

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you are recommended immediately to consult an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Existing Ordinary Shares in Cobra Bio-Manufacturing plc, please forward this document together with the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. Your attention is drawn to the paragraph headed Overseas Shareholders in Part II of this document regarding the forwarding of this document to overseas Shareholders.

A copy of this document (which has been drawn up in accordance with the requirements of the AIM Rules and the Public Offers of Securities Regulations 1995 ("POS Regulations")) has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

The Directors of Cobra Bio-Manufacturing plc, whose names appear on page 7 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the Offer Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

It is expected that dealings in the Offer Shares will commence on AIM on 24 June 2003.

Cobra Bio-Manufacturing plc

(Incorporated in England and Wales under the Companies Act 1985 – No. 4442927)

Placing and Open Offer of 6,500,000 new Ordinary Shares of 10p each at 80p per share Unaudited interim results for the six months ended 31 March 2003

Nominated Adviser and Broker
Collins Stewart Limited

Share capital following the Placing and Open Offer

<i>Authorised</i>	<i>Number</i>	<i>in ordinary shares</i>	<i>Issued and fully paid</i>	<i>Number</i>
£2,700,000	27,000,000	<i>of 10p each</i>	£1,950,000	19,500,000

Upon Admission, the Offer Shares being issued pursuant to the Placing and Open Offer will rank pari passu in all respects with the existing issued Ordinary Shares of the Company and will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company.

Collins Stewart Limited, which is authorised by the Financial Services Authority for investment business activities, is acting as Nominated Adviser and Broker to the Company in relation to the Placing and Open Offer, and will not be responsible to any other person for providing the protections afforded to clients of Collins Stewart or for providing advice in relation to the Placing and Open Offer or any other matter referred to in this document. Collins Stewart has not authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations.

Collins Stewart's responsibilities as Nominated Adviser and Broker are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire Offer Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Collins Stewart Limited as to any of the contents of this document.

An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this document. A prospective investor should consider carefully whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

The Open Offer is not being made, directly or indirectly, in or into the United States of America, Canada, Australia, the Republic of Ireland, Japan or South Africa and the Application Form enclosed with this document must not be mailed or otherwise distributed or sent in or into the United States of America, Canada, Australia, the Republic of Ireland, Japan or South Africa.

The Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended. Furthermore the Offer Shares have not been, and will not be, registered under the securities legislation of any state of the United States of America, any province of Canada, the Commonwealth of Australia, the Republic of Ireland, Japan or South Africa. Accordingly, unless an exemption under relevant securities laws is applicable, the Offer Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, the Republic of Ireland, Japan and South Africa.

The latest time for acceptance and payment in full under the Open Offer is 3.00 p.m. on 19 June 2003. The procedure for acceptance and payment is set out in Part II of this document and in the accompanying Application Form. An application may only be made on the Application Form, which is personal to the shareholder(s) named thereon and may not be assigned transferred or split except to satisfy bona fide market claims. To be valid, Application Forms must be returned, together with the appropriate remittance, by post or by hand to the Corporate Actions Department, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 3.00 p.m. on 19 June 2003.

Notice of an Extraordinary General Meeting of Cobra Bio-Manufacturing plc, to be held at 11.00 a.m. on 23 June 2003 is set out at the end of this document. You will find enclosed with this document a Form of Proxy for use at the meeting. To be valid, the Form of Proxy must be completed and returned, in accordance with the instructions printed thereon, to Capita Registrars as soon as possible and in any event so as to arrive not later than 11.00 a.m. on 21 June 2003. Completion and return of a Form of Proxy will not prevent a Shareholder from attending and voting at the meeting in person.

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DIRECTORS AND ADVISERS

Directors	Geoffrey Peter Fothergill (Chairman) David Robert Thatcher (Chief Executive) Peter Alistair Coleman (Finance Director) David Philip Bloxham (Non-Executive Director) Nigel Kenneth Harry Slater (Non-Executive Director)
Registered Office	Stephenson Building Keele University Science Park Keele Staffordshire ST5 5SP
Website address	www.cobrabio.com
Secretary	Edward Matthew Scott Baker Cobbetts Solicitors Ship Canal House King Street Manchester M2 4WB
Nominated Adviser and Broker	Collins Stewart Limited 9th Floor 88 Wood Street London EC2V 7QR
Registered Auditor and Reporting Accountants	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Solicitors to the Company	Gateley Wareing Windsor House 3 Temple Row Birmingham B2 5JR
Solicitors to the Placing	Rosenblatt Solicitors 9-13 St Andrew Street London EC4A 3AF
Bankers	HSBC Bank plc Crown Bank Hanley Stoke on Trent ST1 1DA
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agent	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

The following definitions apply throughout this document, save for Part III, unless the context otherwise requires:

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Offer Shares to trading on AIM becoming effective
“AIM”	the Alternative Investment Market of the London Stock Exchange
“Application Form”	the application form accompanying this document on which Qualifying Shareholders may apply for Offer Shares under the Open Offer and which forms part of the terms and conditions of the Open Offer
“Articles of Association”	the articles of association of the Company
“Board” or “Directors”	the board of directors of the Company
“Cobra”	Cobra Therapeutics Limited
“Collins Stewart”	Collins Stewart Limited
“Collins Stewart Warrant”	the meaning given to it in paragraph 9.1.5 of Part IV of this document
“Company” or “Cobra Bio-Manufacturing”	Cobra Bio-Manufacturing plc
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Crestco Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertified Securities Regulations 2001 (SI 200/3755)
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company convened for 11.00 a.m. on 23 June 2003 (or any adjournment thereof) notice of which is set out at the end of this document
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“Facility”	the purpose built manufacturing facility situated at Harrow House, Watlington Road, Cowley, Oxford
“Form of Proxy”	the form of proxy accompanying this document for use at the EGM
“Group”	the Company and its subsidiaries
“ML”	ML Laboratories plc
“London Stock Exchange”	London Stock Exchange plc
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Offer Shares”	the 6,500,000 new Ordinary Shares which are the subject of the Placing and Open Offer
“Open Offer”	the conditional offer by Collins Stewart, on behalf of the Company, to Qualifying Shareholders to subscribe for the Offer Shares on the terms and subject to the conditions set out in of this document and in the Application Form
“Placing”	the conditional placing by Collins Stewart, subject to the rights of Qualifying Shareholders under the Open Offer, of 6,500,000 Ordinary Shares described in this document

“Placing and Open Offer Agreement”	the agreement dated 29 May 2003 the Company, the Directors and Collins Stewart, further details of which are set out in paragraph 8 of Part IV of this document
“Placees”	persons to whom Offer Shares are conditionally allotted pursuant to the Placing
“Placing Price”	80p per Offer Share
“Proposals”	the Placing and Open Offer
“Qualifying Shareholders”	holders of existing Ordinary Shares on the register at the Record Date other than certain overseas holders as described in the paragraph headed “Overseas Shareholders” in Part II of this document
“Record Date”	close of business on 27 May 2003
“Resolutions”	the resolutions to be proposed at the EGM, notice of which is set out at the end of this document to effect the Proposals
“Share Option Scheme”	the Cobra Bio-Manufacturing Unapproved Share Option Scheme
“Shareholders”	holders of Ordinary Shares

PLACING AND OPEN OFFER STATISTICS

Placing price per share	80p
Market capitalisation at the Placing Price	£15.60 million
Number of Ordinary Shares in issue following the Placing and Open Offer	19,500,000
Number of Ordinary Shares subject to the Placing and Open Offer	6,500,000
Percentage of Ordinary Shares subject to the Placing and Open Offer	33 per cent.
Gross proceeds of the Placing and Open Offer	£5.20 million
Net proceeds of the Placing and Open Offer (after expenses)	£4.65 million

TIMETABLE

	2003
Record Date for the Open Offer	close of business on 27 May
Latest time and date for splitting (to satisfy bona fide market claims only)	3.00 p.m. on 17 June
Latest time and date for receipt of Application Forms and payment in full under the Open Offer	3.00 p.m. on 19 June
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 21 June
Extraordinary General Meeting	11.00 a.m. on 23 June
Dealings on AIM expected to commence	8.00 a.m. on 24 June
CREST member accounts credited	24 June
Expected date of despatch of definitive certificates	27 June

PART I

Letter from the Chairman of Cobra Bio-Manufacturing plc

(Registered in England and Wales under the Companies Act 1985 with registered number 4442927)

Directors:

Geoffrey Peter Fothergill *Executive Chairman*
David Robert Thatcher *Chief Executive*
Peter Alistair Coleman *Finance Director*
David Philip Bloxham *Non-Executive Director*
Nigel Kenneth Harry Slater *Non-Executive Director*

Registered Office:

Stephenson Building
Keele University Science Park
Keele
Staffordshire ST5 5SP

29 May 2003

To: Shareholders and for information only to holders of options under the Share Option Scheme

Dear Shareholder

Proposed Placing and Open Offer

Introduction

As indicated today, Cobra Bio-Manufacturing is intending to raise approximately £4.65 million (net of expenses) by way of a Placing and Open Offer of 6,500,000 new Ordinary Shares. The Placing and Open Offer is underwritten by Collins Stewart. Qualifying Shareholders have the right to subscribe for new Ordinary Shares in accordance with the terms of the Open Offer, details of which are set out below and in the letter from Collins Stewart in Part II of this document.

Cobra Bio-Manufacturing has also announced its unaudited interim results for the six months ended 31 March 2003, which are set out in Part III of this document.

The purpose of this document is to explain to Shareholders the reasons for the Placing and Open Offer, to provide information about the Offer Shares and to convene an Extraordinary General Meeting of the Company to seek shareholders' approval to effect the matters necessary to enable the allotment and issue of the Offer Shares.

Background to the Proposals

The business of Cobra Bio-Manufacturing which is the manufacture of bio-pharmaceuticals, was founded in 1992 and the Company's shares were admitted to trading on AIM in June 2002. The stated objective of the Group at the time of its flotation was to become a major manufacturer of DNA and protein therapeutics for third parties for clinical trials and subsequently to become a major full service custom manufacturer of licensed bio-pharmaceutical products for commercial sale. Considerable progress has been made since flotation in pursuing this strategy. In particular, Cobra Bio-Manufacturing has:

- at the facility in Keele, completed a substantial expansion of the Company's microbial fermentation and virus manufacturing capacities – which has significantly increased turnover and profitability;
- entered into long-term manufacturing agreements and acquired commercialisation rights;
- renewed the GMP accreditation of the Keele facility which will become mandatory for European clinical trials in 2004; and
- increased its international sales with 51 per cent. of sales in Europe, 29 per cent. in Africa/Asia/Australia and 20 per cent. in the USA which represents the largest single market and where the Company has opened an office in Chicago. Further details of these developments can be found in Part III of this document.

Reasons for the Placing and Open Offer

The Group's existing manufacturing facility in Keele, Staffordshire will, during the financial year ending September 2004 reach full capacity as a result of the growing order book. The Company had therefore been looking for additional facilities and identified an appropriate facility in Cowley, Oxford. This Facility requires a further investment in order to meet the Group's manufacturing requirements. The Directors believe that adapting this existing facility will enable additional manufacturing capacity to be brought on stream far more quickly and more cost effectively than would be the case were a new facility to be constructed.

Information on the Facility

The Facility comprises approximately 15,000 sq ft of laboratories, plant for process development and biological product manufacture and associated facilities.

The Facility is equipped to manufacture biological products for clinical trials, providing for:

- cell banking
- process development
- fermentation
- primary separation
- purification
- storage
- dispensing

The Facility can be environmentally controlled to achieve containment and appropriate clean room standards, including:

- HEPA filtered air;
- pressure differentials between rooms to ensure containment;
- material and personnel flow and gowning procedures;
- routine environmental monitoring procedures;
- class 100,000 areas (innoculation, primary separation and dispensary); and
- class 10,000 areas (cell banking and purification).

The Facility includes equipment to carry out process development and to enable manufacture of microbial products (single product manufacturing campaigns).

Cobra Bio-Manufacturing will be making further investment in the Facility to conform its configuration to the requirements of the Company, to increase its capacity and to acquire equipment.

The result of this investment will be to approximately double process development and microbial capacity of the Company. Furthermore, it will provide a broader range of services through a severalfold and flexible increase in both viral and particularly protein production.

The purchase of the Facility will enable the Company to meet the growing global demand for its products and services. Secondary benefits include availability of skilled personnel in the Oxford area and the potential to satisfy customers who have placed orders using the Facility in the past.

Use of Proceeds

The net proceeds of the Placing and Open Offer will be mainly used for additional investment in the Facility, as referred to above. The building is being purchased at a net cost to Cobra of £1.275 million and is being funded from the Company's own resources. Court approval is being sought to the surrender of the two existing tenancies of the Facility. If this is not forthcoming the purchase of the Facility will proceed in any event.

