

## Chairman's Review

continued

### Drug Development Program

The Peptech strategy for drug discovery is to focus on modulating the immune response. Many diseases are caused by an imbalance in the natural immune defence system resulting in conditions such as cancer, autoimmune diseases, infections and AIDS. The Company continues to identify more effective treatments for diseases such as those described above.

The development program has become increasingly focused with most projects now benefiting from a common core technology. This process is particularly highlighted by the observation that certain chemical entities have potential application for several diseases. The clinical trials program (see chart) is centred around two peptides, *GMDP* and *Peptide T*, both under clinical investigation for more than one therapeutic indication. This fortunate situation means a shortening of the long development period and a reduction in costs of pre-clinical studies.

### Facilities and Human Resources

The excellent manufacturing and laboratory facility in Denmark, acquired last year from Kabi

Pharmacia, has proved to be a valuable contribution to the Company's strategic plan of building up a highly efficient enterprise integrating research, development and manufacturing, in a strong international organisation. In addition to its fundamental production of peptides in bulk, the Company is now actively engaged in the manufacture of sterile products and tablets.

The continued growth of Cambridge Antibody Technology has called for the addition of further laboratory facilities. These are centralised in one place yielding a very efficient research and development unit near Cambridge, UK.

The research team of the Group includes some fifty scientists at the Ph.D. level who are now benefiting from a highly productive interaction with scientific advisers and academic institutions (see page 20 -21 for details). The intellectual property of the Group which consists of a large portfolio of patents and patent applications has been further strengthened during the past year by the granting of several key patents.



The international outlook of the Company, based on operations in Australia, Denmark, UK, USA and recently Russia, is an essential component in the achievements of Peptech, as exemplified by the latest promising development of GMDP, originally invented in Russia.

In line with the Company's continued growth and increased internationalisation of business activities, Peptech has taken regular advice from large international

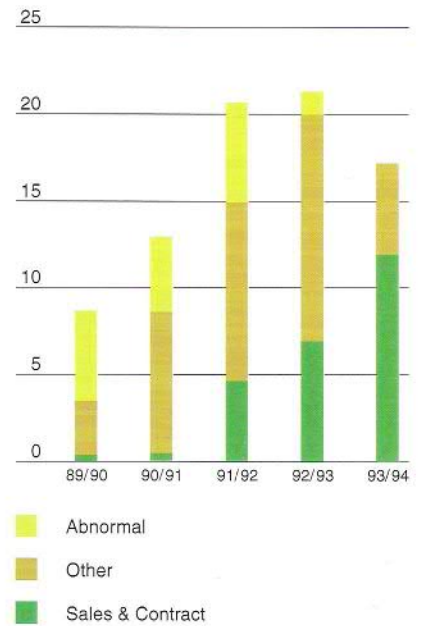
### Clinical Trials Program

		Preclinical	Phase I	Phase II	Phase III	Approval
<b>GMDP</b>	Influenza vaccine	█	█	█		
	Psoriasis (2 trials)	█	█	█		
	Cancer (2 trials)	█	█	█		
	Hospital related infections (and others)	█	█	█	█	█ Russia
<b>Peptide T</b>	AIDS (3 trials)	█	█	█		
	Cancer/inflammation	█	█	█		
<b>CBT-101</b>	Glaucoma (no current trials)	█	█	█		





**Group Income** (AUD millions)



accounting firms. It is now the intention to appoint as auditors to the Company, Price Waterhouse who have also been consulted on the 1994 accounts.

**Financial Aspects**

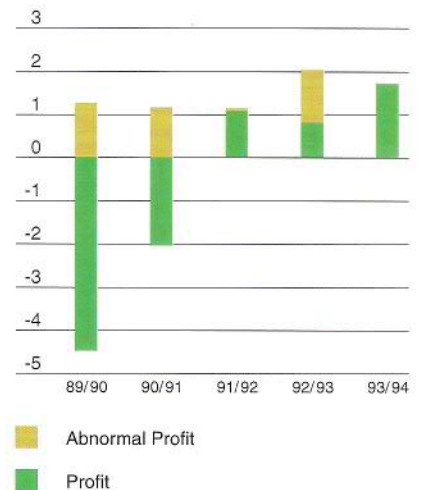
Over the past 3-4 years three R&D Syndicates have been contributing to the financing of the Company's research and development. The funding from two of these syndicates came to an end in 1993 and 1994. However a new syndicate will provide a total of AUD3.9 million over the next two years. The sales and contract income has grown steadily over the years (see diagram opposite) while income from financial activities (interest and syndicates) has decreased considerably in 1994. Group profit before abnormals has followed a positive trend over the years. However, in the absence of the abnormal profit enjoyed by the

Company last year, the Group profit is down slightly over the previous year. This year, profit has been mainly generated by subsidiaries where there are minority interests and therefore the profit attributable to Peptech (after minority interests) is reduced.

