Regulatory Announcement

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INTERNATIONAL BIOTECHNOLOGY TRUST Plc

The Board of International Biotechnology Trust Plc ("IBT") today announces its unaudited Annual Results for the twelve months ended 31 August 2004.

Summary

- Net asset value per share rose by 2.3% to 115.4p
- NASDAQ Biotech Index fell 17.9% (sterling adjusted), Merrill Lynch Small Cap Biotech Index fell by 14.9% (sterling adjusted) and the Bloomberg UK Biotech Index rose by 6.7%
- Return on IBT's quoted portfolio of 19.3% (monthly time-weighted return basis assuming mid-month cash flows) and 17.1% (unweighted basis ignoring timing of transactions)
- Unquoted writedowns reduced net assets by £5.4m
- Eyetech, CancerVax, and Auxilium completed initial public offerings (IPOs)
- Three new investments in quoted companies; sales of six quoted companies
- Three new unquoted investments; follow-on investments in Auxilium and Genosis
- Partial sale of Eyetech realising £5.9m
- Total net assets at 31 August 2004: £55.2m (31 August 2003: £53.9m)

Andrew Barker, Chairman, commented:

"Three of our unquoted companies have completed initial public offerings (IPOs) in the U.S. The IPO and subsequent performance of Eyetech have been a key driver of our own performance during the year under review, adding approximately £10m to net assets after currency changes.

The IBT portfolio gives shareholders an exposure to both quoted and unquoted companie within a volatile sector where fundamentals remain strong. We remain optimistic about th prospects for the IBT portfolio although, as usual, a long term investment view recommended, given the volatility of the sector and the risk associated with investments biotech companies."

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CHAIRMAN'S STATEMENT

PERFORMANCE

I am pleased to report an increase in the net asset value (NAV) per share of International Biotechnology Trust plc (IBT) of 2.3% from 112.8p to 115.4p, and an 11.8% rise in the share price from 85.0p to 95.0p during the twelve months to 31 August 2004. This increase builds on the rise of 14.5% in NAV per share during the year to 31 August 2003, and compares to a fall in the NASDAQ Biotech Index (NBI) over the same period of 17.9%, a fall in the Merrill Lynch Small Cap Biotech Index (MLSCI) of 14.9% and a 6.7% increase in the Bloomberg UK Biotechnology Index, all in sterling terms. Over the twelve months under review the discount of the share price to NAV reduced from 24.6% to 17.6% and as at 21 September 2004, the date of the most recently published NAV, the discount was 20%.

Three of our unquoted companies have completed initial public offerings (IPOs) in the U.S. The IPO and subsequent performance of Eyetech have been a key driver of our own performance during the year under review, adding approximately £10m to net assets after currency changes. This provides an illustration of how a concentrated portfolio strategy may generate value. As at 21 September 2004, the investment in Eyetech comprised 10.8% of NAV. The holding is valued at a 25% discount to the closing daily share price to reflect the fact that, from time to time, through the board seat that one of the Schroder Ventures Life Sciences (SVLS) team holds, there will be constraints on the ability to realise the value of this holding.

The performance of IBT's quoted portfolio calculated on a time-weighted return basis (assuming mid-month cash flows) showed a rise of 19.3%. On an unweighted basis (ignoring the timing of transactions) the return was 17.1%. These calculations include the changes in the discounted valuations of the holdings in Auxilium, CancerVax and Eyetech, since their respective IPOs. This performance compares with a fall in the MLSCI of 14.9% in sterling terms.

During the period under review the net effect of the total change in the Director's valuation of unquoted companies was a reduction in net assets of £5.4m. At 31 August 2004 22% of net assets were invested in unquoted companies. This has fallen from 42% at 31 August 2003, largely due to successful IPOs, and the writedowns of some of our unquoted holdings. As a guideline up to approximately 40% of net assets will be invested in unquoted companies, although this figure may be substantially lower as investments mature and will vary according to when individual investment opportunities arise.

The U.S. dollar weakened considerably against sterling towards the end of 2003 and currency changes reduced the net asset value by approximately £6m during the year under review. Whilst the situation is kept under regular review, it remains our current policy not to hedge the currency exposure of the portfolio.

At 31 August 2004 the level of cash, money market instruments and other net current assets levels was £11.9m, or 21% of net assets. This is higher than usual, largely due to proceeds from the sale of Eyetech shares which raised £5.9m in total during the year under review.

VALUATIONS

In the last annual report we outlined the basis of valuation of investments. We continue to use this policy in the interim report, which is to apply the Association of Investment Trust Companies' Statement of Recommended Practice ("SORP") and the British Venture Capital Association ("BVCA") Valuation Guidelines to the NAV released weekly. Valuations are considered on an ongoing basis and information that impacts the valuation of a private company or the discount applied to an investment in a public company is incorporated into the valuation and, if there is a material impact on NAV, then a new NAV is released to the market. The discounts on quoted investments range in size between 10% and 25% and the effect of the discounts was to reduce NAV by £3.2m at 31 August 2004.

NEW DIRECTOR

As indicated in the Interim Report, Dr David Clough, aged 57, was appointed as a Director of the Company on 2 March 2004 and he offers himself for election at the forthcoming Annual General Meeting in accordance with the Articles of Association. He was Director of Research at Roche in the UK between 1986 and 1999. He was responsible for over 300 staff with departments covering chemistry, biology and preclinical development. During this time, two products discovered by staff in the research group under Dr Clough progressed to the market place, namely Inhibace and Invirase. Dr Clough has received several national and international awards for his role in the discovery of Invirase, including the UK and International Prix Galien, the PhRMA Discoverers Award and the UK Millennium Product Award.

