

27 February 2004

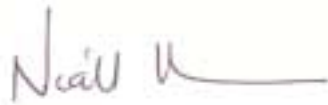
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Dear Sir/Madam

Attached is the Executive Chairman's address and related presentations to be presented at our AGM today.

Yours sincerely



Niall Henderson  
Chief Financial Officer & Company Secretary

# **Peptech Limited**

## **Executive Chairman's AGM Address**

27 February 2004

Ladies and Gentlemen, welcome to Peptech's 2004 Annual General Meeting.

First up today I will be addressing you on the vision we have set for your company, corporate governance progress as well as Board developments.

Dr Till Medinger, Peptech's alternate Domantis director who attends Domantis board meetings, will then make a presentation on recent developments and achievements at Domantis. As I am sure shareholders are aware Peptech holds a key equity position in the UK based drug development company and we believe it is important to keep shareholders informed of the company's developments.

Bob Connelly, CEO of Domantis was to have given this presentation but unfortunately has taken ill and is under doctor's orders not to travel.

Following Till's presentation I will speak about Peptech's operational developments over the past year as well as future opportunities and challenges.

### **Vision/Strategy**

Your 2003 Annual Report outlines operational developments and highlights for the financial year to September 2003.

In the report, the board and management team articulate a vision for Peptech ... to be a globally recognised leader in biopharmaceutical development. This vision is more than just rhetoric – we have a clear plan to position Peptech as a leader in the area of therapeutic development.

Our strategy will see Peptech positioned as a leader in “mid-range” drug development. By “mid-range” we mean a company that will take therapeutic discoveries and develop products through to, at a minimum, Phase 1 and preferably Phase 2 clinical trials. The expectation is that value will be realised either through licensing, or partnering with large pharmaceutical companies.

An essential component will be using our existing and future cash resources to create shareholder value. Peptech intends building a strong product pipeline in both therapeutics and diagnostics, both through our in-house development programs as well as our relationship with Domantis.

A key part of delivering this vision is Peptech’s strategic 36.1 percent equity investment in Domantis. In positioning Peptech as a major player in the global life science industry it is important that we capitalise on our close relationship with Domantis as well as build on our own management and intellectual property assets.

A key strategy will be expanding Peptech's focus to encompass significant areas of unmet medical need, such as cancer, anti-inflammatory and immune related diseases.

Peptech Animal Health will continue to develop and market the products arising from its domestic companion animal technology.

The first of these products, Suprelorin®, a six-month male dog contraceptive, will be launched in the Australian and New Zealand markets by the middle of this year.

Ovuplant, an invaluable tool in the equine breeding industry, will continue to be manufactured and marketed out of our North Ryde facility.

Overall your board sees Peptech as being in a strong position to consolidate strategic sectors of the Australian biotechnology industry both in human and animal health. In this regard we will actively seek merger and acquisition opportunities over the next 12 months. Of utmost importance will be adding shareholder value over this period.

At a corporate level, when I joined the Board I made a commitment to bring institutional investors onto the Peptech register.

I am delighted that our largest shareholder is now the AMP group, with more than a five percent share, closely followed by Queensland Investment Corporation who holds slightly less than five percent.

We now have a proactive communication program with key existing and potential shareholders which outlines our vision for Peptech and in particular highlights the achievements made over the past 12 months.

## **Corporate Governance**

At the beginning of this year, I was appointed Executive Chairman of Peptech for a two-year period. This arrangement is subject to review by the Board after 12 months.

This Board decision, made in consultation with key stakeholders, was not taken lightly. Given the need to quickly resolve the Abbott licensing dispute and the sense of urgency at board level for Peptech to capitalise on strategic opportunities, the Board felt it was in the best interests of shareholders that I lead the company in the role of Executive Chairman.

Your board will continue to monitor the need to recruit a replacement CEO, however in the interim both the board and management team are fully committed and focussed on delivering growth and value.

Key stakeholders, including our major shareholders, have been fully supportive of this action and have complimented the Board on its decision. For corporate governance purposes, I have stepped down from both the Remuneration and Audit and Compliance committees.

The Audit and Compliance committee members are Jim Hazel, Martin Kriewaldt and Till Medinger, with Jim Hazel as Chair, while the same directors make up the Remuneration committee but with Martin Kriewaldt as Chair.

In last year's address, I stated that best practice corporate governance would be one of my priorities. Peptech has now made significant progress to ensure its business practices and policies are in line with the ASX Corporate Governance Council recommendations.

Peptech's website also has a dedicated corporate governance section where copies of the company's constitution; board and committee charters; and policies on share trading and disclosure are posted.

The share trading policy posted on the website has been revised since the annual report was prepared. The new policy is now in line with best practice with share trading by employees only allowed in the six week periods after the release of the half-yearly and annual results; and the AGM. All our employees have received training to ensure they understand their legal obligations.

Corporate governance and continuous disclosure are now standard board agenda items.

To further bring Peptech into line with best practice corporate governance, the Board recently established a separate nominations committee to evaluate the performance of the Board and to assess potential candidates for the Board.

At last year's AGM, I stated that the directors' retirement benefit scheme had been cancelled. Contrary to what has occurred in most other companies, the Board unanimously agreed that all accrued, but unpaid benefits should lapse.

For Jim Hazel and myself, this was only a modest sum, but for Till Medinger, the accrued benefit was in excess of \$90,000. This represents approximately two years of directors' fees - a considerable contribution by Till to Peptech. Importantly, it demonstrates a change in attitude of the new Board to matters of best practice corporate governance.

### **Board membership**

I welcome our newly appointed non-executive director, Martin Kriewaldt to the board.

Martin, who joined us in October last year, brings extensive legal and public company experience to the board and complements the skills and experience of our existing directors, Jim Hazel and Till Medinger.

Martin has already added considerable value, in particular with our patent dispute with Abbott, which has been resolved, and Centocor which I will comment on following Till Medinger's presentation.

The entire Board fully support the resolutions, which we will consider shortly, to re-elect Martin Kriewaldt and Jim Hazel to your Board.

In August last year, Stephen Kwik retired as Managing Director, and in October ceased all involvement with Peptech. I take this opportunity to thank Stephen for his contribution to Peptech and in positioning the company for its next phase of development.

In line with the goal of achieving best practice the Board recently undertook a formal self assessment. The assessment identified a number

of areas for improvement, as well as areas where the Board was functioning well.

Going forward, the self assessment will be conducted on an annual basis, with the objective of identifying areas where the Board, as a whole or as individuals, can improve performance. We have put continuous improvement on the agenda.

Let me be quite clear that your board has a very clear goal of increasing shareholder value.

### **Dividend policy**

A common question being asked by shareholders is whether the Board will consider a payment of a dividend.

Now that Peptech is on a firm financial base, following the recent settlement of the Abbott dispute, a dividend policy will be placed on the Board's agenda.

However, without pre-empting what the Board may decide, my personal view is that it would be prudent to defer any decision on dividend policy until Peptech has resolved the Centocor dispute.

A key component of any dividend policy is that it must be built on a foundation of strong maintainable earnings. Your Board has the expectation that upon the successful resolution of the Centocor dispute Peptech will implement a dividend policy.

## **Domantis investment**

Earlier this week we announced that Peptech had participated as the major shareholder in the recent capital raising by Domantis, maintaining our 36.1 percent equity position.

Peptech maintained its position as we believe Domantis has unique technology, which could provide the platform for the next generation of drugs. We are confident that the Domantis investment will substantially increase in value over the coming years.

The capital raising was a significant success with over GBP 17.5 million (A\$40 million) being raised, in a financing led by one of the top credentialed UK investment companies, 3i.

Domantis has delivered on all its objectives, and continues to meet key internal milestones. The recent equity placement enables Domantis to fast track its own drug leads as well as to continue to focus, and deliver, on its collaboration with Peptech.

The Peptech Board is committed to its investment in Domantis and I would now like to invite Till Medinger to update shareholders on recent developments and achievements at Domantis.

## **Executive Chair Address Continues**

Thank you Till

I would now like to review the past year's operational developments and outline some key opportunities and challenges ahead.

### **Resolution of Abbott License Dispute**

Late last year Peptech successfully resolved its dispute with Abbott Laboratories over the license arrangements for the sales of Humira®. Not only are we in a strong cash position, we now have the security of being in a financial position to capitalise on strategic opportunities in the biotech segment.

This means Peptech is ideally placed to take advantage of in-licensing technology as well as positioning itself as a significant partner in consolidating key sectors of both the animal health and life sciences sectors of the Australian biotech industry.

The company is extremely well positioned for future growth.

Following the recent Domantis equity investment, Peptech has cash reserves of A\$40.5 million. Peptech is assured of minimum annual revenues which will, at a worst case, cover its current cash cost base (excluding costs associated with the Centocor arbitration).

A positive resolution to the Centocor dispute would place Peptech in a very strong cash and profit position moving forward.

As with the resolution to the Abbott dispute, Peptech will continue to pursue a strong position in the enforcement of its TNF patent portfolio.

### **Centocor Arbitration**

The key challenge ahead of Peptech this year is to successfully resolve the Centocor TNF license dispute.

Peptech initiated formal arbitration proceedings against Centocor in September last year. Having obtained consent from Centocor, I can inform you that the arbitrators have been appointed and we are now in the phase that follows the serving of the Statements of Case.

Unfortunately the arbitration process takes considerable time. Current projections have the arbitration hearing occurring in the last quarter of this year.

