VERSICOR INC /CA
Form S-4/A
October 31, 2002

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As Filed with the United States Securities and Exchange Commission on October 30, 2002

Registration No. 333-98935

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2
to
FORM S-4

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

VERSICOR INC.

(Exact name of registrant as specified in its charter)

Delaware	**2834**	**04-3278032**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

34790 Ardentech Court
Fremont, California 94555
(510) 739-3000

(Address, Including ZIP Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

George F. Horner III
President and Chief Executive Officer
Versicor Inc.
34790 Ardentech Court
Fremont, California 94555
United States of America
(510) 739-3000

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and upon completion of the merger of Biosearch Italia S.p.A., an Italian joint stock company, with and into the registrant as described in the agreement and plan of merger, dated as of July 30, 2002.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If the form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If the form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities Exchange Commission, acting pursuant to said Section 8(a), may determine.

The Exhibit Index for this Registration Statement begins on II-5.

Versicor Inc.
34790 Ardentech Court
Fremont, California 94555
United States of America

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT!

Dear Fellow Versicor Stockholders: October [ ], 2002

I am pleased to report that the board of directors of Versicor Inc. and the board of directors of our collaborator of four years, Biosearch Italia S.p.A., have each unanimously approved the merger of Biosearch with and into Versicor. On [meeting date], 2002 we will hold a special meeting of stockholders of Versicor, where we will ask you to approve the stock-for-stock merger. We will also ask you to approve an increase in the number of shares available for awards under our 2001 Stock Option Plan and an increase in the number of shares that may be granted under the 2001 Stock Option Plan to one person during any calendar year under our 2001 Stock Option Plan. It is a condition to the completion of the merger that both of these approvals be obtained. **Please return the enclosed proxy today, even if you plan to attend the meeting.**

Versicor's focus has been the use of creative chemistry and biology to discover novel anti-infective agents for development and marketing in North America. Biosearch has used natural product sourcing for the discovery, development and production of novel anti-infective drugs with a primary emphasis on Europe. We believe this merger substantially enhances Versicor's capabilities with respect to discovery, pre-clinical and clinical development, and manufacturing as well as our European market presence and effectiveness. The two companies are highly synergistic and the merger of Biosearch into Versicor represents a very important step towards our goal of becoming a significantly more advanced biopharmaceutical company targeting the effective, global commercialization of novel anti-infective drugs for difficult-to-treat infections.

We currently have antibiotic and antifungal agents in late stage (Phase II or III) clinical trials. The North American rights to our lead antibiotic product candidate, dalbavancin, have been licensed from Biosearch. We have been collaborating closely with Biosearch for manufacturing capability as well as regulatory approvals for the use of this drug against difficult to treat infections. Dalbavancin is in Phase II of clinical development. In addition, Versicor has worldwide rights to anidulafungin, a novel anti-fungal agent for difficult to treat fungal infections. As a result of this merger, the combined company will have substantially greater presence in two of the three major pharmaceutical markets (North America and Europe) as well as an enhanced product portfolio to partner in Asia. By acquiring the global rights to dalbavancin, Versicor eliminates royalties and manufacturing fees in North America, acquires the full potential for dalbavancin in Europe and enhances its commercialization effectiveness for anidulafungin in both North America and Europe. As a result, we believe all of these benefits will increase our margin and profitability prospects for dalbavancin and anidulafungin upon regulatory approval in North America and Europe. We also believe that European approval can now be obtained with only a modest increase in the clinical development expenses already planned for our North American filings.

We have been collaborating with Biosearch since February 1998 in a drug discovery program called BIOCOR. Biosearch contributes natural product leads to our collaboration, and we contribute the combinatorial and medicinal chemistry expertise necessary to optimize the leads and identify product candidates. As a result of our four-year collaboration with Biosearch, we believe that our corporate cultures are a good match and that, through a merger of Biosearch with and into Versicor, we will more efficiently pursue our shared goal of bringing new antibiotic and antifungal agents to market.

If stockholders approve the merger, we will issue approximately 21,524,085 shares of Versicor common stock in exchange for the cancelled ordinary shares of Biosearch pursuant to an exchange

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ratio of 1.77 shares of Versicor common stock for each ordinary share of Biosearch. In addition, outstanding Biosearch stock options will be replaced or assumed by us. Our corporate management and finance team will relocate from California to Pennsylvania and Biosearch will operate as an Italian branch, and later as an Italian subsidiary, of Versicor. If the merger of Biosearch with and into Versicor is approved, we will appoint Biosearch nominees to four of our eight board seats and amend our bylaws to provide, among other things, that for the following three years, four of the eight directors nominated or re-nominated by the board will be Biosearch nominees, and the other four will be Versicor nominees.

After careful review and consideration, your board of directors has unanimously approved the agreement and plan of merger and the related transactions, including the amendments to the 2001 Stock Option Plan. In connection with the proposed transactions, your board retained Lehman Brothers Inc. as financial advisor. Lehman Brothers has delivered to the board its written opinion to the effect that, as of the date of its opinion, the exchange ratio of 1.77 is fair to Versicor from a financial point of view. A copy of the Lehman Brothers opinion is attached as *Appendix C* to the accompanying proxy statement/prospectus, and should be read carefully in its entirety. **Your board of directors recommends that you vote "FOR" the merger proposal and "FOR" the stock option plan proposal**.

On October [ ], 2002, the last trading day before the date of the accompanying proxy statement/prospectus, Versicor common stock, which trades on the Nasdaq National Market under the symbol "VERS," closed at $[ ]. We will apply to list our common stock on Italy's Nuovo Mercato under the symbol "[VERS]" commencing upon the completion of the proposed merger.

Your vote is important. We cannot merge Biosearch with and into Versicor unless the holders of a majority of the outstanding shares of our common stock vote to approve the agreement and plan of merger and to amend the 2001 Stock Option Plan. As a result, if you fail to return your proxy card, your inaction will have the same effect as a vote against the merger. Whether or not you plan to attend the special meeting, please complete, sign, date and promptly return the enclosed proxy card to ensure that your shares will be represented at the special meeting. If you attend the special meeting and wish to vote in person, you may withdraw your proxy and do so.

You can find additional information about the proposed merger in the accompanying proxy statement/prospectus. Please consider the matters discussed under "Risk Factors" commencing on page 18 before voting. We encourage all stockholders to read this entire document carefully.

By Order of the Board of Directors,

George F. Horner III
President and Chief Executive Officer

PLEASE COMPLETE, SIGN, DATE AND RETURN YOUR PROXY TODAY

Neither the United States Securities and Exchange Commission nor any state securities commission nor the Republic of Italy *Commissione Nazionale per le Società e le Borsa* has approved or disapproved these securities, passed upon the fairness or merits of the merger of Biosearch with and into Versicor or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated October [ ], 2002, and is being first mailed to Versicor stockholders on or about October [ ], 2002.

VERSICOR INC.

34790 Ardentech Court

Fremont, California 94555
United States of America

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be held on [meeting date], 2002 at [time]

To the Stockholders of Versicor Inc.:

We will hold a special meeting of stockholders of Versicor Inc. on [day of week], [meeting date], 2002 at [time], local time, at the Marriott Hotel, 46100 Landing Parkway, Fremont, California 94538, United States of America for the purposes of considering and acting on the following matters:

1. a proposal to approve the agreement and plan of merger, as amended, by and between Versicor Inc. and Biosearch Italia S.p.A., including the merger plan ("progetto di fusione"), by and between Versicor and Biosearch, according to Italian law, in the form attached to the agreement and plan of merger;

2. a proposal to amend Versicor's 2001 Stock Option Plan to increase the number of shares of Versicor common stock available for awards under the 2001 Stock Option Plan by an additional 5,400,737 shares and to increase the number of shares that may be granted under the 2001 Stock Option Plan to one person during any calendar year by an additional 650,000 shares;

3. a proposal to authorize us to adjourn the special meeting, if necessary, to permit further solicitations of proxies if there are not sufficient votes at the time of the special meeting to approve proposals 1 or 2; and

4. to transact any other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

The foregoing items of business are more fully described in the accompanying proxy statement/prospectus, which we encourage you to read carefully.

The approval of the agreement and plan of merger, as amended, and approval of the amendments to the 2001 Stock Option Plan require the affirmative vote of a majority of the votes eligible to be cast by holders of Versicor common stock issued and outstanding as of [record date], 2002. **The Versicor board of directors has unanimously approved the agreement and plan of merger, as amended, and the stock option plan proposal and recommends that you vote "FOR" approval of the agreement and plan of merger, as amended, "FOR" approval of the stock option plan proposal and "FOR" the adjournment proposal.**

Only those stockholders whose names appear on our records as owning shares of our common stock at the close of business on [record date], 2002, are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting.

Please complete, sign and date the enclosed proxy card and return the proxy card promptly in the enclosed postage-paid return envelope, whether or not you plan to attend the special meeting. You may revoke the proxy at any time prior to its exercise in the manner described in the accompanying proxy statement/prospectus, see the "The Special Meeting of Versicor Stockholders." Any stockholder of Versicor present at the special meeting, including any adjournment or postponement of the meeting, may revoke a previously delivered proxy and vote personally. Executed proxies with no instructions indicated will be voted "FOR" each proposal.

By Order of the Board of Directors,

George F. Horner III
President and Chief Executive Officer
Versicor Inc.

Fremont, California
United States of America
October [ ], 2002

All stockholders are cordially invited to attend the special meeting. YOUR VOTE IS IMPORTANT. To assure that your shares of our common stock will be voted at the special meeting, you are requested to mark, sign and return the enclosed proxy card promptly in the enclosed postage-paid, addressed envelope whether or not you expect to attend the special meeting. No additional postage is required if mailed in the United States. If you hold your shares of our common stock through a broker, you might also have the option to vote by telephone or over the internet. Please refer to the separate instructions provided by your broker. If you attend the special meeting, you may vote in person even though you have submitted your proxy card.

PROXY STATEMENT/PROSPECTUS

We are furnishing this document, as a proxy statement, to holders of our common stock in connection with the solicitation of proxies by our board of directors for use at a special meeting of our stockholders. As a proxy statement, this document provides information to our stockholders for their consideration regarding proposals we expect to be presented at our special meeting of stockholders, including a proposal to approve the agreement and plan of merger, as amended, which we call the merger agreement, between Versicor and Biosearch Italia S.p.A. Pursuant to the merger agreement, Biosearch will merge with and into our company. If the merger agreement, and the stock option plan proposal associated with it, are approved by our stockholders and all other conditions to the completion of the merger are satisfied or waived, we will issue approximately 21,524,085 shares of Versicor common stock in exchange for the cancelled ordinary shares of Biosearch pursuant to an exchange ratio of 1.77 Versicor common shares for each Biosearch ordinary share, and we will issue options covering approximately 5,787,500 common shares, including options issued to replace or assume options currently held by Biosearch employees and consultants. Upon completion of the merger, current Versicor stockholders will own approximately 55% of the outstanding common stock of Versicor and current Biosearch shareholders will own approximately 45% of the outstanding Versicor common stock.

One condition to closing is that the shareholders of Biosearch must also approve the merger agreement at a special meeting of Biosearch shareholders, which will be held at approximately the same time as our special meeting. The Biosearch board of directors approved the merger and is informing Biosearch shareholders of the terms of the proposed transaction by means of a separate document, the *Documento Informativo*, under Italian law.

Once the merger is completed, we will deliver this document, as a prospectus, to Biosearch shareholders either before or at the same time that our exchange agent delivers newly-issued Versicor common shares in exchange for the cancelled Biosearch ordinary shares. As a prospectus, this document provides information relevant to the Biosearch shareholders' investment decision to accept shares of our common stock in exchange for Biosearch ordinary shares. It describes, among other things, each of the parties to the merger and the surviving company and explains the significant respects in which share ownership in the surviving company will differ from share ownership in Biosearch.

See "Risk Factors" beginning on page 18 for a discussion of important factors that you should consider in determining how to vote on the merger agreement and the stock option plan proposal.

On October [ ], 2002, the last trading day before the date of this proxy statement/prospectus, the closing sales price of our common stock, which trades on the Nasdaq National Market under the symbol "VERS", was $[ ]. We will apply to list our common stock on Italy's Nuovo Mercato under the symbol "[VERS]" commencing upon the completion of the proposed merger.

Neither the United States Securities and Exchange Commission nor any state securities commission nor the Republic of Italy *Commissione Nazionale per le Società e le Borsa* has approved or disapproved these securities, passed upon the fairness or merits of the merger of Biosearch with and into Versicor, or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this proxy statement/prospectus is October [ ], 2002.

VERSICOR INC.

PROXY STATEMENT/PROSPECTUS

TABLE OF CONTENTS

	Page
ADDITIONAL INFORMATION	vii
QUESTIONS AND ANSWERS ABOUT THE PROPOSALS	1
SUMMARY	4
RISK FACTORS	18
Risks Related to the Merger Transaction	18
Risks Related to International Expansion	20
Risks Related to the Business of our Combined Company	22
Risks Related to Operating in Our Industry	30
Risks Related to the Securities Markets	34
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	36
THE SPECIAL MEETING OF VERSICOR STOCKHOLDERS	37
Date, Time and Place of the Special Meeting	37
Purpose of the Special Meeting	37
Record Date and Shares Outstanding	38
Quorum	38
Abstentions and Broker Non-Votes	38
Vote Required	39
Voting Agreements and Shares Controlled by Management	40
Voting of Proxies	40
Revocability of Proxies	41
Solicitation of Proxies	41
Biosearch Special Meeting; Vote Required; Posting of Shareholder Approval; Voting Agreements	41
MATERIAL CONTACTS BETWEEN VERSICOR AND BIOSEARCH PRIOR TO THE MERGER	43
THE MERGER	44
General	44
Background of the Merger	44
Versicor's Reasons for the Merger; Recommendation of the Versicor Board	50
Biosearch's Reasons for the Merger; Recommendation of the Biosearch Board	52
Lehman Brothers' Opinion	53
SG Cowen's Opinion	60
Summary of Material Terms of Voting Agreements	69
Interests of Certain Persons in the Merger	71
Accounting Treatment	71
Regulatory Approvals	72
Appraisal or Dissenters' Rights; Rescission Rights	72
Listing on Nuovo Mercato	73
U.S. Federal Securities Law Consequences; Resale Restrictions	73
Material U.S. Federal Income Tax Considerations	73

	Page
Material Italian Tax Considerations	76
THE AGREEMENT AND PLAN OF MERGER	78
Structure of the Merger	78
Effective Time of the Merger	78
Conversion of Biosearch Shares in the Merger	78
Rescission Shares	79
Exchange Procedures	79
Corporate Organization and Governance	79
Versicor's Stockholder Meeting and Biosearch's Shareholder Meeting	80
Representations and Warranties	80
Biosearch's Covenants Relating to Conduct of Business	82
Versicor's Covenants Relating to Conduct of Business	84
Mutual Covenants Relating to Conduct of Business	85
No Solicitation of Transactions	86
Indemnification and Insurance	87
Conditions	88
Termination	90
Termination Fee	91
Expenses	92
Amendment; Extension and Waiver	93
COMPARATIVE STOCK PRICES AND DIVIDENDS	94
Versicor	94
Biosearch	94
Additional Comparative Information	95
SELECTED FINANCIAL DATA OF VERSICOR	96
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF VERSICOR	97
Overview	97
Major Research and Development Projects	98
Deferred Stock Compensation	104
Results of Operations	104
Liquidity and Capital Resources	106
Recent Accounting Pronouncements	108
Critical Accounting Policies	108
Quantitative and Qualitative Disclosures About Market Risk	109
Inflation	109
BUSINESS OF VERSICOR	110
Overview	110
Our Proprietary Products	110
Research Programs	111
Versicor's Strategy	112
Our Proprietary Product Candidates	113
Anidulafungin A Novel Antifungal for the Treatment of Serious Infections	113
Dalbavancin A Next-Generation Antibiotic for the Treatment of Serious Gram-Positive Infections	117

Research Collaborations 118
Internal Discovery Research 122
Licensing and Collaborative Agreements 122
Sales and Marketing 123
Manufacturing 123
Intellectual Property 123
Competition 124
Governmental Regulation and Product Approval 124

Facilities 127
Employees 127
Legal Proceedings 127

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF VERSICOR 128

SELECTED CONSOLIDATED FINANCIAL DATA OF BIOSEARCH 130

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF BIOSEARCH 132
Overview 132
Results of Operations 136
Liquidity and Capital Resources 139
Recent Accounting Pronouncements 141
Critical Accounting Policies 142

BUSINESS OF BIOSEARCH 143
Overview 143
Research and Development of New Pharmaceutical Products 143
Principal Product Candidates 147
Other Activities 149
Relevant Market for Product Candidates 150
Competition 150
Intellectual Property 151
Facilities 151
Employees 152
Litigation 152

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF BIOSEARCH 153

CONDITIONS IN ITALY AND THE EUROPEAN UNION 154
Exchange Rates; European Economic and Monetary Union 154
Exchange Controls 155
Regulatory Framework 156
Governmental Support of Medical Research and Training 157

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION 159

MANAGEMENT OF THE COMBINED COMPANY AFTER THE MERGER 166
Board of Directors 166
Executive Officers of Versicor 166
Business Experience 166
Bylaw Amendments Affecting Board Composition 168
Stockholders Agreement 169

Compensation of Directors 170
Compensation of Executives Located in the United States 171
Employment Arrangements with our Executives Located in Italy 172
Certain Relationships and Related Party Transactions 174

COMPARISON OF RIGHTS OF VERSICOR STOCKHOLDERS AND BIOSEARCH SHAREHOLDERS 176
Capitalization 176
Number, Election, Vacancy and Removal of Directors 177

Amendments to Charter Documents 178
Amendments to Bylaws 178
Action by Written Consent 179
Notice of Stockholder Actions 179
Special Stockholder Meetings 180
Stockholder Inspection Rights; Stockholder Lists 180
Limitation of Personal Liability and Indemnification of Directors and Officers 180
Dividends 181
Conversion 182
Rights Plan 182
Voting Rights; Required Vote for Authorization of Certain Actions 183

PROPOSAL TO AMEND VERSICOR'S 2001 STOCK OPTION PLAN 185
Versicor's Stock Option Plans 185
Biosearch's Stock Option Plan 185
Effect of the Merger 185
Proposed Amendments to the 2001 Stock Option Plan 185
Summary Description of the 2001 Stock Option Plan 185
U.S. Federal Income Tax Treatment of Awards under the 2001 Stock Option Plan 188
Compensation of Versicor's Officers and Directors; Specific Benefits under the 2001 Stock Option Plan Amendments 189
Versicor's Equity Compensation Plans 191
Vote Required 193
Recommendation of Versicor Board of Directors 194

ADJOURNMENT PROPOSAL 195
Description and Effect of the Proposal 195
Vote Required 195
Recommendation of Versicor Board of Directors 195

OTHER PROPOSALS 195

LEGAL MATTERS 195

EXPERTS 196

WHERE YOU CAN FIND MORE INFORMATION 196

INCORPORATION OF DOCUMENTS BY REFERENCE 196

INDEX TO VERSICOR FINANCIAL STATEMENTS F-1

INDEX TO BIOSEARCH CONSOLIDATED FINANCIAL STATEMENTS F-20

APPENDICES

Page

A.	AGREEMENT AND PLAN OF MERGER, AND FIRST AMENDMENT THERETO, BETWEEN VERSICOR AND BIOSEARCH	A-1
B.	AMENDED AND RESTATED VERSICOR INC. 2001 STOCK OPTION PLAN	B-1
C.	FAIRNESS OPINION FROM LEHMAN BROTHERS TO VERSICOR	C-1
D.	FAIRNESS OPINION FROM SG COWEN TO BIOSEARCH	D-1

ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Versicor Inc. from documents we have filed with the Securities and Exchange Commission that are not included in or delivered with this proxy statement/prospectus. If you call or write, we will send you copies of these documents, including any exhibits specifically incorporated by reference in the documents, without charge. You may contact us at:

Versicor Inc.
34790 Ardentech Court
Fremont, California 94555
United States of America
Attention: Investor Relations
Telephone Number: (510) 739-3000

In order to receive timely delivery of the documents in advance of the special meeting, you must make your request no later than [insert date five business days before the meeting date], 2002.

For more information on the material incorporated by reference in this proxy statement/prospectus, see "Where You Can Find More Information."

All references to "dollars" or "$" in this proxy statement/prospectus are references to United States dollars; all references to "euros" or "€" are references to European Union, or EU, euros and all references to "lira" or "Lit." are to the Italian lira. On October 23, 2002, the median 4 p.m. Greenwich Mean Time spot rate for the euro expressed in U.S. dollars per euro was $0.9762 to €1.00. The exchange rate between the lira and the euro established pursuant to the Maastricht treaty is fixed at Lit. 1,936.27 to €1.00. Since January 1, 2002, the lira has been withdrawn from circulation, see "Conditions in Italy and the European Union Exchange Rates; European Economic and Monetary Union."

QUESTIONS AND ANSWERS ABOUT THE PROPOSALS

Q:

What is the proposed transaction?

A:

We are proposing to merge Biosearch Italia S.p.A., an Italian joint stock company (similar to a corporation), with and into Versicor. Versicor will be the surviving corporation, and as a result:

Versicor will acquire all of Biosearch's assets and rights;

Versicor will assume all of Biosearch's liabilities and obligations;

each of Biosearch's outstanding ordinary shares will convert into 1.77 shares of Versicor common stock; and

Biosearch's separate legal existence will cease.

Q:

What am I being asked to vote on?

A:

You are being asked to vote on the following three proposals:

to approve the merger agreement;

to approve an increase in the number of shares of Versicor common stock available for award purposes under Versicor's 2001 Stock Option Plan by an additional 5,400,737 shares and an increase in the number of shares of Versicor common stock that may be granted under Versicor's 2001 Stock Option Plan to one person during any calendar year by an additional 650,000 shares; and

to authorize us to adjourn the meeting, if necessary, in order to solicit additional proxies in the event that there are not enough votes initially present to approve either of the above proposals.

It is a condition to the completion of the merger that the proposed increases in the number of shares of Versicor common stock available for award purposes under Versicor's 2001 stock option plan be approved.

Q:

How does the Versicor board of directors recommend that I vote?

A:

The Versicor board of directors recommends that you vote "FOR" each of the proposals.

Q:

Are there any risks related to the proposed transaction or any risks related to owning Versicor common stock?

A:

Yes. You should carefully review the risk factors described beginning on page 18.

Q:

When and where is the Versicor special meeting?

A:

The special meeting of Versicor stockholders will be held at [time], local time, on, [date] 2002, at the Marriott Hotel, 46100 Landing Parkway, Fremont, California 94538, United States of America.

Q:

Will I receive new stock certificates?

A:

No. If the merger is approved, your existing Versicor stock certificates will not be replaced. Please do not send any stock certificates with your proxy card.

Q:

What do I need to do now?

A:

After you have carefully read this proxy statement/prospectus, please complete, sign and date the enclosed proxy card and mail it in the enclosed prepaid return envelope as soon as possible, so that your shares of Versicor common stock may be represented and voted at the special meeting of Versicor's stockholders. If you attend the special meeting, you may vote in person even though you have submitted your proxy card.

If you do not vote your shares of Versicor common stock, your inaction will have the same effect as a vote against the merger and the other proposals described above.

If you hold your shares of Versicor common stock through a broker, you may also have the option to vote by telephone or over the internet. Please refer to the separate instructions provided by your broker.

Q:

If my shares of Versicor common stock are held in "street name" by my broker, will my broker automatically vote my shares of Versicor common stock for me?

A:

No. Your broker is not permitted to vote your shares of Versicor common stock regarding the merger proposal without specific instructions from you. Unless you follow the directions your broker provides you regarding how to instruct your broker to vote your shares of Versicor common stock, your shares will not be voted. Your inaction would have the same effect as a vote against the merger and the related proposals described above.

Q:

What should I do if I receive more than one set of voting materials?

A:

You may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares of Versicor common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares of Versicor common stock are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q:

Can I change my vote after I have mailed my proxy card?

A:

Yes. You may change your vote at any time before the special meeting by:

sending written notice to:

Versicor Inc.
34790 Ardentech Court
Fremont, California 94555
United States of America
Attention: Secretary;

returning a later-dated proxy card; OR

voting in person at the special meeting.

If you hold your shares through a broker and wish to change your vote, you must contact your broker.

Q:

When do you expect to complete the merger?

A:

We are working toward completing the merger as quickly as practicable. After the Versicor stockholders special meeting and the Biosearch shareholders special meeting are held, assuming that the stockholders and shareholders of Versicor and Biosearch, respectively, vote to approve the merger and the related proposals, we will need to, among other things, provide notice and make filings with various U.S., European Union and Italian authorities. These filings include, among others, applying to have our common stock listed on the Nuovo Mercato stock exchange in Milan, Italy. We anticipate that completing all such notifications and filings and receiving the requisite governmental approvals will require 3 to 4 months from the date of this proxy statement/prospectus.

Q:

Will Versicor stockholders have the right to have their shares of Versicor common stock appraised if they dissent from the merger?

A:

No. We are organized under Delaware law. Under Delaware law, because our common stock is traded on the Nasdaq National Market System, Versicor stockholders do not have appraisal rights in connection with the merger.

Q:

Will the merger be taxable to me?

A:

We anticipate that the merger will constitute a reorganization for U.S. federal income tax purposes. Assuming the merger qualifies as a reorganization, Versicor stockholders generally will not recognize gain or loss for U.S. federal income tax purposes. Generally, the merger of Biosearch with and into our company will not cause a taxable event for Italian income tax purposes for the Biosearch shareholders who are resident in Italy for Italian tax purposes. Neither Versicor nor Biosearch will be obligated to complete the merger unless Versicor and Biosearch each receive a tax opinion from its respective tax counsel with respect to the foregoing. See "The Merger Material U.S.

Federal Income Tax Considerations" and " Material Italian Tax Considerations." The tax consequences to you will depend on the facts and circumstances of your own situation. Please consult with your tax advisor for a full understanding of the tax consequences to you.

Q:

Where can I find more information about the companies?

A:

Information about the business and management of both Versicor and Biosearch is contained in this proxy statement/prospectus. For additional information, see "Where You Can Find More Information."

Q:

Who can answer my questions?

A:

If you have questions, or want additional copies of this proxy statement/prospectus, please contact our proxy solicitor, D. F. King & Co., Inc., by calling its toll-free number: [ ]. You may also contact us directly at:

Versicor Inc.
34790 Ardentech Court
Fremont, California 94555
United States of America
Attention: Investor Relations
Telephone Number: (510) 739-3000

Q:

What will the combined company be called?

A:

We are working toward selecting a new name. We expect to announce the name after the completion of the merger.

SUMMARY

This summary, together with the preceding "Questions and Answers" section, highlights information more fully described elsewhere in this proxy statement/prospectus. You should read this entire document and the other documents we refer to for a more complete understanding of the proposed merger and the related proposals. In particular, you should read the documents attached to this proxy statement/prospectus, which include the merger agreement. Many items in this summary include page references directing you to more complete descriptions of their topics. Except where the context otherwise requires, references in this proxy statement/prospectus to "we," "our," "us" and "Versicor" are to Versicor Inc. and references to "Biosearch" are to Biosearch Italia S.p.A. and its subsidiary.

The Merger (page 44)

We have entered into a merger agreement with Biosearch that provides for the merger of Biosearch with and into Versicor. We will be the surviving corporation. At the completion of the merger each Biosearch ordinary share will be exchanged for 1.77 shares of our common stock. We urge you to read carefully the entire merger agreement, a copy of which is attached as *Appendix A* to this proxy statement/prospectus.

The Companies

Versicor (page 97)

Versicor Inc.
34790 Ardentech Court
Fremont, California 94555
United States of America
Telephone: (510) 739-3000

We are a United States-based biopharmaceutical company focused on the discovery, development and marketing of pharmaceutical products for the treatment of bacterial and fungal infections. We focus on seeking to develop anti-infective products that we believe might have competitive advantages over existing products, such as greater potency, improved effectiveness against resistant strains and reduced toxicity.

We have a two-fold approach to product development and marketing. Our primary strategy is to focus on the development of proprietary products, concentrating on injectable antibiotic and antifungal products for the hospital market. Our lead antifungal product candidate, anidulafungin, is an antifungal intended for the intravenous treatment of serious systemic fungal infections. Our lead antibiotic product candidate, dalbavancin, is a next-generation antibiotic belonging to the same class as vancomycin, the most widely used antibiotic for *Staphylococci* infections. We believe anidulafungin and dalbavancin will have competitive advantages over existing therapies because we believe each product candidate combines potencies greater than those currently available with a good safety profile to date.

Our secondary strategy is to collaborate with major pharmaceutical companies to discover and develop orally administered antibiotic and antifungal products for the non-hospital market. Orally administered products require substantial expenditures and an extensive sales and marketing infrastructure to reach their full market potential. Our collaborators conduct pre-clinical, clinical development, marketing and sales activities in order to transform the discovered compounds into pharmaceutical products. In addition to our external research collaborations, we have an internal research program with the objective of discovering novel antimicrobials for hospital use for development by us. This effort leverages our internal expertise in target selection through functional genomics, novel assay development, mechanism-based rational drug design, and combinatorial or medical chemistry.

Biosearch (page 132)

Biosearch Italia S.p.A.
Via Abbondio Sangiorgio 18
Milano 20145
Italy
Telephone: +39 (0)2 964 74 350

Biosearch is a biopharmaceutical company focused on the discovery, development and production of new antibiotics for the prevention and treatment of infectious diseases caused by multi-resistant micro-organisms (bacteria and fungi). Biosearch's discovery strategy is based on five integrated technological platforms including the high-throughput screening of its large and diversified library of microbial extracts, which can lead to the isolation of a drug candidate. Biosearch presently has three products under clinical development: dalbavancin, ramoplanin and BI-K-0376, in Phase II, Phase III and Phase I, respectively. All of these product candidates were discovered at Biosearch's laboratories.

Votes Required for Approval of the Merger (page 39)

Versicor

We will hold a special meeting of our stockholders to consider the following proposals:

- to approve the merger agreement we negotiated with Biosearch; and
- to approve an increase in the number of shares of our common stock available for award purposes under our 2001 Stock Option Plan by an additional 5,400,737 shares and an increase in the number of shares of Versicor common stock that may be granted under our 2001 Stock Option Plan to one person during any calendar year by an additional 650,000 shares.

In order for us to complete the proposed merger, a majority of the shares of our common stock outstanding and entitled to vote at the meeting must be voted in favor of the merger. Similarly, it is a condition to both parties' obligations to complete the merger that the 2001 Stock Option Plan amendment be approved by holders of a majority of our outstanding common shares. Thus, if you do not vote your shares of our common stock in favor of both the merger and the amendment to the 2001 Stock Option Plan, your action will have the same effect as a vote against the merger.

We might also call for a vote to authorize us to adjourn the meeting, if necessary, in order to solicit additional proxies in the event that there are not enough votes initially present to approve either of the above proposals.

The special meeting of our stockholders will be held at our executive offices, located at the Marriott Hotel, 46100 Landing Parkway, Fremont, California 94538, United States of America on [meeting date], 2002, at [time], local time. Stockholders listed in our books as the owners of our common stock at the close of business on the record date, [record date], 2002, are entitled to vote at the special meeting. For more information about the special meeting, see "The Special Meeting of Versicor Stockholders."

The proxy card also includes a proposal permitting adjournment of the meeting to solicit additional proxies in the event that there are not sufficient votes initially to approve the merger proposal or the 2001 Stock Option Plan amendments proposal. Assuming that a quorum is present, approval of this adjournment proposal would require the affirmative vote of a majority of the shares present and entitled to vote at the meeting.

George F. Horner III, our president, chief executive officer and a member of our board of directors, and HealthCare Ventures V, L.P., one of our stockholders, owning collectively approximately 5.5% of the shares of our common stock outstanding as of October 1, 2002 and entitled to vote at the

meeting, have entered into voting agreements with Biosearch that commit those stockholders, subject to specified exceptions, to vote all of their shares in favor of the proposals described above. Accordingly, if the parties to the voting agreements vote in accordance with the terms of the voting agreements, the vote of approximately 11,727,775 additional shares of our common stock (or approximately 44.5% of the outstanding shares of our common stock as of October 1, 2002) will be required to approve the merger.

Biosearch

Biosearch will hold a special meeting of its shareholders to consider approval of the merger agreement. The special meeting of Biosearch shareholders will be held at Biosearch's offices, located at Via Roberto Lepetit n. 34, Gerenzano, Italy, on [meeting date], 2002, at [time], local time.

In order for Biosearch to complete the merger, two-thirds of the Biosearch ordinary shares present (or represented by proxy) at the Biosearch special meeting must be voted in favor of the merger agreement, provided that the required quorum is satisfied. Biosearch will announce its special meeting by publishing a notice in the Official Gazette of the Italian Republic. This notice may indicate three different dates on which the special meeting may be validly held (i.e., the first, second and third calls). In the event that Biosearch's special meeting cannot be validly held at the first call (because, for example, an insufficient number of shares are represented at the meeting), the meeting may be held at the second call, at the relevant date and time indicated in the notice. In the event that the special meeting cannot be validly held at the second call, the special meeting may be held at the third call, at the relevant date and time indicated in the notice. With regards to the quorum required, if the special meeting is held at the first call, more than a majority of the outstanding Biosearch ordinary shares must be represented; if the special meeting is held at the second call, more than one-third of the outstanding Biosearch ordinary shares must be represented; and if the special meeting is held at the third call, more than one-fifth of the outstanding Biosearch ordinary shares must be represented.

Two of the founders of Biosearch, who are members of its management, owning collectively approximately 16.61% of the outstanding Biosearch ordinary shares entitled to vote at the special meeting of Biosearch shareholders, have entered into voting agreements with us that commit those shareholders, subject to specified exceptions, not to sell any of their shares prior to the special meeting or any postponement thereof and to vote all of their shares in favor of the merger and the related proposals. In addition, the 3i Group plc, a shareholder of Biosearch, has entered into a voting agreement with us that requires the 3i Group, subject to specified exceptions, to hold at least 808,145 ordinary shares of Biosearch (or 6.65% of the outstanding ordinary shares of Biosearch) through the date of the special meeting or any postponement thereof, and to vote all of its Biosearch ordinary shares held at the time of the special meeting in favor of the merger and related proposals. Accordingly, if all of the parties to these voting agreements vote in favor of the merger, the vote of approximately 5,278,402 additional Biosearch ordinary shares (or 43.41% of the outstanding Biosearch ordinary shares) will be required to approve the merger, assuming that 100% of the Biosearch ordinary shares are represented at the special meeting.

Versicor's Reasons for the Merger (page 50)

We believe the proposed merger of Biosearch with and into us is a key step toward our goal of establishing ourselves as a more advanced biopharmaceutical company focusing on the discovery, development and commercialization of antibiotic and antifungal agents for difficult-to-treat infections. Like us, Biosearch is a biopharmaceutical company focused on the discovery, development and production of novel antifungal and antibiotic agents for difficult-to-treat infections. The merger will unify ownership rights to dalbavancin, which is in Phase II clinical trials, and the combined company will possess a broader pipeline of new product candidates, including anidulafungin and ramoplanin,

which are in Phase III clinical trials, a product candidate in Phase I clinical trials and a number of other compounds in pre-clinical testing.

Our board of directors believes that the merger is fair to, and in the best interests of, our company and our stockholders. In reaching this conclusion, our board of directors considered a variety of factors, including the opinion of Lehman Brothers, our financial advisor, and also including the following potentially positive factors:

- Following the merger, our gross margin percentage on any future sales of dalbavancin will increase from the high 60's to over 90 because we will no longer be required to pay any royalties or manufacturing fees to Biosearch.
- The merger should enhance our antifungal and antibiotic agent market position through the acquisition of additional pre-clinical compounds and expertise in other difficult-to-treat infections.
- The merger will provide us with manufacturing capability for the production of product candidates and agents and a European presence from which to market products to the European market.
- As a result of our four-year collaboration with Biosearch, we believe that our corporate cultures are a good match and that by merging with Biosearch we believe we can more efficiently pursue our shared goal of bringing new antibiotic and antifungal agents to market.
- The merger should improve our ability to conduct expensive clinical trials by providing access to Biosearch's cash reserves.

Our board of directors also considered potentially negative factors, including the cost of negotiating and closing the merger, the risks of international expansion and the fact that after the completion of the merger the increase in our gross margin on any future sales of dalbavancin would be offset for the combined company by the loss of Biosearch's right to any royalties and manufacturing fees from Versicor, see "The Merger Versicor's Reasons for the Merger; Recommendation of the Versicor Board."

Biosearch's Reasons for the Merger (page 52)

The proposed merger of Biosearch with Versicor is a key step toward Biosearch's goal of establishing itself as a more advanced biopharmaceutical company focusing on the discovery, development and production of antibacterial and antifungal agents for the prevention and treatment of difficult-to-treat infections. Biosearch expects that, as a result of the merger, the combined company could establish a presence in the market earlier than Biosearch could on its own, if and when Versicor's lead antifungal product candidate, anidulafungin, successfully completes Phase III clinical trials and begins commercialization. Together with Versicor, Biosearch will possess worldwide rights for dalbavancin, anidulafungin and its topical product against acne, BI-K-0376, which is currently in Phase I clinical development, and worldwide rights (other than in North America) for ramoplanin.

Biosearch has been collaborating with Versicor since February 1998 in a drug discovery program called BIOCOR. Biosearch contributes natural product leads to the collaboration, and Versicor contributes the combinatorial chemistry expertise necessary to optimize those selected leads and identify product candidates. As a result of this four-year collaboration with Versicor, Biosearch believes that the corporate cultures of the respective companies are a good match and that by merging Biosearch with and into Versicor it can more efficiently pursue the shared goal of bringing new antibacterial and antifungal agents to market.

Biosearch's board of directors believes that the merger is fair to, and in the best interests of, Biosearch and its shareholders. In reaching this decision, Biosearch's board of directors considered a

variety of factors, including the opinion of SG Cowen, its financial advisor. See "The Merger Biosearch's Reasons for the Merger; Recommendations of the Biosearch Board."

Opinion of Versicor's Financial Advisor (page 53)

Lehman Brothers, our financial advisor in connection with the merger, delivered its oral opinion to our board of directors, which was later confirmed in writing, that, as of July 30, 2002, and based on and subject to the various considerations described in the opinion, the exchange ratio in the proposed merger is fair from a financial point of view to us. This opinion is not a recommendation to any of our stockholders regarding how to vote, and does not represent an independent determination of any kind to Versicor's stockholders. We have attached a copy of the Lehman Brothers written opinion as *Appendix C* to this proxy statement/prospectus. You should read it in its entirety.

Opinion of Biosearch's Financial Advisor (page 60)

SG Cowen Securities Corporation, Biosearch's financial advisor in connection with the merger, delivered its verbal opinion to the Biosearch board of directors, which was later confirmed in writing, that, as of July 30, 2002, and based on and subject to the various considerations described in the opinion, the exchange ratio in the proposed merger is fair from a financial point of view to the Biosearch shareholders. This opinion is not a recommendation to any of the Biosearch shareholders or any of our stockholders regarding how to vote. We have attached a copy of the SG Cowen Securities Corporation written opinion as *Appendix D* to this proxy statement/prospectus. You should read it in its entirety.

What Versicor Stockholders Will Receive in the Merger (page 78)

Shares of Versicor common stock will represent equity interests in the combined company following the merger of Biosearch with and into us. There will be no need for our stockholders to exchange their share certificates.

What Biosearch Shareholders Will Receive in the Merger (page 78)

Upon the completion of the merger, each Biosearch ordinary share will be converted into 1.77 shares of Versicor common stock. The actual share exchange will occur three business days later by means of book entry changes on the records of the Italian clearing agency, Monte Titoli S.p.A., without any need for Biosearch ordinary shares to be tendered for exchange.

Ownership of the Combined Company Following the Merger (pages 78, 128 and 154)

At the closing of the merger, based on the number of Biosearch ordinary shares outstanding as of June 30, 2002 and the exchange ratio of 1.77 Versicor common shares for each Biosearch ordinary share, Versicor will issue approximately 21,524,085 new shares of common stock to current Biosearch shareholders. Upon completion of the merger, current Versicor stockholders will own approximately 55% of Versicor's outstanding common stock and current Biosearch shareholders will own approximately 45% of Versicor's outstanding common stock. Based on the companies' respective closing share prices on July 30, 2002, the last full trading day prior to our announcement of the merger, Biosearch's shareholders would receive an implied premium for their Biosearch shares. The issuance of Versicor common shares at any implied premium would likely result in dilution to the market price of Versicor common stock.

Board of Directors Following the Merger (page 166)

Upon completion of the merger, we will have an eight member board of directors composed of four persons currently on the board of directors of Versicor and four persons currently on the board of directors of Biosearch. Pursuant to the merger agreement, our bylaws will be automatically amended upon completion of the merger to provide, among other things, that for the following three years, four of our eight directors will be Versicor nominees and the other four will be Biosearch nominees.

Treatment of Biosearch Options (pages 78 and 185)

The merger agreement provides that each holder of a Biosearch stock option that is outstanding immediately prior to the closing of the merger has two choices. First, a Biosearch option holder may consent to the termination of his Biosearch options, in which case the holder will be entitled to receive a replacement Versicor option upon completion of the merger. The number of Versicor shares subject to the new option will equal the number of Biosearch ordinary shares subject to the holder's terminated Biosearch options multiplied by 1.77. The per share exercise price of each new option will equal the greater of (i) the closing price per share of our common stock on the Nasdaq National Market on the merger closing date, and (ii) the average of the closing prices per share of our common stock on the Nasdaq National Market for each trading day during the one-month period immediately preceding the effective time of the merger. Each new option will also be subject to a four-year vesting schedule regardless of the vesting schedule of the predecessor Biosearch option. We expect to grant these replacement options under our 2002 Stock Option Plan. More information on our stock option plans is included under the heading "Proposal to Amend Versicor's 2001 Stock Option Plan." As described in that section, our 2002 Stock Option Plan was approved by our board of directors for the purpose of making these replacement option grants, but will not be submitted to our stockholders for approval. If the rules of the Nasdaq National Market change such that we are not able to make these option grants under a plan not approved by our stockholders, or if we are otherwise unable to make these grants under our 2002 Stock Option Plan, we will make these grants under our 2001 Stock Option Plan.

Alternatively, a Biosearch option holder may decide not to consent to the termination of his Biosearch options, in which case the holder's Biosearch option will be assumed by us and will become an option to acquire shares of our common stock upon completion of the merger. The number of shares of our common stock that will be subject to each assumed option will equal the number of Biosearch ordinary shares subject to the option immediately prior to the merger multiplied by 1.77. The per share exercise price of each assumed option will equal the exercise price of the Biosearch option immediately prior to the effective time of the merger divided by 1.77 and converted from euros into dollars.

Versicor's Reasons for the 2001 Stock Option Plan Amendment (page 185)

As of August 19, 2001, approximately 978,000 shares remain available for grant purposes under our 2001 Stock Option Plan out of the 1.2 million shares originally available under the plan. In connection with the merger, we intend to issue options to Biosearch's officers, directors, employees and consultants covering approximately 5,787,500 shares of Versicor common stock, as described below. The proposed amendments to the 2001 Stock Option Plan would increase the number of shares available under the plan by an additional 5,400,737 shares and the number of shares that may be granted under the 2001 Stock Option Plan to one person during any calendar year by an addtional 650,000 shares in order to provide our combined company with the capacity to structure incentives to our continuing and future employees, including options that we will issue in connection with the merger. The merger agreement requires us to issue replacement stock options with respect to 442,500 shares of our common stock to Biosearch optionees upon completion of the merger (or to assume any option not replaced, as described above). We intend to issue these replacement stock options under our 2002 Stock Option Plan. If the rules of the Nasdaq National Market change such that we are not able to make these option grants under a plan not approved by our stockholders, or if we are otherwise unable to make these grants under our 2002 Stock Option Plan, we will make these grants under our 2001 Stock Option Plan. In addition, we currently have contractual commitments in place to issue options covering an additional 2,845,000 shares upon completion of the merger to Biosearch key employees and one of its consultants and intend to issue additional options covering approximately 2.5 million shares to other

Biosearch employees in connection with the merger, all of which will be issued under the 2001 Stock Option Plan.

If the 2001 Stock Option Plan Amendment is approved by our stockholders, we will increase the shares available for grant under our 2001 Stock Option Plan from approximately 978,000 shares to approximately 6,378,737 shares and increase the number of shares that may be granted under the 2001 Stock Option Plan to one person during any calendar year from 300,000 shares to 950,000 shares.

Recommendation of Versicor's Board of Directors (pages 50, 193 and 194)

After careful consideration, our board of directors unanimously recommends that you vote "FOR" the proposal to approve the merger agreement, "FOR" the proposal to approve the amendment to the 2001 Stock Option Plan and "FOR" the proposal to adjourn the meeting, if necessary, to solicit additional proxies.

Accounting Treatment of the Merger (page 71)

The merger will be accounted for by Versicor for financial reporting purposes under the purchase method. Accordingly, the aggregate purchase price will be allocated based upon the fair values of the assets acquired and the liabilities assumed of Biosearch. Any excess purchase price will be recorded as goodwill. Under current generally accepted accounting principles in the United States, goodwill is no longer being amortized but instead is to be capitalized and reviewed periodically for impairment.

Appraisal or Dissenters' Rights; Rescission Rights (page 72)

Our stockholders will not be entitled to appraisal or dissenters' rights in connection with the merger. Biosearch shareholders, however, will have rescission rights as specified under Italian law. At the closing of the merger, those Biosearch shareholders that have exercised their rescission rights will be entitled to receive a cash payment for their Biosearch ordinary shares in lieu of receiving any shares of Versicor common stock.

Regulatory Requirements for the Merger (page 72)

In order for the merger to be valid under Italian law, Italian law requires delivery to the shareholders of Biosearch, by deposit at the corporate headquarters of Biosearch and with copies to the Italian securities regulator, CONSOB, and the Nuovo Mercato of certain documents, including a report that indicates that, among other things, the valuation methods adopted by the board of directors of Biosearch are, under the circumstances, reasonable and not arbitrary and have been correctly applied by the directors in their determination of the ratio for the exchange of shares contained in the merger agreement.

Also, prior to completion of the merger, Versicor and Biosearch could be required to give notification of the merger to U.S., EU or Italian antitrust authorities. If notification to any of these authorities is required, the parties could be required to furnish additional information and observe one or more statutory waiting periods prior to completion of the merger.

Material U.S. Federal Tax Considerations (page 73)

Generally, the exchange by Biosearch stockholders of Biosearch ordinary shares for shares of our common stock will not cause either Biosearch shareholders or our stockholders to recognize any gain or loss for U.S. federal income tax purposes. However, Biosearch shareholders might have to recognize gain or loss if their stock ownership in Biosearch is sufficiently large. This tax treatment might not apply to all Biosearch stockholders. A determination of the actual tax consequences of the merger to you can be complicated and will depend on your own specific situation and on variables not within our

control or the control of Biosearch. *You should consult your own tax advisor for a full understanding of the tax consequences of the merger to you.*

Italian Tax Considerations (page 76)

Generally, the merger will not cause a taxable event for Italian income tax purposes for the Biosearch shareholders who are resident in Italy for Italian tax purposes. Furthermore, the shares of our common stock received by the Biosearch shareholders in the merger will have the same aggregate tax basis as the Biosearch ordinary shares held by the Biosearch shareholders prior to the merger. However, for Biosearch shareholders who are resident outside of Italy for Italian tax purposes, with some exceptions described below, the merger may cause taxable gain to be recognized equal to the difference between the fair market value of the shares of our common stock received and the tax basis of Biosearch shareholder's Biosearch ordinary shares cancelled in the merger. Exceptions to this treatment may apply to non-resident shareholders:

- who own no more than two percent of the Biosearch voting rights or no more than five percent of the Biosearch's total outstanding equity, and who meet certain other requirements, or
- who are entitled to the benefits of almost any income-tax treaty between Italy and the shareholder's country of residence.

The actual income tax consequences under Italian tax law will depend on your own specific situation and on factors not within the control of Biosearch or us. Biosearch shareholders should consult their own tax adviser for a full understanding of the potential Italian tax consequences of the merger to them.

Material Terms of the Merger Agreement

The merger agreement is the primary legal document that governs the merger. We have attached a copy of the merger agreement as *Appendix A* to this proxy statement/prospectus and encourage you to read it. A few of its key terms are listed below:

Conditions to Completion of the Merger (page 88)

Several conditions must be satisfied before we complete the proposed merger, including, among others, those summarized below:

- the approval of our stockholders and Biosearch's shareholders must have been received;
- there must be no pending or threatened litigation by a governmental entity seeking to enjoin or prohibit the completion of the merger, nor any legal restraint or prohibition preventing the completion of the merger;
- the waiting period under any applicable antitrust laws (and any extensions thereof) must have expired or been terminated;
- legal opinions from each company's corporate and tax counsel must have been received;
- each company's respective representations and warranties in the merger agreement must remain accurate, as certified by one of its officers;
- each company must have materially complied with its covenants in the merger agreement, as certified by one of its officers; and
- from the date of the merger agreement to the completion of the merger, both companies must not have experienced any material adverse effects.

The merger agreement provides that any or all of the conditions to both parties' obligations may be waived by both parties together, and any or all of the conditions to either party's obligations may be waived by that party. However, the parties cannot waive any conditions imposed by law, such as receipt of necessary stockholder approvals.

Prohibition on Solicitation of Other Offers (page 86)

In addition, the merger agreement contains detailed provisions that prohibit us and Biosearch from taking any action, directly or indirectly, to:

solicit, initiate or encourage, including by way of furnishing information, or take any other action designed to facilitate, any inquiries or the making of any proposal the consummation of which would constitute an "alternative transaction," as defined in the merger agreement;

participate in any discussions or negotiations regarding an alternative transaction;

withdraw, qualify or modify, or propose publicly to do any of the foregoing, in a manner adverse to the other party, its approval or recommendation with respect to the merger or the merger agreement (and in our case, the issuance of our common stock in connection with the merger);

approve or recommend, or propose publicly to approve or recommend, any alternative transaction; or

enter into any agreement with respect to any alternative transaction.

The merger agreement does not, however, prohibit either party or its board of directors from considering and entering into negotiations with respect to an unsolicited bona-fide written alternative transaction from a third party if:

the holders of its common stock or ordinary shares have not adopted the merger proposals described in this proxy statement/prospectus, and

its board of directors determines in good faith, after consultation with outside legal counsel, that the failure to provide information or participate in negotiations would result in a reasonable possibility that its board of directors would breach its fiduciary duties to its stockholders or shareholders.

Furthermore, if a proposal qualifies as a "superior proposal," as defined in the merger agreement, either party may inform its stockholders or shareholders that it no longer believes that the merger or the merger agreement is advisable and no longer recommends the merger proposal.

Termination of the Merger Agreement (page 90)

Under circumstances specified in the merger agreement, each company may terminate the merger agreement. These circumstances include, among others:

if the required approval of the other company's stockholders has not been obtained at its special meeting;

if the other company's board of directors takes any action in opposition to the merger described as a triggering event in the merger agreement;

if the other company breaches its representations, warranties or covenants in the merger agreement such that the closing conditions regarding the accuracy of its representations, warranties or covenants would not be satisfied at the closing; or

if the other company consents to a termination.

A Termination Fee could be Payable if the Merger is not Completed (page 91)

If the merger agreement is terminated, either we or Biosearch, in specified circumstances, could be required to pay a termination fee of $6 million to the other party.

Comparison of Rights of Versicor Stockholders and Biosearch Shareholders (page 176)

After the completion of the merger, Biosearch shareholders will become stockholders of our company, and their rights as stockholders of our company will be governed by Delaware law, our current certificate of incorporation and our bylaws, which will be amended and restated upon completion of the merger. There are substantive differences between Delaware law and Italian law and between our certificate of incorporation and amended and restated bylaws and Biosearch's governing documents, as summarized under "Comparison of Rights of Versicor Stockholders and Biosearch Shareholders."

Comparative Stock Prices and Dividends (page 94)

Shares of our common stock currently trade in the United States on the Nasdaq National Market under the symbol "VERS," and Biosearch ordinary shares currently trade in Italy on the Nuovo Mercato under the symbol "BIO." The following table presents:

- the last reported per share sales price of our common stock;
- the last reported per share sales price of Biosearch ordinary shares, stated in euros;
- the last reported per share sales price of Biosearch ordinary shares, converted to dollars at the exchange rate then prevailing; and
- the implied value of the merger consideration of 1.77 Versicor shares per Biosearch share, based on the closing price of Versicor stock on each of the dates shown,

in each case on July 30, 2002, the last full trading day prior to the public announcement of the proposed merger, and on October 23, 2002, which is a recent date prior to the date of this proxy statement/prospectus. The implied value of the merger consideration has been determined by multiplying the last reported sales price per share of our common stock on each date by 1.77, which is the exchange ratio in the merger. Neither we nor Biosearch have ever paid dividends.

Date	Versicor Common Stock (dollars)	Biosearch Ordinary Shares (euros)	Biosearch Ordinary Shares (dollars)	Implied Value of Merger Consideration per Biosearch Ordinary Share (dollars)
July 30, 2002	$ 12.11	€ 16.00	$ 15.79	$ 21.43
October 23, 2002	$ 10.02	€ 16.70	$ 16.30	$ 17.74

The market prices of our common shares and Biosearch's ordinary shares and the exchange rate between the U.S. dollar and the euro fluctuate. You should obtain current market quotations and exchange rates.

Comparative Per Share Information (page 159)

The following table presents the net loss and book value of each of Versicor and Biosearch on a per share basis. It also presents the same types of information as adjusted by us to reflect the combination of the two companies as though it had already occurred, which is referred to as "pro forma" information. Our historical net loss per diluted share for the year ended December 31, 2001 and our historical book value per share at December 31, 2001 are derived from our audited financial statements included elsewhere in this proxy statement/prospectus. Our historical net loss per diluted share for the six months ended June 30, 2002 and our historical book value per share at June 30, 2002 are derived from our unaudited financial statements included elsewhere in this proxy statement/prospectus. Biosearch's historical net loss per diluted share for the year ended December 31, 2001 and Biosearch's historical book value per share at December 31, 2001 are derived from its audited consolidated

financial statements included elsewhere in this proxy statement/prospectus. Biosearch's historical net loss per diluted share for the six months ended June 30, 2002 and its historical book value per share at June 30, 2002 are derived from its unaudited financial statements included elsewhere in this proxy statement/prospectus. Our pro forma net loss per diluted share information for the year ended December 31, 2001 and Versicor's and Biosearch equivalent's respective June 30, 2002 pro forma per share information are derived from information in the unaudited pro forma condensed consolidated financial statements included elsewhere in this proxy statement/prospectus. Versicor's and Biosearch equivalent's respective pro forma book value per share information at December 31, 2001 are derived from unaudited pro forma condensed financial data which is not otherwise included in this proxy statement/prospectus.

The following information should be read in conjunction with the audited financial statements of Versicor, the audited consolidated financial statements of Biosearch, the unaudited interim financial statements of Versicor, the unaudited interim consolidated financial statements of Biosearch, the selected historical consolidated financial information of Versicor and Biosearch, the selected unaudited pro forma consolidated financial information and the unaudited pro forma condensed consolidated financial statements included elsewhere in this proxy statement/prospectus or incorporated by reference as described under "Where You Can Find More Information." The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the beginning of the periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined company.

	Year ended and as of December 31, 2001	Six months ended and as of June 30, 2002
Versicor Historical		
Net loss per diluted share	$ (1.42)	$ (0.92)
Book value per share (1)	2.28	2.80
Biosearch Historical		
Net loss per diluted share	€ (0.89)	€ (0.38)
Book value per share (1)	10.55	9.86
Versicor Pro Forma		
Net loss per diluted share	$ (1.02)	$ (0.63)
Book value per share (1)	4.37	4.58
Biosearch Equivalent Pro Forma (2)		
Net loss per diluted share	$ (1.81)	$ (1.12)
Book value per share	7.74	8.11

(1) Historical book value per share is computed by dividing stockholders' equity by the number of shares of Versicor common stock or Biosearch ordinary shares outstanding at the end of each period. Pro forma book value per share is computed by dividing pro forma stockholders' equity by the pro forma number of shares of Versicor common stock outstanding at the end of the period.

(2) The Biosearch equivalent pro forma consolidated per share amounts are calculated by multiplying Biosearch consolidated pro forma share amounts by the exchange ratio in the merger of 1.77 shares of Versicor common stock for each Biosearch ordinary share.

Summary Versicor Historical Financial Data (page 96)

The following summaries of our historical financial data for the years ended December 31, 1999, 2000 and 2001 and our balance sheet data as of December 31, 2000 and 2001 are derived from our audited financial statements appearing elsewhere in this proxy statement/prospectus. The financial data for the years ended December 31, 1997 and 1998 and the balance sheet data as of December 31, 1997, 1998 and 1999 are derived from audited financial statements not included in this proxy statement/prospectus. The financial data for the six months ended June 30, 2001 and 2002 and the balance sheet data at June 30, 2002 are derived from our unaudited financial statements which are included elsewhere in this proxy statement/prospectus. You should read the following selected historical financial data in conjunction with our financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Versicor" included elsewhere

in this proxy statement/prospectus.