Dr Clough is currently on the Board of Fulcrum Pharma PLC and on the Scientific Advisory Boards of Anadys and Kinetique. He holds a PhD from Glasgow University.

CORPORATE GOVERNANCE

During 2003 the FSA adopted the Combined Code as part of the Listing Rules of the Stock Exchange and the Association of Investment Trust Companies produced its own Code of Corporate Governance© for its member companies - of which IBT is one. IBT is an unusual investment trust, investing as it does in the quoted and unquoted securities of young companies involved in the biotechnology business; they tend to be highly risky but potentially very rewarding investments. The governance of such an investment trust will, therefore of necessity, be somewhat different from others and as a consequence your Board has given careful consideration to the appropriate governance in the light of the recommendations and principles espoused by the two codes. In the Annual Report, we set out how we govern the Company, drawing to shareholders' attention unusual procedures and any major divergence from the two codes.

SHARE BUY BACK

During the year ended 31 August 2004, the Directors did not purchase any shares for cancellation and have not utilised the authority given to them at the last Annual General Meeting. To provide maximum flexibility, a resolution to authorise the Directors to purchase up to 14.99% of the share capital in issue will be proposed at the forthcoming Annual General Meeting. When shares are available in reasonable volumes and at a high discount to net assets, we shall consider further purchases while maintaining sufficient liquidity for existing commitments and for making new investments.

PROSPECTS

The IBT portfolio gives shareholders an exposure to both quoted and unquoted companies within a volatile sector where fundamentals remain strong. We remain optimistic about the prospects for the IBT portfolio although, as usual, a long term investment view is recommended, given the volatility of the sector and the risk associated with investments in biotech companies.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 12.00 noon.on Friday 19 November 2004 at 31 Gresham Street, London, EC2V 7QA. The meeting will include a presentation from SVLS, as in previous years.

Andrew Barker
Chairman

INVESTMENT ADVISERS REVIEW

MARKET REVIEW

Biotech stocks began to outperform the broader market in March 2003 following strong earnings announcements from profitable companies. A number of companies achieved high-profile milestones including the approval and launch of Avastin, the first anti-angiogenesis treatment to reach the market and the survival benefit shown in the treatment of non small cell lung cancer (NSCLC) shown by Tarceva from portfolio company OSI Pharmaceuticals.

The NBI peaked in April 2004 as investors took profits from investments in the sector following the rise of more than 80% in dollar terms, since the lows of the previous year. Markets as a whole have been weaker in recent months due to geopolitical uncertainty and fears of rising interest rates and rising oil prices.

Over the same time frame investors have become more risk averse and have moved into more defensive, lower beta stocks, hitting biotech as a group, and especially the earlier stage, smaller companies. Smaller biotech companies outperformed their larger peers during the first half of the year under review, only to give back most of these gains after the peak in April. The MLSCI fell by 14.9% in the period under review, in comparison with a fall in the NBI of 17.9%, all in sterling terms.

The lack of recent significant biotech newsflow has also not helped the sector, although profitable companies have continued to report good earnings. As mentioned in the interim report, expectations for the biotech sector were high in early 2004 and got ahead of the capacity of some development stage companies to deliver, making it difficult to surprise on the upside. The NBI fell more than 25% in dollar terms between April and mid August 2004, although there has been some recovery in prices in the last month.

During the year under review, the IPO window has opened in the U.S. and, to a lesser extent, in Europe. Three IBT portfolio companies have completed IPOs in the U.S.; Auxilium, CancerVax and Eyetech. At 21 September 2004, the share prices of Eyetech and Auxilium have risen 61% and 27% respectively, from their IPO prices, while the share price of CancerVax is trading below issue in common with many other newly listed companies. The recent fall in the market has made it more difficult to go public with some offerings being pulled and others being completed at increasing discounts to initial filing ranges.

Despite this, global biotech is on course to have a good overall year for financing in 2004. The global biotech industry has raised $14.5bn in 2004 (to 20 September 2004) from IPOs, follow-ons, venture capital and other financing compared with 2003 when a total of $19.6bn was raised (Source:BioCentury Financial Center). A number of IBT's quoted portfolio companies have raised money during the year under review including Adolor, Alexion, AnorMED, Aradigm, Auxilium, CancerVax, Encysive, Epimmune, Eyetech, Inflazyme, Inspire, Kosan, Nektar, Phase Forward, Progenics, OSI and XOMA.

OUTLOOK

Although sector fundamentals remain strong and companies are relatively well funded following the recent robust financing climate, it may be difficult for biotech, especially smaller companies, to outperform unless the overall market appetite for risk increases and strength continues to return to the broader market. That said the NBI has begun to recover from the lows of mid August this year.

Key milestones are approaching for a number of IBT's portfolio companies. These include the outcome of regulatory review in the U.S. of Macugen for wet age-related macular degeneration (AMD) from Eyetech, of Tarceva from OSI for advanced NSCLC, of Entereg from Adolor for the management of post-operative ileus and of Shire's phosphate binder FOSRENOL. In addition Nektar's version of inhaled insulin has been submitted for regulatory review in the European Union.

Cambridge Antibody Technology expects to report preliminary data from a Phase II/III glaucoma trial in Q4 2004, Encysive expects to release data from a pivotal pulmonary arterial hypertension study in Q1 2005 and Inspire expects to report results of a pivotal dry eye trial, and, if positive, submit an amendment to its U.S. regulatory filing, by mid-2005.