While I share shareholder frustration at the time the arbitration process is taking, I am nonetheless encouraged by the scientific and clinical data we have assembled in recent months. We strongly believe the scientific evidence support our claims that Centocor's drug, Remicade, does in fact infringe the Peptech patent.

To better brief shareholders on the arbitration process a generic arbitration process is outlined on the PowerPoint slide.

As you can see there are 13 major steps in arbitration, from initiation to the hearing. As stated previously, we are now in the phase following the serving of the Statements of Case.

## **Human Therapeutics**

Before I talk about Peptech's anti-TNF target and the products we will be developing in conjunction with Biosceptre, I want to share some relevant background information on the human therapeutic market.

Already the human protein pharmaceutical market has annual sales exceeding US\$15 billion. The antibody market, within this total market, has sales of US\$5 billion and is expected to grow to US\$8.9 billion by 2006.

The cancer therapeutic market has annual sales of US\$30 billion.

These are the areas where there are major unmet medical needs and commercial opportunities. We believe we can access the right technology and have the capacity to develop products to a suitable stage.

### **Anti-TNF Domain Antibody (dAb)**

- The slide on the screen shows that current anti-TNF product sales have grown rapidly to US\$4 billion in 2003. Currently most of these sales relate to the treatment of rheumatoid arthritis.
- This slide show the geographical breakdown of the over five million rheumatoid arthritis patients worldwide
- This slide shows that the potential to expand the use of anti-TNF products is significant. Please note rheumatoid arthritis is only a quarter of the US market represented on this slide. Major pharmaceutical companies are already expanding their product indications into these other areas.

Recent published results from the Domantis development program strongly reinforce Peptech's decision to continue to invest in Domantis, both as a shareholder, as well as in our collaborative drug development program.

The current results on the Peptech anti-TNF target for the treatment of diseases such as arthritis show outstanding progress.

Yesterday in conjunction with Domantis we released a further update on Peptech's anti-TNF target. In summary the announcement stated we had achieved outstanding pre-clinical results in a validated trial comparing the Peptech anti-TNF drug against two leading approved arthritis drugs.

Our collaboration with Domantis continues to perform beyond expectation.

### **Biosceptre Joint Venture**

The reason for our interest in Sydney-based biotechnology company, Biosceptre International and its technology is demonstrated in the following two slides.

- This slide show the number of cancer patients in the US. With the number of patients totalling over 10 million, the largest categories are prostate with four million patients and breast cancer with nearly two million patients.

The total cancer therapeutic sales in 2003 were US\$30 billion.

- The next slide shows a breakdown by cancer type. Eighty percent of total patients are potential targets for the Biosceptre technology.

Late last year Peptech announced a joint venture with Biosceptre to develop and commercialise cancer its therapeutics and diagnostics. The announcement marked Peptech's strategic move into the significant area of cancer therapeutics and linked diagnostic tests.

The joint venture has valuable intellectual property in the area of cancer markers and in particular, drugs capable of neutralising any solid tumours such as breast, bowel, uterine, skin, prostate etc.

Utilising the Biosceptre technology it may be feasible to not only diagnose the specific tumour, but to image its size and location and then target a specific antibody therapeutic to "knock out" the cancer completely.

Peptech expects the first commercial product from the joint venture to be a very sensitive and specific cancer diagnostic test. The first test is expected to come to market in the second half of 2004.

Peptech will also work closely with Domantis to develop an imaging diagnostics test for cancer and a domain antibody which will target up to 80 percent of all solid tumour cancers.

We are focussed on selecting the very best tumour targets in both commercial and medical terms. The right domain antibody could potentially target, bind to and "light up" the relevant tumour. This would enable doctors to not only locate the actual site of the tumour and confirm its presence but ascertain its actual size, development and subsequent

death in the case of delivering a potent therapeutic such as a domain antibody therapeutic.

### **Animal Health**

With the recent regulatory approval of the companion animal contraceptive product, Suprelorin, Peptech is now actively pursuing an international partner to commercialise the technology.

Progress is being made on this front but no announcement can be made at this stage. In dealing with multi-national animal health companies we have found the process of negotiation more time consuming than originally expected.

In the meantime Peptech intends to launch Suprelorin in Australia and New Zealand in the first half of this year. It is a tribute to Dr Tim Trigg and his team that the company is about to launch its third, registered product.

I often get asked what the potential is for Suprelorin. Our launch into the Australian and New Zealand market will be an important indicator for the uptake of this product.

While we know the total dog population in developed countries exceeds 125 million dogs, it is difficult to predict with any degree of accuracy what the likely uptake of this new technology will be.

Once we obtain sufficient data from local markets, we will be in a position to give a clear indication as to its market potential.

With regard to Ovuplant we reported last year that Arnolds Veterinary Supplies had been contacted to push through registration in Europe and I am pleased to report that in the last week a new package has been sent to the European authorities.

If successful, as we expect, sales of Ovuplant in Europe could commence within 12 months.

Unfortunately the contract manufacturer of Ovuplant in the US has terminated its agreement with us and will no longer be supplying goods for the US markets. At this time, Ovuplant will not be supplied for the current US season. However, this will not have a material effect on this year's accounts.

### **Future Developments**

Now that Peptech is in a strong cash position, I am sure shareholders are interested to understand the plans your board has for the future to increase shareholder value.

As part of the recently announced Domantis equity raising, and to maintain our 36.1 percent interest, we have committed to a further cash injection of A\$7.7 million payable in 12 months time.

We intend to aggressively pursue the development of the existing anti-TNF target and the cancer products from the Biosceptre joint venture as part of ramping up Peptech's future product pipeline.

We will also be actively seeking additional targets to develop in line with our 'mid-range' development strategy.

The Board will actively pursue a merger and acquisition strategy with the clear caveat of adding shareholder value.

### **Corporate**

This year Peptech will be reporting a substantial increase in revenue and hence profit.

As a guide, we expect to post net profit for the year in the range A\$ 25 – 28 million, with the net profit in the first half being in the range A\$ 29 – 31 million. This highlights that Peptech’s revenues are currently biased towards the first half-year, with the current half-year result including the impact of the Abbott dispute settlement.

### **Conclusion**

Before I finish I would like to welcome Dr Robert Miller to Peptech.

Bob has had many years in the commercialisation side of the pharmaceutical industry and joins us as Manager of Intellectual Property and Technology.

In closing I would like to restate my view that Peptech is well positioned with a strong cash balance and exciting potential opportunities to exploit over the next year. We are truly positioned for growth. Our goal is to deliver increasing shareholder value and move Peptech into the top five healthcare companies with a market capitalisation of over A\$1billion.

Finally, I wish to express the Board's appreciation to the staff of Peptech for their continued commitment and enthusiasm. I also extend my personal thanks to my Board colleagues for their advice, insight, knowledge and assistance throughout the year.

We look forward to an exciting year ahead.

**Mel Bridges**  
Executive Chairman  
27 February 2004

**Address by Martin Kriewaldt (Chairman of  
Peptech's Remuneration committee) to the  
AGM held on 27 February 2004**

Ladies and gentlemen, before you consider Resolution Number 5 – the approval of the Performance Share Plan, we thought it would be useful to explain the remuneration framework that your company is putting in place.

Up to now, Peptech has not had a modern remuneration framework, nor a performance management system.

This was unsatisfactory, and therefore the Executive Chairman was tasked with putting into effect, arrangements that would attract, motivate and retain employees, while ensuring that the interests of employees were in line with the interests of shareholders. The Remuneration Committee reviews and recommends the outcome to the Board.

The board members have experience of the process as executives and in a board environment and therefore had their own views on remuneration framework. In conjunction with independent expert advice from Mercer Human Resource Consulting, appropriate arrangements are now being put in place.

The Peptech Board recognises that the success of the company hinges on the performance and abilities of the employees. Therefore, as a matter of policy, Peptech wishes to remunerate employees on the following basis

- Base pay, in the main, will be set at average remuneration for the industry
- Incentive arrangements will enable employees to be paid up to the 75<sup>th</sup> percentile ie top performers will be paid up to the top 25% for like roles in similar companies

The move to having a proportion of salary “at risk” or dependent on performance is now accepted as an appropriate way to provide incentive to employees and outcomes which benefit shareholders.

The Executive Chairman recommended (and the Committee and Board agreed) that all employees should participate in the incentive

arrangements. The incentive arrangements will be split into two components.

- Firstly, there will be short term cash incentives, which will be paid based on individual and company performance. More senior employees will have a greater portion of their incentive based on total company performance.
- Secondly, there will be (subject to your approval) a long-term incentive plan in the form of the proposed Performance Share Plan.

The key features of the plan are:

- It is open to all employees, except the Executive Chairman.
- The maximum allocation of shares is up to 20% of an employee's total remuneration package. The committee believes that this is quite modest.
- There will be an annual allocation
- The performance shares will vest after three years, if the hurdle is met
- The hurdle is - if Peptech is at the 51<sup>st</sup> percentile of a peer group of companies' Total Shareholder Return ie if it performs better than 51% of the companies in the peer group, 50% of the shares will vest. Total Shareholder Return

is the share price growth plus dividends over the vesting period. If Peptech is at the 75<sup>th</sup> percentile or above ie if it performs better than 75% of the companies in the peer group, 100% of the shares will vest. There will be a pro-rata allocation between the 51<sup>st</sup> and 75<sup>th</sup> percentiles. In summary, Peptech must perform better than half of the companies in the peer group for any of the shares to vest.