	Year ended December 31,					Six months ended June 30,	
	1997	1998	1999	2000	2001	2001	2002
	(in thousands, except per share amounts)						
Statement of Operations Data:							
Revenues:							
Collaborative research and development and contract services	$	$	$ 3,750	$ 5,338	$ 6,145	$ 3,040	$ 3,044
License fees and milestones			525	553	283	267	258
Total revenues			4,275	5,871	6,428	3,307	3,302
Operating expenses:							
Research and development	5,403	11,429	25,472	15,531	32,612	14,154	22,065
General and administrative	807	1,386	2,586	8,891	9,600	4,913	4,537
Total operating expenses	6,210	12,815	28,586	24,422	42,212	19,067	26,602
Loss from operations	(6,210)	(12,815)	(23,783)	(18,551)	(35,784)	(15,760)	(23,300)
Interest income	104	770	749	3,712	3,313	2,132	781
Interest expense	(178)	(540)	(6,171)	(482)	(316)	(180)	(124)
Other			(14)	18	(60)		
Net loss	(6,284)	(12,585)	(29,219)	(15,303)	(32,847)	(13,808)	(22,643)
Preferred stock deemed dividends and accretion to redemption value	(422)	(2,527)	(38,175)	(3,486)			
Net loss available to common stockholders	$ (6,706)	$ (15,112)	$ (67,394)	$ (18,789)	$ (32,847)	$ (13,808)	$ (22,643)
Net loss per share, basic and diluted	$ (24.31)	$ (47.11)	$ (127.28)	$ (1.95)	$ (1.42)	$ (0.60)	$ (0.92)
Shares used in computing net loss per share, basic and diluted	276	321	530	9,638	23,090	23,048	24,642

	December 31,					June 30,
	1997	1998	1999	2000	2001	2002
	(in thousands)					
Balance Sheet Data:						
Cash and cash equivalents and marketable securities	$ 14,491	$ 4,507	$ 34,619	$ 85,934	$ 63,768	$ 85,150
Total assets	26,258	15,865	45,233	91,596	70,697	91,102
Term loan payable, less current portion	6,034	5,172	4,310	3,448	1,004	1,047
Convertible and redeemable preferred stock	31,472	33,984	83,843			
Accumulated deficit	(12,536)	(26,454)	(55,673)	(70,976)	(103,823)	(126,466)
Total stockholders' equity (deficit)	(12,551)	(27,076)	(48,796)	80,287	52,894	73,695

Summary Biosearch Historical Consolidated Financial Data (page 130)
(amounts in accordance with U.S. GAAP)

The following summaries of Biosearch's historical consolidated financial data for the years ended December 31, 2000 and 2001 and its balance sheet data as of December 31, 2000 and 2001 are derived from Biosearch's audited consolidated financial statements presented in euros, which have been prepared in accordance with U.S. generally accepted accounting principals, or U.S. GAAP, and which appear elsewhere in this proxy statement/prospectus. The financial data for the six months ended June 30, 2001 and 2002 and the consolidated balance sheet data at June 30, 2002 are derived from Biosearch's unaudited consolidated financial statements presented in euros, which are prepared in accordance with U.S. GAAP and are included elsewhere in this proxy statement/prospectus. You should read the following summary selected historical consolidated financial data in conjunction with the consolidated financial statements of Biosearch and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Biosearch" included elsewhere in this proxy statement/prospectus.

	Year ended December 31,		Six months ended June 30,	
	2000	2001	2001	2002
	(in thousands, except per share amounts)			
Statement of Operations Data:				
Revenues:				
License fees and milestones	€ 3,066	€ 3,484	€ 2,975	€ 206
Research and development consulting and contract services and government grants	5,766	3,749	2,868	1,681
Total revenues	8,832	7,233	5,843	1,887
Operating expenses:				
Research and development(1)	28,181	16,756	6,980	6,300
General and administrative(2)	4,834	4,251	1,645	2,127
Loss (gain) on trading securities	2,970	(1,812)	(968)	(782)
Amortization of negative goodwill	(1,268)	(1,268)	(634)	
Total operating expenses	34,717	17,927	7,023	7,645
Loss from operations	(25,885)	(10,694)	(1,180)	(5,758)
Investment income (expense)	319	(163)	(623)	1,135
Net loss	€ (25,566)	€ (10,857)	€ (1,803)	€ (4,623)
Net loss per share, basic and diluted	€ (2.69)	€ (0.89)	€ (0.15)	€ (0.38)
Shares used in computing net loss per share, basic and diluted	9,505	12,154	12,161	12,102

(1) Research and development expense for the year ended December 31, 2000 and for the six months ended June 30, 2002 include non-cash stock-based compensation expenses of €19,173 and €18, respectively.

(2) General and administrative expense for the year ended December 31, 2000 includes non-cash stock-based compensation expense of €2,407.

	December 31,

	December 31,		
	2000	2001	June 30, 2002
		(in thousands)	
Balance Sheet Data:			
Cash and cash equivalents and unrestricted marketable securities	€130,931	€114,377	€106,214
Total assets	146,323	139,470	133,434
Long-term loan, less current portion	429	407	1,132
Accumulated deficit	(25,422)	(36,279)	(40,902)
Total stockholders' equity	136,204	127,919	119,192

Summary Pro Forma Consolidated Financial Data (page 159)

The following summary pro forma consolidated statement of operations data for the year ended December 31, 2001 and the six months ended June 30, 2002 give effect to our merger with Biosearch as if it had occurred on January 1, 2001. The following summary pro forma consolidated balance sheet data as of June 30, 2002 gives effect to our merger with Biosearch as if it had occurred on June 30, 2002. The following summary pro forma consolidated financial data have been derived from, and should be read along with, the "Unaudited Pro Forma Condensed Consolidated Financial Information" and related notes included elsewhere in this proxy statement/prospectus.

The summary pro forma consolidated financial data is not necessarily indicative of what our results of operations would have been had the merger occurred at the beginning of the applicable period.

	Year ended December 31, 2001				Six months ended June 30, 2002			
	Historical Versicor	Historical Biosearch	Pro Forma Adjustments	Pro Forma	Historical Versicor	Historical Biosearch	Pro Forma Adjustments	Pro Forma
	(in thousands, except per share amounts)							
Statement of Operations Data:								
Revenues:								
Collaborative research and development and contract services	$ 6,145	$ 3,360	$ (509)	$ 8,996	$ 3,044	$ 1,510	$ (994)	$ 3,560
License fees and milestones	283	3,122	(1,649)	1,756	258	185	(78)	365
Total revenues	6,428	6,482	(2,158)	10,752	3,302	1,695	(1,072)	3,925
Operating expenses:								
Research and development	32,612	15,017	(2,006)	45,623	22,065	5,660	(996)	26,729
General and administrative	9,600	3,810		13,410	4,537	1,911		6,448
Gain on trading securities		(1,624)		(1,624)		(703)		(703)
Amortization of intangible assets			2,863	2,863			1,431	1,431
Amortization of negative goodwill		(1,136)		(1,136)				

	Year ended December 31, 2001				Six months ended June 30, 2002			
Total operating expenses	42,212	16,067	857	59,136	26,602	6,868	435	33,905
Loss from operations	(35,784)	(9,585)	(3,015)	(48,384)	(23,300)	(5,173)	(1,507)	(29,980)
Interest income (expense), net	2,997	(146)		2,851	657	1,020	(861)	816
Other	(60)			(60)				
Net loss	$ (32,847)	$ (9,731)	$ (3,015)	$ (45,593)	$ (22,643)	$ (4,153)	$ (2,368)	$ (29,164)
Net loss per share, basic and diluted	$ (1.42)	$ (0.80)		$ (1.02)	$ (0.92)	$ (0.34)		$ (0.63)
Shares used in computing net loss per share, basic and diluted	23,090	12,154		44,614	24,642	12,102		46,166

	June 30, 2002			
	Historical Versicor	Historical Biosearch	Pro Forma Adjustments	Pro Forma
	(in thousands)			
Balance Sheet Data:				
Cash and cash equivalents and marketable securities	$ 85,150	$ 104,900	$ (2,098)	$ 187,952
Total assets	91,102	131,783	35,425	258,310
Long-term loan, less current portion	1,047	1,118		2,165
Accumulated deficit	(126,466)	(40,396)	(51,104)	(217,966)
Total stockholders' equity	73,695	117,717	27,522	218,934

RISK FACTORS

In addition to the other information included or incorporated by reference in this proxy statement/ prospectus, you should carefully consider the following factors in evaluating the proposals to be voted on at the special meeting. Additional risks not presently known to Versicor or that Versicor currently deems immaterial might also impair Versicor's business operations. Actual future results and trends might differ materially from historical results or those anticipated depending on a variety of factors, including, without limitation, the factors set forth in this section.

Risks Related to the Merger Transaction

The issuance of approximately 21,524,085 shares of Versicor common stock to Biosearch shareholders in the merger will substantially reduce the percentage interests of Versicor stockholders.

If the merger is completed, approximately 21,524,085 shares of Versicor common stock will be issued to current Biosearch shareholders, and former Biosearch shareholders will own approximately 45% of the outstanding common stock of Versicor after the merger. The issuance of these shares to current Biosearch shareholders will cause a significant reduction in the relative percentage interests of current Versicor stockholders in earnings, voting, liquidation value and book and market value. Moreover, as described under "Comparative Stock Prices and Dividends," based on the companies' respective closing share prices on July 30, 2002, which was the last full trading day prior to our announcement of the merger, Biosearch shareholders would receive an implied premium for their shares. The issuance of Versicor common shares at any implied premium would likely result in dilution to the market price of Versicor common stock. The issuance of additional shares in future transactions could further reduce the percentage interests of current Versicor stockholders and Biosearch shareholders.

The integration of Versicor and Biosearch management following the merger will present significant challenges.

Versicor and Biosearch will face significant challenges in combining their management and internal control systems in a timely and efficient manner. This integration will be complex and time-consuming because, among other things, the combined company's U.S. executives will be located in Pennsylvania, United States while the combined company's Italian executives will be located in Gerenzano, Italy. The failure to integrate successfully Versicor and Biosearch's management and decision-making systems might result in Versicor and Biosearch not achieving the anticipated potential benefits of the merger and could harm our combined company. In addition, the relocation of our corporate management and finance team from California to Pennsylvania could result in increased turnover.

If Nasdaq's currently proposed director-independence rules are adopted, compliance with both the new rules and our bylaws, as amended by the merger agreement, might require us to significantly increase the size of our board.

Upon completion of the merger we will have eight directors on our board, four of whom are currently associated with Versicor and the other four of whom are currently associated with Biosearch. Pursuant to the merger agreement, our bylaws will be amended in a manner that is intended, among other things, to maintain an even balance of Versicor directors and Biosearch directors on the board for three years from the date the merger is completed. If we decide to add additional directors to the board during that three-year period, the bylaws will effectively require us to add equal numbers proposed by the four Versicor directors and by the four Biosearch directors in order to maintain equal numbers of Versicor directors and Biosearch directors on the board.

Those changes to our bylaws might make it more difficult for us to comply with Nasdaq's recently proposed director-independence rule. Although Nasdaq's proposed rule is still subject to change, the

current version announced by Nasdaq on September 13, 2002 includes the following requirements, among others:

Majority of Independent Directors. Nasdaq's proposed rule will require that a majority of our board must be comprised of independent directors, and a director will not be "independent" if, among other disqualifications, in any of the past three years he or his non-employee family members received more than $60,000 from our company, other than for his service as a director, or if the director is a controlling shareholder or officer of an entity to which our combined company has made payments in excess of $200,000 or 5% of either entity's gross revenues.

Three Completely Independent Audit Committee Members. Nasdaq's proposed rule will provide that a director is ineligible to serve on our three-member audit committee if (a) he is not independent (as described above) or (b) he receives *any* payments from our company (other than in his capacity as a board or committee member) or (c) he controls directly or indirectly a significant amount of our company's stock (which amount is currently undefined but might be as low as 5%). In addition, if at least one member of our audit committee is not a "financial expert" (a phrase which Nasdaq has not yet defined), or if any of the audit committe members are not financially literate, we must disclose and explain the committee's lack of expertise to our stockholders in our annual proxy statements. We believe that only two of our eight directors following the completion of the merger may be independent under the proposed standards, and only one director may be eligible to serve on the audit committee under the proposed standards.

Compliance Deadline. If compliance with the proposed rule requires any changes to our board, we will be required to comply with the rule commencing immediately after our first annual meeting held at least 120 days after the new rules are adopted, which will be our 2004 annual meeting (assuming we hold our 2003 meeting on June 14, which is the anniversary of our 2002 meeting, and that the new rules are adopted after February 15, 2003).

If the Nasdaq proposal is adopted, we will comply with the new rules. In order for our board to be comprised of a majority of independent directors we will need to (a) ask up to three of our non-independent directors to resign and/or (b) increase the size of our board by adding up to six additional independent directors. Any increase in the size of our board might give rise to inefficiencies which might cause some board actions to be delayed.

Because the exchange ratio in the merger is fixed, Versicor stockholders are exposed to the risk that the market price of Versicor's common stock could increase or the market price of Biosearch ordinary shares could decrease.

Under the merger agreement, each Biosearch ordinary share will convert into the right to receive 1.77 shares of Versicor common stock. This exchange ratio is a fixed number and will not be adjusted if the price of Versicor common stock or Biosearch ordinary shares increases or decreases prior to the completion of the merger. The prices of Versicor common stock and Biosearch ordinary shares at the closing of the merger might vary from their prices on the date of this proxy statement/prospectus and on the date of the Versicor stockholders' special meeting. These prices might vary because of changes in the business, operations or prospects of Versicor or Biosearch, market assessments of the likelihood that the merger will be completed, the timing of the completion of the merger, the prospects of post-merger operations, regulatory considerations, general market and economic conditions and other factors. Because the date that the merger is completed will be later than the date of the Versicor stockholders' special meeting, the prices of Versicor common stock and Biosearch ordinary shares on the date of the Versicor stockholders' special meeting might not be indicative of their respective prices on the date the merger is completed. As a result, the market value of the shares of Versicor common stock that Veriscor will be required to issue to former Biosearch shareholders upon completion of the merger might be greater than the value attributed to Biosearch's business and assets at the time the merger agreement was entered into and/or the date it is approved by our stockholders. We urge

Versicor stockholders to obtain current market quotations for Versicor common stock and Biosearch ordinary shares, and to be aware that the relative prices of Versicor common stock and Biosearch ordinary shares might change dramatically after the Versicor stockholders' special meeting.

Our combined company may be required to pay $25 million or more to Biosearch shareholders who exercise recission rights in connection with the merger.

Under Italian law, Biosearch shareholders that properly exercise their recission rights will be entitled to receive a cash payment for their Biosearch ordinary shares, which cash payment is determined by averaging the closing price for a Biosearch ordinary share on the Nuovo Mercato over the six months prior to the date on which Biosearch shareholders approve the merger. Pursuant to the merger agreement, neither Versicor nor Biosearch will be obligated to complete the merger if the aggregate amount to be paid to dissenting Biosearch shareholders equals or exceeds $25 million. The payment of any amount to Biosearch shareholders who exercise rescisson rights would reduce the available cash reserves of our combined company. At June 30, 2002, Versicor and Biosearch combined had cash, cash equivalents and unrestricted investments totaling $190 million (based on exchange rates then prevailing). As a closing condition, this $25 million limit may be waived only with the consent of both Versicor and Biosearch. If the amount of claims from dissenting shareholders exceeds $25 million and the parties agree to waive this closing condition and elect to complete the merger, the cash reserves of our combined company would be reduced to that additional extent.

Our combined company might be required to repay some or all of the Italian and/or EU research grants and loan subsidies previously received by Biosearch as a result of the merger and might not qualify or be approved for new grants and subsidies following the merger.

Biosearch has historically funded a portion of its operations through research grants and loan subsidies awarded by Italian and EU authorities. Upon completion of the merger, it is intended that the grants and subsidies will be transferred to the Italian branch of Versicor and subsequently contributed to a newly-formed Italian subsidiary of Versicor. Under the terms of the grants and subsidies obtained by Biosearch (*i.e.*, excluding the grant awarded to Biosearch Manufacturing S.r.l., Biosearch's subsidiary), these transfers will require advance written approval from the Italian bank authorized to make the disbursement on behalf of the government and from the appropriate Italian or EU authorities. We face the risk that one or both of the transfers might not be approved by the applicable bank and/or by either or both of the Italian and EU authorities, in which case our combined company might be required to repay some or all of the grants and subsidies received prior to the merger, in the aggregate amount of up to approximately $ as of September 30, 2002 (based on exchange rates then prevailing). Following the completion of the merger, our planned Italian subsidiary will be eligible to apply for new research grants and subsidies from both the Italian and EU authorities. However, the grants and subsidies are awarded in the discretion of those authorities and there can be no assurance that the Italian subsidiary will qualify or be approved for any grants or subsidies that may be applicable to it. For a more detailed description of the Italian and EU grant and subsidy programs, see "Conditions in Italy and the European Union Governmental Support of Medical Research and Training."

Risks Related to International Expansion

If the merger is completed, Versicor will operate in both the United States and Italy, which will increase Versicor's costs of doing business and might result in additional, unexpected challenges.

If the merger is completed, our operations will be located both in the United States and Italy. This expansion will cost us time and resources that we would not have to spend if our operations were confined within one country only, such as:

our management will need to devote additional time to overseeing operations in two countries;

language barriers within our company might result in misunderstandings, improperly executed instructions and additional translation costs; and

internal transportation and communications costs will increase in order for personnel, resources and ideas to be shared between the two operation centers.

The increased time and resources we spend to manage operations internationally will result in an increase in our historical cost of doing business. In addition, international operations might present other challenges. For example, the cultural differences between business operations (generally including employer-employee relations) in the United States and those in Italy might reduce some of the benefits of the merger.

If the merger is completed, Versicor will be required to comply with two national regulatory structures, which could result in administrative challenges.

If the merger is completed, our operations will need to comply with applicable laws of and rules of the United States (including California law, Delaware corporate law and the rules and regulations of the Securities and Exchange Commission and the Nasdaq National Market), the EU legal system and the Republic of Italy (including the rules and regulations of CONSOB and Borsa Italiana, which collectively regulate companies listed on Italy's public markets such as the Nuovo Mercato). Conducting our operations in a manner that complies with all applicable laws and rules will require us to devote additional time and resources to regulatory compliance matters, which costs might be substantial, and might cause delays. For example:

issuing each material announcement in both English and Italian might cause administrative challenges as we seek to time the simultaneous release of such announcements in both languages;

producing financial statements and quarterly (and other periodic) reports under two sets of standards, and approving translations of each significant document into the other language will be expensive and might distract our executives from their primary focus of managing our business, and language translations themselves might lead to inaccuracies; and

the process of seeking to understand and comply with the laws of each country (including tax, labor and regulatory laws) might require us to incur the expense of engaging additional outside counsel, accountants and other professional advisors and might result in delayed business initiatives as we seek to ensure that each new initiative will comply with both regulatory regimes.

If the merger is completed, we will be subject to risks relating to fluctuations in the exchange rate of the dollar relative to the euro, which could cause costs to be greater than we expect and introduce additional volatility in our reported quarterly results.

Following the completion of the merger we will be exposed to risks associated with foreign currency transactions insofar as we might desire to use dollars to make contract payments denominated in euros or vice versa. As the net positions of our unhedged foreign currency transactions might fluctuate, our earnings might be negatively affected. In addition, following the completion of the merger, we will be exposed to risks associated with the translation of Biosearch's euro-denominated financial results and balance sheet into U.S. dollars. The reporting currency of Versicor will remain as the U.S. dollar, however, a significant portion of our consolidated revenues and costs will arise in euros. In addition, the carrying value of some of our assets and liabilities will be affected by fluctuations in the value of the U.S. dollar as compared to the euro. Changes in the value of the U.S. dollar as compared to the euro might have an adverse effect on our reported results of operations and financial condition.

If the merger is completed, we will be subject to new legal duties and additional political and economic risks related to operations in Italy.

If the merger is completed, a substantial portion of our business will be based in Italy. We will be subject to duties and risks arising from doing business in Italy, such as:

- Italian employment law, under which our relations with our employees in Italy will be governed by collective bargaining agreements negotiated at the national level and over which we have no control;
- European Union data protection regulations, under which we will be unable to send private personal data, including many employment records and some clinical trial data, from our Italian offices to our U.S. offices until our U.S. offices self-certify their adherence to the safe harbor framework established by the U.S. Department of Commerce in consultation with the European Commission;
- tariffs, customs, duties and other trade barriers;
- import restrictions or prohibitions, delays from customs brokers and potentially adverse tax consequences; and
- capital controls, terrorism and other political risks.

These risks related to doing business in Italy could harm the results of our operations.

Risks Related to the Business of our Combined Company

If our combined company is unable to develop and successfully commercialize our product candidates, it might never generate significant revenues or become profitable.

You must evaluate our combined company's business following the merger in light of the uncertainties and complexities present in a biopharmaceutical company. Most of our combined company's product candidates are in the early stages of development, and four are in clinical trials. We do not know whether any of our combined company's clinical trials will result in marketable products. Pre-clinical testing and clinical trials are protracted, expensive and uncertain processes. It might take our combined company or its collaborators several years to complete this testing, and failure can occur at any stage of the process. Success in pre-clinical testing and early clinical trials does not ensure that later clinical trials will be successful. To date, neither Versicor nor Biosearch has commercialized any products or recognized any revenue from product sales. To do so will require significant additional investment in research and development, pre-clinical testing and clinical trials, regulatory approval, and sales and marketing activities. Furthermore, our combined company's product candidates will be subject to the risks of failure inherent in the development of biopharmaceutical products based on new technologies. These risks include:

- the possibilities that any or all of our combined company's product candidates will be found to be unsafe or ineffective, or otherwise fail to meet applicable regulatory standards or receive necessary regulatory clearances;
- that these product candidates, if safe and effective, will be difficult to develop into commercially viable drugs or to manufacture on a large scale or will be uneconomical to market commercially;
- that third-party proprietary rights will preclude our combined company from marketing such drugs; or
- that third parties will market superior or equivalent drugs or be more effective than our combined company in marketing competitive drugs.

Finally, even if our combined company's product candidates are successfully developed, they might not generate sufficient or sustainable revenues to enable our combined company to become profitable.

We expect that our combined company will incur losses for the foreseeable future and might never achieve profitability.

We and Biosearch have each incurred net losses since our respective inceptions in 1995 and 1996. Before deemed dividends and accretion to redemption value of our preferred stock, our net losses were $1.1 million in 1995, $4.8 million in 1996, $6.3 million in 1997, $12.6 million in 1998, $29.2 million in 1999, $15.3 million in 2000, $32.8 million in 2001 and $22.6 million in the six months ended June 30, 2002. As of June 30, 2002, our accumulated deficit was $126.5 million. Our losses to date have resulted principally from:

- research and development costs (including non-cash stock compensation expenses) relating to the in-licensing and development of our product candidates, which represent approximately 80% of our aggregate operating expenses from the inception of our company through June 30, 2002; and

- general and administrative costs (including non-cash stock compensation expenses) relating to our operations, which represent approximately 20% of our aggregate operating expenses from the inception of our company through June 30, 2002.

Biosearch's net losses were €25.6 million for 2000, €10.9 million for 2001 and €4.6 million for the six months ended June 30, 2002. As of June 30, 2002, Biosearch's accumulated deficit was €40.9 million. Biosearch's losses to date have resulted principally from:

- research and development costs (including non-cash stock compensation expenses) relating to the discovery, development and manufacture of Biosearch's product candidates, representing 85% of Biosearch's aggregate operating expenses from January 1, 2000 through June 30, 2002;

- general and administrative costs (including non-cash stock compensation expenses) relating to Biosearch's operations, representing 19% of Biosearch's aggregate operating expenses from January 1, 2000 through June 30, 2002; and

- these expenses were partially offset by amortization of negative goodwill, less losses on trading securities in the net amount of (4%) of Biosearch's aggregate operating expenses from January 1, 2000 through June 30, 2002.

We expect our combined company to incur substantial and increasing losses for the foreseeable future as a result of increases in its research and development costs, including costs associated with conducting pre-clinical testing and clinical trials, and charges related to purchases of technology or other assets. We expect that the amount of operating losses of our combined company will fluctuate significantly from quarter to quarter as a result of increases or decreases in its research and development efforts, the execution or termination of collaborative arrangements, the initiation, success or failure of clinical trials, or other factors. Our combined company's chances for achieving profitability will depend on numerous factors, including success in:

- qualifying for and receiving grants and subsidies;

- developing and testing new product candidates;

- licensing rights to our product candidates to third parties;

- receiving regulatory approvals;

- manufacturing products;

- marketing products; and

competing with products from other companies.

Many of these factors will depend on circumstances beyond our combined company's control. We cannot assure you that our combined company will ever become profitable.

Our combined company's revenues will be subject to significant fluctuations, which will make it difficult to draw meaningful comparisons from periodic changes in its operating results.

We expect that substantially all of the revenues of our combined company for the foreseeable future will result from payments under collaborative arrangements. To date, these payments have been in the form of up-front payments, reimbursement for research and development expenses and milestone payments. Milestone payments to our combined company under its existing and any future collaborative arrangements will be subject to significant fluctuation in both timing and amount, and might never be achieved or payable. Versicor's or Biosearch's revenues might not be indicative of our combined company's future performance or of its ability to continue to achieve additional milestones and to receive additional milestone payments. Our combined company's revenues and results of operations for any period might also not be comparable to its revenues or results of operations for any other period.

If our combined company cannot enter into new licensing arrangements, its future product portfolio and potential profitability could be harmed.

An important component of our combined company's business strategy is in-licensing drug compounds developed by other pharmaceutical and biotechnology companies or academic research laboratories. Following completion of the merger, one of the combined company's four product candidates in clinical development, our lead antifungal product candidate, anidulafungin, will be in-licensed from a third party. Under the in-licensing arrangement with Eli Lilly, our combined company will continue to own the exclusive worldwide rights to anidulafungin. This license arrangement will terminate on a on a country-by-country basis upon the later of 10 years from the date of the first commercial sale of anidulfungin in the country or the expiration of all product patents in the country.

Competition for new promising compounds can be intense. If our combined company is not able to identify future in-licensing opportunities and enter into future licensing arrangements on acceptable terms, its future product portfolio and potential profitability could be harmed.

If the combined company fails to establish and maintain collaborations or if its collaborators do not perform, it will be unable to develop its joint product candidates.

We and Biosearch have each entered into collaborative arrangements with third parties to develop product candidates. Additional collaborations might be necessary in order for our combined company to fund its research and development activities and third-party manufacturing arrangements, seek and obtain regulatory approvals and successfully commercialize its existing and future product candidates. If our combined company fails to maintain its existing collaborative arrangements or fails to enter into additional collaborative arrangements, the number of product candidates from which it could receive future revenues would decline.

In addition, our combined company's dependence on collaborative arrangements with third parties subjects it to a number of risks. These collaborative arrangements might not be on terms favorable to our combined company. Agreements with collaborators typically allow the collaborators significant discretion in electing whether to pursue any of the planned activities. Our combined company cannot control the amount and timing of resources its collaborators devote to the product candidates or their prioritization of the product candidates, and its collaborators might choose to pursue alternative products. Our combined company's collaborators might also not perform their obligations as expected. Business combinations or significant changes in a collaborator's business strategy might adversely affect a collaborator's willingness or ability to complete its obligations to our combined company. Moreover,

our combined company could become involved in disputes with its collaborators which could lead to delays in, or the termination of, its development programs with them, as well as time-consuming and expensive litigation or arbitration. Even if our combined company fulfills its obligations under a collaborative agreement, its collaborators can generally terminate the agreements under specified circumstances. If any

collaborator were to terminate or breach our combined company's agreement with it, or otherwise fail to complete its obligations in a timely manner, our combined company's chances of successfully commercializing products could be harmed.

If clinical trials for our combined company's product candidates are unsuccessful or delayed, it will be unable to meet its anticipated development and commercialization timelines, which could harm its business and cause its stock price to decline.

Before obtaining regulatory approvals for the commercial sale of any products our combined company might develop, our combined company must demonstrate through pre-clinical testing and clinical trials that its product candidates are safe and effective for use in humans. Conducting pre-clinical testing and clinical trials is a protracted, time-consuming and expensive process. Completion of clinical trials might take several years or more. Our combined company's commencement and rate of completion of clinical trials might be delayed by many factors, including:

slower than expected rate of hospital and patient recruitment;

inability to manufacture sufficient quantities of the study drug for use in clinical trials;

unforeseen safety issues;

lack of efficacy during the clinical trials;

inability to adequately follow patients after treatment;

governmental or regulatory delays; or

a decision to expand clinical trials or add studies to increase the statistical significance of the results.

In addition, the results from pre-clinical testing and early clinical trials are often not predictive of results obtained in later clinical trials. In general, a number of new drugs have shown promising results in early clinical trials, but subsequently failed to establish sufficient safety and efficacy data to obtain necessary regulatory approvals. Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which might delay, limit or prevent regulatory approval. In addition, regulatory delays or rejections might be encountered as a result of many factors, including perceived defects in the design of clinical trials and changes in regulatory policy during the period of product development.

As of June 30, 2002, Versicor and Biosearch had four product candidates in clinical trials: anidulafungin in Phase III, dalbavancin in Phase II, ramoplanin in Phase III and BI-K-0376 in Phase I. Patient follow-up for these clinical trials has been limited and more trials will be required before our combined company will be able to apply for regulatory approvals. Versicor recently extended the anticipated completion date of one of its phase III trials with anidulafungin in order to increase its patient safety data base. Clinical trials conducted by our combined company or by third parties on its behalf might not demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals for anidulafungin, dalbavancin, ramoplanin or BI-K-0376 or any other potential product candidates. This failure might delay development of other product candidates and hinder our combined company's ability to conduct related pre-clinical testing and clinical trials. It might also cause regulatory authorities to prohibit our combined company from undertaking any additional clinical trials for its other product candidates. Our combined company's other product candidates are in pre-clinical development, and it has not submitted investigational new drug applications, or INDs, to commence clinical trials involving these compounds. Our combined company's pre-clinical development efforts might not be successfully

completed and it might not file further INDs. Any delays in, or termination of, our combined company's clinical trials will harm its development and commercialization timelines, which could cause its stock price to decline. Any of these events could also impede its ability to obtain additional financing.

If our combined company's third-party clinical trial managers do not perform, clinical trials for our combined company's product candidates might be delayed or unsuccessful.

Versicor and Biosearch each have limited experience in conducting and managing clinical trials. As of June 30, 2002, Versicor had 21 full-time clinical development employees. Versicor and Biosearch each rely on third parties, including our collaborators, clinical research organizations and outside consultants, to assist them in managing and monitoring clinical trials. If these third parties fail to perform satisfactorily under the terms of our combined company's agreements with them, clinical trials for its product candidates might be delayed or unsuccessful. Furthermore, the Food and Drug Administration, or the FDA and/or other regulatory agencies of the EU or Italy, might inspect some of our combined company's clinical investigational sites, our combined company's collaborators' records and our combined company's facility and files to determine if the clinical trials were conducted according to good clinical practices. If the FDA determines that the trials were not in compliance with applicable requirements, our combined company might be required to repeat the clinical trials.

If our combined company's future products are not accepted by the market, we are not likely to generate significant revenues or become profitable.

Even if our combined company obtains regulatory approval to market products in the future, it might not gain market acceptance among physicians, patients, healthcare payors and the medical community. The degree of market acceptance of any pharmaceutical product that our combined company develops will depend on a number of factors, including:

demonstration of clinical efficacy and safety;

cost-effectiveness;

potential advantages over alternative therapies, including fewer side effects or easier administration;

reimbursement policies of government and third-party payors; and

effectiveness of our combined company's marketing and distribution capabilities.

Physicians will not recommend therapies using any of our combined company's future products until clinical data or other factors demonstrate their safety and efficacy as compared to other drugs or treatments. Even if the clinical safety and efficacy of therapies using any of our combined company's future products is established, physicians might elect not to recommend the therapies for a number of other reasons, including whether the mode of administration of any of our combined company's future products is effective for their patients' indications and location. For example, many antibiotic or antifungal products are typically administered by infusion or injection, which requires substantial cost and inconvenience to patients and might not be practical in non-hospital settings. Our combined company's product candidates, if successfully developed, will compete with a number of drugs and therapies manufactured and marketed by major pharmaceutical and other biotechnology companies. Our combined company's future products might also compete with new products currently under development or developed by others in the future. Physicians, patients, third-party payors and the medical community might not accept and utilize any product candidates that our combined company or its collaborators develop. If any of our combined company's future products do not achieve significant market acceptance, our combined company is not likely to generate significant revenues or become profitable.

If our combined company is unable to attract and retain skilled employees and consultants, our combined company will be unable to develop and commercialize its product candidates.

Our combined company is highly dependent on our skilled management and scientific staff. In order to pursue our combined company's product development, marketing and commercialization plans, it might need to hire additional personnel with experience in clinical testing, government regulation, manufacturing, marketing and finance. Our combined company might not be able to attract and retain personnel on acceptable terms given the intense competition for such personnel among high technology enterprises, including biotechnology, pharmaceutical and healthcare companies, universities and non-profit research institutions. Most of our combined company's management and scientific staff do not have employment contracts. If our combined company loses a significant number of these persons, or is unable to attract and retain qualified personnel, our business, financial condition and results of operations might be harmed. Neither Versicor nor Biosearch have key person life

insurance on any of their personnel.

In addition, Versicor relies on members of its scientific and clinical advisory boards, and both Versicor and Biosearch rely on consultants to assist them in formulating their research and development strategies. All of these consultants and the members of Versicor's scientific and clinical advisory boards are employed by others, and they might have commitments to, or advisory or consulting agreements with, others that might limit their availability to our combined company. If our combined company loses the services of these advisors, the achievement of our combined company's development objectives might be impeded, and our business, financial condition and results of operations might be harmed. Finally, except for work performed specifically for and at our combined company's direction, the inventions or processes discovered by our scientific and clinical advisory board members and other consultants will not become our combined company's intellectual property, but will be the intellectual property of the individuals or their institutions. If our combined company desires access to these inventions, it will be required to obtain appropriate licenses from the owners. We face the risk that our combined company might not be able to obtain such licenses on favorable terms or at all.

If our combined company, together with its third-party manufacturers, fails to deliver its product candidates, clinical trials and commercialization of its product candidates could be delayed.

Versicor currently does not have its own manufacturing facilities, and Biosearch's facilities are currently not able to manufacture products in quantities necessary for large-scale trials or marketing. As a result, we anticipate that our combined company might need to rely on third parties to manufacture the active ingredients for any future product candidates. There are a limited number of facilities in which our combined company's product candidates can be produced, and third-party manufacturers have limited experience in manufacturing anidulafungin, dalbavancin, ramoplanin and BI-K-0376 in quantities sufficient for conducting clinical trials or for commercialization.

Difficulties are often encountered in manufacturing new products, including problems involving production yields, quality control and assurance, shortage of qualified personnel, compliance with FDA and other regulations, production costs, and development of advanced manufacturing techniques and process controls. Any contract manufacturer might not perform as agreed or might not remain in the contract manufacturing business for the time required by our combined company to successfully develop, produce and market its product candidates. If any of our combined company's contract manufacturers fails to perform satisfactorily under its agreements with our combined company, including failing to deliver the required quantities of our combined company's product candidates for clinical use on a timely basis and at commercially reasonable prices, and if our combined company fails to find a replacement manufacturer or develop its manufacturing capabilities, clinical trials involving our product candidates, or commercialization of its products, could be delayed.

If our combined company fails to establish successful marketing and sales capabilities or fails to enter into successful marketing arrangements with third parties, it will not be able to commercialize its future products and will not become profitable.

We intend to sell a portion of our and Biosearch's future products through our combined company's own sales force. Neither Versicor nor Biosearch currently has any sales and marketing infrastructure nor do they have any experience in direct marketing, sales and distribution. Our combined company's future profitability will depend in part on its ability to develop a direct sales and marketing force to sell its future products to its customers. Our combined company might not be able to attract and retain qualified salespeople or be able to build an efficient and effective sales and marketing force. To the extent that our combined company enters into marketing and sales arrangements with other companies, its revenues will depend on the efforts of others. These efforts might not be successful. If our combined company is unable to enter into third-party arrangements, then it must substantially expand its marketing and sales force in order to achieve commercial success for certain products, and compete with other companies that have experienced and well-funded marketing and sales operations.

Our combined company might need additional capital in the future, which could dilute its stockholders or impose burdensome financial restrictions on its business, and it might not be able to obtain any funds it needs.

We anticipate that the combined company's available cash resources will be sufficient to fund its operating losses for at least 24 months. In the future, our combined company might not have any bank credit facility or other working capital credit line under which it might borrow funds for working capital or other general corporate purposes. If our combined company's plans or assumptions change or are inaccurate, it might need to seek capital sooner than anticipated. Our combined company might seek to raise any funds it needs through public or private debt or equity offerings. Additional equity financing might be dilutive to the holders of our combined company's common stock. If the combined company obtains funds through a bank credit facility or through issuance of debt securities or preferred shares, this indebtedness or preferred shares would have rights senior to the rights of holders of our combined company's common stock, and their terms could impose significant restrictions on its operations. If our combined company needs to raise additional funds, it might not be able to do so on favorable terms, or at all. If our combined company cannot obtain adequate funds on acceptable terms, it might not be able to carry out its business strategy as contemplated.

If circumstances require our combined company to obtain additional funding and it fails to do so, it might be forced to delay or curtail the development of its product candidates.

We expect our combined company to incur increasing research and development and general and administrative expenses over the next several years. Our combined company's requirements for additional capital might be substantial and will depend on many factors, some of which are beyond its control, including:

- payments received or made under possible future collaborative agreements;
- continued progress in the research and development of its future products;
- costs associated with protecting its patent and other intellectual property rights;
- development of marketing and sales capabilities; and
- market acceptance of its future products.

To the extent our combined company's capital resources are insufficient to meet future capital requirements, it will have to raise additional funds to continue the development of its product candidates. Other than with respect to its existing $2 million line of credit for equipment financing, our

combined company has no committed sources of additional capital. We cannot assure you that funds will be available to our combined company in the future on favorable terms, if at all. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the securities could be sold at a discount to prevailing market price and the issuance of those securities could result in dilution to our combined company's stockholders. Moreover, the incurrence of debt financing could result in a substantial portion of our combined company's operating cash flow being dedicated to the payment of principal and interest on such indebtedness, and it might be subject to restrictive covenants as a result of such debt financing. This could render our combined company more vulnerable to competitive pressures and economic downturns and could impose restrictions on its operations. If adequate funds are not available, our combined company might be required to delay, reduce the scope of, or eliminate one or more of its research and development programs or otherwise significantly curtail operations, obtain funds by entering into arrangements with collaborators on unattractive terms or relinquish rights to certain technologies or drug candidates that it would not otherwise relinquish in order to continue independent operations. Our combined company's inability to raise capital would harm its business, financial condition and results of operations.

If our combined company makes any acquisitions, it will incur a variety of costs and might never realize the anticipated benefits.

If appropriate opportunities become available, our combined company might attempt to acquire products, product candidates or businesses that it believes are a strategic fit with its business. Neither Versicor nor Biosearch currently has any agreements to consummate any material acquisitions other than the proposed merger between Versicor and Biosearch. If our combined company pursues any transaction of this sort, the process of negotiating the acquisition and integrating an acquired product, product candidate or business might result in operating difficulties and expenditures and might require significant management attention that would otherwise be available for ongoing development of its business, whether or not any such transaction is ever consummated. Moreover, our combined company might never realize the anticipated benefits of any acquisition. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or impairment expenses related to goodwill and impairment or amortization expenses related to other intangible assets, which could harm our combined company's business, financial condition and results of operations.

If our combined company's use of hazardous materials results in contamination or injury, it could suffer significant financial loss.

Our combined company's research and manufacturing activities involve the controlled use of hazardous materials, primarily biological materials and chemical compounds that are used, stored, collected, analyzed and developed in connection with our combined company's research and manufacturing activities. Our combined company cannot eliminate the risk of accidental contamination or injury from these materials. In the

event of an accident or environmental discharge, our combined company might be held liable for any resulting damages. We do not currently maintain separate insurance to cover contamination or injuries relating to hazardous materials, and such liabilities might not be covered by our combined company's general liability insurance coverage.

Risks Related to Operating in Our Industry

If we experience delays in obtaining regulatory approvals, or are unable to obtain them at all, we could be delayed in or precluded from commercializing our future products.

The product candidates under development by our combined company will be subject to extensive and rigorous domestic government regulation. The FDA regulates, among other things, the development, testing, manufacture, safety, efficacy, record-keeping, labeling, storage, approval, advertising, promotion, sale and distribution of pharmaceutical products in the United States. If our combined company's future products are marketed abroad, they will also be subject to extensive regulation by foreign governments. Our combined company must provide the FDA and foreign regulatory authorities with clinical data that demonstrate its products' safety and efficacy in humans before they can be approved for commercial sale. None of the combined company's product candidates has been approved for sale in the United States or any foreign market, and we cannot predict whether regulatory clearance will be obtained for any product that either we or Biosearch are developing or intend to develop. The regulatory review and approval process takes many years, is dependent upon the type, complexity and novelty of the product candidate, requires the expenditure of substantial resources, involves post-marketing surveillance, and might involve ongoing requirements for post-marketing studies. Delays in obtaining regulatory approvals might:

- impede the commercialization of any drugs that our combined company or its collaborators develop;
- impose costly procedures on our combined company or its collaborators;
- diminish any competitive advantages that our combined company or its collaborators might attain; and
- delay or eliminate our combined company's receipt of revenues or royalties.

Any required approvals, once granted, might be withdrawn. Further, if our combined company fails to comply with applicable FDA and foreign regulatory requirements at any stage during the regulatory process, our combined company might be subject to sanctions, including:

- delays in clinical trials or commercialization;
- refusal of the FDA and foreign regulators to review pending market approval applications or supplements to approval applications;
- product recalls or seizures;
- suspension of production;
- withdrawals of previously approved marketing applications; and

fines, civil penalties and criminal prosecutions.

We expect our combined company to file INDs and generally direct the regulatory approval process for proprietary products we might develop, and we expect to rely on our combined company's collaborators generally to direct the regulatory approval process for our collaboration products. Our combined company's collaborators might not be able to conduct clinical testing or obtain necessary approvals from the FDA or foreign regulatory authorities for any product candidates. In addition, our combined company might encounter delays or rejections based upon future changes in the text or interpretation of government regulation, legislation or FDA policy or the foreign equivalents, during the period of product development, clinical trials and FDA regulatory review. If our combined company fails to obtain required governmental approvals, our combined company or its collaborators will experience delays in or be precluded from marketing any products developed through its research. In addition, the commercial use of our combined company's future products will be limited. If regulatory

clearance for marketing a future product is granted, this clearance will be limited to those disease states and conditions for which the product is demonstrated through clinical trials to be safe and effective. We cannot ensure that any compound developed by our combined company, alone or with others, will prove to be safe and effective in clinical trials and will meet all of the applicable regulatory requirements needed to receive marketing clearance.

Outside the United States, the ability to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. This foreign regulatory approval process typically includes all of the risks associated with FDA clearance described above and might include additional risks.

If our combined company or its contract manufacturers fail to comply with applicable Good Manufacturing Practice requirements, we could be subject to fines or other sanctions, or be precluded from marketing any future products.

Manufacturing facilities are required to comply with the applicable FDA current Good Manufacturing Practice regulations. Even facilities outside the United States must comply with these regulations if the manufactured products will be sold in the United States. Good Manufacturing Practice regulations include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Manufacturing facilities are subject to inspection by the FDA. These facilities must be approved before we can use them in commercial manufacturing of our products. Comparable Good Manufacturing Practice regulations also apply in the EU, Italy and other foreign countries. Our combined company and its contract manufacturers might not be able to comply with the applicable Good Manufacturing Practice requirements and other FDA or other EU, Italian or foreign regulatory agencies' regulatory requirements.

If our combined company does not compete successfully in the development and commercialization of products and keep pace with rapid technological change, it will be unable to capture and sustain a meaningful market position.

The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change as researchers learn more about diseases and develop new technologies for treatment. Our competitors in the United States and elsewhere are numerous and include, among others, major multinational pharmaceutical and chemical companies, specialized biotechnology companies and universities, and other research institutions. Specifically:

- if anidulafungin receives FDA and international marketing approval, it will face competition from commercially available drugs such as amphotericin B (marketed by several manufacturers), fluconazole (marketed as Difulcan by Pfizer), itraconazole (marketed as Sporanox by Johnson & Johnson), and potentially from caspofungin (marketed as Cancidas by Merck), which is the first to receive FDA approval of a new class of antifungal agents called echinocandins (which includes anidulafungin). Merck initially obtained approval only for the narrow indication of aspergillosis salvage therapy, but might in the future expand the scope of Cancidas to include other serious fungal infections, such esophageal and invasive candidiasis;

- if dalbavancin receives FDA and international marketing approval, it will face competition from commercially available drugs such as vancomycin (marketed generically by several manufacturers), teicoplanin (marketed as Targocid by Aventis only outside of the United States), linezolid (marketed as Zyvox by Pharmacia) and quinupristin/dalfopristin (marketed as Synercid by Aventis), and drug candidates in clinical development such as daptomycin (expected to be marketed as Cidecin by Cubist), which is currently in Phase III clinical trials;

if ramoplanin receives FDA and international marketing approval, it will face competition from commercially available drugs such as oral vancomycin (marketed generically by several

manufacturers) as well as drugs focused on the treatment (as opposed to prevention) of bloodstream vancomycin-resistant *enterocci* infections in hospitalized patients, such as linezolid (marketed as Zyvox by Pharmacia) and quinupristin/dalfopristin (marketed as Synercid by Aventis).

Many of these companies, either alone or together with their collaborators, have substantially greater financial resources and larger research and development and marketing teams than will our combined company. In addition, many of these competitors, either alone or together with their collaborators, have significantly greater experience than will our combined company in developing, manufacturing and marketing products. As a result, these competitors' products might come to market sooner or might prove to be more effective, to be less expensive, to have fewer side effects or to be easier to administer than ours. In any such case, sales of our eventual products would likely suffer and we might never recoup the significant investments we are making to develop these product candidates.

If our intellectual property rights do not adequately protect our combined company's product candidates or future products, others could compete against us more directly, which would hurt our combined company's business.

Our combined company's success depends in part on its ability to:

obtain patents or rights to patents;

protect trade secrets;

operate without infringing upon the intellectual property rights of others; and

prevent others from infringing on its intellectual property rights.

Our combined company will be able to protect its intellectual property rights from unauthorized use by third parties only to the extent that the intellectual property rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. Our combined company will have 31 issued U.S. patents and 12 U.S. patent applications, 425 foreign patents and 92 foreign patent applications. Our license agreement with Eli Lilly with respect to anidulafungin includes 12 U.S. patents, 12 U.S. patent applications, 37 foreign patents and 132 foreign patent applications. Our collaborative agreement with Pharmacia with respect to the development of oxazolidinones includes one U.S. patent and five U.S. patent applications. Our collaborative agreement with Novartis includes three U.S. patent applications.

The patent position of biopharmaceutical companies involves complex legal and factual questions and, therefore, we cannot predict with certainty whether they will be enforceable. Versicor and Biosearch have in the past and our combined company might in the future receive office actions or other notices from U.S. or foreign patent authorities seeking to limit or otherwise qualify some patent claims. Patents, if issued, might be challenged, invalidated or circumvented. Thus, any patents that our combined company owns or licenses from third parties might not provide any protection against competitors. Our pending patent applications, those our combined company might file in the future, or those our combined company might license from third parties, might not result in patents being issued. Also, patent rights might not provide our combined company with adequate proprietary protection or competitive advantages against competitors with similar technologies. The laws of many foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States.

In addition to patents, our combined company will rely on trade secrets and proprietary know-how. Our combined company will seek protection, in part, through confidentiality and proprietary information agreements. These agreements might not provide meaningful protection or adequate remedies for our technology in the event of unauthorized use or disclosure of confidential and

proprietary information. Failure to protect our intellectual property rights could seriously impair our combined company's competitive position and harm our business.

If third parties claim we are infringing their intellectual property rights, we could suffer significant litigation or licensing expenses or be prevented from marketing our future products.

Research has been conducted for many years in the areas in which we and Biosearch have focused our research and development efforts. This has resulted in a substantial number of issued patents and an even larger number of still-pending patent applications. Patent applications in the United States are, in most cases, maintained in secrecy until patents are issued. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made. Our combined company's commercial success will depend significantly on an ability to operate without infringing the patents and other intellectual property rights of third parties. Our combined company's technologies might infringe the patents or violate other intellectual property rights of third parties. In the event an infringement claim is brought against our combined company, it might be required to pay legal and other expenses to defend such claim and, if it is unsuccessful, our combined company and its collaborators might be prevented from pursuing product development and commercialization and might be subject to damage awards.

The biotechnology and pharmaceutical industries have been characterized by extensive litigation regarding patents and other intellectual property rights. The defense and prosecution of intellectual property legal actions, U.S. Patent and Trademark Office interference proceedings and related legal and administrative proceedings in the United States and internationally involve complex legal and factual questions. As a result, such proceedings are costly and time-consuming to pursue and their outcome is uncertain. Litigation might be necessary to:

enforce patents that our combined company will own or license;

protect trade secrets or know-how that our combined company will own or license; or

determine the enforceability, scope and validity of the intellectual property rights of others.

If our combined company becomes involved in any litigation, interference or other administrative proceedings, our combined company will incur substantial expense and the efforts of our technical and management personnel will be significantly diverted. An adverse determination might subject our combined company to loss of proprietary position or to significant liabilities, or require our combined company to seek licenses that might not be available from third parties. Our combined company might be restricted or prevented from manufacturing and selling products, if any, in the event of an adverse determination in a judicial or administrative proceeding or if our combined company fails to obtain necessary licenses. Costs associated with these arrangements might be substantial and might include ongoing royalties. Furthermore, our combined company might not be able to obtain the necessary licenses on satisfactory terms, if at all.

If the government and third-party payors fail to provide adequate coverage and reimbursement rates for our combined company's future products, if any, its revenues and prospects for profitability will be harmed.

In both domestic and foreign markets, our sales of any future products will depend in part upon the availability of reimbursement from third-party payors. Such third-party payors include government health administration authorities, managed care providers, private health insurers and other organizations. These third-party payors are increasingly challenging the price, and examining the cost effectiveness, of medical products and services. In addition, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. Our combined company might need to conduct post-marketing studies in order to demonstrate the cost-effectiveness of any future products.

Such studies might require our combined company to commit a significant amount of management time and financial and other resources. Our combined company's future products might not ultimately be considered cost-effective. Adequate third-party reimbursement might not be available to enable our combined company to maintain price levels sufficient to realize an appropriate return on investment in product development. Domestic and foreign governments continue to propose and pass legislation designed to reduce the cost of healthcare. For example, in some foreign markets, the government controls prescription pharmaceuticals' pricing and profitability. In the United States, we expect that there will continue to be federal and state proposals to implement similar governmental control. In addition, increasing emphasis on managed care in the United States will continue to put pressure on pharmaceutical product pricing. Cost control initiatives could decrease the price that we would receive for any products in the future, which would limit our combined company's revenues and profitability. Accordingly,

legislation and regulations affecting the pricing of pharmaceuticals might change before our proposed products are approved for marketing. Adoption of such legislation could further limit reimbursement for pharmaceuticals.

If a successful product liability claim or series of claims is brought against our combined company for uninsured liabilities or in excess of insured liabilities, our combined company could be forced to pay substantial damage awards.

The use of any of our combined company's product candidates in clinical trials, and the sale of any approved products, might expose our combined company to product liability claims. Each of Versicor and Biosearch has previously obtained limited product liability insurance coverage for our clinical trials. Versicor currently maintains, and we expect that our combined company will continue to maintain, product liability insurance coverage in the amount of $10 million per occurrence and $10 million in the aggregate. Our combined company will attempt to maintain this coverage or to procure similar coverage for its clinical trials. Such insurance coverage might not protect our combined company against all of the claims to which our combined company might become subject. Our combined company might not be able to maintain adequate insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against potential losses. In the event a claim is brought against us, our combined company might be required to pay legal and other expenses to defend the claim, as well as uncovered damage awards resulting from a claim brought successfully against us. Furthermore, whether or not we are ultimately successful in defending any such claims, our combined company might be required to direct financial and managerial resources to such defense and adverse publicity could result, all of which could harm our combined company's business.

Risks Related to the Securities Markets

Our stock price has been and is likely to continue to be volatile, and your investment could suffer a decline in value.

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including:

clinical trial data;

general economic conditions;

changes in, or failure to achieve, financial estimates by securities analysts;

future sales of equity or debt securities;

new products or services introduced or announced by us or our competitors;

announcements of scientific innovations by us or our competitors;

actual or anticipated variations in our annual and quarterly operating results;

conditions or trends in the biotechnology and pharmaceutical industries;

announcements by us of significant acquisitions, strategic collaborations, joint ventures or capital commitments;

additions or departures of key personnel;

new regulatory legislation adopted in the United States or abroad; and

sales of our common stock.

In addition, the stock market in general, and the Nasdaq National Market, the Nuovo Mercato and the market for biotechnology stocks in particular, have experienced significant price and volume fluctuations. Over the 52-week period ending October 1, 2002, the intra-day sales prices of Versicor common stock as reported on the Nasdaq National Market have ranged from a high of $25.40 to a low of $7.78. Volatility in the market price for particular companies has often been unrelated or disproportionate to the operating performance of those companies. Further, there has been particular volatility in the market prices of securities of biotechnology and pharmaceutical companies. These broad market and industry factors might seriously harm the market price of our common stock, regardless of our operating performance. In addition, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of management's attention and resources.

We have implemented anti-takeover provisions that could delay or prevent any attempt to replace or remove the management of our combined company following the merger.

Provisions of our restated certificate of incorporation, our bylaws, as amended and restated upon completion of the merger, and our shareholder rights plan might increase the likelihood that any third party would need to negotiate with our board prior to initiating a takeover proposal for our company and could have the effect of delaying or preventing a change of control of our combined company. In addition, some of our current stockholders and some current shareholders of Biosearch have entered into a stockholders agreement in which they have agreed, for a period of three years following completion of the merger, to vote as recommended by the board on some issues. These provisions could delay or prevent an attempt to replace or remove the management of our combined company following completion of the merger.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains or incorporates by reference statements which, to the extent that they do not recite historical fact, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "expect," "anticipate," "intend," "estimate," "may," "might," "will" or "could" and similar expressions or the negatives of these words or phrases are intended to identify forward-looking statements. Versicor and Biosearch have based these forward-looking statements on their current expectations and projections about the growth of their businesses, their financial performances and the development of our industry. Because these statements reflect our current views concerning future events, these forward-looking statements involve risks and uncertainties. Examples of these statements include, without limitation, statements regarding the following: the extent to which Versicor's and Biosearch's issued and pending patents may protect their respective products and technology; Versicor's and Biosearch's ability to identify new product candidates using their proprietary expertise; the potential of such product candidates to lead to the development of safer or more effective therapies; Versicor's and Biosearch's ability to develop the technology derived from their research programs and collaborations; the anticipated timing of the initiation or completion of Phase I, Phase II or Phase III clinical trials for any of Versicor's and Biosearch's product candidates; Versicor's and Biosearch's future operating expenses; and Versicor's and Biosearch's future losses and their future expenditures for research and development. Investors should note that many factors, as more fully described in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Versicor," "Business of Versicor," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Biosearch," "Business of Biosearch" and elsewhere in this proxy statement/prospectus could affect our future financial results and could cause our actual results to differ materially from those expressed in forward-looking statements contained in this proxy statement/prospectus.

The projections referred in this proxy statement/prospectus are based on a variety of assumptions relating to Biosearch's and Versicor's business that, although considered appropriate at the time, may not be realized. Moreover, those projections and the assumptions upon which they are based are subject to significant uncertainties and contingencies, many of which are beyond our control. Consequently, the projections and the underlying assumptions are necessarily speculative in nature and inherently imprecise, and there can be no assurance that projected financial results will be realized. It is expected that there will be differences between actual and projected results, and projected results and actual results are likely to vary materially from those shown. Any such variance will likely increase over time. Neither we nor our affiliates or advisors intend to update or otherwise revise the projections.

You should not place undue reliance on the forward-looking statements contained in this proxy statement/prospectus. These forward-looking statements speak only as of the date on which the statements were made. We do not undertake any obligation to update our forward-looking statements after the date of this proxy statement/prospectus for any reason, even if new information becomes available or other events occur in the future. In evaluating forward-looking statements, you should consider these risks and uncertainties, together with the other

risks described from time to time in our reports and documents filed with the Securities and Exchange Commission.

THE SPECIAL MEETING OF VERSICOR STOCKHOLDERS

This proxy statement/prospectus is being furnished to you in connection with the solicitation of proxies by Versicor's board of directors in connection with the proposed merger for use at the special meeting.