Further details of these arrangements are set out in Part IV of this document.

Interim Results for the six months 31 March 2003

The unaudited interim results for the six months ended 31 March 2003 are set out in Part III of this document, from which the following table has been extracted. Investors should not rely on the summarised information set out below but should read the whole of this document.

	<i>Unaudited 6 months ended 31 March 2003 £</i>	<i>Unaudited 6 months ended 31 March 2002 £</i>
Group Turnover	3,019,525	774,137
Gross profit	1,784,788	189,108
Group Operating profit/(loss)	465,082	(2,304,460)
Profit/(loss) before tax	482,893	(2,323,442)
Retained profit/(loss) for the period	707,893	(1,352,034)

Further details are set out in the interim results for the six months ended 31 March 2003 in Part III of this document.

Current Trading and Prospects

The Company operates in a global market place where it continues to establish a strong presence. The Directors are confident of a successful outcome for the current year and are optimistic about the Company's future prospects.

Details of the Placing and Open Offer

The Company is proposing to raise approximately £4.65 million net of expenses, by way of a Placing and Open Offer of 6,500,000 Offer Shares. The Placing and Open Offer is being underwritten by Collins Stewart.

ML Laboratories plc who hold 46 per cent. of the existing issued ordinary shares have irrevocably undertaken not to take up their entitlement of 3,000,000 Ordinary Shares and that entitlement has been placed by Collins Stewart with institutional and other investors. In addition, ML have agreed to sell 5,000,000 Ordinary Shares at the Placing Price to places procured by Collins Stewart. As a consequence ML's shareholding following completion of the Placing and Open Offer will be reduced to approximately 5 per cent.

Qualifying Shareholders may subscribe for Offer Shares *pro rata* to their shareholdings on the Record Date on the basis of:

1 Offer Share for every 2 existing Ordinary Shares

held at the close of business on the Record Date at a price of 80p per share. Fractional entitlements to Offer Shares will be aggregated and sold for the benefit of the Company. The Offer Shares must be paid for in full on application, which must be lodged not later than 19 June 2003. To the extent that the Offer Shares are not taken up under the Open Offer they will fall to be allotted to Placeses under the Placing.

Applications by Qualifying Shareholders will be satisfied in full up to their *pro rata* basic entitlement as shown in Box 2 of the Application Form.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for acceptance and payment, are set out in Part II of this document and in the Application Form. To be valid, Application Forms must be received by Capita IRG Plc not later than 3.00 p.m. on 19 June 2003.

The Open Offer is not being made to certain overseas Shareholders, as outlined in Part II of this document.

The Offer Shares will, when issued, rank *pari passu* in all respects with the existing issued Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on or after, or by reference to a record date on or after, the date of their issue and will be issued free of all liens, charges and encumbrances. It is expected that Admission will become effective and dealings in the Offer Shares will commence on AIM on 24 June 2003.

The Directors have irrevocably committed to take up their rights under the Open Offer in respect of their own shareholdings, equivalent to a total of 13,750 Offer Shares, representing 0.11 per cent. of the Company's issued share capital. Further details of the Placing and Open Offer are set out in Part II and paragraph 8 of Part IV of this document.

Extraordinary General Meeting

An extraordinary general meeting of the Company has been convened for 11.00 a.m. on 23 June 2003. At the meeting, Shareholders will be asked to consider the Resolutions, which are conditional upon Admission and which will be proposed as follows:

- (a) to increase the authorised share capital of the Company to £2,700,000 by the creation of an additional 7,000,000 Ordinary Shares of 10p each;
- (b) to confer the authority on the directors of the Company pursuant to section 80 of the Act to allot the Offer Shares for the purpose of the Placing and the Open Offer as well as to allot other shares and securities in the future as set out below; and
- (c) to disapply the pre-emption rights conferred by section 89 of the Act for the purpose of the Placing and Open Offer and generally.

To be passed, the Resolution described in (c) above requires a majority of not less than 75 per cent. voting in person or on a poll by proxy in favour of the Resolution at the Extraordinary General Meeting.

This Resolution gives authority to the Directors to allot shares otherwise than pro rata to Shareholders but this authority is limited to (i) the allotment of Offer Shares for the purpose of the Placing and the Open Offer, (ii) the allotment of shares other than pro rata in the future and (iii) the allotment of up to 500,000 Ordinary Shares for cash (for any purpose).

Following the Placing and Open Offer, 7,500,000 Ordinary Shares will remain authorised but unissued (representing approximately 28 per cent. of the increased authorised ordinary share capital of the Company), a margin which your Directors consider desirable in order to retain flexibility for the future. Of this number, up to 1,950,000 Ordinary Shares will be reserved for the exercise of employee share options and other options granted by the Company pursuant to the Share Option Scheme and up to 390,000 Ordinary Shares will be reserved for issue pursuant to the Collins Stewart Warrant referred to in paragraph 9.1.5 in Part IV of this document.

The Directors have no present intention to allot any Ordinary Shares pursuant to the authority proposed to be granted to them at the Extraordinary General Meeting, save for the allotment of the Offer Shares and the allotment of Ordinary Shares in the event of share options being exercised.

Taxation

Information regarding United Kingdom taxation is set out in Part II of this document. **If you are in any doubt as to your tax position, you should contact your professional adviser immediately.**

Further information

Your attention is drawn to Parts II and IV of this document and the Application Form.

Action to be taken

- (a) *In respect of the EGM*

You will find enclosed with this document a reply paid Form of Proxy for use by Shareholders at the EGM. Whether or not you intend to be present at the EGM, you are requested to complete the Form

of Proxy in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and, in any event, not later than 11.00 a.m. on 21 June 2003, being 48 hours before the time appointed for holding the EGM. Completion of a Form of Proxy will not preclude you from attending the meeting and voting in person if you so choose.

(b) *In respect of the Open Offer*

Qualifying Shareholders who wish to apply for the Offer Shares to which they are entitled under the Open Offer should follow the instructions on the Application Form accompanying this document, which should be returned, together with their application monies, so as to be received by post or by hand to Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but, in any event, not later than 3.00 p.m. on 19 June 2003. Application Forms received after that time may be treated as being invalid. A reply paid envelope is enclosed for your convenience.

YOUR ATTENTION IS DRAWN TO THE PARAGRAPHS HEADED “PROCEDURE FOR APPLICATION” AND “PROCEDURE FOR PAYMENT” IN THE LETTER FROM COLLINS STEWART IN PART II OF THIS DOCUMENT.

If you do not wish to apply for any of the Offer Shares you should not complete or return an Application Form. Holders of Existing Ordinary Shares are nevertheless requested to complete and return the Form of Proxy.

Recommendation

Your Directors consider that the Proposals are in the best interests of the Company and the Shareholders taken as a whole. Accordingly, your Directors unanimously recommend you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. The Directors have irrevocably undertaken to vote in favour of the Resolutions in respect of their own beneficial holdings of 27,500 Ordinary Shares held at the date of this document representing approximately 0.21 per cent. of the Company’s issued ordinary share capital.

Yours faithfully

G Peter Fothergill
Chairman

PART II

Letter from Collins Stewart



Incorporated and registered in England and Wales under the Companies Act 1985 No 1774003)

Collins Stewart Limited
9th floor
88 Wood Street
London EC2V 7QR

29 May 2003

To: *Qualifying Shareholders and, for information only, to the holders of options under the Share Option Scheme*

Dear Shareholder

PROPOSED PLACING AND OPEN OFFER OF 6,500,000 NEW ORDINARY SHARES AT 80p PER SHARE

Your Chairman has, in his letter set out in Part I of this document, given details of proposals to raise up to £4.65 million net of expenses, by means of the Placing and Open Offer. The net proceeds will be used for the purposes set out in that letter. The Placing has been underwritten by Collins Stewart.

Certain fees are payable to Collins Stewart for its services under the Placing and Open Offer Agreement, which contains warranties and indemnities given by the Company to Collins Stewart and also provisions entitling Collins Stewart to terminate its obligations in certain circumstances prior to Admission. Further details of the Placing and Open Offer Agreement are set out in paragraph 8 of Part IV of this document. The Placing and Open Offer is subject, amongst other things, to the Placing and Open Offer Agreement becoming wholly unconditional and not being terminated in accordance with its terms.

This letter contains the formal terms of the Open Offer and should be read in conjunction with the remainder of this document and the Application Form.

The Open Offer

Subject to the terms and conditions set out in this letter and in the Application Form, Collins Stewart, as agent for the Company, hereby invites applications from Qualifying Shareholders to subscribe for or purchase up to 6,500,000 Offer Shares at a price of 80p per Offer Share payable in full in cash on application, free from all commissions and expenses.

Qualifying Shareholders may apply for any whole number of Offer Shares up to and including their maximum *pro rata* entitlement being:

1 Offer Share for every 2 existing Ordinary Shares

held by them on the Record Date, and so on in proportion to any other number of existing Ordinary Shares then held. Fractional entitlements to Offer Shares will not be issued to Qualifying Shareholders and no cash payments will be made in lieu of fractional entitlements. Accordingly, the entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. Any fractional entitlements arising under the Open Offer will be aggregated and sold for the benefit of the Company. Applications by Qualifying Shareholders will be satisfied in full up to their *pro rata* entitlement.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that Offer Shares not applied for under the Open Offer will be allotted to Places under the Placing for the benefit of the Company. The Application Form is not a document of title and cannot be traded or (save to satisfy *bona fide* market entitlements) transferred.

The Placing and Open Offer Agreement is subject, amongst other things, to satisfaction of all of the following conditions by not later than 24 June 2003 or such later date (being not later than 1 July 2003) as Collins Stewart and the Company may agree:

- (i) the passing (without material amendment) of the Resolutions; and
- (ii) Admission.

If the conditions are not fulfilled by the relevant dates, the Open Offer will lapse and application monies will be refunded to applicants by cheque (at their own risk) by post within fourteen days thereafter without interest.

The new Ordinary Shares issued pursuant to the Placing and Open Offer, when issued, will be fully paid and will rank *pari passu* in all respects with the existing issued Ordinary Shares and will carry the right to receive all dividends and other distributions declared, made or paid in relation to a record date after their issue. They will be issued free from all liens, charges and encumbrances.

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on AIM on 24 June 2003.

Procedure for application

The Application Form shows the number of existing Ordinary Shares registered in your name on the Record Date and also shows the basic entitlement to Offer Shares for which you may apply and the amount you should pay if you wish to take up your basic entitlement in full. You may apply for less than your basic entitlement if you wish.

The Application Form incorporates further terms and conditions of the Open Offer and must be used if you wish to apply for Offer Shares.

If you wish to take up your entitlement under the Open Offer, in whole or in part, your Application Form must be completed and returned in accordance with the instructions printed thereon, together with a remittance for the full amount payable in respect of the number of Offer Shares for which you are applying, by post to Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by hand (during normal business hours only) to Capita IRG Plc so as to arrive as soon as possible but in any case not later than 3.00 p.m. on 19 June 2003, at which time the Open Offer will close. A reply-paid envelope is provided for your convenience. Collins Stewart and the Company reserve the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 19 June 2003 from an authorised person as defined in the Financial Services and Markets Act 2000 specifying the number of Offer Shares concerned and undertaking to lodge the relevant Application Form in due course, and to treat any other application not strictly complying with the terms of the application as nevertheless valid. Please allow at least four working days for delivery. Applications made under the Open Offer are irrevocable and will not be acknowledged.

If you do not wish to apply for any of the Offer Shares you should not complete or return an Application Form. **Holders of existing Ordinary Shares are nevertheless requested to complete and return the Form of Proxy whether or not they intend to attend the Extraordinary General Meeting.**

Applications to subscribe for Offer Shares may only be made on the enclosed Application Form (and not via the CREST settlement system) which is personal to the Shareholder named thereon and may not be assigned, split or transferred other than to satisfy *bona fide* market claims pursuant to the Rules of the London Stock Exchange. If you have recently sold all or part of your holding of existing Ordinary Shares, you should consult your stockbroker, bank or other agent through whom the sale was effected as soon as possible. The invitation to subscribe for Offer Shares under the Open Offer may represent a benefit, which can be claimed from you by the purchaser under the rules of the London Stock Exchange. In order to facilitate any such claim, you are asked to follow the instructions printed on the Application Form which is not a document of title and which cannot be traded.

Your right to subscribe for Offer Shares as set out in this letter will lapse, save as above, and no application to subscribe for Offer Shares will be considered, unless the Application Form is submitted in accordance with the provisions of this letter and the provisions of the Application Form itself and is received by Capita IRG Plc at the address quoted above, by not later than 3.00 p.m. on 19 June 2003.

