

**NEWS RELEASE**  
**14 June 2006**

## **CELSIS TO ACQUIRE IN VITRO TECHNOLOGIES, INC.**

Celsis International plc (the "Company" or the "Group"), the rapid diagnostics and analytical services company, today announces the proposed acquisition of In Vitro Technologies, Inc. ("IVT"), a US provider of in vitro testing products and services to the pharmaceutical and biotechnology industries, for an initial consideration of \$30 million in cash, plus an earnout consideration capped at \$5 million.

### About IVT

- Supplies products and services to improve the drug discovery and development process
- Focus on the growing in-vitro ADME-Tox market ("Absorption, Distribution, Metabolism and Excretion")
  - improves the success rate in drug testing
  - estimated 50% failure rate of drug compounds during early stage development due to ADME or toxicity
- Broad range of proprietary ADME-Tox tools, including cryopreserved cells and enzymes
- Approximately 80% of 2005 sales generated from products, with balance from services
- Clients include large blue chip pharmaceutical and biotechnology companies

### Reasons for the Acquisition

- Attractive growth prospects of the in-vitro ADME-Tox market
- Complementary fit with existing Celsis businesses which focus on saving time and money for pharma and biotech customers
- Addition of new products with attractive margins
- Cross-selling opportunities to combined customer base
- Introduction of new skills and expertise to the Group for future products and services development

### IVT Financials

- 2005 turnover of \$11.6m (2004: \$9.6m)
- Gross margin of 69% in 2005
- 2005 operating profit of \$1.2m (2004: \$0.7m)
- Initial consideration of \$30m in cash, to be financed by existing cash resources and \$13.5m debt financing
- Earn-out based on 2006 turnover in excess of \$13.1m (implied 13% growth against 2005 turnover) - capped at \$5 million
- Strong current trading: IVT turnover up 19% for 4 month period to 30 April 2006 against 2005 comparable period

Excluding goodwill amortisation and exceptional costs, the acquisition is expected to be earnings enhancing in the first full year of ownership. This statement should not be interpreted to mean that the Group's future earnings per share will necessarily be greater than its historical earnings per share.

Commenting on today's announcement, Jay LeCoque, Chief Executive Officer said:

"With the acquisition announced today of In Vitro Technologies Inc., Celsis will have significantly transformed its business through improved product and services portfolio and creating clear cross-selling

opportunities which we expect to deliver material growth in the coming years. Celsis is well positioned to continue its track record of strong growth both organically and by acquisition.”

Paul Silber, IVT’s founder, added:

“We could not have hoped for a better strategic partner than Celsis. The synergy created by joining forces will create a strong team with great potential for future growth. This new combination will provide our respective customers with great value through a significantly expanded product and service offering. I very much look forward to working with the team at Celsis.”

The acquisition, because of its size, is a Class 1 transaction for Celsis under the Listing Rules and is therefore conditional, *inter alia*, on the approval of Celsis shareholders. A resolution to approve the acquisition will be proposed at an Extraordinary General Meeting of Celsis’ shareholders to be held on 11<sup>th</sup> July 2006.

#### Meeting for Analysts

A meeting for analysts will be held at the offices of Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB today at 9.30 BST. Please call Gemma Cross Brown on 020 7269 7125 for further details.

#### **Enquiries:**

##### **Celsis**

Jay LeCoque, Chief Executive Officer  
Christian Madrolle, Chief Financial Officer

Tel: 01638 600151  
Tel: 020 7831 3113

##### **Bridgewell Securities Limited**

Shaun Dobson  
Xavier de Mol

Tel. 020 7003 3000

##### **Financial Dynamics**

Ben Atwell  
Anna Keeble

Tel: 020 7831 3113

## **Proposed acquisition by Celsis International plc (“Celsis”) of In Vitro Technologies, Inc. (“In Vitro Technologies”)**

### **1. Introduction**

It was announced today that Celsis Holdings Inc., a wholly owned subsidiary of Celsis, has conditionally agreed to acquire the entire issued share capital of In Vitro Technologies, a US provider of in vitro testing products and services to the pharmaceutical and biotechnological industry, for a consideration of up to \$35 million payable in cash, comprising \$30 million on completion and an earnout consideration capped at \$5 million. The consideration will be funded from the Company’s existing cash resources and from the proceeds of a \$13.5 million credit facility with Barclays Bank.