Date, Time and Place of the Special Meeting

The special meeting of the stockholders of Versicor is scheduled to be held as follows:

[meeting date], 2002
[time], local time
The Marriott Hotel
46100 Landing Parkway
Fremont, California 94538
United States of America

Purpose of the Special Meeting

The special meeting is being held so that the stockholders of Versicor may consider and vote upon:

a proposal to approve the merger agreement by and between Versicor and Biosearch (including the merger plan ("progetto di fusione") by and between Versicor Inc. and Biosearch Italia S.p.A., according to Italian law, in the form attached to the merger agreement);

a proposal to amend the Versicor 2001 Stock Option Plan; and

a proposal to authorize us to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the two foregoing proposals;

as well as to transact any other business that properly comes before the special meeting or any adjournment or continuation thereof, potentially including the adjournment proposal discussed below. Adoption of the merger agreement will also constitute approval of the merger and the other transactions contemplated by the merger agreement.

After careful consideration, Versicor's board of directors has unanimously approved the merger agreement (including the merger plan ("progetto di fusione") by and between Versicor and Biosearch, according to Italian law, in the form attached to the merger agreement) and the amendments to the 2001 Stock Option Plan, and determined that each of them is fair to you and in your best interests. Approval of the amendments to the 2001 Stock Option Plan is a condition to the merger proposal. Versicor's board of directors unanimously recommends that you vote "FOR" the adoption of the merger agreement and "FOR" the stock option plan amendment.

If there are not enough affirmative votes initially present (or represented by proxy) at the special meeting to approve either the merger proposal or the stock option plan amendment, the chairman of the meeting might move to adjourn the meeting to permit further solicitation of proxies by Versicor and its board in hope of obtaining a sufficient number of proxies to approve both proposals. (Under Delaware law, a lesser vote is required to approve adjournment of the meeting than is required to approve merger of the company.) Approval of the adjournment proposal is not a condition to either the merger proposal or the stock option plan proposal. Approval of the adjournment proposal would permit the adjournment of the special meeting to solicit additional proxies. Versicor's board of directors unanimously recommends that you vote "FOR" the adjournment proposal.

Record Date and Shares Outstanding

Versicor's board of directors has fixed the close of business on [record date], 2002 as the record date for determination of Versicor stockholders entitled to notice of and entitled to vote at the special meeting. On the record date, there were [ ] shares of Versicor's sole class of common stock issued and outstanding and held by approximately [ ] holders of record. Versicor has no outstanding voting securities other than the common stock. Every holder of Versicor common stock is entitled to one vote for each share held on the record date for each proposal presented at the special meeting.

Quorum

A quorum is necessary for the transaction of most business at the special meeting. A quorum requires the presence, either in person or represented by proxy, of a majority of the shares of Versicor common stock that both:

- were outstanding on the record date; and
- are entitled to vote.

As mentioned above, at the close of business on the record date, [ ] shares of our common stock were issued and outstanding, all of which are entitled to one vote per share on all matters. Accordingly, [ ] shares must be present, either in person or represented by proxy, at the meeting to constitute a quorum at the special meeting.

Abstentions and Broker Non-Votes

When an eligible voter attends the meeting but decides not to vote (either in person or by proxy), his or her decision not to vote is called an abstention. Properly executed proxy cards that are marked "abstain" on any proposal will be treated as abstentions for that proposal. We will treat abstentions as follows:

- abstentions will be treated as not voting for purposes of determining the approval of any matter submitted to the stockholders for a vote requiring a plurality, a majority or some other percentage of the votes *actually cast;*
- abstention shares are *present* and entitled to vote for purposes of determining the presence of a quorum; and
- abstentions will have the same effect as votes against a proposal if the vote required is a majority or some other percentage of all the votes *entitled to be cast*.

Many of our investors do not hold our shares directly, but instead hold the shares in "street name" through their brokers. Brokers holding shares for their clients generally do not have authority to vote those shares on extraordinary proposals such as our merger proposal, unless the client provides specific voting instructions to the broker. When no such instructions are received, brokers are generally required to return the proxy card (or a substitute) marked with an indication that the broker lacks voting power for the proposal. This type of response is known as a broker non-vote.

There is some Delaware authority suggesting that shares represented by broker non-votes should not qualify as shares *entitled to vote* (which would have the effect of making it harder for us to obtain a quorum but easier to obtain passage of proposals that require the affirmative vote of some percentage of shares present and entitled to vote). However, taking what we consider a more conservative view, broker non-votes on any proposal at the special meeting will be treated as abstentions with respect to that matter (*i.e.*, as entitled to vote, but opting not to vote). Accordingly, broker non-votes will count

toward the presence of a quorum, but will count against any proposal, such as the merger proposal, that requires the affirmative vote of a specified percentage of shares entitled to vote.

Vote Required

Assuming that a quorum is present, the vote required to approve each proposal will be as follows:

Merger Proposal. As specified in Delaware law, approval of the merger agreement (including the merger plan ("progetto di fusione") by and between Versicor and Biosearch, according to Italian law, in the form attached to the merger agreement) will require the affirmative vote of a majority of the shares of our common stock outstanding on the record date and *entitled to vote*. Accordingly, abstentions and broker non-votes will have the same effect as votes against the merger proposal, although they will count toward the presence of a quorum. In other words, based on the number of shares outstanding on October 1, 2002, at least 13,188,144 shares must be voted in favor of the merger proposal for it to be approved.

Stock Option Plan Amendments. It is a condition to the completion of the merger that the 2001 Stock Option Plan amendments be approved by holders of a majority of the shares of Versicor common stock outstanding on the record date and *entitled to vote*. Accordingly, abstentions and broker non-votes will have the same effect as votes against the proposal for purposes of the merger agreement's closing conditions. If the merger agreement is approved by the vote described above while the amendments to the 2001 Stock Option Plan are approved by the vote required by Nasdaq (as discussed below), but not by the vote required by the closing condition, each company's board of directors may choose to waive the closing condition and proceed with the merger. However, if the merger proposal is not approved, the amendments to the 2001 Stock Option Plan will not be implemented.

Adjournment Proposal. Under Delaware law, approval of the adjournment proposal requires the affirmative vote of a majority of the shares of our common stock present in person (or represented by proxy) and *entitled to vote* on the proposal. Accordingly, abstentions and broker non-votes will have the same effect as votes against the adjournment proposal. However, approval of the adjournment proposal will require a lower number of affirmative votes than the proposals above because it requires merely a majority of the voting power *present* rather than a majority of the voting power *outstanding*.

If other matters are properly brought before the special meeting, then the vote required will be determined by applicable law, Nasdaq rules, and the Versicor charter and bylaws.

As described above, approval of the proposed amendments to the 2001 Stock Option Plan by holders of a majority of the outstanding shares of Versicor common stock is one of the conditions of both parties' obligations to complete the merger; however, both parties could waive that condition. The vote required for approval of the amendments to the 2001 Stock Option Plan for purposes unrelated to the merger is lower than the standard required by the parties' agreed upon closing condition. In order for Versicor to comply with Nasdaq rules, the amendment to the 2001 Stock Option Plan must be approved by a majority of the total votes *actually cast* on the proposal, in person or by proxy. In order to qualify under Section 162(m) and Section 422 of the tax code, the amendments to the 2001 Stock Option Plan must be approved by the vote that would be required for stockholder approval under Delaware law and, although Delaware law does not independently require Versicor to seek stockholder approval of the amendments to the 2001 Stock Option Plan, when a routine matter such as this proposal is submitted for stockholder approval, the proposal will be approved under Delaware law if a quorum is present and the proposal receives the affirmative vote of a majority of shares *present* in person (or represented by proxy) and entitled to vote on the proposal. Accordingly abstentions and broker non-votes would have no effect on the result of the vote for Nasdaq purposes but would have the same effect as votes against the proposal for purposes of those tax code sections. If the

amendments to the 2001 Stock Option Plan are approved by the lesser Nasdaq standard, our board will consider whether or not it should waive the closing condition in the merger agreement requiring the higher vote. Conversely, if the amendments to the 2001 Stock Option Plan are not approved by at least the Nasdaq standard, we will not have enough shares available under our various stock option plans (even after including our 2002 plan shares) to satisfy our contractual commitments to issue options upon consummation of the merger. Accordingly we would not

practically be able to waive the closing condition and the merger would not be completed.

If the merger proposal is not approved, the amendments to the 2001 Stock Option Plan will not be implemented.

Voting Agreements and Shares Controlled by Management

George F. Horner III, our president, chief executive officer and a member of our board of directors, and HealthCare Ventures V, L.P., one of our stockholders, owning collectively approximately 5.5% of the shares of our common stock outstanding and entitled to vote at the meeting, have entered into voting agreements with Biosearch that commit those stockholders, among other things, to vote all of their shares in favor of the proposals described above. However, these agreements do not ensure approval of the merger by Versicor stockholders; that is, if each Versicor stockholder who is a party to a voting agreement votes in accordance with the terms of the voting agreement, the vote of 11,727,775 additional shares of our common stock (or 44.5% of the outstanding shares of our common stock) will be required to approve the merger. The form of the voting agreements appears as an exhibit to the merger agreement, which is included as *Appendix A* to this proxy statement/prospectus. For a summary of material provisions of the voting agreements, see "The Merger Summary of Material Terms of Voting Agreements."

On June 30, 2002, Versicor directors and executive officers beneficially owned 3,696,637 shares of Versicor common stock (not including any shares subject to unexercised options), 17,500 of which are subject to the voting agreements referred to above. These shares represented approximately 14.0% of Versicor's shares of common stock outstanding on June 30, 2002. Each of the directors and executive officers of Versicor has indicated that he intends to vote for approval of the merger and related proposals.

Voting of Proxies

All shares of our common stock represented by properly executed proxies received before or at the special meeting or any adjournment thereof will, unless the proxies are revoked, be voted in accordance with the instructions indicated on them. Properly executed proxies that do not contain voting instructions will be voted "FOR" adoption of the merger agreement (including the merger plan ("progetto di fusione") by and between Versicor and Biosearch, according to Italian law, in the form attached to the merger agreement) and "FOR" amendment of the 2001 Stock Option Plan. Every Versicor stockholder is urged to mark the box on the proxy indicating how the stockholder wishes to vote the stockholder's shares.

Because adoption of the merger agreement and the amendment to the 2001 Stock Option Plan requires the affirmative vote of at least a majority of the shares of our common stock outstanding as of the record date, any failure to return a proxy will have the same effect as a vote AGAINST the merger.

We do not expect that any matter other than approval of the merger agreement (including the merger plan ("progetto di fusione")) and the amendment to the 2001 Stock Option Plan will be brought before the special meeting. However, if there are not enough affirmative votes present at the special meeting to approve either the merger proposal or the amendment to the 2001 Stock Option Plan, the chairman of the meeting may move to adjourn the meeting to permit further solicitation of proxies by Versicor and its board in hope of obtaining a sufficient number of proxies to approve both

proposals. In this vote, properly executed proxies that do not contain voting instructions will be voted "FOR" the adjournment proposal. We will not adjourn the special meeting for the purpose of soliciting additional votes unless the adjournment proposal is approved. If other matters are properly presented to the special meeting, the persons named as proxies will vote in accordance with their judgment with respect to those matters, unless authority to do so is withheld in the proxy.

Revocability of Proxies

A stockholder may revoke the stockholder's proxy at any time before it is voted by:

- notifying in writing the Secretary of Versicor Inc., 34790 Ardentech Court, Fremont, California 94555, United States of America;

granting a subsequent proxy; or

appearing in person and voting at the special meeting (attendance at the special meeting will not in and of itself constitute revocation of a proxy).

Solicitation of Proxies

We intend to hire a proxy solicitor to assist in the distribution of proxy materials and solicitation of votes. We expect that we will have to pay them a fee and reimburse them for reasonable out-of-pocket expenses. We also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

Biosearch Special Meeting; Vote Required; Posting of Shareholder Approval; Voting Agreements

Biosearch will hold a special shareholders meeting to vote upon the proposed merger at about the same time as the Versicor special meeting. In order for Biosearch to complete the merger, two-thirds of the Biosearch ordinary shares present (or represented by proxy) at the Biosearch special meeting must be voted in favor or the merger.

The Biosearch board of directors approved the merger and is informing Biosearch shareholders of the terms of the proposed transaction by means of a separate document, the *Documento Informativo*, under Italian law. In accordance with applicable Italian law, this Versicor proxy statement/prospectus will be deposited at the registered office of Biosearch in Gerenzano, Italy at least 30 days prior to the Biosearch special meeting, where it will be available for examination by Biosearch shareholders, in lieu of the "Report of Directors" that we would otherwise be required to deposit there under Italian law.

Biosearch will announce the special shareholders meeting by publishing a notice in the Official Gazette of the Italian Republic, which notice may indicate three different dates on which the special meeting may be validly held (i.e., the first, second and third calls). The notice must be published at least 30 days before the first call. In the event that the meeting cannot be validly held at the first call (because, for example, an insufficient number of shares are represented at the meeting), the meeting may be held at the second call, at the relevant date and time indicated in the notice. In the event that the meeting cannot be validly held at the second call, the meeting may be held at the third call, at the relevant date and time indicated in the notice. Any special shareholders meeting must also comply with (i) attendance quorum rules, and (ii) resolution quorum rules under Italian law and Biosearch's bylaws. With regards to the attendance quorum rules, if the meeting is held at the first call, more than a majority of the outstanding Biosearch ordinary shares must be present; if the meeting is held at the second call, more than one-third of the outstanding Biosearch ordinary shares must be present; and if the meeting is held at the third call, more than one-fifth of the outstanding Biosearch ordinary shares must be present.

Provided that resolutions approving the merger are duly adopted by the Biosearch shareholders at the special meeting, under Italian law, the resolutions must be registered with the Italian Companies' Register and a 60-day waiting period must be observed prior to the filing of the merger deed whereby the merger will be effected. During this waiting period, creditors of Biosearch and Versicor may challenge the merger before an Italian court of competent jurisdiction. In such a case, the court may still authorize the completion of the merger upon the posting of a bond sufficient to satisfy the creditors' claims.

Three Biosearch shareholders (namely, 3i Group plc, and Drs. Claudio Quarta and Francesco Parenti), owning collectively approximately 24.81% of the presently outstanding Biosearch ordinary shares entitled to vote at the special meeting, have entered into voting agreements with Versicor that commit those shareholders, among other things, (i) not to sell any of their shares (or, in the case of 3i Group plc, to hold approximately 60% of its shares) prior to the special meeting, and (ii) subject to some exceptions, to vote all of the shares held by such shareholders at the time of the special meeting in favor of the merger. For a summary of the material provisions of the voting agreements, see "The Merger Summary of Material Terms of Voting Agreements." Subject to the differences noted in "The Merger Summary of Material Terms of Voting Agreement" with respect to 3i, the form of such voting agreements appears as an exhibit to the merger agreement, which is included as *Appendix A* to this proxy statement/prospectus.

The existence of these voting agreements does not ensure approval of the merger by the Biosearch shareholders; that is, if each Biosearch shareholder who is a party to a voting agreement votes in favor of the merger, the vote of approximately 5,089,169 additional Biosearch ordinary shares (or 41.85% of the outstanding Biosearch ordinary shares) will be required to approve the merger, assuming that 100% of the Biosearch ordinary shares are represented at the special meeting.

On October 23, 2002, Biosearch directors and executive officers beneficially owned 3,473,269 Biosearch ordinary shares (not including any shares subject to unexercised options), 2,018,752 of which are subject to the voting agreements referred to above. The shares held by Biosearch directors and executive officers represented approximately 28.6% of Biosearch's ordinary shares outstanding on October 23, 2002.

MATERIAL CONTACTS BETWEEN VERSICOR AND BIOSEARCH PRIOR TO THE MERGER

In February 1998, Versicor and Biosearch entered into a license agreement and a collaboration agreement. Pursuant to the license agreement, Biosearch granted Versicor an exclusive license to develop and commercialize dalbavancin, at that time called BI-397, in the United States and Canada. In exchange for the license and upon the receipt of favorable results in pre-clinical studies, Versicor paid to Biosearch $2.0 million and issued to it 250,000 shares of its common stock. Moreover, Versicor agreed to make up to $10.5 million in additional payments to Biosearch, of which $2.5 million has been paid through September 30, 2002, upon Versicor's achievement of specified milestones and to pay royalties in respect of sales of any product that results from the licensed compound. Subject to its establishment of an FDA-approved facility capable of manufacturing dalbavancin within an agreed-upon time frame, Biosearch has a right of first refusal to manufacture and supply Versicor with its requirements for dalbavancin. The license agreement terminates on a country-by-country basis upon the later of February 12, 2003 or the expiration of all product patents in the country.

Under the collaboration agreement between Versicor and Biosearch, the companies established a lead optimization collaboration called BIOCOR. Biosearch contributes leads of microbial origin, while Versicor contributes combinatorial chemistry expertise to optimize the leads. Under the terms of the collaboration agreement, as amended in January 2001, the parties have agreed to share equally all costs associated with preclinical studies required for the filing of an IND. Versicor agreed to pay Biosearch milestone payments for each compound developed through pre-clinical and Phase I clinical trials. Through September 30, 2002, Versicor has paid Biosearch $253,000 in cost-sharing payments under the collaboration agreement to support medicinal chemists in Italy, and has not made any milestone payments to Biosearch. Biosearch has the exclusive license in Europe to commercialize intravenous formulations of hospital products resulting from this collaboration and will retain all income derived from commercialization in Europe. Versicor has the exclusive license in the United States and Canada for the commercialization of intravenous formulations of hospital products and will retain all income resulting from commercialization in the United States and Canada. Both companies will share all revenue from commercialization of hospital products in all countries outside the United States, Canada and Europe, as well as worldwide revenues from any oral formulations and primary care products that are developed. Subject to its establishment of an FDA-approved facility capable of manufacturing dalbavancin within an agreed-upon time frame, Biosearch has a right of first refusal to manufacture and supply Versicor with its requirements for products that result from this collaboration. The collaboration agreement terminates upon the expiration of all licensed patents resulting from the collaboration; however, to date no licensed patents or patent applications have resulted from the collaboration. The collaboration agreement is otherwise terminable by either party upon the other party's material breach or by the mutual consent of both parties. In January 2001, the companies expanded the collaboration by increasing their commitment of resources to BIOCOR.

For more information about these agreements and the research related to these agreements see "Business of Versicor" and "Business of Biosearch."

THE MERGER

This section of the proxy statement/prospectus describes the proposed merger. Although Versicor and Biosearch believe that the following description covers the material terms of the merger and the related transactions, this summary might not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus for a more complete understanding of the merger.

General

The merger agreement provides that Biosearch will merge with and into Versicor at the effective time of the merger, with Versicor continuing in existence as the surviving corporation. As the surviving corporation, Versicor will succeed to and assume all of the rights and obligations as well as the assets and liabilities of both Versicor and Biosearch, in accordance with Delaware and Italian law.

Background of the Merger

Periodically, the management of each of Versicor and Biosearch have reviewed their company's respective position in light of the changing competitive environment of the biotechnology industry with the objective of determining what strategic alternatives are available to enhance stockholder value. While each of the companies believes that it has positive future prospects on a stand-alone basis, from time to time the management of each of Versicor and Biosearch has had conversations with other companies to explore opportunities to improve the competitive position of Versicor or Biosearch, respectively, including potential acquisitions or dispositions of assets, joint ventures, collaborations, licensing arrangements or other strategic transactions. Versicor's board evaluates each such opportunity on its own merits, and has elected to enter into collaborations and license agreements with larger companies such as Pharmacia, Novartis and Eli Lilly because of the perceived benefits of such relationships. Versicor has also had informal conversations on an infrequent basis with other similarly situated biopharmaceutical companies about potential strategic transactions, but has not solicited or entertained offers from or exchanged proposals with any third party other than Biosearch relating to any possible business combination.

Versicor and Biosearch have been collaborators in a lead optimization collaboration called BIOCOR since February 1998. At that time, Biosearch also granted Versicor an exclusive license to develop and commercialize dalbavancin, then called V-Glycopeptide, or BI-397, in the United States and Canada. Biosearch also supplies Versicor with the active ingredient for dalbavancin through its manufacturing capabilities in Italy. The working relationship, which progressed through the development of dalbavancin and the BIOCOR collaboration, led to several discussions between senior management of Versicor and Biosearch regarding a potential strategic transaction. The contacts and discussions between Versicor and Biosearch since early 2001 with respect to a potential strategic transaction are summarized below.

During early 2001, George F. Horner III, president and chief executive officer of Versicor, and Claudio Quarta, chief executive officer of Biosearch, discussed a possible business combination or other strategic transaction between Versicor and Biosearch. In May 2001, Versicor and Biosearch entered into a mutual confidentiality and standstill agreement which provided for each of Versicor and Biosearch to exchange information with each other and to maintain the confidentiality of all information exchanged between the parties. Under the terms of that agreement, each party agreed that, during the six months following the date of that agreement, it would not directly or indirectly acquire any securities of the other party or solicit any proxies to vote or influence the voting of any securities of the other party.

In July 2001, Mr. Horner and James H. Cavanaugh, a member of the board of directors of Versicor, and Dr. Quarta and Francesco Parenti, president and chairman of the board of directors of Biosearch, met in order to evaluate the possibility of entering into a potential strategic transaction between Versicor and Biosearch.

In August 2001, Versicor engaged Lehman Brothers to provide financial advisory services to Versicor in connection with a potential strategic transaction with Biosearch.

During August 2001, Versicor began consulting with financial and legal advisors about issues relating to a potential strategic transaction with Biosearch. Versicor's senior management discussed with its tax advisors alternative structures for a possible business combination, including an earn-out structure providing for contingent payments to Biosearch shareholders following completion of a merger.

On August 29, 2001, representatives from O'Melveny & Myers LLP, Versicor's counsel, Gianni Origoni Grippo & Partners, Versicor's Italian counsel and Lehman Brothers, Versicor's financial advisor, and representatives from Chiomenti Studio Legale, Biosearch's counsel, Skadden, Arps, Slate, Meagher & Flom LLP, Biosearch's U.S. counsel and SG Cowen, Biosearch's financial advisor, participated in a conference call to discuss alternative structures for a potential business combination between Versicor and Biosearch. These alternative structures included, among others, a merger of Biosearch with and into Versicor, a tender offer by Versicor for Biosearch's shares followed by a merger, a merger of Versicor into Biosearch and the formation of a holding company to hold the shares of Versicor and Biosearch.

On September 7, 2001, representatives from Versicor's counsel and financial advisors and Biosearch's counsel and financial advisors participated in a conference call to discuss the U.S. and Italian tax consequences of the various structures being considered by the parties. During these discussions, the earn-out feature was determined not to be feasible due to, among other things, potentially significant negative tax consequences to holders of Biosearch ordinary shares.

On September 24, 2001, representatives from Versicor's and Biosearch's respective counsels and financial advisors participated in a conference call to discuss the schedule of the proposed business combination transaction, alternative structures for a business combination and the preparation of related draft documentation.

On October 2, 2001, representatives from Versicor's and Biosearch's respective counsels and financial advisors participated in a conference call to discuss alternative structures for a potential business combination and a schedule for a series of meetings between representatives of Versicor and Biosearch to be held in Milan, Italy.

On October 5 and 6, 2001, Mr. Horner and Versicor's counsel and financial advisors and Drs. Quarta and Parenti, Dr. Ubaldo Livolsi, who is a member of Biosearch's board of directors, and Biosearch's counsel and financial advisors met in Milan, Italy, to discuss, among other things, the U.S. and Italian regulatory issues raised by a potential business combination between Versicor and Biosearch.

During October and November 2001, Versicor's counsel and Biosearch's counsel exchanged materials in connection with their respective due diligence examinations of the other party.

On October 15, 2001, Versicor's counsel sent a draft of a proposed merger agreement to Biosearch's counsel. The proposed merger agreement reflected a proposed stock-for-stock merger with a fixed exchange ratio, subject to adjustment based on movements in the market prices of each party's shares. However, the draft merger agreement did not contain an exchange ratio at this time. Versicor's counsel also sent a draft of a proposed form of voting agreement between Versicor and some shareholders of Biosearch to Biosearch's counsel. The form of voting agreement contained, among other things, an agreement by the shareholder to vote in favor of the proposed merger transaction and against any competing transactions.

On October 19, 2001, Versicor's counsel and financial advisor and Biosearch's counsel and financial advisor participated in a conference call to discuss Versicor's October 15, 2001 drafts of the merger agreement and the form of voting agreement.

On October 23, 2001, Dr. Quarta corresponded with Mr. Horner regarding possible merger terms between Versicor and Biosearch, including discussion points relating to the concept of a fixed exchange ratio on a fully-diluted basis, management of the combined company and corporate governance of the combined company following the completion of the merger.

On October 30, 2001, Mr. Horner and Dr. Cavanaugh and Drs. Quarta, Parenti and Livolsi met in London in order to discuss financial and other terms of a potential merger transaction, including provisions regarding management of the combined company and corporate governance. No decisions were made at this time concerning an exchange ratio or any other terms of a merger transaction.

On November 5, 2001, Versicor's and Biosearch's respective counsel and financial advisor participated in a video conference call to discuss the issues raised in the October 30, 2001 meeting between the principals of the parties. The parties also discussed which shareholders of Biosearch and Versicor may be asked to execute voting agreements in connection with a merger agreement.

On November 14, 2001, Biosearch's counsel responded to the revised draft merger agreement in writing.

At the end of November 2001, the negotiations between the parties terminated due to an inability to reach agreement on the financial and other terms of the proposed transaction including, among other things, whether the current Biosearch shareholders would own half of the combined company following completion of the merger and the conditions to the parties' obligations to complete the merger.

Beginning in late 2001, Mr. Horner and Dr. Quarta re-engaged in discussions regarding a potential business combination. In December 2001, these discussions led to another meeting in London between Mr. Horner and Dr. Cavanaugh and Drs. Quarta, Parenti and Livolsi at which meeting a variety of matters relating to a potential business combination were discussed, including whether the current Versicor stockholders and the current Biosearch shareholders would each own half of the combined company following completion of the merger. Also in December, representatives from Versicor's counsel requested additional due diligence items from Biosearch, and Biosearch's counsel requested additional due diligence items from Versicor. Versicor and Biosearch each provided to or made available to the other party legal and business due diligence materials in response to such requests.

On January 3, 2002, Versicor's counsel sent a draft merger agreement to Biosearch's counsel. The draft agreement contemplated an initial exchange ratio that would result in a 50/50 ownership of the combined company by current Versicor stockholders and Biosearch shareholders following the completion of the merger, subject to adjustments based on the relative trading prices of shares of Versicor common stock and Biosearch ordinary shares. Biosearch's counsel responded to Versicor's counsel with comments to the draft merger agreement on January 11, 2002, and Versicor's counsel and Biosearch's counsel met and discussed the matters raised by the comments on January 14, 2002. On January 16, 2002, Versicor's counsel sent a revised draft of the merger agreement to Biosearch's counsel. The drafts of the merger agreement exchanged between the parties reflected the parties' discussions concerning the representations and warranties to be made by Versicor and Biosearch and the conditions to the parties' obligations to complete the merger, but did not specify, among other things, an exchange ratio or the structure of executive management following the proposed merger.

In addition, on January 11, 2002, Versicor's counsel distributed drafts of a proposed form of a voting agreement between Versicor and Biosearch shareholders, a proposed form of voting agreement between Biosearch and Versicor stockholders, and a proposed form of stockholders agreement related to certain corporate governance issues following the merger to Biosearch's counsel. At this time, Biosearch and

Versicor had not reached agreement on which Versicor stockholders or Biosearch shareholders would be parties to the voting agreements or the stockholders agreement.

On January 18, 2002, Versicor entered into a mutual confidentiality agreement with 3i Group plc, which at the time was the largest outside shareholder of Biosearch. On January 25, 2002, Mr. Horner

and Versicor's counsel met with representatives from 3i Group and 3i Group's counsel to discuss whether 3i Group would be willing to enter into a voting agreement with Versicor pursuant to which 3i Group would agree to vote a certain percentage of its shares in favor of the proposed merger. 3i Group and 3i Group's counsel also engaged in a due diligence investigation of Versicor. The parties did not reach agreement on the proposed form of a voting agreement.

On January 22, 2002, Biosearch's counsel sent to Versicor's counsel comments to Versicor's January 11, 2002 draft merger agreement. On January 25, 2002, Versicor's counsel sent to Biosearch's counsel a draft of the amended and restated bylaws which would govern the combined company after the proposed merger. Versicor's counsel responded to Biosearch's counsel with a revised draft of the merger agreement on January 28, 2002. On February 1 and 4, 2002, Biosearch's counsel sent to Versicor's counsel comments to the drafts of the merger agreement, voting agreements, stockholders agreement and bylaws which included, among other things, comments related to the mechanics of the proposed merger transaction under Italian law and the conditions to the parties' obligations to complete the merger. In addition, representatives from Versicor's counsel provided an update to Versicor's board on the status of open issues in the negotiations with Biosearch, including, among others, the inclusion of a limit on rescission payments to Biosearch shareholders as a condition to closing, and whether the exchange ratio should be determined on a fully-diluted basis or on the basis of primary shares only.

In early February 2002, representatives from Versicor's counsel provided to Versicor's board of directors draft agreements and other materials regarding the possible transaction, and reviewed with the board the proposed terms of the merger agreement, voting agreements, stockholders agreement and bylaws. In addition, representatives from Versicor's counsel provided an update to Versicor's board on the status of open issues in the negotiations with Biosearch, including, among others, the inclusion of a limit on rescission payments to Biosearch shareholders as a condition to closing, and whether the exchange ratio should be determined on a fully-diluted basis or on the basis of primary shares only. Representatives from Lehman Brothers made preliminary financial presentations setting forth Lehman Brothers' financial analyses relating to a possible combination.

On February 7, 2002, the board of directors of Versicor convened an executive session to discuss the proposed merger between Versicor and Biosearch. At the conclusion of the February 7, 2002 meeting, the Versicor board of directors authorized Versicor's management to continue discussions with Biosearch regarding a possible merger, provided that the implied premium to Biosearch shareholders was no greater than 85%, which, based upon Lehman Brothers' financial presentations to Versicor's board of directors, was within a range reasonable for comparable, public company transactions in the biotechnology sector since January 1, 1998 with transaction values greater than $25 million. These comparable transactions (listed as acquirer / target) presented by Lehman Brothers to Versicor's board of directors included: Amgen Inc. / Immunex Corp.; Millennium Pharmaceuticals / COR Therapeutics; MedImmune Inc. / Aviron; Celera Genomics / Axys Pharmaceuticals; PerkinElmer / Packard Biosciences; Sequenom / Gemini Genomics; Merck & Co. / Rosetta Inpharmatics; Vertex / Aurora Biosciences; Johnson & Johnson / ALZA Pharmaceuticals; Shire / BioChem Pharma; Corixa / Coulter; Genzyme / GelTex; Chiron / Pathogenesis; Evotec / Oxford Asymmetry International; Molecular Devices / LJL Biosystems; Guilford Pharmaceuticals / Gliatech; Genzyme-General / Biomatrix; Elan Corp. Plc / Liposome Company Inc.; King Pharmaceuticals Inc. / Medco Research Inc.; Baxter International, Inc. / North American Vaccine Inc.; Celltech Chiroscience / Medeva; Genzyme General / Cell Genesys; Millennium Pharmaceuticals Inc. / LeukoSite Inc.; E.I. Du Pont de Nemours and Company / CombiChem, Inc.; MedImmune, Inc. / U.S. Bioscience, Inc.; Merck / Sibia Neurosciences; Johnson & Johnson / Centocor; Abbott Laboratories / Alza Corp.; Pharmacia & Upjohn Inc. / SUGEN Inc.; Celltech plc / Chiroscience Group plc; Corixa / Ribi Immunochem; Gilead Sciences, Inc. / NeXstar Pharmaceuticals, Inc.; Warner- Lambert / Agouron Pharmaceuticals; Alza Corp. / SEQUUS Pharmaceuticals; Amersham Pharmacia Biotech (joint venture between Nycomed Amersham/P&U) / Molecular Dynamics; Baxter International Inc. / Somatogen; Ligand Pharmaceuticals / Seragen;

Monsanto / Dekalb Genetics; T Cell Sciences / Virus Research Institute; Elan / Neurex; and Abbott Laboratories / International Murex Tech.

On February 8, 2002, representatives from Versicor's counsel and Biosearch's counsel participated in a conference call to discuss the most recent drafts of the merger agreement, voting agreements, stockholders agreement and bylaws. Also on that date, Mr. Horner informed Dr. Quarta that Versicor's board had determined that in order for the proposed merger to be completed, the percentage ownership in the combined company to be held by current Biosearch shareholders would need to be reduced from 50% in order that the implied premium

represented by the exchange ratio in the merger would be within a range acceptable to Versicor's board of directors. On February 11, 2002, Biosearch, after considering Versicor's proposal to decrease the percentage ownership in the combined company held by current Biosearch shareholders, determined not to proceed with the proposed transaction and all discussions between the parties with respect to a possible business combination terminated.

From March 2002 through late June 2002, representatives of Versicor and Biosearch did not discuss further a possible merger between Versicor and Biosearch. However, during such time period, the parties did discuss alternative possible transactions, including a possible joint venture between Versicor and Biosearch.

Discussions between the parties regarding a possible joint venture were terminated, and discussions regarding a possible merger were re-initiated, because, among other reasons, based on the market prices of Versicor common stock and Biosearch ordinary shares at that time, the implied premium to be received by Biosearch shareholders in a stock-for-stock tranaction had become more typical of comparable transactions and it became more apparent that Versicor's interests would be better served if a single company managed the clinical trials for dalbavancin on a worldwide basis. In late June 2002, Mr. Horner and Dr. Quarta met in person to discuss again the possibility of a merger between Versicor and Biosearch on the basis of a fixed, non-adjustable exchange ratio. In connection with the re-commencement of discussions between Versicor and Biosearch, Versicor again began consulting with financial and legal advisors about issues relating to a possible merger with Biosearch.

In July 2002, during the pendency of the tail period of the August 2001 engagement letter between Versicor and Lehman Brothers, Versicor re-engaged Lehman Brothers to provide financial advisory services to Versicor in connection with a possible merger. Versicor's engagement of Lehman Brothers was set forth in a letter dated July 3, 2002, and the term of Lehman Brothers' engagement thereunder was extended until October 30, 2002.

During July 2002, Versicor and Biosearch each provided to, or made available to, the other party supplemental legal and business due diligence materials to update each of their due diligence reviews since the parties termination of discussions with respect to a possible business combination in February 2002.

On July 9, 2002, Versicor's legal counsel delivered to Biosearch and its legal advisors a proposed form of merger agreement. On July 11, 2002, Mr. Horner and Dr. Cavanaugh and Drs. Quarta, Parenti and Livolsi met in person to discuss the proposed merger. On July 12, 2002, Versicor's legal counsel delivered to Biosearch and its counsel proposed forms of the voting agreements, stockholders agreement and bylaws.

On July 13, 2002, Biosearch's counsel sent to Versicor's counsel comments to Versicor's July 9, 2002 draft of the merger agreement, which included, among other things, comments related to the mechanics of the proposed merger transaction under Italian law and the treatment of Biosearch stock options in the merger. On July 14, 2002, Versicor's counsel responded to Biosearch's counsel with a revised draft of the merger agreement.

On July 15, 2002, Biosearch's counsel sent to Versicor's counsel comments to Versicor's July 12, 2002 drafts of the voting agreements and stockholders agreement, which included, among other things, comments related to the mechanics of the voting agreements and the stockholders agreement under

Italian law. On July 16, 2002, Versicor's counsel responded to Biosearch's counsel with revised drafts of the voting agreements, stockholders agreement and bylaws.

On July 17, 2002, representatives of Versicor's and Biosearch's respective counsel and financial advisors participated in a conference call to discuss the latest drafts of the merger agreement, voting agreements, stockholders agreement and bylaws. During the discussions, the parties agreed that Mr. Horner and Healthcare Ventures V, L.P., a stockholder of Versicor, would each enter into a voting agreement with Biosearch, and Drs. Quarta and Parenti would each enter into a voting agreement with Versicor, at the time the merger agreement is executed. In addition, the parties determined that Mr. Horner and Drs. Cavanaugh, Quarta and Parenti would enter into the stockholders agreement. On July 18, 2002, Versicor's counsel distributed to Biosearch's counsel revised drafts of the merger agreement, and forms of the voting agreement and stockholders agreement.

On July 22 and 23, 2002, Mr. Horner and representatives from Versicor's counsel and financial advisors and Mr. Quarta and representatives from Biosearch's counsel and financial advisors met in person to discuss the revised drafts of the merger agreement, forms of the voting agreement, and stockholders agreement and the bylaws.

As a result of these and later discussions, it ultimately became apparent that, among other things:

the proposed merger would be an all-stock transaction, structured as a one-step merger of Biosearch with and into Versicor, with Versicor as the surviving company;

each share of Biosearch would be exchanged for a number of shares of Versicor common stock on a fixed exchange ratio basis, with current Versicor stockholders owning approximately 55% of the combined company following the merger, and current Biosearch shareholders owning approximately 45% of the combined company;

the combined company would have its corporate management and finance team headquartered in King of Prussia, Pennsylvania, and would have two research centers (Gerenzano, Italy and Fremont, California) and one manufacturing site in Pisticci, Italy; and

the shares of the combined company would be listed on both the Nasdaq and the Nuovo Mercato stock exchanges.

From July 24 through July 29, 2002, representatives of and counsel to Versicor and Biosearch continued to negotiate and finalize each of these agreements.

On July 18, 2002, Versicor's counsel sent to 3i Group's counsel a draft of a voting agreement between Versicor and 3i Group. On July 24, 2002, 3i Group's counsel sent to Versicor's counsel a memorandum containing questions about the proposed 3i Group voting agreement, requesting, among other things, an explanation of representations and warranties requested of 3i Group which were included in the agreement to comply with U.S. securities laws, and on July 25, 2002, Versicor's counsel responded to the questions raised by 3i Group's counsel.

Prior to a special meeting of the Versicor board of directors on July 30, 2002, the Versicor board of directors was provided with draft agreements and other materials regarding the possible transaction. At the meeting, presentations were made to the board as follows:

representatives of Versicor's counsel reviewed with the board of directors of Versicor certain legal issues with respect to the proposed merger of Versicor and Biosearch, including proposed resolutions to be considered and approved by the board of directors of Versicor in connection with the possible merger at that meeting; and

representatives of Lehman Brothers made a financial presentation to the Versicor board of directors and delivered Lehman Brothers' opinion that, as of that date, from a financial point of view, and based upon and subject to the considerations in its opinion and based upon such other

matters as Lehman Brothers considered relevant, the exchange ratio to be paid by Versicor in the proposed transaction was fair to Versicor.

At the special meeting of the Versicor board, the Versicor board of directors considered the approval of the merger agreement, the voting agreement with the 3i Group and the other related agreements and transactions contemplated by these agreements. Following a discussion, the Versicor board of directors unanimously approved the merger agreement and the transactions contemplated thereby and unanimously resolved to recommend that the Versicor stockholders vote to approve the merger agreement and the amendments to the 2001 Stock Option Plan.

Prior to a special meeting of the Biosearch board of directors on July 30, 2002, Biosearch directors were provided with draft agreements and other materials regarding the possible transaction. At the meeting, presentations were made to the Biosearch board as follows:

representatives of Biosearch's counsel reviewed with the board of directors of Biosearch certain legal issues with respect to the proposed merger of Versicor and Biosearch, including proposed resolutions to be considered and approved by the board of directors of Biosearch in connection with the possible merger at that meeting; and

representatives of SG Cowen made a financial presentation to the Biosearch board of directors and delivered SG Cowen's opinion that, as of that date, from a financial point of view, and based upon and subject to the considerations its opinion and based upon such other matters as SG Cowen considered relevant, the exchange ratio to be received by Biosearch shareholders in the proposed transaction was fair to the shareholders of Biosearch.

At the special meeting, the Biosearch board of directors considered the approval of the merger agreement, the merger plan, the financial statements of Biosearch as of June 30, 2002 (in accordance with Italian law) and the other related agreements and transactions contemplated by these agreements. Following a discussion, the Biosearch board of directors unanimously approved the merger agreement, the Biosearch financial statements and the transactions contemplated thereby and unanimously resolved to recommend that the Biosearch stockholders vote to approve the merger agreement.

The merger agreement and the related agreements were executed by the parties on July 30, 2002.

On July 31, 2002, each of Versicor and Biosearch issued a press release announcing the execution of the merger agreement.

On August 6, 2002, Versicor and Biosearch submitted a request for a tax ruling to the Milan tax authorities.

On August 14, 2002, Versicor and Biosearch entered into a first amendment to the agreement and plan of merger to address certain matters pertaining to the formula for determining the exercise price of replacement options to be granted to former holders of Biosearch stock options at the completion of the merger.

On September 17, 2002, Versicor and Biosearch received a favorable tax ruling from the Milan tax authorities.

Versicor's Reasons for the Merger; Recommendation of the Versicor Board

Versicor's board of directors has approved the merger agreement (including the merger plan ("progetto di fusione")), has deemed the merger advisable and has determined that the terms of the merger agreement are fair and in the best interests of Versicor and its stockholders. During the course of its deliberations, the Versicor board of directors considered, with the assistance of its management and its financial and other advisors, a number of factors. The following discussion of the factors

Versicor's board of directors considered in making its decision is not intended to be exhaustive but includes the material factors considered by the Versicor board of directors:

In reaching its conclusion that the merger is likely to be beneficial to Versicor and its stockholders, and in deciding to authorize the merger agreement, Versicor's board of directors considered the following potentially positive factors:

- The merger should accelerate our move from a drug discovery and development company to a commercially viable biopharmaceutical company.
- The merger will provide us with unified ownership rights in dalbavancin, a product candidate in Phase II clinical trials.
- Following the merger, our gross margin percentage on any future sales of dalbavancin (following marketing approvals) will increase from the high 60's to over 90 because we will no longer be required to pay any royalties or manufacturing fees to Biosearch.
- The merger should enhance our antifungal and antibiotic agent market position through the acquisition of additional pre-clinical compounds and expertise in other tough-to-treat infections.
- The merger will substantially increase our cash reserves by providing access to Biosearch's cash and cash equivalents totalling approximately $105 million as of June 30, 2002 (based on exchange rates then prevailing) and, therefore, reduce our dependence on capital market transactions to raise additional capital.
- Following completion of the construction of Biosearch's proposed manufacturing plant in southern Italy, the merger will provide us with manufacturing capabilities for the production of product candidates and agents.
- The merger will provide us with a European presence from which to market our future products to the European market.
- As a result of our four-year collaboration with Biosearch, we believe that our corporate cultures are a good match and that by merging Biosearch with and into us we believe we can more efficiently pursue our shared goal of bringing new antibiotic and antifungal agents to market.

In the written opinion of Lehman Brothers, the exchange ratio to be paid by Versicor in the merger is fair to Versicor, from a financial point of view. Lehman Brothers' opinion was based upon the procedures and subject to the assumptions, qualifications and limitations described in its opinion letter, the text of which is attached to this proxy statement/prospectus as *Appendix C*, and does not represent an independent determination of any kind to Versicor's stockholders.

The merger should provide additional critical mass of infrastructure, management talent and financial resources to facilitate further initiatives to grow Versicor's presence in the pharmaceutical industry.

The merger should improve in-licensing and out-licensing opportunities, and enable Versicor to offer a more attractive portfolio to potential licensees.

The merger should improve Versicor's ability to conduct expensive clinical trials by providing access to Biosearch's cash reserves.

The merger agreement restricts Biosearch's ability to solicit offers from potential acquirers of 20% or more of Biosearch's stock or assets and, if it were to do so, or if it were to terminate the merger agreement without an appropriate reason (or if its actions were to cause us to terminate for an appropriate reason), all as described under "The Agreement and Plan of Merger Termination Fee," Biosearch might be required to pay us a $6 million termination fee.

Versicor's board of directors also considered the following potentially negative factors as reasons that would tend to make the merger and the merger less beneficial to Versicor and its stockholders:

Substantial management time and effort will be required to negotiate and close the transaction.

The merger will subject the company to new risks, including those risks listed above under the caption "Risk Factors Risks Related to the Merger Transaction."

The additional shares to be issued in furtherance of the merger will be dilutive, at least in the near term.

As a result of the merger, the increase in our gross margin on any future sales of dalbavancin would be offset for our combined company by the loss of Biosearch's right to receive royalties and manufacturing fees from Versicor in connection with such sales of dalbavancin.

Significant legal, financial advisor and accounting fees will be incurred in connection with negotiating and closing the transaction, which are currently estimated to total approximately $10 million for the combined company.

The merger agreement restricts our ability to solicit offers from potential acquirers of 20% or more of our stock or assets and, if we were to do so, or if we were to terminate the merger agreement without an appropriate reason (or if our actions were to cause Biosearch to terminate for an appropriate reason), all as described in "The Agreement and Plan of Merger Termination Fee," we might be required to pay Biosearch a $6 million termination fee.

Biosearch's Reasons for the Merger; Recommendation of the Biosearch Board

In reaching its decision to approve the merger agreement and to recommend adoption of the merger agreement by Biosearch shareholders, Biosearch's board of directors consulted with its management team and advisors and independently considered the proposed merger, the merger agreement and the transactions contemplated by the merger agreement. The following discussion of the factors considered by the Biosearch board of directors in making its decision is not intended to be exhaustive. However, Biosearch has informed us that the following includes the material factors considered by the Biosearch board of directors.

In reaching its conclusion that the merger is likely to be beneficial to Biosearch's shareholders, and in deciding to authorize the merger agreement, Biosearch's board of directors considered the following potentially positive factors:

The merger should augment Biosearch's presence in the European market through the commercialization of anidulafungin.

The merger will enable Biosearch to re-unify worldwide control of development and commercialization of dalbavancin.

The merger should allow Biosearch to commercialize its product candidates (following receipt of regulatory approvals) in the most important world markets and to gain access to U.S. capital markets.

The merger should accelerate and expand Biosearch's ability to create a more advanced biopharmaceutical company with direct sales in North America and Europe (following receipt of regulatory approvals);

In the written opinion of SG Cowen, the exchange ratio to be received by Biosearch shareholders in the merger is fair to those shareholders, from a financial point of view. SG Cowen's opinion was based upon the procedures and subject to the assumptions, qualifications and limitations described in its opinion letter, the text of which is attached to this proxy statement/prospectus as *Appendix D*.

The merger should improve in-licensing and out-licensing opportunities, and enable Biosearch to offer a more attractive portfolio to potential licensees.

The merger might accelerate the discovery of new clinical candidate molecules by integrating the companies' technological platforms.

The merger agreement restricts Versicor's ability to solicit offers from potential acquirers of 20% or more of Versicor's stock or assets and, if Versicor were to do so, or if Versicor were to terminate the merger agreement without an appropriate reason (or if its actions were to cause Biosearch to terminate for an appropriate reason), all as described under "The Agreement and Plan of Merger Termination Fee," Versicor might be required to pay Biosearch a $6 million termination fee.

Biosearch's board of directors also considered the following potentially negative factors as reasons that would tend to make the merger agreement and the merger less beneficial to Biosearch and its shareholders:

Substantial management time and effort will be required to negotiate and close the transaction.

The merger will subject the company to new risks, including those risks listed above under the caption "Risk Factors Risks Related to the Merger Transaction."

As a result of the merger, Biosearch will lose the right to receive royalties and manufacturing fees from Versicor in connection with any future sales of dalbavancin.

Significant legal, financial advisor and accounting fees will be incurred in connection with negotiating and closing the transaction, which are currently estimated to total approximately $10 million for our combined company.

The merger agreement restricts Biosearch's ability to solicit offers from potential acquirers of 20% or more of its stock or assets and, if Biosearch were to do so, or if Biosearch were to terminate the merger agreement without an appropriate reason (or if Biosearch's actions were to cause Versicor to terminate for an appropriate reason), all as described in "The Agreement and Plan of Merger Termination Fee," Biosearch might be required to pay Versicor a $6 million termination fee.

Lehman Brothers' Opinion

In August 2001, Versicor engaged Lehman Brothers to act as its financial advisor with respect to pursuing an acquisition of Biosearch. On July 30, 2002, Lehman Brothers rendered its opinion to the Versicor board of directors that as of such date and, based upon and subject to certain matters stated therein, from a financial point of view, the exchange ratio to be paid by Versicor to Biosearch in the merger was fair to Versicor.

A copy of the full text of Lehman Brothers' opinion, dated July 30, 2002, the "Lehman Brothers' Opinion", is attached as *Appendix C* to this proxy statement/prospectus. Stockholders should read the Lehman Brothers' Opinion for a discussion of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Lehman Brothers in rendering its opinion. The following is a summary of the Lehman Brothers' Opinion and the methodology that Lehman Brothers used to render its fairness opinion.

Lehman Brothers' advisory services and opinion were provided for the information and assistance of the Versicor board of directors in connection with its consideration of the merger. The Lehman Brothers' Opinion is not intended to be and does not constitute a recommendation to any stockholder of Versicor as to how such stockholder should vote with respect to the merger, and does not represent an independent determination of any kind to Versicor's stockholders. Lehman Brothers was not requested to opine as to, and the Lehman Brothers' Opinion does not address, Versicor's underlying business decision to proceed with or effect the merger.

In arriving at its opinion, Lehman Brothers reviewed and analyzed:

- the merger agreement and the specific terms of the proposed transaction;
- the publicly available information concerning Versicor and Biosearch that Lehman Brothers believed to be relevant to its analysis, including Versicor's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, Versicor's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and Biosearch's Annual Report for the fiscal year ended December 31, 2001;
- financial and operating information with respect to the business, operations and prospects of Versicor furnished to Lehman Brothers by Versicor, including financial projections of Versicor prepared by management of Versicor (the "Versicor Projections" or the "Company Projections") and Versicor's draft Quarterly Report on Form 10-Q for the quarter ended June 30, 2002;
- financial and operating information with respect to the business, operations and prospects of Biosearch furnished to Lehman Brothers by Biosearch and Versicor, including financial projections of Biosearch prepared by management of Biosearch (the "Biosearch Projections") and financial projections of Biosearch prepared by management of Versicor (the "Versicor's Biosearch Projections") and a draft of Biosearch's Semiannual Report for the period ended June 30, 2002;
- the trading histories of the common stock of Versicor and the ordinary shares of Biosearch from the dates of their respective initial public offerings to July 30, 2002 and a comparison of these trading histories with each other and with those of other companies that Lehman Brothers deemed relevant;
- a comparison of the historical and projected financial results and present financial condition of Versicor with those of other companies that Lehman Brothers deemed relevant;
- a comparison of the historical and projected financial results and present financial condition of Biosearch with those of other companies that Lehman Brothers deemed relevant;
- a comparison of the financial terms of the proposed merger with the financial terms of certain other transactions that Lehman Brothers deemed relevant;
- the potential pro forma effect of the proposed merger on the current and future financial performance of Versicor, including the impact on the cash position of Versicor;
- the relative contributions of Versicor and Biosearch to the future financial performance of the combined company on a pro forma basis;
- information provided to Lehman Brothers by Versicor and Biosearch and their respective counsel relating to the feasibility of obtaining patents in respect of patent applications filed by Biosearch in international jurisdictions; and

publicly available reports prepared by independent research analysts, including reports by Banca IMI and SG Cowen on Biosearch and reports by Lehman Brothers, Lazard and JP Morgan HQ on Versicor, regarding the future financial performance of Versicor and Biosearch, respectively.

In addition, Lehman Brothers had discussions with the management of each of Versicor and Biosearch concerning their respective businesses, operations, assets, financial conditions and prospects and undertook such other studies, analyses and investigations as Lehman Brothers deemed appropriate.

In arriving at its opinion, Lehman Brothers assumed and relied upon the accuracy and completeness of the financial and other information used by Lehman Brothers without assuming any responsibility for independent verification of such information and further relied upon the assurances of management of each of Versicor and Biosearch that they are not aware of any facts or circumstances

that would make their respective information inaccurate or misleading. With respect to the Biosearch Projections, upon advice of Biosearch, Lehman Brothers assumed that such projections had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Biosearch's management as to the future performance of Biosearch. With respect to Versicor's Biosearch Projections, upon advice of Versicor, Lehman Brothers assumed that such projections had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Versicor's management as to the future performance of Biosearch, and, following discussions with management of Versicor, Lehman Brothers further assumed that Biosearch will perform substantially in accordance with these projections. With respect to the Company Projections, upon advice of Versicor, Lehman Brothers assumed that such projections had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Versicor as to the future financial performance of Versicor and that Versicor will perform substantially in accordance with such projections. In arriving at its opinion, Lehman Brothers did not conduct a physical inspection of the properties and facilities of Versicor or Biosearch and did not make or obtain any evaluations or appraisals of the assets or liabilities of Versicor or Biosearch. The Lehman Brothers' Opinion necessarily is based upon market, economic and other conditions as they existed on and could be evaluated as of July 30, 2002.

In connection with rendering its opinion, Lehman Brothers performed certain financial, comparative and other analyses as described below. In arriving at its opinion, Lehman Brothers did not ascribe a specific range of value to Versicor or Biosearch, but rather made its determination as to the fairness, from a financial point of view, to Versicor of the exchange ratio to be paid by Versicor in the merger on the basis of financial and comparative analyses. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial and comparative analysis and the application of those methods to the particular circumstances, and therefore, such an opinion is not readily susceptible to summary description. Furthermore, in arriving at its opinion, Lehman Brothers did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Lehman Brothers believes that its analyses must be considered as a whole and that considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion. In its analyses, Lehman Brothers made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Versicor and Biosearch. None of Versicor, Biosearch, Lehman Brothers or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses were not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth therein. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses actually may be sold.

The following is a summary of the material financial analyses used by Lehman Brothers in connection with providing its opinion to the Versicor board of directors. Certain of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Lehman Brothers, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Accordingly, the analyses listed in the tables and described below must be considered as a whole. Considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the Lehman Brothers' Opinion.

Stock Trading History

Lehman Brothers considered historical data with regard to the trading prices of Versicor common stock and Biosearch ordinary shares for the period from July 27, 2001 to July 30, 2002 and the relative stock price performances during this same period of Versicor, Biosearch, the American Stock Exchange Biotechnology Index and the Nasdaq Composite for Versicor, and the Italian MIB 30 Index and the Italian NUMTEL Index for Biosearch.

During this period the closing stock price of Versicor common stock ranged from $24.16 to $9.65 per share, and the closing price of Biosearch ordinary shares ranged from €17.32 to €7.35 per share. Lehman Brothers noted that both Versicor and Biosearch outperformed their comparable indices over this period of time.

Historical Exchange Ratio Analysis

Lehman Brothers also compared the historical per share prices of Versicor and Biosearch common stock and ordinary shares, respectively, during different periods from August 2, 2000 to July 30, 2002 in order to determine the implied average exchange ratio that existed for those periods. The following table indicates the average exchange ratio of Versicor common stock for Biosearch ordinary shares for the periods indicated:

Time or Period	Average Exchange Ratio
On July 30, 2002	1.31x
One month period prior to July 30, 2002	1.20x
Three month period prior to July 30, 2002	1.15x
Six month period prior to July 30, 2002	1.07x
One year period prior to July 30, 2002	1.06x
From August 2, 2000 to July 30, 2002	2.60x

Comparable Company Analysis

In order to assess how the public market values shares of similar publicly traded companies, Lehman Brothers reviewed and compared specific financial and operating data relating to Biosearch with selected companies that Lehman Brothers deemed comparable to Biosearch. Lehman Brothers compared Biosearch to the leading, largest publicly-traded biotechnology companies, which Lehman Brothers believed had operating, market valuation and trading valuations similar to what might be expected of Biosearch in 2006 and 2007. These companies were:

Amgen, Inc.;

Genentech, Inc.;

MedImmune Inc.;

Gilead Sciences, Inc.;

Biogen, Inc.;

IDEC Pharmaceuticals Corporation;

Genzyme General Division; and

Chiron Corporation.

This list includes all companies initially included in Lehman Brothers' analysis (that is, no company was initially included, but later excluded, from the analysis). The enterprise value of each company was obtained by adding its short and long term debt to the sum of the market value of its common equity, the value of any preferred stock (at liquidation value) and the book value of any minority interest, and subtracting its cash and cash equivalents. Using publicly available information, Lehman Brothers calculated and analyzed the multiple of each company's enterprise value to projected 2002 and 2003 revenues and earnings before interest, taxes, depreciation and amortization, or EBITDA.

The following table presents the multiples of enterprise value to projected 2002 and 2003 revenues and EBITDA. The information in the table is based on closing stock prices on July 30, 2002:

	Enterprise Value / Revenues		**Enterprise Value / EBITDA**	
	2002	**2003**	**2002**	**2003**
Mean	8.69x	6.58x	20.5x	17.4x
Median	7.41x	6.24x	18.8x	16.0x
High	16.83x	12.13x	31.6x	35.4x
Low	4.01x	3.52x	10.6x	8.6x

Using a range of multiples from 5.0x to 6.0x applied to expected 2006 and 2007 revenues and discounted back at 35% per year, Lehman Brothers calculated the implied equity value per share of Biosearch ordinary shares which yielded per share values of $21.27 to $29.62. Lehman Brothers noted that the equity value per share offered in the merger, based upon the closing prices and exchange ratio on July 30, 2002 was $21.43, and this was within this range.

