



1st September 2008

EPISTEM AND ROTTAPHARM ANNOUNCE POSITIVE RESULTS

Epistem plc (LSE: EHP), the UK biotechnology company and Rottapharm|Madaus, the multinational pharmaceutical company today announced that favourable results have been obtained with the prophylactic use of CR 3294 in a series of preclinical models for intestinal mucositis.

CR 3294 is an inhibitor of pro-inflammatory gene expression involved in the pathogenesis of acute and chronic inflammatory events, endowed with potent Reactive Oxygen Species (ROS)-generation preventing effects, and with immunosuppressive and wound-healing properties. ROS are produced during cellular metabolism, but have the capacity to damage cells.

Rottapharm is developing CR 3294 for chemotherapy induced diarrhoea, mucositis, and inflammatory bowel disease. At present there are no approved oncology supportive care drugs to reduce the severity of intestinal mucositis, which is typically associated with cancer therapy and is caused by inflammation of the lining of the gastrointestinal tract, resulting in ulceration, severe diarrhoea, malnutrition and increased risk of infection. Several commonly administered anti-cancer drugs can damage the digestive tract in this way, including 5-fluorouracil (5-FU), methotrexate, cytarabine, capecitabine, and irinotecan.

Using Epistem's proprietary stem cell models, CR 3294 has been shown to protect the small intestinal crypts from cytotoxic insult and reduce diarrhoea severity, particularly against frequently used chemotherapy agents such as 5-FU.

Dr Catherine Booth, Managing Director of Epistem's Contract Research Division commented "Epistem is a world leader in the supply of epithelial research models that measure the efficacy of oncology supportive care agents. CR 3294 protected normal tissue to reduce the level of mucositis, without increasing the risk of tumour growth. Such an increased therapeutic index may allow either improved quality of life for patients or opportunities for chemotherapy dose escalation, and therefore possible increased cure rates".

Rottapharm announces CR 3294 is under active development and phase I studies are planned for 1st Q 2009.

Further information can be found at www.epistem.co.uk or by contacting:



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Notes to Editors:

About Epistem

Epistem is a biotechnology company commercialising its expertise in epithelial stem cells in the areas of oncology, gastrointestinal diseases and dermatological applications. Epistem develops innovative therapeutics and biomarkers and provides contract research services to drug development companies. The Group's expertise is focused on the regulation of adult stem cells located in epithelial tissue, which includes the gastrointestinal tract, skin, hair follicles, breast and prostate. Epistem does not conduct research in the areas of embryonic stem cells or stem cell transplantation.

Epistem operates three distinct business divisions, Contract Research Services, Novel Therapies and Biomarkers.

Contract Research Services

Contract Research Services provides specialised preclinical efficacy testing primarily for drug development companies on a 'fee for service' basis. This division on a standalone basis is cash generative and profitable with a seven-year track record of providing testing services to over 90 international company clients primarily in Europe and the United States.



Novel Therapies

Novel Therapies is focused on developing its own innovative therapeutics. Through its discovery platform, Novel Therapies has identified 250 potential drug candidates, of which a subset are undergoing further evaluation and characterisation as stem cell regulators for the Group's emerging drug development pipeline.

Biomarkers

The emerging biomarker technology leverages the Company's knowledge of the behaviour of epithelial cells and drug-induced gene expression change to measure drug effects during treatment. Changes in gene expression can be detected within hours and at low levels of chemotherapy or radiation. The highly sensitive Biomarker technology is based on using mRNA extracted from the bulb of cells at the base of a single hair follicle as a minimally invasive process to measure gene expression changes in epithelial tissue.

Combined Business Model

Epistem is exploiting its combined business model to advance its own therapeutic candidates to late preclinical stage development. The business model integrates the discovery efforts of Novel Therapies with the efficacy testing assays of its Contract Research Services Division, to identify and characterise new drug candidates. Revenues generated by Contract Research Services and Biomarkers will assist in offsetting Novel Therapies' investment requirements for the discovery and development of its lead therapeutics. The Directors believe that licensing partnerships will be forthcoming across the therapeutics, biomarkers and discovery platform in 2008.

About Rottapharm|Madaus

Rottapharm|Madaus is a multinational pharmaceutical company, headquartered in Monza, with more than 2.000 employees, branches in over 85 countries and seven manufacturing sites (located in Europe and India). Since its inception, the company has been primarily focused on research: R&D activities are currently engaged in different therapeutic areas such as gastroenterology, bronchopneumology, psychiatry, rheumatology, urology, gynecology, cardiovascular, oncology. The group also boasts a leading position in the personal care and nutraceutical segments. In 2007, the acquisition of the German Madaus Pharma (the most important M&A operation ever signed by an Italian pharmaceutical company) has represented an important turning point for the new Rottapharm|Madaus Group in terms of R&D synergies and marketing growth.

Rottapharm has arrangements in progress for the development of eleven new chemical entity projects deriving from its own internal discovery. These projects involve compounds directed



to rheumatic, gastroenterological, respiratory, CNS and oncological disorders. Arrangements include development through Rottapharm|Madaus own internal capabilities for most of the compounds and co-development with industrial partners for some of them.