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Canada, Australia or Japan

RECOMMENDED CASH OFFER  
at 10 pence per share  
by  
KPMG Corporate Finance  
on behalf of  
St. James's MGP Limited ("St. James's")  
for  
ReNeuron Holdings plc ("ReNeuron")

Summary

The board of St. James's and the Independent Directors of ReNeuron are pleased to announce that they have reached agreement on the terms of a recommended cash offer, to be made by KPMG Corporate Finance on behalf of St. James's, to acquire the entire issued share capital of ReNeuron not already owned or contracted to be acquired by St. James's. St. James's is a newly incorporated company formed in order to implement the Offer and is owned and controlled by the Merlin Consortium.

The Offer:

- will be 10 pence in cash for each ReNeuron Share to which the Offer relates;
- values the entire existing issued share capital of ReNeuron at approximately £3.6 million;
- represents a premium of approximately 129 per cent. to the Closing Price of 4.375 pence per ReNeuron Share on 14 February 2003, the last dealing day prior to the commencement of the Offer Period; and
- represents a premium of approximately 90 per cent. to the Closing Price of 5.25 pence per ReNeuron Share on 31 March 2003, the last dealing day prior to this Announcement.

ReNeuron has received financial advice from WestLB Panmure. The Independent Directors have received financial advice from Nabarro Wells under Rule 3 of the Code. The Independent

Directors, who have been so advised by Nabarro Wells, consider the terms of the Offer to be fair and reasonable and accordingly will unanimously recommend the Offer.

St. James's has entered into conditional agreements with certain members of the Merlin Consortium to acquire 18,888,890 ReNeuron Shares currently held by them (representing approximately 52.7 per cent. of ReNeuron's existing issued share capital) in exchange for new St. James's Shares. In addition, St. James's has entered into conditional agreements with Dr Martin Edwards (the Chief Executive Officer of ReNeuron), Dr John Sinden (the Chief Scientific Officer and one of the founders of ReNeuron) and Dr Helen Hodges (a departmental head and one of the founders of ReNeuron) to acquire, in aggregate, 2,559,500 ReNeuron Shares currently held by them (representing approximately 7.1 per cent. of ReNeuron's existing issued share capital) in exchange for new St. James's Shares.

Accordingly, St. James's has entered into conditional agreements to acquire, in aggregate, 21,448,390 ReNeuron Shares representing approximately 59.8 per cent. of ReNeuron's existing issued share capital.

Commenting on the Offer:

Mark Clement, Chairman of St. James's and a director of Merlin Biosciences Limited, said:

"We believe that the continued development of ReNeuron is best supported in a private company environment and, accordingly, it is our intention, following successful completion of the Offer, to cancel ReNeuron's trading facility on AIM. The Offer, which will be recommended by the Independent Directors, presents a certain cash exit for shareholders."

St. James's has been advised by KPMG Corporate Finance.

ReNeuron has been advised by WestLB Panmure.

The Independent Directors (being Andrew Hayden, Michael Hunt and Professor Peter Stonier) have been advised by Nabarro Wells.

## PRESS ENQUIRIES

For further information contact:

St. James's

+44 20 7849 7762

Mark Clement, Chairman

Samantha Axtell

KPMG Corporate Finance

+44 20 7311 1000

Michael Higgins

Richard Barlow

Financial Dynamics

+44 20 7831 3113

David Yates

Ben Atwell

ReNeuron

+44 1483 302560

Dr Martin Edwards, Chief Executive Officer

Nabarro Wells

+44 20 7710 7400

Marc Cramsie

Harry Sutherland

WestLB Panmure

+44 20 7020 4000

Nicholas Wells

Ronald Openshaw

Notes for editors:

The Merlin Consortium consists of The Merlin Fund, The Merlin Biosciences Fund and Merlin Equity Limited. The Merlin Fund and The Merlin Biosciences Fund are advised by Merlin Biosciences Limited, a specialised venture investor in life sciences companies. Since 1997, Merlin funds have invested in 24 European biotechnology companies and Merlin Biosciences Limited advises or manages funds of over e400 million. Merlin funds invest in companies that are focused on human medicine or medical-devices with groundbreaking technology and significant commercial potential. They have a reputation as hands-on investors with significant operational experience in the life sciences sector.

The Offer will be made subject to the conditions and further terms of the Offer set out in Appendix I and to be set out in the Offer Document and the Form of Acceptance, or otherwise as may be required to comply with the provisions of the City Code.

The Offer Document, setting out the details of the Offer and enclosing the notice of EGM, the Form of Acceptance and the form of proxy, will be dispatched to ReNeuron Shareholders shortly and in any event within twenty eight days of the date of this Announcement unless agreed otherwise by the Panel.

This summary should be read in conjunction with the full text of this Announcement.

KPMG Corporate Finance, a division of KPMG LLP which is authorised by the Financial Services Authority for investment business activities, is acting for St. James's as financial adviser in relation to the Offer and is not acting for any other person in relation to the Offer. KPMG Corporate Finance will not be responsible to anyone other than St. James's for providing the protections afforded to its clients or for providing advice in relation to the Offer or any other matter referred to herein.

WestLB Panmure, which is regulated in the United Kingdom by the Financial Services Authority, is acting only for ReNeuron as financial adviser (within the meaning of the Rules of the Financial Services Authority) and no one else in connection with the Offer and will not be responsible to anyone other than ReNeuron for providing the protections afforded to customers of WestLB Panmure or for providing advice in relation to the Offer.

Nabarro Wells, which is regulated in the United Kingdom by the Financial Services Authority, is acting only for the Independent Directors as financial adviser (within the meaning of the Rules of

the Financial Services Authority) and no one else in connection with the Offer and will not be responsible to anyone other than the Independent Directors for providing the protections afforded to customers of Nabarro Wells or for providing advice in relation to the Offer.

The availability of the Offer to persons who are not resident in the UK may be affected by the laws of the relevant jurisdiction. Persons who are not resident in the UK should inform themselves about and observe any applicable requirements.