Earlier today, the Company issued its preliminary results for the year ended 31 March 2006 which demonstrate further organic growth achieved in each of the Group’s divisions, as well as increased profitability and cash generation of the Group. In order to complement the Group’s organic growth, the Directors have identified In Vitro Technologies as an excellent fit with the Group’s activities in the pharmaceutical and biotechnological markets, as described in more detail below.

The Acquisition, because of its size, is a Class 1 transaction for Celsis under the Listing Rules and is therefore conditional, *inter alia*, on the approval of Celsis shareholders.

### **2. Background to, and reasons for, the Acquisition**

Since joining the Group in late 2000 and following a restructuring of the Group, the executive management of Celsis has implemented a strategy focused on growing both revenues and profits. The results for the year ended 31 March 2006 demonstrate the continued success of this strategy.

Celsis operates two divisions, the Product Group and the Laboratory Group. The Product Group is one of the main providers of diagnostic systems for the rapid detection of microbial contamination and the Laboratory Group, based in the US, provides outsourced analytical testing services to pharmaceutical and biopharmaceutical companies to ensure the stability and chemical composition of their products.

Whilst the Directors believe that opportunities exist further to expand the growth in each of its divisions organically, the Board has recently reviewed a number of acquisition opportunities with a view to complementing the Group’s organic growth prospects. Consequently, the Directors have identified In Vitro Technologies as an attractive acquisition target and will continue to review acquisition opportunities as they occur.

In evaluating the Acquisition, the Directors believe the following factors to be significant:

- *Strengthened market position* – The Directors believe that, following the Acquisition, the Enlarged Group’s position in the US will be significantly enhanced as a provider of testing products and services to pharmaceutical and biopharmaceutical companies and that the Acquisition should extend the Group’s range of products and services within that market.
- *New revenue opportunities* – The Directors believe that the increased size and scale of the Enlarged Group as well as its enhanced range of products and products services should be an important factor in attracting new customers and increasing sales to existing customers,

thereby providing new revenue opportunities for the Group. In addition, the Directors consider that the Enlarged Group should be able to benefit through the cross-selling of services and products between Celsis and In Vitro Technologies.

- *Higher margin activities and new skills* – In Vitro Technologies’ business focuses on the provision of products, which represent a majority of its sales, and services associated with the drug development process. Products sold by In Vitro Technologies command attractive margins and focus on the in vitro ADME-Tox market, a market which the Directors believe possesses strong growth prospects. In addition, the Directors believe that the employees of In Vitro Technologies will bring additional skills to the Enlarged Group and that the business of In Vitro Technologies is a strong platform for the future introduction of new products and services alongside those currently offered by the Group.
- *Low integration risk* – The Directors believe that the business of In Vitro Technologies is an excellent fit with Celsis given the focus of both the Company’s Laboratory Group and In Vitro Technologies on the pharmaceutical market, and the similar employee cultures which prevail. The Directors believe that these factors should reduce integration risk.

The Directors are therefore confident in the prospects of the Enlarged Group and believe that, before taking into account goodwill amortisation and exceptional costs, the Acquisition will be earnings enhancing in the first full year of ownership. This statement should not be interpreted to mean that the Group’s future earnings per share will necessarily be greater than its historical earnings per share.

### **3. Information on In Vitro Technologies**

Based in Maryland, Baltimore, USA, In Vitro Technologies provides products for the study of chemical-biological interactions in vitro and in vitro testing services in connection with the drug discovery and development process. In Vitro Technologies’ clients principally include pharmaceutical and biotech companies, including a number of the largest blue-chip pharmaceutical companies. As at May 2006, In Vitro Technologies had approximately 60 employees.

Operating from a 28,000 square foot facility in Baltimore, USA and a 103 square metre facility in Leipzig, Germany, In Vitro Technologies offers ADME-Tox tools and services which are used to predict the pharmacokinetics impact of compounds early in the drug development process. This is an important area of the drug development process as it is estimated that 90 per cent. of clinical candidates fail during the development stage, with 50 per cent. failing due to poor absorption, distribution, metabolism, elimination (ADME) or toxicity.