However, because of the inherent differences between the business, operations and prospects of Biosearch and the business, operations and prospects of the companies included in the comparable companies analysis, Lehman Brothers believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the comparable company analysis and accordingly also made qualitative judgments concerning differences between the financial and operating characteristics and prospects of Biosearch and the companies included in the comparable company analysis that would affect the public trading values of each.

Transaction Premium Analysis

Lehman Brothers reviewed the premiums paid in comparable transactions in the biotechnology sector from January 1, 1998 to July 30, 2002. All public company transactions in the biotechnology sector since January 1, 1998, with transaction values greater than $25 million, were included in this analysis. These transactions (listed as acquirer / target), and their dates of announcement, were:

Comparable Transaction (acquirer/target)	Announcement Date
Serono S.A. / Genset SA	6/26/2002
Berna Biotech AG / Rhein Biotech NV	5/23/2002
Schering AG / Collateral Therapeutics	3/20/2002
Amgen Inc. / Immunex Corp.	12/17/2001
Millennium Pharmaceuticals / COR Therapeutics	12/6/2001
MedImmune Inc. / Aviron	12/3/2001
Celera Genomics / Axys Pharmaceuticals	6/13/2001
PerkinElmer / Packard Biosciences	7/15/2001
Sequenom / Gemini Genomics	5/29/2001
Merck & Co. / Rosetta Inpharmatics	5/11/2001
Vertex / Aurora Biosciences	4/30/2001
Johnson & Johnson / ALZA Pharmaceuticals	3/27/2001
Shire / BioChem Pharma	12/11/2000
Corixa / Coulter	10/16/2000
Genzyme / GelTex	9/11/2000
Chiron / Pathogenesis	8/14/2000
Evotec / Oxford Asymmetry International	7/31/2000
Molecular Devices / LJL Biosystems	6/8/2000
Guilford Pharmaceuticals / Gliatech	5/30/2000
Genzyme-General / Biomatrix	3/6/2000
Elan Corp. Plc / Liposome Company Inc.	3/6/2000
King Pharmaceuticals Inc. / Medco Research Inc.	12/1/1999
Baxter International, Inc. / North American Vaccine Inc.	11/18/1999
Celltech Chiroscience / Medeva	11/11/1999
Genzyme General / Cell Genesys	10/18/1999
Millennium Pharmaceuticals Inc. / LeukoSite Inc.	10/14/1999
E.I. Du Pont de Nemours and Company / CombiChem, Inc.	10/5/1999
MedImmune, Inc. / U.S. Bioscience, Inc.	9/22/1999
Merck / Sibia Neurosciences	8/2/1999
Johnson & Johnson / Centocor	7/21/1999
Abbott Laboratories / Alza Corp.	6/21/1999
Pharmacia & Upjohn Inc. / SUGEN Inc.	6/15/1999
Celltech plc / Chiroscience Group plc	6/15/1999
Corixa / Ribi Immunochem	6/10/1999
Gilead Sciences, Inc. / NeXstar Pharmaceuticals, Inc.	3/1/1999
Warner- Lambert / Agouron Pharmaceuticals	1/27/1999
Alza Corp. / SEQUUS Pharmaceuticals	10/5/1998
Amersham Pharmacia Biotech (jv between Nycomed Amersham/P&U) / Molecular Dynamics	8/10/1998

Comparable Transaction (acquirer/target)	Announcement Date
Baxter International Inc. / Somatogen	2/24/1998
Ligand Pharmaceuticals / Seragen	5/8/1998
Monsanto / Dekalb Genetics	5/11/1998
T Cell Sciences / Virus Research Institute	5/12/1998
Elan / Neurex	4/29/1998
Abbott Laboratoties / International Murex Tech	3/16/1998

Lehman Brothers calculated the premium per share paid by the acquiror compared to the share price of the target company prevailing (i) one day, (ii) one week and (iii) one month prior to the announcement of the transaction. This analysis produced the following average premiums and implied equity values for Biosearch:

	Period Prior to Announcement		
	One Day	One Week	One Month
Biosearch share price	$ 15.87	$ 13.70	$ 13.52
Average premiums	38.0%	50.6%	55.2%
Implied equity value per share	$ 21.91	$ 20.63	$ 20.98

Discounted Cash Flow Analysis

As part of its analysis, Lehman Brothers prepared a discounted after-tax cash flow model that was based upon Versicor's Biosearch Projections. Lehman Brothers used after-tax discount rates of 30.0% to 40.0% and a terminal value based on a range of multiples of EBITDA, in 2010 of 11.0x to 17.0x. Based on the midpoint of these discount rates and this range of terminal multiples, Lehman Brothers calculated the implied equity value per share of Biosearch ordinary shares at approximately $23.41 to $29.13.

Contribution Analysis

Lehman Brothers analyzed the respective contributions of Versicor and Biosearch to the estimated calendar years 2008 revenues, EBIT, defined as earnings before interest and taxes, pre-tax income and net income of the combined company based on the Versicor Projections and Versicor's Biosearch Projections. The results of this analysis supported Lehman Brothers' opinion that the exchange ratio to be paid by Versicor to Biosearch in the merger was fair, from a financial point of view, to Versicor.

Pro Forma Analysis

Lehman Brothers analyzed the pro forma effect of the transaction on the earnings per share of Versicor. For the purposes of this analysis, Lehman Brothers assumed:

a $21.43 per share price for Biosearch ordinary shares acquired pursuant to the merger;

a $12.11 per share price for Versicor common stock (the closing market price per share on July 30, 2002);

a transaction structure with 100% stock consideration; and

the Versicor Projections and Versicor's Biosearch Projections.

Lehman Brothers estimated that, based on the assumptions described above, the pro forma impact of the transaction on the earnings per share of Versicor would not be meaningful for the first three years following the transaction because Versicor does not anticipate having positive earnings per share over the next three years. The financial forecasts that underlie this analysis are subject to substantial uncertainty and, therefore, actual results may be substantially different.

Lehman Brothers is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Versicor board of directors selected Lehman Brothers because of its expertise, reputation

and familiarity with Versicor and the biotechnology industry generally and because its investment banking professionals have substantial experience in transactions comparable to the merger.

As compensation for its services in connection with the merger, Versicor paid Lehman Brothers a retainer fee and an additional fee upon the delivery of the Lehman Brothers' Opinion. Additional compensation in an amount customary for transactions of this type will be payable upon the completion of the merger, against which the amounts paid upon delivery of the Lehman Brothers' Opinion and as retainer fees will be credited. Lehman Brothers' total compensation shall not exceed $2.4 million. Additionally, 62.5% of Lehman Brothers' total compensation shall be contingent upon the consummation of the merger. In addition, Versicor has agreed to reimburse Lehman Brothers for reasonable out-of-pocket expenses incurred in connection with the merger and to indemnify Lehman Brothers for certain liabilities that may arise out of its engagement by Versicor and the rendering of the Lehman Brothers' Opinion. Lehman Brothers has previously rendered investment banking services to Versicor and received customary fees for such services.

In the ordinary course of its business, Lehman Brothers may actively trade in the debt or equity securities of Versicor and Biosearch for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

SG Cowen's Opinion

Pursuant to an engagement letter dated October 15, 2001, Biosearch retained SG Cowen Securities Corporation, or SG Cowen, to render an opinion to the board of directors of Biosearch as to the fairness, from a financial point of view, to the shareholders of Biosearch of the exchange ratio paid in the merger.

On July 30, 2002, SG Cowen delivered certain of its written analyses and its oral opinion to the Biosearch board, subsequently confirmed in writing as of the same date, to the effect that and subject to the various assumptions set forth therein, as of July 30, 2002, the exchange ratio paid in the merger was fair, from a financial point of view, to the shareholders of Biosearch. The full text of the written opinion of SG Cowen, dated July 30, 2002, is attached as *Appendix D* to this proxy statement/prospectus. Holders of Biosearch ordinary shares are urged to read the opinion in its entirety for the assumptions made, procedures followed, other matters considered and limits of the review by SG Cowen. The summary of the written opinion of SG Cowen set forth herein is qualified in its entirety by reference to the full text of such opinion. SG Cowen's analyses and opinion were prepared for and addressed to the Biosearch board and are directed only to the fairness to the shareholders of Biosearch, from a financial point of view, of the exchange ratio paid in the merger, and do not constitute an opinion as to the merits of the merger or a recommendation to any shareholder as to how to vote on the proposed merger. The exchange ratio paid in the merger was determined through negotiations between Biosearch and Versicor and not pursuant to recommendations of SG Cowen.

In arriving at its opinion, SG Cowen reviewed and considered such financial and other matters as it deemed relevant, including, among other things:

- a draft of the merger agreement dated July 24, 2002;
- certain publicly available information for Biosearch and other relevant financial and operating data furnished to SG Cowen by Biosearch;
- certain publicly available information for Versicor and other relevant financial and operating data furnished to SG Cowen by Versicor;

certain internal financial analyses, financial forecasts, reports and other information regarding Biosearch, which we refer to as the Biosearch forecasts, and Versicor, which we refer to as the Versicor forecasts, furnished to SG Cowen by Biosearch and Versicor, respectively;

First Call estimates and financial projections in Wall Street analyst reports for each of Biosearch and Versicor;

discussions SG Cowen had with certain members of the managements of Biosearch and Versicor concerning the historical and current business operations, financial conditions and prospects of Biosearch and Versicor and such other matters SG Cowen deemed relevant;

certain operating results, the reported price and trading histories of the Biosearch ordinary shares and Versicor common stock as compared to the operating results, reported price and trading histories of certain publicly traded companies SG Cowen deemed relevant;

certain financial terms of the merger as compared to the financial terms of certain selected business combinations SG Cowen deemed relevant;

based on the Biosearch forecasts and the Versicor forecasts, the cash flows generated by Biosearch and Versicor, respectively, on a stand-alone basis to determine the present value of the discounted cash flows; and

such other information, financial studies, analyses and investigations and such other factors that SG Cowen deemed relevant for the purposes of this opinion.

In conducting its review and arriving at its opinion, SG Cowen, with Biosearch's consent, assumed and relied, without independent investigation, upon the accuracy and completeness of all financial and other information provided to it by Biosearch and Versicor, respectively, or which was publicly available. SG Cowen did not undertake any responsibility for the accuracy, completeness or reasonableness of, or independently to verify, this information. In addition, SG Cowen did not conduct, or assume any obligation to conduct any physical inspection of the properties or facilities of Biosearch or Versicor. SG Cowen further relied upon the assurance of management of Biosearch that they were unaware of any facts that would make the information provided to SG Cowen incomplete or misleading in any respect. SG Cowen, with Biosearch's consent, assumed that the Biosearch forecasts and Versicor forecasts provided to SG Cowen were reasonably prepared by their respective managements, and reflected the best available estimates and good faith judgments of such managements as to the future performance of Biosearch and Versicor, in each case on bases reflecting the best currently available estimates and good faith judgements of such management as to the future performance of Biosearch and Versicor. Management of each of Biosearch and Versicor confirmed to SG Cowen, and SG Cowen assumed, with Biosearch's consent, that each of the Biosearch forecasts and the Versicor forecasts, the First Call estimates and financial projections in Wall Street analyst reports used in SG Cowen's analyses with respect to Biosearch and Versicor provided a reasonable basis for its opinion.

SG Cowen did not make or obtain any independent evaluations, valuations or appraisals of the assets or liabilities of Biosearch or Versicor, nor was SG Cowen furnished with these materials. With respect to all legal matters relating to Biosearch and Versicor, SG Cowen relied on the advice of legal counsel to Biosearch. SG Cowen's services to Biosearch in connection with the merger were comprised of rendering an opinion from a financial point of view of the exchange ratio paid in the merger. SG Cowen's opinion was necessarily based upon economic and market conditions and other circumstances as they existed and could be evaluated by SG Cowen on the date of its opinion. It should be understood that although subsequent developments may affect its opinion, SG Cowen does not have any obligation to update, revise or reaffirm its opinion and SG Cowen expressly disclaims any responsibility to do so. Additionally, SG Cowen was not authorized or requested to, and did not, solicit alternative offers for Biosearch or its assets, nor did SG Cowen investigate any other alternative transactions that may be available to Biosearch.

For the purposes of rendering its opinion, SG Cowen assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the merger agreement are true and correct, that each party will perform all of the covenants and agreements required to be

performed by it under the merger agreement and that all conditions to the consummation of the merger will be satisfied without waiver thereof. SG Cowen assumed that the final form of the merger agreement would be substantially similar to the last draft received by SG Cowen prior to rendering its opinion. SG Cowen also assumed that all governmental, regulatory and other consents and approvals contemplated by the merger agreement would be obtained and that, in the course of obtaining any of those consents, no restrictions will be imposed or waivers made that would have an adverse effect on the contemplated benefits of the merger. Biosearch informed SG Cowen, and SG Cowen assumed, that the merger will constitute a tax-neutral transaction for Biosearch shareholders.

SG Cowen's opinion does not constitute a recommendation to any shareholder as to how the shareholder should vote on the proposed merger. SG Cowen's opinion does not imply any conclusion as to the likely trading range for Versicor common stock following consummation of the merger or otherwise, which may vary depending on numerous factors that generally influence the price of securities. SG Cowen's opinion is limited to the fairness to the shareholders of Biosearch, from a financial point of view, of the exchange ratio paid in the merger. SG Cowen expresses no opinion as to the underlying business reasons that may support the decision of the Biosearch board to approve, or Biosearch's decision to consummate, the merger.

The following is a summary of the principal financial analyses performed by SG Cowen to arrive at its opinion. Some of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. SG Cowen performed certain procedures, including each of the financial analyses described below, and reviewed with the management of Biosearch and Versicor the assumptions on which such analyses were based and other factors, including the historical and projected financial results of Biosearch and Versicor. No limitations were imposed by the Biosearch board with respect to the investigations made or procedures followed by SG Cowen in rendering its opinion.

Analysis of Selected Acquisition Premiums

SG Cowen reviewed the percentage premiums of the offer prices over the trading prices one trading day and four weeks prior to the announcement date of acquisition transactions in the biopharmaceutical industry, the health care industry and all industries announced in the previous year, and previous three years, ending July 26, 2002. There were seven, 10 and 43 transactions in the biopharmaceutical industry, health care industry and all industries, respectively, in the previous year ending July 26, 2002. There were 32, 41 and 278 transactions in the biopharmaceutical industry, health care industry and all industries, respectively, in the previous three years ending July 26, 2002.

The following table presents the median and mean of the percentage premiums of the offer prices over the trading prices one day and four weeks prior to the announcement date for the biopharmaceutical industry transactions, the health care industry transactions and the all industry transactions announced in the previous year, and previous three years, ending July 26, 2002, and the premiums implied for Biosearch, based on the exchange ratio paid in the merger pursuant to the

merger agreement. The information in the table for Versicor and Biosearch is based on the closing stock prices on July 26, 2002.

	Premiums Paid for:						
	Biopharmaceutical Industry Transactions		Health Care Industry Transactions		All Industry Transactions		Premium Implied by the Exchange Ratio paid in the Merger
Premiums Paid to Stock Price:	**Median**	**Mean**	**Median**	**Mean**	**Median**	**Mean**	
Previous One Year Ending July 26, 2002:							
One day prior to announcement	29.2%	52.7%	30.2%	43.3%	28.0%	41.2%	28.6%

	Premiums Paid for:						
Four weeks prior to announcement	60.3	68.6	54.1	58.3	17.7	40.1	39.8
Previous Three Years Ending July 26, 2002:							
One day prior to announcement	27.1%	33.7%	29.2%	32.8%	25.8%	31.3%	28.6%
Four weeks prior to announcement	49.2	53.9	52.7	53.9	36.8	44.5	39.8

Analysis of Selected Transactions

SG Cowen reviewed the financial terms, to the extent publicly available, of selected acquisition transactions in the biotechnology industry, which were announced or completed since June 11, 1999. These transactions were (listed as acquirer/target):

Johnson & Johnson/Tibotec-Virco NV

Schering AG/Collateral Therapeutics, Inc.

OSI Pharmaceuticals, Inc./Gilead Sciences, Inc. (Oncology Assets)

Exelixis, Inc./Genomica Corp.

Genzyme Corp./Novazyme Pharmaceuticals, Inc.

Sequenom, Inc./Gemini Genomics plc

Inhale Therapeutic Systems Inc./Shearwater Corp.

Vertex Pharmaceuticals Inc./Aurora Biosciences Corp.

Inhale Therapeutic Systems, Inc./Bradford Particle Design plc

Corixa Corp./Coulter Pharmaceutical Inc.

Amgen Inc./Kinetix Pharmaceuticals, Inc.

Human Genome Sciences Inc./Principia Pharmaceutical Corp.

Exelixis, Inc./Agritope, Inc.

Chiron Corp./Pathogenesis Corp.

Celgene Corp./Signal Pharmaceuticals, Inc.

Guilford Pharmaceuticals, Inc./Gliatech, Inc.

Creative BioMolecules, Inc./Ontogeny, Inc.

King Pharmaceuticals Inc./Medco Research Inc.

Millennium Pharmaceuticals, Inc./LeukoSite, Inc.

Schering AG/Diatide Inc.

Pharmacia & Upjohn Company/Sugen, Inc.

Celltech plc/Chiroscience Group plc

Solvay SA/Unimed Pharmaceuticals, Inc.

SG Cowen reviewed the equity value of common stock plus total debt less cash and equivalents, which we refer to as enterprise value, paid in the biotechnology transactions as a multiple of revenue for the latest reported twelve months, which we refer to as LTM, transaction year, which we refer to as TY, and transaction year plus one year, which we refer to as TY+1.

The following table presents, for the periods indicated, the multiples of enterprise value to LTM, TY and TY+1 revenue. The information in the table is based on the closing stock price of Versicor stock on July 26, 2002.

	Enterprise Value as a Multiple of Revenue in Biotechnology Industry Transactions				Multiple Implied by the Exchange Ratio Paid in the Merger
Period	**Low**	**Median**	**Mean**	**High**	
LTM	6.30x	8.71x	16.05x	35.33x	14.75x
TY	5.57	7.41	9.86	16.74	19.23
TY+1	4.08	5.91	13.99	48.50	10.57

Although the biotechnology industry transactions were used for comparison purposes, none of those transactions is directly comparable to the merger, and none of the companies in those transactions is directly comparable to Biosearch or Versicor. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the companies involved and other factors that could affect the acquisition value of such companies or Biosearch to which they are being compared.

Analysis of Premiums Paid in Selected Transactions

SG Cowen reviewed the percentage premiums of the offer prices over the trading prices one trading day and four weeks prior to the announcement date of the biotechnology industry transactions listed above.

The following table presents the median and mean of the percentage premiums of the offer prices over the trading prices one day and four weeks prior to the announcement date for the biotechnology industry transactions, and the premiums implied for Biosearch, based on the exchange ratio paid in the merger pursuant to the merger agreement. The information in the table for Versicor and Biosearch is based on the

closing stock prices on July 26, 2002.

	Premiums Paid for Biotechnology Transactions		Premium Implied by the Exchange Ratio Paid in the Merger
	Median	Mean	
Premiums Paid to Stock Price:			
One day prior to announcement	34.2%	42.6%	28.6%
Four weeks prior to announcement	58.4	68.6	39.8

Analysis of Selected Premiums in Merger-of-Equals Transactions

SG Cowen reviewed the percentage premiums of the offer prices over the trading prices one trading day and four weeks prior to the announcement date of merger-of-equals transactions in the

health care industry and all other industries announced since February 5, 1997, which included seven health care merger-of-equals transactions and 38 other merger-of-equals transactions.

The following table presents the median and mean of the percentage premiums of the offer prices over the trading prices one day and four weeks prior to the announcement date for the health care merger-of-equals transactions, the all other merger-of-equals transactions and all of the merger-of-equals transactions announced since February 5, 1997, and the premiums implied for Biosearch, based on the exchange ratio paid in the merger pursuant to the merger agreement. The information in the table for Versicor and Biosearch is based on the closing stock prices on July 26, 2002.

	Premiums Paid for:						
	Health Care Merger-of-Equals Transactions		Other Merger-of-Equals Transactions		All Merger-of-Equals Transactions		Premium Implied by the Exchange Ratio Paid in the Merger
Premiums Paid to Stock Price:	Median	Mean	Median	Mean	Median	Mean	
One day prior to announcement	12.6%	13.1%	9.8%	16.7%	11.1%	16.2%	28.6%
Four weeks prior to announcement	19.3	17.1	14.0	21.3	16.0	20.7	39.8

Analysis of Selected Publicly Traded Companies for Biosearch

To provide contextual data and comparative market information, SG Cowen compared selected historical operating and financial data and multiples for Biosearch to the corresponding financial data and multiples of selected other companies, which we refer to as the selected Biosearch comparable companies, the securities of which are publicly traded and which SG Cowen believes have operating, market valuation and trading valuations similar to what might be expected of Biosearch. These companies were:

Cubist Pharmaceuticals Inc.

Kosan Biosciences Inc.

Triangle Pharmaceuticals, Inc.

Trimeris, Inc.

Versicor Inc.

Vertex Pharmaceuticals, Inc.

The data and multiples included the enterprise value of the selected Biosearch comparable companies as multiples of LTM, expected calendar year 2002 and projected calendar years 2003-2005 revenue.

The following table presents, for the periods indicated, the multiples of enterprise value to LTM, expected calendar year 2002 and projected calendar years 2003-2005 revenue. The information in the table is based on closing stock prices on July 26, 2002.

	Selected Biosearch Comparable Companies' Enterprise Value as a Multiple of Revenue				Multiple Implied by the Exchange Ratio Paid in the Merger
Period	**Low**	**Median**	**Mean**	**High**	
Expected Calendar Year 2002	5.06x	17.43x	18.25x	30.86x	19.23x
Projected Calendar Year 2003	2.17	6.99	8.72	18.90	10.57
Projected Calendar Year 2004	0.74	3.57	3.32	5.50	11.18
Projected Calendar Year 2005	0.44	2.29	2.07	3.09	2.53

Although the selected Biosearch comparable companies were used for comparison purposes, none of those companies is directly comparable to Biosearch. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the selected Biosearch comparable companies and other factors that could affect the public trading value of the selected Biosearch comparable companies or Biosearch to which they are being compared.

Analysis of Selected Publicly Traded Companies for Versicor

To provide contextual data and comparative market information, SG Cowen compared selected historical operating and financial data and multiples for Versicor to the corresponding financial data and multiples of selected other companies, which we refer to as the selected Versicor comparable companies, the securities of which are publicly traded and which SG Cowen believes have operating, market valuation and trading valuations similar to what might be expected of Versicor. These companies were:

Biosearch

Cubist Pharmaceuticals Inc.

Kosan Biosciences Inc.

Triangle Pharmaceuticals, Inc.

Trimeris, Inc.

Vertex Pharmaceuticals, Inc.

The data and multiples included the enterprise value of the selected Versicor comparable companies as multiples of LTM, expected calendar year 2002 and projected calendar years 2003-2005 revenue.

The following table presents, for the periods indicated, the multiples of enterprise value to LTM, expected calendar year 2002 and projected calendar years 2003-2005 revenue. The information in the table is based on closing stock prices on July 26, 2002.

	Selected Versicor Comparable Companies' Enterprise Value as a Multiple of Revenue				
Period	**Low**	**Median**	**Mean**	**High**	**Versicor Multiple**
Expected Calendar Year 2002	5.06x	16.57x	13.83x	21.32x	30.86x
Projected Calendar Year 2003	2.17	6.99	7.14	14.06	18.90
Projected Calendar Year 2004	0.74	3.68	3.36	5.50	3.55
Projected Calendar Year 2005	0.44	2.32	2.08	3.09	1.80

Although the selected Versicor comparable companies were used for comparison purposes, none of those companies is directly comparable to Versicor. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the selected Versicor comparable companies and other factors that could affect the public trading value of the selected Versicor comparable companies or Versicor to which they are being compared.

Historical Exchange Ratio Analysis

SG Cowen analyzed the ratios of the closing prices of Biosearch common stock to those of Versicor common stock over various periods ended July 26, 2002. The table below illustrates the ratios

for those periods and the percentage premium or discount to the offer price in the merger to the historical exchange ratios.

Period	**Exchange Ratio**	**Percentage Premium/(Discount) to the Exchange Ratio**
Latest twelve months average	0.97x	82.1%
Latest six months average	0.98	80.4
Latest three months average	1.09	62.0
Latest one month average	1.17	51.3
Twelve months prior	1.26	40.3
Six months prior	0.82	116.4
Three months prior	1.27	39.0
One month prior	1.00	76.3
Low (latest twelve months)	0.55	220.7
High (latest twelve months)	1.42	24.5
Current	1.38	28.6
Exchange ratio for Biosearch	1.77	NA

Stock Trading History

To provide contextual data and comparative market data, SG Cowen reviewed the historical market prices of Biosearch common stock for the 12 month period ended July 26, 2002. SG Cowen noted that over the indicated period the high and low prices for shares of Biosearch common stock were €19.55 and €8.02, respectively.

SG Cowen also reviewed the historical market prices of Versicor common stock for the 12 month period ended July 26, 2002. SG Cowen noted that over the indicated period the high and low prices for shares of Versicor common stock were $24.16 and $9.65, respectively.

Contribution Analysis

SG Cowen analyzed the respective contributions of expected calendar year 2002 and projected calendar years 2003-2010 revenue, research and development, earnings before interest, taxes, depreciation and amortization, earnings before interest and taxes, which we refer to as EBIT, and net income of Biosearch and Versicor to the combined company, based upon the Biosearch forecasts and the Versicor forecasts.

Pro Forma Ownership Analysis

SG Cowen analyzed the pro forma ownership in the combined company by the holders of Biosearch and noted that holders of Biosearch common stock would own approximately 45.0% of the combined company.

Discounted Cash Flow Analysis for Biosearch

SG Cowen estimated a range of values for Biosearch common stock based upon the discounted present value of the projected after-tax cash flows of Biosearch described in the Biosearch forecasts for the fiscal years ended December 31, 2002 through December 31, 2010, and of the terminal value of Biosearch at December 31, 2010, based upon the perpetuity growth method. After-tax cash flow was calculated by taking projected EBIT and subtracting from this amount projected cash taxes, capital expenditures and changes in working capital and adding back projected depreciation and amortization. This analysis was based upon certain assumptions described by, projections supplied by and discussions

held with the management of Biosearch. In performing this analysis, SG Cowen used discount rates ranging from 25.0% to 30.0% and used perpetual growth rates ranging from negative 3.0% to 3.0%.

Using this methodology, the per share equity value of Biosearch ranged from $21.96 to $31.39 per share, based on the Biosearch forecasts.

Discounted Cash Flow Analysis for Versicor

SG Cowen estimated a range of values for Versicor common stock based upon the discounted present value of the projected after-tax cash flows of Versicor described in the Versicor forecasts for the fiscal years ended December 31, 2002 through December 31, 2010, and of the terminal value of Versicor at December 31, 2010, based upon multiples of earnings before interest, after taxes, which we refer to as EBIAT. After-tax cash flow was calculated by taking projected EBIT and subtracting from this amount projected cash taxes, capital expenditures and changes in working capital, and adding back projected depreciation and amortization. This analysis was based upon certain assumptions described by, projections supplied by and discussions held with the management of Versicor. In performing this analysis, SG Cowen used discount rates ranging from 25.0% to 30.0% and used terminal multiples of EBIAT ranging from 15.0 times to 19.0 times.

Using this methodology, the per share equity value, as of the date of this analysis, of Versicor ranged from $11.09 to $16.57 per share, based on the Versicor forecasts.

The summary set forth above does not purport to be a complete description of all the analyses performed by SG Cowen. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of these methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. SG Cowen did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, notwithstanding the separate factors summarized above, SG Cowen believes, and has advised the Biosearch board, that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all analyses and factors, could create an incomplete view of the process underlying its opinion. In performing its analyses, SG Cowen made numerous assumptions with respect to industry performance, business and economic conditions and other matters, many of which are beyond the control of Biosearch and Versicor. These analyses performed by SG Cowen are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses or securities may actually be sold. Accordingly, the analyses and estimates are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors. None of Biosearch, Versicor, SG Cowen or any other person assumes responsibility if future results are materially different from those projected. The analyses supplied by SG Cowen and its opinion were among several factors taken into consideration by the Biosearch board in making its decision to enter into the merger agreement and should not be considered as determinative of such decision.

SG Cowen was selected by the Biosearch board to render an opinion to the Biosearch board because SG Cowen is an internationally recognized investment banking firm and because, as part of its investment banking business, SG Cowen is continually engaged in the valuation

of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. SG Cowen is providing financial services for Biosearch for which it will receive customary fees. In addition, in the ordinary course of its business, SG Cowen and its affiliates trade the equity securities of Biosearch and Versicor for their own account and for the accounts of their customers, and,

accordingly, may at any time hold a long or short position in such securities. SG Cowen and its affiliates in the ordinary course of business have from time to time provided, and in the future may continue to provide, commercial and investment banking services to Biosearch, including serving as a financial advisor on potential acquisitions and as an underwriter on equity offerings, and have received and may in the future receive fees for the rendering of such services. In particular, in July 2000, SG Cowen acted as lead manager of Biosearch's initial public offering.

Pursuant to the SG Cowen engagement letter, if the merger is consummated, SG Cowen will be entitled to receive a customary transaction fee. Biosearch has also agreed to pay a customary fee to SG Cowen for rendering its opinion, which fee shall be credited against any transaction fee paid. Additionally, Biosearch has agreed to reimburse SG Cowen for its out-of-pocket expenses, including attorneys' fees, and has agreed to indemnify SG Cowen against certain liabilities, including liabilities under the federal securities laws. The terms of the fee arrangement with SG Cowen, which are customary in transactions of this nature, were negotiated at arm's length between Biosearch and SG Cowen, and the Biosearch board was aware of the arrangement, including the fact that a significant portion of the fee payable to SG Cowen is contingent upon the completion of the merger.

Summary of Material Terms of Voting Agreements

Approximately 5.5% of Versicor's outstanding common shares and 23.24% of Biosearch's outstanding ordinary shares are subject to voting agreements in which the holders of the shares agree to vote their shares in favor of the merger, as described below.

Versicor Stockholder Voting Agreements

In connection with the execution and delivery of the merger agreement, Biosearch entered into a Versicor stockholder voting agreement dated as of the date of the merger agreement with each of the following Versicor stockholders: Mr. George F. Horner III; and HealthCare Ventures V, L.P. The following summary describes certain material provisions of the Versicor stockholder voting agreements. A complete copy of the form of the Versicor stockholder voting agreements is attached to the merger agreement, which is attached to this proxy statement/prospectus as *Appendix A*.

Transfer and Voting of Shares. Under the Versicor stockholder voting agreements, the Versicor stockholders agreed that, except as contemplated by the Versicor stockholders agreements, they will not transfer, enter into any agreement or understanding to transfer, or deposit into a voting trust or any similar arrangement any of the shares of Versicor common stock owned by them and subject to the Versicor stockholder voting agreements (as listed in Schedule I to each Versicor stockholder voting agreement and totaling 1,460,369 shares of Versicor common stock). These restrictions on transfer terminate upon Versicor stockholder approval of both the merger and the amendment to the 2001 Stock Option Plan.

Agreement to Vote Shares; Grant of Irrevocable Proxy. Under the Versicor stockholder voting agreements, the Versicor stockholders agreed to vote all of the shares of Versicor common stock owned by them and subject to the Versicor stockholder voting agreements, as follows:

in favor of the merger, the merger agreement and each of the transactions contemplated thereby; and

against the following actions, to the extent that such actions require the approval of Versicor stockholders or in relation to which such approval is sought:

any alternative transaction (as defined in the merger agreement);

a reorganization, recapitalization, dissolution or liquidation of Versicor; and

any change in the present capitalization of Versicor or any amendment of the certificate of incorporation or similar governing document of Versicor, or any other change in the corporate structure or business of Versicor; or

any other action which, is intended, or could reasonably be expected, to impede, interfere with, delay, postpone, discourage or adversely affect the completion of the merger.

Furthermore, each Versicor stockholders agreed to grant Biosearch an irrevocable proxy to vote the Versicor stockholder's shares of Versicor common stock accordingly.

Termination. The Versicor stockholder voting agreements will terminate upon the earlier of the date of termination of the merger agreement or the date of the completion of the merger.

Biosearch Shareholder Voting Agreements

In connection with the execution and delivery of the merger agreement, Versicor entered into a Biosearch shareholder voting agreement dated as of the date of the merger agreement with the following Biosearch shareholders: Dr. Francesco Parenti; Dr. Claudio Quarta; and the 3i Group plc. The following summary describes certain material provisions of the Biosearch shareholder voting agreements. Subject to differences noted below with respect to the Biosearch shareholder voting agreement entered into by the 3i Group plc, a complete copy of the form of the Biosearch shareholder voting agreements is attached to the merger agreement, which is attached to this proxy statement/prospectus as *Appendix A*.

Transfer and Voting of Shares. Under the Biosearch shareholder voting agreements, the Biosearch shareholders agreed that, except as contemplated by the Biosearch shareholders agreements, they will not transfer, enter into any agreement or undertake to transfer, or deposit into a voting trust or any similar arrangement:

in the case of Drs. Quarta and Parenti, any of the ordinary shares of Biosearch owned by them on the date of each of their Biosearch shareholder voting agreements (as listed in Schedule I to each agreement and totaling 2,018,752 ordinary shares of Biosearch); and

in the case of the 3i Group plc, 808,145 ordinary shares of Biosearch (which represents approximately 60% of the ordinary shares of Biosearch held by the 3i Group plc on the date of its Biosearch shareholder voting agreement).

These restrictions on transfer terminate upon receipt of Biosearch shareholder approval of the merger.

Agreement to Vote Shares; Grant of Irrevocable Proxy. Under the Biosearch shareholder voting agreements, the Biosearch shareholders agreed to vote all of the shares of the Biosearch ordinary shares held by them on the date of the Biosearch shareholder meeting (or any postponement or adjournment thereof) as follows:

in favor of the merger, the merger agreement and each of the transactions contemplated thereby; and

against the following actions, to the extent that such actions require the approval of Biosearch shareholders or in relation to which such approval is sought:

any alternative transaction (as defined in the merger agreement);

a reorganization, recapitalization, dissolution or liquidation of Biosearch and

any change in the present capitalization of Biosearch or any amendment of the articles of association or similar governing document of Biosearch, or any other change in the corporate structure or business of Biosearch; or

any other action which, is intended, or could reasonably be expected, to impede, interfere with, delay, postpone, discourage or adversely affect the completion of the merger, except that the 3i Group plc is not obligated to vote against any actions whereby the Biosearch shareholders would receive cash for their ordinary shares of Biosearch.

Furthermore, under the Biosearch voting agreements, each Biosearch shareholder agreed to grant Versicor an irrevocable proxy to vote the shareholder's ordinary shares of Biosearch accordingly.

Termination. The Biosearch shareholder voting agreements with Drs. Parenti and Quarta will terminate upon the earlier of the date of termination of the merger agreement or the date of the completion of the merger. The Biosearch shareholder voting agreement with 3i Group plc will terminate upon the earlier of:

the announcement of the termination of the merger;

the occurrence of the Biosearch shareholders special meeting to consider the merger; or

February 28, 2003.

Interests of Certain Persons in the Merger

Our chief executive officer, George F. Horner III, also serves on our board of directors. In connection with the merger, Mr. Horner will relocate (together with Versicor's executive management team), from California to Pennsylvania. We employ Mr. Horner under a written employment agreement. Mr. Horner's employment agreement provides that if within two years after a change in our control occurs we terminate Mr. Horner without cause or he resigns for good reason (including being asked to relocate his or her place of employment by more than 50 miles), then we are required to make a payment to Mr. Horner equal to two times the sum of his annual base salary then being paid or his highest annual base salary for any one of the prior two years, plus the largest amount of bonuses he received during any one calendar year. However, the proposed merger with Biosearch does not constitute a "change in control" under Mr. Horner's employment agreement and, thus, his relocation in connection with the merger will not give rise to any such special payments.

Dr. Francesco Parenti, Dr. Claudio Quarta, Dr. Ubaldo Livolsi, Mr. Constantino Ambrosio and Mr. Rino De Maria all serve on the board of directors of Biosearch. Biosearch has granted 50,000 stock options to Mr. Ambrosio, 10,000 stock options to Dr. Livolsi and 5,000 stock options to Mr. De Maria, each with an exercise price equal to the greater of the fair market value of the shares on the date of grant and the market price of the shares at the date of the shareholders meeting which approved the stock option plan. These options will be replaced with Versicor stock options in connection with the merger upon the terms described in "The Agreement and Plan of Merger Conversion of Biosearch Shares in the Merger." In addition, in connection with the merger, we entered into employment agreements with each of Dr. Parenti and Dr. Quarta and an independent consultant agreement with Mr. Ambrosio providing for annual salaries and other benefits, as described in "Management of the Combined Company after the Merger Employment Agreements with our Executives Located in Italy." These agreements also provide for additional option grants as described in "Proposal to Amend Versicor's 2001 Stock Option Plan." These agreements are filed with the SEC as exhibits to our merger registration statement on Form S-4.

An expectation of receiving the above benefits might have influenced the above directors to support the merger.

Accounting Treatment

U.S. Accounting Treatment

Versicor will account for the merger under the purchase method. Accordingly, Versicor will reflect Biosearch's results of operations in Versicor's consolidated results for periods from the date that the merger is completed. In addition, Versicor will allocate the aggregate purchase price of the acquisition (including the value of the Versicor common stock issued, and equivalent stock options assumed by Versicor, as well as direct costs of the acquisition) based upon the fair values of the assets acquired and liabilities assumed. Any excess purchase price will be recorded as goodwill. Under current generally

accepted accounting principles in the United States, goodwill is no longer being amortized but instead must be capitalized and reviewed periodically for impairment.

Regulatory Approvals

U.S. Antitrust Regulatory Approvals

Prior to completion of the merger, Versicor and Biosearch may be required to give notification of the merger and furnish information to the U.S. Federal Trade Commission and the Antitrust Division of the United States Department of Justice and observe a statutory waiting period requirement. If such notification by the parties is required, at any time before or after the effective time of the merger, and notwithstanding that the waiting period has terminated or the merger may have been completed, the U.S. Federal Trade Commission, the Antitrust Division or any state within the United States could take any action under the applicable antitrust or competition laws as it deems necessary or desirable. This action could include seeking to enjoin the completion of the merger. Private parties may also institute legal actions under the antitrust laws under some circumstances.

Italian or European Union Antitrust Regulatory Approvals

Versicor and Biosearch may be required to provide notice of the merger to either the European Commission, which we call the Commission, or the Italian Antitrust Authority, which we call the IAA, depending on their net revenues worldwide, within the European Union and within Italy.

If notification of the merger is required under the European Union rules, notice of the merger must be provided to the Commission within seven days after the party's board of directors approves the merger. Within one month after providing the notice, the Commission must make a formal determination whether to (i) approve the merger, or (ii) investigate further, in which case the Commission has four additional months to complete its investigation and issue a final decision. If notification of the merger is required under the European Union rules, the merger may not be implemented prior to providing the notice and receiving approval from the Commission (unless, in certain instances, an exception is granted).

If notification of the merger is not required under the European Union rules, notification may be required under Italian law. If so, notice of the merger must be provided to the IAA before the completion of the merger by the parties. Within thirty days after providing the notice, the IAA must make a formal determination whether to (i) approve the merger, or (ii) investigate further, in which case the IAA has generally an additional 45 days to complete its investigation and issue a final decision. Pending IAA approval, implementation of the merger need not be suspended. However, if the IAA finds that the merger raises serious competition concerns, then the IAA may require the parties to undertake any action that it considers appropriate in order to restore conditions of effective competition.

Appraisal or Dissenters' Rights; Rescission Rights

While Versicor's stockholders will not be entitled to appraisal or dissenters' rights in connection with the merger under Delaware law, Italian law provides Biosearch shareholders with specified rescission rights. Under Italian law, shareholders of Italian joint stock companies are entitled to exercise rescission rights whenever a resolution is adopted at a special meeting of shareholders with respect to:

a change in the business purpose of the company;

a change in the legal form of the company;

a transfer of the headquarters of the company outside of Italy; or

a merger in which the shareholders of the company receives shares which are not listed on a national regulated stock market in Italy.

Because the headquarters of the combined company will be located in the United States, Biosearch shareholders that do not vote in favor of the merger are entitled to exercise rescission rights in connection with the merger by giving notice to Biosearch within a specified time period after the Biosearch shareholders are asked to approve the merger. For Biosearch shareholders that attend the Biosearch special meeting, this time period ends three days after the Biosearch special meeting at which shareholders are asked to approve the transaction. For Biosearch shareholders that do not attend the Biosearch special meeting in person, this time period ends 15 days after the resolution by the Biosearch shareholders approving the merger is filed with the Register of Enterprises in Milan, Italy.

At the effective time of the merger, those Biosearch shareholders that have exercised their rescission rights are entitled to receive a cash payment for their Biosearch ordinary shares. The amount of this cash payment is determined by averaging the closing price for a Biosearch ordinary share on the Nuovo Mercato over the six months prior to the date of the Biosearch shareholders' approval of the merger. However, the merger agreement provides that Versicor shall not be obligated to consummate the merger if the aggregate amount to be paid to dissenting Biosearch shareholders equals or exceeds $25 million. As a closing condition, this requirement may be waived with the consent of both Versicor and Biosearch.

Listing on Nuovo Mercato

As a condition to the completion of the merger, Versicor common stock must be approved for listing on the Nuovo Mercato. As a closing condition, this requirement may be waived with the consent of both Versicor and Biosearch.

U.S. Federal Securities Law Consequences; Resale Restrictions

The shares of Versicor common stock to be issued in the merger will be registered under the Securities Act. These shares will be freely transferable under the Securities Act, except for Versicor common stock issued to any person who is deemed to be an affiliate of Biosearch or Versicor. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control with Biosearch and include Biosearch's officers and directors, as well as its principal shareholders. Biosearch's affiliates may not sell their Versicor common stock acquired in the merger, except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;
- an exemption under paragraph (d) of Rule 145 under the Securities Act; or
- any other applicable exemption under (or in a transaction not subject to) the Securities Act.

Material U.S. Federal Income Tax Considerations

The following discussion summarizes the material U.S. federal income tax consequences of the merger. This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, existing Treasury regulations and current administrative rulings and court decisions, all of which are subject to change. Any such change, which may or may not be retroactive, could alter the tax consequences to Versicor, Biosearch or the Biosearch shareholders.

The following discussion does not address the tax consequences of the merger under foreign, state or local tax laws, tax consequences of transactions effectuated before, after or concurrently with the merger (whether or not any such transactions are undertaken in connection with the merger), or tax consequences to holders of options, warrants or similar rights to acquire Biosearch capital stock. In addition, this discussion does not address all U.S. federal income tax considerations that may be

relevant to particular Biosearch shareholders that are subject to special rules or that may be important in light of such shareholders' individual circumstances, such as shareholders who:

- are dealers in securities or foreign currency;
- are subject to the alternative minimum tax provisions of the Internal Revenue Code;
- are Foreign persons, as defined below;

are financial institutions or insurance companies;

are tax-exempt organizations;

do not hold their Biosearch ordinary shares as capital assets;

acquired their shares in connection with any stock option or stock purchase plans or in other compensatory transactions; or

hold Biosearch ordinary shares as part of an integrated investment, including a "straddle" or "conversion" transaction, pledge against currency risk, or constructive sale, comprised of shares of Biosearch ordinary shares and one or more other positions.

Biosearch shareholders are urged to consult their own tax advisors as to the specific tax consequences of the merger, including the applicable U.S. federal, state, local and foreign tax consequences of the merger.

For purposes of this summary, "U.S. person" means (a) a citizen or resident of the United States, (b) a corporation, partnership, or other entity created or organized in or under the laws of the U.S., or any political subdivision thereof, (c) an estate, the income of which is subject to U.S. income taxation regardless of its source, and (d) a trust, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons has the authority to control all substantial decisions of the trust, and "Foreign person" means any person not a U.S. person as defined herein.

Completion of the merger is conditioned upon receipt by Versicor of a tax opinion from its counsel, O'Melveny & Myers LLP. The tax opinion will be subject to certain assumptions, limitations and qualifications, and will be based upon representations received from Versicor to support the opinion, and in other documents related to Versicor. O'Melveny & Myers LLP has also provided a written tax opinion to Versicor, which has been filed with the SEC as an exhibit to Versicor's registration statement on Form S-4. These opinions to Versicor provide that the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. As a result of such treatment, neither Versicor nor the Versicor stockholders should recognize gain or loss solely as a result of the merger. In the opinion of O'Melveny & Myers LLP, the U.S. federal income tax consequences to the Biosearch shareholders and to other recipients of Versicor common stock are as follows:

(1) A Biosearch shareholder who is a U.S. person and who holds Biosearch ordinary shares with a fair market value of less than $50,000 on the date of the merger will generally experience the following material U.S. federal income tax consequences:

these Biosearch shareholders will not recognize any gain or loss solely upon receipt in the merger of Versicor common stock in exchange for Biosearch ordinary shares, except to the extent of cash received in lieu of fractional shares of Versicor common stock;

the aggregate tax basis of Versicor common stock received by a Biosearch shareholder in the merger, including any fractional shares of Versicor common stock not actually received, will be the same as the aggregate tax basis of the surrendered Biosearch ordinary shares;

the holding period for Versicor common stock received by a Biosearch shareholder in the merger will include the period for which the surrendered Biosearch ordinary shares was considered to be held;

cash payments received by a Biosearch shareholder in lieu of fractional shares of Versicor common stock will be treated as if fractional shares of Versicor common stock had been issued in the merger and then redeemed by Versicor a Biosearch shareholder receiving cash in lieu of a fractional share will recognize gain or loss with respect to such payment measured by the difference, if any, between the amount of cash received and the tax basis in the fractional share; and

a Biosearch shareholder who exercises dissenters' rights will generally recognize gain or loss for U.S. federal income tax purposes, measured by the difference between the amount of cash received and the holder's aggregate tax basis in such shares.

(2) Biosearch shareholders who are U.S. persons and who hold Biosearch stock with a fair market value of $50,000 or more on the date of the merger will generally experience the following material U.S. federal income tax consequences:

these Biosearch shareholders will recognize gain, but not loss, upon receipt in the merger of Versicor common stock in exchange for Biosearch ordinary shares in an amount equal to the excess of the fair market value of the consideration received by each shareholder and each shareholder's aggregate tax basis in the Biosearch ordinary shares surrendered; provided, however, that each shareholder may instead elect to include in income as a deemed dividend the all earnings and profits amount, as defined in U.S. Treasury regulations, allocable to its shares in Biosearch;

the aggregate tax basis in the Versicor common stock received by a Biosearch shareholder who recognizes gain will equal its fair market value as of the date the merger is completed and each shareholder's holding period for his or her Versicor common stock will begin the day after the merger; and

the aggregate tax basis in the Versicor common stock received by a Biosearch shareholder who makes an election to include the all earnings and profit amount in income as a deemed dividend will equal the shareholder's prior basis in the Biosearch ordinary shares plus the amount taken into account as a dividend and the shareholder's holding period for his or her Versicor common stock will include the period for which the surrendered Biosearch ordinary shares was considered to be held.

The U.S. federal income tax consequences of the merger to a Biosearch shareholder whose Biosearch ordinary shares are worth $50,000 or more are complicated and these shareholders should consult their tax advisors as to their specific tax consequences as a result of the merger.

(3) A recipient of shares of Versicor common stock could recognize gain to the extent that those shares were considered to be received in exchange for services or property other than solely Biosearch ordinary shares. All or a portion of the gain may be taxable as ordinary income. A Biosearch shareholder could be required to recognize gain to the extent that the shareholder was treated as receiving, directly or indirectly, consideration other than Versicor common stock in exchange for Biosearch ordinary shares.

Versicor and Biosearch will not request a ruling from the U.S. Internal Revenue Service, or the IRS, in connection with the merger, and the tax opinion from O'Melveny & Myers LLP will not be binding upon the IRS. The IRS is therefore not precluded from successfully asserting a contrary position. A successful IRS challenge to the reorganization status of the merger as a result of a failure to meet any of the requirements of a reorganization would result in all of the Biosearch shareholders who are U.S. persons recognizing taxable gain or loss with respect to each Biosearch ordinary share surrendered equal to the difference between their bases in such shares and the fair market value, as of the date the merger is completed, of the Versicor common stock received in the merger. In such event, a shareholder's aggregate tax basis in the Versicor common stock so received would equal its fair

market value as of the date the merger is completed and the shareholder's holding period for such stock would begin the day after the merger.

Specified non-corporate Biosearch shareholders may be subject to backup withholding on cash payments received in connection with the merger. Backup withholding will not apply, however, to a Biosearch shareholder who:

furnishes a correct taxpayer identification number and certifies that he, she or it is not subject to backup withholding on the substitute Form W-9 or successor form;

provides a certification of foreign status on Form W-8 BEN or successor form; or

is otherwise exempt from backup withholding.

Biosearch shareholders will be required to attach a statement containing specified information required by the IRS concerning their participation as a shareholder in the merger to their U.S. federal income tax returns for the taxable year in which the merger occurs. Biosearch shareholders are urged to consult their own tax advisors regarding any information reporting and backup withholding requirements.

Material Italian Tax Considerations

The following is a general summary that does not discuss every aspect of Italian taxation that may be relevant to you in connection with the merger. This summary also assumes that Versicor and Biosearch would be considered residents for tax purposes of the United States and of the Republic of Italy and that they are organized and that their business will be conducted in the manner outlined in this proxy statement/prospectus. Changes in the tax residence or organizational structure of Versicor or Biosearch or the manner in which they conduct their business may invalidate this summary.

The statements below regarding Italian taxation are based on the laws in force in the Republic of Italy as of the date of this proxy statement/prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. We will not update this summary to reflect changes in law and if such a change occurs the information in this summary could become invalid.

Stockholders of Versicor and shareholders of Biosearch are advised to consult their own tax advisors concerning the overall tax consequences of the merger.

The Merger

In connection with the merger, a favorable tax ruling has been received from the Italian tax authorities regarding the tax-neutrality for Biosearch of the merger for Italian income tax purposes.

Tax Consequences for Biosearch and Versicor

Based in part on the favorable tax ruling, the merger of Biosearch with and into Versicor will not trigger any taxable event for Biosearch for Italian income tax purposes, such that no capital gains and/or capital losses will be deemed to have resulted from the transaction by Biosearch.

Following completion of the merger, Biosearch will cease to exist and all the assets of Biosearch will become assets belonging to an existing branch of Versicor located in Italy, which branch will qualify as a permanent establishment of Versicor in Italy under the Italian Income Tax Code, or ITC, and the reciprocal tax treaty of the United States and Italy. The assets of the Italian branch of Versicor will be deemed to have the same tax basis as when they belonged to Biosearch prior to the merger; any gains or losses resulting from the disposition of such assets would be taxable to the branch. Shortly after the completion of the merger, all assets belonging to the Italian branch of Versicor will be contributed to a newly-formed subsidiary of Versicor in the form of an Italian limited liability company, in exchange for the entire equity capital of such Italian subsidiary. All of those equity securities will be held by the

Italian branch of Versicor. Subject to certain conditions, the contribution will be tax neutral to Versicor for Italian income tax purposes.

Tax Consequences for the Shareholders of Biosearch

The merger of Biosearch with and into Versicor will not trigger any taxable event for Italian income tax purposes for the shareholders of Biosearch who are resident in Italy for tax purposes. The Versicor common stock received by each of such Biosearch shareholders at the effective time of the merger would be deemed as having the same aggregate tax basis as the Biosearch ordinary shares held by such shareholders prior to the merger.

The merger of Biosearch with and into Versicor may, however, trigger a taxable event for Italian income tax purposes for the shareholders of Biosearch who are resident outside of Italy for tax purposes. In particular, non-resident shareholders may be subject to tax in Italy on any deemed capital gain, equal to the difference between the fair market value of the Versicor common stock received by any such shareholder at the effective time of the merger and the tax basis of the shareholder's Biosearch ordinary shares cancelled by operation of the merger. This capital gain would not, however, be taxable in the following cases:

- if the non-resident shareholder (i) never owned Biosearch ordinary shares representing more than 2% of the voting rights in the Biosearch ordinary shareholders' meeting or more than 5% of the Biosearch stated capital, and (ii) did not and will not dispose of Biosearch ordinary shares representing in the aggregate (i.e., including the Biosearch ordinary shares cancelled by operation of the merger) more than either of the above thresholds in any twelve-month period prior to or after the effective time of the merger; or

- if the non-resident shareholder is entitled to the benefits of a reciprocal tax treaty entered into by Italy and his/her/its country of residence providing for the taxation of capital gains on stock exclusively in the shareholder's country of residence, and all of the requirements and procedures established by the applicable reciprocal tax treaty are complied with.

Since no fractional shares will be issued by Versicor to Biosearch shareholders in connection with the merger, Biosearch shareholders will be entitled, through a qualified intermediary duly appointed for the purpose, to purchase or sell, at the Biosearch ordinary share price listed on the Nuovo Mercato on the relevant day of trading, a minimum number of Biosearch ordinary shares necessary to achieve a whole number of Versicor shares. Any capital gain realized by Biosearch shareholders upon the sale of these shares would in principle be subject to tax in Italy. The relevant capital gain would be represented by the difference between the sale price and tax basis of the Biosearch ordinary shares sold. The

applicable tax regime would depend upon the residency for tax purposes and the status of the Biosearch shareholder.

Under Italian law, Biosearch shareholders who abstain from the vote or dissent to the merger are entitled to exercise a withdrawal right. In such case, the redemption price of each of their Biosearch ordinary shares, to be paid at the effective time of the merger, shall be equal to the average closing sales price of one Biosearch ordinary share listed on the Nuovo Mercato during the six-month period prior to the date of the special shareholders' meeting at which the merger is approved by the Biosearch shareholders. Biosearch shareholders redeeming shares will in principle be subject to tax in Italy on any profits derived from the redemption, which profits will be deemed equal to the difference between the redemption price and the tax basis of their Biosearch ordinary shares. The applicable tax regime would depend upon the residency for tax purposes and the status of the Biosearch shareholder.

THE AGREEMENT AND PLAN OF MERGER

In this proxy statement/prospectus, we refer to the agreement and plan of merger, as amended, as the merger agreement. The material provisions of the merger agreement are described below. We have attached a copy of the merger agreement as *Appendix A* to this proxy statement/prospectus and we hereby incorporate the merger agreement into this proxy statement/prospectus by reference. The summary of the merger agreement we provide below is qualified in its entirety by reference to the merger agreement. We encourage you to read carefully the merger agreement in its entirety for a more complete understanding of the merger agreement.

Structure of the Merger

The parties have agreed that at the effective time of the merger, Biosearch will merge with and into Versicor. Following the merger, Biosearch's separate corporate existence will cease and Versicor will continue as the surviving corporation and will assume all of the rights and obligations as well as the assets and liabilities of Biosearch while retaining those of Versicor. Shortly after the completion of the merger, all assets belonging to the Italian branch of Versicor will be contributed to a subsidiary of Versicor, newly formed as an Italian limited liability company, and Versicor will own the entire equity capital of such Italian subsidiary.

Effective Time of the Merger

The merger will close at a date and time to be specified by the parties, not later than the second business day after the satisfaction or waiver of the last of the conditions to the merger. The merger will become effective when the parties file a certificate of merger with the Secretary of State of Delaware and a deed of merger with the Companies' Register in Milan, Italy, or alternatively, at any later time as the parties specify in the certificate of merger, the deed of merger or other appropriate documents. The companies expect such documents to specify that the merger will become effective immediately prior to the date that Versicor common stock commences trading on the Nuovo Mercato.

Conversion of Biosearch Shares in the Merger

Each Biosearch ordinary share issued and outstanding as of the effective time of the merger, other than those Biosearch ordinary shares held by Versicor or Biosearch, will be converted into the right to receive 1.77 shares of Versicor common stock (including, with respect to each whole share of Versicor common stock, the associated preferred stock right described in the section entitled "Comparison of Rights of Versicor Stockholders and Biosearch Shareholders Rights Plan"). Any Biosearch ordinary shares held by Versicor or Biosearch and all Versicor common shares held by Biosearch will be canceled at the effective time and no Versicor common stock or other consideration will be delivered in exchange for such canceled shares.

No fractional shares of Versicor common stock will be issued in the merger. Instead of issuing fractional shares to Biosearch's shareholders, Biosearch shall be entitled to purchase and/or sell a minimum number of Biosearch ordinary shares, at the price recorded on the Nuovo Mercato on the day when the sale or purchase is carried out, for the purpose of achieving a whole number of Versicor common stock.