The Offer will not be made, directly or indirectly, in, into or from, or by the use of mails or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national securities exchange of United States, Canada, Australia or Japan and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities from within the United States, Canada, Australia or Japan. Accordingly, copies of this Announcement are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, transmitted, distributed or sent in, into or from the United States, Canada, Australia, Japan and persons receiving this Announcement (including custodians, nominees and trustees) must not mail or otherwise forward, transmit, distribute or send it in, into or from the United States, Canada, Australia or Japan.

This Announcement does not constitute an offer or an invitation to purchase or subscribe for any securities.

1 April 2003

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KPMG Corporate Finance  
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## 1. Introduction

The board of St. James's and the Independent Directors of ReNeuron are pleased to announce that they have reached agreement on the terms of a recommended cash offer, to be made by KPMG Corporate Finance on behalf of St. James's, to acquire the entire issued share capital of ReNeuron not already owned or contracted to be acquired by St. James's. St. James's is a newly incorporated company formed in order to implement the Offer and is owned and controlled by the Merlin Consortium.

## 2. Responsibility for considering the Offer

Professor Trevor Jones, Chairman of ReNeuron and Peter Keen, a non-executive director of ReNeuron are both members of the board of Merlin General Partner Limited and Merlin General Partner II Limited and Peter Keen is also a member of the board of Merlin Equity Limited, all these companies being members of the Merlin Consortium. In addition, Dr John Sinden (Chief Scientific Officer of ReNeuron and one of its founders) and Dr Martin Edwards (Chief Executive Officer of ReNeuron) have entered into conditional agreements (as noted below) under which they will acquire new St. James's Shares in exchange for their current holdings of ReNeuron Shares (being 1,150,000 and 12,820 ReNeuron Shares respectively).

In view of their actual and potential involvement with the Merlin Consortium and St. James's (as the case may be), these directors of ReNeuron have taken no part in the decision to recommend the Offer. The Independent Directors have no interest in any member of the Merlin Consortium or St. James's and are not connected with the Offer.

ReNeuron has received financial advice from WestLB Panmure. The Independent Directors have received financial advice from Nabarro Wells under Rule 3 of the Code. The Independent Directors, who have been so advised by Nabarro Wells, consider the terms of the Offer to be fair and reasonable. In providing its advice to the Independent Directors, Nabarro Wells has taken into account the commercial assessments of the Independent Directors. The Independent Directors do not have any beneficial holdings of ReNeuron Shares.

## 3. The Offer

KPMG Corporate Finance, on behalf of St. James's, will offer to acquire all of the issued and to be issued ReNeuron Shares not owned or contracted to be acquired by St. James's, subject to

the conditions and further terms of the Offer set out in Appendix I and to be set out in the Offer Document and the Form of Acceptance, or otherwise as may be required to comply with the provisions of the City Code on the following basis:

for each ReNeuron Share to which the Offer relates 10 pence in cash

The Offer would value the existing entire issued share capital of ReNeuron at approximately £3.6 million. The Offer price of 10 pence per ReNeuron Share represents a premium of 129 per cent. to the Closing Price of 4.375 pence per ReNeuron Share on 14 February 2003 (being the last dealing day prior to the commencement of the Offer Period) and also represents a premium of approximately 90 per cent to the Closing Price of 5.25 pence per ReNeuron share on 31 March 2003 (the last dealing day prior to this Announcement).

The ReNeuron Shares which are the subject of the Offer will be acquired fully paid, or credited as fully paid, and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and other third party rights or interests of any nature whatsoever and together with all rights now or in the future attaching to them, including the right to receive and retain all dividends and other distributions (if any) declared, made or paid after the date of this Announcement.

Appendix III contains the definitions used in this Announcement.

#### 4. Agreements with the Merlin Consortium and certain members of ReNeuron management

St. James's has entered into conditional agreements with certain members of the Merlin Consortium to acquire 18,888,890 ReNeuron Shares currently held by them (representing approximately 52.7 per cent. of ReNeuron's existing issued share capital) in exchange for new St. James's Shares. These agreements are conditional upon St. James's resolving to declare the Offer unconditional in all respects.

In addition, St. James's has entered into conditional agreements with Dr Martin Edwards (the Chief Executive Officer of ReNeuron), Dr John Sinden (the Chief Scientific Officer and one of the founders of ReNeuron) and Dr Helen Hodges (a departmental head and one of the founders of ReNeuron) to acquire, in aggregate, 2,559,500 ReNeuron Shares currently held by them (representing approximately 7.1 per cent. of ReNeuron's existing issued share capital) in exchange for new St. James's Shares. These agreements are conditional upon both St. James's resolving to declare the Offer unconditional in all respects and on the approval of these arrangements at the EGM as noted below.

Accordingly, St. James's has entered into conditional agreements to acquire, in aggregate, 21,448,390 ReNeuron Shares representing approximately 59.8 per cent. of ReNeuron's existing issued share capital.

#### 5. Background to and reasons for the Offer

The directors of St. James's believe in ReNeuron's underlying technology and its relevance as a valid therapeutic platform but believe that ReNeuron's continued development is best supported as a private company. Furthermore, the Merlin Fund and the Merlin Biosciences Fund are prohibited from investing funds in publicly quoted or traded companies. Therefore, St. James's intends, following the Offer becoming unconditional, to cancel the AIM trading facility of ReNeuron (as set out in the paragraph 12 below). The Merlin Consortium believes that the Offer represents fair value as well as providing a certain cash exit for ReNeuron Shareholders.

St. James's intends to review, together with the management of ReNeuron, the development programmes of ReNeuron and the funding requirements of such programmes, and to consider refocusing the business on its stem cell technology.

Shareholders who do not accept the Offer should be aware that as stated under the paragraph "Funding" below, ReNeuron will need to raise funds in the future, potentially through further equity issues, which may result in the dilution of any such ReNeuron Shareholder's interest in eNeuron.