- This is shown graphically on the screen
- Finally, if an employee resigns, any allocated shares which have not vested will lapse.

I would now like to move to the formal resolution on the Performance Share Plan

# PEPTECH LIMITED

## Annual General Meeting

27 February 2004

# **Executive Chairman's Presentation**

Mel Bridges

# Peptech's vision

'To be a globally recognised leader in  
biopharmaceutical development'

# Strategies to achieve vision

- Build strong product pipeline
- Focus on TNF (arthritis) and cancer
- Consolidate biotech industry (M & A)
- Maintain Domantis equity
- Build Animal Health

# Corporate governance

- Executive Chairman's role
- Board committees
- ASX Corporate Governance Council recommendations
- Directors' retirement benefits

# Board developments

- Martin Kriewaldt appointment
- Self assessment
- Continuous improvement
- Dividend policy
- Increasing Shareholder value

# Domantis investment

- Further capital investment
- Strategic value
- Increasing shareholder value

# DOMANTIS Presentation

Dr Till Medinger



# **Executive Chairman's Presentation**

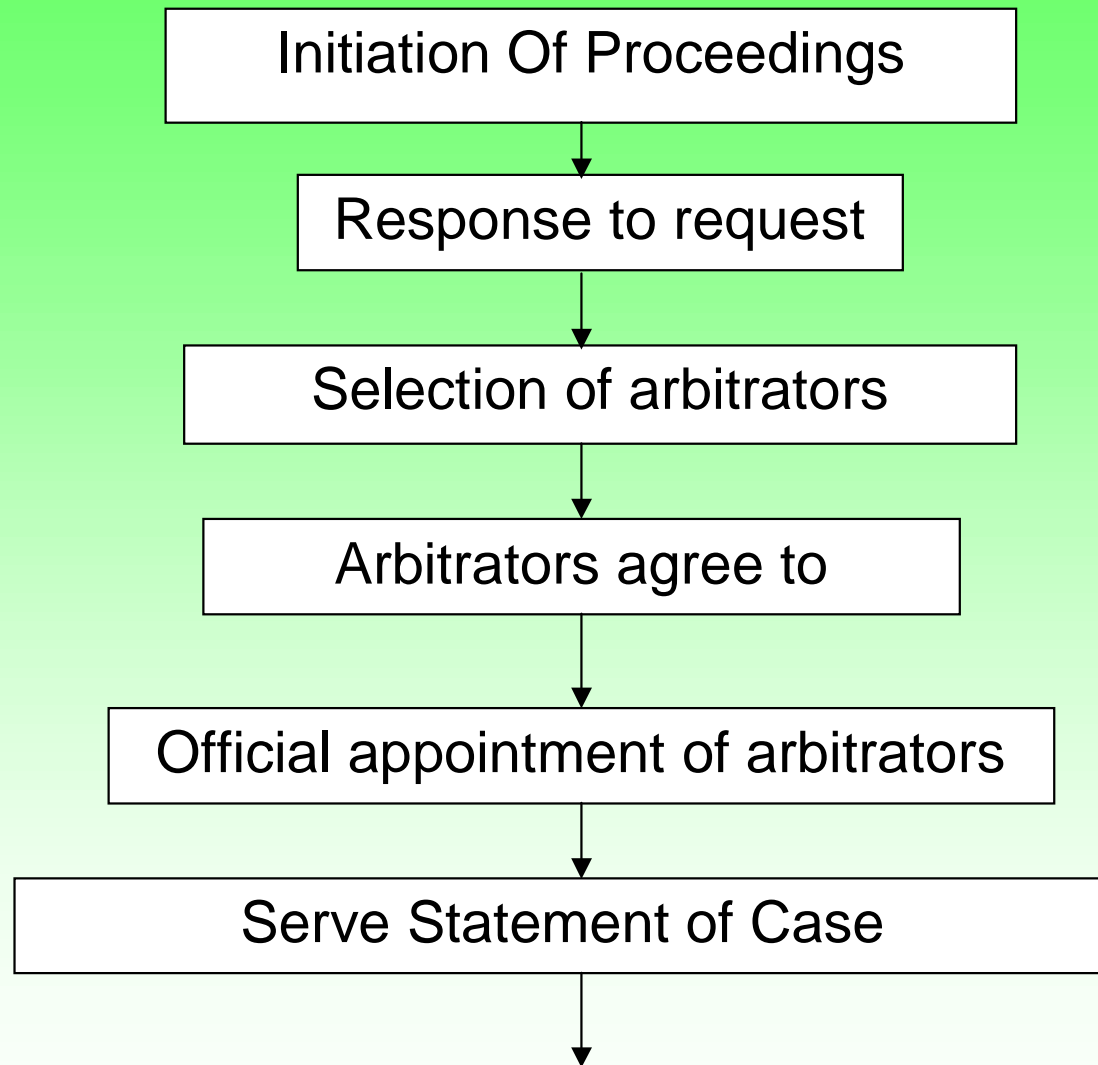
Mel Bridges

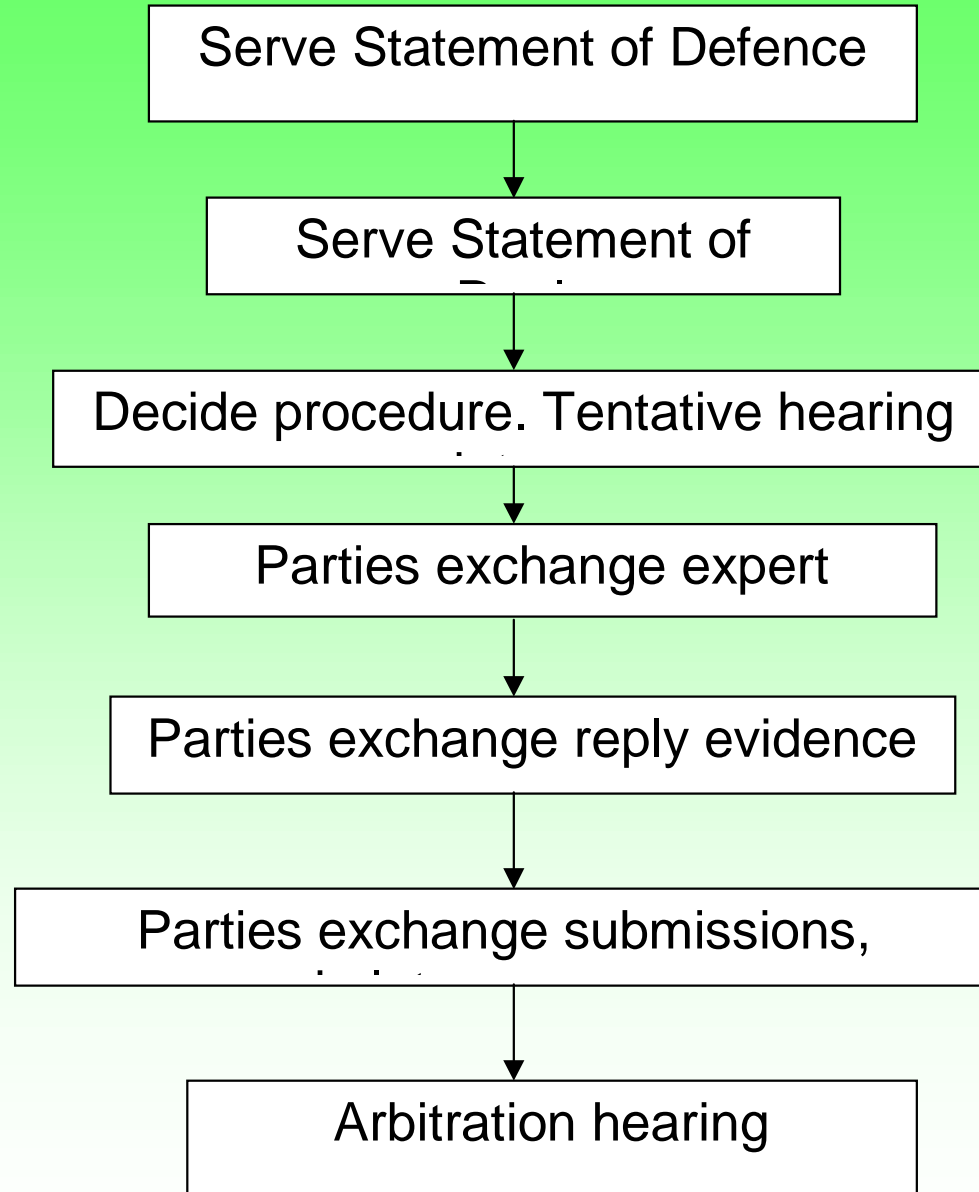
# Abbott dispute resolution

- Positive outcome
- Strong cash position
- Operating costs covered

# Centocor arbitration

- Arbitrators appointed
- Statements of Case served
- Current projection for arbitration hearing
  - Q4, 2004

