

# SR PHARMA TO ACQUIRE ATUGEN

## Proposed acquisition and temporary suspension

**21 June 2005 – London** - SR Pharma plc ("SR Pharma" or "the Company") is pleased to announce that it has entered into a conditional agreement to acquire Atugen AG ("Atugen"), a biotechnology company based in Berlin, Germany.

By virtue of its size, the transaction constitutes a reverse take-over under the AIM Rules and as such requires the approval of SR Pharma shareholders. The Company expects to post a circular to shareholders later this week containing full details of the transaction and convening an extraordinary general meeting of the Company to approve the acquisition. The Company has requested a short suspension of trading in SR Pharma's shares with immediate effect pending publication of the circular.

### **BACKGROUND ON ATUGEN**

Atugen is developing RNAi therapeutics as a new class of drugs with a significant pharmaceutical market potential. Atugen has 30 staff and has established core competencies in the field of RNAi therapeutics, where it is one of the market leaders.

Atugen's proprietary technologies include atuRNAi (chemically stabilised siRNA molecules) and atuPLEX a liposomal system for the in vivo delivery of these molecules. In particular, Atugen is focusing on systemic delivery applications. The Directors of SR Pharma believe that Atugen's technology has a number of important advantages including a stability that makes intravenous use possible and a high degree of specificity with regard to the target mRNA.

Atugen has targeted the oncology sector as an appropriate market for its therapeutic molecules and has a number of product candidates in pre-clinical development.

Atugen has benefited from approximately €37m of venture capital investment and government grant funding since its incorporation in 1998 to support the development of its product and intellectual property portfolio, which includes exclusive and non-exclusive licenses to more than 100 patents and patent applications and approximately 50 of its own patent applications.

Atugen has generated approximately €20m of contract research revenues to date through its partners who have included, amongst others, AstraZeneca plc, Berlex, Inc., Altana AG and Sankyo Ltd. In addition, Atugen has been able to establish drug development collaborations in the field of RNAi therapeutics with Sanofi-Aventis and Quark Biotech, Inc. This revenue has contributed to the funding of Atugen's substantial research and development expenditure.

### **RATIONALE FOR THE ACQUISITION**

SR Pharma is committed to enhancing shareholder value through becoming a credible European biotechnology company developing an exciting proprietary product pipeline; establishing collaborations with leading pharmaceutical and biotech companies; creating a revenue generating business and making further acquisitions of undervalued product and technology assets.

In particular the Directors believe the benefits to shareholders of the acquisition of Atugen include:

- providing SR Pharma with access to a technology platform already proven to be the source of innovative therapeutic candidates and a team of scientists experienced in the discovery and pre-clinical development of new therapeutic molecules;
- providing SR Pharma with access to technology that is applicable to, and scientific personnel with capabilities and experience in, the oncology and inflammatory market sectors;
- expanding SR Pharma's intellectual property portfolio by providing coverage for a new class of therapeutics and their delivery;
- providing SR Pharma with access to third party collaborators and partners who could further enhance the development of SR Pharma's existing M.vaccae product and intellectual property portfolio; and
- providing SR Pharma with a basis upon which it aims to build a sustainable revenue generating contract services business.

## **Key Terms**

- The acquisition values Atugen at approximately £6.2 million, based upon a price of 27 pence per SR Pharma ordinary share, being the mid-market price as at the close of business on 16 June 2005;
- The consideration for the acquisition is principally in the form of new shares, with the current Atugen shareholders owning a maximum of 49 per cent. of the enlarged entity post completion;
- Certain Atugen Shareholders, including Apax, MPM Capital and Novartis Forschungsstiftung, representing approximately 46 per cent. of the shareholders of the enlarged group, have agreed to a 12 month lock-up following completion of the acquisition.

## **Timetable**

- Subject to approval by shareholders, the transaction is expected to be completed and the shares of the enlarged group re-admitted to trading on AIM by 12 July 2005

## **Proposed Board**

It is proposed that the current directors of SR Pharma, Iain Ross, (Chairman), Melvyn Davies (Finance Director), Peter Reynolds and Iain Rugheimer (Non-executive directors) will be joined by three members of the Atugen Supervisory Board, Jeremy Curnock-Cook, Dr David U'Pritchard and Professor Dr Bernd Wetzel, all three of whom will be non-executive directors.

Upon completion of the acquisition, the other members of the Atugen Supervisory Board, Dr Jeremy Reffin, Dr Steven St. Peter and Dr Michael Steinmetz, will resign as directors

of Atugen. Atugen's current Chief Executive Officer, Dr Peter Buckel, will leave in September 2005.

## **Executive management team**

The executive management team of Atugen will comprise Iain Ross and Melvyn Davies of SR Pharma and Thomas Christély and Dr Klaus Giese from Atugen, who will be appointed Chief Operating Officer and Chief Scientific Officer respectively.

Commenting on today's announcement Iain Ross, Chairman of SR Pharma plc said:

***“SR Pharma’s goal is to build a substantial European biotechnology company and to create an innovative product pipeline coupled with a sustainable revenue generating capability. We are seeking to acquire product and technology assets and we believe that the proposed acquisition of Atugen, will provide us with a key foothold in one of science’s most interesting fields. We have targeted further acquisitions and intend to augment our existing cash reserves by raising substantial funding from new investors in order to fund our growth strategy”.***

Jeremy Curnock-Cook, Chairman of Atugen AG said:

***“The experience of the last 10 years has shown that a diversified, multi-dimensional, highly acquisitive strategy fuelled by innovative science and cash, is both appreciated in the public markets and achieves substantial commercial success. The key to success is having experienced management and I believe the combination of these two companies is a very exciting prospect”.***

### **Enquiries:**

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Michael Forer

### Notes to editors

RNAi is a process whereby the production of disease causing proteins by a target cell can be stopped by preventing the translation of the genes which encode them, thus inhibiting or “silencing” their function. This RNAi process can be initiated by the introduction into the target cell of short interfering RNA.