The merger agreement provides that each holder of a Biosearch stock option that is outstanding immediately prior to the closing of the merger has two choices as described below:

First, a Biosearch option holder may consent to the termination of his Biosearch options. In that case, upon completion of the merger, the holder will be entitled to receive an option under our 2002 Stock Option Plan (or in the discretion of our board of directors, our 2001 Stock Option Plan). The number of Versicor shares subject to each new option will equal the number of

Biosearch ordinary shares subject to the holder's terminated Biosearch option multiplied by 1.77. The per share exercise price of the new option will equal the greater of (i) the closing price for a share of Versicor common stock on the Nasdaq National Market on the closing of the merger, and (ii) the average of the closing prices for a share of our common stock on the Nasdaq National Market for each trading day during the one-month period immediately preceding the effective time of the merger. Each new option will be subject to a new four-year vesting schedule regardless of the vesting schedule of the predecessor Biosearch option.

Alternatively, a Biosearch option holder may take no action, in which case the holder's Biosearch option will be assumed by us and will become an option to acquire shares of our common stock at the effective time of the merger. The number of shares of our common stock that will be subject to each assumed option will equal the number of Biosearch ordinary shares subject to the option immediately prior to the effective time of the merger multiplied by 1.77. The per share exercise price of each assumed option will equal the exercise price of the Biosearch option divided by 1.77, and that amount will be converted from euros into U.S. dollars.

Rescission Shares

The merger agreement provides that if the merger is completed, Biosearch ordinary shares outstanding immediately prior to the effective time and held by a holder who has exercised and perfected his rescission rights in accordance with Italian law and who does not subsequently withdraw such exercise or abandon such right will not be converted into or exchanged for the right to receive Versicor common stock, but instead, effective as of the effective time or at any other time determined by Biosearch and Versicor in accordance with applicable laws, the holders of such rescission shares will be entitled to receive an amount of cash per Biosearch ordinary share equal to the average closing sales price of one Biosearch ordinary share on the Nuovo Mercato during the six-month period prior to the date of the special shareholders' meeting at which the merger is approved by the Biosearch shareholders. The procedures that Biosearch shareholders must follow to perfect their rescission rights under Italian law are described in "The Merger Appraisal or Dissenters' Rights; Rescission Rights."

Exchange Procedures

As soon as reasonably practicable after the completion of the merger, (i) Versicor will deposit with [ ], the exchange agent for the merger, in escrow for the benefit of the holders of Biosearch ordinary shares converted in the merger, a book-entry position representing the shares of Versicor common stock issuable pursuant to the merger agreement, and (ii) the exchange of Biosearch ordinary shares for Versicor common stock will be carried out through the centralized depositary system managed by Monte Titoli and in accordance with the applicable provisions of Italian law by means of book-entry changes, in which book-entry positions previously representing Biosearch ordinary shares will be exchanged for book-entry positions representing whole shares of Versicor common stock issued as merger consideration.

Corporate Organization and Governance

At the effective time of the merger, Versicor will become the surviving corporation and will continue to be governed by the laws of the State of Delaware, and the certificate of incorporation and bylaws of the surviving corporation. The bylaws of the surviving corporation will be amended and restated at the completion of the merger. The principal change to the bylaws affects the director nomination procedure for three years, see "Management of the Combined Company after the Merger Bylaw Amendments affecting Board Composition."

The merger agreement sets forth (as of the effective time):

in the case of the surviving corporation, the board of directors, the committees of the board of directors, the composition of such committees and certain chief officers, until the earlier resignation or removal of any named individual or until a successor is duly elected or qualified;

in the case of the Italian branch of the surviving corporation, the Italian branch manager, until the earlier resignation or removal of the named individual or until a successor is duly elected or qualified; and

in the case of Biosearch Manufacturing, the board of directors, the committees of the board of directors, the composition of such committees and certain officers, until the earlier resignation or removal of any named individual or until a successor is duly elected or qualified.

Versicor's Stockholder Meeting and Biosearch's Shareholder Meeting

Versicor and Biosearch will each convene separate special meetings of their stockholders and shareholders, respectively, in accordance with applicable law, to consider and vote upon:

in the case of Versicor,

the merger and the merger agreement (including the merger plan, or "progetto di fusione"); and

an increase in the number of shares available for option (and other) awards under Versicor's 2001 Stock Option Plan by an additional 5,400,737 shares of Versicor common stock and an increase in the number of shares that may be granted under Versicor's 2001 Stock Option Plan to one person during any calendar year by an additional 650,000 shares.

in the case of Biosearch,

the approval of the merger and the merger agreement (including the merger plan, or "progetto di fusione").

The Versicor stockholders' special meeting and the Biosearch shareholders' special meeting are scheduled to be held on [meeting date(s)].

Representations and Warranties

The merger agreement contains generally reciprocal representations and warranties made by Versicor and Biosearch regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. The complete text of the representations and warranties can be found in the merger agreement, attached to this proxy statement/prospectus as *Appendix A*. These representations and warranties relate to the following:

each party represents that it is duly organized, is validly existing, is in good standing, and has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted;

each party represents as to the amount of its authorized capital stock and describes its capital structure;

each party represents the extent to which it owns the capital stock of its subsidiaries;

each party represents that it has duly authorized, executed and delivered the merger agreement and the transactions contemplated by the merger agreement, subject to required stockholder approvals, and that the merger agreement and the transactions contemplated by the merger agreement are enforceable against the party;

each party represents that there is an absence of any conflict or violation of any applicable legal requirements, or of such party's corporate charter and bylaws or other agreements as a result of such party entering into and carrying out the transactions contemplated by the merger agreement;

each party represents as to the governmental and regulatory approvals that are required by it to complete the merger;

each party represents that there are no undisclosed liabilities or obligations not disclosed by such party;

each party represents that, except as otherwise disclosed, there is an absence of any event since March 31, 2002 that could have a material adverse effect on its business and financial condition;

each party represents, among other tax-related matters, that it has timely filed all material tax returns and reports required to be filed by it, that there is no claim or deficiency for any taxes, that there are no material liens on the party's assets relating to taxes, except for liens for taxes not yet due;

each party represents that there is an absence of undisclosed material pending or threatened suits, actions, investigations, audits, proceedings or outstanding judgments, decrees, injunctions, rules or orders of any governmental entity or arbitrator against that party;

each party describes its stock options plans, stock appreciation rights plans, restricted stock plans and stock purchase plans, if any;

each party represents, among other matters relating to employee benefits, that it has delivered to the other party true, correct and complete copies of all employee benefit plans, collective bargaining agreements or material bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, phantom stock, retirement, vacation, severance, disability death benefit, hospitalization, medical or other material plans, arrangements or understandings currently maintained or contributed to by such party;

each party represents that, except as otherwise disclosed, it is in compliance with applicable laws and permits necessary to own, lease or operate its properties and assets and to carry on its business as now conducted;

each party describes its intellectual property and represents, among other matters relating to intellectual property, that, to such party's knowledge and except as otherwise disclosed, it owns or has a valid right to use its intellectual property necessary for the conduct of its business;

each party represents that the merger agreement and attachments thereto summarize the material terms of any payment obligations under, all labor union, collective bargaining and employment agreements between the party and its employees;

each party makes a representation about the effect of entering into and carrying out the transactions contemplated by the merger agreement on its material contracts;

each party represents that it will receive fairness opinions, if any;

each party describes its interests in real property and represents that it has good and marketable title to its properties and that all of its current leases are in full force and effect;

each party represents that it is insured by reputable insurers against all risks normally insured against by companies in similar lines of business and all of the insurance policies and bonds maintained by it are in full force and effect;

each party represents that it is in compliance with third party reimbursement policies in connection with pharmaceutical products;

each party makes a representation about the stockholder or shareholder voting requirements in connection with such party's approval of the merger and the transactions contemplated by the merger agreement;

each party represents that, except as otherwise described, there are no insider interests or conflicts of interests in connection with the merger;

each party makes a representation about the absence of any undisclosed non-competition or similar restrictions on the party's business;

each party makes a representation about the absence of any takeover statute or similar statute or regulation that applies to such party in connection with the merger, the merger agreement or any of the transactions contemplated by the merger agreement; and

each party makes a representation about the truthfulness, accuracy and completeness of its disclosure in connection with the merger.

The merger agreement also contains representations and warranties from Biosearch to Versicor to the effect that:

the reports and other documents filed with the Italian securities regulatory commission, known as CONSOB, and the Italian stock market administration, known as Borsa Italiana, are accurate; applicable disclosure rules were complied with in compiling the financial and other information contained in those reports and documents; and the information supplied for inclusion or incorporation by reference into this proxy statement/prospectus, the related registration statement and the information document prepared by Biosearch in connection with the merger is accurate, correct and complete;

that Biosearch's independent accountants have been appointed as "experts" by Biosearch's board of directors, as required by Italian law; and

that Biosearch is currently in compliance with all requirements in respect of the grants and subsidized loans from Italian and EU governmental agencies.

The merger agreement also contains the representations and warranties by Versicor to Biosearch relating to:

the accuracy of reports and other documents filed with the SEC; the compliance with applicable disclosure rules of the financial and other information contained in these reports and documents; and the accuracy, correctness and completeness of the information supplied for inclusion or incorporation by reference into this proxy statement/prospectus, the related registration statement and the information document prepared by Biosearch in connection with the merger.

All representations and warranties of Versicor and Biosearch will expire at the effective time of the merger.

Biosearch's Covenants Relating to Conduct of Business

Biosearch has agreed that from the date of the merger agreement until the effective time of the merger, it will and will cause its subsidiaries to carry on their respective businesses in the ordinary course consistent with past practice and in compliance in all material respects with all applicable laws and regulations, and use all reasonable efforts to:

preserve intact their current business organizations;

keep available the services of their current officers and employees; and

preserve their relationships with those persons having business dealings with them.

Biosearch has also agreed, except as permitted or contemplated by the merger agreement, or as consented to by Versicor in writing, from the date of the merger agreement until the effective time of the merger, it will not, will not authorize and will not permit its subsidiaries to:

declare, set aside or pay (whether in cash, stock, property or otherwise) any dividends on, or make any other distributions in respect of, any of its capital stock, other than dividends and distributions by any direct or indirect wholly-owned subsidiary of Biosearch to Biosearch;

purchase, redeem or otherwise acquire any shares of ordinary shares of Biosearch or any of its subsidiaries, any other securities of Biosearch or its subsidiaries or any rights, warrants or options to acquire any of these shares or other securities;

other than (1) the issuance of Biosearch ordinary shares upon the exercise of Biosearch stock options outstanding on July 30, 2002, the date of the merger agreement, in accordance with their present terms, or (2) the issuance of Biosearch stock options under the Biosearch stock option plan in the ordinary course of business generally consistent with past practice,

issue, deliver, sell, award, pledge, dispose of or otherwise encumber or authorize or propose the issuance, delivery, grant, sale, award, pledge or other encumbrance (including limitations in voting rights) or authorization of, any shares of its ordinary shares, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any of these shares, voting securities or convertible securities;

amend or otherwise modify the terms of any such rights, warrants or options; or

accelerate the vesting of any of the Biosearch stock options;

incur any indebtedness for borrowed money except in the ordinary course of business consistent with past practices or pursuant to the terms of existing loans, or guarantee any of the indebtedness of another person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of Biosearch or any of its subsidiaries, guarantee any debt securities of another person, enter into any "keep well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing;

make any loans, advances or capital contributions to, or investments in, any other person, other than to Biosearch or any direct or indirect wholly owned subsidiary of Biosearch; or

except in the ordinary course of business consistent with past practice:

increase the rate or terms of compensation payable or to become payable generally to any of Biosearch's or any of its subsidiaries' directors, officers or employees other than usual and customary increases to non-management employees and except as permitted or contemplated by employment agreements;

pay or agree to pay any pension, retirement allowance, severance, continuation or termination benefit or other employee benefit not provided for by any existing pension plan, employee benefit plan or employment agreement disclosed in the merger agreement; or

establish, adopt or commit itself to any additional pension, profit sharing, bonus, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, continuation pay, termination pay, retirement or other employee benefit plan, agreement or arrangement, or increase the rate or terms of any employee plan or benefit arrangement, or amend or modify or increase the rate or benefits under or take

any action to accelerate the rights or benefits under any collective bargaining agreement or any employee benefit plan, agreement or arrangement, including any stock option plan or other employee benefit plan.

Versicor's Covenants Relating to Conduct of Business

Versicor has agreed that from the date of the merger agreement until the effective time of the merger, it will carry on its business in the ordinary course consistent with past practice and in compliance in all material respects with all applicable laws and regulations, and use all reasonable efforts to:

preserve intact its current business organizations;

keep available the services of its current officers and employees; and

preserve its relationships with those persons having business dealings with it.

Versicor has also agreed, except as permitted or contemplated by the merger agreement, or as consented to by Biosearch in writing, from the date of the merger agreement until the effective time of the merger, it will not:

declare, set aside or pay (whether in cash, stock, property or otherwise) any dividends on, or make any other distributions in respect of, any of its capital stock;

purchase, redeem or otherwise acquire any shares of its capital stock or any other of its securities or any rights, warrants or options to acquire any of these shares or other securities;

other than (1) the issuance of Versicor common stock upon the exercise of options to purchase common stock outstanding on the date of the merger agreement in accordance with their present terms or in accordance with the terms of any employment agreements existing on the date of the merger agreement or entered into in the ordinary course of business consistent with past practice, (2) the issuance of options to purchase Versicor common stock under any stock option plan currently in effect in the ordinary course of business, consistent with past practice, or (3) pursuant to the merger agreement:

issue, deliver, sell, award, pledge, dispose of or otherwise encumber or authorize or propose the issuance, delivery, grant, sale, award, pledge or other encumbrance (including limitations in voting rights) or authorization of, any

shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any of these shares, voting securities or convertible securities;

amend or otherwise modify the terms of any of the rights, warrants or options; or

accelerate the vesting of any of outstanding options to purchase Versicor common stock;

incur any indebtedness for borrowed money except in the ordinary course of business consistent with past practices or guarantee any of the indebtedness of another person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of Versicor, guarantee any debt securities of another person, enter into any "keep well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing;

make any loans, advances or capital contributions to, or investments in, any other person; or

except in the ordinary course of business consistent with past practice:

increase the rate or terms of compensation payable or to become payable generally to any of Versicor's directors, officers or employees other than usual, customary or previously-agreed to increases to non-management employees;

pay or agree to pay any pension, retirement allowance, severance, continuation or termination benefit or other employee benefit not provided for by any existing pension plan, employee benefit plan or employment agreement described in its filings with the SEC, filed prior to the date of the merger agreement and publicly available; or

except as allowed by the merger agreement and the transactions contemplated thereby, establish, adopt or commit itself to any additional pension, profit sharing, bonus, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, continuation pay, termination pay, retirement or other employee benefit plan, agreement or arrangement, or increase the rate or terms of any employee plan or benefit arrangement, or amend or modify or increase the rate or benefits under or take any action to accelerate the rights or benefits under any collective bargaining agreement or any employee benefit plan, agreement or arrangement, including any employee benefit plan.

Mutual Covenants Relating to Conduct of Business

Both Versicor and Biosearch have agreed, except as permitted or contemplated by the merger agreement, or as consented to by the other party in writing, from the date of the merger agreement until the effective time of the merger, it will not, will not authorize and, in the case of Biosearch, will cause any of its subsidiaries not to:

amend its organizational documents;

split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

acquire or agree to acquire (for cash or shares of stock or otherwise) (i) by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, limited liability company, joint venture, association or other business organization or division, or (ii) any assets except purchases of inventory, fixtures, furniture and equipment in the ordinary course of business consistent with past practice, provided, however, that in no event shall purchase orders for receipt of merchandise after July 31, 2002 be made without the prior written consent of the other party;

enter into or commit to enter into any lease with a lease commencement date on or after July 31, 2002;

mortgage or otherwise encumber or subject to any lien, or sell, lease, exchange or otherwise dispose of any of, its properties or assets, except for sales of its properties or assets in the ordinary course of business consistent with past practice;

make or agree to make any new capital expenditures which individually exceed $250,000 or which in the aggregate exceed $1,000,000 except for leasehold improvements, furniture and fixtures in the ordinary course of business consistent with past practice;

make or rescind any express or deemed election relating to taxes, settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes, or change any of its methods of reporting income or deductions for federal income tax purposes from those employed in the preparation of its income tax return for the taxable year ending December 31, 2000, except as may be required by applicable law;

pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements (or the notes thereto) of the parties included in documents filed with either CONSOB or the SEC, as appropriate, or incurred in the ordinary course of business consistent with past practice;

modify, amend, renew, fail to renew or terminate any material contract or agreement to which the relevant party, or subsidiary of the relevant party, is a party or waive, release or assign any material rights or claims, except in the ordinary course of business consistent with past practice and on commercially reasonable terms;

change fiscal years;

take any material actions or make any material management decisions with respect to the conduct of its business; or

take any action in furtherance of relinquishing any intellectual property rights.

No Solicitation of Transactions

In the merger agreement, subject to certain exceptions described below, each of Versicor and Biosearch has agreed that it will not, nor will it authorize or permit any representatives retained by it to (and in the case of Biosearch, it will not permit any of its subsidiaries, nor will it authorize or permit any representatives retained by its subsidiaries to), directly or indirectly:

solicit, initiate or encourage, or take any other action designed to facilitate, any inquiries or the making of any proposal the consummation of which would result in:

a transaction or series of transactions pursuant to which a person or group of persons, other than Versicor or Biosearch and Biosearch's subsidiaries, would acquire beneficial ownership of more than 20% of the outstanding shares of Versicor's common stock or Biosearch's ordinary shares;

any acquisition or proposed acquisition of Versicor or Biosearch or any of Biosearch's significant subsidiaries by a merger or other business combination, regardless of whether Versicor or Biosearch (or any of Biosearch's subsidiaries) survives the merger; or

any other transaction pursuant to which a third party would acquire, directly or indirectly, control of assets of Versicor or Biosearch (or any of their subsidiaries, including the equity securities of the subsidiaries), for consideration equal to 20% or more of the fair market value of all of the outstanding shares of Versicor's common stock or Biosearch's ordinary shares;

participate in any discussions or negotiations regarding any proposals or offers described above, each of which we will refer to as an "alternative transaction;"

withdraw, qualify or modify, or propose publicly to do any of the foregoing, in a manner adverse to the other party, its approval or recommendation with respect to the merger or the merger agreement (and in the case of Versicor, the issuance of Versicor's common stock in connection with the merger);

approve or recommend, or propose publicly to approve or recommend, any alternative transaction; or

enter into an agreement with respect to any alternative transaction.

Each of Versicor and Biosearch is obligated to promptly advise the other of any request for information or of any proposal in connection with an alternative transaction, the material terms and conditions of the request or proposal and the identity of the person making the request or proposal and keep the other party reasonably informed of the status and details of any request or proposal.

Notwithstanding the prohibitions in the merger agreement with respect to alternative transaction proposals, if either Versicor or Biosearch receives an unsolicited proposal with respect to an alternative transaction and the holders of its common stock or ordinary shares have not adopted the merger proposals described in this proxy statement/prospectus, and if its board of directors determines in good faith, after consultation with outside legal counsel, that the failure to provide information or participate in the negotiations would result in a reasonable possibility that its board of directors would breach its fiduciary duties to its stockholders or shareholders, then it may:

furnish information with respect to itself and its subsidiaries pursuant to a customary confidentiality agreement containing terms no less restrictive than the one between Versicor and Biosearch;

participate in negotiations regarding the unsolicited proposal; and

if the proposal qualifies as a "superior proposal" as defined in the merger agreement, inform its stockholders or shareholders that it no longer believes that the merger or the merger agreement is advisable and no longer recommends the merger proposal with Biosearch.

A "superior proposal" means any proposal made by a third party to enter into an alternative transaction that the board of directors of Versicor or Biosearch determines in its good faith judgment, after consultation with a financial advisor of internationally recognized reputation, to be more favorable to its stockholders or shareholders than the merger. Prior to making the determination that a proposal constitutes a superior proposal, Versicor or Biosearch must provide the other notice which includes the terms and conditions of the superior proposal. Also, each of Versicor and Biosearch must submit the merger agreement to its stockholders or shareholders, as the case may be, even if its board of directors

determines that is no longer advisable and no longer recommends the merger proposal.

The merger agreement provides that the restrictions with respect to alternative transactions will not prohibit Versicor or Biosearch from making any disclosure to its stockholders or shareholders if, in the good faith judgment of its board of directors, after consultation with outside counsel, the failure to disclose would be inconsistent with its board of directors' fiduciary duties to its stockholders or shareholders, provided, however, that each of Versicor and Biosearch will provide the other with a copy of such disclosure prior to making the disclosure. Additionally, the merger agreement provides that such restrictions will not prohibit Versicor from complying with Rule 14e-2(a) and Rule 14d-9 under the Securities Exchange Act of 1934.

Indemnification and Insurance

For a period of six years from the effective time of the merger, Versicor, as the surviving corporation, has agreed not to amend, repeal or otherwise modify the provisions of its certificate of incorporation or bylaws which relate to indemnification and exculpation from liability, in any manner that would adversely affect the indemnification and insurance rights under such provisions of individuals who were directors, officers, employees or agents of Biosearch on or prior to the effective time of the merger, unless a modification is required by law.

Versicor will maintain directors' and officers' liability insurance, covering those persons who were covered by Versicor's and Biosearch's respective directors' and officers' liability insurance policies prior to the effective time of the merger, for a period of six years on terms no less favorable than the terms of the previous insurance coverage. In lieu of obtaining coverage as described above, Versicor, with

Biosearch's written consent, may purchase a six-year extended reporting period endorsement under its existing directors' and officers' liability insurance coverage.

In the event that Versicor, as the surviving corporation, or any of its successors or assigns:

- consolidates with or merges into any other person and will not be the continuing or surviving corporation or entity of the consolidation or merger, or
- transfers all or substantially all of its properties and assets to any person,

then and in each case, Versicor will make proper provisions so that its successors and assigns assume Versicor's obligations relating to indemnification and insurance matters set forth in the merger agreement.

Conditions

The respective obligations of Versicor and Biosearch to effect the merger and the other transactions contemplated by the merger agreement, are subject to the satisfaction of various conditions that include, in addition to other customary closing conditions, the following:

- the approval of Versicor stockholders and Biosearch shareholders required under the merger agreement, as described above, must have been received;
- the Nasdaq National Market must have approved the listing, subject to official notice of issuance, of the shares of Versicor common stock issuable in connection with the merger;
- the Nuovo Mercato must have approved the listing of Versicor common stock;
- there must be no pending or threatened litigation by a governmental entity seeking to enjoin or prohibit the completion of the merger, and there must be no legal restraint or prohibition preventing the completion of the merger;

Versicor's registration statement on Form S-4 prepared in connection with the merger must have been declared effective by the SEC and no stop order suspending its effectiveness may be in effect nor have been initiated, or to the knowledge of Versicor or Biosearch, threatened;

the amount of cash to be paid to the holders of rescission shares must not exceed $25 million;

a favorable ruling from the applicable Italian tax authorities as to the tax-neutrality of the merger must have been received (and such a ruling has been received);

after the Biosearch shareholders approve the merger and the minutes of their meeting are recorded with the Companies' Register in Milan, Biosearch's creditors have a two-month period in which to challenge the merger and this period must have either expired or been terminated early pursuant to Biosearch posting a bond sufficient to satisfy Biosearch's creditors' claims, if any;

the waiting period under any applicable antitrust laws (and any extensions thereof) must have expired or been terminated;

Versicor must have received written opinions from its respective U.S. and Italian tax counsels, and Biosearch's corporate counsel; and

Biosearch must have received written opinions from its Italian tax counsel and Versicor's corporate counsel.

In the event that any or all of the conditions to both companies' obligations are not satisfied prior to completion of the proposed merger, both companies together may waive any or all of the unsatisfied

conditions without any further stockholder or shareholder approvals. However, as a legal matter, the parties may not waive conditions imposed by law, such as receipt of necessary stockholder approvals.

Versicor's obligation to effect the merger is further subject to satisfaction of the following additional conditions:

the representations and warranties of Biosearch described in the merger agreement must be true, correct and complete in all material respects as of the closing date of the merger as though made on the closing date, or if representations and warranties expressly related to an earlier date, then as of that date, and Versicor must have received an officer's certificate from Biosearch to that effect;

Biosearch must have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the closing date of the merger, and Versicor must have received an officer's certificate from Biosearch to that effect;

each of the Biosearch continuing senior executives identified in the merger agreement and the continuing independent consultant identified in the merger agreement must have have countersigned an employment agreement or independent consultant agreement, as applicable;

Versicor must have received all certificates and other deliveries required under the merger agreement;

Versicor must have received a "comfort letter," written report and other documents from PricewaterhouseCoopers SpA as required under the merger agreement;

from and including the date of the merger agreement, there must not have occurred any event which has caused or is reasonably likely to cause a material adverse effect on the business, operations or prospects of Biosearch;

subject to limited exceptions contained in the merger agreement, Biosearch or its subsidiaries must have received or completed, as applicable, all consents, approvals and filings with any governmental entity or other entity as required by the merger agreement or as may be required to complete the transactions contemplated by the merger agreement; and

specified Biosearch shareholders continuing as stockholders of the surviving corporation must have executed the Stockholders Agreement, the form of which is attached as an exhibit to the merger agreement (and appears in *Appendix A* to this proxy statement/prospectus).

In the event that any or all of these conditions to Versicor's obligations are not satisfied prior to completion of the proposed merger, Versicor may waive any or all of the unsatisfied conditions without any further stockholder approval.

Biosearch's obligation to effect the merger is further subject to satisfaction of the following additional conditions:

the representations and warranties of Versicor contained in the merger agreement must be true, correct and complete in all material respects as of the closing date of the merger as though made on the closing date, or if representations and warranties expressly related to an earlier date, then as of that date and Biosearch must have received an officer's certificate from Versicor to that effect;

Versicor must have performed or complied in all material respects with all of its agreements and covenants which the merger agreement requires to be performed or complied with on or prior to the closing date of the merger and Biosearch must have received an officer's certificate from Versicor to that effect;

Versicor must have countersigned the employment agreement of each Biosearch continuing senior executive identified in the merger agreement and the independent consultant agreement of the Biosearch continuing independent consultant identified in the merger agreement;

Biosearch must have received all certificates and other deliveries required under the merger agreement;

Biosearch must have received a "comfort letter," written report and other documents from PricewaterhouseCoopers LLP as required under the merger agreement;

each director and officer of Versicor required to resign must have tendered his resignation, and the directors and officers of the surviving corporation must have been appointed;

from and including the date of the merger agreement, there must not have occurred any event which has caused or is reasonably likely to cause a material adverse effect on the business, operations or prospects of Versicor;

subject to limited exceptions contained in the merger agreement, Versicor must have received or completed, as applicable, all consents, approvals and filings with any governmental entity or other entity as required by the merger agreement or as may be required to complete the transactions contemplated by the merger agreement; and

specified Versicor stockholders continuing as stockholders of the surviving corporation must have executed the Stockholders Agreement, the form of which is attached as an exhibit to the merger agreement (and appears in *Appendix A* to this proxy statement/prospectus).

In the event that any or all of these conditions to Biosearch's obligations are not satisfied prior to completion of the proposed merger, Biosearch may waive any or all of the unsatisfied conditions without any further shareholder approval.

Termination

Either Versicor or Biosearch may terminate the merger agreement prior to receiving their respective stockholders' or shareholders' approval of the merger by mutual written consent, if a majority of the members of each board of directors votes to do so.

The merger agreement may also be terminated by either Versicor or Biosearch at any time prior to the effective time of the merger in the following circumstances:

if Biosearch shareholders fail to approve and adopt the merger agreement at the Biosearch shareholders' meeting;

if Versicor stockholders fail to approve and adopt the merger agreement at the Versicor stockholders' meeting;

if the conditions to each party's obligation to close are not satisfied (or are incapable of being satisfied) or waived by February 28, 2003;

at any time prior to the Versicor shareholders' meeting, by the board of directors of Biosearch if the Versicor board of directors has (i) failed to include in this proxy statement its recommendation without modification or qualification that its stockholders approve the merger agreement and the transactions contemplated by the merger agreement, (ii) subsequently withdrawn its recommendation, (iii) modified or qualified its recommendation in a manner adverse to Biosearch's interests, or (iv) failed to reconfirm its recommendation following a written request from Biosearch; and

at any time prior to the Biosearch shareholders' meeting, by the board of directors of Versicor if the Biosearch board of directors has (i) failed to recommend without modification or

qualification that the Biosearch shareholders approve the merger agreement and the transactions contemplated by the merger agreement, (ii) subsequently withdrawn its recommendation, (iii) modified or qualified its recommendation in a manner adverse to Versicor's interests, or (iv) failed to reconfirm its recommendation following a written request from Versicor.

Termination Fee

Biosearch is entitled to receive a termination fee of $6 million dollars from Versicor in the event that the merger agreement is terminated under any of the following circumstances, by the party indicated:

if Biosearch terminates the merger agreement prior to its shareholders' meeting because the Versicor board of directors had:

failed to include in this proxy statement/prospectus its recommendation without modification or qualification that its stockholders approve the merger agreement and the transactions contemplated by the merger agreement;

subsequently withdrawn its recommendation;

modified or qualified its recommendation in a manner adverse to the interests of Biosearch; or

failed to reconfirm its recommendation following a written request from Biosearch; or

if Biosearch terminates the merger agreement as a result of Versicor's material breach of selected sections of the merger agreement relating to:

no solicitation by Versicor;

Versicor's obligations to have the merger recommended by its board of directors and to call and hold a stockholders meeting for the purpose of approving the merger, which breach is not cured within thirty days; or

Versicor's obligations to prepare and file the required disclosure documents and to provide information for the disclosure documents, in addition to other related matters, which breach is not cured within 30 days,

if Biosearch terminates the merger agreement as a result of Versicor's board of directors' failure to take certain actions relating to the merger (examples of which are preparing and filing various documents, providing information and holding their stockholders' meeting) in connection with the board's receipt of a superior proposal and its decision not to recommend the merger proposal to its stockholders.

Versicor is entitled to receive a termination fee of $6 million dollars from Biosearch, in the event that the merger agreement is terminated under any of the following circumstances, by the party indicated:

if Versicor terminates the merger agreement because the Biosearch board of directors (before the Biosearch shareholders' meeting) had:

failed to recommend without modification or qualification that the Biosearch shareholders approve the merger agreement and the transactions contemplated by the merger agreement;

subsequently withdrawn their recommendation;

modified or qualified their recommendation in a manner adverse to the interests of Versicor; or

failed to reconfirm such recommendation by a written request from Versicor; or

if Versicor terminates the merger agreement as a result of Biosearch's material breach of selected sections of the merger agreement relating to:

no solicitation by Biosearch;

Biosearch's obligations to call and hold a stockholders meeting for the purpose of approving the merger and to have the merger recommended by its board of directors, which breach is not cured within thirty days; or

Biosearch's obligations to prepare and file the required disclosure documents, to provide information for the disclosure documents and to hold its shareholders' meeting, in addition to other related matters, which breach is not cured within 30 days.

If Versicor terminates the merger agreement as a result of Biosearch's board of directors' failure to take certain actions relating to the merger (examples of which are preparing and filing various documents, providing information and holding their stockholders' meeting) in connection with the board's receipt of a superior proposal and its decision not to recommend the merger proposal to its stockholders.

The termination fees described above are payable in cash no later than thirty days following the delivery of a notice of termination. Interest will accrue on the termination fee at a rate of 1.5% per month interest, compounded monthly.

Expenses

Whether or not the merger is completed, we will each pay our own costs and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement, except for the following expenses, which will be shared equally by Versicor and Biosearch:

the filing, printing and mailing of the registration statement on Form S-4, the information document and listing particulars, and this proxy statement/prospectus, including related SEC filing fees; and

the filings of the pre-merger notification and report forms under the Hart Scott Rodino Act, including filing fees.

Under some circumstances, a party will be required to pay all of the fees and expenses outlined above. As long as the terminating party is not in material breach of its representations, warranties, covenants or agreements in the merger agreement, the non-terminating party will be required to pay these fees and expenses in the following cases:

if the terminating party terminates the merger agreement as a result of the non-terminating party's breach of any of its representations, warranties, covenants or agreements in the merger agreement; or

if the terminating party terminates the merger agreement as a result of any of the non-terminating party's representations or warranties becoming untrue or incorrect, which would inhibit the following closing conditions from being capable of being satisfied by February 28, 2003:

the condition that, except in limited circumstances, the non-terminating party's representations and warranties set forth in the merger agreement be true and correct as of the closing date of the merger agreement, or as of any other date provided, and that the non-terminating party has delivered officers' certificates to the other party to such effect, or

the condition that the non-terminating party's performance of or compliance, in all material respects, with all of its agreements and covenants set forth in the merger agreement by the closing date of the merger agreement and that the non-terminating party has delivered officers' certificates to the other party to such effect.

Amendment; Extension and Waiver

On August 14, 2002 we entered into the first amendment to the merger agreement. The first amendment is included within *Appendix A* in this proxy statement/prospectus. The purpose of the first amendment was to revise the formula for determining the exercise prices of the replacement options to be issued to former holders of Biosearch options.

Versicor and Biosearch may further amend the merger agreement by mutual written consent at any time before or after their respective stockholders and shareholders have approved the matters contemplated by the merger agreement. After receiving the Versicor stockholder and Biosearch shareholder approvals, the parties may not make any amendment that, by law, requires further approval by the respective stockholders or shareholders without first obtaining such approvals.

At any time prior to the effective time of the merger agreement, by mutual written consent, the parties may do the following in connection with the merger agreement:

extend the time for the performance of any of the obligations or other acts of the other parties;

waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement; or

subject to specified terms, waive compliance with any of the agreements or conditions contained in the merger agreement.

COMPARATIVE STOCK PRICES AND DIVIDENDS

Versicor

Versicor common stock is traded on the Nasdaq National Market under the trading symbol "VERS." The following table presents the range of high and low (intra-day) sales prices of Versicor common stock as reported on the Nasdaq National Market since August 9, 2000, the closing date of Versicor's initial public offering.

	Common Stock	
	High	Low
2000		
Third Quarter	$ 16.31	$ 8.50
Fourth Quarter	15.06	5.75
2001		
First Quarter	9.63	7.00
Second Quarter	14.12	6.53
Third Quarter	15.67	11.95
Fourth Quarter	21.06	13.15
2002		
First Quarter	25.40	15.70
Second Quarter	19.00	9.26
Third Quarter	13.20	7.78
Fourth Quarter (through October 23)	10.15	7.65

As of October 23, 2002, there were 120 stockholders of record of Versicor common stock and 26,376,287 common shares outstanding. Versicor has not paid any cash dividends since its inception and does not anticipate paying any cash dividends in the foreseeable future.

Biosearch

Biosearch ordinary shares are traded on the Nuovo Mercato under the trading symbol "BIO." The following table presents the range of high and low (intra-day) sales prices of Biosearch ordinary shares, as reported on the Nuovo Mercato since July 31, 2000, the closing date of Biosearch's initial public offering, in euros and converted to dollars at the exchange rate then prevailing.

	Ordinary Shares			
	Euros		Dollars	
	High	Low	High	Low
2000				
Third Quarter	€78.20	€48.35	$ 69.30	$ 43.92
Fourth Quarter	64.65	36.05	57.00	32.95
2001				
First Quarter	56.15	23.30	53.03	20.55
Second Quarter	27.55	21.00	24.49	17.82
Third Quarter	24.19	8.01	20.60	7.34
Fourth Quarter	18.90	13.40	16.91	12.31
2002				
First Quarter	19.98	15.25	17.51	13.47
Second Quarter	17.80	11.12	15.69	10.73
Third Quarter	18.90	11.20	18.53	11.32
Fourth Quarter (through October 23)	16.85	12.35	16.46	12.13

As of October 23, 2002, there were [ ] shareholders of record of Biosearch ordinary shares and 12,160,500 ordinary shares outstanding. Biosearch has not paid any cash dividends since its inception and does not anticipate paying any cash dividends in the foreseeable future.

Additional Comparative Information

The following table sets forth the high, low and last reported sales prices per share of Versicor common stock and Biosearch ordinary shares and the implied value of the merger consideration (based on the exchange ratio), in each case on July 30, 2002, the last full trading day prior to the public announcement of the proposed merger, and on October 23, 2002, the last practicable trading day before the date of this proxy statement/prospectus.

	Versicor Common Stock			Biosearch Ordinary Shares				
Date	High	Low	Close	High	Low	Close (€)	Close ($)*	Implied Value of Merger Consideration
July 30, 2002	$ 12.12	$ 11.40	$ 12.11	€ 16.88	€ 15.75	€ 16.00	$ 15.79	$ 21.43
October 23, 2002	$ 10.15	$ 9.50	$ 10.02	€ 16.86	€ 16.11	€ 16.70	$ 16.30	$ 17.74

* Based on the exchange rate then prevailing.

The data in the "Implied Value of Merger Consideration" column was calculated by multiplying the last reported sale price of one share of Versicor common stock on the specified dates by 1.77, the merger exchange ratio.

The market prices of the shares of Versicor common stock and Biosearch ordinary shares fluctuate. You should obtain current market quotations.

SELECTED FINANCIAL DATA OF VERSICOR

The following selected financial data for the years ended December 31, 1999, 2000 and 2001, and the balance sheet data as of December 31, 2000 and 2001 are derived from our audited financial statements appearing elsewhere in this proxy statement/prospectus. The financial data for the years ended December 31, 1997 and 1998 and the balance sheet data as of December 31, 1997, 1998 and 1999 are derived from audited financial statements not included in this proxy statement/prospectus. The financial data for the six months ended June 30, 2001 and 2002 and the balance sheet data at June 30, 2002 are derived from our unaudited financial statements which are included elsewhere in this prospectus. The unaudited financial statements include all adjustments, consisting of normal recurring adjustments, which we consider necessary for a fair presentation of our financial positions and results of operations for these periods. Operating results for the six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2002 or any other future interim period. The following data should be read together with financial statements, related notes and other financial information included in this prospectus.

	Year ended December 31,					Six months ended June 30,	
	1997	1998	1999	2000	2001	2001	2002
	(in thousands, except per share amounts)						
Statement of Operations Data:							
Revenues:							
Collaborative research and development and contract services	$	$	$ 3,750	$ 5,338	$ 6,145	$ 3,040	$ 3,044
License fees and milestones			525	553	283	267	258
Total revenues			4,275	5,871	6,428	3,307	3,302
Operating expenses:							
Research and development	5,403	11,429	25,472	15,531	32,612	14,154	22,065
General and administrative	807	1,386	2,586	8,891	9,600	4,913	4,537
Total operating expenses	6,210	12,815	28,058	24,422	42,212	19,067	26,602
Loss from operations	(6,210)	(12,815)	(23,783)	(18,551)	(35,784)	(15,760)	(23,300)
Interest income	104	770	749	3,712	3,313	2,132	781
Interest expense	(178)	(540)	(6,171)	(482)	(316)	(180)	(124)
Other			(14)	18	(60)		
Net loss	(6,284)	(12,585)	(29,219)	(15,303)	(32,847)	(13,808)	(22,643)
Preferred stock deemed dividends and accretion to redemption value	(422)	(2,527)	(38,175)	(3,486)			
Net loss available to common stockholders	$ (6,706)	$ (15,112)	$ (67,394)	$ (18,789)	$ (32,847)	$ (13,808)	$ (22,643)
Net loss per share, basic and diluted	$ (24.31)	$ (47.11)	$ (127.28)	$ (1.95)	$ (1.42)	$ (0.60)	$ (0.92)
Shares used in computing net loss per share, basic and diluted	276	321	530	9,638	23,090	23,048	24,642

	December 31,					June 30,
	1997	1998	1999	2000	2001	2002

	December 31,					
			(in thousands)			
Balance Sheet Data:						
Cash and cash equivalents and marketable securities	$ 14,491	$ 4,507	$ 34,619	$ 85,934	$ 63,768	$ 85,150
Total assets	26,258	15,865	45,233	91,596	70,697	91,102
Term loan payable, less current portion	6,034	5,172	4,310	3,448	1,004	1,047
Convertible and redeemable preferred stock	31,472	33,984	83,843			
Accumulated deficit	(12,536)	(26,454)	(55,673)	(70,976)	(103,823)	(126,466)
Total stockholders' equity (deficit)	(12,551)	(27,076)	(48,796)	80,287	52,894	73,695

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF VERSICOR

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and notes to those statements included elsewhere in this proxy statement/prospectus. This discussion may contain forward-looking statements that involve risks and uncertainties. The words "believe," "expect," "anticipate," "estimate," "may," "will," or "could" and similar expressions or the negatives of these words or phrases are intended to identify forward-looking statements. As a result of many factors, such as those set forth under "Risk Factors" and elsewhere in this proxy statement/prospectus, our actual results may differ materially from those anticipated in such forward-looking statements.

Overview

We are a biopharmaceutical company focused on the discovery, development and marketing of pharmaceutical products for the treatment of bacterial and fungal infections. Since our inception on May 2, 1995 as a wholly-owned subsidiary of Sepracor Inc., we have devoted substantially all of our efforts to establishing our business and conducting research and development activities related to our proprietary product candidates, including anidulafungin and dalbavancin, as well as collaborative product candidates.

Since 1996, we have been operating as an independent company. In August 2000, we sold 4,600,000 shares of our common stock at $11 per share in an initial public offering, and in September 2000 the underwriters exercised an over-allotment option and purchased an additional 690,000 shares. We received total net proceeds from the initial public offering and the over-allotment of approximately $52.7 million.

On April 9, 2002, we completed a private placement of 2,993,800 shares of our common stock to selected institutional investors at a purchase price of $15 per share. We received net proceeds from the private placement of approximately $41.9 million.

On July 30, 2002, we entered into an agreement and plan of merger with Biosearch Italia S.p.A., a publicly listed company in Italy (Nuovo Mercato: BIO), wherein it is contemplated that Biosearch will merge with and into Versicor in a stock-for-stock exchange. The merger agreement, which has been approved by the boards of directors of both companies, provides that Biosearch shareholders will receive 1.77 shares of newly-issued Versicor common stock in exchange for each Biosearch ordinary share. Completion of the proposed merger is subject to satisfaction of certain conditions set forth in the merger agreement, including, without limitation, (i) the favorable vote of the holders of a majority of our outstanding common stock, and (ii) the favorable vote of the holders of at least two-thirds of the Biosearch ordinary shares present at the Biosearch shareholders' meeting, provided that the quorum required for the Biosearch shareholders' meeting shall consist of more than one-half of the outstanding Biosearch ordinary shares as of the relevant record date during the first call, more than one-third of the outstanding Biosearch ordinary shares as of the relevant record date during the second call, and more than one-fifth of the outstanding Biosearch ordinary shares as of the relevant record date during the third call, and (iii) certain regulatory approvals in Italy. We expect that this transaction will close in the first quarter of 2003.

Since we began our operations in May 1995, we have not generated any revenues from product sales. Our lead antifungal product candidate, anidulafungin, is in Phase III clinical trials and our lead antibiotic product candidate, dalbavancin, has completed Phase II clinical trials in skin and soft tissue infections and is in Phase II clinical trials for bloodstream infections. We also have several lead compounds in pre-clinical studies.

Our revenues in the near term are expected to consist primarily of collaborative research payments, license fees and milestone payments to be received from our collaborators. Certain of these payments are dependent on achievement of specified milestones. If the development efforts result in clinical success, regulatory approval and successful commercialization of our products, we will generate revenues from sales of these products and from receipt of royalties on sales of these products.

Our expenses have consisted primarily of costs incurred when in-licensing existing product candidates, research and development of new product candidates and in connection with our collaboration agreements, and from general and administrative costs associated with our operations. We expect licensing costs to increase as certain milestones are achieved, and our research and development expenses to increase as we continue to develop our product candidates. Assuming the completion of the proposed merger of Biosearch with and into us, we also expect that our general and administrative expenses will increase as we add personnel, integrate our operations and continue to expand our research and development operations. In addition, our expenses will increase as a result of professional fees incurred in connection with the proposed merger whether or not the proposed merger is completed. We expect to incur sales and marketing expenses in the future when we establish our sales and marketing organization.

Since our inception, we have incurred significant losses. As of June 30, 2002, we had an accumulated deficit of $126.5 million. We anticipate incurring additional losses, which may increase for the foreseeable future, including at least through December 31, 2003.

We have a limited history of operations. We anticipate that our quarterly results of operations will fluctuate for the foreseeable future due to several factors, including payments made or received pursuant to licensing or collaboration agreements, progress of our research and development efforts and the timing and outcome of regulatory approvals. Our limited operating history makes predictions of future operations difficult or impossible to ascertain.

Major Research and Development Projects

Our ongoing clinical trials of anidulafungin and dalbavancin are our two most significant research and development projects, generating 40% and 22%, respectively, of our total research and development expenses (excluding non-cash stock compensation expense) during the 18 months ended June 30, 2002.

Anidulafungin

Anidulafungin is our lead antifungal product candidate. We in-license anidulafungin from Eli Lilly pursuant to the May 1999 agreement described below. As of October 23, 2002, the intravenous formulation of anidulafungin is in:

Phase III clinical trials for the treatment of esophageal candidiasis, patient enrollment completed;

Phase III clinical trials for the treatment of aspergillosis; and

Phase II clinical trials for the treatment of candidemia, patient enrollment completed.

In May 1999, we obtained from Eli Lilly an exclusive worldwide license for the development and commercialization of anidulafungin. We paid $11.0 million for the license and an additional $3.0 million for product inventory (which we have received). As a result, we recognized $14.0 million of research and development costs in 1999. If specified milestones are achieved on the intravenous formulation of anidulafungin in the United States and Canada, we will be obligated to make additional payments of up to $14 million to Eli Lilly. We are also obligated to make additional payments of up to $8 million to Eli Lilly if specified milestones on the intravenous formulation of anidulafungin are achieved in

Europe, and additional payments of up to $8.0 million if specified milestones on the intravenous formulation of anidulafungin are achieved in Japan. We are obligated to make additional payments to Eli Lilly of up to $21.0 million if sales of an intravenous formulation of anidulafungin exceed specified targets in the United States and Canada, Europe and Japan. We believe that it is unlikely that we will be obligated to make all or a significant portion of these payments to Eli Lilly. In addition, we are obligated to make royalty payments in respect of sales of any product resulting from the compound.

We are not currently developing an oral formulation of anidulafungin and do not presently intend to do so in the future. However, under the license agreement with Eli Lilly, we are obligated to make additional payments to Eli Lilly of up to $25.0 million if, and only if, specified milestones are achieved on an oral formulation of anidulafungin in the United States, additional payments of up to $15.0 million if specified milestones are achieved on an oral formulation of anidulafungin in Europe, and additional payments of up to $15.0 million if specified milestones are achieved on an oral formulation of anidulafungin in Japan. In addition, we are obligated to make additional payments to Eli Lilly of up to $24.0 million if, and only if, sales of an oral formulation of anidulafungin exceed specified targets worldwide. Because an oral formulation of anidulafungin is not currently feasible, we believe that it is unlikely that we will be obligated to make any of these payments to Eli Lilly. We have also granted to Eli Lilly an option to license the exclusive worldwide rights to any oral formulation of anidulafungin, which is exercisable upon successful completion of Phase II clinical trials. If Eli Lilly exercises this option, Eli Lilly would pay us an up-front fee and royalties based on net product sales, and would reimburse us for any milestone payments paid plus the value, on a cost-plus basis, of all prior development expenses attributed to the development and commercialization of the oral formulation of anidulafungin. However, due to the speculative nature of the oral formulation of anidulafungin, we believe that it is unlikely that we will be entitled to receive fees or royalties and reimbursement of expenses from Eli Lilly.

Research and development expense (excluding non-cash stock compensation expense) allocated to our anidulafungin project, expressed as a percentage of total research and development expense for the period (excluding non-cash stock compensation expense), was:

44% for the six months ended June 30, 2002 compared to 32% for the six months ended June 30, 2001;

37% for the year 2001 compared to 14% for the year 2000 and 65% for the year 1999; and

38% in the aggregate from the inception of our company through June 30, 2002.

Our clinical administration overhead costs are included in total research and development expense for the each period, but are not allocated among our various projects.

The goal of our anidulafungin project is to obtain marketing approval from the U.S. Food and Drug Administration, or FDA, and analogous international agencies; and we will consider the project substantially complete if we obtain those approvals even though subsequent to that time we might incur additional expenses in conducting additional clinical trials and follow-up studies. To obtain the first of such approvals, we hope to file a New Drug Application, or NDA, with the FDA at the conclusion of our Phase III trials for treatment of esophageal candidiasis, which has completed patient enrollment, assuming that the clinical trial's results support a filing. That trial began in the first quarter of 2001 and, assuming successful completion of the Phase III trials, we anticipate filing an NDA for anidulafungin by the end of April 2003. Subsequent to June 30, 2002 through the anticipated submission date of any NDA in 2003, we expect to incur additional research and development expense relating to anidulafungin of at least $15.0 million. Actual research and development expenses might be significantly higher as a result of the risks surrounding the clinical trial process, including the risk that we may repeat, revise or expand the scope of our ongoing clinical trials or conduct additional clinical trials to secure marketing approvals and the additional risks listed under the caption "Risk Factors

Risks Related to the Business of our Combined Company If clinical trials for our combined company's product candidates are unsuccessful or delayed, it will be unable to meet its anticipated development and commercialization timelines, which could harm its business and cause its stock price to decline." Material cash inflows relating to our anidulafungin project will not commence until after marketing approvals are obtained, and then only if anidulafungin finds acceptance in the marketplace. To date, we have not received any revenues from product sales of anidulafungin. Because of the many risks and uncertainties relating to the completion of clinical trials, receipt of marketing approvals and acceptance in the marketplace, we cannot predict when material cash inflows from our anidulafungin project will commence, if ever.

A failure to obtain marketing approval for anidulafungin would likely have the following results on our operations, financial position and liquidity:

because our research and development projects are independent, a failure to obtain marketing approval for anidulafungin would not necessarily interrupt our development programs for dalbavancin or our pre-clinical compounds; however, we might reduce our development staff (unless one or more of our other product candidates is then entering in late-stage clinical trials, in which case we might re-assign anidulafungin researchers to those projects);

we would be relieved of our contingent obligation to make further milestone payments and royalty payments to Eli Lilly;

we would not earn any sales revenue from anidulafungin, which would increase the likelihood that we would need to obtain additional financing for our other development efforts; and

our reputation among investors might be harmed, which might make it more difficult for us to obtain equity capital on attractive terms or at all.

Dalbavancin

Dalbavancin is our lead antibiotic product candidate. We in-license dalbavancin from Biosearch pursuant to the February 1998 agreement described below. As of October 23, 2002, dalbavancin is in:

Phase II clinical trials for the treatment of skin and soft tissue infections; and

Phase II clinical trials for the treatment of blood stream infections.

In February 1998, we entered into a license agreement and a collaborative agreement with Biosearch. Under the license agreement, Biosearch granted us an exclusive license to develop and commercialize dalbavancin in the United States and Canada. In exchange for the license and upon the receipt of favorable results in pre-clinical studies, we paid an initial license fee of $2.0 million and issued 250,000 shares of our common stock to Biosearch. In May 2001, we began a Phase II clinical trial for dalbavancin and paid Biosearch an additional milestone payment. We are obligated to pay up to $8.0 million in additional payments to Biosearch upon the achievement of specified milestones and are also required to pay Biosearch royalties in respect of sales of any product that results from the compound.

Research and development expense (excluding non-cash stock compensation expense) allocated to our dalbavancin project, expressed as a percentage of total research and development expense for the period (excluding non-cash stock compensation expense), was:

20% for the six months ended June 30, 2002 compared to 29% for the six months ended June 30, 2001;

23% for the year 2001 compared to 7% for the year 2000 and 5% for the year 1999; and

17% in the aggregate from the inception of our company through June 30, 2002.

Our clinical administration overhead costs are included in total research and development expense for each period, but are not allocated among our various projects.

The goal of our dalbavancin project is to obtain marketing approval from the FDA and analogous international agencies; and we will consider the project substantially complete if we obtain those approvals even though subsequent to that time we might incur additional expenses in conducting additional clinical trials and follow-up studies. Before we can obtain such marketing approvals we will need to complete pivotal Phase III clinical trials with satisfactory results and submit a NDA to the FDA. In any case, we would not expect to file an NDA for dalbavancin until the second half of 2004, at the earliest. It is difficult to estimate the costs to completion for our dalbavancin project due to the risks surrounding the clinical trial process, including the risk that we may repeat, revise or expand the scope of our ongoing clinical trials or conduct additional clinical trials to secure marketing approvals and the additional risks listed under the caption "Risk Factors Risks Related to the Business of our Combined Company If clinical trials for our combined company's product candidates are unsuccessful or delayed, it will be unable to meet its anticipated development and commercialization timelines, which could harm its business and cause its stock price to decline." However, over the next year (*i.e.*, the 12 months ending June 30, 2003), we expect to incur additional research and development expenses relating to dalbavancin's development of at least $20.0 million (excluding non-cash stock compensation expense) and we expect our rate of spending on the project to accelerate as we approach the filing of an NDA. Actual research and development expenses might be significantly higher. Material cash inflows relating to our dalbavancin project will not commence until after marketing approvals are obtained, and then only

if dalbavancin finds acceptance in the marketplace. Because of the many risks and uncertainties relating to the completion of clinical trials, receipt of marketing approvals and acceptance in the marketplace, we cannot predict when material cash inflows from our anidulafungin project will commence, if ever.

A failure to obtain marketing approval for dalbavancin would likely have the following results on our operations, financial position and liquidity:

- because our research and development projects are independent, a failure to obtain marketing approval for dalbavancin would not necessarily interrupt our development programs for anidulafungin or our pre-clinical compounds; however, we might reduce our development staff (unless one or more of our other product candidates is then entering in late-stage clinical trials, in which case we might be able to re-assign dalbavancin researchers to those projects);

- we would be relieved of our contingent obligation to make further milestone payments and royalty payments to Biosearch;

- we would not earn any sales revenue from dalbavancin, which would increase the likelihood that we would need to obtain additional financing for our other development efforts; and

- our reputation among investors might be harmed, which might make it more difficult for us to obtain equity capital on attractive terms or at all.

Risks relating to our major research and development projects

We face many risks that could prevent or delay the completion of our anidulafungin and dalbavancin projects, including those listed under the caption "Risk Factors Risks Related to Operating in our Industry."

Clinical Administration

Research and development expense (excluding non-cash stock compensation expense) comprising clinical administration overhead costs, expressed as a percentage of total research and development expense for the period (excluding non-cash stock compensation expense), was:

- 12% for the six months ended June 30, 2002 compared to 4% for the six months ended June 30, 2001;

- 7% for the year 2001 compared to 17% for the year 2000 and 0% for the year 1999; and

- 7% in the aggregate from the inception of our company through June 30, 2002.

We do not allocate our clinical administration costs among our various projects because our clinical administration group is managed as a separate cost center and its expenditures are not always project specific.

Other research and development projects

The remaining 29% of our total research and development expenses (excluding non-cash stock compensation expense) during the 18 months ended June 30, 2002 were generated by various pre-clinical studies and drug discovery programs, including our collaborations with Pharmacia and Novartis described below.

Oxazolidinones collaboration with Pharmacia. In March 1999, we entered into a collaboration agreement with Pharmacia Corporation pursuant to which we are collaborating to discover, synthesize and develop second and third generation oxazolidinone product candidates. In connection with the collaboration, Pharmacia made an equity investment in us of $3.8 million and paid us research support and license fee payments. Under the terms of the agreement and in consideration of our research obligations, we are entitled to receive funding from Pharmacia to support certain of our full-time researchers. If specified milestones are achieved, Pharmacia is obligated to pay us additional payments of up

to $14 million for each compound, a portion of which may be credited against future royalty payments to which we are entitled on the worldwide sales of any drug developed and commercialized from the collaboration. In October 2000, Pharmacia increased its funding for this collaboration by 30%, and in June 2001, we received a milestone payment for the initiation of clinical development of one of the compounds. In July 2002, we agreed with Pharmacia by amendment to extend the collaboration for an additional three years through March 2005. Through September 30, 2002, Pharmacia has made aggregate payments to us under this collaboration agreement (excluding equity investments) of $12.1 million.

Research and development expense (excluding non-cash stock compensation expense) allocated to our collaboration with Pharmacia, expressed as a percentage of total research and development expense for the period (excluding non-cash stock compensation expense), was:

7% for the six months ended June 30, 2002 compared to 12% for the six months ended June 30, 2001;

11% for the year 2001 compared to 22% for the year 2000 and 10% for the year 1999; and

12% in the aggregate from January 1, 1999 through June 30, 2002.

The goal of our collaboration with Pharmacia is to discover, synthesize and obtain marketing approval for second and third generation oxazolidinone product candidates. We supply research, product leads and other specified intellectual property to the collaboration. The collaboration also depends upon Pharmacia to develop the product candidates, to obtain marketing approval from the FDA and analogous international agencies and to manufacture and sell any products resulting from the collaboration. Material cash inflows in the form of royalties relating to this collaboration will not

commence until after marketing approvals are obtained, and then only if the product finds acceptance in the marketplace. One product candidate resulting from the collaboration has entered Phase I clinical trials. In order to obtain marketing approval, Pharmacia will need to complete Phase I, II and III clinical trials with satisfactory results and submit a NDA to the FDA. Pharmacia is under no obligation to continue the development of any product candidate resulting from this collaboration. Because of this, and the substantial risks and uncertainties relating to the completion of clinical trials, receipt of marketing approvals and acceptance in the marketplace, we cannot predict when material cash inflows from our collaboration with Pharmacia will commence, if ever.