Data from Progenics' Phase III trial for the relief of opioid-induced constipation in patients with advanced medical illness should be released in 2005. Data is expected to be released by Atherogenics from a pivotal Phase III trial for the treatment of atherosclerosis in 2005, although further Phase IIb data is expected later this year which may shed more light on the potential clinical utility of the compound.

PORTFOLIO NEWS

In February 2004 **Eyetech Pharmaceuticals** completed an IPO at a share price of $21 raising net proceeds of $153m. During the period under review IBT sold a portion of the Eyetech holding realising £5.9m (cost £1.3m). At 31 August 2004 IBT owned 511,910 shares, valued at £7.4m (cost £2.1m), after a liquidity discount of 25% to the closing share price. The complete new drug application (NDA) for Macugen as a treatment for wet AMD, has been accepted by the U.S. Food and Drug Administration (FDA).

Auxilium Pharmaceuticals completed an IPO in July 2004, raising net proceeds of approximately $37m, at a price of $7.50 per share. Auxilium has received U.S. regulatory approval to market Testim, a testosterone replacement therapy for the treatment of hypogonadism. Testim was launched in 2003 in the U.S. through the company's own specialty sales force and Auxilium has received regulatory approval to market Testim in the UK and scientific approval for Testim in 14 additional European countries. IBT's holding was valued at £0.5m (cost £0.8m) at 31 August 2004 after a liquidity discount of 25% to the closing share price.

CancerVax completed an IPO at a price of $12 per share in November 2003, raising net proceeds of approximately $65m. IBT's holding was valued at £1.3m at 31 August 2004 (cost £2.5m) after a discount of 25% to the closing share price. The company's lead product candidate, Canvaxin, for the treatment of patients with melanoma, is currently being studied in two international Phase III trials. In August 2004 CancerVax announced that it was on track to complete enrolment in the Phase III trial in the treatment of patients with Stage III melanoma by the end of September 2004 and in the treatment of patients with Stage IV melanoma in 2006.

In April 2004 results from a Phase III trial of **OSI**'s Tarceva for the treatment of patients with advanced NSCLC showed a 42% improvement in median survival and an improvement in one-year survival of 45%. On the day of the announcement the share price of the company more than doubled. These results make Tarceva the first and only targeted therapy to demonstrate an improvement in survival for NSCLC patients. The submission of the NDA for Tarceva has been completed and the company projects a possible approval in the U.S. in the first quarter of 2005 assuming a full six-month review by the FDA. The company's international partner, Roche, has filed a marketing application for Tarceva with the European Health Authorities.

Genosis has received U.S. and European regulatory clearance for the sale of its diagnostic tests for screening male and female infertility. These are designed to be sold over the counter for couples trying to conceive or deferring conception and will provide couples with the opportunity to monitor their fertility and improve chances of successful conception. The company is in negotiations with a major UK distributor regarding a product launch in the UK for which additional funds will be required.

Indevus Pharmaceuticals announced the regulatory approval of SANCTURA in the U.S. for the treatment of overactive bladder and the drug was launched in August 2004. This followed the announcement of a co-promotion and licensing agreement between Indevus and PLIVA for commercialisation in the U.S.

In October 2003 the FDA approved **Forest Labs'** Namenda, for the treatment of moderate to severe Alzheimer's disease and Namenda was launched in the U.S. in January 2004. However, data released from a Phase III trial for severe Alzheimer's disease with another of Forest's compounds, Neramexane, showed the primary endpoint of the trial was not met.

Nektar Therapeutics developed and provides the inhalers and the powdered insulin for a version of inhaled insulin called Exubera, in development for patients with diabetes, through a collaboration between Pfizer and Aventis. The European Medicines Evaluation Agency has accepted the filing of a marketing authorisation application for Exubera and Nektar's partners have been working with the FDA to determine the appropriate timing for submission of the Exubera NDA in the U.S.

AMD3100 is in development at **AnorMED**, and blocks a specific cellular receptor triggering the movement of stem cells out of the bone marrow and into the circulating blood. Initial Phase II data has shown that AMD3100, in combination with the standard agent, increases the number of stem cells available for collection and transplant. AnorMED plans to complete the Phase II trials in 2004, and to start a Phase III program in 2005.

Epimmune uses multiple epitopes to specifically activate the body's immune system and is conducting two Phase I/II clinical trials of its cancer vaccine candidate in NSCLC and colorectal cancer patients. Preliminary data from 10 patients in these ongoing trials was released in June 2004 indicating that the vaccine was safe and well tolerated, and suggested that the multi-epitope approach could induce an immune response in patients when delivered appropriately.

Trine Pharmaceuticals (formerly Essential Therapeutics) is focused on the development of novel pharmaceuticals for the treatment of life-threatening diseases. The company has in-licensed a clinical stage compound and expects to start a Phase IIa trial in diarrhoea-predominant irritable bowel syndrome patients later in 2004. Negotiations are underway regarding other in-licensing opportunities.

Sunesis announced collaborations with Merck, to discover novel oral drugs for the treatment of viral infections, and with Biogen Idec to discover and develop small molecule cancer therapeutics targeting kinases. In June 2004 the company started the first of two planned Phase I clinical studies of a cell cycle modulator that kills proliferating cancer cells by inducing programmed cell death.

In December 2003, Pfizer announced that it had entered into an agreement to acquire IBT portfolio company **Esperion**, for $1.3bn and in May 2004 **Celltech** was acquired by UCB valuing the company at £1.5bn.

