



NextGen Group plc (the "Company" or "NextGen")

Additional Funding and Trading Update

Placing

NextGen is pleased to announce that it has raised £450,000 by way of a placing of new ordinary shares of nominal value of 0.01p each ("Ordinary Shares"). This additional funding will be used to provide working capital for the Group which the Directors believe will be sufficient for its current requirements. The placing has been completed at a price per share of 0.5p, requiring the issue of 90,000,000 new Ordinary Shares.

Perfekt Beteiligungsmanagement GmbH ("Perfekt") has subscribed for 38,800,000 of the new Ordinary Shares which takes its shareholding in the Company to 274,937,806 shares (29.9%).

Application has been made for admission of the new Ordinary Shares issued pursuant to the placing to be admitted to trading on the AIM market of the London Stock Exchange. The new Ordinary Shares will rank *pari passu* with the existing Ordinary Shares of the Company. Dealings in the new Ordinary Shares are expected to commence on 19 April 2007.

Trading update

In the fifteen months since its flotation the Company has made significant progress towards the achievement of its published goals. The most important of these are:

- The signing of its first commercial alliance agreement with Proteomic Research Services Inc. USA ("PRS") in January and the subsequent acquisition of PRS in November
- The public launch and first sales of its ExpressionWorkstation platform including one pharmaceutical company adopting the NextGen equipment and software platform (Orchestrator IMS) on a global basis.
- A rapidly increasing order book for the newly established ContractExpress fee-for-service business with orders totalling over \$500,000 achieved during 2006.
- The signing of a technology acquisition and option to purchase agreement with Gene Oracle Inc. USA.
- The completion of its US based field sales force including the hiring of a new Vice President of global sales.

Overall the Company and its subsidiaries, NextGen Sciences Ltd and PRS (together, the "Group"), achieved sales growth in 2006 of more than 40% (unaudited) compared to 2005 despite the fact that the market changed significantly during 2006, with many pharmaceutical and biotech companies announcing and undergoing significant structural reorganisations during the year.

The effect of these reorganisations has been two fold: firstly, large pharmaceutical and biotech companies have expressed their desire to outsource more of their research pipelines to external providers such as NextGen; secondly, there has been a slow down (and, in some cases, a moratorium) on purchasing large capital expenditure items. The impact on the Group

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has been an increase in the order pipeline with regard to its ContractExpress but this has been offset by slower than originally budgeted sales of its equipment and software platforms. The Company therefore continued to trade in line with overall expectations, that is, at a loss for the year.

Further details with regard to the above is set out in the following sections.

Corporate – Acquisition of PRS

During the period under review the Company signed a formal commercial alliance agreement to access the services and facilities of PRS in the USA. PRS is a leading provider of proteomic services, the identification and characterisation of proteins in biological samples, working predominantly with large pharmaceutical and biopharmaceutical companies. The initial agreement worked to the benefit of both companies and so it was decided that the expansion of the fee for service business would be best served by the acquisition and full integration of PRS into the business.

The technology and services of PRS are now fully integrated into the ContractExpress product and the Directors believe that this broadens the Group's capabilities and makes the fee for service offering attractive to a wider range of potential clients. Clients are placing orders of increasing magnitude and the Directors believe that this demonstrates that they are beginning to fully appreciate the scope of the combined service of gene to fully characterised soluble, active protein that the Group now offers.

Business – expansion of ContractExpress business

With the acquisition of PRS, the Group sought to capitalise on the changing focus of the large pharmaceutical and biotech companies, and it now increasingly focuses on its fee-for-service business. It expects to continue this realignment of its revenue profile during 2007 with returns from its fee-for-service offering becoming the fastest growing area of revenue generation for the Group. The Directors anticipate that over 50% of business in 2007 will stem from this initiative and that consequently equipment sales will form a smaller part of the business in the future.

The Company anticipate that the increasing demand for this service will continue and, to better address the major US market, the Group plans to build a second centre of excellence based at the PRS facility in the US from which it will offer fee-for-service fulfilment to the growing list of US clients. This is necessary as, in certain instances, US based customers are reluctant to ship valuable biological samples internationally for fear of them being lost, delayed or perishing through inappropriate handling. Access to an expanded US client base has been one of the most exciting prospects since the acquisition of PRS as is the continued involvement of Dr Mike Pisano in establishing NextGen in the US. This has taken considerable investment from the Company during 2006 and will require additional investment during 2007 if the Group is to take full advantage of the opportunity to access and commercialise the US pharmaceutical and biotechnology research markets. Dr Pisano, who in addition to remaining as President of PRS, has taken on the role of Chief Scientific Officer of the Company, brings an existing client list from the “who’s who” of the US research industry. The expansion of the Group’s US capabilities is all the more exciting as, following the reorganisations noted above, the big companies are increasingly seeking to outsource



parts of the pre-clinical research process. The Directors believe that, during 2007, the Group will be well situated to satisfy that increasing demand in the US.

Sales & Marketing

During the year the Group has strengthened its Sales and Marketing capabilities with a number of key appointments in the UK and the setting up from scratch of a Sales team in the US. The result of this was that year on year sales increased by over 40%, which was divided into approximately 60:40 equipment:fee-for-service sales. Success in the fee-for-service business can only be achieved through frequent and lengthy discussions with the customer in order to fully appreciate their needs. In order to minimise unproductive travelling time, the Directors believe that it is essential for the Group to have a salesforce located within reasonable proximity to the main customer centres of population. In 2007, it plans to recruit a number of field sales specialists, backed by a telesales function and managed by Jake Orville, VP Global Sales. In Europe, the Group plans to strengthen its sales presence with the addition of a full time specialist located in Continental Europe, serving the German and French speaking communities, backed up by the existing UK based resources and managed by Ian Sanders, European Sales.

New Products from NextGen

The Directors anticipate that, with the customers driving increased demand for outsourced services, the Group will focus heavily on rapidly introducing new products into this portfolio. Following the US Food and Drug Administration's Critical Path Initiative, announced last September, it has become clear that biomarkers, **"Any physiologically relevant property or entity which can be measured accurately and reproducibly in a biological sample"**, will play a significant and mandated role in the approvals process of any new pharmaceutical product. The Group is well positioned to introduce a protein biomarker monitoring service and is already in advanced discussions with multiple customers, suppliers, technology leaders and the US Food and Drug Administration in regard to this major opportunity. Given this is, as yet, an untapped market, and that the Group via PRS is well to the fore in its discussions with the relevant groups, the Directors believe that this may yield significant unbudgeted revenue in 2007.

On the gene to protein side of the business, the Group plans to broaden the available protein expression platform to include mammalian derived proteins as these more closely resemble human biology than the current bacterial and insect based systems. In addition, the Group has been requested by a number of customers to increase its capacity of protein production. While the Group has no intentions of becoming a bulk protein producer, the Directors believe there is a niche for a medium volume, high added value provider.

Further acquisitions

It is the Company's intention to grow not only through rapid organic growth of existing and new products but also to seek out and acquire new capabilities and companies whenever suitable opportunities are identified. The Company maintains an active portfolio of acquisition targets and it is possible that one or more of these may be brought to closure in 2007.

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press release

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