#### 6. Background to the recommendation of the Offer

##### ReNeuron's Development Programmes

At the time of ReNeuron's flotation in November 2000, the Company had two main development programmes in its portfolio, the development of human neural stem cells for transplantation and the Neurins programme. Almost all in house research effort is focussed on stem cells with non stem cell programmes run through collaborations.

##### a) Human neural stem cells

In recent years there has been scientific and commercial interest in the prospect of using stem cells to replace dead or diseased cells in the body and restore lost function. ReNeuron's focus



has been on human brain stem cells initially obtained from minute samples of human fetal brain. ReNeuron's aim is to grow specific types of brain cells for transplantation into patients with neurological diseases such as Parkinson's disease, Huntington's disease and stroke.

Fetal brain stem cells will not grow indefinitely unless they are engineered to contain a gene enabling the cells to continue dividing more or less indefinitely. This process is known as immortalisation. ReNeuron's human cell lines at the time of the flotation were immortalised using a temperature-sensitive gene (a variant of the SV40 T-antigen) which allowed cell division to be regulated by varying the temperature at which the cells were grown. Subsequent testing of many such cell lines showed them to be genetically unstable, i.e. having an abnormal and varying number of chromosomes. The directors of ReNeuron have since concluded, following an exhaustive evaluation, that this temperature-dependent immortalisation approach, also being used by a competitor, is not capable of producing cell lines that will remain genetically stable after the high number of doublings needed for clinical trials and commercialisation. Genetic stability of stem cells is a prerequisite for transplantation therapy.

ReNeuron therefore licensed worldwide exclusive rights to the use of an alternative immortalising gene, c-Myc, from Amrad Corporation in September 2002. ReNeuron has since generated multiple cell lines using this immortalisation approach. These cells are genetically stable and mature readily and reproducibly in vitro into both neurones and glia.

Despite this recent progress, the directors of ReNeuron recognise that ReNeuron's human cell lines are still several years from commercial launch for use in transplantation and that the clinical evaluation necessary to achieve regulatory approval for commercial launch is costly, lengthy and still has a high risk of failure. However, they believe that ReNeuron's lead cell lines offer significant potential for commercial exploitation.

ReNeuron continues to exploit the use of its stem cells as a drug discovery tool, and has recently launched a range of new, stable, -Myc immortalised human brain stem cell lines under the trade name ReNcell, which are marketed to pharmaceutical companies and academia for use in drug discovery and for general research.

#### b) Neurins and soluble receptors

ReNeuron commenced Phase II trials of its lead compound, ReN1869, in early 2001, in both diabetic neuropathy and rheumatoid arthritis. ReN1869 is a conventional, low molecular weight drug formulated as a tablet. In January 2003, ReNeuron announced that the trials had not shown

any significant beneficial effects and it is likely that development of the Neurins will be discontinued.

Since flotation, ReNeuron has in-licensed two proteins, ReN1820 and ReN1826, with work currently focused on ReN1820, a molecule which opposes the effects of nerve growth factor. Manufacture is currently being scaled up to provide material for pre-clinical safety and initial clinical trials at the same time as protein characterisation is ongoing. The initial clinical target is interstitial cystitis, a disease of the bladder. Meanwhile, third party confirmation of the potential of ReN1826 as a potential treatment for prostatic and pancreatic cancer has recently been published.

### Funding

The directors of ReNeuron believe that the Company's existing cash balances are insufficient to fund the Company's development significantly beyond December 2003. Therefore, in the absence of a further fundraising, ReNeuron would cease to be able to trade beyond that point. The current funding environment for biotechnology companies, particularly small companies and those engaged in early stage research such as ReNeuron, is extremely challenging. The directors of ReNeuron are of the opinion that the Company is unable, at present, to raise additional funds on terms which would be in the best interests of ReNeuron Shareholders and are unable to give any assurance that the Company would be able to raise additional funds before its existing cash balances are exhausted.

In view of the Company's funding situation, the directors of ReNeuron conducted a review of the options available for securing value for all ReNeuron Shareholders from the Company's technology. All viable options were explored including the possibility of the closure of ReNeuron's operations and the distribution of cash to ReNeuron Shareholders, and the possibility of combining ReNeuron's business with those of other companies.

### Reasons for recommending the Offer

In evaluating the Offer on behalf of those ReNeuron Shareholders to whom it is made, the Independent Directors have considered the benefits of the Offer against the available alternatives. They have concluded that the Offer is in the best interests of such ReNeuron Shareholders for the following reasons:

(a) The Offer represents a certain cash value per ReNeuron Share at a premium of approximately 129 per cent. to the Closing Price of 4.375 pence per ReNeuron Share on 14 February 2003, being the last dealing day prior to the announcement by ReNeuron on 17 February 2003 that it had received an approach which may or may not lead to an offer being made for the Company.

(b) Whilst the Independent Directors believe that ReNeuron's technology has long term potential, they can give no assurance that funding will be available to allow the Company to continue to trade significantly beyond December 2003 and thereby exploit that potential.

(c) The value which ReNeuron Shareholders would receive in the event of closure of the Company's operations and the distribution of cash is uncertain. The Independent Directors can give no assurance that the cash ReNeuron Shareholders could receive would exceed the value of the Offer and it may be below the value of the Offer.

## 7. Information on St. James's and Financing

St. James's, a private limited company registered in England and Wales, was incorporated on 13 March 2003 with the registered number 4697300. The company was incorporated specifically for the purpose of acquiring ReNeuron and has not traded since incorporation except for the purpose of implementing the Offer.

St. James's is wholly owned by the Merlin Consortium.

The issued share capital of St. James's will at the time of making the Offer be held as follows: The Merlin Fund (40%); Merlin Equity Limited (12%); and The Merlin Biosciences Fund (48%). Upon St. James's resolving to declare the Offer unconditional in all respects The Merlin Fund and Merlin Equity Limited will, pursuant to the Subscription and Shareholders Agreement, exchange their ReNeuron Shares for new St. James's Shares and the Merlin Biosciences Fund will subscribe for new St. James's Shares in cash to permit St. James's to satisfy the consideration payable to ReNeuron Shareholders who have accepted the Offer, and subject further to approval by Independent Shareholders at the EGM, the ReNeuron Shares held by each of Dr Martin Edwards, Dr John Sinden and Dr Helen Hodges shall be exchanged for the same number of new St. James's Shares.