In June 2004 QLT and **Atrix Laboratories** signed an agreement for QLT to acquire Atrix for approximately $855m. The new company will focus on ocular disease, oncology, dermatology and urology.

Galen Holdings changed its name to **Warner Chilcott PLC** in June 2004 to emphasise its exclusive focus on the U.S. market, following the disposal of the company's UK-based pharmaceuticals business.

Affibody is an affinity ligand and biotherapy company that uses protein engineering technologies to create novel small, robust protein ligands (affibodies) that mimic antibodies. Recent data have confirmed that labelled affibodies can be used for medical imaging to visualise tumors in the diagnosis of cancer. Affibodies are also being investigated as potential therapeutics for cancer in preclinical models.

During the year under review the holding in **Axxima Pharmaceuticals** was written down by £0.9m to zero due to lack of progress in the company's programs. In June 2004 Axxima raised 10m Euro in an internal financing round, in which IBT did not participate.

The valuation of the holding in **Aderis** was written down by £0.7m to £2.1m in June 2004. Following the departure of the CEO earlier this year, the search for a replacement continues. Aderis is currently exploring strategic alternatives which may include one or more M&A transactions. The two members of SVLS who were on the Board of the company resigned in September 2004 in order to facilitate a more efficient M&A process. The company filed to go public in 2003 but later withdrew its registration statement due to prevailing market conditions and valuation. The company's programs continue to make progress and the company had more than a year of cash remaining at the end of August 2004. In June 2004, partner Schwarz Pharma, presented pivotal Phase III data on rotigotine, the Parkinson Patch, and expects to submit applications for market approval in the third quarter of 2004. A Phase III program for rotigotine in restless legs syndrome is scheduled to start in the spring of 2005. A pivotal Phase III trial with binodenoson for cardiac pharmacologic stress testing is underway with partner King Pharmaceuticals. Fujisawa has completed Phase II trials for the acute care use of selodenoson in atrial fibrillation, however, in light of a pending merger with Yamanouchi, Fujisawa has decided not to develop the intravenous form further and has returned all rights to Aderis.

In August 2004 the valuation of IBT's holding in **KuDOS** was reduced by £0.7m to £0.7m to reflect the current fund raising climate. Development timelines have slipped somewhat and the company has less than a year of cash remaining as at end August 2004 and needs to raise funds. KuDOS currently has two drugs in clinical trials: Patrin, which is being developed for the treatment of cancers resistant to alkylating agents, and AQ4N, which targets hypoxic regions of tumours. In 2003 Novacea licensed the North American rights to develop and commercialise AQ4N. Research continues on other DNA repair inhibitors, with a candidate for PARP inhibition in preclinical assessment.

During the year under review the valuation of the holding in **Micromet** was reduced by a total of £3.1m to £0.5m. This was a consequence of a continuing contract dispute arising in connection with a collaboration agreement for the development of the company's anti-cancer antibody MT201 and consequent shortfall in 2004 income. The company currently has less than a year of cash and the valuation reflects the current fundraising climate. Phase II studies are ongoing with MT201 in prostate and breast cancer and proof of concept data is expected in 2005 although recruitment for these trials has been slow. A Phase I safety study for MT103 has restarted using a revised infusion protocol and preliminary data looks encouraging to date. The company hopes to determine the optimum dose in 2005 with clinical proof of concept in 2006.

In June 2004 **Inflazyme** announced that a Phase IIa asthma study had not met its primary endpoint. The company has restructured in a move to conserve cash and refocused on its complement inhibition and Prodaptin drug tethering technologies. In addition to seeking partnerships the company plans to continue to evaluate M&A and in-licensing opportunities to grow the pipeline.

Despite the approval and launch in the U.S. of **XOMA's** RAPTIVA for psoriasis, XOMA shares have performed poorly during the period under review. In August 2004 the company reported disappointing results from a Phase II acne trial, following the failure of RAPTIVA in a Phase II study in psoriatic arthritis.

In April 2004 **Aradigm** reported the interim analysis of the first Phase III of the company's pulmonary insulin product. The trial met its primary safety endpoints, however analysis showed delayed post-meal plasma glucose suppression in type 1 diabetics. In order to investigate this, partner Novo Nordisk announced plans to conduct a pharmacokinetic extension study with results expected in the first half of 2005. Novo has said that it is working closely with Aradigm to move the program forward and Aradigm is preparing to support the start of further Phase III trials in 2005.

Progenics is developing methylnaltrexone, which is in two pivotal Phase III trials for the treatment of opioid-induced constipation in patients with advanced medical illness. The company anticipates the completion of enrolment in first of these trials during the fourth quarter of 2004 and in the second in mid-2005. This is a significant delay in comparison with the company's previous projections.

Other portfolio company news is covered in the outlook and investment activity sections.

PORTFOLIO SUMMARY AT 31 AUGUST 2004

IBT has investments in 36 companies - 25 quoted companies (representing 57% of NAV) and 11 unquoted companies (comprising 22% of NAV). The remaining 21% is made up of cash, money market instruments and other net current assets (£11.9m) and has been boosted by proceeds from the sale of part of the Eyetech holding which raised £5.9m in the year under review.

Members of SVLS sat on the Boards of twelve portfolio companies at the end of the period under review – Aderis, Affibody, Archemix, CancerVax, Dynogen, Eyetech, Genosis, KuDOS, Micromet, PowderMed, Trine and Warner Chilcott. Since 31 August 2004 the two SVLS members on the board of Aderis have resigned.

