

PEPTECH AGM ADDRESS – Ed Tweddell

Ladies and Gentlemen

I am delighted to be here today as the new Chairman of Peptech, and I would like to thank my fellow Directors for the honour they have done me in electing me to represent them at this Annual General Meeting of the Company.

At the Extraordinary General Meeting on 7th January 2002 shareholders voted to significantly increase the size and experience level of the Board. This, together with a number of senior appointments made to the Executive team during the year, clearly signals that Peptech means business going forward.

Joining Till Medinger, Greg Winter and, of course, our Managing Director, Stephen Kwik, are Cathy Walter, Graham Walters and myself. Cathy brings to the Board strong qualifications in the legal and regulatory aspects of corporate governance, Graham will contribute a new level of financial experience to the Board, and I have spent a good deal of my professional life in the development of pharmaceuticals. Graham will Chair the Audit Committee with Till as a member, and Cathy will serve with Till and myself on the Nominations and Remuneration Committee. We are all delighted to join the existing Directors in creating a Board which we are convinced has the skills and experience to guide the future growth of our exciting company.

It is also entirely appropriate that I record our vote of thanks to Graham Mitchell for his service on the Peptech Board. Graham is not standing for re election. We wish him all the best in his future pursuits.

The reported full year results and the annual report clearly define Peptech is in growth mode. 2001 could well be described as a banner year for Peptech as it saw the realisation of some long held dreams and the translation into the reality of solid revenue growth for the company. It would be remiss of me not to pay tribute to the previous Board and, in particular, Stephen Kwik for so expertly capitalising on the company's intellectual property and securing the up front payments and licensing agreement royalties under our TNF patents in Europe, Australia and Canada.

As a result of these endeavours the year 2001 saw a significant enhancement to our P&L account. These have been truly transforming transactions.

It is most satisfying after so many years to see the rewards for perseverance in clearly establishing intellectual property of significant substance. The prosecution and defence of the company's intellectual property will remain as a major focus for Board and management. I want to assure you that your Board is committed going forward to the aggressive prosecution of our patents worldwide, and to the realisation of the maximum benefit from licenses under these patents to the benefit of shareholders.

The revenues from licensing agreements under a patent are, of course, dependent for growth on the success of the brand product in the marketplace. It is pleasing to report that the products in Europe and Canada from which we derive royalties continue to grow, and analyst's expectations are for this growth to increase substantially in the future.

We have every reason to be confident and optimistic about the future prospects of the company, particularly in regard to the potential launch of new products in Europe, the US and Japan under our patents.

As you will have seen from our press release of 20 February, our US patent has been granted and this opens up the way for future growth opportunities and additional income potential.

We remain confident that the product D2E7 will gain marketing approval in Europe and the US within the next year or two, and that our recently granted patent in the US should allow us to enforce our ownership of the intellectual property in regard to significant products either already on the market in the United States or in development.

In dealing with product development, intellectual property issues and patent grants we always need to be cognisant of the fact that there are often gaps between our enthusiastic expectation of progress and the real world of product

development, regulatory approvals and patent examination and challenge. For this reason it is not unusual for companies with the business plan that Peptech has to experience some 'lumpiness' of results in the early years of exploitation of significant intellectual property.

As previously advised, because of the one off upfront payments in 2001 we will, in fact, not match our 2001 revenues in 2002. Over the next two years our revenues will very much depend on the timing of our expected US royalty streams, and the progress that the brand companies utilising our patents make in gaining regulatory approval for what promises to be major new therapeutic drugs and new indications in the United States and Europe in particular.

Your Board is acutely aware of the 'lumpiness' potential, and we are doing all we can to encourage management to proactively seek any opportunity to responsibly supplement revenue and cash flow expectations.

With this in mind we are giving a lot of thought to gaining the maximum advantage from our growing animal health business and, in particular, the prosecution of new products which we believe will have generous international acceptance.