For the year ended 31 December 2005, approximately 80 per cent. of In Vitro Technologies’ revenues were generated through the sales of its products. In Vitro Technologies’ catalogue includes a number of proprietary in vitro ADME-Tox tools, including fresh and cryopreserved cells, enzymes and media produced in-house, as well as cells, enzymes and other items which it distributes for other producers. In Vitro Technologies’ services relate principally to the provision of in vitro ADME-Tox analysis through a small team of PhDs.

Over the years, In Vitro Technologies has acquired particular expertise in hepatocyte technology and has developed a Biobank of cryopreserved human hepatocytes.

For the year ended 31 December 2005, In Vitro Technologies had turnover of \$11.6 million (2004: \$9.6 million) and profit before tax of \$1.2 million (2004: \$0.6 million). As at 31 December 2005, the gross assets of In Vitro Technologies were \$8.6 million and net assets of \$6.5 million.

The financial information on In Vitro Technologies contained in this paragraph has been extracted, without material adjustment, from the financial information table on In Vitro Technologies for the three years ended 31 December 2005, as set out in Part II of this document. Shareholders should read the whole of this document and not just rely on the summarised information above.

#### **4. Further details of the Acquisition**

Celsis Holdings Inc. has agreed to acquire the entire issued share capital of In Vitro Technologies for a total consideration of up to \$35 million in cash, comprising \$30 million on Completion and earnout consideration capped at \$5 million. The initial consideration of \$30 million is to be satisfied as to \$26.25 million payable at Completion, with a further \$3.75 million to be paid into an escrow account on Completion (for the purpose of satisfying any liabilities of the Sellers to the Purchaser under the Acquisition Agreement or related agreements). The initial consideration is also subject to adjustment by reference to the level of In Vitro Technologies' working capital and cash equivalents at closing. The earnout consideration (capped at \$5.0 million) (the "Earnout") is equal to the product of 2.5 times, plus the excess, if any, of In Vitro Technologies' revenues for the year ended 31 December 2006 in excess of \$13.1 million.

On completion of the Acquisition, Paul Silber, the founder of In Vitro Technologies and its president and chief executive officer, will enter into a new service agreement with In Vitro Technologies and will therefore become an employee of the Enlarged Group. Paul Silber will be responsible for overseeing all operations, financial, human resource, marketing, sales and research and development of In Vitro Technologies and will report directly to the Company's chief executive officer.

#### **5. Current trading and prospects for the Enlarged Group**

Celsis announced today its preliminary results for the year ended 31 March 2006. For the year ended 31 March 2006, Celsis announced revenues of \$33.1 million (2005: \$30.4 million), operating profits of \$6.6 million (2005: \$6.0 million), profit on ordinary activities before taxation of \$7.2 million (2005: \$6.2 million). As at 31 March 2006, the net assets of the Group were \$37.3 million and the Group had net cash of \$21.2 million.

Since 31 December 2005, In Vitro Technologies' revenues for the four month period ended 30 April 2006 were 19 per cent. higher than the equivalent period in the previous year.

In light of the current trading of Celsis and In Vitro Technologies and the fact that the Board believes that the Acquisition will strengthen the Group's position, the Directors are confident of the Enlarged Group's prospects for the current financial year.

#### **6. Extraordinary General Meeting**

An EGM will be held at the offices of Eversheds LLP, at Senator House, 85 Queen Victoria Street, London EC4V 4JL on 11 July 2006 at 8.30 a.m. The Resolution to be proposed at the EGM is to approve the Acquisition.

*This announcement does not constitute, or form part of, an offer or solicitation of an offer to purchase or subscribe for, underwrite or otherwise acquire any rights, shares or other securities.*

*A circular containing full details of the Acquisition and convening the Extraordinary General Meeting is expected to be dispatched to the Company's shareholders later today.*

*Words and expressions defined in the circular to be issued by the Company in relation to the Acquisition shall, unless the context provides otherwise, have the same meaning in this announcement.*