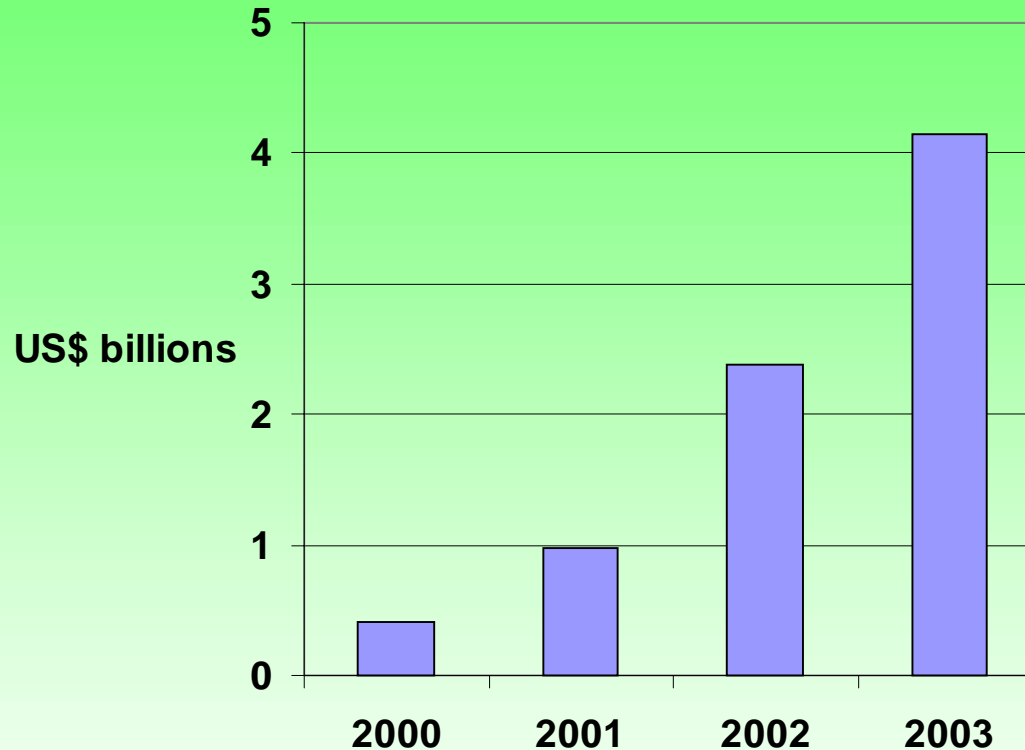




# Human therapeutics

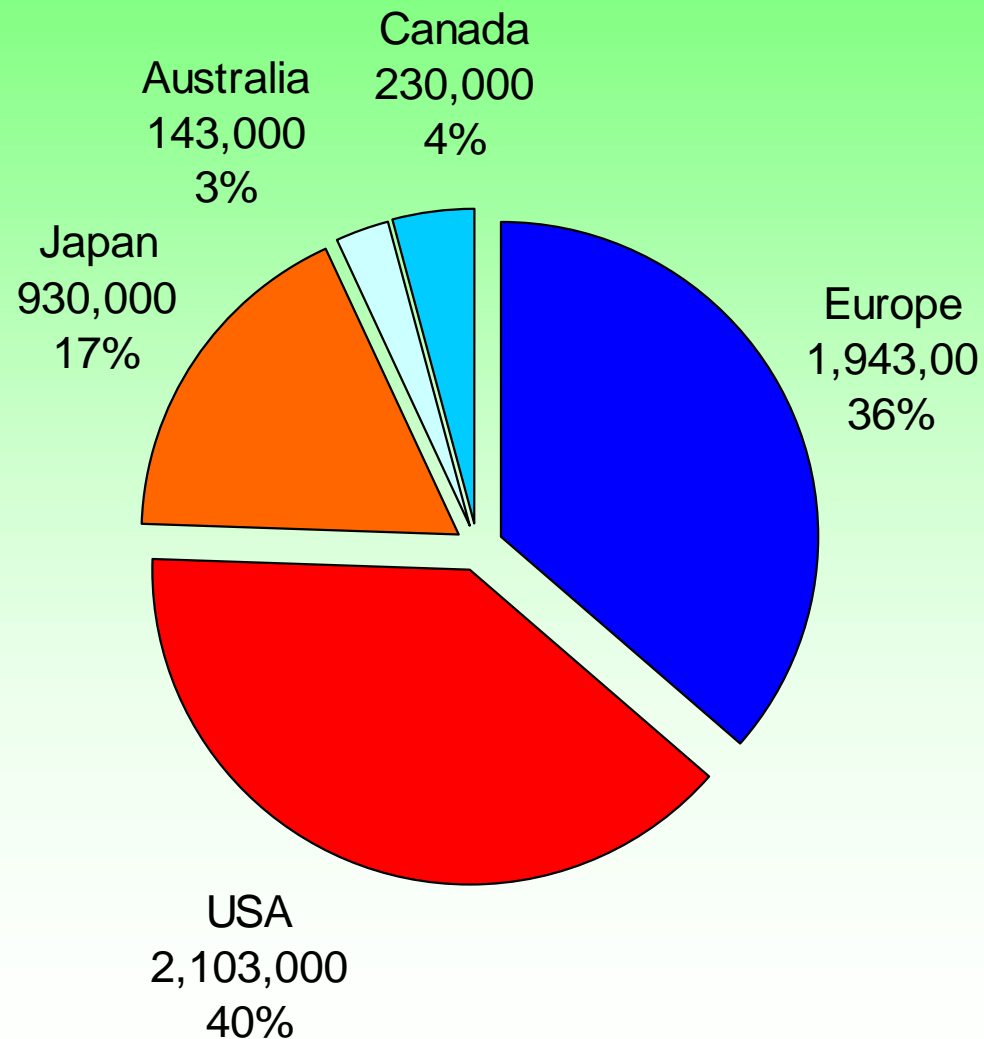
- Human protein pharmaceutical market annual sales exceed US\$15 billion
- Antibody market expected to grow to \$US8.9 billion by 2006
- Cancer therapeutic market at US\$30 billion