Procedure for payment

Cheques or bankers' drafts should be made payable to Capita IRG Plc A/C "Cobra Bio-Manufacturing plc" and crossed "A/C Payee only" and must be drawn in sterling on a bank or building society in the United Kingdom, the Channel Islands, the Isle of Man or the Republic of Ireland which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be presented for payment through the clearing facilities provided for the members of either of those companies and (i) must bear the appropriate sort code number in the top right hand corner and (ii) must be for the full amount payable on application. The Company reserves the right to reject applications unless these requirements are fulfilled.

Collins Stewart reserves the right to present cheques and bankers' drafts on receipt. If cheques or bankers' drafts are presented for payment before the closing date of the Open Offer, the application monies will be kept in a separate bank account and any interest earned will be retained for the benefit of the Company. Collins Stewart reserves the right to seek special clearance of cheques to enable the Company to obtain value for remittances at the earliest opportunity. Qualifying Shareholders should note that applications will be irrevocable and that it is a term of the Open Offer that applicants warrant that cheques and bankers' drafts will be honoured on first presentation. The Company may elect to treat as invalid any applications in respect of which a remittance is not so honoured. No receipts will be issued for amounts paid on application.

The Company or its agents may withhold definitive share certificates or registration into CREST pending clearance of any cheque or banker's draft. No interest will be allowed on payments made before they are due.

An Application Form may be treated by the Company and Collins Stewart (at their sole discretion) as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by the required remittance or a power of attorney (where required) or verification of identity satisfactory to Capita Registrars to ensure that the Money Laundering Regulations 1993 (the "Money Laundering Regulations") would not be breached by acceptance of the payment submitted in connection with the Application Form.

All enquiries in connection with the Application Forms should be addressed to Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH (telephone number 0870 162 3100).

Money laundering provisions

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations, Capita Registrars may require verification of identity from any person lodging an Application Form (an "applicant"). Return of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking from the applicant to provide verification of identity satisfactory to the Company's registrars, Capita Registrars, if so requested. Failure to provide satisfactory evidence of identity if requested to do so may result in a delay in the despatch of a definitive share certificate in respect of Offer Shares or a delay in the crediting of the CREST account. If within a reasonable period of time following a request for verification of identity, but in any event not later than 3.00 p.m. on 19 June 2003, the Company's Registrars, Capita Registrars, have not received evidence satisfactory to them as aforesaid, the Company may (at its absolute discretion) elect either not to treat as valid the relevant application or to terminate the contract of allotment, in which event the money payable or paid in respect of the application (to the extent provided) will be returned (without interest) to the account of the drawee bank or building society

from which such sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure of the applicant to produce satisfactory evidence as aforesaid).

The verification of identity requirements will not usually apply:

- (a) if the applicant is a United Kingdom or European Union regulated organisation (e.g. a bank or a broker) which completes the Application Form;
- (b) if the applicant (not being an applicant who delivers his/her application in person) makes payment by way of cheque drawn on an account in the name of such applicant; or
- (c) if the aggregate subscription price for the Offer Shares is less than £10,000.

Payments should, if possible, be made by a cheque drawn on the applicant's own account. In any other case (for example, if payment is made with a cheque drawn by a third party, a building society cheque or a bankers' draft), applicants should:

- (i) write their name, address and date of birth on the back of the cheque or bankers' draft;
- (ii) if a building society cheque or bankers' draft is used, ask the building society or bank to endorse on the cheque the name and account number of the person whose building society or bank account is being debited, such endorsement being validated by a stamp and authorised signature; and
- (iii) if the application is being made by the applicant as agent for one or more persons, indicate on the Application Form whether the applicant is a UK, Irish or EU regulated person or institution (for example, a bank or stockbroker) and specify the applicant's status and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will, on demand, make such evidence available to Capita Registrars, or other relevant authority. If an applicant is not a UK, Irish or EU regulated person or institution, please contact Capita IRG Plc (Telephone 0870 162 3100).

If the Application Form is delivered by hand, the person making payment should ensure that he has with him evidence of identity bearing his photograph (for example, a full valid passport).

Neither the Company nor Collins Stewart shall be responsible for or have any liability for loss or damage (whether actual or alleged) arising from the election by the Company to treat an application in respect of Offer Shares lodged by any applicants as invalid or to terminate the contract of allotment as a result of Capita Registrars not having received evidence reasonably satisfactory to it as to the identity of the persons lodging the Application Form within a reasonable period of time of Capita IRG Plc having requested such information.

All enquiries in relation to the Application Forms should be addressed to Capita IRG Plc (Telephone 0870 162 3100).

Overseas Shareholders

(a) General

Any offer of Offer Shares pursuant to the Open Offer to Shareholders resident outside the United Kingdom may be affected by the law of their relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements.

Receipt of this document and/or an Application Form by a Qualifying Shareholder in any territory other than the United Kingdom will not constitute an invitation or offer to such holder, nor should such holder in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used without contravention of any regulation or other legal requirements. Unless this is the case, Application Forms are sent for information only, are confidential and should not be copied or distributed.

Accordingly, persons (including, without limitation, nominees and trustees) receiving this document and/or an Application Form should not, in connection with the Open Offer, distribute or send the same into any jurisdiction where to do so would or might contravene local securities laws or regulations. If an Application Form is received by any person in any such territory or by the agent or nominee of such person, he must not seek to take up the entitlement referred to in such Application Form except pursuant to an express agreement with the Company. Any person who does forward this document or an Application Form into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph. It is the responsibility of any person (including, without limitation, nominees and trustees) outside the United Kingdom wishing to accept the offer of Offer Shares comprised in the Application Form to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. **Overseas Shareholders who are in any doubt as to their position should consult their professional adviser.**

In cases where overseas Shareholders do not, or are unable to, take up Offer Shares, or where applications are treated as having been declined or invalid, the provisions relating to fractional entitlements set out under the heading "The Open Offer" above will apply. Subject to prior agreement with Collins Stewart, the Company reserves the right to treat as invalid any application for Offer Shares comprised in an Application Form which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the legislation of any jurisdiction or that does not make the warranty set out in the Application Form.

Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made in pounds sterling.

(b) *United States of America*

The Application Form and the Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Within the United States, the Application Form and the Offer Shares may not be offered, sold, renounced, taken up or delivered, except in certain transactions exempt from the registration requirements of the Securities Act.

Accordingly, subject to certain exceptions, the Open Offer is not being made in or into the United States.

Also, subject to these exceptions, neither this document nor the Application Forms will be sent to Qualifying Shareholders with registered addresses in the United States.

Envelopes containing Application Forms should not be postmarked or otherwise despatched from the United States. All persons subscribing for Offer Shares must provide addresses outside the United States for delivery of definitive certificates for Offer Shares. The Company reserves the right to treat as invalid any Application Form which (i) appears to the Company or its agents to have been executed in or despatched from the United States, (ii) provides an address in the United States for delivery of definitive share certificates for Offer Shares allotted pursuant to the Open Offer, (iii) is from any person who does not give the relevant warranty set out in the Application Form to the effect that the person applying for Offer Shares is not in the United States and is not acting for the account or benefit of a person within the United States (unless the person is so acting as an authorised employee of such other person or has investment discretion over an account for such other person or as otherwise agreed with the Company) or (iv) the Company believes acceptance of such application may infringe applicable legal or regulatory requirements.

Until 40 days after the commencement of the Open Offer, any offer, sale or transfer of Offer Shares within the United States by any dealer (whether or not participating in the Open Offer) may violate the registration requirements of the Securities Act.

(c) *Australia*

No prospectus in relation to Offer Shares has been or will be lodged with, or registered by, the Australian Securities Commission. A person may not: (i) directly or indirectly offer for subscription

or purchase, or issue an invitation to subscribe for or buy or sell, Offer Shares; or (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale in the Commonwealth of Australia, its states, territories or possessions (“Australia”) or to any resident of Australia (including corporations and other entities organised under the laws of Australia, but not including a permanent establishment of such corporation or entity located outside Australia). Accordingly, neither this document nor the Application Forms will be sent to Qualifying Shareholders with a registered address in Australia.

The Company reserves the right to treat as invalid any Application Form which appears to the Company to have been executed in or despatched from Australia or that provides an address in Australia for delivery of a definitive share certificate for the Offer Shares allotted pursuant to the Open Offer or from any person who does not give the relevant warranty set out in the Application Form or if it believes acceptance of such application may infringe applicable legal or regulatory requirements.

No prospectus in connection with the distribution of the Offer Shares has been or will be filed with, and no exemptions will be obtained from, any securities commission or similar regulatory authority in Canada. Accordingly, the Offer Shares are not being offered nor may be offered or sold directly or indirectly in Canada to persons resident in Canada or acquired for resale in Canada.

Persons (including without limitation, nominees and trustees) receiving an Application Form should not distribute or send it to persons in Canada. The Company reserves the right to reject Application Forms from, or in favour of, persons whom it believes are residents of Canada or persons who are acquiring Offer Shares for resale in Canada.

(d) *Republic of Ireland*

As a result of regulations in the Republic of Ireland, the Open Offer is not being made to shareholders resident in the Republic of Ireland. Neither this document nor the Application Form will be circulated in the Republic of Ireland. Application Forms sent from or post marked in the Republic of Ireland will be deemed to be invalid and the Company will not be bound to allot or issue Offer Shares to any Shareholder or any other person with an address in the Republic of Ireland.

(e) *South Africa*

In order to comply with South African law, Qualifying Shareholders resident in South Africa may require the approval of the South African Exchange Control authorities if they wish to take up their entitlements under the Open Offer.

(f) *Other overseas territories*

Shareholders resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlement.

The entitlements to Offer Shares of persons referred to in paragraphs (b), (c), (d) and (e) and, if appropriate, (g) and will be aggregated and allotted to Places under the Placing for the benefit of the Company.

Taxation

The following information is based upon the law and practice currently in force in the United Kingdom. The comments are of a general nature only, are not a full description of all relevant tax considerations and may not apply to persons who do not hold their Ordinary Shares as investments. Any person who is in any doubt as to his tax position should consult a professional adviser concerning his tax position in respect of the acquisition, holding or disposal of Ordinary Shares.

(a) *Taxation of Capital Gains for UK resident shareholders*

Current UK law treats the allotment of shares to all the existing shareholders in proportion to existing shareholdings as a reorganisation. Inland Revenue practice is to treat any subscription for shares under an Open Offer, which is equal to or less than a shareholder’s entitlement, as a share

reorganisation. In which case, to the extent that a Qualifying Shareholder subscribes under the Open Offer for Offer Shares up to his basic entitlement, the Offer Shares so allotted would then, for the purposes of UK tax on capital gains, be treated as having been acquired at the same time as the Qualifying Shareholder's existing holding was acquired. The amount of subscription monies paid for the Offer Shares will be added to the allowable expenditure for the Qualifying Shareholder's existing holding. In the case of a non-corporate Qualifying Shareholder, indexation allowance will not be given for any period after April 1998. For such a shareholder, indexation allowance has been replaced by a tapering relief which subject to certain criteria being fulfilled should reduce the amount of chargeable gain realised on a subsequent disposal of his shareholding, according to a percentage formula determined by reference to how long the shares have been held. In the case of a corporate Qualifying Shareholder, indexation allowance will apply to the amount paid for the Offer Shares only from the date the monies for the Offer Shares are paid or are liable to be paid.

Any allotment of Offer Shares to a Qualifying Shareholder in excess of his basic entitlement will be treated as an acquisition of shares at that date like any other purchase and not as a reorganisation.

You should be aware that special identification rules apply to match disposals with acquisitions and these rules operate irrespective of the specific shares actually disposed of.

(b) *Taxation of dividends for UK shareholders*

The Company will not be required to withhold tax at source from dividend payments it makes.

An individual who is resident in the UK (for the purposes of UK taxation law) is generally entitled to a tax credit in respect of a dividend received. The tax credit for an individual shareholder resident in the UK for tax purposes is 1/9 of the amount of the dividend (10 per cent. of the gross dividend). Tax credits are no longer repayable by the Inland Revenue to individual shareholders who are not liable to income tax in respect of their dividend income. Individual shareholders whose income is within the starting or basic rate bands are liable to tax at 10 per cent. on their dividend income. That means that the tax credit continues to satisfy their income tax liability in respect of dividends. Individuals who pay tax at the higher rate should pay income tax on the dividend plus the tax credit at a rate called the Schedule F upper rate (currently 32.5 per cent.) equivalent to 25 per cent. of the cash dividend received. Individuals who pay income tax at the Schedule F upper rate will be able to set-off the tax credit against the liability to income tax.

UK resident corporate shareholders (other than certain insurance companies) are not normally liable to tax in respect of dividends received from the Company, and such dividends and associated tax credits should be treated as franked investment income.

Pension funds and most UK corporate shareholders are not, however, entitled to claim a refund of tax credits from the Inland Revenue.