Deformylase inhibitors collaboration with Novartis. In March 1999, we entered into a collaboration agreement with Novartis Pharma AG pursuant to which we are collaborating to discover and develop novel deformylase inhibitors. In connection with the collaboration, Novartis made an initial equity investment in us of $3.0 million. We have also received a number of milestone payments from Novartis and are entitled to receive additional payments of up to $2.25 million for each compound, plus up to $13.0 million for our compounds or up to $7.25 million for Novartis compounds upon the achievement of specified milestones, a portion of which may be credited against future royalty payments to which we are entitled on the worldwide sales of any drug developed and commercialized from this collaboration. As a result of progress achieved by the collaboration, in July 2002 we agreed with Novartis by amendment to extend the collaboration by an additional year through March 2003. Through September 30, 2002, Novartis has made aggregate payments to us under this agreement (excluding equity investments) of $10.4 million.

Research and development expense (excluding non-cash stock compensation expense) allocated to our collaboration with Novartis, expressed as a percentage of total research and development expense for the period (excluding non-cash stock compensation expense), was:

6% for the six months ended June 30, 2002 compared to 10% for the six months ended June 30, 2001;

8% for the year 2001 compared to 20% for the year 2000 and 10% for the year 1999; and

10% in the aggregate from January 1, 1999 through June 30, 2002.

The goal of our collaboration with Novartis is to discover, synthesize and obtain marketing approval for deformylase inhibitor product candidates. We are responsible for supplying research to the collaboration, according to a research plan developed by a joint research committee. Our research obligations currently extend through March 2003. Novartis provides us with funding to support some of our researchers on this project. The collaboration will depend upon Novartis to conduct the development of product candidates and to obtain marketing approval from the FDA and analogous international agencies. Material cash inflows in the form of royalties relating to this collaboration will not commence until after marketing approvals are obtained, and then only if the product finds acceptance in the marketplace. Currently all compounds identified by the collaboration are still in pre-clinical stages. In order to obtain marketing approval, Novartis will need to initiate and complete Phase I, II and III clinical trials with satisfactory results and submit a NDA to the FDA. Novartis is under no obligation to continue the development of any product candidate resulting from this collaboration. Because of this, and the many risks and uncertainties relating to the completion of clinical trials, receipt of marketing approvals and acceptance in the marketplace, we cannot predict when material cash inflows from our collaboration with Novartis will commence, if ever.

In addition to the work on deformylase inhibitors, under the collaboration agreement we have been delivering to Novartis a series of screening assays based on novel anti-bacterial targets. For each screen that Novartis accepts as validated, we receive a milestone payment. In August 2001 and January 2002, Novartis paid us our fourth and fifth milestone payment, respectively, as a result of our

delivery of our fourth and fifth target-based screens, which we expect will be used in Novartis' high-throughput screening laboratory to identify new anti-infectives.

A failure by Pharmacia or Novartis to pursue or obtain marketing approval for any product candidate resulting from our collaborations could have the following results on our operations, financial position and liquidity:

- we would not receive any further milestone payments or any royalty revenue from the collaborations; and
- while we do not rely on any particular external development collaboration to produce marketable products (and, ultimately, royalty revenues), the failure of all of our external development collaborations would increase the likelihood that we would need to obtain additional financing for our internal research and development efforts.

Deferred Stock Compensation

We have recorded deferred stock compensation expense in connection with the grant of stock options to employees and consultants. Deferred stock compensation for options granted to employees is the difference between the fair value for financial reporting purposes of our common stock on the date such options were granted and their exercise price. Deferred stock compensation for options granted to consultants has been determined in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation," as the fair value of the equity instruments issued. Deferred stock compensation for options granted to consultants is periodically remeasured as the underlying options vest in accordance with Emerging Issues Task Force No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services."

We recorded deferred stock compensation of $52,000 and $1.4 million in the six months ended June 30, 2002 and 2001, respectively. These amounts were recorded as a component of stockholders' equity and are being amortized as charges to operations over the vesting periods of the options. We recorded amortization of deferred stock compensation of $1.3 million and $3.3 million in the six months ended June 30, 2002 and 2001, respectively.

Results of Operations

Six Months ended June 30, 2002 Compared to Six Months Ended June 30, 2001

Revenues were $3.3 million in both the six months ended June 30, 2002 and June 30, 2001. Revenues in both six-month periods consisted of collaborative research and development, contract service and license fees from Pharmacia Corporation and collaborative research and development fees and milestone payments from Novartis.

Research and development expenses were $22.1 million and $14.2 million in the six months ended June 30, 2002 and 2001, respectively. The increase is primarily due to increased clinical expenditure of $5.9 million for the development of anidulafungin and dalbavancin. In the last

year, we have started an additional Phase III clinical trial for anidulafungin and two Phase II clinical trials for dalbavancin. We have also increased our development team headcount by an additional 17 development personnel since June 30, 2001, resulting in an increased expenditure of $2.1 million.

General and administrative expenses were $4.5 million and $4.9 million in the six months ended June 30, 2002 and 2001, respectively. General and administrative expenses include amortization of non-cash stock compensation expense of $872,000 and $2.1 million in the six months ended June 30, 2002 and 2001, respectively. Excluding these charges, general and administrative expenses increased by $861,000 primarily due to business development activities related to the proposed merger.

Other Income (Expense). Net interest income was $657,000 and $2.0 million in the six months ended June 30, 2002 and 2001, respectively. The 2001 period reflects greater interest income as a result of higher average cash and investment balances during the six months and also higher interest rates during that period.

Years ended December 31, 2001, 2000 and 1999

Revenues were $6.4 million, $5.9 million and $4.3 million in 2001, 2000 and 1999, respectively. Revenues consisted of $3.7 million, $3.1 million and $2.1 million of collaborative research and development, contract services and licensing fees from Pharmacia in 2001, 2000 and 1999, respectively, and $2.7 million, $2.8 million and $2.2 million of collaborative research and development fees and milestone payments from Novartis in 2001, 2000 and 1999, respectively. The increase in revenues in both 2001 and 2000 is due to the increase in collaborative research and development funding from both Pharmacia and Novartis.

Research and development expenses were $32.6 million, $15.5 million and $25.5 million in 2001, 2000 and 1999, respectively. Research and development expenses consist of salaries and related costs of research and development personnel, as well as the costs of consultants, parts and supplies and clinical trials associated with research and development projects. During 2001 and 2000, we recorded $2.4 million and $2.1 million of amortization of non-cash stock compensation, respectively. During 1999, we recorded $14.0 million of expense related to license fees and product inventory paid to Eli Lilly and amortization of non-cash stock compensation of $3.3 million. Excluding these payments to Eli Lilly and the non-cash stock compensation expenses, research and development expenses were $30.3 million, $13.5 million and $8.2 million in 2001, 2000 and 1999, respectively. The increase in research and development expenditure in both 2001 and 2000 is primarily due to the increase in clinical expenditure for the development of our product candidates. Our lead product candidate, anidulafungin, moved into Phase III clinical trials in the first half of 2001 and our second product candidate, dalbavancin, moved into Phase II clinical trials in the second quarter of 2001. In addition, we have expanded our collaborative and internal research programs.

General and administrative expenses were $9.6 million, $8.9 million and $2.6 million in 2001, 2000 and 1999, respectively. General and administrative expenses consist of salaries and related costs for executive and other administrative personnel, as well as the costs of facilities, insurance, legal fees and administrative service fees paid to Sepracor prior to our initial public offering in August 2000. General and administrative costs included amortization of non-cash stock compensation expense of $2.6 million, $5.6 million and $1.1 million in 2001, 2000 and 1999, respectively. Excluding the amortization of non-cash stock compensation charges, general and administrative expenses were $7.0 million, $3.3 million and $1.5 million in 2001, 2000 and 1999, respectively. The increase in general and administrative expenses in 2001 is due to the increase in personnel, legal, insurance and other expenses associated with being a public company, the expansion of our research and development operations and business development activities. The increase in general and administrative expenses in 2000 is due to the increase in personnel, legal, insurance and other expenses associated with being a public company.

Net interest income (expense) was $3.0 million, $3.2 million and $(5.4) million in 2001, 2000 and 1999, respectively. Net interest income (expense) consists of interest income on cash and cash equivalents and marketable securities and interest expense on term loans payable, and in 1999, on a bridge financing. The decrease in interest income in 2001 is due to the reduction in interest rates during 2001. The increase in interest income in 2000 is due to the higher average cash and investment balances we maintained as a result of our initial public offering in August 2000. In 1999, interest expense includes non-cash interest expense of $5.5 million related to the beneficial conversion feature and the fair value of warrants issued in connection with a bridge loan financing.

Income taxes. As of December 31, 2001, we had federal and state net operating loss carryforwards of approximately $49.9 million and $17.3 million, respectively. As of December 31, 2001, we have recorded a full valuation allowance for our existing net deferred tax assets due to uncertainties regarding their realization. We also have federal research credit carryforwards of $1.0 million. The federal net operating loss and credit carryforwards may be limited by the change in ownership provisions contained in Section 382 of the Internal Revenue Code.

Liquidity and Capital Resources

We have funded our operations principally with the proceeds of $78.5 million from a series of nine preferred stock offerings over the period 1995 through 1999, and net proceeds of $52.7 million from our initial public offering received in August and September 2000. In addition, on April 9, 2002, we completed a private placement of 2,993,800 shares of common stock to selected institutional investors at a purchase price of $15 per share, from which we received net proceeds of approximately $41.9 million.

As of June 30, 2002, we have also received approximately $24.2 million in payments for collaborative research, contract services and milestone payments, as well as license fees from our collaborators, including Sepracor. Of these payments, $1.4 million constitutes deferred revenue as of June 30, 2002.

In addition, we have a $6.0 million term loan and $2.0 million equipment note with a commercial bank. The term loan accrues interest at the prime rate plus 0.50% (the prime rate was 4.75% at June 30, 2002) and the equipment note's interest rate is based on the LIBOR rate plus an applicable margin (the LIBOR rate was 1.9% at June 30, 2002). As of June 30, 2002, there was an outstanding loan balance of $3.0 million and an outstanding note balance of $1.8 million. Proceeds from the loan were used to repay Sepracor for leasehold improvements to our facilities and for general corporate purposes. Proceeds from drawdowns on the equipment note are being used to finance capital expenditure. The final loan balance is payable on December 31, 2002 and the final note balance is payable on December 31, 2004.

Six Months ended June 30, 2002 Compared to Six Months ended June 30, 2001

Cash used in operations was $20.1 million and $10.0 million in the six months ended June 30, 2002 and 2001, respectively. The net loss of $22.6 million in the first six months of 2002 was reduced by non-cash charges for depreciation and non-cash stock compensation expense of $1.9 million. In the first six months of 2001, the net loss of $13.8 million was reduced by non-cash charges for depreciation and non-cash stock compensation expense of $3.8 million. The decrease in non-cash stock compensation expense in 2001 is due to the fact that the majority of the compensation relates to options issued prior to our initial public offering in August 2000 and is being amortized on an accelerated basis in accordance with Financial Accounting Standards Board Interpretation No. 28.

Cash from investing activities was $8.6 million and $(6.4 million) in the six months ended June 30, 2002 and 2001, respectively. In the first six months of 2002, the principal source of cash resulted from the net sale of marketable securities of $9.1 million. Net proceeds from these sales are being used to fund our operating losses. In the first six months of 2001, the principal use of cash resulted from the net purchase of marketable securities of $5.2 million due to a change in investment portfolio managers. Capital expenditure was $516,000 and $1.2 million in the first six months of 2002 and 2001, respectively. Expenditure in both periods relates to the purchase of laboratory, office and computer equipment to support our increase in headcount during those periods.

Cash from financing activities was $42.0 million and $(416,000) in the six months ended June 30, 2002 and 2001, respectively. The principal source of cash in the first six months of 2002 resulted from net proceeds of $41.9 million received from the private placement of 2,993,800 shares of common stock

to certain institutional investors in April 2002. In the first six months of 2001, the net cash outflow principally related to repayments on our term loans of $431,000. Repayments on our term loans increased in the first half of 2002 due to the equipment note that we entered into in the second half of 2001.

At June 30, 2002, our cash, cash equivalents and marketable securities totaled $85.2 million compared to $63.8 million at December 31, 2001.

Years ended December 31, 2001, 2000 and 1999

Cash used in operations was $21.4 million, $215,000 and $15.4 million in 2001, 2000 and 1999, respectively. The net loss of $32.8 million for 2001 was partially offset by non-cash charges for the amortization of non-cash stock compensation and depreciation of $6.0 million and an increase in accounts payable and accrued liabilities of $6.0 million. The increase in accounts payable and accrued liabilities is a direct result of

the increase in our operating costs principally relating to the increase in clinical trial expenditure for the development of our product candidates. In 2000, the net loss of $15.3 million was partially offset by non-cash charges for the amortization of non-cash stock compensation and depreciation of $8.6 million and also the release of $5.0 million of restricted cash that was no longer required to be maintained under our term loan agreement with Fleet National Bank. In 1999, the net loss of $29.2 million was offset by non-cash charges for non-cash stock compensation, depreciation and interest expense on bridge loans of $10.8 million. The decrease in non-cash stock compensation in 2001 and 2000 is due to the fact that the majority of the compensation relates to options issued prior to our initial public offering in August 2000 and is being amortized on an accelerated basis in accordance with Financial Accounting Standards Board Interpretation No. 28.

Investing activities used $16.3 million, $18.4 million and $264,000 of cash during 2001, 2000 and 1999, respectively. In 2001, cash was primarily used for the net purchases of marketable securities of $14.4 million due to a change in investment portfolio managers and the purchase of laboratory, office and computer equipment as well as leasehold improvements to our California facility of $2.0 million to support our increase in headcount during the year. In 2000, cash was primarily used for the net purchases of marketable securities with the net proceeds of our initial public offering, and in 1999 cash was used for the purchase of laboratory, office and computer equipment.

Financing activities provided $1.0 million, $52.0 million and $45.8 million of cash in 2001, 2000 and 1999, respectively. In 2001, the draw down on our equipment loan of $1.5 million was partially offset by repayments of our term loan of $862,000. In 2000, we received net proceeds of $52.7 million from our initial public offering in August 2000, and in 1999 we received net proceeds of $41.1 million from the issuance of preferred stock.

We expect to have negative cash flow from operations for the foreseeable future. We expect to incur increasing research and development, and general and administrative expenses, including expenses relating to clinical development, additions to personnel, production and commercialization efforts and the integration of our operations with those of Biosearch. Our future capital requirements will depend on a number of factors, including our success in developing markets for our products, payments received or made under collaboration agreements, the timing and outcome of regulatory approvals, the need to acquire licenses to new products or compounds, the status of competitive products, the availability of other financing and whether the proposed merger of Biosearch with and into us is completed. We believe our existing cash and cash equivalents and marketable securities, in addition to the cash and cash equivalents, trading securities and available-for-sale securities acquired in the merger, will be sufficient to fund our operating expenses, debt repayments and capital requirements for at least 24 months.

Recent Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board, known as the FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS 145). This standard will require gains and losses from extinguishment of debt to be classified as extraordinary items only if they meet the criteria of unusual and infrequent in Opinion 30, "Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Any gain or loss on extinguishment will be recorded in the most appropriate line item to which it relates within net income before extraordinary items. SFAS 145 is effective for fiscal years beginning after May 15, 2002; however, certain sections are effective for transactions occurring after May 15, 2002. We do not expect the adoption of this standard to have a material effect on its financial statements.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). This standard will require us to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The standard replaces the existing guidance provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The standard is effective for fiscal years beginning after December 31, 2002. We do not expect the adoption of this standard to have a material effect on its financial statements.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on our financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and other various assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Our critical accounting policies are as follows:

Revenue Recognition

We recognize revenues as they are earned. Revenue from license fees and contract services are recognized over the initial license or contract service term as the related work is performed, which generally is on a straight-line basis. Nonrefundable milestone payments received are recognized when they are earned, as the specific events in the related collaboration agreements are achieved. Milestone payments received that are creditable against future royalty payments are deferred and recognized as revenue when the royalties are earned or when the payment is no longer creditable against future payments, unless the future royalty payments are determined to be at fair value in which case the milestone payment will be recognized as income as earned and when all other revenue recognition criteria have been met. Collaborative research and development payments are recognized as the related work is performed.

Valuation Allowance

We have established a valuation allowance to reduce our deferred tax asset to an amount that is more likely than not to be realized. We account for income taxes under the provisions of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". Under this method, deferred

tax assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income.

Quantitative and Qualitative Disclosures About Market Risk

Interest rates

Our exposure to interest rate risk relates to our cash and cash equivalents and marketable securities as well as our term loan and equipment note with a commercial bank. Our marketable securities are subject to interest rate risk and could decline in value if interest rates fluctuate. However, due to the conservative and short-term nature of these investments, such exposure is limited. Borrowings under our term loan and equipment note are also exposed to interest rate risk as they are subject to interest rates based on the bank's base rate or LIBOR.

The table below presents principal amounts and related weighted average interest rates by year of maturity for our cash and cash equivalents and marketable securities as of June 30, 2002 (in thousands):

	2002	2003
Cash and cash equivalents	$ 61,873	
Average interest rate	1.86%	
Marketable securities	$ 14,837	$ 8,398
Average interest rate	2.22%	2.51%

The estimated fair value of our cash and cash equivalents and marketable securities approximate the principal amounts reflected above based on the short-term maturities of these financial instruments.

The estimated fair value of our debt obligations approximates the principal amounts due based on the interest rates currently available to us for debt with similar terms and remaining maturities.

Currency Risk

If the merger is completed we will be exposed to foreign currency exchange rate risk. See "Risk Factors Risks Related to International Expansion."

Inflation

We do not believe that inflation has had a material adverse impact on our business or operating results during the quarters presented.

BUSINESS OF VERSICOR

Overview

We are a biopharmaceutical company focused on the discovery, development and marketing of pharmaceutical products for the treatment of bacterial and fungal infections. We focus on seeking to develop antibiotics and antifungals that may have competitive advantages over existing products, such as greater potency, improved effectiveness against difficult to treat strains and reduced toxicity. Because the development process for anti-infective products is relatively efficient and well-defined, we believe the costs and time required to bring new anti-infective products to market can be significantly less than the time required to bring products to market in other major therapeutic categories.

We have a two-fold approach to product development and marketing. Our primary strategy is to focus on the development of proprietary products, concentrating on injectable antibiotic and antifungal products for the hospital market. We expect to market these products to hospitals in North America through our to be developed direct sales force, which we believe we can accomplish through a targeted and cost-effective sales and marketing infrastructure. Our product candidates target disease indications that represent markets where there is demand for new therapies.

Our secondary strategy is to collaborate with major pharmaceutical companies to discover and develop orally administered antibiotic and antifungal products for the non-hospital market. Major pharmaceutical companies are generally better suited to market these products, as these products require substantial expenditures for sales and marketing to reach their full market potential. Under our typical collaboration agreements, we are responsible for discovering the compounds and our collaborators are responsible for developing and marketing them. We expect to receive a combination of research funding, milestone payments and equity investments from our collaborators, as well as royalty fees if any products are commercialized.

Our discovery platform combines our proprietary expertise in the critical areas of functional genomics, mechanism-based rational drug design and lead optimization. We intend to leverage our technology platform to discover and supply lead compounds both for internal development and commercialization, in the case of intravenous products, and for our pharmaceutical collaborations, in the case of oral products.

Our Proprietary Products

Anidulafungin. Our lead antifungal product candidate, anidulafungin, is an antifungal intended for the intravenous treatment of serious systemic fungal infections. Anidulafungin has potent activity against the principal yeasts, such as *Candida*, and molds, such as *Aspergillus*, that cause serious fungal infections. In addition, anidulafungin has fungicidal activity, which means that it kills the fungus. This is in contrast to many widely-used antifungal agents which only inhibit fungal growth. Because of anidulafungin's novel mechanism of action, it is active against strains resistant to other agents, such as fluconazole. We believe anidulafungin will have competitive advantages over existing therapies because it combines potent fungicidal activity with a good safety profile to date. We began a Phase III trial with anidulafungin for the treatment of esophageal candidiasis in the first quarter of 2001, and have completed patient enrollment. Assuming a successful outcome in this trial, we intend to file a new drug application, or NDA, by the end of April 2003. We began a Phase II trial in invasive candidiasis and candidemia in the second quarter of 2001 and have completed patient enrollment, and began a Phase III trial in aspergillosis in the fourth quarter of 2001.

Dalbavancin. Our lead antibiotic product candidate, dalbavancin, is a next-generation antibiotic belonging to the same class as vancomycin, the most widely used injectable antibiotic for Staphylococcal infections. Dalbavancin is intended for the treatment of serious systemic infections, particularly those caused by *Staphylococci*. Dalbavancin is more potent than vancomycin, in particular against methicillin-

resistant *Staphylococci*, a common and difficult-to-treat bacteria. Dalbavancin has bactericidal activity, which means that it kills the bacteria rather than inhibits its growth, as shown in both the laboratory and in infected animals. Because of its unique pharmacokinetic properties and the tolerability profile seen to date even at high doses, dalbavancin has the potential to be dosed either daily or weekly, which is a significant competitive advantage over other products. We successfully completed a Phase II trial with dalbavancin for the treatment of skin and soft tissue infections and in the first quarter of 2002, we initiated Phase II trial in catheter-related bloodstream infections. We intend to commence our first

Phase III clinical trial with dalbavancin in the second half of 2002.

Research Collaborations

Our most advanced collaboration is with Pharmacia Corporation and is aimed at discovering second and third generation oxazolidinones. The oxazolidinones represent the first new major class of antibacterial products to enter the market in over 30 years. They are active against a broad range of bacteria, including multidrug resistant *Staphylococci*, *Streptococci* and *Enterococci*. Pharmacia received FDA approval, independent of us, for the first generation oxazolidinone called Zyvox . We have identified several structurally novel second generation oxazolidinone candidates, certain of which have either a broader spectrum of activity or improved potency. Some of these compounds also have good activity in pre-clinical *in vivo* studies when administered orally. This collaboration began in April 1999. In October 2000, Pharmacia increased its research support payments to us by 30% and, in June 2002, we amended our original agreement with Pharmacia to extend the research term an additional three years.

Our second collaboration is with Novartis Pharma AG and is designed to develop deformylase inhibitors as new antibacterial agents and to provide novel target-based screens. Deformylase is an essential enzyme present in bacteria but absent in human cells, and thus represents a target for the discovery of inhibitors that can serve as broad spectrum antibacterial agents. We have identified several lead inhibitor molecules that are active against multidrug resistant strains, as well as respiratory pathogens such as *S. pneumoniae*, *H. influenzae* and *M. catarrhalis*. Several lead compounds have demonstrated activity in pre-clinical *in vivo* studies when administered orally, representing an example of *de novo* design of an active antibacterial agent. This collaboration began in April 1999. In August 2001 and January 2002, we received a fourth and fifth milestone payment, respectively, as a result of our delivery of our fourth and fifth target-based screens, which we expect will be used in Novartis' high-throughput screening laboratory to identify new anti-infectives. In March 2002, we amended the original agreement in order to extend the research term an additional year and to provide that Novartis will make an additional payment upon our achievement of a new milestone.

Our third collaboration is with Biosearch and is called BIOCOR. Biosearch scientists have already been responsible for the discovery of an antibiotic, teicoplanin. Natural product antibiotics frequently require chemical modification to convert them into a usable drug. Biosearch makes such naturally occurring lead molecules available to us, and we employ our expertise in combinatorial and medicinal chemistry to optimize the leads and produce clinical candidates. Early progress has validated our ability to apply combinatorial chemistry to these frequently large and complex molecules.

Internal Discovery Research

In addition to our external research collaborations, we have an internal research program. The objective of internal research is to discover novel antimicrobials for hospital use for development by us. This effort combines our internal expertise in functional genomics-based target selection, novel assay development, mechanism-based rational drug design, combinatorial chemistry and medicinal chemistry. We are currently investigating several *in vivo* active leads.

Versicor's Strategy

Our objective is to be a leader in the discovery, development and marketing of pharmaceutical products for the treatment of bacterial and fungal infections in the hospital setting. We intend to achieve this goal through the implementation of four strategies:

Focus our discovery and development efforts on products to treat bacterial and fungal infections. We believe that anti-infective products have significant development advantages over products in other therapeutic categories. These advantages include lower costs and shorter development cycles. In addition, this area has a greater probability of clinical success due to the higher predictive value of clinical trials in this area. Additionally, there is a growing demand for new anti-infective products. This demand is driven primarily by the aging of the population, the growing number of seriously ill patients in hospitals and an increase in immunosuppression and fungal and bacterial resistance to existing therapies.

Target our resources on products that have potential utility in the hospital setting. We believe that our efforts are best focused on developing products that would be administered in a hospital setting. Because of the increased number of elderly patients and the severity of illnesses among patients in intensive care units, we believe that hospitals present an addressable market with significant unmet needs. This strategy will also allow us to use a relatively small sales force, thereby allowing us to reach the greatest number of patients while still remaining cost-effective.

Focus on products that have a competitive advantage over currently marketed drugs. We intend to focus our development efforts on products that we expect to have potential advantages over currently marketed drugs. This strategy reduces the time and expense we will need to effectively educate physicians about new types of treatments and will allow us to market our relative benefits directly against our competitors' products.

Pursue our two-fold approach to product development. We have a two-fold approach to product development and marketing. Our primary strategy is to internally develop anti-infective products with utility in a hospital setting and market these products with our own direct sales force. For oral products with utility in treating community-acquired infections, we intend to collaborate in our development and marketing efforts with large pharmaceutical companies. This two-fold approach allows us to pursue proprietary internal development and marketing of those products for which we feel the development and marketing requirements are manageable and to out-license products that require greater resources than we are willing to commit, such as oral products.

Our Proprietary Product Candidates

The table below summarizes our product candidates, their target infections, their nature of activity and their development status.

Product Candidate/Program	Target Infections	Nature of Activity	Development Status
	Proprietary		
Anidulafungin	Esophogeal Candidiasis	Fungicidal	Phase III(1)
	Aspergillosis	Fungicidal	Phase III
	Candidemia	Fungicidal	Phase II(1)
Dalbavancin	Skin and Soft Tissue Infections	Bactericidal	Phase II(2)
	Blood Stream Infections	Bactericidal	Phase II
	Collaborations		
Oxazolidinones (Pharmacia)	Bacterial Infections	Bacteriostatic	Pre-clinical *in vivo*
Deformylase Inhibitors (Novartis)	Bacterial Infections	Bacteriostatic/ Bactericidal	Pre-clinical *in vivo*

(1) Patient enrollment complete.

(2) Clinical trial complete.

Anidulafungin A Novel Antifungal for the Treatment of Serious Infections

Clinical Efficacy of Anidulafungin

Anidulafungin demonstrated efficacy in a Phase II clinical trial involving 29 evaluable patients with esophagitis. Esophagitis is an inflammation of the lower part of the esophagus, usually caused by a fungal infection, such as with *Candida*. This disease is most frequently encountered in AIDS patients and is a serious cause of morbidity. Patients enrolled in this trial were treated with daily intravenous infusions of anidulafungin for up to 21 days. As demonstrated by the figure below, at both dosing regimens, over 80% of evaluable patients were cured or improved, as measured by an endoscope, an instrument permitting visual examination of the esophagus. Anidulafungin was well-tolerated at both of the doses studied.

Anidulafungin Dosage (Loading/Maintenance)	Endoscopic Response
50 mg/25 mg	13/16 (81%)
70 mg/35 mg	11/13 (85%)

A subsequent safety and tolerance study indicated that an anidulafungin loading dose of 260 mg followed by daily maintenance doses of 130 mg was well-tolerated by volunteers. Based upon the proportion of complete and partial responders observed in the Phase II trials and the safety data obtained from the maximum tolerable dose study, we believe that anidulafungin may achieve improved efficacy at a dose higher than that used in the Phase II esophagitis trial, while maintaining its safety and tolerability profile.

A pivotal Phase III trial of anidulafungin for the treatment of esophageal candidiasis, which we began in the first quarter of 2001, recently completed enrollment. In this randomized, double-blind, double-dummy trial involving 600 patients, anidulafungin at a loading dose of 100 mg and daily maintenance doses of 50 mg is being compared with fluconazole. Treatment will continue for between

14 and 21 days, with the primary assessment of response made at the end of therapy. Additional evaluations will be made at a follow-up visit approximately two weeks later. As in the Phase II trial, endoscopic response will be the primary endpoint, with both clinical responses and eradication of fungi as secondary endpoints. We have completed patient enrollment, and assuming successful completion of the Phase III trial, we anticipate filing an NDA by the end of April 2003.

We began a Phase II trial in candidemia and invasive *Candida* infections in the second quarter of 2001 and have completed patient enrollment. In this randomized, open-label clinical trial, we are comparing the efficacy of different anidulafungin dosages: a loading dose of 200 mg and daily maintenance doses of 100 mg, a loading dose of 150 mg and daily maintenance doses of 75 mg, and a loading dose of 100 mg and daily maintenance doses of 50 mg. The trial involves 120 patients at centers in the United States. Assuming successful completion of the Phase II trial, we expect to initiate a Phase III trial in invasive candidiasis and candidemia in the fourth quarter of 2002.

We began a Phase III trial of anidulafungin for the treatment of aspergillosis in the fourth quarter of 2001. Aspergillosis is an extremely serious disease, with a very high rate of mortality, for which new therapies are urgently needed today. For this reason, and because our Phase I trial demonstrated that higher doses of anidulafungin were well tolerated by volunteers, we have taken an anidulafungin dose of a 200 mg loading dose followed by daily maintenance doses of 100 mg directly into our Phase III trials. This open-label, non-comparative study will enroll up to 60 hospitalized patients with a diagnosis of invasive aspergillosis. A single daily intravenous infusion of anidulafungin and a single daily intravenous infusion of a lipid-complexed formulation of amphotericin B will be administered to patients for up to 90 days. The primary endpoint is combined global response, i.e., clinical and radiographic responses, at the conclusion of therapy. Secondary endpoints are survival measured at 28 days, at the conclusion of therapy and at four weeks following therapy in addition to clinical, radiographic and mycologic responses at the end of therapy and at four weeks following therapy.

Characteristics of Anidulafungin

Anidulafungin, our lead antifungal product candidate, belongs to the new echinocandin class of antifungal agents. It is being developed for the treatment of serious fungal infections, including disseminated or bloodstream infections, pulmonary infections and esophagitis, or severe infections of the esophagus. The most serious fungal infections generally occur in individuals who have impaired immune systems. *In vitro*, anidulafungin is fungicidal, which means that it kills, rather than just inhibits, fungi. Anidulafungin is active against strains resistant to azoles, such as fluconazole.

Anidulafungin is a chemically modified derivative of a natural product that was chosen for development because of its improved properties over existing treatments. In May 1999, we obtained an exclusive worldwide license for its development and commercialization from Eli Lilly.

As compared with current therapies, we believe that anidulafungin has a number of advantages, including the following:

Novel mechanism of action. Anidulafungin belongs to a new class of antifungal drug that only recently has been developed for human use. It selectively inhibits an enzyme, found only in fungi, which is critical for the production and integrity of the fungal cell wall. This mechanism is completely different from that of the polyenes, such as Amphotericin B, and the azoles, such as fluconazole. The mechanism of action of anidulafungin has advantages, including fungicidal activity and lack of cross-resistance with traditional therapies. In addition, this novel mechanism of action may allow for synergistic combinations with polyenes or azoles and may result in better outcomes for patients with the most difficult-to-treat

infections.

Potent broad spectrum. Anidulafungin has shown highly potent *in vitro* activity against diverse groups of fungi, both yeasts and molds, that cause life-threatening infections. Anidulafungin is

particularly potent against *Candida*, including fluconazole-resistant strains, and *Aspergillus*, the two most common types of fungi causing serious human infections. The following figure illustrates the *in vitro* potency of anidulafungin against *Candida albicans*, as measured by the MIC_{90}, or the concentration of drug that inhibits the growth of 90% of the fungal strains, on a logarithmic scale. The figure demonstrates that to inhibit the growth of *Candida albicans*, less anidulafungin is needed as compared with existing agents caspofungin, amphotericin B and fluconazole.

Source:
NIAID MSG 33-34 Survey

The following figure illustrates the *in vitro* potency of anidulafungin against *Aspergillus fumigatus*, as measured by the mean MIC of the drug. The figure demonstrates that to inhibit growth of *Aspergillus fumigatus*, far less anidulafungin is needed as compared with existing agents caspofungin and amphotericin B.

Source:
J. Clin. Microbiol. (1998), 36:2950
J. Clin. Microbiol. (1998), 42:2726

As compared with other antifungal agents, these data illustrate that anidulafungin is more potent than available therapies. Anidulafungin also demonstrated impressive activity in a variety of animal models of *Candida* and *Aspergillus* infection. These included quite severe infections in immunosuppressed animals, such as disseminated infections and pulmonary aspergillosis. Efficacy was shown against different species and

strains of *Candida*, including strains resistant to fluconazole. For example, in animal models the number of *Candida* in the liver, spleen, kidneys and lungs were reduced by 99.99% at the anidulafungin dosage of 0.5 mg/kg. In animals infected with *Aspergillus*, 80% of those

treated with 2.5 mg/kg/day of anidulafungin survived until the end of the experiment (ten days), whereas all untreated animals died within four days.

Fungicidal. Anidulafungin kills fungi. This is an important characteristic of its novel mechanism of action, which it affects the integrity of the protective cell wall of fungi. This is an advantage over the widely used azole class of antifungal agents, which are fungistatic, meaning that they merely inhibit the growth of fungi and do not kill them. For example, when comparing anidulafungin to fluconazole, a fungistatic agent, anidulafungin's killing power is clearly demonstrated: After twelve hours of exposure to anidulafungin, more than 99.5% of the exposed fungus was killed. After twelve hours of exposure to fluconazole, none of the exposed fungus was killed.

Patients that are severely immunosuppressed may be more effectively treated with a therapy that is fungicidal rather than fungistatic.

Low potential for developing resistance. As shown in the figure below, in the laboratory it has proven very difficult to develop resistance to anidulafungin. The lines represent the amount of anidulafungin and fluconazole needed to inhibit the growth of Candida. As more days pass in the experiment, the amount of fluconazole required to inhibit the fungus increases, while the amount of anidulafungin required to inhibit the fungus is unaffected.

Well-tolerated in humans. In 11 separate Phase I, II and III clinical trials, over 200 volunteers and patients have received anidulafungin and it has been well-tolerated. Amphotericin B, which belongs to the polyene class of compounds, is an effective fungicidal drug. However, even with the newer lipid formulations, the use of polyenes may be associated with severe side effects and use is sometimes limited by toxicity. The other major class of antifungal drugs, the azoles, is better tolerated than the polyenes, but they lack fungicidal activity against Candida.

Dalbavancin A Next-Generation Antibiotic for the Treatment of Serious Gram-Positive Infections

Clinical Experience with Dalbavancin

Phase I dose-ranging trials in normal volunteers have been concluded. High single doses, up to 1120 mg, and multiple doses, consisting of a loading dose of 1000 mg and repeat daily doses up to 100 mg for six days, were evaluated in these trials. The pharmacokinetics of dalbavancin with these dosage regimens were reproducible and followed the predictions made on the basis of pre-clinical, preliminary Phase I and modeling studies. The safety and tolerability profile was very good, with no dose-limiting toxicities encountered. On the basis of these results, we initiated and completed a Phase II clinical trial in skin and soft tissue infections. We also started a Phase II trial in catheter-related bloodstream infections in the first quarter of 2002. Both Phase II trials will include dose arms that evaluate the efficacy and safety of weekly administration of dalbavancin.

Characteristics of Dalbavancin

Dalbavancin is a novel next-generation glycopeptide antibiotic, a chemically modified derivative of a natural product. We are developing dalbavancin as an alternative to vancomycin for the treatment of serious Gram-positive infections, predominantly in hospitalized patients. Dalbavancin has potent *in vitro* activity against Gram-positive bacteria. In particular, we are targeting infections caused by *Staphylococci*, including methicillin-resistant strains, the principal indication for vancomycin. Serious infections caused by *Staphylococci* include skin and soft tissue infections, bloodstream infections and osteomyelitis. An additional advantage of dalbavancin is its ease of administration, because of its unique pharmacokinetic profile and its safety and tolerability profile to date. We initiated a Phase II clinical trial of dalbavancin for the treatment of skin and soft tissue infections in the second quarter of 2001 which we completed in the second quarter of 2002. We also initiated a Phase II trial in catheter-related bloodstream infections in the first quarter of 2002. We plan to commence our first Phase III trial in the fourth quarter of 2002.

We believe dalbavancin has the following advantages over current therapies:

Greater potency. In the laboratory, dalbavancin demonstrated better activity against a range of Gram-positive bacteria, including all of the staphylococcal species, in particular against MRSA and MRSE. These organisms are among the most difficult to treat successfully and vancomycin is one of the few treatment options currently available. As shown in the figure below, dalbavancin was more potent *in vitro* than other marketed and experimental antibiotics belonging to the glycopeptide class against MRSA and MRSE. The figure demonstrates that to inhibit the growth of MRSA and MRSE, less dalbavancin is needed as compared with existing agents vancomycin, teicoplanin and the investigational agent, oritavancin. Activity is expressed as by the MIC90.

Source:
JAC (1999), 44:179

This data illustrates that dalbavancin is more potent than available therapies. Dalbavancin also demonstrated impressive potency in a number of animal model infections, caused by a variety of Gram-positive bacteria, including those resistant to methicillin. Dalbavancin was efficacious against *Staphylococcal endocarditis* in animal models, as well as against *Streptococcus pneumoniae* pulmonary infection in normal and immunosuppressed animal models. Pharmacodynamic studies in animal models demonstrated bactericidal activity in the animals coupled with good tissue penetration and distribution of dalbavancin.

Bactericidal. Dalbavancin kills Gram-positive bacteria. This may be an advantage over certain other therapies such as Zyvox , which is only bacteriostatic. Patients with serious infections caused by methicillin-resistant Staphylococci may be more effectively treated with a therapy that is bactericidal rather than bacteriostatic.

Unique, flexible and infrequent dosing regimen. Human pharmacokinetic data and studies in animal models demonstrated that dalbavancin has a long duration of action after administration and shows promise to become the first available once-weekly injectable antibiotic for the treatment of Staphylococcal and other serious Gram-positive hospital infections. Once-weekly dosing may allow some patients to have IV lines discontinued, which translates into fewer opportunities for local infection and blood stream infections. This may also provide pharmacoeconomic benefits, such as shorter hospital stays, less need for follow-up oral antibiotics and other reduced costs.

Well-tolerated in humans. We successfully completed our Phase I dose-escalation clinical trial in which dalbavancin was well tolerated even at very high doses and its pharmacokinetics were predictable.

Research Collaborations

Oxazolidinones collaboration with Pharmacia

We are collaborating with Pharmacia to identify new generations of oxazolidinones. The oxazolidinones are the first major new chemical class of antibacterial products to enter the market in over 30 years. Pharmacia has received FDA approval, independent of us, for a new drug called Zyvox , the most advanced molecule in this class. Based on historical precedents for antibiotics, it is likely that the development of subsequent generations of oxazolidinones with improved potency and

broader spectrum of activity will create a major market opportunity. Oxazolidinones are active against a broad spectrum of Gram-positive pathogens, including multidrug resistant *Staphylococci*, *Streptococci* and *Enterococci*. They have a novel mechanism of action involving inhibition of an early step in protein biosynthesis. This process is also inhibited by antibiotics such as tetracycline. Oxazolidinones have no cross resistance to other classes of antibiotics.

We began working on oxazolidinones at a time when several large pharmaceutical companies were already actively involved in this area. Our scientists used their expertise in combinatorial chemistry to optimize leads around the core oxazolidinone structure and identified several novel lead structures with good *in vivo* activity when administered orally. Pharmacia signed a collaboration agreement with us in March 1999. We have identified several novel molecules with an enhanced spectrum of activity, including activity against the pathogen *H. influenzae*, improved potency against multidrug resistant bacteria including MRSA, MRSE, vancomycin-resistant *Enterococci* and penicillin-resistant *Streptococcus pneumoniae*. Several compounds have also demonstrated good activity in pre-clinical *in vivo* studies when administered orally and are therefore undergoing advanced *in vivo* testing. Advanced *in vivo* testing includes testing the efficacy of the compounds with increased dosages, the absorption of the compound in the blood, the differences between the oral formulation and the intravenous formulation and the toxicity of the compound.

We entered into our collaboration agreement with Pharmacia Corporation in March 1999. Pursuant to this agreement, we are collaborating to discover, synthesize and develop second and third generation oxazolidinone product candidates. We supply research, product leads and other specified intellectual property to the collaboration. Pharmacia has the right to conduct the development of any product candidates and the manufacture and sale of any products resulting from the collaboration. In connection with the collaboration, Pharmacia made an equity investment in us of $3.8 million and paid us research support and license fee payments. We have assigned to Pharmacia one U.S. patent application and a corresponding Patent Cooperation Treaty patent application relating to this collaboration. Both applications involve the methodology of preparing oxazolidinones, libraries and pharmaceutical compositions. Under the terms of the agreement and in consideration of our research obligations, we are entitled to receive funding from Pharmacia to support some of our full-time researchers. If Pharmacia's

development efforts achieve specified milestones, Pharmacia is obligated to pay us additional milestone payments of up to $14 million for each compound. We are entitled to receive royalties on the worldwide sales of any products developed and commercialized from the collaboration. Pharmacia is allowed to offset some of its royalty payments by the amount of previous milestone payments made to us. This agreement will terminate on a country-by-country basis with respect to a product developed under the collaboration upon the later of 10 years from the date of the first commercial sale of the product in the country or the expiration of all product patents in the country. Pursuant to an October 2000 amendment, Pharmacia increased its funding for this collaboration by 30%, and in June 2001, we received a milestone payment for the initiation of clinical development of one of the compounds. In July 2002, we and Pharmacia amended the agreement to extend the collaboration for an additional three years through March 2005.

Through September 30, 2002, Pharmacia has made aggregate payments to us under this collaboration agreement (excluding equity investments) of $12.1 million. We do not depend upon continued milestone payments from Pharmacia to any significant extent because we have funded, and intend to fund, our drug development programs primarily with the proceeds of equity offerings. Although we currently depend upon our collaborations, in-licensing opportunities and in-house research, in the aggregate, to seek to obtain a pipeline of product candidates, we do not depend to any significant extent on any individual collaboration.

Deformylase Inhibitors collaboration with Novartis

We are collaborating with Novartis to develop deformylase inhibitors as antibacterial agents. Deformylase is an essential enzyme present in bacteria but absent in human cells, thus representing a good target for the discovery of inhibitors that can serve as broad spectrum antibacterial agents. Deformylase is a metal-containing enzyme, or metalloenzyme. If this metal is removed or interfered with, the enzyme can no longer function. Since it is possible to design molecules that bind to metals, this makes it especially attractive for the design of mechanism-based drugs. Captopril , the first drug to be rationally designed using this approach, is an inhibitor of a metalloenzyme called Angiotensin Converting Enzyme, or ACE. The design of Captopril, which is used to treat hypertension and congestive heart failure, represented a major pharmaceutical breakthrough. Deformylase offers an excellent opportunity for integrating this principle of mechanism-based drug design with our combinatorial chemistry based approach.

Based on our scientists' experience in the Captopril field, we initiated a highly focused chemistry effort targeting the rational design and synthesis of deformylase inhibitors. We designed a set of pharmacophoric libraries specifically suited for metalloenzyme targets and also developed new synthetic methodologies for the preparation of these libraries. Screening these libraries against deformylase led to the identification of several molecules with excellent enzymatic and whole-cell inhibitory activity. Our proprietary "Gene to Screen" technology helped identify those leads that inhibited bacterial growth by specifically inhibiting deformylase. Through proper integration of combinatorial chemistry with medicinal chemistry, more specific lead series were further optimized with excellent selectivity, as well as activity against clinically significant multidrug resistant bacteria. Novartis has filed patent applications on the novel structures that we have synthesized. Many of these compounds have demonstrated good *in vivo* activity in pre-clinical studies when administered orally. We are in the process of selecting a compound for development by Novartis, from the advanced lead molecules that we have available.

We entered into our collaboration agreement with Novartis in March 1999. Pursuant to this agreement, we are collaborating to discover and develop novel deformylase inhibitors. In connection with the collaboration, Novartis made an initial equity investment in us of $3.0 million and provides us with funding to support some of our full-time researchers. Under the terms of this agreement, we have established with Novartis a joint research committee and we are responsible for performing the three-year research plan developed by the committee. In return, Novartis has agreed to pay us a fee. We are also entitled to receive payments of up to $2.25 million for each compound, plus up to $13.0 million for our compounds or up to $7.25 million for Novartis compounds upon Novartis' achievement of certain research milestones. In addition, we granted Novartis, and Novartis granted us, reciprocal research licenses. We also granted Novartis an exclusive worldwide commercial license, pursuant to which it may develop, manufacture and sell products resulting from this collaboration. For each product that Novartis develops and launches in specified countries, we are entitled to receive royalties on worldwide sales of the product and additional payments if the product contains one of our compounds and a lesser sum if the product contains a Novartis compound. Novartis may offset some of its royalty payments by the amount of previous milestone payments made to us. We have the option to co-promote with Novartis in hospitals in the United States and Canada any product that contains one of our compounds as an active ingredient, but we will not be entitled to royalties from sales of the product in that territory if we exercise our co-promotion option. This agreement terminates on a country-by-country basis with respect to a product developed under the collaboration upon the later of 10 years from the date of the first commercial sale of the product in the country or the time at which the product is no longer covered by a pending or issued patent in the country. In addition to the work on deformylase inhibitors, we have been delivering to Novartis under the agreement a series of screening assays based on novel anti-bacterial targets. For each screen that Novartis accepts as validated, we receive a milestone payment. In August 2001 and January 2002, Novartis paid us our fourth and fifth milestone payments, respectively, as a result of our delivery of our fourth and fifth

target-based screens, which we expect will be used in Novartis' high-throughput screening laboratory to identify new anti-infectives. In March 2002, the collaboration agreement was amended to extend the research term by an additional year, through March 2003, and to provide that Novartis shall make an additional payment to us upon our achievement of a new milestone. Through September 30, 2002, Novartis has made aggregate payments to us under this agreement (excluding equity investments) of $10.4 million. We do not depend upon continued milestone payments from Novartis to any significant extent because we have funded, and intend to fund, our drug development programs primarily with the proceeds of equity offerings. Although we currently depend upon our collaborations, in-licensing opportunities and in-house research, in the aggregate, for a sustained pipeline of product candidates, we do not depend to any significant extent on any individual collaboration.

BIOCOR collaboration with Biosearch

We are collaborating with Biosearch in an exclusive lead optimization program called BIOCOR. Biosearch contributes natural product leads, and we contribute our combinatorial and medicinal chemistry expertise to optimize these leads and identify product candidates. The advantage of working with Biosearch's natural product leads is that they have already been shown to inhibit the growth of intact bacterial cells. Penetrating an intact cell is frequently a major obstacle to the successful development of an active drug. Biosearch is the management spin-off of an infectious disease research center that was formerly part of Hoechst Marion Roussel, now called Aventis. Biosearch scientists have been screening microbial fermentations for over 20 years. BIOCOR provides us with access to the attractive area of natural product leads without the expensive infrastructure necessary to generate such leads independently.

We entered into our collaboration agreement with Biosearch in February 1998. We concurrently entered into a licensing agreement with Biosearch as described below under "Licensing Agreements." Under the collaboration agreement, as amended in January 2001, the parties have agreed to share equally all costs associated with preclinical studies required for the filing of an IND. Versicor agreed to pay Biosearch milestone payments for each compound developed through pre-clinical and Phase I clinical trials. Through September 30, 2002, Versicor has paid Biosearch $253,000 in cost-sharing payments under the collaboration agreement to support medicinal chemists in Italy, and has not made any milestone payments to Biosearch. Biosearch has the exclusive license in Europe to commercialize intravenous formulations for the hospital setting resulting from this collaboration and will retain all income derived from commercialization in Europe. Versicor has the exclusive license in the United States and Canada for the commercialization of intravenous formulations for the hospital setting and will retain all income resulting from commercialization in the United States and Canada. Both companies will share any revenue from commercialization of products for the hospital setting in all countries outside the United States, Canada and Europe, as well as worldwide revenues from any oral formulations and primary care products that are developed. Subject to its establishment of an FDA-approved facility capable of manufacturing dalbavancin within an agreed-upon time frame, Biosearch has a right of first refusal to manufacture and supply Versicor with its requirements for products that result from this collaboration. The collaboration agreement terminates upon the expiration of all licensed patents resulting from the collaboration; however, to date no licensed patents or patent applications have resulted from the collaboration. The collaboration agreement is otherwise terminable by either party upon the other party's material breach or by the mutual consent of both parties. In January 2001, we expanded this collaboration by sponsoring additional chemists in Italy and by providing novel proprietary screening assays and targets to BIOCOR. Biosearch, in turn, increased the number of natural product libraries that it is contributing to BIOCOR.

We do not have the right to receive any milestone payments under our collaboration with Biosearch. Although we depend upon our collaborations, in-licensing opportunities and in-house

research, in the aggregate, to seek to obtain a pipeline of product candidates, we do not depend to any significant extent on any individual collaboration.

Internal Discovery Research

We use a variety of approaches combining the best drug discovery tools available. Thus, we integrate our capabilities in the areas of lead optimization, functional genomics and mechanism-based rational drug design to fill both our proprietary and collaborators' product pipelines.

Lead Optimization

Several members of our scientific staff are pioneers in the application of combinatorial chemistry to drug discovery. We have focused our efforts on the practical applications of this powerful technology for the discovery and development of new antibacterial agents. We believe that the best use of combinatorial chemistry is in lead optimization via preparation of hundreds of discrete, well-characterized compounds based on core lead structures. We have analyzed the antibacterial field to arrive at potential lead optimization candidates that are either previously abandoned molecules, or are molecules on which work is still being done. In both cases, we have chosen molecules that have the potential for significant improvements in potency, spectrum of activity or other properties. Our expertise allows us to develop combinatorial methods for modifying structurally complex molecules. Once a suitable molecule for lead optimization is selected, we establish a proprietary position by using combinatorial chemistry to prepare new analogs that fall outside the patent scope of our likely competitors. Following the discovery of novel bioactive lead structures, we integrate our combinatorial and medicinal chemistry efforts to prepare individual molecules that can be navigated efficiently through pre-clinical testing. Once an *in vivo* active lead has been established, we determine whether the molecule best fits our proprietary product or our collaborators' product portfolios. The successful execution of this strategy has been demonstrated by our collaborative oxazolidinone project with Pharmacia.

Functional Genomics and Mechanism-Based Rational Drug Design

The complete genetic blueprints, or genomes, of the majority of clinically relevant bacteria are now accessible through the Internet. We take a highly focused and practical approach to using this genomic information by carefully selecting targets that have a mechanism suited to rational drug design. To facilitate efficient integration of mechanism-based drug discovery with combinatorial chemistry, we select mechanism-based families of targets such as metalloenzymes. We search genomes for characteristic genetic signatures and compare different genomes to identify targets that are present in a clinically relevant spectrum of bacteria. We use genetic techniques to establish that any target selected is essential for growth, and confirm this in several relevant bacterial species. Once we have carefully selected the target, we begin a highly focused chemistry effort using mechanism-based drug design. We then apply our "Gene to Screen" technology that allows us to increase or decrease the amount of target gene product, which is usually an enzyme, inside a cell by use of a special genetic regulator. Our ability to vary the concentration of a target enzyme inside a cell has proved an important support tool for our chemists, as they can then confirm whether a potent enzyme inhibitor stops the growth of bacteria by inhibiting the same enzyme. Our "Gene to Screen" technology allows our chemists to select leads that have the correct mechanism, without the inhibition of other enzymes that could result in toxicity. This integrated approach has been validated by our metalloenzyme program with Novartis to develop deformylase inhibitors. We are currently working with four additional metalloenzyme targets to build on this success in our novel molecules programs.

Licensing Agreements

Eli Lilly

In May 1999, we entered into a license agreement with Eli Lilly to obtain an exclusive worldwide license for the development and commercialization of anidulafungin. The license agreement provides for a number of payments from us to Eli Lilly, as follows: (i) an up-front payment for the license; (ii) periodic milestone payments bearing on achieving certain goals related to intravenous and oral formulations; (iii) payments during the period 2000 through 2002 for product inventory; and (iv) royalty payments based upon the net sales of the applicable products. We have also granted to Eli Lilly an option to license the exclusive worldwide rights to any oral formulation of anidulafungin, which is exercisable upon successful completion of Phase II clinical trials. If Eli Lilly exercises this option, Eli Lilly will pay us an up-front fee and royalties based on net product sales, and will reimburse us for any milestone payments paid plus the value, on a cost-plus basis, of all prior development expenses attributed to the development and commercialization of the oral formulation of anidulafungin.

Biosearch Italia

In February 1998, we entered into a license agreement and a collaboration agreement with Biosearch. The collaboration agreement is described above in the BIOCOR discussion. Under the license agreement, Biosearch granted us an exclusive license to develop and commercialize dalbavancin in the United States and Canada. In exchange for the license and upon the receipt of favorable results in pre-clinical studies, we paid a license fee and issued shares of our common stock to Biosearch. We are obligated to make additional payments upon the achievement of specified milestones. We are also required to pay Biosearch royalties in respect of sales of any product that results from the compound. Subject to its establishment of an FDA-approved facility capable of manufacturing dalbavancin within an agreed-upon time frame, Biosearch has a right of first refusal to manufacture and supply us with our requirements for dalbavancin. The license agreement terminates on a country-by-country basis upon the expiration of all product patents in the country.

Sales and Marketing

We intend to market and sell our proprietary products through a direct sales force in the United States and Canada. Because we are targeting the hospital market, we believe we can hire a relatively small sales force which will be sufficient to provide full coverage. Our management has experience in building specialty pharmaceutical sales forces. We expect to collaborate with other pharmaceutical companies to market our collaboration products outside hospitals in the United States and Canada, and in overseas markets.

Manufacturing

We have no manufacturing facilities and have used contract manufacturers to produce our drugs. Biosearch is our supplier of bulk drug substance dalbavancin. In June 2001, we entered into a manufacturing, development and supply agreement with Abbott pursuant to which Abbott would manufacture final formulation of anidulafungin. In August 2002, we agreed with Abbott to terminate this agreement. Eli Lilly has supplied us with sufficient anidulafungin active pharmaceutical ingredients to finish clinical trials and market the drug for a couple of years.

Intellectual Property

The proprietary nature of, and protection for, our products, product candidates, processes and know-how are important to our business. We seek patent protection in the United States and internationally for our product candidates and other technology. Our policy is to patent or in-license the technology, inventions and improvements that we consider important to the development of our

business. In addition, we use license agreements to selectively convey to others rights to our own intellectual property. We also rely on trade secrets, know-how and continuing innovation to develop and maintain our competitive position.

We have four issued U.S. patents and eight U.S. patent applications. We have acquired proprietary and exclusive rights worldwide to develop, make, use and sell anidulafungin in particular fields in connection with our license agreement with Eli Lilly. This license agreement covers 12 U.S. patents, 12 U.S. patent applications, 37 foreign patents and 132 foreign patent applications. Our license agreement with Biosearch with respect to dalbavancin includes three issued U.S. patents, two issued Canadian patents and several pending U.S. and Canadian patent applications. Our collaborative agreement with Pharmacia with respect to the development of oxazolidinones includes one U.S. patent and five U.S. patent applications. Our collaborative agreement with Novartis includes three U.S. patent applications.

The material patents included in our owned and licensed portfolio expire between 2008 and 2016. We expect to continue to protect our proprietary technology with additional filings as appropriate.

Competition

We believe our products will face intense competition from both existing therapies and new generations of antibiotics and antifungals. We expect to compete against existing therapies on the basis of greater potency, improved effectiveness and reduced toxicity. Several pharmaceutical and biotechnology companies are actively engaged in research and development related to new generations of antibiotic and antifungal products. We cannot predict the basis upon which we will compete with new products marketed by others. Many of our competitors have substantially greater financial, operational, sales and marketing, and research and development resources than we have. Companies that market or are known to be in active development of antibiotic or antifungal products in our target markets include Bristol-Myers Squibb Co., Schering-Plough Corp., Aventis S.A., Fujisawa Pharmaceutical Co. Limited, Janssen, a division of Johnson & Johnson Inc., J.B. Roerig, a division of Pfizer Inc., Merck & Co. Inc., Cubist Pharmaceuticals Inc., Gilead Sciences Inc. and InterMune.