# Worldwide anti-TNF sales

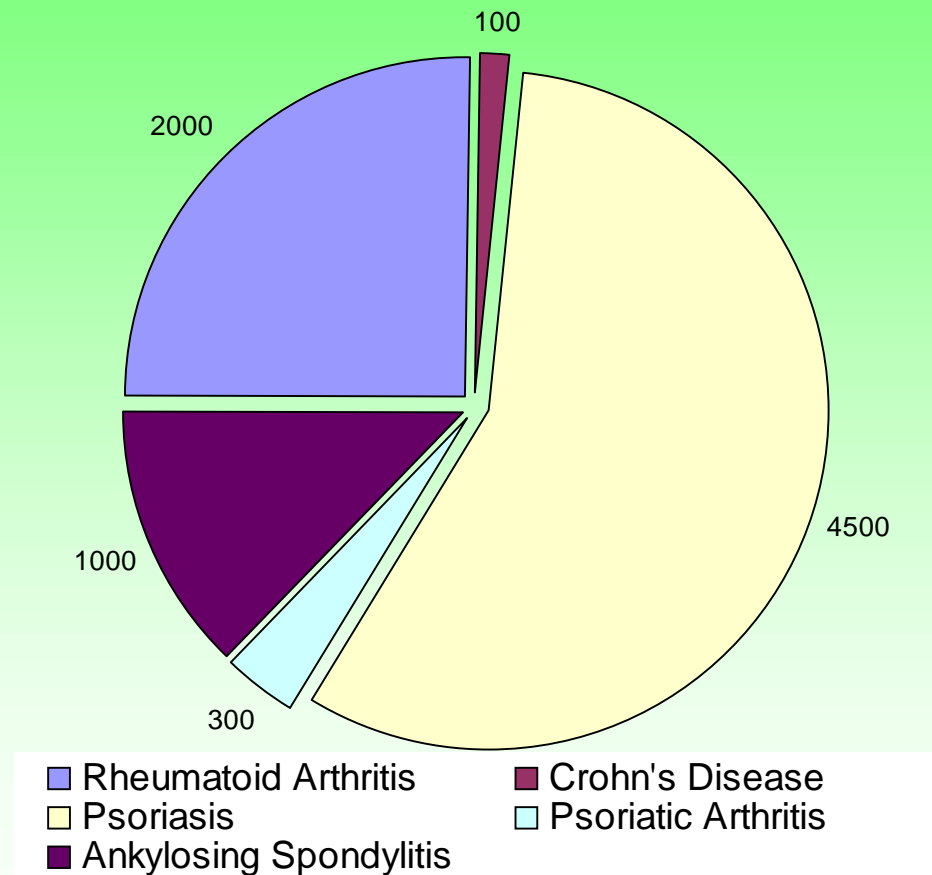


**Market predicted to grow to US\$6.6 billion by 2009**

# Potential Rheumatoid Arthritis population



# Potential anti-TNF market size based on US figures (number of patients – thousands)

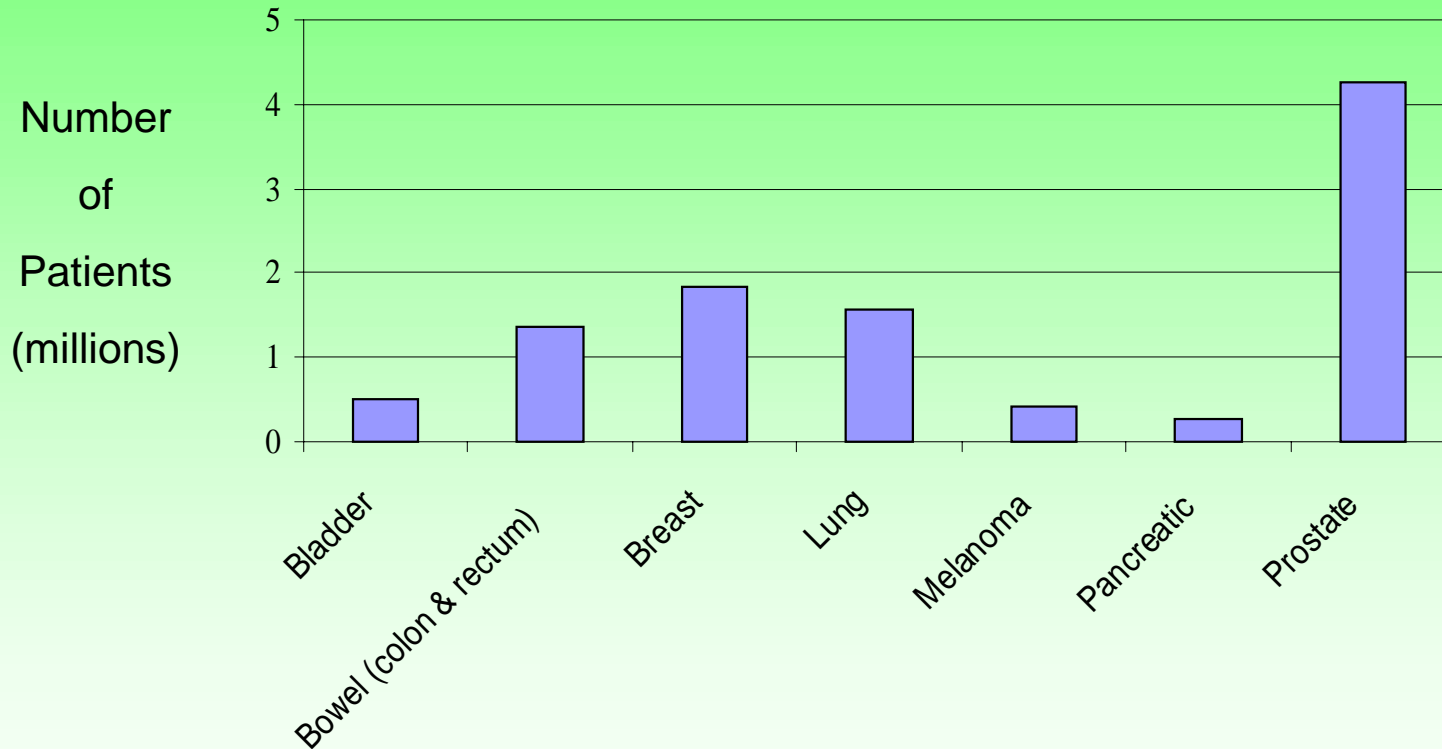


**NB: To date Remicade has been used to treat 230,000 patients**

# Anti-TNF domain antibody

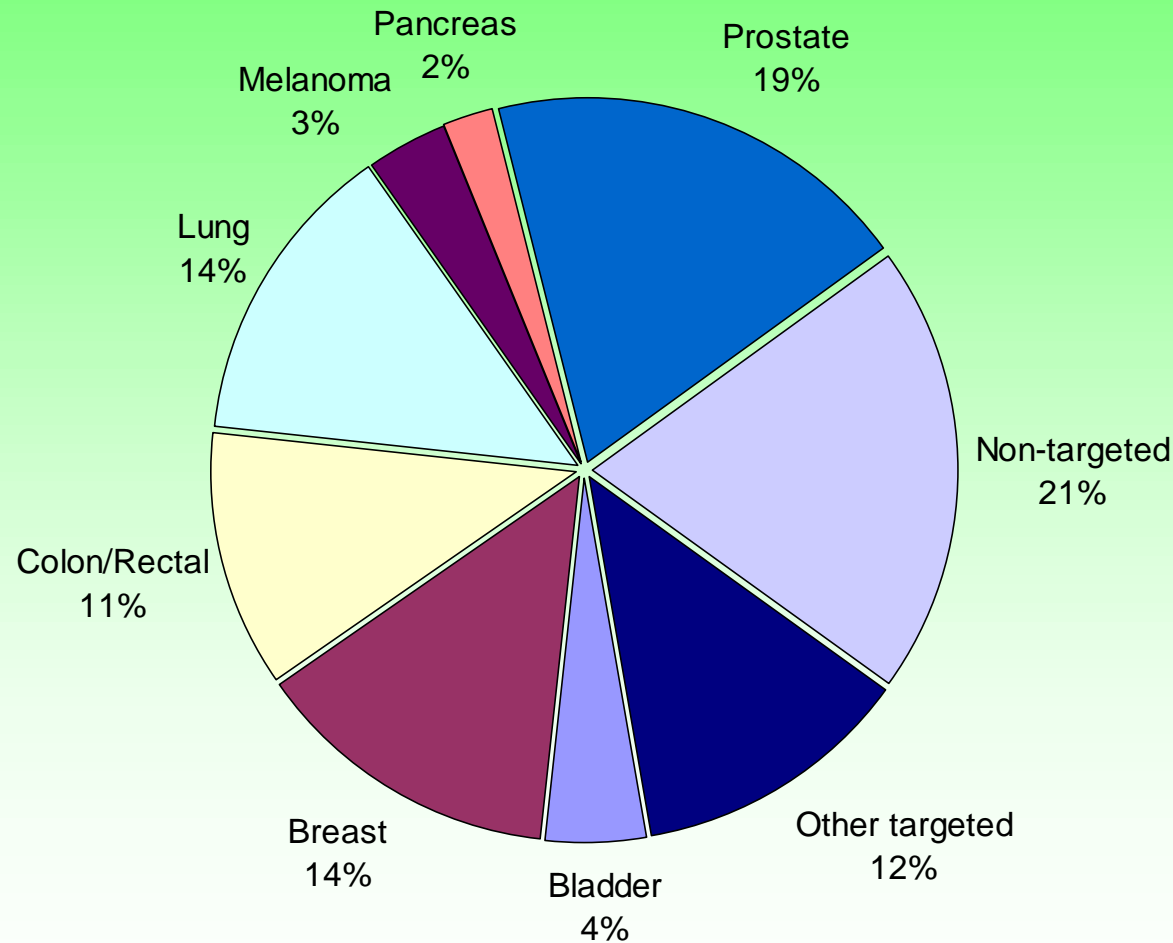
- Outstanding pre-clinical results
- Comparison against leading drugs

# Cancer Patients (US)



**Total Cancer Therapeutic Market 2003 US\$30 billion**

# 80% of cancer types potentially targeted by Biosceptre



# Biosceptre joint venture

- Strategic move into cancer
- Valuable Intellectual Property (IP)
- Diagnostic and therapeutic
- First commercialisation late 2004
- Domantis to develop dAb

# Animal Health

- Global commercialisation
- Australian and New Zealand launch of Suprelorin
- Ovuplant Europe
- Ovuplant US

# Future developments – use of cash flow

- Maintain 36.1% Domantis equity
- Build a strong product pipeline by:
  - accelerating anti-TNF drug development
  - accelerating Biosceptre cancer diagnostic
  - project acquisition
- Complementary mergers and acquisitions

# PEPTECH LIMITED

## Annual General Meeting

27 February 2004



domantis



**Going Beyond Antibodies...**

**Domain Antibody Therapeutics**

domantis

# The Domantis Story

- Unique patent position over a new class of therapeutics
- The most broadly applicable antibody technology
- Therapeutic benefits not possible with other technologies
- Founders are antibody industry pioneers
- Everything in place to create a large product pipeline with substantial revenue stream

# Domantis

- Founded in December 2000 as a UK-based limited company
- US\$33 million recently raised; US\$41 million available Feb 04.
- R&D facilities in Cambridge, UK and commercial office in Cambridge, MA, USA.
- 40 employees including 28 bench scientists.
- Therapeutic partnerships with Peptech, EU, Abbott, and ImClone
- 12 dAb therapeutic programs underway

