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LIMITED

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## **ASX / MEDIA ANNOUNCEMENT**

### ***Peptech acquires Promics and accelerates building product pipeline***

Australian biotechnology company Peptech Limited (ASX: PTD) today announced it had acquired Queensland-based biotechnology company Promics Limited in its first M&A transaction since announcing an aggressive growth strategy in January this year.

The Promics acquisition substantially strengthens Peptech's product pipeline, providing the company with a product that has been in human clinical trials — promising new anti-inflammatory drug candidate PMX53 — and a suite of preclinical-stage anti-inflammatory compounds.

Peptech Chief Executive Officer Dr John Chiplin said the acquisition was strategically significant for Peptech as it filled a key gap in the company's pipeline and paved the way for early entry into clinical trials.

"The addition of an advanced product such as PMX53, which has a higher probability of success by virtue of its later development stage, reduces Peptech's overall R&D risk and creates a revenue-generating opportunity for our shareholders within the next couple of years," he said.

Peptech will pay \$4.5 million through the issue of up to a maximum of 3.3 million shares. Approximately 3.1 million shares will be subject to a 12-month escrow from date of issue. Peptech will also make cash payments totalling no more than \$0.5 million to existing creditors of Promics on behalf of Promics. Completion is expected to take place within 14 days. Peptech has agreed to make a further payment of \$7 million on either entering into a Phase III clinical trial, or the commercialisation of the product for a human indication. The second payment of \$7 million can be satisfied through shares or cash, at Peptech's discretion.

Dr Chiplin said that with the inclusion of Promics' product candidates, Peptech had one of the strongest development franchises in autoimmune diseases and immune system disorders.

“Promics is a highly complementary fit in Peptech’s existing auto-immune and rheumatoid arthritis franchise, which already contains our two potential blockbuster products PN0621, the domain antibody (dAb) supplied by Domantis, and our monoclonal antibody (mAb) PN0615,” he said.

“The Promics technology is peptide-based, which means it is well suited to Peptech’s peptide and protein focus.

“The collective inflammatory diseases market is reported to be the largest disease market in the world and is estimated to be worth more than \$50 billion per year. There is substantial medical need and market opportunity for new types of anti-inflammatory drugs.

“We see a wealth of exciting opportunities becoming immediately available to us in the anti-inflammatory area as a result of Promics’ extensive range of compounds, which will enable us to further expand our strong franchise.”

Peptech today also released its financial results for the half year ended 31 March 2006, announcing a net profit after tax of \$5.5 million for the half year and a substantial cash position of \$41.9 million.

Dr Chiplin said Peptech continued to have strong on going positive cash flow as a result of the licensing revenues to its anti-TNF family of patents. Dr Chiplin highlighted that the result was down on the 2005 and 2004 corresponding periods, which benefited from significant one-off payments resulting from the settlement of the Abbott and Centocor disputes.

Dr Chiplin said the Promics acquisition sends a clear message to the market of Peptech’s clear intent to use its substantial cash reserves to build its product pipeline and deliver shareholder value.

He said Peptech had strong cash in-flow to support growth and continued to be one of only a few profitable Australian biotechnology companies.

“Deal flow is a key management focus and we are 100% committed on using our cash to close deals that will expand Peptech’s potential and accelerate growth. The Promics acquisition is consistent with this strategy,” he said.

“Peptech is differentiated in the Australian biotech sector by a substantial recurring revenue stream from our anti-TNF related licenses to Abbott and Centocor for their blockbuster anti-inflammatory drugs Humira® and Remicade®, as well as from sales of our animal health products.”

“We expect to receive additional income from our agreements with Abbott and Centocor of between \$100 million and \$130 million over the next four years,

which positions us very strongly in developing our R&D programs, including the new Promics products.”

Dr Chiplin said Peptech’s firm commitment to building a large, valuable portfolio of therapeutics was also evident by the company more than doubling its R&D spend in the half year.

Peptech increased its R&D expenditure (including internal spending) by more than 132% to \$3.6 million (2005: \$1.5 million). R&D expenditure as a proportion of total expenses increased from 25% to 49% compared to the same period in 2005.

Dr Chiplin said Peptech also had the financial capacity to increase its growing investment in Domantis Limited — a promising UK drug development company in which Peptech holds the major interest of 33.6%.

“We have committed a further \$10.8 million to Domantis over the next two years, which increases our total investment to \$40.2 million,” he said.

“We are confident our shareholding in Domantis will continue to appreciate in value as Domantis moves into human clinical trials in 2007 for its dAb-based therapeutics and initiates its planned listing on NASDAQ.”

Dr Chiplin said Promics’ most advanced lead compound PMX53 was a breakthrough product that inhibited inflammation by targeting the C5a ‘complement’ factor receptor — a new approach to treating inflammation that is widely regarded in the field as offering significant improvements over current therapies.

He said Peptech intended to revisit the formulation of the Promics’ compounds and the dosage protocols for PMX53 before re-entering the clinic to undertake trials against selected indications.

“Following work on the formulation of PMX53 and an assessment of suitable dosing levels, we will advance PMX53 to Phase II clinical trials for selected anti-inflammatory indications. Success in such trials could see a product commercialised within a two year time frame,” he said.

“PMX53 has already successfully completed Phase I testing for safety and efficacy, as well as rigorous preclinical studies.”

Dr Chiplin said Peptech would also start optimising a number of Promics’ other novel compounds for potential clinical applications.

“While these are earlier stage opportunities, substantial preclinical data already exists for a number of key indications, such as inflammatory bowel disease, and some of these can quickly be advanced to human testing,” he said.

**ENDS**

**Further information:**

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**About Peptech:**

Peptech Limited focuses on the research and development of peptides and proteins in the areas of human pharmaceuticals and animal health. The company is positioned to become a globally recognised leader in biopharmaceutical development.

**About Promics:**

Promics is an unlisted Brisbane biotech with a large, patent-protected drug development portfolio directed at the inflammatory diseases market, which is estimated to be worth more than \$50 billion per year. It is developing products to treat a range of inflammatory conditions, for example, psoriasis, reperfusion injury (inflammation damage caused by trauma such as heart attacks or accidental injuries), inflammatory bowel disease such as Crohn’s disease and inflammatory conditions in companion animals.