Governmental Regulation and Product Approval

Regulation by governmental authorities in the United States and other countries is a significant factor in the manufacture and marketing of pharmaceuticals and in our ongoing research and development activities. All of our products will require regulatory approval by governmental agencies prior to commercialization. In particular, human therapeutic products are subject to rigorous pre-clinical testing and clinical trials and other pre-marketing approval requirements by the FDA and regulatory authorities in other countries. In the United States, various federal, and in some cases state statutes and regulations also govern or impact upon the manufacturing, safety, labeling, storage, record-keeping and marketing of such products. The lengthy process of seeking required approvals and the continuing need for compliance with applicable statutes and regulations, require the expenditure of substantial resources. Regulatory approval, when and if obtained, may be limited in scope which may significantly limit the indicated uses for which a product may be marketed. Further, approved drugs, as well as their manufacturers, are subject to ongoing review, and the discovery of previously unknown problems with such products may result in restrictions on their manufacture, sale or use or in their withdrawal from the market.

Pre-Clinical Stages

The process for new drug approval consists of pre-clinical stages, which occur prior to studies on human volunteers, and clinical trials, which involve testing the compound on human volunteers in clinic settings. Pre-clinical stages include the following:

Drug discovery. In the initial stages of drug discovery before a compound reaches the laboratory, tens of thousands of potential compounds are randomly screened for activity against an assay assumed to be predictive for particular disease targets. This drug discovery process can take several years. Once a company locates a "lead compound," or starting point for drug development, isolation and structural determination may begin. The development process results in numerous chemical modifications to the screening lead in an attempt to improve the drug properties of the lead. After a compound emerges from this process, the next steps are to conduct further preliminary studies on the mechanism of action, further *in vitro* screening against particular disease targets and finally, some *in vivo* screening. If the compound passes these barriers, the toxic effects of the compound are analyzed by performing preliminary exploratory animal toxicology. If the results demonstrate acceptable levels of toxicity, the compound emerges from the basic research mode and moves into the pre-clinical phase.

Pre-clinical testing. During the pre-clinical testing stage, laboratory and animal studies are conducted to show biological activity of the compound against the targeted disease, and the compound is evaluated for safety. These tests typically take approximately two years to complete, and must be conducted in compliance with the FDA's Good Laboratory Practice regulations.

Investigational new drug application. During the pre-clinical testing, an IND is filed with the FDA to begin human testing of the drug. The IND becomes effective if not rejected by the FDA within 30 days. The IND must indicate the results of previous experiments, how, where and by whom the new studies will be conducted, the chemical structure of the compound, the method by which it is believed to work in the human body, any toxic effects of the compound found in the animal studies and how the compound is manufactured. All clinical trials must be conducted in accordance with the FDA's Good Clinical Practice regulations. In addition, an Institutional Review Board, comprised of physicians at the hospital or clinic where the proposed studies will be conducted, must review and approve the IND. The Institutional Review Board also continues to monitor the study. Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA. In addition, the FDA may, at any time during the 30-day period or at any time thereafter, impose a clinical hold on proposed or ongoing clinical trials. If the FDA imposes a clinical hold, clinical trials cannot commence or recommence without FDA authorization and then only under terms authorized by the FDA. In some instances, the IND application process can result in substantial delay and expense.

Some limited human clinical testing may be done under a physician's IND in support of an IND application and prior to receiving an IND. A physician's IND is an IND application that allows a single individual to conduct a clinical trial. A physician's IND does not replace the more formal IND process, but can provide a preliminary indication as to whether further clinical trials are warranted, and can, on occasion, facilitate the more formal IND process.

Clinical Trials

Clinical trials are typically conducted in three sequential phases, but the phases may overlap.

Phase I clinical trials. After an IND becomes effective, Phase I human clinical trials can begin. These tests usually involve between 20 and 80 healthy volunteers or patients and typically take one to two years to complete. The tests study a drug's safety profile, and may include the safe dosage range. The Phase I clinical studies also determine how a drug is absorbed, distributed, metabolized and excreted by the body, and the duration of its action.

Phase II clinical trials. In Phase II clinical trials, controlled studies are conducted on an expanded population of patients with the targeted disease. The primary purpose of these tests is to evaluate the effectiveness of the drug on the volunteer patients as well as to determine if there are any side effects. These studies generally take approximately one year, and may be conducted concurrently with Phase I clinical trials. In addition, Phase I/II clinical trials may be conducted to evaluate not only the efficacy of the drug on the patient population, but also its safety.

Phase III clinical trials. This phase typically lasts one to two years and involves an even larger patient population. During the Phase III clinical trials, physicians monitor the patients to determine efficacy and to observe and report any reactions that may result from long-term use of the drug.

New drug application

After the completion of all three clinical trial phases, if there is substantial evidence that the drug is safe and effective, an NDA is filed with the FDA. The NDA must contain all of the information on the drug gathered to that date, including data from the clinical trials. NDAs are often over 100,000 pages in length.

The FDA reviews all NDAs submitted before it accepts them for filing and may request additional information rather than accepting an NDA for filing. In such an event, the NDA must be resubmitted with the additional information and, again, is subject to review before filing. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. Under the Federal Food, Drug and Cosmetic Act, the FDA has 180 days in which to review the NDA and respond to the applicant. The review process is often significantly extended by FDA requests for additional information or clarification regarding information already provided in the submission. The FDA may refer the application to an appropriate advisory committee, typically a panel of clinicians, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee. If FDA evaluations of the NDA and the manufacturing facilities are favorable, the FDA may issue either an approval letter or an approvable letter, which usually contains a number of conditions that must be met in order to secure final approval of the NDA. When and if those conditions have been met to the FDA's satisfaction, the FDA will issue an approval letter, authorizing commercial marketing of the drug for certain indications. If the FDA's evaluation of the NDA submission or manufacturing facilities is not favorable, the FDA may refuse to approve the NDA or issue a not approvable letter.

Marketing approval

If the FDA approves the NDA, the drug becomes available for physicians to prescribe. Periodic reports must be submitted to the FDA, including descriptions of any adverse reactions reported.

Phase IV clinical trials and post marketing studies

Even after the drug is on the market, the FDA may request additional studies (known as Phase IV) to evaluate long-term effects. In addition to studies requested by the FDA after approval, these trials and studies are conducted to explore new indications. The purpose of these trials and studies and related publications is to broaden the application and use of the drug and its acceptance in the medical community.

Orphan drug designation

The FDA may grant orphan drug designation to drugs intended to treat a "rare disease or condition," which is generally a disease or condition that affects fewer than 200,000 individuals in the

United States. Orphan drug designation must be requested before submitting an NDA. After the FDA grants orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. If a product that has orphan drug designation subsequently receives FDA approval for the indication for which it has such designation, the product is entitled to orphan exclusivity, which means the FDA may not approve any other applications to market the same drug for the same indication, except in very limited circumstances, for seven years.

Approvals outside of the United States

Steps similar to those in the United States must be undertaken in virtually every other country comprising the market for our products before any such product can be commercialized in those countries. The approval procedure and the time required for approval vary from country to country and may involve additional testing. There can be no assurance that approvals will be granted on a timely basis or at all. In addition, regulatory approval of prices is required in most countries other than the United States. There can be no assurance that the resulting prices would be sufficient to generate an acceptable return to us.

We have limited experience in conducting and managing clinical trials, and as of June 30, 2002 had 21 full-time clinical development employees. Like many other biotechnology companies in our stage of development, we rely on third parties, including our collaborators, clinical

research organizations and outside consultants, to assist us in managing and monitoring clinical trials. We also have a clinical advisory board that meets periodically with our staff and management to discuss present and future clinical testing activities.

Facilities

Our facilities currently consist of approximately 55,000 square feet of laboratory and office facilities located in Fremont, California, which is leased to us until February 2009, and an aggregate of approximately 11,200 square feet of office facilities in King of Prussia, Pennsylvania, which are leased to us under three lease agreements until September 2007. We believe that these current facilities are adequate for our needs for the foreseeable future and that, should it be needed, suitable additional space will be available to accommodate expansion of our operations on commercially reasonable terms. In addition, we recently leased an office in Italy in order to obtain an Italian address for the registration of our Italian branch.

Employees

As of September 30, 2002, we employed 77 persons, 32 of whom hold Ph.D. or M.D. degrees. Sixty-nine employees are engaged in research and development, and eight support administration, finance, management information systems and human resources. We believe that we maintain good relations with our employees.

Legal Proceedings

We are not a party to any material legal proceedings.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF VERSICOR

The following table sets forth as of October 23, 2002 the names, addresses, and holdings of those persons known to us to be beneficial owners of more than 5% of our common stock, the names and holdings of each director and each executive officer named in the Summary Compensation Table and the holdings of all executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned and Nature of Beneficial Ownership(1)	Percent Beneficially Owned(2)
Sepracor Inc.(3) 111 Locke Drive Marlborough, MA 01752	1,885,393	7.1%
HealthCare Ventures V, L.P.(4) 44 Nassau Street Princeton, NJ 08542	1,561,400	5.9%
Apax Europe IV GP Co. Limited PO Box 431 13-15 Victoria Road St. Peter Port, Guernsey Channel Islands GYI 32D	1,501,043	5.7%
Apax Partners, Inc. 2100 Geng Road Palo Alto, CA 94303	1,500,961	5.7%
George F. Horner III(5)	641,760	2.4%

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned and Nature of Beneficial Ownership(1)	Percent Beneficially Owned(2)
Timothy J. Henkel, M.D., Ph.D.(6)	201,691	*
Richard J. White, Ph.D(7)	322,012	1.2%
Dov A. Goldstein, M.D.(8)	132,412	*
Dinesh V. Patel, Ph.D(9)	107,582	*
David V. Milligan, Ph.D(10)	131,249	*
Timothy J. Barberich(11)	1,905,831	7.2%
James H. Cavanaugh, Ph.D(12)	1,579,079	6.0%
Mark Leschly(13)	10,153	*
Christopher T. Walsh, Ph.D(14)	115,912	*
All directors and executive officers as a group (10 persons)(15)	5,147,681	19.5%

* Holdings represent less than 1% of all shares outstanding.

(1) Except as provided with respect to certain shares held in trust with the person's spouse and as otherwise provided under state community property laws, we believe that each of the stockholders named in this table has sole voting and investment power over the shares of common stock indicated.

(2) Applicable percentages are based on 26,376,287 shares outstanding on October 23, 2002. All expressions of percentage assume that warrants and options exercisable within 60 days after June 30, 2002, if any, of the particular person or group in question, and no others, have been exercised. Except as otherwise noted, the address of each person listed is c/o Versicor Inc., 34790 Ardentech Court, Fremont, California 94555.

(3) Includes 76,250 shares issuable upon exercise of warrants that expire on December 9, 2002. Timothy J. Barberich is chief executive officer and chairman of the board of directors of Sepracor Inc. Mr. Barberich disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest in these shares.

(4) Includes 72,743 shares issuable on the exercise of warrants that expire on August 8, 2005. James H. Cavanaugh, Ph.D. is a general partner of HealthCare Partners V, L.P., which is the general partner of HealthCare Ventures V, L.P. Dr. Cavanaugh disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest in these shares.

(5) Includes 624,260 shares underlying options that are exercisable within 60 days of October 23, 2002.

(6) Includes 199,999 shares underlying options that are exercisable within 60 days of October 23, 2002.

(7) Includes 6,252 shares owned by Dr. White's children and 202,523 shares underlying options that are exercisable within 60 days of October 23, 2002.

(8) Includes 132,412 shares underlying options that are exercisable within 60 days of October 23, 2002.

(9) Includes 65,276 shares underlying options that are exercisable within 60 days of October 23, 2002.

(10) Includes 108,749 shares underlying options that are exercisable within 60 days of October 23, 2002.

(11) Includes 14,250 shares underlying options that are exercisable within 60 days of October 23, 2002. Also includes 1,809,143 shares owned by Sepracor Inc. and 76,250 shares issuable upon the exercise of warrants by Sepracor Inc. The warrants expire on December 9, 2002. Mr. Barberich is chief executive officer and chairman of the board of directors of Sepracor Inc. As such, he may be deemed to have voting and dispositive power over the shares held by Sepracor Inc. However, Mr. Barberich disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(12) Includes 7,500 shares underlying options that are exercisable within 60 days of October 23, 2002. Also includes 1,488,657 shares owned by HealthCare Ventures V, L.P. and 72,743 shares issuable upon the exercise of warrants by HealthCare Ventures V, L.P. The warrants expire on August 8, 2005. Dr. Cavanaugh is a general partner of HealthCare Partners V, L.P., which is the general partner of HealthCare Ventures V, L.P. As such, he may be deemed to have voting and dispositive power over the shares held by HealthCare Ventures V, L.P. However, Dr. Cavanaugh disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(13) Includes 7,500 shares underlying options that are exercisable within 60 days of October 23, 2002.

(14) Includes 115,912 shares underlying options that are exercisable within 60 days of October 23, 2002.

(15) Includes 1,478,381 shares issuable upon exercise of options granted to our directors and executive officers that are exercisable within 60 days of October 23, 2002.

SELECTED CONSOLIDATED FINANCIAL DATA OF BIOSEARCH

The following selected financial data for the years ended December 31, 2000 and 2001, and the balance sheet data as of December 31, 2000 and 2001 are derived from Biosearch's audited consolidated financial statements presented in euros, which have been prepared in accordance with U.S. GAAP, and which appear elsewhere in this proxy statement/prospectus. The financial data for the six months ended June 30, 2001 and 2002 and the consolidated balance sheet data at June 30, 2002 are derived from Biosearch's unaudited consolidated financial statements presented in euros which are prepared in accordance with U.S. GAAP, and which are included elsewhere in this proxy statement/prospectus. The unaudited consolidated financial statements include all adjustments, consisting of normal recurring accruals, which Biosearch considers necessary for a fair presentation of its financial position and results of operations for these periods. Operating results for the six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the entire year ended December 31, 2002 or any other future interim periods. The following data should be read together with financial statements, related notes and other financial information included in this proxy statement/prospectus.

Amounts in accordance with U.S. GAAP

	Year ended December 31,	Six months ended June 30,

	Year ended December 31,		Six months ended June 30,	
	2000	2001	2001	2002
	(in thousands, except per share amounts)			
Statement of Operations Data:				
Revenues:				
License fees and milestones	€ 3,066	€ 3,484	€ 2,975	€ 206
Research and development consulting and contract services and government grants	5,766	3,749	2,868	1,681
Total revenues	8,832	7,233	5,843	1,887
Operating expenses:				
Research and development(1)	28,181	16,756	6,980	6,300
General and administrative(2)	4,834	4,251	1,645	2,127
Loss (gain) on trading securities	2,970	(1,812)	(968)	(782)
Amortization of negative goodwill	(1,268)	(1,268)	(634)	
Total operating expenses	34,717	17,927	7,023	7,645
Loss from operations	(25,885)	(10,694)	(1,180)	(5,758)
Investment income (expense)	319	(163)	(623)	1,135
Net loss	€ (25,566)	€ (10,857)	€ (1,803)	€ (4,623)
Net loss per share, basic and diluted	€ (2.69)	€ (0.89)	€ (0.15)	€ (0.38)
Shares used in computing net loss per share, basic and diluted	9,505	12,154	12,161	12,102

(1) Research and development expense for the year ended December 31, 2000 and for the six months ended June 30, 2002 includes non-cash stock-based compensation expenses of €19,173 and €18, respectively.

(2) General and administrative expense for the year ended December 31, 2000 includes non-cash stock-based compensation expense of €2,407.

Amounts in accordance with U.S. GAAP

	December 31,		
	2000	2001	June 30, 2002
	(in thousands)		
Balance Sheet Data:			

	December 31,		
Cash and cash equivalents and unrestricted marketable securities	€ 130,931	€ 114,377	€ 106,214
Total assets	146,323	139,470	133,434
Long-term loan, less current portion	429	407	1,132
Accumulated deficit	(25,422)	(36,279)	(40,902)
Total stockholders' equity	136,204	127,919	119,192

The following selected financial data for the years ended December 31, 1997, 1998, 1999, 2000 and 2001 and the consolidated balance sheet data as of December 31, 1997, 1998, 1999, 2000 and 2001 have been derived from the consolidated financial statements of Biosearch not included in this prospectus, have been prepared in accordance with Italian GAAP and are presented in euros. Balances and amounts prior to January 1, 1999 have been restated from the prior reporting currency of Italian lire to the euro using the fixed exchange rate established as of January 1, 1999 of 1936.27 Italian lire per euro. The selected financial data for periods prior to January 1, 1999 reported in euros depict the same trends as would have been presented if Biosearch had continued to present selected financial data in Italian lire. Financial data for periods prior to January 1, 1999 will not be comparable to the financial statements of other companies that report in euros and that restated amounts from a different currency than the Italian lira.

Amounts in accordance with Italian GAAP

	Year Ended December 31,				
	1997	1998	1999	2000	2001
	(in thousands)				
Statement of Operations Data:					
Revenues	€ 5,080	€ 7,496	€ 11,318	€ 11,248	€ 10,092
Operating loss	(1,921)	(1,257)	(319)	(4,891)	(15,771)
Net loss				(180)	(12,214)

Amounts in accordance with Italian GAAP

	December 31,				
	1997	1998	1999	2000	2001
	(in thousands)				
Balance Sheet Data:					
Total assets	€ 18,001	€ 24,156	€ 27,293	€ 158,457	€ 148,678
Long-term loan, less current portion	11,992	15,455	13,044	1,001	471
Net assets	4,958	6,617	11,877	152,296	140,017

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF BIOSEARCH

The following discussion of Biosearch's financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this document. This discussion may contain forward-looking statements that involve risks and uncertainties. The words "believe," "expect," "anticipate," "estimate," "may," "might," "will," or "could" and similar expressions or the negatives of these words or phrases are intended to identify forward-looking statements. As a result of many factors, such as those set forth under "Risk Factors" and elsewhere in this document, Biosearch's actual results might differ materially from those anticipated in these forward-looking statements.

Overview

Biosearch is a biopharmaceutical company focused on the discovery, development and production of new antibiotics for the prevention and treatment of infectious diseases caused by multi-resistant micro-organisms (bacteria and fungi). Biosearch's discovery strategy is based on five

integrated technological platforms including the high-throughput screening of its large and diversified library of microbial extracts, which can lead to the isolation of a drug candidate. Biosearch presently has three products under clinical development: dalbavancin, ramoplanin and BI-K-0376, in Phase II, Phase III and Phase I of clinical development, respectively. All these product candidates were discovered at Biosearch's laboratories.

Biosearch was established on the last day of 1996 following a management buy-out of the Lepetit Research Center from Hoechst-Marion-Roussel. In 2000, Biosearch established a wholly-owned subsidiary, Biosearch Manufacturing S.r.l, to eventually produce active ingredients. The construction of a manufacturing plant to produce such active ingredients is currently in progress in southern Italy.

Biosearch has licensed the North American rights to dalbavancin to Versicor and has licensed the North American rights to ramoplanin to Genome Therapeutics, while retaining rights for the rest of the world (including Europe), where Biosearch currently intends to develop its own marketing and sales organization. Biosearch's North American collaborators are conducting clinical trials of dalbavancin and ramoplanin, while Biosearch is conducting BI-K-0376 studies. As of August 19, 2002:

dalbavancin is in Phase II clinical trials;

ramoplanin is in Phase III clinical trials;

BI-K-0376 is in Phase I clinical trials; and

Biosearch has additional lead compounds in pre-clinical studies.

In addition to its core business, Biosearch conducts research for pharmaceutical companies on a fee-for-service basis, offering a flexible and customized program that Biosearch calls "VITACHEM." Biosearch has also entered into collaborations with other biotechnology companies to enhance its discovery capabilities both in the field of anti-infectives and other therapeutic areas. Biosearch also engages in a series of collaborative projects with academic and governmental institutions and provides analytical services to third parties.

On July 30, 2002, Biosearch entered into an agreement and plan of merger with Versicor, a public company listed on the Nasdaq National Market, which contemplates that Biosearch will merge with and into Versicor in a stock-for-stock exchange. The merger agreement, which has been approved by the boards of directors of both companies, provides that Biosearch shareholders will receive 1.77 shares of newly issued Versicor common stock in exchange for each Biosearch ordinary share. Completion of the proposed merger is subject to the satisfaction or waiver of the conditions set forth in the merger agreement, including, without limitation, the favorable vote of the holders of a majority of the outstanding shares of common stock of Versicor, and the favorable vote of the holders of at least two-thirds of the Biosearch ordinary shares present at the Biosearch shareholders' meeting, assuming

that a quorum is present. The quorum required for the Biosearch shareholders' meeting will consist of more than one-half of the outstanding Biosearch ordinary shares as of the relevant record date during the first call, more than one-third of the outstanding Biosearch ordinary shares as of the relevant record date during the second call, and more than one-fifth of the outstanding Biosearch ordinary shares as of the relevant record date during the third call. Completion of the merger is also subject to regulatory approvals in Italy. We expect that this transaction will close in the first quarter of 2003.

Biosearch expenses have consisted primarily of costs incurred for discovery of new lead compounds and development and production of its product candidates and in connection with collaboration agreements, and from general and administrative costs associated with operations. Moreover, in the year 2001 and in the first half of 2002, Biosearch has incurred costs related to the construction of its new manufacturing facility. In addition, Biosearch expects to incur sales and marketing expenses in the future as its sales and marketing organization is established.

To date, Biosearch's research and development costs have consisted of, and for the near future are expected to consist of:

salaries and other related costs of Biosearch's staff who are engaged directly in research and development activities;

manufacturing costs associated with clinical research and development;

the cost of consumables that Biosearch uses in its research laboratories;

an appropriate allocation from Biosearch's general and administrative expenses that are indirectly related to research and development;

the cost of services provided by third-party research [and manufacturing] organizations that Biosearch employs to conduct pre-clinical and clinical development work on its behalf; and

amounts Biosearch pays to third parties, including other biotechnology companies and various academic and governmental institutions, under the terms of the collaboration and joint venture programs to which it is a party.

The historical expenditures for Biosearch's most advanced research and development projects are summarized below:

ramoplanin research and development in connection with ramoplanin is in clinical development (Phase III) and is being carried out pursuant to a collaboration agreement between Biosearch and Genome Therapeutics Corp. The research and development cost incurred by Biosearch for the ramoplanin project was €1.8 million in 2000, €6.5 million in 2001 and €300,000 during the six months ended June 30, 2002. Total cost incurred to date by Biosearch for the ramoplanin project is €10.4 million. Biosearch estimates that it will incur additional costs of approximately €3.0 million in the research and development of ramoplanin, and expects that the NDA for ramoplanin will be filed in 2004. Biosearch faces many risks that could prevent or delay the completion of its ramoplanin project, including those listed under the caption "Risk Factors Risks Related to Operating in our Industry." A failure to obtain marketing

approval for ramoplanin would likely have the following results on Biosearch's operations, financial position and liquidity:

because Biosearch's research and development projects are independent and ramoplanin development is being carried out externally, by Genome Therapeutics, a failure to obtain marketing approval for ramoplanin would not necessarily interrupt Biosearch's other development programs; and

Biosearch would not earn any further milestone payments or any royalty revenue from ramoplanin, which would increase the likelihood that it would need to obtain additional financing for its other development efforts.

dalbavancin research and development in connection with dalbavancin is in clinical development (Phase II) and is being carried out pursuant to a collaboration agreement between Biosearch and Versicor. The cost incurred by Biosearch for the dalbavancin project was €1.2 million in 2000, €800,000 in 2001 and €1.5 million during the six months ended June 30, 2002. Total cost incurred to date by Biosearch for the dalbavancin project is €3.8 million. Biosearch estimates that it will incur additional costs of approximately €15.0 million in the research and development of dalbavancin, and expects that the NDA for dalbavancin will be filed in 2004. Biosearch faces many risks that could prevent or delay the completion of its dalbavancin project, including those listed under the caption "Risk Factors Risks Related to Operating in our Industry." A failure to obtain marketing approval for dalbavancin would likely have the following results on Biosearch's operations, financial position and liquidity:

because Biosearch's research and development projects are independent and dalbavancin development is being carried out externally, by Versicor, a failure to obtain marketing approval for dalbavancin would not necessarily interrupt Biosearch's other development programs; and

Biosearch would not earn any further milestone payments or any royalty revenue from dalbavancin, which would increase the likelihood that it would need to obtain additional financing for its other development efforts.

BI-K-0376 research and development in connection with BI-K-0376 is in clinical development (Phase I) and is being carried out internally by Biosearch. The cost incurred by Biosearch for the BI-K-0376 project was €500,000 in 2000, €500,000 in 2001 and €300,000 during the six months ended June 30, 2002. Total cost incurred to date by Biosearch for the BI-K0376 project is €2.0 million. Biosearch estimates that it will incur additional costs of approximately €2.0 million in the research and development of BI-K0376, and expects that the NDA for BI-K-0376 will be filed in 2006. Biosearch faces many risks

that could prevent or delay the completion of its BI-K-0376 project, including those listed under the caption "Risk Factors Risks Related to Operating in our Industry." A failure to obtain marketing approval for BI-K-0376 would likely have the following results on Biosearch's operations, financial position and liquidity:

because Biosearch's research and development projects are independent, a failure to obtain marketing approval for BI-K-0376 would not necessarily interrupt Biosearch's other development programs;

because BI-K-0376 development is being carried out internally, Biosearch might need to reduce its development staff if clinical trials are halted; and

Biosearch would not earn any sales revenue from BI-K-0376, which would increase the likelihood that it would need to obtain additional financing for its other development efforts.

VITACHEM program research and development in connection with the VITACHEM program is being carried out pursuant to collaboration agreements with Schering-Plough Inc., Bayer A.G. and Menarini S.p.A., and partnerships with Myriad Genetic Corp. and Newron Pharmaceutical S.p.A. The cost incurred by Biosearch for the VITACHEM program was €670,000 in 2000 and €240,000 in 2001. No research and development expenses in connection with the VITACHEM program have been incurred by Biosearch in 2002. Total cost incurred to date by Biosearch for the VITACHEM program is €1.5 million. Biosearch faces many risks that could prevent or delay the completion of its various VITACHEM projects, including those listed under the caption "Risk Factors Risks Related to Operating in our Industry." A failure to complete one or more

VITACHEM projects would likely have the following results on Biosearch's operations, financial position and liquidity:

because each VITACHEM project is independent, a failure to complete one project would not necessarily interrupt the other projects or Biosearch's other development programs, however, it might damage the reputation of Biosearch's VITACHEM program, making it more difficult for Biosearch to obtain future VITACHEM projects; and

if the failed engagement were being conducted on a fee-for-service basis, Biosearch would not earn any further fees from the engagement and if it were being conducted on a fifty-fifty cost and reward sharing basis, Biosearch would not share in any sales revenue ultimately produced by the engagement, both results would increase the likelihood that Biosearch would need to obtain additional financing for its other development efforts.

Biosearch's aggregate cost relating to other research and development projects, exclusive of stock-based compensation expense, was €4.8 million in 2000, €8.7 million in 2001 and €4.2 million during the six months ended June 30, 2002.

To date, Biosearch's revenues have consisted of, and for the near future are expected to consist of:

license fees for product candidates in various stages of development;

government and EU grants for research and development in accordance with certain provisions of Italian and EU law; and

revenues from pharmaceutical companies under specific collaboration agreements.

Some of these payments are dependent on achievement of certain milestones. Research funding and milestone payments are, for the most part, inherently unpredictable. In the future, if Biosearch's development efforts result in clinical success, regulatory approval and successful commercialization of any products, Biosearch expects that it would also generate revenues from sales of those future products and from receipt of royalties on sales of licensed products. Biosearch estimates that net cash inflows will commence in 2005 from the sale of ramoplanin and dalbavancin, and in 2007 from the receipt of royalties in connection with BI-K-0376. At this time, an estimate of the onset of net cash inflows in connection with the VITACHEM program is not possible, as any such generation of revenue is dependent on the success of discovery activities carried out by the Biosearch's VITACHEM program partners.

In February 2002, Biosearch granted options to purchase 250,000 ordinary shares to employees, non-employee directors and contractors of Biosearch. Of these, options to purchase 235,000 ordinary shares were granted to employees and non-employee directors and are being accounted for as variable awards. U.S. GAAP requires that compensation expense for these awards be measured on the first date on which both the number of shares the holder is entitled to receive and the option price are known, which date is referred to as the final measurement date. The final measurement date for these option grants will be the date of exercise of the options. Until the final measurement date, compensation cost will be subject to variability based on the difference between the options' exercise price and the fair value of Biosearch's ordinary shares. As a result, the compensation expense Biosearch will be required to report with respect to these options will be adjusted in the future to take into account variations in the fair value of its ordinary shares. For the six months ended June 30, 2002, Biosearch has not recorded compensation expense relating to these options because the exercise price of the options is greater than the fair value of Biosearch's ordinary shares.

On July 31, 2000, Biosearch was listed on the Nuovo Mercato. Biosearch received proceeds from its initial public offering of €132.5 million before deducting related issuance costs. The offering consisted of 3,780,000 ordinary shares of Biosearch, of which 2,835,000 primary shares were offered by the company and 945,000 secondary shares were offered by selling shareholders. The offering consisted of a maximum 2,693,250 shares to institutions, a minimum 945,000 shares to the public and 141,750

shares for consultants and employees of Biosearch. An over-allotment option for an additional 567,000 shares (of which 50% were primary shares and 50% were secondary shares) was exercised on August 21, 2000. The initial public offering price of each share was €42.5.

Results of Operations

Six months ended June 30, 2002 as compared to the six months ended June 30, 2001

Revenues

Revenues were €1.9 million and €5.8 million for the six months ended June 30, 2002 and 2001, respectively, consisting of revenues from license fees and milestones, research and development consulting, and contract services.

License fees and milestones. Revenues from license fees and milestones were €206,000 and €3.0 million for the six months ended June 30, 2002 and 2001, respectively. For the six months ended June 30, 2002, these revenues were the result of a systematic recognition of previously deferred up-front fees under development arrangements for dalbavancin with Versicor and ramoplanin with Genome Therapeutics. For the six month period ended June 30, 2001, these revenues were the result of €1.8 million primarily related to the achievement of milestones in connection with clinical development of dalbavancin by Versicor and the recognition of €1.2 million of previously deferred revenue in connection with the termination of Biosearch's relationship with IntraBiotics Pharmaceutical, Inc. regarding the clinical development of ramoplanin.

Research and development consulting and contract services and government grants. Revenues from research and development consulting and contract services were €605,000 and €155,000 for the six months ended June 30, 2002 and 2001, respectively. The €450,000 increase in revenue from research and development consulting and contract services in 2002 was due to a new consulting agreement and increased consulting services related to new activities provided to other third parties.

Government grant revenue was €1.1 million and €2.7 million for the six months ended June 30, 2002 and 2001, respectively. These amounts have been granted to us from the *Ministero Istruzione Università Ricerca*, or MIUR, which was formerly known as *Ministero Università Ricerca Scientifica Tecnologica*, or MURST. The decrease of €1.6 million in government grant revenue for the six months ended June 30, 2002 as compared to the six months ended June 30, 2001 is due to the completion of Biosearch's largest government-financed project during 2001, which involved the discovery of new anti-infective molecules from natural sources.

Research and development expenses

Research and development expenses were €6.3 million and €7.0 million for the six months ended June 30, 2002 and 2001, respectively. Research and development expenses include non-cash stock-based compensation for options, depreciation, rent expenses, salaries and related costs of research and development personnel, as well as the costs of supplies and materials, and clinical trials associated with research and development projects. The decrease of €700,000 in research and development expenses, excluding non-cash compensation, relates to expenses incurred directly by Biosearch related to the clinical development of ramoplanin as a result of termination of its development agreement with IntraBiotics during the six months ended June 30, 2001. During the six months ended June 30, 2002, the clinical development of ramoplanin was continued by Genome Therapeutics at its own expense.

General and administrative expenses

General and administrative expenses were €2.1 million and €1.6 million for the six months ended June 30, 2002 and 2001, respectively. General and administrative expenses consists of depreciation, rent expense, salaries and related costs for executive and other administrative personnel, as well as the costs of insurance, legal fees and administrative service fees. The increase in general and administrative

expenses for the six months ended June 30, 2002 as compared to the six months ended June 30, 2001 is the result of legal and professional expenses incurred in connection with Biosearch's proposed merger with Versicor. These fees were recognized as an expense when previous merger discussions ceased in February 2002.

Loss (gain) on trading securities

Loss (gain) on trading securities was €(782,000) and €(968,000) for the six months ended June 30, 2002 and 2001, respectively. Trading securities were purchased with the proceeds from Biosearch's initial public offering on Italy's Nuovo Mercato in July 2000. Reduced gains in Biosearch's trading securities portfolio during the six months ended June 30, 2002 as compared to the six months ended June 30, 2001 was primarily due to a shift in the portfolio from investments in equity securities to more conservative debt securities.

Amortization of negative goodwill

Amortization of negative goodwill was €634,000 for the six months ended June 30, 2001. Negative goodwill was fully amortized in the year ended December 31, 2001.

Investment income (expense)

Investment income (expense) was €1.1 million and €(623,000) for the six months ended June 30, 2002 and 2001, respectively. Investment income (expense) consists of investment income on cash and cash equivalents, realized gain (losses) on available-for-sale securities and amortization of premium/discounts on held-to-maturity securities. The increase in investment income in the six months ended June 30, 2002 as compared to the six months ended June 30, 2001 was primarily due to the recognition of gains from the sale of Versicor common stock of €958,000 during the six months ended June 30, 2002, as well as the recognition of a loss of €784,000 in the six months ended June 30, 2001 resulting from an "other-than-temporary" decline in the fair value of the IntraBiotics common stock held by Biosearch.

Income taxes

As of December 31, 2001, Biosearch had recorded a full valuation allowance for its existing net deferred tax assets due to uncertainties regarding the realization of such assets. As of December 31, 2001 and 2000, Biosearch had net operating loss carry-forwards of €12.9 million and €142,000, respectively.

Year ended December 31, 2001 as compared to the year ended December 31, 2000

Revenues

Revenues were €7.2 million and €8.8 million in 2001 and 2000, respectively consisting of revenues from license fees and milestones, research and development consulting and contract services.

License fees and milestones. Revenues from license fees and milestones were €3.5 million and €3.1 million in 2001 and 2000, respectively. In 2001, these revenues consisted of revenues from Genome Therapeutics for the licensing rights to ramoplanin in North America and recognition of €1.2 million of previously deferred revenue in connection with the termination of Biosearch's relationship with IntraBiotics Pharmaceutical, Inc. regarding clinical development of ramoplanin. The revenues also included €1.8 million from Versicor related to the achievement of milestones in connection with the clinical development of dalbavancin. In 2000, these revenues were the result of a milestone payment of €2.9 million from IntraBiotics relating to the beginning of Phase III clinical development of ramoplanin and the recognition of previously deferred up-front fees under development arrangements for dalbavancin with Versicor.

Research and development consulting and contract services and government grants. Revenues from research and development consulting and contract services were €365,000 and €188,000 in 2001 and 2000, respectively. The increase in revenues from research and development activities of €177,000 in 2001 as compared to 2000 is the result of a new consulting project for a third party that Biosearch started in 2001.

Government grant revenue was €3.4 million and €5.6 million in 2001 and 2000, respectively. These amounts have been granted to Biosearch from MIUR. The decrease of €2.2 million in 2001 as compared to 2000 is the result of the completion of Biosearch's largest government-financed project in the second half of 2001, which involved the discovery of new anti-infective molecules from natural sources.

Research and development expenses

Total research and development expenses were €16.8 million and €28.2 million in 2001 and 2000, respectively, including €19.2 million in 2000 of non-cash compensation expense relating to the issuance of stock options to employees. This non-cash compensation expense was the result of the exercise price of the fully-vested options granted being less than the deemed fair value of Biosearch's common stock at the date of grant. Research and development expenses, excluding non-cash compensation, were €16.8 million and €9.0 million in 2001 and 2000, respectively, and consisted of depreciation, rent expense, salaries and related costs of research and development personnel, as well as the costs of supplies and materials, and clinical trials associated with research and development projects. The increase in research and development expenses excluding non-cash compensation expense in 2001 as compared to 2000 is a result of increased costs incurred related to the clinical development of ramoplanin in 2001 due to the reacquisition of the North American development rights of ramoplanin, increased personnel costs in 2001 and costs related to Biosearch Manufacturing which began operations in the second half of 2001.

General and administrative expenses

General and administrative expenses were €4.3 million and €4.8 million in 2001 and 2000, respectively, including €2.4 million in 2000 of non-cash compensation expense relating to issuance of stock options to employees. Non-cash compensation expense in 2000 was the result of the exercise price of the options granted being less than the deemed fair value of Biosearch's common stock at the date of grant. General and administrative expenses excluding non-cash compensation expense were €4.3 million and €2.4 million in 2001 and 2000, respectively, and consisted of depreciation, rent expense, salaries and related costs for executive and other administrative personnel, as well as the costs of insurance, legal fees and administrative service fees. The increase of general and administrative expenses excluding non-cash compensation expense from 2000 to 2001 is the result of an increase in legal and professional services incurred by Biosearch in connection with the proposed merger between Versicor and Biosearch as well as increased personnel expenses.

Loss (gain) on trading securities

Loss (gain) on trading securities was (€1.8) million and €3.0 million in 2001 and 2000, respectively. Trading securities were purchased with the proceeds from Biosearch's initial public offering on Italy's Nuovo Mercato in July 2000. In 2001, Biosearch revised its investment strategies, and as a result, reinvested in less volatile securities. The gain in Biosearch's trading securities in 2001 resulted from increased market values of securities in its trading portfolio. The loss in 2000 is a result of declining market values in equity securities.

Amortization of negative goodwill

Amortization of negative goodwill was €1.3 million in both 2001 and 2000. Negative goodwill was fully amortized in the year ended December 31, 2001.

Investment income (expense)

Investment income (expense) was €(163,000) and €319,000 in 2001 and 2000, respectively. Investment income consists of investment income on cash and cash equivalents, realized gain (losses) on available-for-sale securities and amortization of premium/discounts on held-to-maturity securities. In 2001, Biosearch recognized investment income which was offset by the recognition of a loss of €784,000 in 2001 resulting from an "other-than-temporary" decline in the fair value of the IntraBiotics common stock held by Biosearch.

Liquidity and Capital Resources

Prior to its initial public offering in June 2000, Biosearch funded its activities primarily from equity and debt provided by venture capital, grants for research projects from MURST and license fees received from licensing its product candidates. During this time period, Biosearch obtained €14.5 million from 3i Group (through capital investments in 1998, 1999 and 2000).

On July 31, 2000, Biosearch was listed on the Nuovo Mercato. Biosearch received total proceeds from its initial public offering of €132.5 million, before related issuance costs.

Biosearch accounts for some of its investments in marketable securities as trading securities under SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires that purchases, sales and unrealized holding gains (losses) related to securities classified as trading securities be included as a component of operating cash flows. This has a significant impact on Biosearch's operating cash flows, as discussed below.

Six Months ended June 30, 2002 Compared to Six Months ended June 30, 2001

Cash provided by operating activities of €17.6 million during the six months ended June 30, 2002 resulted primarily from a reduction of trading securities of €17.1 million and a reduction of accounts receivable of €4.8 million. The reduction of trading securities is comprised of both changes in the value of securities held, as well as sales of securities for cash proceeds to fund Biosearch's ongoing losses. The reduction of accounts receivable was due primarily to the periodic reimbursement by MIUR of qualifying research and development costs incurred by Biosearch. These amounts were partially offset by a net loss of €4.6 million, a gain on the sale of available-for-sale securities of €958,000 and a reduction of accounts payable of €951,000. Cash provided by operating activities of €3.9 million during the six months ended June 30, 2001 resulted primarily from a reduction of trading securities of €9.6 million and a decrease in accrued reimbursements receivable of €1.9 million. These amounts were partially offset by a net loss of €1.8 million, an increase in accounts receivable of €3.9 million, and a decrease in deferred revenue of €1.3 million. The reduction of trading securities is comprised of both changes in the value of securities held, as well as sales of securities for cash proceeds. The decrease in accrued reimbursements receivable and the increase in accounts receivable are primarily the result of receivables recorded for reimbursement by MIUR of qualifying costs incurred. The decrease in deferred revenue relates to the recognition of previously deferred revenue in connection with the termination of Biosearch's relationship with IntraBiotics Pharmaceutical, Inc. regarding clinical development of ramoplanin.

Investing activities used €1.8 million of cash during the six months ended June 30, 2002 as a result of additions to property, plant and equipment of €3.0 million primarily relating to construction in progress of the manufacturing plant in Pisticci, which were partially offset by proceeds from sales of available-for-sale securities of €1.2 million. Investing activities used €1.5 million of cash during the six

months ended June 30, 2001 as a result of additions to property, plant and equipment of €1.5 million primarily relating to the purchase of land for and construction in progress of the manufacturing plant in Pisticci.

Financing activities provided €41,000 of cash for the six months ended June 30, 2002 due to the net effect of the payment of capital lease obligations of €144,000 and the repurchase of common stock as required by the Italian Stock Exchange for €647,000, which were offset by proceeds from the issuance of long-term debt of €832,000 to MIUR relating to research and development activities. Financing activities used cash of €102,000 during the six months ended June 30, 2001 relating to the payment of capital lease obligations.

Years ended December 31, 2001 and 2000

Cash provided by operating activities of €4.7 million during the year ended December 31, 2001 resulted primarily from a reduction in trading securities of €18.0 million, a decrease in accrued reimbursements receivable of €3.3 million, and an increase in accounts payable of €2.3 million. These amounts were partially offset by a net loss of €10.9 million, amortization of negative goodwill of €1.3 million, an increase of accounts receivable of €6.4 million, and an increase in long-term receivables of €1.7 million. The reduction of trading securities is comprised both of changes in the value of securities held and sales of securities for cash proceeds. The decrease in accrued reimbursements receivable and the increase in accounts receivable and long-term receivables are primarily the result of receivables recorded for reimbursement by MIUR of qualifying costs incurred. Cash used in operating activities of €121.5 million during the year ended December 31, 2000 resulted primarily from an increase in trading securities of €112.5 million from the investment of proceeds from the initial public offering, an increase in accrued reimbursements receivable of €2.3 million and an increase in long-term receivables of €2.8 million. These amounts were partially offset by stock-based compensation expense of €21.6 million relating to grants of stock options to employees and directors prior to the initial public offering and an increase in accounts payable of €1.5 million. The reduction of trading securities during the periods is comprised of both changes in the value of securities held, as well as sales of securities for cash proceeds.

Investing activities used €4.8 million of cash during the year ended December 31, 2001 primarily as a result of additions to property, plant and equipment of €4.8 million, of which €2.5 million relates to the purchase of land for and construction in progress of the manufacturing plant in Pisticci and the remainder primarily relating to purchases of research and development and laboratory equipment. Investing activities used €1.5 million of cash during the year ended December 31, 2000 primarily as a result of additions to property, plant and equipment of €1.0 million primarily relating to purchases of research and development equipment, and purchases of restricted held-to-maturity securities of €455,000 to guarantee advances received from MIUR relating to qualifying research and development activities.

Financing activities used cash of €915,000 during the year ended December 31, 2001 as a result of the payment of capital lease obligations of €280,000 and repurchases of common stock of €975,000, which were offset by proceeds from the sale of treasury stock of €340,000. The repurchase of common stock and sale of treasury stock were required by the Italian Stock Exchange. Financing activities provided cash of €128.8 million during the year ended December 31, 2000 primarily as a result of net proceeds from the sale of common stock at the initial public offering of €123.1 million, proceeds from the issuance of long-term debt of €429,000 to MIUR relating to research and development activities, proceeds from the exercise of employee stock options of €520,000, and proceeds from sale of common stock in conjunction with conversion of a convertible bond of €6.5 million. These amounts were offset by payments of capital lease obligations of €201,000 and repayment of long-term debt of €1.4 million.

Biosearch expects to have negative cash flow from operations for the foreseeable future. Biosearch expects to incur increasing research and development and general and administrative expenses, including expenses related to additions to personnel and production and commercialization efforts. Biosearch's future capital requirements will depend on a number of factors, including continued research and development of its product candidates, the timing and outcome of regulatory approvals, payments received or made under collaborative agreements, the need to acquire licenses to new products or compounds, Biosearch's success in developing markets for its products, the status of competitive products and the availability of other financing. Biosearch believes its existing cash and cash equivalents and marketable securities will be sufficient to fund its operating expenses, debt repayments and capital equipment requirements for approximately three years.

Except for capital and operating leases and loans from government entities with stated interest rates of 2%, Biosearch has no credit facility or other committed sources of capital. To the extent Biosearch's capital resources are insufficient to meet future capital requirements, it might need to raise additional capital or incur indebtedness to fund its operations. Biosearch cannot guarantee that additional debt or equity financing will be available on acceptable terms, if at all. If adequate funds are not available, it might be required to delay, reduce the scope of or eliminate research and development programs, reduce its commercialization efforts or obtain funds through arrangements with collaborators or others that might require it to relinquish rights to some product candidates or lead compounds that it might otherwise seek to develop or commercialize. Any future funding might dilute the ownership of its equity investors.

The following table presents Biosearch's contractual obligations, excluding interest charges, as of December 31, 2001:

	Payments due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**

	Payments due by Period				
	(in thousands)				
Long-term borrowings	€ 1,261	€ 64	€ 264	€ 274	€ 659
Capital lease commitments	511	265	173	73	
Operating lease commitments	586	183	266	127	10
Total contractual cash obligations	€2,358	€512	€703	€474	€669

Recent Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS 145). This standard will require gains and losses from extinguishment of debt to be classified as extraordinary items only if they meet the criteria of unusual and infrequent in Opinion 30, "Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Any gain or loss on extinguishment must be recorded in the most appropriate line item to which it relates within net income before extraordinary items. SFAS 145 is effective for fiscal years beginning after May 15, 2002; however, certain sections are effective for transactions occurring after May 15, 2002. Biosearch does not expect the adoption of this standard to have a material effect on its financial statements.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). This standard will require Biosearch to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The standard replaces the existing guidance provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including

Certain Costs Incurred in a Restructuring)." The standard is effective for fiscal years beginning after December 31, 2002. Biosearch does not expect the adoption of this standard to have a material effect on its financial statements.

Critical Accounting Policies

The discussion and analysis of Biosearch's financial condition and results of operations are based on its consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Note 1 of the notes to Biosearch's consolidated financial statements describes Biosearch's significant accounting policies and is an essential part of its consolidated financial statements. The preparation of Biosearch's consolidated financial statements requires Biosearch to make estimates and assumptions that affect the reported amounts and disclosures.

Biosearch believes the following to be critical accounting policies. By "critical accounting policies," Biosearch means policies that are both important to the portrayal of its financial condition and financial results and require critical management judgments and estimates about matters that are inherently uncertain. Although Biosearch believes that its judgments and estimates are appropriate, actual future results might differ from Biosearch's estimates.

Biosearch's critical accounting policies are as follows:

"Other-than-temporary" declines in market value of available-for-sale securities

Biosearch periodically evaluates whether the declines in fair value of its investments are "other-than-temporary." This evaluation consists of a review of qualitative and quantitative factors by members of management. Biosearch considers various factors to determine whether declines in fair value are other-than-temporary, such as the portfolio company's financial condition, results of operations, operating trends and other financial ratios. The evaluation also considers publicly available information regarding the portfolio company, including reports from investment analysts and other publicly available company-specific news or general market conditions. Management's decision to impair the value of the securities is based on management's judgment after consideration of the above factors.

Valuation Allowance

Biosearch has recorded a valuation allowance equal to the net deferred tax asset balance based on management's determination that the recognition criteria for realization have not been met. Biosearch considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. Should Biosearch determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made.

BUSINESS OF BIOSEARCH

Overview

Biosearch is a biopharmaceutical company focused on the discovery, development and production of new antibiotics for the prevention and treatment of infectious diseases caused by multi-resistant micro-organisms (bacteria and fungi). Biosearch's discovery strategy is based on five integrated technological platforms including the high-throughput screening of its large and diversified library of microbial extracts, which can lead to the isolation of a drug candidate. Biosearch presently has three products under clinical development: dalbavancin, ramoplanin and BI-K-0376, in Phase II, Phase III and Phase I, respectively. All of these product candidates were discovered at Biosearch's laboratories.

Biosearch was established the last day of 1996 following a management buy-out of the Lepetit Research Center from Hoechst-Marion-Roussel. In 2000, Biosearch established a wholly-owned subsidiary, Biosearch Manufacturing S.r.l, to eventually produce active ingredients. The construction of a manufacturing plant to produce such active ingredients is currently in progress in southern Italy.

Research and Development of New Pharmaceutical Products

Biosearch's research activities may be subdivided into two distinct but interrelated phases: (i) the discovery phase; and (ii) the development phase.

The discovery phase is aimed at the discovery and profiling of new microbial substances possessing therapeutic characteristics effective against infectious diseases. The development phase involves the pre-clinical development of a product candidate including the identification of (i) its anti-microbial characteristics, (ii) its chemical and physicochemical characteristics, (iii) its therapeutic potential against infections in animals which simulate human infections, and (iv) its toxicological characteristics. Biosearch's toxicological studies are outsourced to specialized centers.

While a product candidate is still in pre-clinical development, Biosearch also commences the development of the production processes, including the genetic improvement of the producing organism, the variation of fermentation, extraction and purification conditions and the development of analytical methods.

Biosearch is strongly focused on research and development and, thus, its operations are primarily research and development oriented.

Discovery

Biosearch's approach to the discovery of new leads is highly integrated, involving numerous researchers, each with a separate specialty, who collaborate towards the achievement of a final common goal: the identification of a lead molecule having the characteristics deemed necessary in order to proceed to the development phase. Biosearch's discovery activities may be classified into eight different technological platforms, each important in and of itself, but even more so in the context of Biosearch's integrated discovery processes:

- isolation of genetically diversified micro-organisms;
- generation, isolation and identification of microbial products deriving from the above micro-organisms;

development of mechanistically-based testing;

high-throughput screening (HTS) and hit identification;

comparative database and deconvolution;

profiling;

lead optimization; and

computerized control of research.

The following paragraphs describe each of the above-mentioned activities in detail.

Isolation of genetically diversified micro-organisms. Microbes are known producers of a large variety of molecules with a remarkable diversity of structures and activities deriving from and reflecting their genetic diversity. Drawing from the tradition of the Lepetit Group research center, Biosearch has built a large library of rare micro-organisms which have proven to be capable of producing an array of new molecular structures. Such organisms are isolated from various environments through the use of Biosearch's proprietary techniques. The microbial diversity of Biosearch's collection continues to be improved and supplemented through a combination of proprietary isolation methods and selective sources such as soil, leaf, litter, marine, lake sediments and plant material. At present, Biosearch's growing microbial collection amounts to approximately 57,000 strains.

Generation, isolation and identification of microbial products deriving from Biosearch's library of micro-organisms. These microbes are cultivated under a variety of conditions to stimulate their productive capacities. The resulting substances are processed using Biosearch's proprietary techniques for purposes of achieving the concentration and partial purification of the molecules. The molecules are then conserved in its extract library in a form suitable for purposes of undergoing a range of tests. Presently, Biosearch's library exceeds 150,000 such microbial extracts, which, in the opinion of Biosearch's management, makes it a large collection of microbial extracts.

Development of mechanistically-based testing. Biosearch has developed a range of proprietary tests aimed at discovering antimicrobial molecules active against pathogens resistant to traditional antibiotics. These tests are aimed at identifying molecules capable of inhibiting the vital functions of micro-organisms without interfering with the functions of human cells. Biosearch has developed a sequential system incorporating both microbiological tests (on growing microbes) and biochemical tests (on enzymes or cellular extracts) capable of rapidly identifying molecules having the desired characteristics ("hits") and ascertaining their level of novelty.

High-Throughput Screening and Hit Identification. Biosearch utilizes an advanced screening process designed to evaluate large numbers of microbial extracts in several tests simultaneously and rapidly. This process is carried out through multiple robotic stations and a variety of detection methods, and generates numerous data points which are automatically sent to a computer. The entire process is regulated by an original software program developed by Biosearch. This approach makes possible the discovery of hits active against certain targets, which would not be identifiable using a traditional screening approach.

Comparative Database and deconvolution. Previously discovered products must be rapidly eliminated from any extract that has produced a positive result against a target. This process is known as "deconvolution". The positive extract is broken down, and the physio-chemical characteristics and the bioactivity of each part are determined and captured by a computer program that systematically compares them with Biosearch's continuously growing proprietary database comprising more than 29,000 microbial products.

This database has been generated and computerized over the past 10 years and represents a substantial asset and important tool for Biosearch's research activities. The use of state-of-the art analytical instruments allows the collection of comparable data from very small amounts of substances (approximately a microgram, equal to one millionth of a gram) with significant cost and time savings.

Profiling. Once the selection and isolation of a hit have been carried out, the experimentation and more in-depth selection of the product may begin. This is effected through a multidisciplinary process

of characterization of hits which, if they possess characteristics corresponding with pre-established criteria, are classified as "leads." Simultaneously, while profiling hits, Biosearch is in a position to collect the information necessary to file a patent application aimed at protecting the results of Biosearch's research.

Biological profiling. In order to assess its effectiveness and potential therapeutic utility, a hit must undergo a series of tests aimed at determining its biological profile. In order to determine which clinical conditions the hit may treat, its activity is observed in the context of clinical tests using small animals, such as rats and mice, carrying infections which simulate infections found in human beings.

Biosearch has in-house technologies needed for purposes of (i) characterizing the antimicrobial spectrum (*i.e.*, determining the pathogenic micro-organisms in relation to which the substance is effective and to what extent it is effective); (ii) identifying the type of activity of the substance against the pathogenic microorganism (*i.e.*, in order to determine whether the substance kills the pathogen or simply inhibits its growth); (iii) identifying the mechanism of action (*i.e.*, to determine which molecular structure of the pathogen is affected by the substance and how); and (iv) establishing the propensity of the pathogenic micro-organisms to develop resistance to the substance. Biosearch has also developed specific pharmacokinetic methods to determine the efficacy of product candidates in curing experimental infections in animals and to study the behavior of the product candidate in animals.

The determination of the toxicological characteristics is outsourced to specialized external laboratories.

Chemical profiling. This involves the systematic determination of chemical and physico-chemical characteristics of the new molecules. Biosearch possesses in-house expertise and instruments (chromatography, mass-spectrometry, NMR) to complete the chemical characterization of novel microbial molecules.

Pilot Plant. In order to characterize, biologically and chemically, new molecules larger quantities of products are needed in comparison to the microgram-amounts required for screening. To satisfy this need, Biosearch uses an in-house scaled pilot plant with reactors of 2, 20, 200 and 2,000 liters, as well as ancillary equipment needed for extraction and purification (including filters, mixers, columns, fraction collectors, concentrators and dryers).

Preparation of patent applications. If, through biological and chemical profiling, the molecule appears to be novel and effective, Biosearch generally files a patent in order to better secure the ownership rights in the product candidate. In special cases, molecules that do not have all the desired characteristics but are endowed with a novel mechanism of action and are candidates for "lead optimization" are also generally patented at this stage.

Subsequently, if a molecule becomes a product candidate undergoing clinical development, its production and purification process may also be patentable. This may allow Biosearch to extend the proprietary lifetime of its product candidates and to secure a solid and extensive protection over the relevant ownership rights. See "Business of Biosearch Intellectual Property."

Lead Optimization. A lead may have all the characteristics that are needed to become potentially a marketable drug, including (i) activity on the relevant pathogens, (ii) effectiveness in experimental animal models of infection, (iii) ease of formulation, (iv) appropriate pharmacokinetic behavior, and (v) lack of toxicity. In this case, a lead is ready to undergo clinical development.

A lead may lack one or more of the characteristics mentioned above, while having one or more interesting properties. In this case, the lead undergoes a process of chemical transformation aimed at generating derivatives of the lead having all the desired characteristics. This process is called "lead optimization".

Microbial product optimization techniques involve biotransformation, medicinal chemistry or combinatorial chemistry. Biotransformation refers to the chemical modification of the microorganism through the action of certain microbes or enzymes. Medicinal chemistry is the study of the relationship between the chemical structure of the molecule and its biological properties, and the manner in which alterations in its structure impact on such relationships. Making use of knowledge generated by medicinal chemistry, combinatorial chemistry simultaneously modifies the molecule in various manners, thus generating a large number of derivatives.

Biosearch has experience and expertise in biotransformation and in medicinal chemistry of complex molecules. As a result of Biosearch's research activities, its management anticipates the discovery of more leads than may be optimized in-house and therefore expects to complete certain optimization programs through outsourcing and collaborations.

Currently Biosearch is applying both directly and indirectly biotransformation techniques and medicinal chemistry to optimize certain leads. Biosearch has entered into a lead optimization joint venture with Versicor called BIOCOR. Biosearch contributes leads, while Versicor contributes its combinatorial and medicinal chemistry expertise to optimize the leads.

Computerized control of research. Most of Biosearch's activities have been designed as robot-based and computer-controlled. These include the organization of the microbial libraries, processing of the extracts, the HTS system and automatic data capturing to record data generated by robots. Bar-coded systems ensure accurate data tracking. A special software system developed in-house allows Biosearch to collect research data directly from the robotic stations and to analyze, to perform statistical calculations and to generate reports on the research data with significant savings in time and resources. Biosearch's proprietary software is protected against external intrusions by a "firewall" system provided by an external company. Access to the software by Biosearch's personnel is regulated by a double password system. A back-up of data is created on a daily basis by an external company. A total back-up is created on a daily basis and the magnetic tapes are deposited in a fireproof safe located at Biosearch's facilities. Every six months the magnetic tapes are placed in a safe deposit box with a bank.