(c) *Taxation treatment of UK resident trustees*

Trustees of a UK resident discretionary trust will be liable to income tax at 25 per cent. of the gross dividend provided that the income is not distributed. This will mean that the trustee shareholders will have an additional tax liability equal to 16.67 per cent. of the cash dividend received. Trustees of discretionary trusts should, however note that the changes to the tax treatment of dividends might impact adversely on the amount of income distributable to beneficiaries from the trust. Trustees who are in doubt as to their position should consult their own professional advisers.

(d) *Taxation of non-UK resident shareholders*

The right of a shareholder not resident in the UK for tax purposes to the benefit of a tax credit in respect of a dividend received and to claim payment of any part of the tax credit will depend, in general, on the existence and terms of any double tax convention or agreement between the UK and the country in which the holder is resident. Qualifying Shareholders who are not resident in the UK for tax purposes should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if they are so entitled, the procedure for doing so. Such shareholders should note that the decrease in the rate of the tax credit to 10 per cent. from 6 April 1999 has generally reduced or eliminated the amount in respect of this tax credit that may be paid under the terms of a double taxation agreement.

(e) *Venture capital trust (“VCT”)*

The Company has sought and received advance clearance from the Inland Revenue of the Company’s eligibility as a qualifying VCT investment. The advance clearance which, in accordance with customary Inland Revenue practice, relates to the qualifying status of the Company only, has been obtained on the basis of the facts supplied. Whilst the Company cannot guarantee to conduct its activities in a way to remain as a qualifying VCT investment, the Directors intend, as far as possible, to do so.

(f) *UK stamp duty and stamp duty reserve tax*

Except in relation to depository receipt arrangements and clearance services where special rules apply:

- (i) no stamp duty or stamp duty reserve tax will be payable on the issue of Offer Shares by the Company;
- (ii) the conveyance or transfer on sale of Ordinary Shares following the allotment of shares and issue of definitive share certificates will normally be subject to stamp duty at the rate of 0.5 per cent. rounded up if necessary to the nearest £5 of the amount or value of the consideration. Where an agreement to purchase Ordinary Shares is not, before the seventh day of the month following the month in which the agreement was entered into, completed by a duly stamped transfer in favour of the purchaser under the agreement, a charge to stamp duty reserve tax (“SDRT”) will arise at a rate of 0.5 per cent, of the amount of the value of the consideration. The rules in respect of roundings described above do not apply to SDRT. Any SDRT paid can be reclaimed if a duly stamped instrument is entered into within six years of the agreement and the appropriate stamp duty paid. Where the sale transaction takes place in CREST, generally SDRT will be automatically deducted and no stamp duty will arise. Stamp duty and SDRT are generally paid by the purchaser of Ordinary Shares.
- (iii) UK stamp duty and SDRT apply to UK resident and to non-UK resident shareholders in the manner set out above.

Settlement and dealings

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. Subject to the satisfaction of the conditions in the Placing and Open Offer Agreement and to that Agreement not having been terminated in accordance with its terms, it is expected that dealings on AIM will commence in the Offer Shares on 24 June 2003.

Qualifying Shareholders who currently hold Existing Ordinary Shares in uncertificated form may elect for their holding of Offer Shares to be issued in uncertificated form by completing the details of their CREST participant ID and CREST membership account ID on the Application Form where indicated. Offer Shares are expected to be issued on 24 June 2003 in uncertificated form to such Qualifying Shareholders.

Qualifying Shareholders with uncertificated holdings who have not indicated on the Application Form that they wish their holding of Offer Shares to be issued in uncertificated form will have their holdings of Offer Shares issued in certificated form. Qualifying Shareholders who currently hold their Existing Ordinary Shares in certificated form but who wish to hold all or part of their holding of Offer Shares in uncertificated form will need to comply separately with the relevant CREST procedures for conversion of such shares into uncertificated form following receipt of their share certificates. Definitive share certificates in respect of Offer Shares are expected to be sent by first class post to Qualifying Shareholders, who have made valid applications, no later than 27 June 2003 or, as appropriate, alterations are expected to be made to their relevant CREST account no later than 24 June 2003. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the register. Notwithstanding any provision of this document, the Company reserves the right to allot Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST, or any part of CREST, or on the part of the facilities and/or system operated by the regulators in connection with CREST. This right may also be exercised if correct details relating to CREST are not included on an Application Form.

In the event that any of the conditions to the Placing and Open Offer Agreement are not satisfied by 24 June 2003 or such later date (being not later than 1 July 2003) as Collins Stewart and the Company may decide, the Placing and Open Offer will not proceed and any application monies will be returned (without interest) by post at the risk of the Shareholder.

All documents or remittances sent by or to a Qualifying Shareholder, or as he may otherwise direct, will be sent through the post at his own risk.

Any instructions with regard to payments or notices which have been recorded by the Company or its registrar in respect of Existing Ordinary Shares held by a Qualifying Shareholder will apply to any Offer Shares subscribed by such holders under the Open Offer.

General

You should note that Collins Stewart is acting for the Company and no one else in connection with the Placing and Open Offer and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Collins Stewart nor for providing advice in relation to the Placing and Open Offer.

Your attention is drawn to the further information set out in Parts I and IV of this document.

Yours faithfully
for and on behalf of
Collins Stewart Limited

Stuart Lane

PART III

Unaudited interim results for the six months ended 31 March 2003

The following is the text of the Chairman's statement and Chief Executive's review and the unaudited interim results for the six months ended 31 March 2003 which was announced today, 29 May 2003.

Chairman's Statement

"Cobra became an independent AIM listed company on 13 June 2002 as a provider of knowledge based manufacturing solutions to the international biopharmaceutical industry. These maiden Interim Results confirm the predictions, made in the first Annual Report, that continued growth would be achieved in the financial year 2003.

Turnover for our continuing operations in the 6 months to 31 March 2003 was £3.0 million, which is a 306 per cent. increase on the six months to 31 March 2002 and an increase of 19 per cent. on the last full year to 30 September 2002. More significantly, Cobra has become profitable with a profit before tax of £0.48 million and a profit after tax of £0.71 million. This sets a measurable reference point for a newly quoted company particularly within the sector.

It is a testament to Cobra's management and strategy that these excellent results have been achieved in a marketplace, which remains variable due to the status of biotechnology funding across the world. Evidence of this success is demonstrated not only by the number of new customers we continue to obtain, but also in the level of repeat business achieved in an industry which is sophisticated and complex in its requirements. Cobra's pattern of business is increasingly global. Our business split is now 52 per cent. of sales in Europe (including the UK), 29 per cent. in Africa/Asia/Australia and encouragingly, 19 per cent. in the US. Our Chicago based US office was opened in November 2002 and is already paying its way and providing rapid responses to customers in this the world's most important single market.

Further growth is anticipated as the business development team are actively pursuing new customers in each of the main markets mentioned above. This new business drive is supported by the capacity increases that came on stream at the beginning of this financial year.

There remains an upper limit to capacity. Consequently the Group has spent time examining ways of expanding its DNA, virus and protein capabilities in order to further increase market share and thereby the number of opportunities to participate in longer term customer relationships.

Accordingly, in parallel with these results, the Group is proposing to acquire 15,000sq ft of pre-existing biological manufacturing capacity and invest this facility to provide state of the art equipment such that Cobra can double its capacity with even greater versatility of product.

It is almost 12 months since Cobra was listed on AIM during which time the Group has evolved into a fully integrated independent business, including enhanced skills in business development, a North American office, expanded manufacturing capacity, and long term relationships with several major customers and having achieved its financial objective of becoming profitable. We have set a performance standard for the future that we have every confidence in maintaining."

G Peter Fothergill
Chairman

Chief Executive's Review

“Cobra provides technology across a wide spectrum of biopharmaceutical products: manufacturing DNA and virus products through pre-clinical to late stage clinical development and providing process development and early stage manufacturing services for protein biopharmaceuticals.

Increased turnover: At the time of the flotation in June 2002 the Group was in the process of completing a four-fold expansion of microbial fermentation capacity and a two-fold expansion of virus manufacturing capacity. These investments came on stream at the beginning of this financial year and now contribute the largest revenue-generating streams in the business. This has enabled us to increase turnover for continuing operations in the first 6 months to £3.0 million as compared with £2.5 million for the whole of the financial year 2002 and £0.74 million for the equivalent six months to 31 March 2002.

Profitability: The Group has operated profitably from its flotation in June 2002. The fact that we have been profitable over the first six months of the current financial year despite the added commitment of strengthening the business development team and integrating all business operations within the Group is an achievement that the management team can be very proud of. A profit before tax of £0.48 million and a profit after tax of £0.71 million was achieved with a gross margin of 59 per cent. and an operating margin of 15 per cent.

Long term agreements: Cobra provides specialist know how backed up by over 40 patents granted or in the process of validation. This intellectual property is made available to our customers in exchange for commercial and manufacturing rights. In November 2002 we announced an agreement with the South African AIDS Vaccine Initiative/Medical Research Council (SAAVI) covering commercialisation rights and manufacturing options on a vaccine for HIV. In April 2003 we added a second vaccine under the same agreement. In December 2002 we announced a long-term manufacturing agreement with the Australian pharmaceutical company FH Faulding Limited (a subsidiary of Mayne Pharma) covering production of a novel genetically engineered virus.

GMP accreditation: The Keele facilities were re-inspected by the Medicines and Healthcare products Regulatory Agency GMP inspectorate in August 2002 and a letter of accreditation received in January 2003. GMP accreditation is now essential for companies wishing to supply clinical products in Europe. Although the GCP Directive (which requires manufacturers to be licensed) does not come into legal force until May 2004, many European countries have already implemented the directive and require all clinical products to be fully GMP compliant and manufactured in validated facilities.

Expansion of the Business Development Group: In November 2002 we appointed a sales executive and opened a US sales office in Chicago. The United States constitutes at least 70 per cent. of the world market for biopharmaceuticals and Cobra's continued rapid growth will require an increasing share of the US market. To date orders for the financial year 2003 from the USA stand at \$2.2 million compared with \$0.9 million for the whole of the financial year 2002.

Outlook

Despite the well-documented sharp reduction in investment in biotech, demand for our services continues to increase and the long-term outlook for biotech looks bright. This optimism is underpinned by a continuing shift in the proportion of medicines containing bio-molecules. Although only 8 per cent. of the current pharmaceutical market contains biopharmaceuticals, they constitute 32 per cent. of late stage clinical development products. Not surprisingly therefore demand for outsourced manufacturing services for fine chemicals is stagnant whereas growth in the biopharmaceuticals sector is double digit. Cobra, with its expanded facilities, intends to take advantage of this trend.

Cobra's forte is the provision of sophisticated manufacturing technologies and services to the pharmaceutical industry. The focus is on highly potent complex bio-molecules such as genetically engineered viruses, proteins and DNA. Cobra's expertise and experience continues to underpin the Group's growth and is creating a long-term upside in potential licensing income and manufacturing/commercialisation rights. This business model is robust and should return value to our shareholders in the future.”

David Thatcher
Chief Executive

Summarised Group Profit and Loss Account

		<i>Unaudited</i> 6 months ended 31 March 2003 £	<i>Unaudited</i> 6 months ended 31 March 2002 £	Year ended 30 September 2002 £
Turnover				
Continuing operations		3,019,525	744,137	2,539,812
Discontinued operations		—	30,000	30,000
Group turnover	2	<u>3,019,525</u>	<u>774,137</u>	<u>2,569,812</u>
Cost of sales		(1,234,737)	(585,029)	(1,700,067)
Gross profit		<u>1,784,788</u>	<u>189,108</u>	<u>869,745</u>
Other operating costs		(1,319,706)	(2,493,568)	(4,196,529)
Operating profit/(loss)				
Continuing operations		465,082	(544,719)	(806,524)
Discontinued operations		—	(1,759,741)	(2,520,260)
Group operating Profit/(loss)		<u>465,082</u>	<u>(2,304,460)</u>	<u>(3,326,784)</u>
Profit on transfer of discontinued operations		—	—	2,517,810
Reorganisation costs		—	—	(123,501)
Profit/(loss) on ordinary activities before interest and taxation		<u>465,082</u>	<u>(2,304,460)</u>	<u>(932,475)</u>
Bank interest receivable		46,566	—	27,264
Interest payable		(28,755)	(18,982)	(32,184)
Profit/(loss) before tax		<u>482,893</u>	<u>(2,323,442)</u>	<u>(937,395)</u>
Taxation	3	<u>225,000</u>	<u>971,408</u>	<u>1,025,992</u>
Retained profit/(loss) for the period	5	<u>707,893</u>	<u>(1,352,034)</u>	<u>88,597</u>
Earnings/(loss) per share				
Basic	4	<u>5.4p</u>	<u>(22.5p)</u>	<u>1.1p</u>
Adjusted	4	<u>5.4p</u>	<u>(9.4p)</u>	<u>(10.0p)</u>
Diluted	4	<u>5.4p</u>	<u>(22.5p)</u>	<u>1.1p</u>

There were no recognised gains or losses other than the profit/(loss) for the period/year.