## 8. Information on the Merlin Consortium

The Merlin Consortium consists of The Merlin Fund, The Merlin Biosciences Fund and Merlin Equity Limited. The Merlin Fund and The Merlin Biosciences Fund are advised by Merlin Biosciences Limited, a specialised venture investor in life sciences companies. Since 1997, Merlin funds have invested in 24 European biotechnology companies. Merlin funds invest in companies that are focused on human medicine or medical-devices with groundbreaking technology and significant commercial potential. They have a reputation as hands-on investors with significant operational experience in the life sciences sector. Merlin Biosciences Limited advises or manages The Merlin Fund, The Merlin Biosciences Fund, The Merlin Biosciences Fund III and Finsbury Life Sciences Investment Trust plc with commitments of over e400m.

Merlin was founded by Sir Christopher Evans in 1996 who serves as its Chairman. Sir Christopher is known to be an innovative scientist and entrepreneur who is regarded as a leader in biotechnology. He was a founder of Chiroscience (now merged with Celltech), Celsis and several other companies. He has over 100 scientific papers and patents to his name.

The Merlin Fund totalling £38m (e57m), has investments in Ark Therapeutics, BioVex, Cyclacel, KinderTec, Microscience, PanTherix, ReNeuron and Vectura. The Merlin Biosciences Fund totalling e247m, has investments in Amedis Pharmaceuticals, Ardana, Arakis, Ark Therapeutics, BioVex, Cambridge Biotechnology, Cyclacel, De Novo Pharmaceuticals, Epicept, Graffinity, Intercytex, LiDCO, Microscience, Morphochem, Neurotech, Noxxon, Onyvax, PanTherix, Vectura, Willex and XTL. Merlin Biosciences Fund III, which is still in the process of fundraising, has received commitments of e98 million to date and has made one investment, Biowisdom.

Merlin Equity Limited has in the past provided seed-stage investment and founded a number of life science companies, one of which was ReNeuron. It now acts as an investment holding company and holds investments in the same companies as the Merlin Fund.

Investors in the Merlin funds include leading institutional shareholders, corporations, high net worth individuals and government agencies.

Certain directors of members of the Merlin Consortium own or control in aggregate 129,230 ReNeuron Shares, representing approximately 0.4 per cent. of ReNeuron's existing issued share capital.

## 9. Information on ReNeuron

ReNeuron is a UK bio-pharmaceutical company developing proprietary treatments for neurological disorders. Its focus is developing innovative neural stem cell technology that has the potential to treat brain diseases including stroke, Alzheimer's disease and Parkinson's disease. ReNeuron has been also exploiting the use of its stem cell lines as a drug discovery platform.

For the financial year ended 31 March 2002 ReNeuron reported (audited) turnover of £0.02 million (2001: £0.2 million), and a loss on ordinary activities before taxation of £5.0 million (2001: a loss of £7.4 million). ReNeuron also reported as at 31 March 2002 audited net assets of £11.3 million.

For the six month period ended 30 September 2002 ReNeuron reported (unaudited) turnover of £0.02 million (2001: £0.0 million), and a loss on ordinary activities before taxation of £2.2 million (2001: a loss of £2.3 million). ReNeuron also reported as at 30 September 2002 unaudited net assets of £9.2 million.

ReNeuron's net cash position as at 28 February 2003 was approximately £5.7 million.

## 10. Employees

The board of St. James's has confirmed to the directors of ReNeuron that, in the event of the Offer becoming or being declared unconditional in all respects, the existing employment rights, including pension rights, of all employees of the ReNeuron Group will be fully safeguarded.

## 11. Management and Extraordinary General Meeting

Dr Martin Edwards (the Chief Executive Officer of ReNeuron), Dr John Sinden (the Chief Scientific Officer and one of the founders of ReNeuron) and Dr Helen Hodges (a departmental head and one of the founders of ReNeuron) have entered into a conditional contract to exchange their holdings of ReNeuron Shares for an equivalent number of new St James's Shares as set out above. Further details of these arrangements will be set out in the Offer Document.

The Code requires that the arrangements set out above with Dr Martin Edwards, Dr John Sinden and Dr Helen Hodges be approved by the Independent Shareholders in a general meeting. Accordingly, an EGM of ReNeuron will be convened at which an ordinary resolution will be proposed to approve these arrangements. Notice of the EGM will be despatched with the Offer Document. Voting on this resolution will be on a poll from which The Merlin Fund and Merlin Equity Limited, the directors of members of the Merlin Consortium and each of Dr John Sinden,

Dr Helen Hodges and Dr Martin Edwards (together with their respective concert parties, if any) will abstain. The Offer will, however, not be conditional upon the passing of the resolution. Dr John Sinden, Dr Helen Hodges and Dr Martin Edwards have undertaken not to accept the Offer if the ordinary resolution is not passed at the EGM.

Nabarro Wells, financial adviser to the Independent Directors, considers the terms of the arrangements between St James's and Dr John Sinden, Dr Helen Hodges and Dr Martin Edwards to be fair and reasonable in the context of the Offer. Accordingly, the Independent Directors intend to unanimously recommend that ReNeuron Shareholders vote in favour of the resolution approving these arrangements.

Further details of the arrangements will be included in the Offer Document and the accompanying notice of EGM.

## 12. Cancellation of the AIM trading facility, re-registration and compulsory acquisition

As soon as it is appropriate so to do and subject to the Offer becoming or being declared unconditional in all respects, St. James's intends to procure that ReNeuron applies for cancellation of its trading facility on AIM and to propose a resolution to re-register ReNeuron as a private company.