Peptech has a proud record of generating significant intellectual property, and certainly over the last year or so we have demonstrated our ability to gain financial advantage from licensing under that intellectual property. So, although the majority of our revenue and profit over the next few years will be derived from royalty income, your Board has widely considered options for the future in respect to building pharmaceutical revenues, and I want to assure you that your new Board shares this objective.

In this regard our relationship with Diversys is pivotal. I do not need to reiterate the business of Diversys or stress the excitement with which the investment community views their growth. From Peptech's point of view there are, however, two salient points.

The first is that Peptech has equity in Diversys through contribution to that company, and as Directors we are extremely comfortable at this time with the potential of this investment. Our agreement calls for us to hold around 33% of the stock of this exciting growth company.

As part of our agreement with Diversys they will develop for us, with our input and cooperation, four target compounds for further development as biological agents. The first of these has been identified and is currently in development. By leveraging our investment relationship with Diversys we are thus in a position to take advantage of the cutting edge science and development capability of Diversys, and that leads to our high level of confidence that we will accept delivery of important potential development products in the antibody area. This will extend on the natural franchise of our key intellectual property. It is a privilege to have Dr Greg Winter with us today as a Director of Peptech and the co founder of Diversys in the UK.

It is important to pause just for a moment to recognise that biological drug development is a high risk, high reward business. The discovery of a good development candidate is but the first step in a long and expensive journey to the nursing station or pharmacy. Drug development, from my experience, is very much a matter of risk management and exploitation of opportunity. Insurance in this process is provided by having good science on your side, honesty and integrity in discovery and development, and the real potential to extend patents on intellectual property which one owns or has access to.

Future drug development will be a constant agenda subject for future Members Meetings. A major part of the challenge for your new Board is to select in a carefully risk managed way the optimal position for the exploitation of new intellectual property which we confidently expect to be forthcoming from the Diversys relationship. The management of this challenge will be pertinent to our future success, and in this regard the continuing revenue streams from our existing patents are going to be key, as will be the continuing support from our shareholders.

Peptech is indeed fortunate to have access to a distinguished Scientific Advisory Board Chaired by Dr Geoff Grigg. Members of the Board represent an ideal balance of academic discipline and achievement, clinical experience and broad based appreciation of the key issues relating to drugs in medicine. They meet frequently with the senior executives of the Company and offer advice on proposed company projects and also act as an invaluable think tank for discussion of future trends and therapeutic possibilities. Although many high tech companies have scientific advisory boards, I wanted to take this opportunity of assuring you that Peptech is extraordinarily well served by this distinguished group. Truly an asset of the company.

If I was to leave a couple of messages with you today they would be as follows:

Your new Board is committed to the diligent management of the company's intellectual property, and to the proactive but cautious management of the revenues that come from exploitation of our patents. We would also commit to seeking to exploit to the maximum development candidates primarily emanating from our relationship with Diversys, and in doing this we commit to hiring the best available expertise to guide this complex process. Of course, we will need the lucky breaks, but I think often the lucky breaks come to those who are diligent in the prosecution of their skills and who have a truly value adding commitment going forward.

I would like to conclude my remarks by welcoming John Leaver to our Board. When we looked at the range of skills and experience that we had on the Board, one area that we felt could wisely be enhanced was experience in the capital raising and company development markets. John Leaver has a long and distinguished history of involvement with venture capital and the exploitation of opportunities for business development. He will be a most welcome addition to our Board.

Peptech is a growing global biotechnology company. We need Directors, Executives, and Associates who share a global view and who can contribute on the basis of their skills and experience to our vision. Our recruitment and compensation policies reflect the realities of our commitment to growth. The

issuance of options with stringent exercise criteria to non-executive Directors ensures that Directors interests are precisely aligned with those of senior management and shareholders.

Biotechnology companies by their inherent natures are appropriately seen as somewhat volatile hence risky and long term investments. History would support this statement. The great thing about Peptech is that it does have proven intellectual property which is revenue earning, and we have the tremendous advantage of having a solid and growing relationship with a research based company headed by scientists with undeniable track record.

We are confident that we base our optimism for future growth on strong grounds.