Summarised Balance Sheet

	<i>Unaudited</i>	<i>Unaudited</i>	<i>Year</i>
	<i>6 months</i>	<i>6 months</i>	<i>ended</i>
	<i>ended</i>	<i>ended</i>	<i>ended</i>
	<i>31 March</i>	<i>31 March</i>	<i>30 September</i>
	<i>2003</i>	<i>2002</i>	<i>2002</i>
<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
Fixed Assets			
Tangible assets	2,215,581	1,317,690	2,168,393
	<u>2,215,581</u>	<u>1,317,690</u>	<u>2,168,393</u>
Current Assets			
Stocks and work in progress	244,530	622,957	441,178
Debtors	2,570,740	3,072,426	2,373,389
Cash	2,718,601	63	2,614,546
	<u>5,533,871</u>	<u>3,695,446</u>	<u>5,429,113</u>
Creditors: amounts falling due within one year	(1,967,404)	(7,433,248)	(2,612,744)
Net Current Assets/(Liabilities)	<u>3,566,467</u>	<u>(3,737,802)</u>	<u>2,816,369</u>
Total Assets less Current Liabilities	5,782,048	(2,420,112)	4,984,762
Current Liabilities			
Creditors: amounts falling due after more than one year	(251,685)	(495,886)	(162,292)
Net Assets/(Liabilities)	<u>5,530,363</u>	<u>(2,915,998)</u>	<u>4,822,470</u>
Capital and Reserves			
Called up share capital	5 1,300,000	600,000	1,300,000
Share premium	5 5,597,837	—	5,597,837
Merger reserve	5 29,728,872	29,728,872	29,728,872
Profit and loss account	5 (31,096,346)	(33,244,870)	(31,804,239)
Equity Shareholders' Funds/(Deficit)	<u>5,530,363</u>	<u>(2,915,998)</u>	<u>4,822,470</u>

Summarised Group Statement of Cashflows

		<i>Unaudited</i> <i>6 months</i> <i>ended</i> <i>31 March</i> <i>2003</i> £	<i>Unaudited</i> <i>6 months</i> <i>ended</i> <i>31 March</i> <i>2002</i> £	<i>Year</i> <i>ended</i> <i>30 September</i> <i>2002</i> £
Net cash outflow from operating activities	6	<u>(439,350)</u>	<u>(3,052,463)</u>	<u>(3,031,757)</u>
Returns on investments and servicing of finance				
Interest received		46,566	—	27,264
Interest paid		<u>(28,755)</u>	<u>(18,982)</u>	<u>(32,184)</u>
		17,811	<u>(18,982)</u>	<u>(4,920)</u>
Taxation				
R&D tax credit		496,522	—	239,608
		<u>496,522</u>	<u>—</u>	<u>239,608</u>
Capital expenditure				
Payments to acquire tangible fixed assets		<u>(201,960)</u>	<u>(636,769)</u>	<u>(2,040,253)</u>
		<u>(201,960)</u>	<u>(636,769)</u>	<u>(2,040,253)</u>
Acquisitions and disposals				
Transfer of discontinued operations		—	—	3,298,391
Reorganisation costs		<u>—</u>	<u>—</u>	<u>(123,501)</u>
		<u>—</u>	<u>—</u>	<u>3,174,890</u>
Net cash outflow before the management of liquid resources and financing		<u>(126,977)</u>	<u>(3,708,214)</u>	<u>(1,662,432)</u>
Management of liquid resources				
Increase in short term deposits		<u>(150,000)</u>	<u>—</u>	<u>(2,350,000)</u>
Financing				
Issue of ordinary shares		—	—	7,000,000
Share issue costs		—	—	(702,163)
Repayment of capital element of finance leases		(45,790)	(38,578)	(81,469)
Lease finance acquired		276,822	400,598	400,598
Increase/(decrease) in amount owed to former parent undertaking		<u>—</u>	<u>182,531</u>	<u>(13,804)</u>
		<u>231,032</u>	<u>544,551</u>	<u>6,603,162</u>
(Decrease)/increase in cash	7	<u><u>(45,945)</u></u>	<u><u>(3,163,663)</u></u>	<u><u>2,590,730</u></u>

Reconciliation of Net Cash Flow to Movement in Net Funds

	<i>Unaudited</i> <i>6 months</i> <i>ended</i> <i>31 March</i> <i>2003</i> <i>£</i>	<i>Unaudited</i> <i>6 months</i> <i>ended</i> <i>31 March</i> <i>2002</i> <i>£</i>	<i>Year</i> <i>ended</i> <i>30 September</i> <i>2002</i> <i>£</i>
(Decrease)/increase in cash	(45,945)	(3,163,663)	2,590,730
Repayment of capital element of finance leases	45,790	38,578	81,469
Lease finance acquired	(276,822)	(400,598)	(400,598)
(Decrease)/increase in amount owed to former parent undertaking	—	(182,531)	13,804
Cash outflow to short term deposits	150,000	—	2,350,000
Movement in net (debt)/funds during the period	(126,977)	(3,708,214)	4,635,405
Other	—	—	164,001
Movement in net (debt)/funds during the period	(126,977)	(3,708,214)	4,799,406
Net funds/(debt) at the start of the period	2,320,823	(2,478,583)	(2,478,583)
Net funds/(debt) at the end of the period	<u>2,193,846</u>	<u>(6,186,797)</u>	<u>2,320,823</u>

Notes to the Unaudited Results

1. Interim accounts

The Group's Interim Results consolidate the results of the Company and its subsidiary company made up to 31 March 2003.

Under a group reconstruction on the 6 June 2002 the Company acquired the whole of the issued share capital of Cobra Therapeutics Limited in exchange for shares. The reconstruction has been accounted for in accordance with the principles of merger accounting set in the Financial Reporting Standard No6 (FRS 6) and in accordance with Schedule 4a of the Companies Act 1985. The interim results have been prepared as if Cobra Therapeutics Limited had been owned and controlled by the Company throughout the periods ended 31 March 2003, 31 March 2002 and 30 September 2002.

The interim financial information contained in this statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. They have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 30 September 2002. These documents, on which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

The Board of directors approved the interim report on 28 May 2003.

2. Turnover

(a) *The geographical analysis of turnover by destination is shown as follows:*

	<i>Unaudited 6 months ended 31 March 2003 £</i>	<i>Unaudited 6 months ended 31 March 2002 £</i>	<i>Year ended 30 September 2002 £</i>
Continuing			
United Kingdom	1,089,752	198,790	842,714
North America	586,879	284,896	553,280
Europe	481,162	197,451	971,737
Rest of the World	861,732	63,000	172,081
	<u>3,019,525</u>	<u>744,137</u>	<u>2,539,812</u>
Discontinued			
United Kingdom	—	10,000	10,000
North America	—	20,000	20,000
	<u>—</u>	<u>30,000</u>	<u>30,000</u>
	<u><u>3,019,525</u></u>	<u><u>774,137</u></u>	<u><u>2,569,812</u></u>

(b) *Segmental analysis by class of business*

The Group operates in two principal areas of activity, that of contract manufacture and licensing. The analysis by class of business of the Group's turnover and profit/(loss) on ordinary activities before tax is as follows:

	Contract Manufacture			Unaudited 6 months ended 31 March 2003 £	Unaudited 6 months ended 31 March 2002 £	Licensing Year ended 30 September 2002 £	Unaudited 6 months ended 31 March 2003 £	Unaudited 6 months ended 31 March 2002 £	Total Year ended 30 September 2002 £
	Unaudited 6 months ended 31 March 2003 £	Unaudited 6 months ended 31 March 2002 £	Year ended 30 September 2002 £						
Group turnover									
Continuing	3,019,525	744,137	2,539,812	—	—	—	3,019,525	744,137	2,539,812
Discontinued	—	—	—	—	30,000	30,000	—	30,000	30,000
	<u>3,019,525</u>	<u>744,137</u>	<u>2,539,812</u>	<u>—</u>	<u>30,000</u>	<u>30,000</u>	<u>3,019,525</u>	<u>774,137</u>	<u>2,569,812</u>
Cost of sales	(1,234,737)	(585,029)	(1,700,067)	—	—	—	(1,234,737)	(585,029)	(1,700,067)
Operating expenses	(1,319,706)	(703,827)	(1,646,269)	—	(1,789,741)	(2,550,260)	(1,319,706)	(2,493,568)	(4,196,529)
	<u>(1,319,706)</u>	<u>(703,827)</u>	<u>(1,646,269)</u>	<u>—</u>	<u>(1,789,741)</u>	<u>(2,550,260)</u>	<u>(1,319,706)</u>	<u>(2,493,568)</u>	<u>(4,196,529)</u>
Segmental operating profit/(loss)	<u>465,082</u>	<u>(544,719)</u>	<u>(806,524)</u>	<u>—</u>	<u>(1,759,741)</u>	<u>(2,520,260)</u>	<u>465,082</u>	<u>(2,304,460)</u>	<u>(3,326,784)</u>
Profit on transfer of discontinued operations							—	—	2,517,810
Reorganisation costs							—	—	(123,501)
Bank interest receivable							46,566	—	27,264
Interest payable							(28,755)	(18,982)	(32,184)
Profit/(loss) before taxation							<u>482,893</u>	<u>(2,323,442)</u>	<u>(937,395)</u>

3. Taxation

The Group should be entitled to Research and Development tax relief under Schedule 20 of the Finance Act 2000, in respect of the six months ended 31 March 2003, six months ended 31 March 2002 and full year ended 30 September 2002.

The deferred tax asset has been recognised to the extent that deferred taxation is expected to be recoverable out of future profits. This is based on profit forecasts for the 12 months ended 31 March 2004. The unrecognised deferred tax asset will be available for offset against qualifying taxable profits arising in future periods. The effect of the utilisation of the unrecognised deferred tax asset in future periods will be to reduce the future tax rate to below the standard rate for UK Corporation Tax.

	Unaudited 6 months ended 31 March 2003 £	Unaudited 6 months ended 31 March 2002 £	Year ended 30 September 2002 £
Taxation on profit/(loss) on ordinary activities			
Current tax:			
UK corporation tax on profit/(loss) of the period	—	(235,278)	(289,862)
Adjustments in respect of previous periods	—	(736,130)	(736,130)
Total current tax	—	(971,408)	(1,025,992)
Deferred tax:			
Origination & reversal of timing differences	(225,000)	—	—
	<u>(225,000)</u>	<u>—</u>	<u>—</u>
Total tax	<u>(225,000)</u>	<u>(971,408)</u>	<u>(1,025,992)</u>

4. Earnings/(loss) per ordinary share

The earnings per ordinary share is based on the earnings for the period of £707,893 (six months ended 31 March 2002: £1,352,034 loss; year ended 30 September 2002: £88,597 profit) and the weighted average number of ordinary shares in issue during the period of 13,000,000 (six months ended 31 March 2002: 6,000,000; year ended 2002: 8,128,767).

