients whose immune systems have been compromised by therapies for cancer, bone marrow transplantation or patients on peritoneal dialysis, and so are unable to combat this infection. Indeed, general medical advances in these areas over recent decades have almost certainly contributed to an increase in the number of patients at risk.

The market for Aurograb®

Staphylococcus aureus is the bacterium responsible for the largest proportion of hospital-acquired bacterial infections. MRSA has become increasingly prevalent worldwide, with resistance in the US increasing from 2 per cent to 35 per cent of all *Staphylococcus aureus* infections from 1975 to 1996. In the UK, the incidence of MRSA bloodstream infections increased sevenfold between 1994 and 1998. It has been estimated that the annual incidence of MRSA infections may be as high as 1.5 million worldwide. MRSA causes significant morbidity with mortality from MRSA bloodstream infections of up to 50 per cent. Aurograb® is being assessed in the treatment of MRSA.

Vancomycin and teicoplanin are the two principal remaining antibiotics that are effective against MRSA. However, the emergence in the late 1990's of strains of *Staphylococcus aureus* with resistance to vancomycin and teicoplanin presents what The Lancet described as the "apocalypse now" scenario and highlights the urgent need for new and more effective therapies.

Reasons for the Admission

The directors believe that admission to AIM and the new funds proposed to be raised in the Placing will be an important step in achieving the Company's objective.

Given the demonstrable progress and achievements made to date, the directors believe this is the appropriate time for *NeuTec* to seek admission. The Admission is expected to raise both the public profile of the Company and its products, and, together with the net proceeds from the Placing, will improve the Company's ability to negotiate successful strategic alliances with other pharmaceutical companies.

The new funds proposed to be raised in the Placing will be used to finance further clinical trials for Mycograb® and Aurograb® involving centres in other European countries and the US, and to further progress the Company's research programmes.

In addition, the Admission will assist the Company in the recruitment, reward and retention of its staff, which the directors believe are critical factors in the future success of the Company.

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For further information, please contact:

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