In terms of the geographical split of the portfolio, at 31 August 2004, 63% of NAV was invested in the US, 5% in Canada, 5% in the UK/Ireland and 6% in Continental Europe. By sub-sector, 67% of NAV was invested in biopharmaceuticals, 4% in drug delivery, 3% in medical devices and 5% in other areas. The remaining 21% is made up of cash, money market instruments and other net current assets.

Analysing the investments by the stage of their most advanced product in drug development; nine companies have a product on the market, three have filed for regulatory approval, seven are in Phase III trials, six are in Phase II or Phase I/II, five are in Phase I and two are at a preclinical stage. Of the remaining four, one is a medical data management company, one has received regulatory approval for a diagnostic device and the other two are platform technology companies.

In terms of the cash positions of the portfolio companies, it is estimated that at 31 August 2004, seven have two or more years of cash remaining (23%of net assets less cash, money market instruments and other net current assets), nineteen have more than one but less than two years of cash remaining (59% of net assets less cash, money market instruments and other net current assets) and ten have less than a year of cash remaining (18% of net assets less cash, money market instruments and other net current assets).

The companies that SVLS estimate to have less than a year of cash remaining at the end of the period under review are Aradigm, Atherogenics, Axxima, CancerVax, Encysive, Genosis, KuDOS, Micromet, PowderMed and XOMA. Subsequent to the period end Encysive has raised money. Within this group the unquoted companies are Axxima, Genosis, KuDOS, Micromet and PowderMed. Axxima has been written down to zero, only the first of three milestone-based tranches has been invested in PowderMed, and Genosis, Micromet and KuDOS are exploring fundraising options.

The portfolio gives investors a broad spread of exposure to different stages of clinical development across a variety of different clinical areas – cancer, infectious disease, diabetes, central nervous system disorders, women's health, urology, cardiovascular complications, rheumatoid arthritis, ophthalmology and management of the side effects of opioids for pain relief.

VALUATION

At 31 August 2004 IBT's unquoted portfolio (value £11.9m) represented 22% of net assets, down from 42% at the end of the previous financial year (value £22.7m).

As Auxilium, CancerVax and Eyetech have completed IPOs and are all quoted, the percentage of NAV in unquoted investments has been reduced. The total carrying value of these three investments was £6.0m at 31 August 2003. New investments totalling £1.0m were made in Archemix, PowderMed and Dynogen. Follow-on investments in

Genosis and Micromet added £0.6m to unquoted investments during the reporting period.

During the year under review the net effect of the total change in the Directors' valuations of unquoted companies was a reduction in NAV for the period of £5.4m. This represents 10% of the net assets at the start of the reporting period.

The valuation of Micromet was written down by £3.1m in total during the period under review (carrying value at 31 August 2003 £3.7m and cost £3.2m). At 31 August 2004 the investment was valued at £0.5m. The valuation of Aderis was written down by £0.7m (carrying value at 31 August 2003 £3.2m and cost £3.5m). At 31 August 2004 the investment was valued at £2.1m. The valuation of KuDOS was written down by £0.7m (carrying value at 31 August 2003 £1.4m and cost £1.4m). At 31 August 2004 the investment was valued at £0.7m. The holding in Axxima was written down by £0.9m to zero (carrying value at 31 August 2003 £0.9m and cost £1.4m).

Currency movements decreased the valuation of the unquoted portfolio by £1.1m during the year under review.

At 31 August 2004 the holdings in Affibody, Archemix, Dynogen, Genosis, PowderMed and Sunesis were held at cost (total value £7.8m), the investments in Aderis, KuDOS, Micromet and Trine were written down from cost (total value £4.1m) and the holding in Axxima was held at zero. This equates to 66% of the unquoted portfolio held at cost and 34% written down (calculated by value). The unquoted portfolio is now valued at 52% of original cost (excluding the costs of ValiGen and Entigen which were written down to nil in previous years and including the initial costs of Trine and Axxima).

Of the 25 quoted investments, six were held at a discount to their mid market prices at 31 August 2004 due to disposal restrictions, including SVLS membership on the Board of the company and limited liquidity – Auxilium, CancerVax, Epimmune, Eyetech, LION Bioscience and Warner Chilcott. The discounts ranged in size between 10% and 25% and the effect of these discounts was to reduce the NAV by £3.2m at 31 August 2004.

INVESTMENT ACTIVITY

UNQUOTED COMPANIES

In May 2004 IBT invested £0.1m out of a planned total investment of £0.5m in UK-based company **PowderMed**. The company was created through a spin-out of the powder injection DNA vaccines technology from Chiron and has acquired the rights to the PowderJect powder mediated epidermal delivery technology which it plans to use in the development of therapeutic DNA vaccines in the areas of chronic viral diseases and cancer. The company's clinical and preclinical programs target genital herpes, hepatitis B, genital warts, lung cancer and AIDS/HIV (partnered with GlaxoSmithKline). A member of SVLS is on the board of the company.

£0.3m has been invested in the US-based company, **Archemix**, out of a planned total investment of £0.9m. Following the period end a further £0.3m of the total has been invested (total investment £0.6m). A member of SVLS is on the board of the company. Archemix's mission is to develop aptamers as novel synthetic therapeutics that can be used in a wide range of disease areas. Archemix and partner, Nuvelo, have started a Phase I trial of an anti-thrombin aptamer that is being developed as an anticoagulant/anti-thrombotic for potential use in coronary artery bypass graft surgery.