	<i>Unaudited</i> 6 months ended 31 March 2003 No	<i>Unaudited</i> 6 months ended 31 March 2002 No	<i>Year</i> ended 30 September 2002 No
Basic weighted average number of shares	13,000,000	6,000,000	8,128,767
Dilutive potential ordinary shares:			
Employee share options	—	—	—
	<u>13,000,000</u>	<u>6,000,000</u>	<u>8,128,767</u>

The adjusted earnings per share is shown to highlight the underlying earnings trend and is calculated using the same number of ordinary shares as the basic earnings calculation referred to above and the amounts shown below:

	<i>Unaudited</i> 6 months ended 31 March 2003 £	<i>Unaudited</i> 6 months ended 31 March 2002 £	<i>Year</i> ended 30 September 2002 £
Profit/(loss) after tax	707,893	(1,352,034)	88,597
Adjustments			
Profit on transfer of R&D operations	—	—	(2,517,810)
Reorganisation costs	—	—	123,501
Discontinued R&D operations	—	1,759,741	2,520,260
Discontinued operations R&D tax credit	—	(971,408)	(1,025,992)
Earnings/(loss) attributable to continuing operations	<u>707,893</u>	<u>(563,701)</u>	<u>(811,444)</u>

5. Reconciliation of shareholders' funds and movement on reserves

	<i>Share</i> <i>Capital</i> £	<i>Share</i> <i>Premium</i> £	<i>Merger</i> <i>Reserve</i> £	<i>Profit and</i> <i>Loss</i> <i>Account</i> £	<i>Total</i> £
As at 1 October 2001	600,000	—	29,728,872	(31,892,836)	(1,563,964)
Loss for the period	—	—	—	(1,352,034)	(1,352,034)
As at 31 March 2002	600,000	—	29,728,872	(33,244,870)	(2,915,998)
Issue of shares	700,000	6,300,000	—	—	7,000,000
Issue costs	—	(702,163)	—	—	(702,163)
Profit for the period	—	—	—	1,440,631	1,440,631
As at 30 September 2002	1,300,000	5,597,837	29,728,872	(31,804,239)	4,822,470
Profit for the period	—	—	—	707,893	707,893
As at 31 March 2003	<u>1,300,000</u>	<u>5,597,837</u>	<u>29,728,872</u>	<u>(31,096,346)</u>	<u>5,530,363</u>

6. Reconciliation of operating profit/(loss) to net cash flow from operating activities

	<i>Unaudited</i> 6 months ended 31 March 2003 £	<i>Unaudited</i> 6 months ended 31 March 2002 £	<i>Year</i> ended 30 September 2002 £
Operating profit/(loss)	465,082	(2,304,460)	(3,326,784)
Depreciation of tangible fixed assets	154,772	239,301	432,993
Decrease/(increase) in stocks and work in progress	196,648	(276,026)	(162,146)
Increase in debtors	(468,874)	(1,205,626)	(834,975)
(Decrease)/increase in creditors	(786,978)	494,348	859,155
Net cash outflow from operating activities	<u>(439,350)</u>	<u>(3,052,463)</u>	<u>(3,031,757)</u>

7. Analysis of net movement in net debt

	<i>1 October</i> 2002 £	<i>Cash</i> <i>Flow</i> £	<i>31 March</i> 2003 £
Cash at bank and in hand	264,546	(45,945)	218,601
Short term deposits*	2,350,000	150,000	2,500,000
Finance leases	(293,723)	(231,032)	(524,755)
	<u>2,320,823</u>	<u>(126,977)</u>	<u>2,193,846</u>

The majority of finance leases are arranged in respect of sale and leaseback transactions. Accordingly new finance leases are shown as a separate component of cash flow in the cash flow statement.

* Short-term deposits are included within the cash at bank and in hand on the Balance Sheet.

Independent Review Report to Cobra Biomanufacturing Plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 March 2003 which comprises such as the Group Profit and Loss Account, Statement of Total Recognised Gains and Losses, Group Balance Sheet, Group Statement of Cash Flows, and the related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2003.

Ernst & Young LLP
Manchester
28 May 2003

PART IV

Additional Information

1. Responsibility

The Directors, whose names appear on page 7 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company and Cobra

2.1 The Company:

2.1.1 The Company was incorporated on 20 May 2002 in England and Wales under the Act with registered number 4442927 as a public company limited by shares under the name Cobra Bio-Manufacturing plc and, accordingly, the liability of its members is limited.

2.1.2 On 7 June 2002 the Company obtained a certificate to commence business and borrow.

2.1.3 The Company is the holding company of Cobra Therapeutics Limited, whose business is described in this document.

2.1.4 The Company's registered office is at Stephenson Building, Keele University Science Park, Keele, Staffordshire ST5 5SP.

2.2 Cobra:

2.2.1 This is the only subsidiary of the Company. It was incorporated on 29 April 1992 under the name Foray 437 Limited. The company's name was changed on 20 July 1992 to Therapeutic Expression Systems Limited, on 15 December 1992 to Therexsys Limited and to its present name on 20 February 1998.

2.2.2 The registered office of Cobra is Stephenson Building, Keele University Science Park, Keele, Staffordshire ST5 5SP, and the company number is 02710654.

2.2.3 The existing authorised and issued fully paid up share capital of Cobra is:

<i>Authorised</i>	<i>No</i>	<i>£</i>
ordinary shares of 10p each	17,632,570	1,763,257
<i>Issued</i>	<i>No</i>	<i>£</i>
ordinary shares of 10p each	13,894,000	1,389,400

2.2.4 The directors of Cobra are Peter Fothergill, David Thatcher and Peter Coleman.

3. Share capital

3.1 The existing authorised and issued fully paid up share capital of the Company as at the date of this document is:

	<i>Authorised Number</i>	<i>Amount £</i>	<i>Issued and fully paid Number</i>	<i>Amount £</i>
Ordinary shares of 10p each	20,000,000	2,000,000	13,000,000	1,300,000

- 3.2 The proposed authorised and issued fully paid up share capital of the Company following completion of the Placing and Open Offer is set out below:

	<i>Authorised Number</i>	<i>Amount £</i>	<i>Issued and fully paid Number</i>	<i>Amount £</i>
Ordinary shares of 10p each	27,000,000	2,700,000	19,500,000	1,950,000

- 3.3 The following is a summary of the changes in the authorised and issued share capital of the Company since incorporation:

3.3.1 On incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each and 2 shares were issued to the subscribers and then transferred to ML.

3.3.2 On 6 June 2002 the authorised share capital of the Company was increased to £2,000,000, each ordinary share of £1 was subdivided into 10p Ordinary Shares, the Company's current Articles of Association were adopted and 5,999,980 Ordinary Shares of the Company were issued as consideration to ML for the acquisition by the Company of the entire issued share capital of Cobra.

3.3.3 On 13 June 2002 the Company issued 7,000,000 Ordinary Shares at a price of £1 per Ordinary Share following admission of the Company's share capital to AIM.

- 3.4 By resolutions passed at the annual general meeting of the Company on 28 February 2003 the Company resolved that, *inter alia*:

3.4.1 the Directors be generally and unconditionally authorised pursuant to Section 80 of the Act to allot, grant options over, offer or otherwise deal with relevant securities up to an aggregate nominal amount of £433,333 during the period expiring on the fifth anniversary of the passing of the resolution provided that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred by the resolution had not expired; and

3.4.2 the Directors be empowered to allot equity securities pursuant to the authority referred to in paragraph 3.4.1 above as if Section 89(1) of the Act did not apply to any such allotment limited to the allotment of equity securities for cash up to an aggregate nominal value of £65,000.

- 3.5 The provisions of Section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be paid up in cash other than by way of allotment to employees under any employee's share scheme as defined in Section 743 of the Act) apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.4.2 above. Subject to certain limited exceptions, unless the approval of shareholders in general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to existing ordinary shareholders on a *pro rata* basis.

- 3.6 Save as stated in paragraph 3.3 above, there has been no increase or reduction in the authorised or issued share capital of the Company since the date of incorporation.

- 3.7 Save as disclosed in paragraph 5 below, no share or loan capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option.

- 3.8 The Offer Shares will rank in full for all dividends or other distributions hereafter declared, paid or made on the ordinary share capital of the Company. On a liquidation of the Company, any surplus would be apportioned to all shareholders *pro rata* to their shareholdings at the relevant time.

- 3.9 At the Extraordinary General Meeting to be held on 23 June 2003, Resolutions will be proposed to:
- 3.9.1 increase the authorised share capital of the Company from £2,000,000 to £2,700,000 by the creation of 7,000,000 new Ordinary Shares ranking *pari passu* in all respects with the existing ordinary shares in the capital of the Company;
 - 3.9.2 authorise the Directors to allot relevant securities pursuant to Section 80 of the Act up to a maximum aggregate nominal amount of £650,000 pursuant to the Placing and Open Offer and £50,000 generally; and
 - 3.9.3 empower the Directors to allot equity securities as if Section 89(1) of the Act did not apply up to a maximum aggregate nominal amount of £650,000 pursuant to the Placing and Open Offer and £50,000 generally.

The authorities proposed to be granted by the Resolutions (which are conditional upon Admission) are in addition to those referred to in paragraph 3.4 above and will expire on the earlier of the next annual general meeting of the Company and 15 months from the date upon which the Resolutions are passed.

- 3.10 Of the balance of the authorised and unissued ordinary share capital of the Company following the passing of the Resolutions set out in paragraph 3.9 above and the Placing and Open Offer, amounting to 7,500,000 Ordinary Shares:
- 3.10.1 1,950,000 Ordinary Shares will be reserved for issue on the exercise of options granted under the Share Option Scheme;
 - 3.10.2 390,000 Ordinary Shares are reserved for issue to Collins Stewart pursuant to the Collins Stewart Warrant; and
 - 3.10.3 5,160,000 Ordinary Shares will remain unissued and unreserved.
- 3.11 Save as disclosed in this paragraph 3 there is no current intention to issue any of the authorised and unissued Ordinary Shares and no share or loan capital of the Company has been issued for cash or other consideration within the period since incorporation of the Company and the date of this document and no such issue is proposed.

4. Memorandum and Articles of Association

- 4.1 The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in paragraph 3 of the Memorandum of Association.
- 4.2 The Articles of Association include, *inter alia*, provisions to the following effect:

4.2.1 Income

The Company may by ordinary resolution declare a dividend to be paid to members according to their respective rights and interests in the profits of the Company. No dividend shall exceed the amount recommended by the Directors.

Subject to the provisions of the Act and the Articles of Association, the Directors may declare and pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution.

4.2.2 Voting and General Meetings

- 4.2.2.1 Subject to any rights or restrictions as to voting for the time being attached to any shares, on a show of hands every holder of Ordinary Shares who, being an individual, is present in person or, being a corporation, is present by a duly authorised representative, not being himself a member, shall have one vote and on a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him; and

4.2.2.2 unless the Directors otherwise decide, a member of the Company shall not be entitled, in respect of any Ordinary Share held by him, to vote, either personally or by proxy at any general meeting of the Company unless all calls and other amounts payable by him in respect of that Ordinary Share have been paid.

4.2.3 *Variation of Rights*

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may be altered or abrogated in such manner, if any, as may be provided by those rights or with the written consent of the holders of 75 per cent. in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders. In any such separate general meeting all the provisions of the New Articles of Association as to general meeting shall, *mutatis mutandis*, apply but, so that the necessary quorum shall be two or more persons holding or representing by proxy not less than one-third of the issued shares of that class. Every holder of shares of that class shall on a poll have one vote in respect of every share of the class held by him and a poll may be demanded by any one holder of shares of the class whether present in person or by proxy. The rights attached to any class of shares shall not be varied (unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares) by either the creation or issue of further shares ranking *pari passu* therewith.

4.2.4 *Alteration of Capital*

The Company may by ordinary resolution increase its share capital or consolidate and divide its share capital into shares of larger amounts or sub-divide its shares into shares of smaller amounts or cancel any shares not taken or agreed to be taken. Subject to the provisions of the Statutes, the Company may by special resolution reduce its authorised or issued share capital, any capital redemption reserve, and any share premium account in any way.

4.2.5 *Directors*

4.2.5.1 The amount of any fees payable to Directors shall be determined by the Directors provided that they shall not in any year exceed an aggregate amount of £100,000 or such other sum as may from time to time be approved by ordinary resolution. Any such fees shall be divisible among the Directors as they may agree, or failing agreement, equally. The Directors are also entitled to be repaid all reasonable expenses properly incurred by them respectively in the performance of their duties. Any director holding an executive office or otherwise performing services which in the opinion of the Directors are outside the scope of his ordinary duties as a director may be paid such remuneration as the Directors may determine.

4.2.5.2 The Directors may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company or any other company which is a subsidiary of the Company or is allied to or associated with the Company or any such subsidiary of any such other company (“associated companies”) and the families and dependents of any such persons and the Directors shall have power to purchase and maintain insurance against liability for any persons who are or were at any time directors, officers or employees of the Company, its associated companies and for trustees of any pension fund in which employees of the Company or its associated companies are interested.

- 4.2.5.3 The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including managing director) on such terms and for such period as they may determine.
- 4.2.5.4 Subject to the provisions of applicable law and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a director notwithstanding his office:
- 4.2.5.4.1 may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;
 - 4.2.5.4.2 may be a director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
 - 4.2.5.4.3 may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act in a professional capacity to the Company on such terms as to remuneration and otherwise as the Directors may arrange; and
 - 4.2.5.4.4 shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.
- 4.2.5.5 Save as specifically provided in the Articles of Association, a Director may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A director will not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- 4.2.5.6 Subject to applicable law, a Director is (in the absence of some material interest other than as indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
- 4.2.5.6.1 the giving of any guarantee, security or indemnity to a third party in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its subsidiary undertakings;
 - 4.2.5.6.2 the giving of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - 4.2.5.6.3 any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting thereof;

- 4.2.5.6.4 any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
 - 4.2.5.6.5 any contract or arrangement in which he is interested directly or indirectly and whether as an officer or a shareholder or otherwise, provided that he does not hold an interest (as defined in sections 198-211 of the Act) in one per cent or more of any class of the equity share capital of, on the voting rights in such company;
 - 4.2.5.6.6 any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to the Directors and employees of the Company or any of its subsidiaries and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates;
 - 4.2.5.6.7 any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner to the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom such arrangement relates; and
 - 4.2.5.6.8 any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of directors or persons who include Directors.
- 4.2.5.7 Subject to any applicable law, the Company may by ordinary resolution suspend or relax the provisions summarised under subparagraphs 4.2.5.6.6 and 4.2.5.6.7 above either generally or in relation to any particular matter, or ratify any transactions not duly authorised by reason of a contravention of such provision.