Shareholders should note that the cancellation of the AIM trading facility will significantly reduce the liquidity and marketability of the ReNeuron Shares. Shareholders should also be aware that they may also incur dealing costs in the event shares are sold outside of the Offer.

The intention of the Merlin Consortium and St James's, following conclusion of the Offer, will be to ensure that all ReNeuron Shareholders are treated commercially and economically, on an equivalent basis, as if they were shareholders in St. James's, whose sole asset will be its holding of ReNeuron Shares.

Upon St. James's receiving acceptances under the Offer in respect of, and/or otherwise acquiring, 90 per cent. or more of the ReNeuron Shares to which the Offer relates, St. James's intends to exercise its rights pursuant to the provisions of sections 428 to 430F of the Act to acquire compulsorily ReNeuron Shares to which the Offer relates.

## 13. Recommendation

The Independent Directors, who have been so advised by Nabarro Wells under Rule 3 of the Code, consider the terms of the Offer to be fair and reasonable. In providing its advice to the Independent Directors of ReNeuron, Nabarro Wells has taken into account the commercial assessments of the Independent Directors. The Independent Directors will unanimously recommend that ReNeuron Shareholders accept the Offer. The Independent Directors do not have any beneficial holdings of ReNeuron Shares.

## PRESS ENQUIRIES

For further information contact:

St. James's

+44 20 7849 7762

Mark Clement, Chairman

Samantha Axtell

KPMG Corporate Finance

+44 20 7311 1000

Michael Higgins

Richard Barlow

Financial Dynamics

+44 20 7831 3113

David Yates

Ben Atwell

ReNeuron

+44 1483 302560

Dr Martin Edwards, Chief Executive Officer

Nabarro Wells

+44 20 7710 7400

Marc Cramsie

Harry Sutherland

WestLB Panmure  
+44 20 7020 4000  
Nicholas Wells  
Ronald Openshaw

## Appendix I

### Conditions and Further Terms of the Offer

#### The Offer

The Offer, which will be made by KPMG Corporate Finance on behalf of St. James's will be subject to the conditions and further terms of the Offer set out in this Appendix I and to be set out in the Offer Document and the Form of Acceptance, or otherwise as may be required to comply with the provisions of the City Code.

The Offer will be subject to the following conditions:

(a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 p.m. (London time) on the date falling 21 days after the date on which the Offer Document is posted ("the first closing date of the Offer") (or such later time(s) and/or date(s) as St. James's may, with the consent of the Panel and subject to the rules of the City Code, decide) in respect of not less than 70 per cent. (or such lesser percentage as St. James's may decide) in nominal value of the ReNeuron Shares to which the Offer relates (the "Relevant Percentage"), provided that this condition will not be satisfied unless St. James's shall have acquired, or agreed to acquire, pursuant to the Offer or otherwise, ReNeuron Shares carrying in aggregate more than 50 per cent. of the voting rights then normally exercisable at general meetings of ReNeuron, including for this purpose, to the extent (if any) required by the Panel, any such voting rights attributable to or attaching to (or which would, if issued, attach to) any ReNeuron Shares which have been unconditionally allotted or issued as fully paid before the date on which the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding conversion or subscription rights or otherwise and for this purpose:



(i) the expression "ReNeuron Shares to which the Offer relates" shall mean those ReNeuron Shares issued, and to be issued, not already owned by or to be issued to any member of the Merlin Consortium or by Dr Martin Edwards or Dr John Sinden or Dr Helen Hodges;

(ii) valid acceptances" shall include any ReNeuron Shares to which the Offer relates which are acquired by St. James's; and

(iii) ReNeuron Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights they will carry upon their being entered in the register of members of ReNeuron;

(b) no central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory or investigative body, court or trade agency, professional association, institution or professional body or any other person or body whatsoever having statutory or regulatory competence in any jurisdiction (each a "Third Party") prior to the date when the Offer becomes otherwise unconditional in all respects, having taken, instituted, implemented or threatened, or having announced its intention to take, institute, implement or threaten, any action, proceeding, suit, investigation, enquiry or reference or having made, proposed or enacted by statute, regulation or order or required any action to be taken or information to be provided which would or might:

(i) make the Offer or its implementation or the acquisition or the proposed acquisition by St. James's of any or all of the ReNeuron Shares, or the acquisition or proposed acquisition of control of ReNeuron by St. James's, void, illegal or unenforceable under the laws of any relevant jurisdiction, or otherwise directly or indirectly restrict, restrain, prohibit or interfere with or delay the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge or interfere with the Offer or the acquisition or proposed acquisition of any or all ReNeuron Shares or control of ReNeuron by St. James's or require amendment to the terms of the Offer; or

(ii) require the divestiture by St. James's of any of its shares or other securities (or the equivalent) in any member of the ReNeuron Group; or

(iii) require the divestiture by St. James's or by any member of the ReNeuron Group of all or any portion of their respective businesses, assets or properties or impose any material limitation on the ability of any member of the ReNeuron Group to conduct their respective businesses or own their respective assets or property or any material part of them; or

(iv) impose any limitation on, or result in any delay in the ability of any member of the ReNeuron Group or St. James's to acquire or to hold or exercise effectively, directly or indirectly, all or any rights of ownership shares or loans or other securities (or the equivalent) in any member of the ReNeuron Group or of St. James's held or owned by it to exercise management control over any such member of the ReNeuron Group or St. James's to maintain its rights of substantial interest in or significant influence over any such member; or

(v) save pursuant to the Offer or Part XIII A of the Act or the City Code, require any member of the ReNeuron Group or St. James's to acquire or to offer to acquire any shares or other securities (or the equivalent) in any member of the ReNeuron Group owned by any third party; or

(vi) result in any member of the ReNeuron Group ceasing to be able to carry on all or any part of its business under any name, trade name or trade mark under which it presently does so, in each such case in a manner which is material in the context of the ReNeuron Group taken as a whole; or

(viii) result, directly or indirectly, in a material delay in the ability of St. James's or render St. James's unable, to acquire some or all of ReNeuron Shares, or control ReNeuron; or