# Domantis Founders

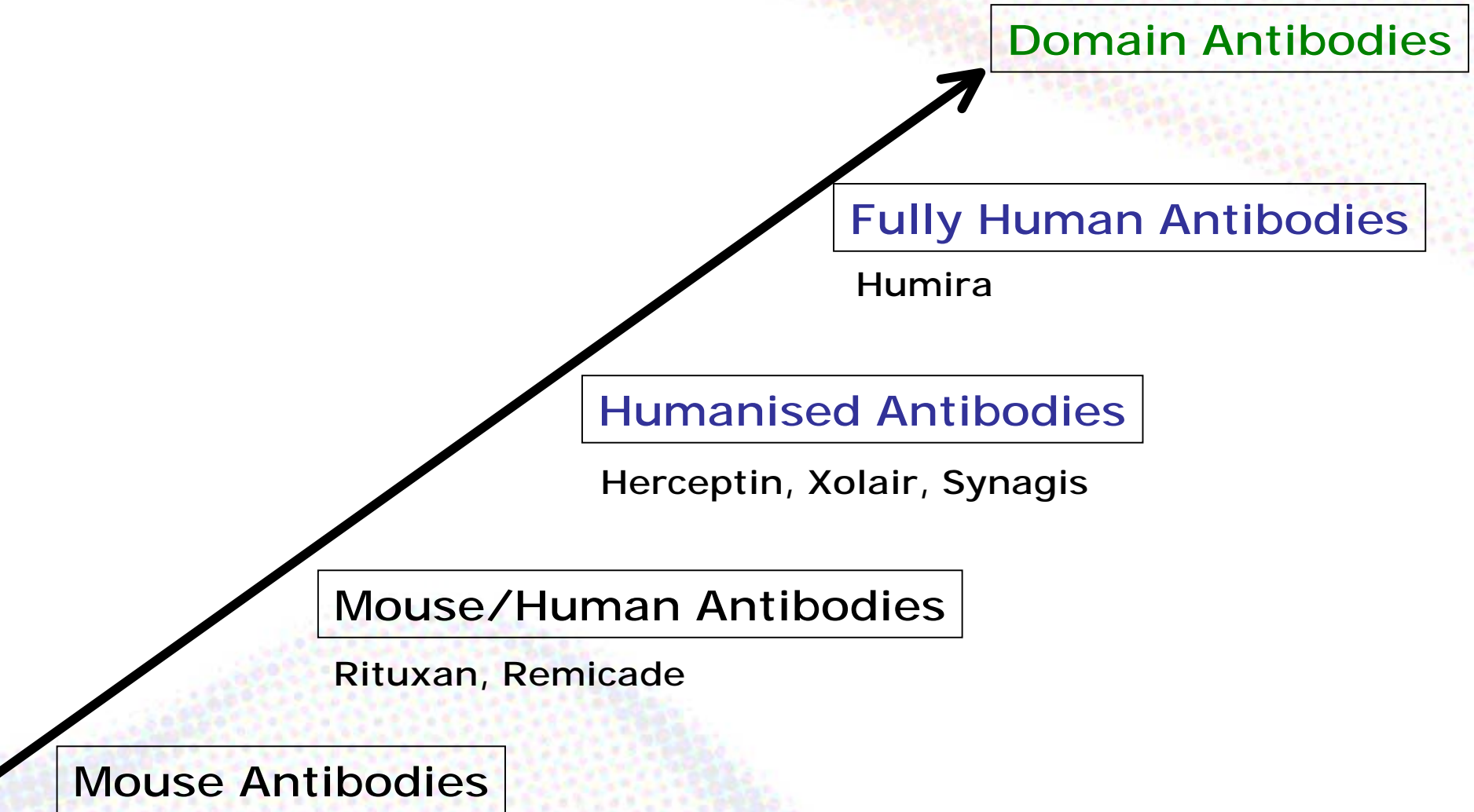
## **Dr Greg Winter – Co-Founder, Director, SAB Chairman**

- Internationally famous scientist/inventor at the MRC labs in Cambridge
- Invented humanized and fully human antibody technologies
- Founder, Director, and Chairman of Science Advisory Board of Cambridge Antibody Technology (CAT) 1989 –1996

## **Dr Ian Tomlinson – Co-Founder, Director, Chief Scientific Officer**

- Internationally famous scientist/inventor at the MRC labs in Cambridge
- Worked on Fab and scFv libraries for 10 years
- Inventor of Domantis library and protein array technologies

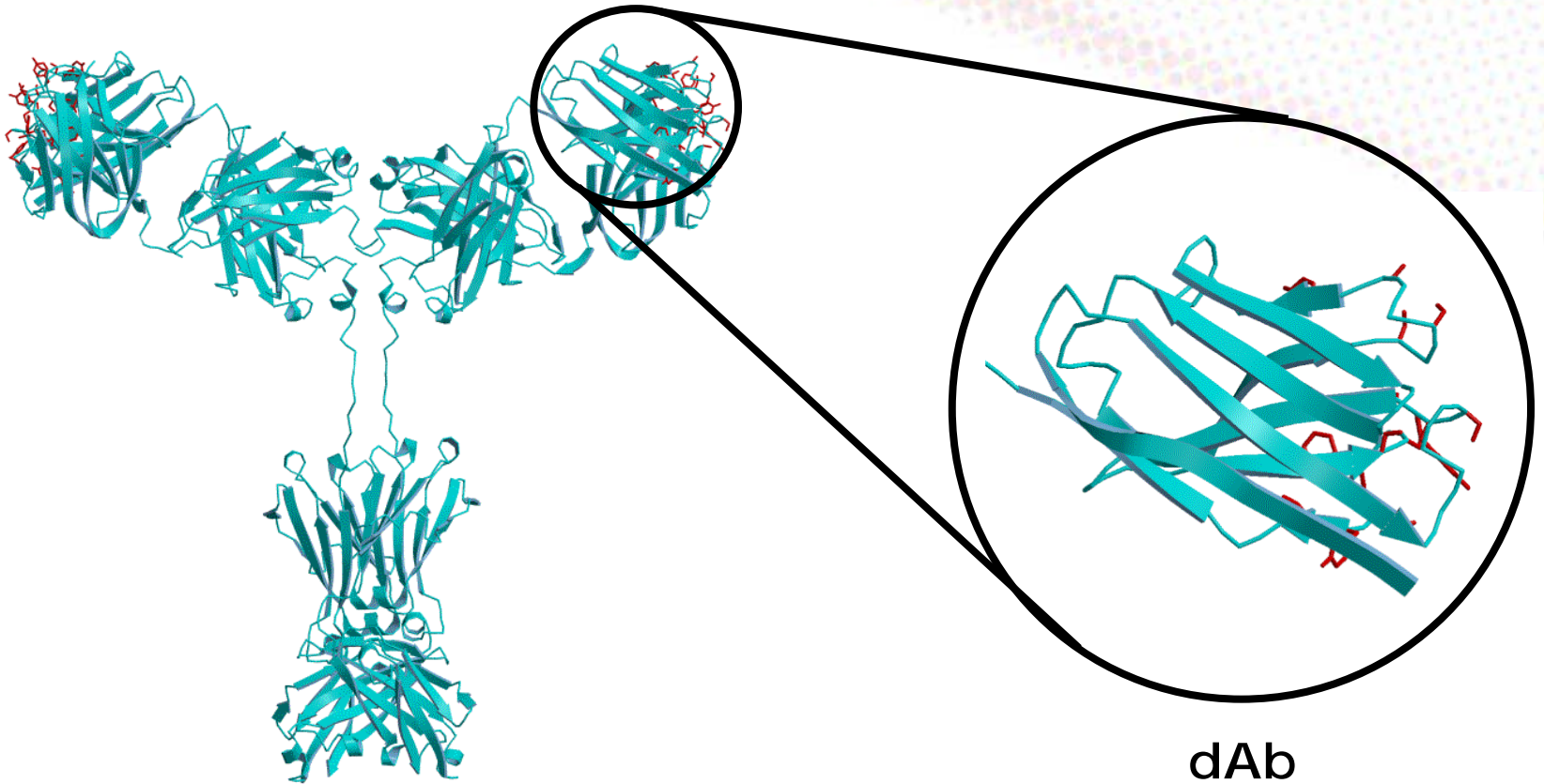
# Evolution of Antibody Technology



# Therapeutic Antibody (mAbs) Evolution

- 15 monoclonal antibody products approved
- \$US 9 billion in sales projected by 2006
- Major companies emerge such as Genentech, Medimmune, IDEC (Biogen), CAT, Abgenix, BASF (Abbott) Medarex, Centocor
- 25% of products in clinical trials are monoclonal antibodies; **2/3 based on Greg Winter technologies**

# What is a Domain Antibody (dAb)?



**Full Antibody**  
(MW 150 kD)

**dAb**  
(Heavy or Light chain)  
(MW 11-13 kD)

# Domain Antibodies vs Full Antibodies

- **Flexible Formats** - dAbs can be formatted to bind to two targets and tailored for serum half life to **increase efficacy**
- **Delivery Options** - dAbs small and tough - deliverable by injection, pulmonary or orally to **expand treatment options**
- **More Targets** - dAbs can be applied to ligands, receptors, enzyme sites to **increase product opportunities**
- **Flexible Manufacture** - dAbs can be produced in multiple expression systems to **reduce costs of final product**

# dAbs Bridge the Gap...

## All the Benefits of Human Antibodies

- Enormous diversity
- High target selectivity & affinity (low toxicity)
- Fully human in sequence (even lower toxicity)

