

INTERNATIONAL BIOTECHNOLOGY TRUST PLC
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23 February 2001

Dear Shareholder

Following the appointment of Schroder Ventures Life Sciences as investment adviser to your Company and the tender offer, which was completed on 12 January 2001, I think it is important to provide you with a review of the Company, its portfolio and outlook for the life sciences sector in general.

As you are aware, your Company was launched in 1995 and between that time and 13 February 2001 has reported an increase in net assets and share price of 195.3% and 161.5% respectively.

The last eight months has been an eventful period for your Company. In July 2000, shareholders voted in favour of a resolution requesting the Directors to allow shareholders who so wished to realise their investment in the Company at a price that more closely reflected the net assets per share at that time. In November 2000 your Board announced the appointment of Schroder Investment Management Limited as Manager with Schroder Ventures Life Sciences as investment adviser. In January 2001 the tender offer took place and as foreshadowed in the tender offer document the composition of the Board has been changed.

BOARD

As was outlined in the tender offer, John Green-Armytage, Donald Cecil and Dennis Turner have, after serving on the Board since its launch six years ago, decided to stand down following the EGM. They all retired on 21 February.

On behalf of the Board, I would like to thank them for their service to the Company since its launch, particularly to my predecessor, John Green-Armytage.



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On the same day, Alan Clifton, Alex Hammond-Chambers and Ian Macgregor were appointed to the Board. Alan Clifton until recently was managing director of CGNU's (previously Commercial Union) investment management activities. Alex Hammond-Chambers formerly was chairman of Ivory & Sime and Ian Macgregor was chief investment officer of The Wellcome Trust.

I have no doubt they will give valuable help and advice in the future.

TENDER OFFER

It was very pleasing to note that a high majority of individual shareholders tendered no shares or only a minority of their shareholding in the tender offer.

It is worth noting that 34.72% of the issued share capital was tendered by five large shareholders, including the stake previously held by Millenium Partners LP. In total, shares representing 47.15% of the issued share capital were repurchased and cancelled, with a payment to shareholders that participated in the tender offer totaling £121.8 million.

Following the tender offer, our largest shareholders are now the Co-Operative Insurance Society and AstraZeneca, with stakes of 16.66% and 13.44%, respectively.

INVESTMENT POLICY & PROSPECTS

It remains the firm strategy of IBT to invest internationally in emerging biosciences companies identified as offering substantial potential for appreciation in value. We will invest both in companies already listed on a stock exchange which are still in an early growth stage and in companies with a strong product pipeline which are approaching a stock market flotation. We also plan to provide development funding and operational and strategic support as appropriate to investee companies.

At 13 February, the IBT portfolio stood at 19 core investments. At that date, the Company's net assets, after taking into account the costs of the tender offer totalled £138.7 million or 285.24 pence per share. The net asset value per share is reported to the London Stock Exchange on a weekly basis. Since the publication of the annual report no major new investments have been made. However, the largest holding at the Company's financial year-end, Cell Therapeutics, has been sold. More information about the portfolio will be provided with the interim report.



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Last year was unique for the biotech sector, with soaring valuations, high volatility, a record number of biotech companies obtaining a stock market listing (108), and unprecedented levels of interest. The sequencing of the human genome and the genomics sector was a key driver of interest in biotech in 2000. However, in the last quarter in particular, investment sentiment changed markedly towards technology stocks, which in turn impacted the biotech sector. In the 4th quarter of 2000 both the NASDAQ Biotech Index and the NASDAQ Composite Index fell, by 17.5% and 32.7%, respectively. In 2001 up to 13 February the NASDAQ Biotech Index and NASDAQ Composite Index have fallen a further 8.0% and 1.7%, respectively.

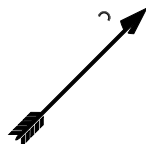
We believe biotech industry fundamentals remain strong. In general, the industry enjoys intense speed of innovation, high barriers to entry, pricing power, financial strength and is sheltered from economic downturn. The industry pipeline is excellent, with 369 biotechnology drugs in clinical trials in the US, and 60 biotech drugs with FDA decisions or filings in 2001. The industry's relationship with big pharma is robust, with biotech representing a substantial part of the pharma industry pipeline, some very large collaborations, and biotech companies receiving higher royalties.

We and our investment adviser, Schroder Ventures Life Sciences, regard the recent fall in values as providing attractive investment opportunities in quoted and unquoted companies. We expect our team at Schroder Ventures Life Sciences to identify these opportunities.

Biotech remains a compelling investment area with great long term profit potential. We believe there is a strong team at Schroder Ventures Life Sciences and are optimistic about the prospects.

Yours sincerely

Andrew Barker
Chairman



As at 13 February 2001	Value £000	Proportion of NAV %
North America		
Quoted	85,355	61.6
Unquoted	<u>20,430</u>	<u>14.7</u>
Sub-total	<u>105,785</u>	<u>76.3</u>
Europe		
Quoted	17,038	12.3
Unquoted	<u>6,301</u>	<u>4.5</u>
Sub-total	<u>23,339</u>	<u>16.8</u>
Liquidity	<u>9,549</u>	<u>6.9</u>
Net Assets	<u>138,673</u>	<u>100.0</u>

As at 13 February 2001	Cost £000	Value £000	Proportion of NAV %
Corvas International	6,836	16,055	11.6
OSI Pharmaceuticals	5,315	13,706	9.9
Targeted Genetics Corporation	6,268	11,948	8.6
Onyx Pharmaceuticals	5,163	8,990	6.5
Biocompatibles International	8,324	8,925	6.4
Delsys Pharmaceutical	6,322	6,888	5.0
Anormed Inc	4,693	6,273	4.5
Valigen	5,008	5,165	3.7
Inflazyme Pharmaceutical	5,396	4,898	3.5
Ribozyme	<u>3,883</u>	<u>4,682</u>	<u>3.4</u>
	<u>57,286</u>	<u>87,530</u>	<u>63.1</u>

discounted in accordance with BVCA guidelines
including warrants (unquoted)
unquoted