(ix) otherwise adversely affect the business, assets, liabilities or prospects, of any member of the ReNeuron Group, in each such case in a manner which is material in the context of the ReNeuron Group taken as a whole;

(c) all authorisations, orders, recognitions, grants, consents, clearances, confirmations, licences, permissions and approvals ("Approvals") necessary for, or in respect of, the Offer or the proposed acquisition of any ReNeuron Shares, or control of ReNeuron by St. James's or which are necessary for the carrying on of the business of the ReNeuron Group and St. James's or any part thereof having been obtained, from all appropriate Third Parties and all Approvals remaining in full force and effect at the time the Offer becomes otherwise unconditional and there being no notice or written intimation of any intention to revoke suspend, restrict or amend or not to renew the same;

(d) except as disclosed in this Announcement or in the annual report and accounts of ReNeuron for the year ended 31 March 2002 or in the unaudited interim financial statement of ReNeuron for the six month period ended 30 September 2002, or disclosed or publicly announced by or on behalf of ReNeuron at or before 5.30 p.m. (London time) on 31 March 2003 through a Regulatory

Information Service prior to 31 March 2003 (such information being referred to as "publicly disclosed" for the purposes of this Appendix 1) there being no provision of any arrangement, agreement, lease, licence, permit, joint venture, franchise agreement, partnership or other instrument to which any member of the ReNeuron Group is a party, or by or to which any such member or any of its assets may be bound or be subject, or any circumstances which could, as a consequence of the making of the Offer or the proposed acquisition of ReNeuron Shares or any part thereof by St. James's or because of a change in the control or management of ReNeuron, would or might reasonably be expected to result in:

- (i) any monies borrowed by, or any other indebtedness (actual or contingent) of, or any grant available to, any such member of the ReNeuron Group which is not already repayable on demand, being repayable or being or becoming capable of being declared repayable, immediately or prior to the stated repayment date; or
- (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the ReNeuron Group or any such security, mortgage or charge becoming enforceable; or
- (iii) any such arrangement, agreement, lease, licence, permit, joint venture, partnership or instrument the rights, liabilities, obligations and interests of any member of the ReNeuron Group or there under being or becoming capable of being terminated or revoked or materially modified or affected or any material and adverse action being taken or any obligation or liability arising there under; or
- (iv) any assets or interests of, or any asset the use of which is enjoyed by, any member of the ReNeuron Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged, in each case other than in the ordinary course of business, or ceasing to be available to any member of the ReNeuron Group other than in the ordinary course of business; or
- (v) save pursuant to the Offer or Part XIII A of the Act or the City Code, require any member of the ReNeuron Group or St. James's to acquire or to offer to acquire any shares or other securities (or the equivalent) in any member of the ReNeuron Group owned by any third party; or
- (vi) the interests or business of any member of the ReNeuron Group in or with any person, firm or company (or any arrangements relating to such interests or business) being terminated or revoked or materially and adversely modified; or

(vii) any member of the ReNeuron Group ceasing to be able to carry on all or any part of its business under any name, trademark, trade name under which it at present does so; or

(viii) the creation of any material liability (actual or contingent) any member of the ReNeuron Group other than in the ordinary course of business;

(in any such case to an extent which is material in the context of the ReNeuron Group taken as a whole) and no event having occurred which, under any provision of any agreement, arrangement, licence, permit joint venture, franchise agreement, partnership or other instrument which or might result in any of the events or circumstances as are referred to in sub paragraphs (i) to (viii) of this paragraph (d) (in any such case to an extent which is material in the context of the ReNeuron Group taken as a whole); (e) save as publicly disclosed or disclosed, no members of the ReNeuron Group having since 31 March 2002:

(i) (save for transactions solely between members of the ReNeuron Group) having issued or agreed to or authorised or proposed or announced its intention to authorise or propose the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities; or

(ii) recommended, declared, paid or made or proposed the recommendation, declaration, paying or making of any bonus, capitalisation issue, dividend or other distribution whether payable in cash or otherwise other than to ReNeuron or another member of the ReNeuron Group; or

(iii) merged with or de-merged or acquired any body corporate or authorised or announced an intention to authorise any merger or acquisition, demerger, disposal or transfer, or granted or created any mortgage, charge, security or other encumbrance over any assets (including shares and trade investments) or over any right, title or interest in any such asset which in any such case is material in the context of the assets as the ReNeuron Group taken as a whole; or

(iv) save as between members of the ReNeuron Group issued, authorised or proposed the issue or made any changes in or to, any debentures or loan capital or (save in the ordinary course of business) incurred or increased any indebtedness or contingent liability, which in any such case is material in the context of the ReNeuron Group taken as a whole; or

(v) entered into or changed the terms of or authorised, proposed or announced its intention to enter into or change the terms of, any contract arrangement, transaction or commitment (whether in respect of capital expenditure, trading obligations or otherwise) which is of a loss making, long term, onerous or unusual nature or which involves or could involve an obligation of such a nature or magnitude in each case which is other than in the ordinary course of business or which might reasonably be expected to be restrictive on the business of any member of the ReNeuron Group or St. James's, which in any such case is material in the context of the ReNeuron Group taken as a whole; or

(vi) entered into or varied the terms of, or made any offer (which remains open for acceptance) to enter into or vary the term, of any service agreement for services with any director or senior executives of any member of the ReNeuron Group; or

(vii) announced a proposal to purchase, redeem or repay, or purchased, redeemed or repaid, any of its own shares or other securities; or

(viii) implemented, authorised, proposed or announced its intention to propose or implement any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement in each case otherwise than in the ordinary course of business; or

(ix) made an alteration to its memorandum or articles of association or other incorporation documents; or

(x) waived or compromised any claim other than in the ordinary course of business to an extent which is material in the context of the ReNeuron Group taken as a whole; or

(xi) been unable or having admitted in writing that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or having ceased or threatened to cease carrying on all or a substantial part of its business; or