£0.6m has been invested in the US-based company **Dynogen**, out of a planned total investment of £1.1m. Dynogen is a neuroscience-based company focused on genitourinary (GU) and gastrointestinal (GI) disorders including overactive bladder (OAB), irritable bowel syndrome (IBS) and sexual dysfunction. A member of SVLS is on the board of the company. The entry of the lead compound into Phase II trials has been delayed by manufacturing issues and is now expected to occur in late 2004. In the meantime, additional preclinical work has provided additional supportive data for the compound in OAB and related disorders. An IBS program is on track to enter Phase I clinical trials in Q3 2004 as planned.

As at 31 August 2004, IBT has committed to invest a further total of £1.4m in milestone based tranches in Archemix, Dynogen and PowderMed. This includes the £0.3m invested in Archemix following the end of the period under review. The commitments for Archemix and Dynogen are in dollars (total $1.9m) so the future costs of these investments in sterling will vary with the exchange rate.

In November 2003, a further £0.1m was invested in **Auxilium** (total investment £0.8m) and the guarantee for a revolving line of credit was released. Accordingly, the contingent liability in the accounts has also been removed.

During the period under review two investments totalling £0.6m were made in the fertility diagnostics company **Genosis** (total investment £1.1m).

During the period under review IBT purchased some common shares from leaving members of **Micromet** management for £0.03m (total investment £3.2m).

There were no sales of unquoted companies during the year under review. The originally unquoted companies, **Auxilium**, **CancerVax** and **Eyetech** have completed IPOs and subsequently a portion of the holding in Eyetech has been sold.

QUOTED COMPANIES

In July 2004 IBT invested £0.4m in the IPO of **Phase Forward**, a provider of integrated enterprise-level software products, services, and hosted solutions for use in clinical trials. The company had sales of $62m in 2003 and has a base of over 220 customers, comprised of pharmaceutical, biotechnology, medical device and clinical research organizations, as well as academic institutions and other entities engaged in clinical trials. Another SVLS-advised fund has been an investor in Phase Forward since 1999 although SVLS no longer has a board seat on the company.

As discussed in the Interim Report, new investments have been made in **Atherogenics** (total investment £0.5m) and **Kosan** (total investment £0.3m).

AtheroGenics' lead compound is being evaluated in a pivotal Phase III trial, as an oral therapy for the treatment of atherosclerosis. Data from this trial is not expected until 2005 although another trial investigating this compound is expected to report later this year along with data from a Phase II trial with an oral agent for the treatment of rheumatoid arthritis.

Phase II clinical trials with **Kosan's** lead epothilone are ongoing for the treatment of NSCLC and breast cancer. Kosan plans to start a Phase II trial in prostate cancer, while terminating a phase II trial in colorectal cancer due to unanticipated toxicities in patients who had been previously treated with oxaliplatin. Kosan's lead geldanamycin analog, has entered into a Phase II trial for the treatment of metastatic melanoma, and a proprietary formulation of the compound is in a Phase I trial for the treatment of multiple myeloma.

A further investment of £0.4m (total investment £1.7m), was made in **Alexion.** Enrolment has commenced in pivotal Phase III trials for patients undergoing coronary artery bypass graft surgery and for patients experiencing acute myocardial infarction. In addition, eculizumab has completed a pilot clinical trial for the treatment of paroxysmal nocturnal hemoglobinuria and the FDA has agreed to protocols for a pivotal Phase III program.

A further investment of £0.3m (total investment £0.6m) was made in **Inspire Pharmaceuticals.** In June 2004 Inspire announced the initiation of a Phase III trial of diquafosol for the treatment of dry eye following a meeting with the FDA to clarify requirements for approval which indicated that an additional clinical study was required. The company expects to report results and, if positive, submit an amendment to the NDA by mid-2005.

The holdings in **Celltech**, **Crucell**, **Esperion**, **Novuspharma**, **Sirna Therapeutics** and **Targeted Genetics** were sold in their entirety. Part of the holding in **Eyetech** was sold during the period under review, raising proceeds of £5.9m.

Ten Largest Quoted Investments at 31 August 2004

	Investment	Carrying value £'000	% of Shareholders' Funds	Country	Business activity
1	Eyetech Pharmaceuticals	7,410	13.44	USA	Eyetech specialises in the development and commercialisation of novel therapeutics to treat diseases of the eye. The company's most advanced product candidate is Macugen, which is being developed for the treatment of the wet form of age-related macular degeneration and diabetic macular edema.
2	OSI Pharmaceuticals	3,727	6.76	USA	OSI Pharmaceuticals is focused on the discovery, development, and commercialisation of high-quality, next-generation oncology products that both extend life and improve the quality of life for cancer patients worldwide.
3	Encysive Pharmaceuticals	2,919	5.29	USA	Encysive is focused on the discovery, development and commercialisation of small molecules. Argatroban, Encysive's first FDA-approved product, is marketed by GlaxoSmithKline for heparin-induced thrombocytopenia.
4	AnorMED	1,995	3.62	Canada	AnorMED is a chemistry-based biopharmaceutical company focused on the discovery, development and commercialisation of new therapeutic products in the areas of haematology, HIV and oncology.
5	Atrix Laboratories	1,955	3.54	USA	Atrix Labs is an emerging speciality pharmaceutical company focused on advanced drug delivery. With sustained release and topical technologies, Atrix is developing a portfolio of proprietary products, including oncology and dermatology products.
6	Nektar Therapeutics	1,416	2.57	USA	Nektar's drug delivery capabilities are designed to enable the company's partners to solve drug development challenges, from development of new molecular entities to life cycle management of established products.
7	Alexion Pharmaceuticals	1,302	2.36	USA	Alexion is engaged in the discovery and development of therapeutic products aimed at treating patients with a wide array of severe disease states, including cardiovascular and autoimmune disorders, inflammation and cancer.
8	CancerVax	1,265	2.29	USA	CancerVax is focused on the research, development and commercialisation of novel biological products for the treatment and control of cancer. The company's lead product candidate, Canvaxin, is one of a new class of products being developed in the area of specific active