Based on the healthy development of income from the current business which is expected to accelerate, and on the prospects of substantial income from new products, the Directors consider the outlook for growth and profitability in both the short and long term to be excellent.

**Eigil Bjerl Nielsen**  
Sydney, January 20, 1995.

**Group Profit** (AUD millions)



## Corporate Overview of Business Activities

The accompanying table provides an overview of Peptide Technology Limited's major business activities. It excludes a number of promising but earlier stage R&D projects and more incidental contract services provided to customers. The table reflects the key areas of focus for the Peptech Group and provides an indication of the potential for short and longer term income generation, that arises from a balanced portfolio of activities.

	Activity/Project
<b>Peptech (Australia)</b>	Peptide PTL 78419
Research and development of new drug candidates	Modified Fatty Acids
	Peptide T non AIDS applications
	Carnosine
<b>Peptech (UK)</b>	GMDP - psoriasis
Development of GMDP for the world market	GMDP - neutropenia
	GMDP - other indications
	GMDP - sales in Russia
<b>Cambridge Antibody Technology</b>	Human antibodies - isolation and development
Technology for identification and selection of fully human antibodies for therapeutic use	Own antibodies under development for major markets
	Access to CAT's antibody libraries
<b>Peptech Animal Health</b>	Ovuplant
Development and sales of veterinary products	Dog eczema peptide
	Meat quality peptides
	Contraceptive peptide
<b>Peptech (Europe)</b>	Contract tableting
Pharmaceuticals manufacturing	Sterile filling
	Packaging
	Bulk peptides
	GMDP



General Status	Field of Use	Income Sources Current/(Expected)
Preclinical	Chronic infection	(Milestone payments, royalties)
Preclinical	Inflammation	(Milestone payments, royalties)
Preclinical	Common and genital herpes, rheumatoid arthritis	(Milestone payments, royalties)
Licensed for use in cosmetics and health foods	Ageing	(Royalties)
Option/licence to Allergan	Psoriasis	Milestone payments (royalties, supply contracts)
Phase II clinical trials	Neutropenia in cancer patients	(Sales/royalties, supply contracts)
Under option to Allergan	Ophthalmology, cancer for example	(Milestone payments, royalties, supply contracts)
Launch 1996	Sepsis, psoriasis, ophthalmic herpes, cervical viral infection	(Sales)
11 signed agreements with pharmaceutical/ biotech/diagnostic companies	Diagnosis and therapy in major diseases	Licence income (Milestone payments, royalties)
Selected antibodies showing excellent preclinical results	Cancer, fibrotic disease, other	(Milestone payments, royalties)
2 completed agreements more under negotiation	Drug discovery	Licence income (royalties)
Launched in 3 countries	Mare fertility	Sales
Animal trials	Dermatitis, itching	(Sales/royalties)
Animal trials	Meat flavour and quality e.g. pork, beef	(Sales/royalties)
Animal trials	Female dogs	(Sales/royalties)
Repeat orders	Various	Contract income
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Repeat orders	Various	Contract income
Operating business	Calcitonin - bone disease Oxytocin - promotes lactation	Sales
Potential supplier	Psoriasis, sepsis, cancer, etc	(Contract income)

Peptech has previously obtained clinical trial results carried out in cancer patients receiving chemotherapy, which suppressed their bone marrow function. GMDP treatment of these patients gave a clear benefit in reducing the number of days over which the patients experienced dangerously low white blood cell numbers.

As a result of these encouraging findings, Peptech has established a double blinded, placebo-controlled trial in breast cancer patients receiving bone marrow-suppressive chemotherapy. Results from this Phase II study, which is examining blood neutrophil levels and susceptibility to infection, are expected during 1997. The trial is currently enrolling patients at four hospitals in Australia. Expansion of trials to further centres and patients with other types of cancer is planned for 1997.

The current therapy for neutropenia induced by chemotherapy is Neupogen<sup>®</sup> produced by the Amgen Corporation. Unlike GMDP which is orally active, Neupogen<sup>®</sup> is administered daily as an injection/infusion. With a key patent covering the use of GMDP to suppress symptoms associated with infection, granted during the year, Peptech is continuing laboratory work to optimise the mode of delivery of GMDP for greatest effect in neutropenia and associated infections. Because GMDP is orally available, Peptech envisages that the drug could ultimately be used on a routine basis in patients where neutropenia and increased susceptibility to infections are expected. Peptech believes that if current Phase II trials demonstrate the expected efficacy, oral GMDP will compete with Neupogen<sup>®</sup> for this lucrative market (USD1billion).

## GMDP for Reduction of Infection in Cancer Patients

### Clinical Trials