4.2.6 *Transfer of Shares*

All transfers of uncertificated shares may be made in accordance with and be subject to the Uncertificated Securities Regulations 2001 (“the Regulations”) and the facilities and requirements of the relevant system of paperless transfer. All transfers of certificated shares may be effected by an instrument of transfer in writing in any usual form or in any other form acceptable to the Directors. The instrument of transfer must be executed by or on behalf of the transferor and except in the case of fully-paid shares, by or on behalf of the transferee. The registration of transfers may be suspended at such times and for such periods, not exceeding 30 days in any year, as the Board may from time to time determine and either generally or in respect of any class of shares. The Directors may, in their absolute discretion and without giving any reason for their decision refuse to register any transfer of a share which is not fully paid up or any transfer of a share fully paid up on which the Company has a lien, provided that such restrictions will not prevent dealings in the shares from taking place on an open and proper basis. The Directors may also refuse to register any transfer of certificated shares unless it relates to only one class of shares, it is lodged duly stamped at the registered office of the Company or at such other place as the Directors may appoint and is accompanied by the share certificate and other such evidence as the Directors may reasonably require to show the transferor’s title to make the transfer. The Directors may refuse to register a transfer of any share which would require shares to be held jointly by more than four persons.

4.2.7 *Dividends*

The holders of shares are entitled *pari passu* amongst themselves, but in proportion to the numbers of shares held by them and to the amounts paid up or credited as paid up, to share in the whole of the profits of the Company paid out as dividends.

Unclaimed dividends will be forfeited after a period of 12 years after having been declared or become due for payment and will thereupon cease to remain owing by the Company.

5. Share Option Scheme

5.1 On 6 June 2002 the Company adopted the Share Option Scheme.

The following is a summary of the rules relating to the Share Option Scheme.

5.1.1 *Eligibility*

Options to acquire Ordinary Shares in the capital of the Company may be granted at the discretion of the remuneration committee of the Board (the “Remuneration Committee”) to any eligible employee including a director of the Company. Options may normally only be granted within 42 days of its adoption by the Company. Thereafter, options may be granted under the Share Option Scheme within 42 days of the announcement of the Company’s results for any period.

5.1.2 *Scheme limits*

On any date, no option may be granted under the Share Option Scheme if, as a result, the total number of Ordinary Shares issued or issuable pursuant to options and other rights granted (1) under the Share Option Scheme and (2) during the previous ten years under all other employee share schemes established after Admission by the Company, would exceed ten per cent. of the issued ordinary share capital of the Company on that date of grant.

5.1.3 *Individual limits*

No option may be granted to any individual if, as a result, the aggregate market value of the Ordinary Shares issuable on the exercise of all options granted to that individual during the preceding period of 12 months (other than options and rights which have been exercised or which have been deemed never to have been granted or which were granted prior to Admission) would exceed an amount equal to two times anticipated earnings for the 12 month period from the date of grant, or in exceptional circumstances and at the discretion of the Remuneration Committee, three times anticipated earnings for the 12 month period from the date of grant.

To the extent that any grant would otherwise exceed these limits such grant shall (where applicable) be void *ab initio*.

5.1.4 *Exercise price*

The exercise price of an option shall be fixed by the Remuneration Committee but shall not be less than the higher of: (1) in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share; and (2) the middle market quotation for dealings in the Ordinary Shares immediately prior to or on the date of grant, provided that at any time at which there are no dealings, the exercise price shall be not less than such sum as the directors may reasonably determine to be the market value of an Ordinary Share.

The exercise price and the number of Ordinary Shares subject to an option may be adjusted by the Remuneration Committee to take account of any rights issue, capitalisation issue, subdivision, consolidation of shares, reduction of share capital or other variation of the Company’s ordinary share capital.

5.1.5 *Additional conditions*

The Remuneration Committee may grant an option subject to such performance and/or objective condition or conditions as it in its discretion sees fit. Conditions attached to an option may be varied if an event occurs which causes the Remuneration Committee to consider that the varied conditions represent a fairer measure than the original conditions, but are no more difficult to satisfy than was the original when first set.

5.1.6 *Exercise of options*

In normal circumstances, options may be exercised at any time between the third and tenth anniversaries of their date of grant provided that any performance and/or objective conditions to which they are subject have been fulfilled. Options may be capable of exercise during such other period(s) before or after the third anniversary of the date of grant, but not after the tenth anniversary of grant, as the Remuneration Committee may determine in their absolute discretion prior to or on the grant of an option. The Remuneration Committee will determine any question as to whether performance conditions have been satisfied. Options will become exercisable immediately on the death of a participant or on his ceasing to be an eligible employee by reason of injury, disability, retirement or redundancy, the sale or transfer out of the Group of the Company, business or that part of the business to which the employment relates. At the discretion of the Remuneration Committee, options may also become exercisable where the participant leaves for any other reason. Rights to exercise will also arise on a change in control as a result of a general offer or reconstruction of the Company (subject to the exercise of “roll-over” rights described in sub-paragraph (g) below), and in the event of a voluntary winding-up, notwithstanding that performance conditions have not been satisfied.

5.1.7 *Voting, dividend, transfer and other rights*

Until options are exercised, option holders have no voting or other rights in respect of the Ordinary Shares covered by their options. Benefits obtained under the Share Option Scheme shall not be pensionable.

Shares issued pursuant to the Share Option Scheme shall rank *pari passu* in all respects with the Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.

Options are not transferable. On a change in control as a result of a general offer or reconstruction of the Company, options may, with the consent of the company acquiring control of the Company, be released in consideration for the grant of equivalent rights over the shares of the acquiring company or a company associated with it.

5.1.8 *Administration and amendment*

The Remuneration Committee will administer the Share Option Scheme. The Board may amend the Share Option Scheme by resolution. Amendments adversely affecting participants may be made only with the consent of the participants concerned. The approval of the Company in general meeting will be required for any amendment to the advantage of participants affecting eligibility to participate, individual limitations or scheme limits, the basis of adjustment of options in the event of a variation in capital or the amendment clause itself except for minor amendments to benefit the administration of the Share Option Scheme and amendments to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group.

5.1.9 Overseas schemes

The Board may at any time and without further formality operate the Share Option Scheme in any overseas territory and modify the Share Option Scheme by the adoption of a schedule to take account of local tax, exchange controls or securities laws, regulation or practice.

5.1.10 Termination

The Share Option Scheme may be terminated at any time by a resolution of the Board or by the Company in general meeting and shall in any event terminate on the tenth anniversary of the date on which it was adopted by the Company. Termination shall not affect outstanding rights of participants.

5.2 Options Granted

5.2.1 On 13 June 2002, the following options to subscribe for Ordinary Shares were granted under the Share Option Scheme to the Directors and others, all of which are exercisable during the period of ten years from the date of grant at a price equal to £1:

<i>Grantee</i>	<i>Number of Ordinary Shares under Option</i>
Peter Fothergill	200,000
David Thatcher	230,000
Peter Coleman	60,000
David Bloxham	Nil
Nigel Slater	Nil
Others	205,729

6. Directors' and Other Interests

6.1 The interests of the Directors (all of which are beneficial unless otherwise stated) in the issued share capital of the Company as at 28 May 2003 (being the latest practicable date prior to the posting of this document) and as they are expected to be immediately following the Placing and Open Offer which have been or which will be required to be, notified by each Director to the Company pursuant to sections 324 or section 328 of the Act or which are or will be required pursuant to section 325 of the Act be entered into the register referred to therein or are interests of a connected person (within the meaning of section 346 of the Act) with a Director which would, if the connected person were a Director, be required to be disclosed and the existence of which is known to or could with reasonable diligence be ascertained by that Director are:

<i>Director</i>	<i>Position as at 28 May 2003</i>		<i>Position following Placing and Open Offer</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Peter Fothergill	10,000	0.08	15,000	0.08
David Thatcher	10,000	0.08	15,000	0.08
Peter Coleman	2,500	0.02	3,750	0.02
David Bloxham	5,000	0.04	7,500	0.04
Nigel Slater	Nil	Nil	Nil	Nil

6.2 In addition to those interests disclosed at paragraph 6.1 above, the Directors are aware that the following were as at 28 May 2003, (being the latest practicable date prior to the posting of this document), or the Directors expect that immediately following the Placing and Open Offer the following will be, interested directly or indirectly in three per cent. or more of the issued share capital of the Company:

	<i>Position as at 28 May 2003</i>		<i>Position following Placing and Open Offer</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
<i>Director</i>				
ML Laboratories plc	6,000,000	46.2	1,000,000	5.13
Chase Nominees Limited	1,275,000	9.81	1,275,000	6.54*
Stanlife Nominees Limited	1,000,000	7.69	1,000,000	5.13*
HSBC Global Custody Nominee (UK) Limited	500,000	3.85	500,000	2.56*
Vidacos Nominees Limited	484,212	3.72	484,212	2.48*

* Assuming that each such Shareholder does not subscribe any of the new Ordinary Shares to which he, she or it is entitled under the Open Offer.

The Shareholding of ML Laboratories plc after the Placing and Open Offer shown above assumes completion of the proposed sale by ML of 5,000,000 Ordinary Shares pursuant to the Placing referred to in Part 1.

- 6.3 Save as set out in paragraphs 6.1 and 6.2 above, the Directors are not aware of any person who is, or who will, immediately following the Placing and Open Offer, be, interested (within the meaning of the Act) directly or indirectly in three per cent. or more of the issued share capital of the Company or who does, or who will, or could, directly or indirectly, jointly or severally, exercise control over the Company.

7. Directors' Service Agreements and Directorships

- 7.1 Each of David Thatcher, Peter Coleman and Peter Fothergill entered into executive service agreements with the Company on 7 June 2002 with a commencement date of 13 June 2002. The appointments continue for an indefinite period terminable by either party on 12 months' notice in the case of David Thatcher and six months in the case of each of Peter Coleman and Peter Fothergill, in writing. Subject to such notice periods the contracts shall terminate automatically on the director's 65th birthday. Payment may be made in lieu of notice in respect of the director's salary and benefits. David Thatcher is entitled to a salary of £130,000 per annum, Peter Coleman, £71,750 per annum and Peter Fothergill, £100,000, each reviewable by the Board from time to time. There is no obligation on the Board to award any increase in salary. David Thatcher and Peter Coleman are also entitled to a sum amounting to 10 per cent of their salary as a contribution towards the use of their own car on company business and, Peter Fothergill is also entitled to a car allowance. The Directors are entitled to participate in the Share Option Scheme, the Company's pension scheme and any life assurance arrangements and private medical insurance schemes of the Company. The remuneration committee may also award (in its absolute discretion) bonus payments in such amount as the remuneration committee shall determine from time to time.
- 7.2 Under the terms of their letters of engagement as non-executive directors of the Company, dated 7 June 2002, David Bloxham and Nigel Slater are each entitled to an annual fee of £18,000 per annum. Each engagement will continue for one year from 13 June 2002, subject to re-election at the next annual general meeting of the Company, and be terminable thereafter by either party on three months' notice.
- 7.3 Save as set out in paragraphs 7.1 and 7.2 above, there are no existing or proposed service contracts or letters of engagement between the Directors and the Company.
- 7.4 The aggregate of the remuneration payable (including such benefits in kind) to the Directors by the Group in respect of the year ending 30 September 2002 was £115,000 and in respect of the year ending 30 September 2003 under the arrangements in force at the date of this document, is expected to amount to approximately £423,670.