					immunotherapy.
9	Indevus Pharmaceuticals	1,031	1.87	USA	Indevus is engaged in the development and commercialisation of a portfolio of product candidates. SANCTURA, marketed in the US for overactive bladder, is the company's most advanced product.
10	Shire Pharmaceuticals	916	1.66	UK	Shire is a global specialty pharmaceutical company with a strategic focus on meeting the needs of the specialist physician focusing in the areas of central nervous system, gastrointestinal, and renal diseases.
Total		**23,936**	**43.40**		

Unquoted Investments at 31 August 2004

	Investment	**Cost £'000**	**Carrying value £'000**	**% of Shareholders' Funds**	**Business activity and valuation basis**
1	Affibody (Sweden)	2,687	2,960	5.37	The company is a leader in the field of combinatorial protein engineering and is using this technology to create a new generation of antibodies called affibodies: small, novel, robust ligands which can be engineered to bind to any desired target protein. These have potential as therapeutics and in medical imaging. The valuation basis is cost in local currency.
2	Sunesis Pharmaceuticals (USA)	3,312	2,779	5.04	Sunesis is a biopharmaceutical company focused on discovering and developing small molecule medicines for oncology and inflammatory disease. The company has established a pipeline using its proprietary fragment-based drug discovery engine, in-licensing a promising compound within its therapeutic areas of focus and forming partnerships for the development of certain Sunesis-discovered leads. The valuation basis is cost in local currency.
3	Aderis Pharmaceuticals (USA)	3,519	2,085	3.78	Aderis is engaged in small molecule drug development to treat central nervous system, cardiovascular and renal disorders. Aderis has a strategic alliance with Schwarz Pharma, for the development of rotigotine CDS, a proprietary dopamine agonist formulated transdermal patch, which has completed Phase III trials for Parkinson's disease. The valuation has been written down to our best estimate of fair market value.
4	Genosis (USA)	1,116	1,002	1.82	Genosis has received U.S. and European regulatory clearance for the sale of its diagnostic tests for screening male and female infertility. These are designed to be sold over the counter for couples trying to conceive or deferring conception and will provide couples with the opportunity to monitor their fertility and improve chances of successful conception. The valuation basis is cost in local currency.
5	Trine Pharmaceuticals (USA)	5,279	834	1.51	Trine is a drug development company that develops and commercialises pharmaceutical products in the areas of renal, gastrointestinal and metabolic diseases. Trine in-licenses development stage compounds with high potential as drug candidates. The valuation has been written down to our best estimate of fair market value.
6	KuDOS Pharmaceuticals (UK)	1,400	698	1.27	KuDOS is focused in the discovery and development of drugs based upon the science of DNA damage sensing, signalling and repair to address unmet medical needs in cancer treatment. The company develops small molecule drugs that selectively inhibit the repair process in cancer cells thus facilitating their destruction and improving cancer management. The valuation has been written down to our best estimate of fair market value.
7	Dynogen Pharmaceuticals (USA)	639	650	1.18	Dynogen is building a pipeline of drugs for genitourinary (GU) and gastrointestinal (GI) disorders. The company is utilising its knowledge of the nexus between neurology and GU/GI disorders, as well as its predictive in vitro and in vivo pharmacology platforms to build a pipeline of drug candidates. The valuation basis is cost in local currency.

Unquoted Investments at 31 August 2004 . .. continued

Investment		Cost £'000	Carrying value £'000	% of Shareholders' Funds	Business activity and valuation basis
8	Micromet (Germany)	3,152	449	0.81	Micromet is building a pipeline of innovative drug candidates for the treatment of cancer, inflammation and autoimmune disease. The company has established a drug development platform based on its BiTE technology (Bispecific T cell engagers), a drug format that leverages the outstanding cytotoxic potential of T cells. The valuation has been written down to our best estimate of fair market value.
9	Archemix (USA)	308	313	0.57	Archemix is developing therapeutic products based on nucleic acid aptamers, novel synthetic oligonucleotides that retain 3D structure and specifically recognise and bind to various targets. Aptamers have potential therapeutic applications in a wide range of diseases. The valuation basis is cost in local currency.
10	PowderMed (UK)	144	144	0.26	PowderMed is focused on the development of therapeutic DNA vaccines and was created through a spin-out of the powder injection DNA Vaccines technology from Chiron Vaccines, a business unit of Chiron Corporation. The company has acquirec the rights to the PowderJect powder mediated epidermal delivery technology which it plans to use, in the first instance, in the development of therapeutic DNA vaccines in the areas of chronic viral diseases and cancer. The valuation basis is cost.
12	Axxima Pharmaceuticals (Germany)	1,395	-	-	Axxima is a small molecule drug discovery company. It focuses on protein kinases as drug targets, based upon a core understanding of signal transduction pathways. The valuation has been written down to zero.
Total		**22,951**	**11,914**	**21.61**	

Note on Merrill Lynch Small Cap Biotech Index (MLSCI)

The MLSCI represents stocks with market caps under US$1 billion. The Merrill Lynch published report (BIO-STATS) as at 2 September 2004 states the movement in the index in U.S. $ terms, for the period under review, to be -3.2%. The movement in £ terms has been calculated using the prevailing exchange rates at the start and end of the reporting period, sourced from Factset and Bloomberg.