(xii) taken or proposed any corporate action or had any legal proceedings initiated or threatened against it or petition presented or any order made, in each case for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any material part of its assets or revenues, or any analogous or similar proceedings or steps in any jurisdiction or had any such person appointed; or

(xiii) entered into any material arrangement, agreement or commitment or passed any resolution or made any offer (which remains open for acceptance) with respect to any of the transactions, matters or events referred to in this paragraph (e);

(f) save as publicly disclosed or disclosed, since 31 March 2002:

(i) there having been no material adverse change or deterioration in the business, financial or trading position, prospects, or assets of any member of the ReNeuron Group which, in each case, is material in the context of the ReNeuron Group taken as a whole; and

(ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened in writing, announced, or instituted by or remaining outstanding against or in respect of any member of the ReNeuron Group (whether as claimant or defendant or otherwise) and no investigation having been threatened in writing by a Third Party against or in respect of any member of the ReNeuron Group (whether as claimant or defendant or otherwise), which, in each such case, is or could reasonably be expected to be material in the context of the ReNeuron Group taken as a whole; and

(iii) no contingent or other liability having arisen or become apparent to ReNeuron which would or might reasonably be expected to have a material and adverse effect on the ReNeuron Group taken as a whole; and

(iv) no event having occurred which would or might reasonably be expected to result in any of the intellectual property rights of any member of the ReNeuron Group being or being capable or being terminated or modified or affected or in any material and adverse action being taken or arising thereunder, which, in each case, is material in the context of the ReNeuron Group taken as a whole;

(g) save as publicly disclosed or disclosed, St. James's not having discovered:

(i) that any financial, business or other information concerning the ReNeuron Group or any member of the ReNeuron Group disclosed at any time by or on behalf of any member of the ReNeuron Group, whether publicly or to St. James's in writing, is materially misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not materially misleading in the context of the ReNeuron Group taken as a whole and in any such case which has not subsequently been corrected by a specific disclosure prior to the date of this Announcement;

(ii) that any member of the ReNeuron Group is subject to any liability, contingent or otherwise, such liability being material in the context of the ReNeuron Group taken as a whole; or

(iii) that any past or present member of the ReNeuron Group has not complied with all applicable laws, statutes, ordinances and regulations of any jurisdiction and other requirements of any Third Party which non-compliance might reasonably be expected to give rise to any liability (whether actual or contingent) or cost on the part of any past or present member of the ReNeuron Group which, in each case, is material in the context of the ReNeuron Group taken as a whole; or

(iv) any information which affects materially the import of any information disclosed by or on behalf of any member of the ReNeuron Group to St. James's or its advisers.

Upon the Share Exchange Condition being satisfied prior to midnight on the day falling 60 days after the date on which the Offer Document is posted, St. James's shall not be entitled (without the consent of the Panel) to invoke condition (a). Subject to the requirements of the Panel, St. James's reserves the right to waive all or any of conditions (b) to (g) inclusive, in whole or in part. Conditions (b) to (g) inclusive must be satisfied as at, or waived on or before midnight, on the 21st day after the later of the first closing date of the Offer and the date on the Share Exchange Condition is satisfied (or in each case such later date as the Panel may agree), or the Offer will lapse. St. James's shall be under no obligation to waive or treat as satisfied any of conditions (b) to (g) inclusive by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offer may, at such earlier date, have been waived or satisfied and that there are at such earlier date no circumstances indicating that the relevant condition may not be capable of satisfaction. If the Offer so lapses, the Offer will cease to be capable of further acceptance and persons accepting the Offer and St. James's shall thereupon cease to be bound by Forms of Acceptance submitted on or before the date on which the Offer lapses.

If St. James's is required by the Panel to make an offer for ReNeuron Shares under the provisions of Rule 9 of the City Code, St. James's may make such alterations to the above conditions, including condition (a) above, as are necessary to comply with the provisions of that Rule.

The Offer will be governed by English law and be subject to the non-exclusive jurisdiction of the English courts.

For the purposes of this Appendix I (other than paragraph (g)) "disclosed" shall mean disclosed in writing by or on behalf of ReNeuron to St. James's or its professional advisers prior to the date hereof with express reference to the Offer.

## FURTHER DETAILS OF THE OFFER

### Additional terms of the Offer

#### The Offer

The ReNeuron Shares to which the Offer relates will be acquired free from all liens, charges and encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching thereto, including the right to all dividends or other distributions declared, paid or made after the date hereof.

If the Offer lapses, the Offer will cease to be capable of further acceptance and persons accepting the Offer and St. James's shall thereupon cease to be bound by acceptances delivered on or before the date on which the Offer so lapses.

#### ReNeuron Share Option Schemes

The Offer will extend to any ReNeuron Shares issued or unconditionally allotted, while the Offer remains open for acceptance, pursuant to the exercise of options issued under the ReNeuron Share Option Schemes. To the extent that such options are not or cannot be exercised in full, and have an exercise price in excess of the Offer price, it is intended that appropriate proposals will be made in due course to the participants in the ReNeuron Share Option Schemes once the Offer becomes unconditional in all respects. It is currently intended that no proposals will be made to participants in any ReNeuron Share Option Schemes where the exercise price is less than the Offer price.

Subject to the resolution being passed at the EGM, upon the Offer becoming or being declared unconditional in all respects, each of Dr John Sinden and Dr Martin Edwards will enter into the Put and Call Agreements where any ReNeuron Shares to be issued pursuant to certain existing option agreements may be exchanged on a like for like basis for new St. James's Shares.



## General

KPMG Corporate Finance, a division of KPMG LLP which is authorised by the Financial Services Authority for investment business activities, is acting for St. James's as financial adviser in relation to the Offer and is not acting for any other person in relation to the Offer. KPMG Corporate Finance will not be responsible to anyone other than St. James's for providing the protections afforded to its clients or for providing advice in relation to the Offer or any other matter referred to herein.