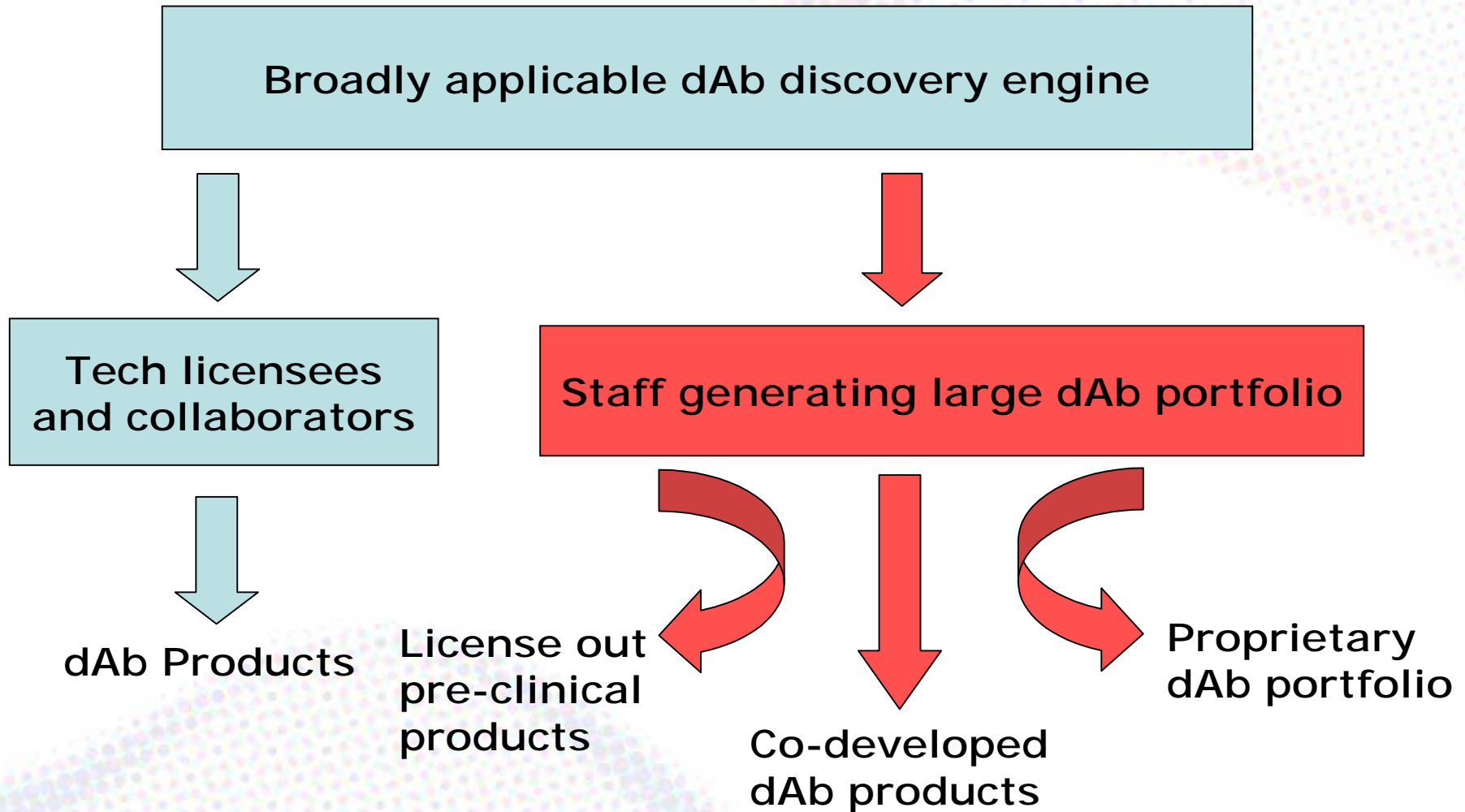
## Combined With Benefits of Small Molecules

- Wider range of therapeutic targets than full antibodies
- Injectable and non-injectable delivery
- Lower cost of manufacture

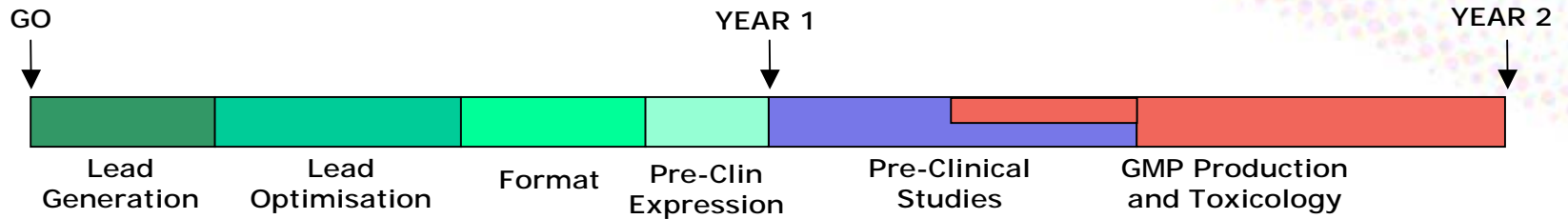
## Unique Technology

- Multiple formats with reduced royalty stacking

# The Domantis Model



# Domantis Product Process

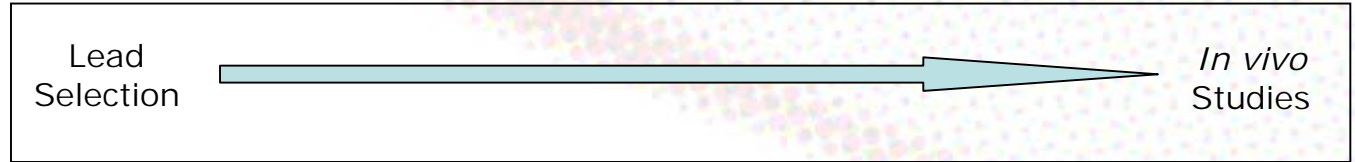


Co-development opportunities



Lead licensing deals

# Domantis Product Pipeline



## Partnered Programs

Peptech TNF- $\alpha$



Abbott Targets



Infectious Disease Targets

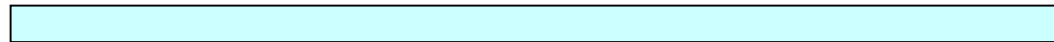


ImClone Targets

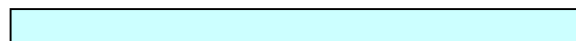


## Proprietary Programs

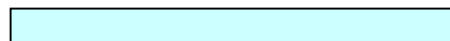
Cytokine Receptor I - RA & IBD



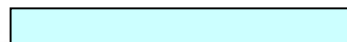
Cytok. Receptor II – RA, Resp.



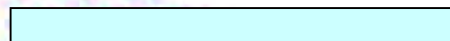
Cytokine Ligand - Autoimmune



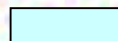
Cytokines DT - RA & IBD \*



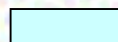
Cytokines - Lung Diseases \*



Cancer - Multiple Myeloma \*

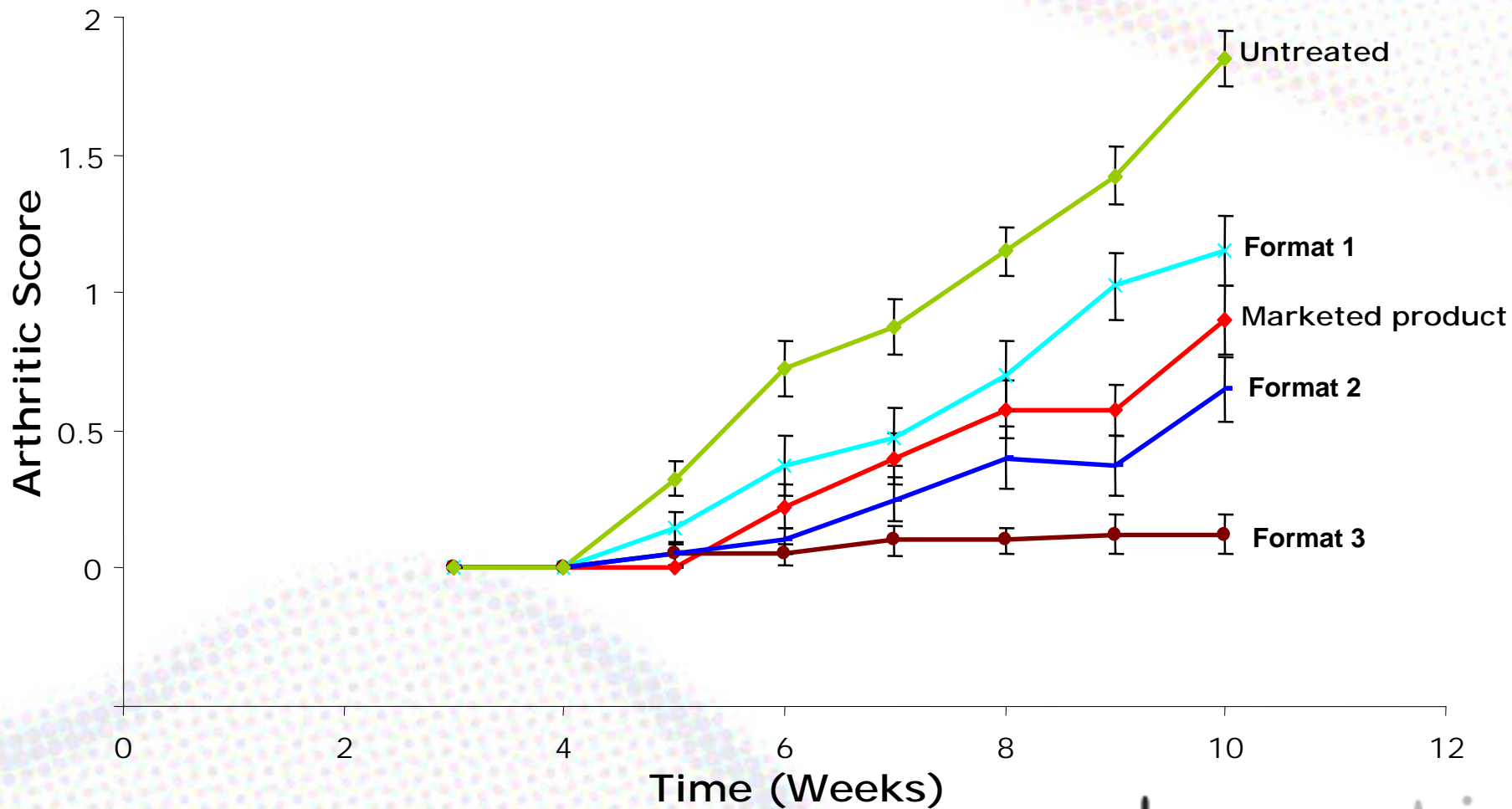


Cancer - Lung Carcinoma \*



\* Dual Target Programs

# Comparison of the Effect on the Arthritic Score of Weekly Injections at a Standard Dose



# Why Domantis Can Be a Major Biotech

- **Formatting Versatility** - Better treatment efficacy (which may include dual targeting)
- **Target Versatility** - More disease areas, increased treatment options and efficacy
- **Formulation Flexibility** - Non-injection delivery, better patient treatment and compliance
- **Cost Advantages** – Lower cost of goods
- **Domantis Model** - Many dAb products into development annually generates commercial opportunities, for partnering and cash

# Why Domantis Can Be a Major Biotech

- **Commercially attractive markets** - tackling diseases with huge unmet need e.g. arthritis and cancer
- **Major product opportunities** - from flexible formats
- **Synergy from alliances** – build on Peptech's patents and know how
- **World leading scientists** - cutting edge technology platform
- **International financial support** – highly successful recent fundraising



domantis

## **Domantis Presentation by Till Medinger**

As the Peptech alternate Director who has attended all the Domantis Board meetings over the last 2 years, my aim this morning is to give you a feeling for why Peptech believes that its Domantis investment is so exciting that it has recently increased its investment in the company.