The data underlying the MLSCI changes regularly in line with changes in the index constituents, price adjustments and corporate actions. The historic data is then retrospectively adjusted. As a result the performance for the reporting period, if calculated at a future date, is likely to be different from the previously published number.

International Biotechnology Trust plc

Unaudited Preliminary Results

Unaudited Statement of Total Return (incorporating the Revenue Account)

	Group For the year ended 31 August 2004			Company For the year ended 31 August 2003		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Gains on investments	–	**2,641**	**2,641**	–	7,613	7,613
Exchange (losses)/gains on						

currency balances						
	–	**(226)**	**(226)**	–	53	53
Income	**204**	**–**	**204**	112	–	112
Management fees	**(788)**	**–**	**(788)**	(638)	–	(638)
Administrative expenses	**(608)**	**–**	**(608)**	(488)	–	(488)
Net (deficit)/return on ordinary activities before taxation	**(1,192)**	**2,415**	**1,223**	(1,014)	7,666	6,652
Tax on ordinary activities	–	–	–	–	–	–
Net (deficit)/return on ordinary activities after taxation	**(1,192)**	**2,415**	**1,223**	(1,014)	7,666	6,652
Transfer (from)/to reserves	**(1,192)**	**2,415**	**1,223**	(1,014)	7,666	6,652
(Deficit)/surplus per share	**(2.49)p**	**5.05p**	**2.56p**	(2.09)p	15.82p	13.73p

The revenue column of this statement is the profit and loss account of the Group. (Company for the year ended 31 August 2003).

All revenue and capital items in the above statement derive from continuing operations.

International Biotechnology Trust plc

Unaudited Balance Sheets as at 31 August

	Group 2004 £'000	**Company 2004 £'000**	2003 £'000
Fixed assets			
Investments	**43,242**	**42,211**	49,911
Investment in subsidiary undertaking	-	–	–
Current assets			
Debtors	**1,935**	**3,035**	73
Investments	**6,018**	**6,018**	2,742
Cash at bank	**4,337**	**4,337**	1,615
	12,290	**13,390**	4,430
Creditors: amounts falling due within one year	**378**	**378**	410
Net current assets	**11,912**	**13,012**	4,020
Net assets	**54,154**	**55,223**	53,931

Capital and reserves			
Called up share capital	**11,954**	**11,954**	11,954
Capital redemption reserve	**11,043**	**11,043**	11,043
Share purchase reserve	**66,467**	**66,467**	66,467
Capital reserve	**(24,097**)	**(24,028)**	(26,512)
Revenue reserve	**(10,213)**	**(10,213)**	(9,021)
Equity shareholders' funds	**55,154**	**55,223**	53,931
Net asset value per share	**115.35p**		112.79p

International Biotechnology Trust plc

Unaudited Cash Flow Statement

	Group For the year ended 31 August 2004 £'000	Company For the year ended 31 August 2003 £'000
Operating activities		
Income	**25**	56
Management fees paid	**(785)**	(617)
Other cash payments	**(657)**	(537)
Net cash outflow from operating activities	**(1,417)**	(1,098)
Servicing of finance		
Interest paid	_	_
Cash outflow from servicing of finance	_	_
Taxation		
UK income tax recovered	_	_
Tax recovered	_	_
Capital expenditure and financial Investment		
Purchase of investments	**(3,776)**	(7,838)
Disposal of investments	**11,241**	8,994
Net cash inflow from capital expenditure and financial investment	**7,465**	1,156
Net cash inflow before management of liquid resources and financing	**6,048**	58
Management of liquid resources	**(3,100)**	(793)
Financing		
Repurchase of shares for cancellation	_	(615)
Net cash outflow from financing	_	(615)
Net cash inflow/(outflow)	**2,948**	(1,350)

Notes:

1. Audit status

These accounts consolidate the accounts of the Company "International Biotechnology Trust plc and its wholly-owned subsidiary, IBT 2004 Limited. The subsidiary was incorporated on 8 December 2003 and commenced operations during the period.

The financial information set out in the announcement does not constitute the Company's statutory accounts for the year ended 31 August 2004 or 31 August 2003. The financial information for the year ended 31 August 2003 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31 August 2004 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

This announcement is prepared on the basis of the accounting policies set out in the annual financial statements.

2. As permitted by Section 230 (4) of the Companies Act 1985, the Company has not presented its own revenue account. The net revenue deficit after taxation for the year of the Company, dealt within the accounts of the Group was £1,192,000.

3. Transactions in foreign currency, whether of a revenue or capital nature, are translated into sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the rates of exchange ruling on that date. Exchange gains or losses on fixed asset investments are included within realised or unrealised gains or losses on investments. Other exchange movements are shown separately in the Group Statement of Total Return.

4. The net asset value shown as at 31 August 2004 of 115.35p relates to group assets of £55,154,000 and on 47,815,467 shares in issue.

5. Annual General Meeting

The Annual General Meeting of International Biotechnology Trust plc will be held at 12.00 noon on Friday 19 November 2004 at 31 Gresham Street, London, EC2V 7QA.

6. Annual Report and Accounts

The Annual Report and Accounts will be mailed to registered shareholders at their registered addresses in October 2004 and from the date of release copies of the Annual Report will be made available to the public at the Company's registered office, 31 Gresham Street, London EC2V 7QA.

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