7.5 The Directors:

7.5.1 are or have been directors or partners of the following companies and partnerships at any time in the previous five years (excluding the Company and its subsidiaries):

<i>Director</i>	<i>Current directorships or partnerships</i>	<i>Past directorships or partnerships</i>
Peter Fothergill (aged 57)	Pinder Versatool Limited Countersett Limited Tabletting Science Limited Loughborough University Innovations Limited I Holland Limited Marsett Media Limited Bioinnovation Limited Movement Control Systems Limited Traversall Limited MATS (UK) Limited D. S. Pharmaceuticals Limited Biofil Limited Benest Engineering Limited Innovata Biomed Limited Loughborough Endowed Schools Loughborough University Consultants Limited Health Care Education Services Limited	Renex Healthcare Limited Protherics Plc Bioincubator York Limited ML Laboratories Plc
David Thatcher (aged 55)	None	None
Peter Coleman (aged 37)	None	SPD (Holdings) Limited
David Bloxham (aged 56)	Bravacs Limited Evolutec Limited Limegrove Limited Opteval Limited Oxford Vacs Limited Provalis plc Vacs of Life Plc The Babraham Institute	Celltech Group plc Rodaris Pharmaceutical Limited Therexsys Limited Cobra Therapeutics Limited Celltech Europe Limited Celltech US Limited Celltech R&D Limited St Vincent Mews Residential Association Limited Profile Therapeutics Limited
Nigel Slater (aged 50)	Bio-Developments Limited Angel Technology Limited Vivamer Limited	Congelow Produce Limited Foodnatural.com Limited North Braden Farm Limited Silsoe Research Institute

7.5.2 have no unspent convictions relating to indictable offences;

7.5.3 have had no bankruptcies or individual voluntary arrangements;

- 7.5.4 have not been directors of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company;
 - 7.5.5 have not been partners of any partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangements of such partnership;
 - 7.5.6 have not been partners of any partnership at the time of or within 12 months preceding a receivership of any assets of such partnership;
 - 7.5.7 have not had any of their assets subject to any receivership; and
 - 7.5.8 have not received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) and have not been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- 7.6 Except as disclosed in this document, no person (excluding professional advisers otherwise named in this document and trade suppliers) has:
- 7.6.1 received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or
 - 7.6.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, either fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission.

8. Placing and Open Offer arrangements

On 29 May 2003 the Company (1) the Directors (2) and Collins Stewart (3), entered into the Placing and Open Offer Agreement. The obligations of Collins Stewart under the Placing Agreement are conditional upon, *inter alia*, Admission taking place by 24 June 2003 or such later date as the Company and Collins Stewart may agree. Collins Stewart has agreed to use reasonable endeavours to procure places for the Placing Shares at the Placing Price failing which Collins Stewart has agreed as principal to subscribe for such shares itself at the Placing Price.

The Placing Agreement contains indemnities and warranties from the Company in favour of Collins Stewart. Collins Stewart may terminate the Placing Agreement in certain circumstances prior to Admission including circumstances where any of the warranties are found not to be true or accurate in any material respect.

Under the Placing Agreement the Company has agreed to pay Collins Stewart an advisory fee of £175,000 and a commission of 4 per cent. of the value of the Offer Shares at the Placing Price.

9. Material Contracts

- 9.1 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group in the two years prior to the date of this document, and are or may be material.
- 9.1.1 The Placing Agreement details of which are set out in paragraph 8 of Part IV of this document.
 - 9.1.2 The Placing Agreement dated 7 June 2002 between the Company (1), the Directors (2), Collins Stewart (3) and ML (4) pursuant to which Collins Stewart agreed to use reasonable endeavours to procure places for 7,000,000 Ordinary Shares at a price of £1 per share. Both the Company, ML and the Directors gave indemnities and warranties in favour of Collins Stewart. The liability of the Directors and ML for breach of warranty was limited. The Company paid an advisory fee to Collins Stewart of £225,000 and a commission of £280,000.

- 9.1.3 The Hive-Out Agreement dated 7 June 2002 between the Company (1) and ML (2) in respect of the sale of the R&D Business to ML. The consideration paid was £3,298,391. Cobra also repaid its outstanding overdraft liability of £3,000,000.
- The Company and ML also entered into the following ancillary agreements in respect of the Hive-Out Agreement:
- 9.1.3.1 an assignment from the Company to ML of certain licences and patents in respect of the R&D Business;
 - 9.1.3.2 a licence granted by the Company to ML in respect of certain patents and related know-how;
 - 9.1.3.3 a licence granted by ML to the Company in respect of certain patents and related know-how; and
 - 9.1.3.4 a licence granted by Cobra to ML entitling ML to occupy part of the Company's premises in Keele for the purposes of the R&D Business.
- 9.1.4 An agreement dated 7 June 2002 between the Company (1) the Directors (2) and Collins Stewart (3) pursuant to which Collins Stewart agreed to act as nominated adviser and broker to the Company for a fee of £30,000 per annum plus VAT if applicable. The agreement provides that either party may terminate the agreement in the event of a material breach by the other party by giving not less than three months' notice in writing such notice not to take effect prior to 13 June 2003.
- 9.1.5 A Warrant Instrument dated 7 June 2002 constituting the Collins Stewart Warrant under the terms of which the Company issued Collins Stewart a warrant to subscribe for 390,000 Ordinary Shares (representing 3 per cent. of the Enlarged Share Capital). The principal terms on which the Collins Stewart Warrant were granted are as follows:
- 9.1.5.1 it is exercisable at £1 per share;
 - 9.1.5.2 it is exercisable at any time following 13 June 2002 up until 13 June 2007; and
 - 9.1.5.3 it is not transferable save in certain circumstances.
- 9.1.6 An agreement dated 7 June 2002 between the Company (1) and ML (2), pursuant to which ML agreed that the Company would be capable of carrying on its business independently from ML and that all transactions would be on an arm's length and on a normal commercial basis. The Company agreed to provide ML with such written information as ML may reasonably request to enable ML to prepare its annual and half yearly accounts.
- 9.1.7 An agreement dated 7 June 2002 between the Company (1) and ML (2) under which 5,999,980 Ordinary Shares were issued to ML in consideration of the sale to the Company of the whole of the issued share capital of Cobra.
- 9.1.8 A deed dated 7 June 2002 in favour of ML under the terms of which the Company agreed to pay the sum of £3 million to Cobra to enable Cobra to pay such sum to its bankers in accordance with the Hive-Out Agreement.
- 9.1.9 Agreement dated 31 March 2003 between Accentus plc and AEA Technology plc (1), Cobra (2) and the Company (3) pursuant to which Cobra conditionally agreed to use reasonable endeavours to obtain certain consents to the acquisition of the Facility.
- 9.1.10 Sale and Purchase Agreement to be made between Gort Property Investments Limited ("Gort") (1) and Cobra (2) pursuant to which Cobra will acquire the Facility for £1,450,000.
- 9.1.11 Agreement to Surrender to be made between Cobra (1) and British Biotech Pharmaceuticals Limited ("BBL") (2) and British Biotech plc ("BBP") (3) pursuant to which BBL will pay a premium and surrender its lease of the Facility; and

9.1.12 Agreement to Surrender a Lease to be made between Cobra (1) and AEA Technology plc (“AEA”) (2) pursuant to which AEA will surrender its lease of the Facility.

10. Miscellaneous

10.1 *No significant change*

Save as disclosed in Parts I to III of this document, there has been no significant change in the financial or trading position of the Company since 31 March 2003 the end of the period for which the last unaudited interim results of the Company have been published.

10.2 *Working capital*

The Directors are of the opinion that, having made due and careful enquiry, taking into account the net proceeds of the Placing and Open Offer and the Company’s bank facilities, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

10.3 *Litigation*

No member of the Group is involved in any legal or arbitration proceedings which are having or may have a significant effect on the Group’s financial position nor is any member of the Group aware that any such proceedings are pending or threatened.

10.4 *Expenses*

10.4.1 The total proceeds which it is expected will be raised for the Company by the Placing and Open Offer (before expenses) are £5.20 million.

10.4.2 The total costs and expenses relating to the Placing and Open Offer (which are payable by the Company) are estimated to amount to £0.55 million (including VAT) and accordingly the net proceeds which it is expected will be raised by the Placing and Open Offer (after the deduction of expenses) are £4.65 million.

10.5 *Consents*

Collins Stewart has given and has not withdrawn its written consent to the issue of this document and the references to its name in the form and context in which it is included.

10.6 *Exceptional factors*

The Directors are not aware of any exceptional factors which have influenced the Group’s activities.

10.7 *Intellectual property*

Save as disclosed in this document and the prospectus dated 7 June 2002 and issued by the Company, the Group’s business is not dependent on any intellectual property rights of fundamental importance to the Group.

10.8 *Investments in progress*

The Group has no significant investments in progress save for the proposed acquisition of the Facility described in this document.

10.9 *Arrangements*

There are no agreements, arrangements or understandings (including any compensation arrangements) between any of the Directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Placing and Open Offer and Admission.

10.10 *Minimum amount*

There is no minimum amount which in the opinion of the Directors must be raised pursuant to the Placing and Open Offer for the purposes set out in paragraph 21(a) of the POS Regulations.

10.11 *Nominated adviser and broker*

Collins Stewart, whose principal office is at 9th Floor, 88 Wood Street, London, EC2V 7QR and is regulated in the United Kingdom by the Financial Services Authority, is acting as the Company’s nominated adviser and broker.

- 10.12 The accounting reference date of the Company is 30 September.
- 10.13 The Placing Price represents a premium over the nominal value of 10p per Ordinary Share of 70p.
- 10.14 Monies received from applicants pursuant to the Placing and Open Offer will be held in accordance with the terms of the application procedures issued by Collins Stewart until such time as the Placing and Open Offer become unconditional in all respects. If the Placing and Open Offer Agreement does not become unconditional in all respects by 3.00 p.m. on 24 June 2003 (or such later date as agreed by Collins Stewart being not later than 1 July 2003) subscription monies will be returned to applicants as soon as practicable at their own risk and without interest.
- 10.15 It is expected that definitive share certificates for the Offer Shares will be despatched by first class post on 27 June 2003. No temporary documents of title will be issued. In respect of uncertificated shares, it is expected that shareholders' CREST stock accounts will be credited by 24 June 2003.

11. Availability of document

Copies of this document will be available to the public, free of charge from the offices of Collins Stewart, 9th Floor, 88 Wood Street, London EC2V 7QR from the date of this document until at least one month after Admission.

Dated 29 May 2003

COBRA BIO-MANUFACTURING PLC

(registered in England and Wales number 4442927)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at the offices of Gateley Wareing, Windsor House, 3 Temple Row, Birmingham B2 5JR on 23 June 2003 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **THAT** subject to and conditional upon (but effectively immediately prior to) the admission of the New Ordinary Shares to be issued by way of the Placing and Open Offer (as such terms are defined in the Circular dated 29 May 2003 of which this notice forms part) to trading on the Alternative Investment Market of the London Stock Exchange and to such admission becoming effective, the authorised share capital of the Company be increased from £2,000,000 to £2,700,000 by the creation of 7,000,000 ordinary shares of 10p each ranking *pari passu* in all respects with the existing ordinary shares in the capital of the Company.
2. **THAT** subject to and conditional upon (but effective immediately prior to) the admission of the New Ordinary Shares to be issued by way of the Placing and Open Offer (as such terms are defined in the circular dated 29 May 2003 of which this notice forms part) to trading on the Alternative Investment Market of the London Stock Exchange and to such admission become effective, in addition to the authority given to them pursuant to the ordinary resolution of the Company passed on 28 February 2003 but otherwise in substitution for all other existing authorities, the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot and make offers or agreements to allot relevant securities (within the meaning of section 80(2) of the Act) up to:
 - 2.1 an aggregate nominal value of £650,000 in connection with the Placing and Open Offer; and
 - 2.2 otherwise an aggregate nominal value of £50,000;for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on the earlier of 15 months from the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company after the passing of this resolution, provided that this authority shall allow the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after expiry of this authority and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired;

SPECIAL RESOLUTION

3. **THAT** subject to and conditional upon the passing of the Ordinary Resolutions numbered 1 and 2 contained in the notice of which this resolution forms part, in addition to the authority given to them pursuant to the special resolution of the Company passed on 28 February 2003 but otherwise in substitution for all other existing authorities, the directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred on them by such Ordinary Resolution as if section 89(1) of the Act did not apply to the allotment provided that this power:
 - 3.1 expires on the earlier of 15 months from the date of passing of this resolution and the conclusion of the next annual general meeting of the Company after the passing of this resolution, and provided that this authority shall allow the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after expiry of this authority and the directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired; and

3.2 is limited to:

- 3.2.1 allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and to deal with legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and
- 3.2.2 the allotment of equity securities up to an aggregate nominal value of £650,000 in connection with the Placing and Open Offer; and
- 3.2.3 allotments of equity securities for cash otherwise than pursuant to paragraphs 3.2.1 and 3.2.2 up to an aggregate nominal value of £50,000.

By order of the Board
EMS Baker
Secretary

Registered office:
Stephenson Building
Keale University Science Park
Keele
ST5 3SP

29 May 2003

Notes:

1. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only holders of Ordinary Shares registered in the Register of Members of the Company as at 6.00 pm on 27 June 2003 shall be entitled to vote at the Extraordinary General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. on 27 June 2003 shall be disregarded in determining the right of any person to attend and vote at the meeting.
2. A member of the Company who is entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed. In order to be valid, an instrument appointing a proxy and any power of attorney under which it is signed (or a notarially certified copy thereof) must be deposited with the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the meeting. The completion and return of a form of proxy will not, however, preclude Shareholders from attending and voting in person at the meeting should they so wish.