### **Slide 1 (The Domantis Story)**

In a nutshell, there are five reasons why Domantis stands out from the large number of other newly set up biotech companies:

- Unique patent position over a new class of therapeutics
- The most broadly applicable antibody technology
- Therapeutic benefits not possible with other technologies
- Founders are antibody industry pioneers
- Everything in place to create a large product pipeline with substantial revenue stream

This last point is particularly important. Commercial success in the pharmaceutical industry comes from finding products that the regulatory authorities will approve, and then selling them successfully. What you may not realise is that all the large pharma companies in the world, plus the thousands of biotech companies manage, between them, to have 20-50 products approved per year. It's very hard to find these products, but with Domantis we have a discovery engine that promises to deliver a succession of these products.

### **Slide 2 (Domantis)**

So, let's look at a few basic facts about Domantis:

- Founded in December 2000 as a UK-based limited company
- US\$33 million raised recently; US\$41 million available Feb 04
- R&D facilities in Cambridge, UK and commercial office in Cambridge, MA, USA
- 40 employees including 28 bench scientists
- Therapeutic partnerships with Peptech, EU, Abbott, and ImClone
- 12 dAb therapeutic programs underway

### **Slide 3 (Domantis Founders)**

Another vital point is that the founders of Domantis have an exceptional record in their field.

Greg Winter:

- Internationally famous scientist/inventor at the MRC labs in Cambridge
- Invented humanized and fully human antibody technologies
- Founder, Director, and Chairman of science Advisory Board of Cambridge Antibody Technology (CAT) 1989-1996

You'll note particularly that he was a founder of Cambridge Antibody Technology, a successful company that was the inventor of Humira, the anti-TNF product now being commercialised by Abbott.

Dr Ian Tomlinson:

- Internationally famous scientist/inventor at the MRC labs in Cambridge
- Worked on Fab and scFv libraries for 10 years
- Inventor of Domantis library and protein array technologies

Ian Tomlinson has many patents to his name, and we believe the "Tomlinson" patents will prove as important as the "Winter" patents have been.

### **Slide 4 (Evolution of Antibody Technology)**

This slide indicates how therapeutic antibody technology has developed over the last two decades.

Starting from mouse antibodies, the technology has progressively moved through mixed mouse-human antibodies, to humanised antibodies to the very first fully human antibody, Humira.

You will, of course, recognise the names of some of the launched products eg, Herceptin for breast cancer, Remicade for arthritis and of course, Humira.

### **Slide 5 (Therapeutic Antibody (mAbs) Evolution)**

To round out this picture of therapeutic antibodies, here is the current situation:

- There are now 15 monoclonal antibodies approved for sale.
- Total sales are predicted to rise to US\$9 billion in 2006 from around US\$5 billion now.
- Major companies; Genentech, Medimmune, IDEC (Biogen), CAT, Abgenix, BASF (Abbott) Medarex, Centocor.
- And, astonishingly, 25% of products in clinical trials are monoclonal antibodies; 2/3 based on Greg Winter technologies.

## Slide 6 (What is a Domain Antibody (dAbs)?)

So where do Domain Antibodies come in?

Looking at the diagram, at the top of the arms of the Y of the antibody are the bits that bind to other proteins, such as TNF. We can isolate the individual dAb component which carries all the essential information for binding in a much smaller molecule than the full antibody. It thus preserves the essence of the antibody in a much more compact bundle.

## Slide 7 (Domain Antibodies vs Full Antibodies)

This slide elaborates on the differences between full antibodies and domain antibodies and why these differences are important.

Firstly, because of their smaller size and versatility

- **Flexible Formats:** dAbs can be formatted to bind to two targets and tailored for serum half-life to increase efficacy.

Secondly, their small size and toughness means they have more delivery options than full antibodies.

- **Delivery Options:** dAbs small and tough – deliverable by injection, pulmonary or orally to expand treatment options.

Thirdly, domain antibodies can reach more targets.

- **More Targets:** dAbs can be applied to ligands, receptors, and enzyme sites to increase product opportunities.

And finally, because of their small sized and reduced complexity.

- **Flexible Manufacture:** dAbs can be produced in multiple expression systems to reduce costs of final products.

### **Slide 8 (dAbs Bridge the Gap...)**

So summarising these benefits, we can say that dAbs bridge the gap . . . . .

#### **All the Benefits of Human Antibodies**

- Enormous diversity
- High target selectivity & affinity (low toxicity)
- Fully human in sequence (even lower toxicity)

#### **Combined With Benefits of Small Molecules**

- Wider range of therapeutic targets than full antibodies
- Injectable and non-injectable delivery
- Lower cost of manufacture

#### **Unique Technology**

- Multiple formats with reduced royalty stacking

They combine the advantages of full antibodies with those of smaller molecules.

### **Slide 9 (The Domantis Model)**

So, having explained why Domain Antibodies bring a lot of advantages, how is Domantis proposing to exploit this promise?

This slide shows the business model.

We start out with the broadly applicable discovery engine that I've already mentioned. There are two ways in which this can be commercialised:

Firstly, Domantis can license out access to its technology so that other companies can use it to develop their own domain antibodies.

Secondly, it can generate its own large dAb portfolio from which individual dAbs can either be licensed out at the pre-clinical stage, or co-developed with a partner, or even kept within Domantis for a proprietary portfolio.

Domantis is using all of these possibilities in a very controlled way.

### **Slide 10 (Domantis Product Process)**

What sort of timescales are involved in this process? Typically, it can take 2 years to go through the process from generating leads, optimising the leads, finding the best format, achieving pre-clinical expression; then moving through pre-clinical studies, and finally confirming GMP production and toxicology.

The opportunities for co-development and lead licensing can be spread over the periods shown, although, of course, the products become more valuable as they pass through the steps in the process.

### **Slide 11 (Domantis Product Pipeline)**

How has this business model worked in practice? This slide shows the current situation.

I've simplified the process bar from the previous slide to read from lead selection to in vivo experiments, and underneath show the full product pipeline.

You can see that there are four partnered projects, with the most advanced being the Peptech anti-TNF product.

Apart from that there are the Abbott targets, the project with a European Union grant to investigate infectious disease targets, and the ImClone targets.

There are then a further 7 proprietary Domantis programmes, and you'll notice that they cover a variety of diseases eg, irritable bowel disease, respiratory disease, cancer, and auto-immune diseases. It's also worth noting that several of these projects use the promising dual target approach where dAbs are formatted to bind to two different targets at the same time.

### **Slide 12 (Comparison of the Effect on the Arthritic Score of Weekly Injections at a Standard Dose)**

Finally, what is it that gives your Board confidence that Peptech is on track with its anti-TNF product?

This slide shows the results from a recognised and internationally accepted animal model of the progress of arthritic disease. Control (untreated) animals develop arthritic joints and lesions over a 12 week period, and the progress of the arthritis can be scored week by week. This progress is represented by the top green line.

Compare this with the effect of adding a standard dose of a current and successful marketed TNF product, shown in red. You can see that the progress of the arthritis in this model is significantly reduced.

The remaining three lines, labelled Format 1, 2 and 3 are various formats of the Peptech product. You'll see that all of these formats reduce the arthritic symptoms, while two of them out-perform the marketed product and one in particular gives an outstanding result.

I hope that I have managed to give you a flavour of why your Board is so excited by Domantis and I'll finish by stressing again the technical and commercial reasons that make us believe that Domantis can become a major biotech company.

### **Slide 13 (Why Domantis Can Be a Major Biotech)**

Firstly, from the technical point of view, the Domantis product discovery engine offers:

- Formatting Versatility – Better treatment efficacy (which may include dual targeting)
- Target Versatility – More disease areas, increased treatment options and efficacy
- Formulation Flexibility – Non-injection delivery, better patient treatment and compliance
- Cost Advantages – Lower cost of goods
- Domantis Model – Many dAb products into development annually generates commercial opportunities, for partnering and cash

### **Slide 14 (Why Domantis Can Be a Major Biotech)**

And commercially, Domantis is tackling:

- Commercially attractive markets – diseases with huge unmet need eg, arthritis and cancer
- Major product opportunities – from flexible formats
- Synergy from alliances – build on Peptech's patents and know how
- World leading scientists – cutting edge technology platform
- International financial support – highly successfully recent fundraising

All in all - much cause for optimism