Financial accounts reports

Colin Aaronson

Serono International SA: Results for the year ended 31st December, 2004

Serono International SA is one of the world's largest biotechnology companies with sales in 2004 of almost US$2.5bn made in over 90 countries. The company presently has eight biotechnology products and operates in four market areas: neurology, reproductive health, growth and metabolism, and dermatology. Serono's shares are traded on the Swiss Exchange as well as the virt-x exchange and its American depositary receipts (ADRs) are traded on the New York Stock Exchange. Its results were released on 1st February, 2005. The company has its headquarters in Geneva.

Sales in 2004 amounted to US$2,458m, an increase of almost 22 per cent over 2003 (US$2,018.6m). Sales were mainly of product (US$2,178m) with the balance being royalty income. The increase in sales denominated in local currencies was approximately 16 per cent. The company generated profit before tax and minority interests (minority interests amounted to US$1.7m) of US$587m, up by almost 24 per cent on 2003's comparative figure of US$459m. Over 75 per cent of product sales are accounted for by Serono's two leading products, Rebif ®, a multiple sclerosis treatment (50 per cent), and Gonal-f ®, a reproductive health product (26 per cent). Sales of Rebif ® increased by approximately 33 per cent and sales of Gonal-f ® increased by approximately 9 per cent compared with 2003. Sales of the third largest product, Saizen® accounted for almost 9 per cent of sales. Sales increased for this growth hormone treatment by approximately 20 per cent to US$182m.

On 2nd February, 2005, Serono listed 25 products in a pipeline, including three in registration and six in Phase III clinical trials. Fifteen of those products were for Serono's four key market areas, with five products under development being for autoimmune diseases and five for oncology. The pipeline is funded by a substantial research and development programme amounting to US$595m, over 24 per cent of total sales (2003: US$468m). Profit of US$587m is stated after writing off these amounts of research and development.

Cash, cash equivalents and short-term financial assets amounted to US$1.06bn at 31st December, 2004. With its cash pile and its profits, Serono is well able to maintain its current level of research and development and there is no immediate requirement for fundraising. The share price was CHF727 on 2nd February, 2005, a fall of just under 20 per cent from its position 12 months previously.

Xenova Group plc: Results for the nine months ended 30th September, 2004

Xenova Group plc is a UK-based biopharmaceutical company focused on the development of novel drugs to treat cancer and addiction with a secondary focus on immunotherapy. Xenova's shares are quoted on the main market of the London Stock Exchange and on Nasdaq. Founded in 1987 the company's focused on the cancer and cardiovascular therapeutic areas and developed a portfolio of drug candidates. In 2001 it acquired Cantab Pharmaceuticals plc with expertise in vaccines, immunotherapy and gene delivery and in 2003 another UK-based biotechnology company, KS Biomedix Holdings plc, which, like Xenova, was focused on cancer.

Xenova's strategy is to develop novel drug candidates, which it finances up to Phase II, following which a licensing

Colin Aaronson
Grant Thornton Corporate Finance,
Grant Thornton House,
Melton Street,
Euston Square,
London NW1 2EP,UK

Tel: +44 (0) 870 991 2942
Fax: +44 (0) 870 991 2942
E-mail: colin.p.aaronson@gtuk.com

partner may be sought to support development and marketing. The company's pipeline of drug candidates in clinical development include TransMID™, a treatment for glioblastoma multiforme, a form of high-grade glioma (brain cancer), which is in Phase III clinical trials. These trials commenced during the third quarter of 2004. TransMID™ comprises a modified diphtheria toxin conjugated to transferrin (a protein that delivers iron ions in the blood); transferrin receptors are particularly prevalent on rapidly dividing cells, with a high level of transferrin receptor expression on glioma cells. Other potential cancer treatments include tariquidar which is targeted against multi-drug resistance and is in Phase II clinical trials and XR303 radioimmunotherapy product targeted at late-stage pancreatic cancer (Phase I/II). Xenova is also developing three novel DNA targeting agents being developed for the treatment of solid tumours.

Xenova's pipeline also includes a therapeutic vaccine TA-CD, for the treatment of cocaine dependence, which is in Phase II trials and TA-NIC, for the treatment of nicotine addiction (Phase I).

Turnover during the nine months ended 30th September, 2004, amounted to £3.9m, down from £6.9m for the comparative period in 2003. This income was derived from licensing, strategic partnerships and manufacturing outsourcing. Pre-tax loss for the period was £12.6m (up from £11.6m). Research and development expenditure on continuing operations fell from £11.7m to £10.7m, mainly because of a fall in the costs of the DNA targeting agents programme. The research and development expenditure incurred was mainly in respect of the TransMID™ programme, the Phase I/II dose escalation trial of XR303, and the addiction vaccines programmes including the second Phase I study in TA-NIC.

At 30th September, the company's cash balances stood at £15.6m, down from £27.5m at 31st December, 2003. The share price at the start of 2004 stood at just below 10p, rising to a peak of approximately 13p in January before falling to below 6p in November. At the end of January 2005, the shares stood at just over 7p.

Genmab A/S: Results for the nine months ended 30th September, 2004

Founded in 1998, Genmab is a Danish biotechnology company that is developing human antibodies for the treatment of cancer, inflammatory conditions and infectious disease. Using its proprietary technology, Genmab is able to manufacture antibodies that are 100 per cent human. The company's shares are listed on the Copenhagen Stock Exchange.

Genmab's pipeline of Humax™ human antibodies consists of a number of products that are at either the preclinical, Phase I or Phase II stages. They include Humax-CD4™, currently in Phase II development for both cutaneous T-cell lymphoma (CTCL) and non-cutaneous T-cell lymphoma, and AMG714, a human antibody against interleukin-15, a cytokine molecule involved in the inflammatory cascade at a very early stage. AMG 714 is being developed under an agreement with Amgen Inc. and is currently in a Phase II study to treat patients with rheumatoid arthritis.

During the nine months ended 30th September, 2004, the company reported no revenues. During the comparative period in 2003, the company reported revenues totalling about US$11.4m relating to its Amgen contract. Research and development expenditure increased from US$39.6m to US$44.0m and the loss for the period increased from US$32.2m to US$48.3m. Losses were reduced by net financial income of US$4.2m during the period.

The company had cash and cash equivalents amounting to US$72.4m at 30th September, 2004, a position that benefited from a placing during the third

quarter that raised approximately US$75m net of expenses. Among the developments during the third quarter was the orphan drug designation of Humax-CD4^{TM} for the treatment of mycosis fungoides, which constitutes 75 per cent of all CTCL. During the period, further progress was reported in respect of both Humax-CD4^{TM} and AMG714.

The company's share price has performed well, starting 2004 at DKK55 and finishing the year at DKK100. At the end of January 2005, the shares stood at DKK125.

© **Colin Aaronson**