WestLB Panmure, which is regulated in the United Kingdom by the Financial Services Authority, is acting only for ReNeuron as financial adviser (within the meaning of the Rules of the Financial Services Authority) and no one else in connection with the Offer and will not be responsible to anyone other than ReNeuron for providing the protections afforded to its customers or for providing advice in relation to the Offer.

Nabarro Wells, which is regulated in the United Kingdom by the Financial Services Authority, is acting only for the Independent Directors as financial adviser (within the meaning of the Rules of the Financial Services Authority) and no one else in connection with the Offer and will not be responsible to anyone other than the Independent Directors for providing the protections afforded to customers of Nabarro Wells or for providing advice in relation to the Offer.

The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdiction. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.

The Offer will not be made, directly or indirectly, in, into or from, or by the use of mails or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national securities exchange of United States, Canada, Australia or Japan and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities from within the United States, Canada, Australia or Japan. Accordingly, copies of this Announcement are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, transmitted, distributed or sent in, into or from the United States, Canada, Australia, Japan and persons receiving this Announcement (including custodians, nominees and trustees) must not mail or otherwise forward, transmit, distribute or send it in, into or from the United States, Canada, Australia or Japan.

Other than as set out in this Announcement, neither St. James's nor, as far as St. James's is aware, any person presumed to be acting in concert with St. James's, owns or controls any ReNeuron Shares or has any option to acquire any ReNeuron Shares.

This Announcement does not constitute an offer or an invitation to purchase any securities.

#### Appendix II - Sources of information and bases of calculations

(i) The value placed by the Offer on the entire issued share capital of ReNeuron is based on 35,873,705 ReNeuron Shares in issue on 31 March 2003.

(ii) The financial information relating to ReNeuron is extracted from the annual report and accounts of ReNeuron for the year ended 31 March 2002 and unaudited interim financials for the six months ended 30 September 2002, and the cash balance of the Company on 28 February 2003 is provided by ReNeuron.

#### Appendix III - Definitions

The following definitions apply throughout Announcement, unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended)
"AIM"	the Alternative Investment Market of the London Stock Exchange
"Announcement"	this announcement
"Code" or "City Code"	the City Code on Takeovers and Mergers
"Closing Price"	the closing middle market quotation of a ReNeuron Share as derived from the Daily Official List
"Daily Official List"	the London Stock Exchange's Daily Official List
"EGM"	extraordinary general meeting of ReNeuron

"Form of Acceptance" the form of acceptance accompanying the Offer Document

"Independent Directors" Andrew Hayden, Michael Hunt, and Professor Peter Stonier

"Independent Shareholders" the ReNeuron Shareholders other than Dr John Sinden, Dr Helen Hodges, Dr Martin Edwards and the members of the Merlin Consortium and any of their respective concert parties

"London Stock Exchange" London Stock Exchange plc

"Merlin Biosciences Fund" The Merlin Biosciences Fund L.P. and Merlin Biosciences Fund GbR acting by their general partner and managing partner respectively, Merlin General Partner II Limited

"Merlin Consortium" The Merlin Fund, The Merlin Biosciences Fund and Merlin Equity Limited

"Merlin Fund" The Merlin Fund L.P. acting by its general partner, Merlin General Partner Limited

"Nabarro Wells" Nabarro Wells & Co. Limited

"Offer" the recommended Offer to be made by KPMG Corporate Finance on behalf of St. James's to acquire all of the issued and to be issued share capital of ReNeuron not already owned (or contracted to be acquired) by St. James's on the terms and conditions set out or referred to in this Announcement

"Offer Document" the formal offer document making the offer expected to be despatched to ReNeuron Shareholders shortly

"Offer Period" the offer period relating to ReNeuron, which commenced on 17 February 2003, being the date of the announcement by ReNeuron that it had received an approach which may or may not lead to an offer

"Put and Call Agreements" the put and call agreements over any and all ReNeuron Shares to be issued to Dr John Sinden and/or Dr Martin Edwards (as the case may be) upon exercise of

certain of their existing options with members of the ReNeuron Group for an equal number of new St. James's Shares

"ReNeuron" or "Company"      ReNeuron Holdings plc

"ReNeuron Group"              ReNeuron and its subsidiary undertakings and, where the context permits, each of them

"ReNeuron Shareholders" or    holders of ReNeuron Shares  
"Shareholder"

"ReNeuron Shares" or "Shares"      ordinary shares of 10 pence each in the capital of  
ReNeuron

"ReNeuron Share Options"              options over ReNeuron Shares granted under the  
ReNeuron Share Option Schemes

"ReNeuron Share Option Schemes"      the ReNeuron Company Share Option Scheme, the  
ReNeuron Share Option Plan, any option agreement entered into by ReNeuron with any director  
or employee of or consultant or provider of services to any member of the ReNeuron Group and  
any agreement under which any person shall have the right or obligation to transfer shares as  
acquired by them in ReNeuron Limited to ReNeuron in consideration for the issue of shares in the  
capital of ReNeuron

"Share Exchange Condition"              the acceptance of the Offer by ReNeuron Shareholders  
to whom it is made in respect of the Relevant Percentage of the ReNeuron Shares to which the  
Offer relates

"St. James's"                      St. James's MGP Limited, a company incorporated in England and  
Wales and registered with company number 4697300

"St. James's Shares"              ordinary shares of 10 pence each in the share capital of St.  
James's

"Subscription and Shareholders Agreement"      means the agreement dated 31 March 2003  
between St James's, the Merlin Agreement" Consortium, Dr John Sinden, Dr Helen Hodges and

Dr Martin Edwards, relating, inter alia to the exchange of ReNeuron Shares for new St James's Shares

"subsidiary", "subsidiary undertaking", "associated undertaking" and "undertaking" shall be construed in accordance with the Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Act)

"UK" or "United Kingdom" the United Kingdom of Great Britain and Northern Ireland

"US" or "United States" the United States of America, its territories and possessions, any state of the United States and the District of Columbia, and all other areas subject to its jurisdiction

"WestLB Panmure" WestLB Panmure Limited