Development

The development of a lead involves three distinct phases: (i) pre-clinical development; (ii) clinical development; and (iii) development of the productive process.

Biosearch has the experience and capacity to undertake in-house most of its requirements for pre-clinical tests in mice and rats. Toxicity studies and tests on larger animals are organized by Biosearch but outsourced to specialized laboratories.

Pre-clinical development. Pre-clinical development involves the further determination of the therapeutic potential of a lead using more sophisticated animal models of infection, studies of the antimicrobial activity on vast numbers of pathogens isolated from various sources and pharmacokinetic and metabolic studies. At this phase the level of tolerability of the lead is also determined by *in vitro* and *in vivo* tests. Biosearch has the capability to perform studies on the therapeutic potential of leads, while tolerability studies are outsourced to specialized centers.

Clinical development. While Biosearch has managed Phase I clinical trials on ramoplanin and is currently managing Phase I clinical trials for BI-K-0376, Biosearch prefers to have third parties organize and manage the clinical development of its products via collaborations with third parties. Accordingly, the clinical development of dalbavancin and ramoplanin is being conducted in collaboration with the respective U.S.-based licensees (Versicor for dalbavancin and Genome Therapeutics for ramoplanin). The licensees are responsible for organizing the clinical development program, while Biosearch conducts analytical studies related to the quality of materials and the final product, and develops methods of analyzing the product candidate in biological fluids.

On the basis of licensing agreements and collaboration agreements, Biosearch receives, in addition to up-front payments, milestone payments upon the achievement of agreed upon milestones. Biosearch also retains rights to use the results obtained by such companies during the experimentation phase, for purposes of future marketing of the products outside the United States and Canada.

Development of productive processes. As interest in a substance increases, it becomes necessary to increase the production process in order to produce, at first, the grams and, subsequently, the kilograms required for the pre-clinical and clinical development and marketing. Such increase in productivity must continue after the substance is launched on the market in order to optimize volume, time and production costs. Such process is carried out by way of three principal approaches:

- modification of the productive microorganism for purposes of increasing its productive capabilities (strain improvement);
- improvement in culture conditions such that they may reach their maximum productive potential (fermentation improvement); and

optimization of the extraction and purification processes to increase final production yields (recovery optimization).

Simultaneously with the performance of clinical tests, the micro-organisms which produce the leads must be manipulated for purposes of increasing their capability to produce the active molecule. At this stage it is necessary to genetically manipulate strains and to optimize the conditions in which they are cultivated.

Biosearch has developed proprietary processing specifically for the creation of mutant microbes having elevated production capabilities. Biosearch has also developed a patented technique used for the transfer of genes responsible for the production of an antibiotic from the original producer molecule to a different strain having a genetic and physiological make-up which is well known and therefore easily manipulated. This renders the production processes more efficient and capable of duplication since the same strain shall be used for the production of various leads. The genetic development of the strains, as well as the development of the fermentation, are necessary in order to make production on an industrial level possible.

Simultaneously, Biosearch optimizes the processes of extraction and purification of the active ingredient of the microbial cultures and, where necessary, the process of chemical transformation of the original molecules.

Principal Product Candidates

Biosearch is currently developing a pipeline of product candidates, including several in various phases of development. Outlined below are the product candidates which have entered the clinical development phase, followed by those in the optimization and pre-clinical phases.

Product candidates in clinical development

Biosearch's product candidates currently in clinical development are dalbavancin, ramoplanin and BI-K-0376.

Dalbavancin

Dalbavancin is a chemical derivative of a naturally occurring glycopeptidic antibiotic. Both the glycopeptide and the semisynthetic derivative have been discovered and patented by Biosearch. Tests indicate that dalbavancin is effective against all *staphylococci* including those resistant to most current therapies. In collaboration with Versicor, its licensee for North America, Biosearch is developing dalbavancin for the treatment of infections caused by problematic gram-positive bacteria including

multidrug resistant s*taphylococci, enterococci,* and penicillin-resistant *streptococci,* in hospitalized patients. Versicor has completed Phase I trials, has completed Phase II clinical trials for skin and soft tissue infections, and is currently conducting Phase II clinical trials for bloodstream infections. Based on available data, Biosearch's management believes that dalbavancin has an excellent safety profile and promises to be effective in doses administered only once weekly.

Ramoplanin

Ramoplanin belongs to a chemical class of naturally occurring antibacterial product candidates discovered and patented by Biosearch. It has the following characteristics:

- it selectively inhibits gram-positive bacteria including methicillin-resistant *Staphylococcus aureus* (MRSA) and all types of vancomycin-resistant *enterococci* (VRE) and Clostridia including Clostridium difficile;
- it does not show propensity to select resistant mutants; and
- it does not show cross-resistance with known antibiotics.

In collaboration with Genome Therapeutics, Biosearch's licensee of ramoplanin in North America, Biosearch is developing ramoplanin, in an oral form, for the prevention of infection in hospitalized patients displaying VRE in their gastrointestinal tract. This product has successfully

completed Phase II clinical studies, establishing proof of concept in human patients, and in June 2000 entered Phase III, the final phase of clinical studies required before possible FDA approval. Biosearch is investigating the possibility of developing ramoplanin for additional indications and in different forms.

BI-K-0376

BI-K-0376 is a semisynthetic derivative of a novel class of antibiotics discovered and patented by Biosearch. It has a novel mechanism of action. It shows selective activity against the agent associated with acne, *Propionibacterium acnes,* including drug resistant strains, while it shows modest activity against normal skin flora and thus has a low probability of inducing superinfection. As a result, it could selectively eliminate the *Propionibacterium acnes* without affecting the natural bacterial flora of the skin. Phase I clinical studies are in progress.

Leads

Biosearch has discovered and developed a series of new molecules, having in management's opinion novel structures and mechanisms of action, which show potential for use in treatment against multidrug resistant bacterial and fungal infections. Several leads are still at the biological and chemical profiling stage and Biosearch believes constitute good candidates for lead optimization.

The following table describes Biosearch's principal leads and their respective status.

Chemical Class	Product	Disease Targets	Status
Lanthibiotic	Actagardin-derivative Cell wall inhibitor	Resistant Gram-positive Infections	Lead optimization
Peptide	GE-81112 Novel protein synthesis inhibitor	Antibacterial	Lead

The most advanced pre-clinical leads are BI-K0603 and the Actagardine-derivative, which are described below.

BI-K0603 is a semisynthetic derivative of ramoplanin that retains the high antimicrobial potency of the parent compound against multi-resistant Gram-positive pathogens and, unlike the parent compound, is well-tolerated when injected intravenously or subcutaneously. It effectively treats experimental septicemia in animals. Its toxicity profile in animals, upon systemic administration is being evaluated.

Actagardine-derivative is a semisynthetic derivative of what Biosearch's management believes to be a novel class of antibiotics discovered and patented by Biosearch (Actagardine). It is active against MRSA and VRE (i.e., multidrug resistant gram-positive micro-organisms), has a novel mechanism of action and does not show cross-resistance with known antibiotics. It effectively treats experimental septicemia in animals. Biosearch is currently studying the safety profile of the Actagardine-derivative.

Other Activities

VITACHEM Program

Biosearch's policy is to focus its discovery efforts on the field of anti-infective drugs. However, Biosearch's large collection of microbial chemicals is likely to also contain molecules which can be used in other fields and therefore may have pharmaceutical and non-pharmaceutical utility in many markets.

In an endeavor to better exploit its commercial potential in sectors other than that of its core business, Biosearch has developed a special program known as "VITACHEM", in the context of which self-contained but integrated research modules, which can be offered to collaborators, have been established including:

- microbial chemical libraries;

high-throughput screening;

product fractioning; and

laboratory-scale fermentation.

Each collaborator can request from VITACHEM the combination of modules best suited to the specific collaboration. There are two types of collaborations:

fee-for-service collaborations, which provide Biosearch with short-term as well as medium/long-term revenues in the form of research fees plus milestone payments and royalties calculated as a percentage of net sales;

fifty-fifty collaborations, based on cost- and reward-sharing.

To date, Biosearch has entered three fee-for-service collaborations, with Schering-Plough, Bayer AG and Menarini, and two fifty-fifty collaborations with Myriad Genetics Inc. on oncology, cardiovascular and viral targets and Newron Pharmaceutical S.p.A. on central nervous system targets.

BIOCOR

Biosearch established a collaborative agreement with Versicor in 1998, amended by an addendum executed by both companies on January 2001 based on the lead optimization partnership called BIOCOR.

Supply of analytical services

Biosearch possesses highly advanced scientific equipment not available to small and medium sized companies. Such equipment simplifies analytical activities but requires highly specialized personnel available within Biosearch but not generally available in smaller companies in Italy. Biosearch has therefore organized a program whereby Biosearch provides a series of analytical services on an *ad hoc*

basis to small- to medium-sized companies operating in Northern Italy, utilizing its own personnel and equipment. This program is organized in such a way as to avoid any interference with Biosearch's core business.

The Roberto Lepetit Consortium for Biotechnologies

In February 1998, Biosearch established in conjunction with the University of Bologna and the University of Palermo the "Roberto Lepetit Consortium for Biotechnologies," a non-profit organization aimed at the promotion of the development of biotechnologies through advanced research activities in collaboration with academic institutions with a view to utilizing new technologies and products for industrial purposes. The headquarters of the Consortium are located at Biosearch's facilities.

Relevant Market for Product Candidates

Potential market for Biosearch's product candidates

Biosearch's management believes that the principal characteristics of the relevant market for its product candidates may be summarized as follows:

the existence of an unsatisfied medical need;

a tolerance for higher prices for hospital-prescribed drugs;

a low risk of insolvency of public hospitals;

an increase in hospitalized patients; and

an increase in the number of patients treated at home with hospital-prescribed drugs.

Biosearch's research activities focus on the discovery and development of products capable of combating multidrug resistant pathogenic micro-organisms which, as such, are insensitive to treatment with traditional drugs. The resistance of pathogenic bacteria and fungi is widespread in the most industrialized countries, where the frequent use of antibiotics has led to the development of resistant strains. The principal pathogens of this type include: (i) among the gram-positive bacteria, *staphylococci (Staphylococcus aureus* and *Staphylococcus epidermidis*), *streptococci* (penicillin resistant streptococci) and, particularly in the United States, *enterococci (Enterococcus faecium and Enterococcus faecalis).* Gram-positive bacteria are responsible for over 60% of bacteremia (blood infection) contracted in hospitals in the United States (source: Clin. Inf. Dis. 1999 29:239-244) and their incidence has increased from 5.3% to 33.2% among patients in UK hospitals (source: J. Antim. Chem. 1992 29 (Supp. A) 19-24); (ii) among gram-negative bacteria, the pseudomonas and certain enterobacteria; and (iii) among fungi (yeasts and pathogenic molds), *Aspergilla* and *Candida*.

Furthermore, *Propionibacterium acnes*, a micro-organism associated with acne, has developed resistance to many of the antibiotics in current use. Biosearch is currently developing ramoplanin and dalbavancin for the prevention and cure of infections caused by Gram-positive bacteria. Both product candidates are intended for the hospital market and are aimed at combating enterococci infections (ramoplanin) and staphylococci infections (dalbavancin). Biosearch is also developing a novel antibiotic, BI-K-0376, which is active on multidrug resistant *Propionibacterium acnes* for the topical treatment of acne. Biosearch also has discovery programs underway for the development of antifungal agents.

Competition

Similar biotechnology companies actively pursuing discovery and development of products in Biosearch's target markets include Cubist Pharmaceuticals Inc., Genome Therapeutics Corp., InterMune, Inc., IntraBiotics Pharmaceuticals Inc. and Versicor, each with headquarters in the United States. Some of these companies, such as Cubist, Genome Therapeutics, InterMune and Versicor, are

active in both discovery and development, while the others are principally active in the development sector. Cubist has experience in the development of innovative testing for the discovery of new anti-infectives, and Versicor is specialized in combinatorial chemistry. None of the above companies operates in Biosearch's specific sector, namely in the generation of chemical diversity using cultures of micro-organisms. Biosearch has also established strategic alliances with Versicor and Genome Therapeutics in relation to the development of Biosearch's product candidates, dalbavancin and ramoplanin, respectively.

Biosearch expects continued and increased competition from current and future competitors, many of whom have significantly greater financial, technical, marketing and other resources than Biosearch does.

Intellectual Property

The commercial success of Biosearch also depends on its ability to obtain patent protection for its product candidates and its technology (including processes, products and use of products) in Europe, the United States and other countries, and to protect the confidentiality of the know-how of Biosearch and its collaborators. Biosearch holds 452 patents and 96 patent applications for industrial inventions regarding molecules and/or technologies related to products currently under development, or related to its new leads. Some of these inventions are protected by patents or patent applications submitted originally in most of the industrialized countries (including the European Union, the United States and Japan) by the Lepetit Group and subsequently transferred to Biosearch and by patents or patent applications submitted directly by Biosearch.

No assurance can be given that:

Biosearch will develop additional inventions which are patentable;

patent applications filed by Biosearch will result in the issue of patents; or

any patents issued or licensed to Biosearch will not be challenged and found invalid.

In general, patent applications are not published until 18 months after the date of filing. For this reason, there is no guarantee that the contents of a patent application filed by Biosearch has not been previously submitted by other parties who would thus enjoy priority rights with respect to such patent. Biosearch has, in the past, and may continue to receive office actions or other notices from U.S. or foreign patent authorities seeking to limit or otherwise qualify some of Biosearch's patent claims. Biosearch intends to defend such claims when the disputes relate to key proprietary rights that are important to Biosearch's current or future business. In addition, substantial costs could be incurred if Biosearch is required to defend its key proprietary rights against third parties.

Biosearch provides information, materials and substances to research collaborators in the context of both academic and commercial collaboration arrangements pursuant to which such collaborators are requested to conduct tests on the substances, pursuant to confidentiality agreements. Biosearch also relies upon unpatented proprietary technology, processes, know-how and data which it regards as trade secrets and which are protected in part by confidentiality agreements with its employees, one of its consultants and certain sub-contractors, including manufacturing sub-contractors. There can be no assurance that these agreements or other trade secret protection will provide meaningful protection or will not be breached, that Biosearch will have adequate remedies for any breach, or that its trade secrets will not otherwise become known or be independently developed by competitors.

Facilities

Biosearch owns offices and laboratory facilities consisting of approximately 150,000 square feet located in Gerenzano, Italy. Biosearch uses about 70% of the square footage of these buildings and has

leased a number of the offices and laboratories it does not use to Areta International or Newron Pharmaceuticals S.p.A.

Employees

As of June 30, 2002, Biosearch has 101 employees, 80 of whom are dedicated to research and development programs.

Litigation

As of the date hereof, Biosearch is not party to any legal or arbitration proceedings which in Biosearch's management's view may have, or have recently had, a material effect on Biosearch's economic and financial position.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF BIOSEARCH

The following table sets forth, as of October 23, 2002, the names and addresses for (i) each person who is known by Biosearch to own beneficially more than 5% of its outstanding ordinary shares, (ii) each director of Biosearch, (iii) each executive officer of Biosearch, and (iv) all directors and executive officers of Biosearch as a group.

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned and Nature of Beneficial Ownership(2)	Percent Beneficially Owned(3)
3i Group plc 91, Waterloo Road SE1 8XP London, UK	997,856	8.21%
Claudio Quarta	1,344,267	11.05%
Francesco Parenti	674,485	5.55%
Stefano Donadio	337,240	2.77%
Constantino Ambrosio	161,736	1.33%
Rino De Maria	63,467	*
Ubaldo Livolsi Cassina De Pechhi (Milan) Via Antares 14 Italy	1,270	*
Jean-Francois Labbe 27, allee des Bocage 78110 Le Vesinet France		
Carlo Musu		
Ermenegildo Beghé	170	*
Giorgio Mosconi	43,860	*
Romeo Ciabatti	337,240	2.77%
Enrico Selva	182,556	1.50%
Daniela Jabes	22,602	*
Luigi Colombo	304,376	2.50%
Directors and executive officers as a group	3,473,269	28.6%

* Holdings represent less than 1% of all shares outstanding.

(1) Except otherwise noted, the address of each person listed is c/o Biosearch Italia S.p.A., Via Abbondo Sangiorgio 18, Milano 20145, Italy.

(2) Except as provided with respect to certain shares held in trust with the person's spouse and as otherwise provided under state community property laws, Biosearch believes that each of the shareholders named in this table has sole voting and investment power over the ordinary shares indicated.

(3) Applicable percentages are based on 12,160,500 shares issued on September 30, 2002. All expressions of percentage assume that warrants and options exercisable within 60 days after September 30, 2002, if any, of the particular person or group in question, and no others, have been exercised.

CONDITIONS IN ITALY AND THE EUROPEAN UNION

Exchange Rates; European Economic and Monetary Union

Pursuant to the Treaty on European Union, signed at Maastricht on February 7, 1992, the third stage of European Economic and Monetary Union, or EMU, commenced on January 1, 1999. On that date, a single currency, the euro, was introduced and became legal tender in the participating member states of the EU (including Italy), and those participating member states transferred authority for conducting monetary policy to the European Central Bank. From the start of the third stage of EMU, the value of the euro as against the currencies of each of the participating member states was irrevocably fixed. The conversion rate between the euro and the lira was fixed at Lit. 1,936.27 per euro.

The following 12 member states are participating in the EMU: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. During the transition period from January 1, 1999, through December 31, 2001, the euro was available only in "paperless form," pending the production and release of euro banknotes and coins, while the participating members states' national currencies were maintained. During that transition period, the value of the national currency of a participating member state in the national currency of another country (whether a participating member state or not) was by law determinable only through the bilateral conversion method, i.e., by converting the first currency into euros and then converting this euro equivalent into the second currency. Euro banknotes and coins debuted on January 1, 2002 and, since then, the national currency of each member state, including the lira, has been withdrawn from circulation, and both financial and consumer transactions in participating member states of the EMU are denominated in euros.

The majority of Biosearch's revenues and expenses have historically been denominated in lire. Starting from March 31, 2000, when its reporting currency switched to the euro, Biosearch has also prepared and published its financial statements in the euro.

The euro floats freely against the dollar. Accordingly, after the merger we will face exchange rate risk relating to the value of the euro relative to the dollar. Furthermore, a portion of Biosearch's revenues and expenses and some liabilities are denominated in foreign currencies outside the euro zone and, therefore, fluctuations in the exchange rates of such currencies in relation to the euro may affect our combined company's results of operations. See "Risk Factors Risks Related to International Expansion."

The table below sets forth, for the dates indicated, the average, high, low and period-end median 4 p.m. Greenwich Mean Time, or GMT, spot rate as per a number of snapshots taken from Reuters for the euro expressed in U.S. dollars per euro. The average rates set forth in the table below are the average of the median 4 p.m. GMT spot rates on the last business day of each month during the relevant period. For any time or period before January 1, 1999, the median 4 p.m. GMT spot rates have been derived from the median 4 p.m. GMT spot rates for the Italian lira converted into euros at the irrevocable conversion rate between the Italian lira and the euro. These rates are provided solely for the convenience of the reader and are not necessarily the rates we used in the preparation of our

financial statements. We make no representation that Italian lire or euros could have been converted into U.S. dollars at the rates shown or at any other rate for such periods or at such dates.

The following table sets forth the median 4 p.m. GMT spot rate for the euro for each of the previous five years, the six months ended June 30, 2002 and for each of the last six months (expressed in U.S. dollars per one euro).

	U.S. dollars per Euro			
Calendar Year	**Average**	**High**	**Low**	**Period End**
1997	$ 1.14	$ 1.28	$ 1.05	$ 1.10
1998	1.12	1.22	1.06	1.17
1999	1.07	1.18	1.00	1.00
2000	0.92	1.03	0.83	0.94
2001	0.90	0.95	0.84	0.89
Six months ended				
June 30, 2002	0.93	1.01	0.86	0.99
Calendar Month 2002				
April	$ 0.90	$ 0.87		
May	0.94	0.90		

Calendar Month 2002

June	0.99	0.94
July	1.01	0.97
August	0.99	0.96
September	1.00	0.97

The median 4 p.m. GMT spot rate on September 30, 2002 was $0.99 = €1.00.

Exchange Controls

Italy does not impose exchange controls on transfers of currency abroad. Residents and non-residents of Italy may invest in Italian securities without restriction and may transfer to and from Italy cash, instruments of credit and securities, in both foreign currency and the euro, representing interest, dividends, other asset distributions and the proceeds of dispositions.

Certain reporting and record-keeping requirements, however, are imposed under Italian and EU laws regarding the free movement of capital. Such laws require transfers into or out of Italy of cash or securities in excess of 10,329 euros be reported in writing to the Italian Exchange Office by residents or non-residents who effect such transfers directly, or by credit institutions or other intermediaries that effect such transactions on their behalf. In addition, credit institutions and other intermediaries effecting such transactions on behalf of residents or non-residents of Italy are required to maintain records of such transactions for five years, which may be inspected at any time by Italian tax and judicial authorities. Non-compliance with these reporting and record-keeping requirements may result in administrative fines or, in the case of false reporting and in certain cases of incomplete reporting, criminal penalties. The Italian Exchange Office is required to maintain reports for a period of ten years and may use them, directly or through other government offices, to police money laundering, tax evasion and any other crime or violation.

Regulatory Framework

Laws and regulations governing the research, experimentation, production and marketing of new pharmaceutical products

Biosearch and its subsidiary's research activities, facilities and equipment and the production and marketing of its products are subject to several laws and regulations issued by authorities in Italy, the EU, the United States and other foreign countries where such products are sold.

Italy and the EU have adopted high standards of review for new pharmaceutical products. Such products are typically reviewed at each of the following stages:

- underlying research;
- pre-clinical studies;
- clinical trials
- registration of the product;
- production of the product; and
- marketing of the product.

Consequently, the entire approval process for new pharmaceutical and/or medicinal products is typically lengthy. At the Italian level, the authorizations necessary for manufacturing and marketing medicinal products are granted by the Italian Ministry of Health and, upon certain circumstances, may be limited or revoked. At the EU level, the regulatory authority is the European Agency for the Evaluation of Medicinal

Products, or EMEA. Based in London, EMEA is responsible for coordinating scientific resources in EU countries and evaluates and supervises the manufacturing and marketing of medicinal products for use across the EU. On the basis of EMEA's recommendation, the European Commission may authorize the marketing of new products.

Laws and regulations governing intellectual property rights

Italian laws enforce the agreements on "Trade Related Aspects of Intellectual Property Rights," reached in the context of the Uruguay Round negotiations of the General Agreement on Tariffs and Trade, known as GATT. Italian laws also address the protection of trademark use in Italy. As far as patents are concerned, at the EU level, the European Patent Convention of October 1973 applies and at the Italian level, Royal Decree no. 1127 of June 29, 1939 (as amended and integrated) applies. The EU laws are enforced by the Administrative Council of the European Patent Organization.

Laws and regulations governing reimbursement for the purchase of pharmaceutical products

Italian laws regulate the amount by which pharmaceutical companies are reimbursed for products covered by the public health system. If this reimbursement amount does not cover the entire cost of the product, then the difference must be paid by the consumer.

Italian laws and regulations governing safety and hygiene in the workplace and environmental protections

Italian laws specifically address and regulate the following matters, among others:

safety and hygiene in the workplace;

the use of genetically modified micro-organisms;

the use of ionized radiation; and

waste management.

Italian laws and regulations governing the granting of research incentives, the hiring of personnel and productive investments

In addition to the laws and regulations encouraging medical investment, research and training discussed below, certain Italian laws and regulations relate to subsidies for investments made in southern Italy and tax benefits to support technological innovation.

Governmental Support of Medical Research and Training

In order to encourage scientific and medical research and training, both Italy and the EU have instituted targeted investment programs.

Italian Investment Programs

Italian law provides that companies carrying out certain research and/or training projects may qualify for receiving government grants and/or subsidized loans. Italian grants and subsidized loans are awarded by the *Ministero Istruzione Università Ricerca*, or MIUR, and/or the *Ministero Attività Produttive*, or MAP, and disbursed by an authorized bank, as instructed by MIUR and/or MAP, as the case may be.

In order to be awarded grants or subsidies, eligible companies must submit a detailed request to MIUR and/or MAP, as the case may be, describing their business and specifying the proposed project. MIUR and/or MAP, as the case may be, will then evaluate the request and decide whether to make an award. Each awarded grant and subsidy will be paid, depending on the evidenced progress of the project (a portion of the grants may, however, be disbursed in advance by the authorized bank if instructed by MIUR and/or MAP, as the case may be). The companies receiving the grants must comply with certain conditions relating to, among other things, the geographical, technical and timeline development of the projects and the characteristics and location of the companies receiving the grants. MIUR and/or MAP, as the case may be, are entitled to discontinue or revoke the grants and subsidies.

Due to the nature of its medical research activities, many of Biosearch's projects and programs have qualified for and received grants and subsidized loans from those sources. From the Italian authorities, Biosearch has received government grants and subsidized loans relating to Biosearch's:

- oncology project (research activities);
- genomics project (training and research activities); and
- antibiotics project (training and research activities).

In addition, in May 2002, Biosearch's antimicrobial drugs project was approved by MAP, which might result in Biosearch's receipt of a related grant and a subsidized loan. Biosearch has also applied to MIUR for a grant and subsidized loan for a project for identification and implementation of new research technology.

The grant and subsidy agreements entered into between Biosearch and the authorized bank, San Paolo IMI S.p.A., provide that:

- notice of any structural and organizational changes affecting Biosearch (including the change of its directors) and/or its business (including the award of further grants or subsidies) must be provided in advance to the authorized bank;
- consent to any merger, de-merger or transformation of Biosearch must be received in advance from the authorized bank; and
- any default by Biosearch under any of the agreements can cause the termination of all the agreements concerning the payment of grants and subsidies with the additional consequence that Biosearch must repay the relevant sums with interest.

Based on the above, in order to seek to avoid the forfeiture of any sums already received by Biosearch, plus the payment of interest on those sums, Versicor and Biosearch informally contacted the authorized bank in order to start the procedure aimed at receiving its consent to the merger. Shortly after the merger occurs, we intend to contribute Biosearch's assets into an Italian subsidiary. Since this subsidiary will be an Italian company, we expect it will be eligible to receive new grants and subsidies as its programs qualify from time to time.

Regional Investment Programs

Biosearch Manufacturing, Biosearch's wholly-owned subsidiary, has been awarded a grant by Regione Basilicata, a local authority in southern Italy, for the construction of a new manufacturing plant. This grant will be paid in installments in accordance with the completion of various stages of the construction work, and can be revoked or reduced if Biosearch Manufacturing fails to comply with its obligations. In order to maintain eligibility for the whole grant awarded by Regione Basilicata, Biosearch Manufacturing must also comply with certain requirements relating to, among other things, number of its employees, its turnover levels and its independence of other companies. Following the merger, the parties anticipate that subject to compliance with the terms and conditions of the grant, a significant portion of the awarded grants will be available to Biosearch Manufacturing following completion of the merger.

European Union Investment Programs

Under EU law, Biosearch benefits from EU grant programs for its:

- Eurocellwall project;
- Megatop project; and

Actapharm project.

The agreements relevant to these grants, which are governed by Belgian law, provide that the grants may be awarded only to EU entities or entities of an "Associated State" that has entered into a convention with the EU. The United States has not entered into such a convention. As a result, the combined company will not be eligible for these grants after the merger and we expect that the EU Commission will require us to repay any subsidies already paid to Biosearch, totalling approximately €251,630.

Shortly after completing the merger, we intend to create an Italian subsidiary to hold the assets of Biosearch. In the name of the Italian subsidiary, we may, from time to time, apply to MIUR and the EU Commission for additional grants and subsidies. However, there can be no assurance that the Italian subsidiary will qualify or be approved for any grants or subsidies that may be applicable to it.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following pro forma condensed consolidated financial information is based on the historical U.S. GAAP financial statements of Versicor and Biosearch and has been prepared to illustrate the effect of the merger of Versicor and Biosearch.

The unaudited pro forma condensed consolidated balance sheet is as of June 30, 2002 and is presented as if the merger occurred as of June 30, 2002. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2001 and for the six months ended June 30, 2002 assume that the merger occurred as of January 1, 2001.

The merger will be accounted for under the purchase method of accounting. Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill is recorded to the extent that the merger consideration, including certain acquisition and closing costs, exceeds the fair value of the net assets acquired. The goodwill arising from the merger will be recorded on Versicor's balance sheet and will not be amortized; however it will be subject to future impairment tests. The value assigned to identifiable intangible assets will be amortized over their estimated useful lives of between five and ten years. Amounts allocated to in-process research and development will be expensed immediately. The final determination of the purchase price allocation will be based on the fair values of the assets, including the fair value of in-process research and development and other intangibles, and the fair value of liabilities assumed at the date of the closing of the merger. The purchase price will remain preliminary until Versicor is able to complete a third party valuation of significant intangible assets acquired, including in-process research and development, and evaluate the fair value of other assets and liabilities acquired. The final determination of the purchase price allocation is expected to be completed as soon as practicable after the date of the closing of the merger. The final amounts allocated to assets and liabilities acquired could differ significantly from the amounts presented in the accompanying unaudited pro forma condensed consolidated financial information.

The pro forma adjustments are based upon available information and assumptions that our management believes are reasonable. The unaudited condensed consolidated statements of operations are not necessarily indicative of our future results of operations or the results of operations which might have occurred had the proposed merger occurred on January 1, 2001. The pro forma adjustments are described in the following footnotes.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with our audited financial statements and related notes, and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Versicor" and in conjunction with Biosearch's audited financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Biosearch," all of which are included elsewhere in this proxy statement/prospectus.

Unaudited Pro Forma Condensed Consolidated
Statement of Operations
Year Ended December 31, 2001
(in thousands, except per share amounts)

	Pro Forma

	Historical Versicor	Historical Biosearch	Pro Forma Adjustments		
		(Note 2)			
Revenues:					
Collaborative research and development and contract services	$ 6,145	$ 3,360	$ (509)	(a)	$ 8,996
License fees and milestones	283	3,122	(1,649)	(a)	1,756
Total revenues	6,428	6,482	(2,158)		10,752
Operating expenses:					
Research and development	32,612	15,017	(2,159)	(a)	45,623
			153	(c)	
General and administrative	9,600	3,810			13,410
Gain on trading securities		(1,624)			(1,624)
Amortization of intangible assets			2,863	(b)	2,863
Amortization of negative goodwill		(1,136)			(1,136)
Total operating expenses	42,212	16,067	857		59,136
Loss from operations	(35,784)	(9,585)	(3,015)		(48,384)
Interest income (expense), net	2,997	(146)			2,851
Other	(60)				(60)
Net loss	$ (32,847)	$ (9,731)	$ (3,015)		$ (45,593)
Net loss per share, basic and diluted	$ (1.42)	$ (0.80)			$ (1.02) (e)
Shares used in computing net loss per share, basic and diluted	23,090	12,154			44,614

Unaudited Pro Forma Condensed Consolidated
Statement of Operations
Six Months Ended June 30, 2002
(in thousands, except per share amounts)

	Historical Versicor	Historical Biosearch	Pro Forma Adjustments		Pro Forma
		(Note 2)			
Revenues:					
Collaborative research and development and contract services	$ 3,044	$ 1,510	$ (994)	(a)	$ 3,560
License fees and milestones	258	185	(78)	(a)	365
Total revenues	3,302	1,695	(1,072)		3,925
Operating expenses:					

	Historical Versicor	Historical Biosearch	Pro Forma Adjustments	Pro Forma
Research and development	22,065	5,660	(1,072) (a)	26,729
			76 (c)	
General and administrative	4,537	1,911		6,448
Gain on trading securities		(703)		(703)
Amortization of intangible assets			1,431 (b)	1,431
Total operating expenses	26,602	6,868	435	33,905
Loss from operations	(23,300)	(5,173)	(1,507)	(29,980)
Interest income (expense), net	657	1,020	(861) (d)	816
Net loss	$ (22,643)	$ (4,153)	$ (2,368)	$ (29,164)
Net loss per share, basic and diluted	$ (0.92)	$ (0.34)		$ (0.63) (e)
Shares used in computing net loss per share, basic and diluted	24,642	12,102		46,166

Unaudited Pro Forma Condensed Consolidated Balance Sheet
June 30, 2002
(in thousands)

	Historical Versicor	Historical Biosearch	Pro Forma Adjustments	Pro Forma
		(Note 2)		
ASSETS				
Current assets:				
Cash and cash equivalents	$ 61,873	$ 21,306	$	$ 83,179
Marketable securities	23,277	83,594	(2,098) (i)	104,773
Accounts receivable, net		4,258	(308) (a)	3,950
Prepaid expenses and other current assets	764	2,795		3,559
Total current assets	85,914	111,953	(2,406)	195,461
Property, plant and equipment, net	5,085	8,955		14,040
Goodwill			14,731 (f)	14,731
Intangible assets			23,100 (f)	23,100
Restricted marketable securities		5,884		5,884
Other assets	103	4,991		5,094
Total assets	$ 91,102	$ 131,783	$ 35,425	$ 258,310
LIABILITIES AND STOCKHOLDERS' EQUITY				

	Historical Versicor	Historical Biosearch	Pro Forma Adjustments		Pro Forma
Current liabilities:					
Accounts payable	$ 4,162	$ 5,066	$ (308)	(a)	$ 8,920
Accrued liabilities	6,870	1,973	(1,004)	(k)	17,839
			10,000	(g)	
Current portion of long-term loan	3,715	127			3,842
Deferred revenue	884	5,626	(785)	(a)	5,725
Total current liabilities	15,631	12,792	7,903		36,326
Long-term loan	1,047	1,118			2,165
Deferred revenue	500				500
Other long-term liabilities	229	156			385
Total liabilities	17,407	14,066	7,903		39,376
Stockholders' equity:					
Common stock	26	12,011	(11,989)	(h)	48
Additional paid-in capital	202,421	145,626	293	(c)	441,529
			93,189	(h)	
Treasury stock		(1,266)	1,266	(h)	(2,098)
			(2,098)	(i)	
Deferred stock compensation	(2,328)		(293)	(c)	(2,621)
Accumulated other comprehensive income	42	1,742	(1,742)	(h)	42
Accumulated deficit	(126,466)	(40,396)	(91,500)	(j)	(217,966)
			40,396	(h)	
Total stockholders' equity	73,695	117,717	27,522		218,934
Total liabilities and stockholders' equity	$ 91,102	$ 131,783	$ 35,425		$ 258,310

NOTES TO UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of Presentation

On July 30, 2002, Versicor signed a definitive agreement to acquire Biosearch in a transaction to be accounted for as a purchase under accounting principles generally accepted in the United States of America. Under the terms of the merger agreement, each share of Biosearch ordinary shares outstanding at the closing of the merger will be converted into 1.77 shares of Versicor common stock. In addition, the merger agreement provides that each holder of a Biosearch stock option outstanding at the closing of the merger may either terminate his Biosearch option and receive a replacement Versicor option or keep his existing Biosearch option that will then be assumed by Versicor and become an option to acquire shares of Versicor common stock. In both cases, the option to acquire the number of shares of Versicor common stock will be determined by multiplying the number of shares of Biosearch common stock subject to the option by 1.77. For the purposes of the pro forma information presented, we have assumed that all Biosearch stock options outstanding at the closing of the merger will be terminated and replaced with Versicor options. If all Biosearch stock options outstanding are instead assumed by Versicor, the impact on this pro forma information would not be significant.

As of June 30, 2002, there were 12,160,500 shares of Biosearch ordinary shares issued of which, net of treasury stock, 12,084,149 shares were outstanding and approximately 250,000 Biosearch shares issuable upon exercise of outstanding options. Based on these amounts, if the merger had taken place on June 30, 2002, Biosearch shareholders would have received approximately 21,524,000 shares of Versicor common stock, and holders of Biosearch options would have received options to purchase approximately 443,000 shares of Versicor common stock. The exact number of shares and options to be issued will depend on the number of Biosearch ordinary shares and options outstanding at the closing of the merger. In addition, we currently have contractual commitments in place to issue options covering an additional 2,845,000 shares upon completion of the merger to Biosearch key employees and one of its consultants.

The estimated purchase price of the acquisition is $248.8 million as follows (in thousands):

Issuance of Versicor shares	$	236,115
Issuance of options to acquire Versicor shares		2,722
Transaction costs		10,000
Total	$	248,837

The fair value of the Versicor shares used in determining the purchase price was $10.97 per share based on the average closing price of Versicor's stock from the two days before through two days after July 31, 2002, the date of the public announcement of the merger. The fair value of the options to acquire Versicor shares was determined using the Black-Scholes option pricing model assuming a market price of $10.99, the closing market price of Versicor stock on July 31, 2002; an exercise price of $11.03; an expected average life of 4 years; a weighted average interest rate of 4.65%; volatility of 70%; and no expected dividends.

The preliminary allocation of the purchase price is as follows (in thousands):

Current assets	$	111,953
Property, plant and equipment		8,955
In-process research and development		91,500
Intangible assets		23,100
Goodwill		14,731
Other assets		10,875
Current liabilities		(11,003)
Long-term liabilities		(1,274)
Net assets	$	248,837

The final determination of the purchase price allocation will be based on the fair values of the assets, including the fair value of in-process research and development and other intangibles, and the fair value of liabilities assumed at the date of the closing of the merger. The purchase price will remain preliminary until Versicor is able to complete a third party valuation of significant intangible assets acquired, including in-process research and development, and evaluate the fair value of other assets and liabilities acquired. The final determination of the purchase price allocation is expected to be completed as soon as practicable after the date of the closing of the merger. The final amounts allocated to assets and liabilities acquired could differ significantly from the amounts presented in the unaudited pro forma condensed consolidated financial information above.

The valuation of the purchased in-process research and development of $91.5 million was based on the result of a valuation using the income approach and applying the percentage completion to risk-adjust the discount rates associated with each of the two significant in-process projects, ramoplanin and dalbavancin, and one additional project, BI-K-0376. The VITACHEM program and all other research and development projects have been valued as part of Biosearch's core technology and are therefore included in intangible assets, not in-process research and development. The two significant in-process projects relate primarily to the development of a novel antibiotic to treat Gram-positive bacteria, ramoplanin, fair valued at $24.5 million and a novel second-generation glycopeptide agent, dalbavancin, fair valued at $61.2 million. These in-process projects require additional significant rigorous scientific and clinical testing expected to be completed in the second half of 2004 with cash inflows from product sales forecasted to begin in 2005. One project is estimated to be approximately 80% complete (based on cost) and the other project is approximately 30% complete (based on cost), an additional $2.6 million and $13.1 million, respectively for each project, for additional scientific research and chemical development, expenses associated with conducting clinical trials for various stages, and legal and regulatory expenses in connection with the drug approval process is projected to be required to complete the in-process projects. Both significant

in-process projects are still undergoing clinical trials and have not received regulatory approval. The primary risk in completing the projects is the successful completion of the clinical testing and regulatory approval process. This process is time and research intensive and new drugs face significant challenges before they can be brought to the market. Any delay in the approval process could have significant consequences including increased costs thus jeopardizing the economic returns expected to be realized, delay in the rollout of the product with potential lower revenues due to competing products reaching the market and potential loss of credibility to the company's scientific team.

Under the income approach, value is dependent on the present value of future economic benefits to be derived from the ownership of an asset. Central to this method is an analysis of the earnings potential represented by the appraised asset and of the underlying risk associated with obtaining those earnings. Value indications are developed by discounting future net cash flows available for distribution to their present value at market-based rates of return. Discount rates of 45%-50% were used, which are commensurate with the overall risk and percent complete of the in-process projects. Management

concluded that technological feasibility of the purchased in-process research and development had not been reached, and the technology had no alternative future uses. Accordingly, the amount allocated to in-process research and development will be charged to the statement of operations in the period in which the acquisition is consummated. The results of the income approach do not necessarily indicate the price that a third party would be willing to pay to acquire the in-process project.

The estimated goodwill arising from the merger is $14.7 million. In accordance with Statements of Financial Accounting Standards No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets", the goodwill will be recorded as an asset on the balance sheet and will be reviewed for impairment on at least an annual basis.

The estimated identifiable intangible assets arising from the merger total $23.1 million and represent $16.1 million for Biosearch's patents and core technology, $1.5 million for bioinformatics software platform and $5.5 million for library of microbial extracts. These intangible assets have estimated useful lives of between five and ten years.

2. Exchange Rates

The historic Biosearch statements of operations have been translated into U.S. dollars using the average Euro/U.S. dollar exchange rates for the periods presented. The average Euro/U.S. dollar exchange rate is 0.896 and 0.898 for the year ended December 31, 2001 and the six months ended June 30, 2002, respectively. The historic Biosearch balance sheet as of June 30, 2002 has been translated into U.S. dollars using the closing Euro/U.S. dollar exchange rate at June 30, 2002 of 0.988.

3. Pro Forma Adjustments

a)

Represents the elimination of intercompany balances/transactions.

b)

Represents amortization of identifiable intangible assets based on estimated fair values and useful lives assigned to these assets at the date of acquisition.

c)

Represents deferred stock compensation and amortization over the four year vesting period arising from the assumed termination of Biosearch options and the issuance of new Versicor options.

d)

Represents the elimination of the gain recognized by Biosearch on the sale of Versicor common stock.

e)

Pro forma basic and diluted earnings per share is calculated by dividing the pro forma net loss by the pro forma weighted average shares outstanding as follows (in thousands):

	Year ended December 31, 2001	Six months ended June 30, 2002
Versicor historical weighted average shares	23,090	24,642
Shares issued to acquire Biosearch	21,524	21,524
Pro forma weighted average shares	44,614	46,166

f) Represents the estimated fair values of identifiable intangible assets and goodwill arising from the merger.

g) Represents the estimated transaction costs.

h) Represents the elimination of historical stockholders' equity accounts for Biosearch and the issuance of Versicor common stock and options as part of the purchase price.

i) Represents the reclassification of Versicor stock held by Biosearch.

j) Represents the estimated fair value of in-process research and development. This amount will be recorded as an expense in the period in which the merger is completed.

k) Represents Versicor's obligation under a collaboration agreement that will be eliminated upon completion of the merger.

MANAGEMENT OF THE COMBINED COMPANY AFTER THE MERGER

Set forth below is the name, age, prior association and position on the board of directors of the persons who will serve as our directors upon completion of the merger:

Name	Age	Prior Association	Position on the Board following the Merger
James H. Cavanaugh, Ph.D.	65	Versicor	Chairman of the Board; Director(1)(2)(3)
George F. Horner III	58	Versicor	Director(3)
Claudio Quarta, Ph.D.	47	Biosearch	Director(2)(3)
Ubaldo Livolsi, Ph.D.	57	Biosearch	Director(1)(2)
Francesco Parenti, Ph.D.	62	Biosearch	Director(3)
Constantino Ambrosio	59	Biosearch	Director
Christopher T. Walsh, Ph.D.	58	Versicor	Director(1)
David V. Milligan, Ph.D.	61	Versicor	Director(2)

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating Committee.

Set forth below is the name, age, prior association and position of the persons who will serve as our executive officers upon completion of the merger:

Name	Age	Prior Association	Title following the Merger
George F. Horner III	58	Versicor	Chief Executive Officer
Claudio Quarta, Ph.D.	47	Biosearch	Chief Operating Officer
Francesco Parenti, Ph.D.	62	Biosearch	Chief Scientific Officer, Worldwide
Timothy J. Henkel, M.D., Ph.D.	43	Versicor	Chief Medical Officer
Constantino Ambrosio	59	Biosearch	Chief Manufacturing Officer
Richard J. White, Ph.D.	60	Versicor	Chief Scientific Officer, North America
Dov A. Goldstein, M.D.	34	Versicor	Chief Financial Officer

Business Experience

Set forth below is a brief account of the business experience and education of the persons named above who will serve as our directors and officers following the merger:

James H. Cavanaugh, Ph.D. Dr. Cavanaugh has served as a member of Versicor's Board of Directors since 1999 and currently serves on Versicor's Audit Committee. Since 1989, he has served as President and General Partner of HealthCare Ventures based in Princeton, New Jersey. Prior to joining HealthCare Ventures, Dr. Cavanaugh was President of SmithKline and French Laboratories-U.S., the domestic pharmaceutical division of SmithKline Beecham Corporation, as well as President of Allergan International. Dr. Cavanaugh served as Staff Assistant to President Nixon for Health Affairs and then as Deputy Director, Domestic Council. Under President Ford, he was Deputy Assistant to the President for Domestic Affairs and then Deputy Chief of the White House Staff. Dr. Cavanaugh is Trustee Emeritus of the California College of Medicine. He is a member of the board of directors of Diversa Corporation, MedImmune, Inc. and 3-Dimensional Pharmaceuticals, Inc., and is non-executive Chairman of Shire Pharmaceuticals Group PLC. He is a past Director of the Pharmaceutical Research and Manufacturers Association.

George F. Horner III. Mr. Horner has served as Versicor's President and Chief Executive Officer and a member of Versicor's Board of Directors since 1996. Prior to joining us, Mr. Horner was Corporate Vice President of Ligand Pharmaceuticals from 1993 to 1995. He also served in a number of executive positions during his 17 years at Abbott Laboratories from 1976 to 1993, including President, Canada; Regional Director, Latin America; General Manager, Mexico; General Manager, Southern Africa Region; and Regional Manager, Southeast Asia. From 1967 to 1976, Mr. Horner served in a number of sales and product management positions at E.R. Squibb, Inc.

Claudio Quarta, Ph.D. Dr. Quarta has served as Chief Executive Officer of Biosearch since its formation in 1996. Prior to forming Biosearch as part of a management buyout of the Lepetit Research Center, Dr. Quarta held a number of positions during his 25 years with the Lepetit Group and its affiliates, including Managing Director and Director of Biological Sciences of the Lepetit Research Center. In 1998, Dr. Quarta served as president of the Consorio per le Biotecnologie Roberto Lepetit, which promotes biotechnology links between academia and industry. In 1997, Dr. Quarta was appointed Contract Professor in Biotechnology at the Milan University in 1997.

Ubaldo Livolsi, Ph.D. Dr. Livolsi is a director of Biosearch. He is the main partner of the merchant bank "Livolsi & Partners." Previously he was Chief Executive Officer for Fininvest S.p.A., Treasurer of Dow Chemical Company and Treasurer of Lepetit Group. He holds a degree in Economics from the Catholic University of Milan.

Francesco Parenti, Ph.D. Dr. Parenti has served in several executive positions at Biosearch since 1997, most recently as President and Chief Scientific Officer and Chairman of Biosearch's board of directors. Prior to forming Biosearch as part of a management buyout of the Lepetit Research Center, Mr. Parenti held a number of positions during his 25 years with the Lepetit Group and its affiliates, including Vice President of Business for Europe, Middle East and Africa at Hoechst-Marion-Roussel; President of Marion Merrel Dow, which was later purchased by Hoechst-Marion-Roussel; Managing Director and Director-General, Italy for the Lepetit Research Center; and director of pre-clinical research at Dow-Lepetit, where he was responsible for patenting teicoplanin.

Constantino Ambrosio. Mr. Ambrosio is Biosearch's Executive Vice President of Manufacturing. He has extensive manufacturing experience with Marion Merrell Dow where he was responsible for bulk pharmaceutical manufacturing and with Dow where he was responsible for chemical manufacturing for Southern Europe.

Christopher T. Walsh, Ph.D. Dr. Walsh has served as a member of Versicor's Board of Directors since 1998 and currently serves on Versicor's Audit Committee. Since 1991, he has served as the Hamilton Kuhn Professor of Biological Chemistry and Molecular Pharmacology at the Harvard Medical School. He was the President of the Dana-Farber Cancer Institute from 1992 to 1995. From 1987 to 1995, he served as the Chairman of the Department of Biological Chemistry and Molecular Pharmacology at the Harvard Medical School. Dr. Walsh is a member of the scientific advisory boards for KOSAN Biosciences and Millennium Pharmaceuticals. He is a member of the board of directors of Transform Pharmaceuticals, KOSAN Biosciences and Critical Therapeutics. He has also held various positions at Massachusetts Institute of Technology, including the Chairman, Chemistry Department and has served on the editorial boards of various scientific publications.

David V. Milligan, Ph.D. Dr. Milligan has served as Versicor's Chairman of the Board of Directors and has been a member of Versicor's scientific advisory board since 1997. From 1979 to 1996, he served in several executive positions at Abbott Laboratories, most recently as Senior Vice President and Chief Scientific Officer from 1994 to 1996. Dr. Milligan is chairman of the board of directors of Caliper Technologies Inc. and serves as a member of the board of directors of ICOS Corporation, Galileo Laboratories, Maxia Pharmaceuticals and Reliant Pharmaceuticals. He also serves on the Princeton

University Chemistry Department Advisory Board. In addition, Dr. Milligan is a Vice President with Bay City Capital, a San Francisco-based merchant bank.

Timothy J. Henkel, M.D., Ph.D. Dr. Henkel has served as Versicor's Executive Vice President and Chief Medical Officer since February 2001. Prior to joining Versicor, Dr. Henkel was Vice President of Worldwide Anti-Infective Clinical Development at SmithKline Beecham from 1996 to 2001. Dr. Henkel was Assistant Professor of Internal Medicine and Infectious Diseases at Barnes Hospital and Washington University Medical Center in St. Louis. He received his M.D. and Ph.D. in 1998 from Washington University School of Medicine.

Richard J. White, Ph.D. Dr. White has served as Versicor's Executive Vice President and Chief Scientific Officer since 1998. Dr. White joined Versicor in 1997 as Senior Vice President of Biology. Prior to joining Versicor, Dr. White was Vice President for Infectious Diseases at Bristol Myers Squibb from 1985 to 1997. Dr. White has also held research management positions at Lederle Laboratories, Glaxo Group Research in the United Kingdom, and Lepetit Research in Italy.

Dov A. Goldstein, M.D. Dr. Goldstein has served as Versicor's Vice President, Finance and Chief Financial Officer since July 2000. Prior to joining Versicor, Dr. Goldstein was Director of Venture Analysis at HealthCare Ventures from 1998 to 2000. Dr. Goldstein served as Vice President, Biotechnology Research Analysis at Brean Murray & Co. from 1997 to 1998. He completed his internship in the Department of Medicine of Columbia-Presbyterian Hospital and received his Master of Business Administration from Columbia Business School in 1998 and his M.D from Yale University in 1995.

Bylaw Amendments Affecting Board Composition

As a result of the board appointments listed above and the amendments to our bylaws described below, we expect that for at least three years following the merger, our board will remain evenly composed of persons previously associated with Versicor and persons previously associated with Biosearch.

Upon completion of the merger we will have an eight member board of directors composed of four persons previously associated with Versicor and four persons previously associated with Biosearch, as listed above. The board will remain classified in three classes with staggered terms. Upon completion of the merger, our bylaws will provide that, subject in all cases to the directors' fiduciary duties, during a transition period extending until the third anniversary of the merger:

- the four Versicor directors will have the right to nominate their replacements and the four Biosearch directors will have the right to nominate their replacements;

- each person nominated by the Versicor directors or the Biosearch directors must be confirmed by the whole board (or the applicable class of the board, as applicable) and, if he or she is not confirmed, then the Versicor directors or Biosearch directors, as applicable, will select a new nominee and the process will repeat itself until the full board ultimately approves the nominee. Once a nominee is approved by the board, he or she will stand for election (or re-election, as the case may be) by the stockholders at the annual meeting. However, if the nominee is being selected to fill a board vacancy (rather than an expiring board term) the board has the power to appoint him or her directly to the board without a stockholder vote;

if changes in Nasdaq rules or other applicable laws require us to have a greater number of independent directors, then we will have to comply with the new rules while maintaining an even balance of Versicor directors and Biosearch directors;

each committee of the board shall be composed of equal numbers of Versicor and Biosearch directors, except as may otherwise be required to comply with Nasdaq rules or applicable law;

a quorum of the board requires at least one Versicor director and one Biosearch director;

any action of the board requires the affirmative vote of at least one Versicor director and one Biosearch director; and

the board of our Italian manufacturing subsidiary shall be composed of two directors, one of whom shall be a Versicor director and the other of whom shall be a Biosearch director.

The form of our amended bylaws appears as an exhibit to the merger agreement, which is attached to this proxy statement/prospectus as *Appendix A*.

Stockholders Agreement

In connection with the execution and delivery of the merger agreement, two current and two prospective stockholders of Versicor entered into a stockholders agreement dated as of July 30, 2002, the date of the merger agreement. These stockholders are Mr. Horner and Drs. Cavanaugh, Quarta and Parenti. The following summary describes material provisions of the stockholders agreement. A copy of the stockholders agreement is attached to the merger agreement, which is attached to this proxy statement/prospectus as *Appendix A*.

Voting of Versicor Common Stock. As listed in Schedule I to the stockholders agreement, the current stockholders held 27,679 shares of Versicor common stock on the date of that agreement and the prospective stockholders will likely own 3,573,190 shares upon the completion of the merger. Under the stockholders agreement, the stockholders agreed that they will cause all shares of Versicor common stock owned by them to be voted:

with respect to the election of directors, in favor of those individuals recommended by the Versicor board of directors; and

in accordance with the recommendation of the Versicor board of directors with respect to proposals relating to the following matters:

any charter or bylaw amendment;

the acquisition or disposition of assets (by way of merger, consolidation or otherwise); and

any change in capitalization, liquidation or other action out of the ordinary course of business of Versicor.

In addition, under the stockholders agreement, the stockholders agreed that they should be present in person or by proxy at all meetings in order that all shares of Versicor common stock owned by them and subject to the stockholders agreement may be counted for the purpose of determining a quorum.

Standstill Provisions. Under the stockholders agreement, the stockholders agreed that they will not:

participate in any way in any solicitation of proxies to vote, or seek to advise or influence any person with respect to the voting of, any securities of Versicor in opposition of the recommendation of Versicor's board of directors with respect to any matter, including the election of directors; or

except for the stockholders agreement, deposit any of the stockholders' shares of Versicor common stock subject to the stockholders agreement in a voting trust or any similar arrangement.

Termination. The stockholders agreement will terminate upon the earlier of:

the date of termination of the merger agreement; or

three years from the effective date of the merger agreement.

Compensation of Directors

We plan to continue our current director compensation practices following the merger.

Currently directors who are also our employees or officers do not receive any additional compensation for their service on the board. We reimburse our non-employee directors for expenses incurred in connection with attending board and committee meetings, but we do not compensate them for their services as board or committee members.

In the past, non-employee directors have been granted non-employee director options to purchase our common stock pursuant to the terms of our 1997 Equity Incentive Plan, and the Board continues to have discretion to grant options to new non-employee directors under either the 1997 Equity Incentive Plan or, following its adoption by our stockholders in September 2001, our 2001 Stock Option Plan. We anticipate that we will grant options from time to time under the 1997 Equity Incentive Plan and the 2001 Stock Option Plan to non-employee directors. For a list of our currently planned option grants to executives of the combined company, see "Proposal to Amend Versicor's 2001 Stock Option Plan Compensation of Versicor's Officers and Directors; Specific Benefits under the 2001 Stock Option Plan Amendments."

Compensation of Executives

The following table summarizes the compensation awarded or paid by either Versicor or Biosearch for the past three full fiscal years to each person who will serve as an executive officer of the combined company following the merger (the "named executive officers").

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Securities Underlying Options (#)(2)	All Other Compensation
Name and Principal Position	**Year**	**Salary or Fee**	**Bonus**	**Other Annual Compensation(1)**		
George F. Horner III	2001	$ 271,249	$ 52,000			
Chief Executive Officer	2000	$ 271,300	$ 75,000			
	1999	$ 249,615	$ 71,625		457,956	
Claudio Quarta	2001	€ 145,000	€ 21,000(3)			
Chief Operating Officer	2000	€ 103,300				

		Annual Compensation		Long-Term Compensation Securities Underlying Options (#)(2)	
	1999	€ 88,893			
Francesco Parenti	2001	€ 147,000	€ 21,000(3)		
Chief Scientific Officer,	2000	€ 120,334			
Worldwide	1999	€ 99,289			
Timothy J. Henkel, M.D., Ph.D.	2001	$ 263,230(4)			$ 154,597(5)
Chief Medical Officer	2000			400,000	
	1999				
Constantino Ambrosio	2001	€ 152,000	€ 103,000(3)		
Chief Manufacturing Officer	2000				
	1999				
Richard J. White, Ph.D.	2001	$ 255,754	$ 36,445		$ 40,000(6)
Chief Scientific Officer, North	2000	$ 250,866	$ 40,000		$ 146,667(6)
America	1999	$ 231,935	$ 38,200	125,000	$ 2,355
Dov A. Goldstein, M.D.	2001	$ 208,039	$ 11,130		
Chief Financial Officer	2000	$ 96,323(7)	$ 15,000	212,500	
	1999				

(1) The other annual compensation reported in this column excludes the value of perquisites which, in the aggregate, did not exceed the lower of $50,000 or 10% of each named executive officer's aggregate fiscal 1999, 2000 or 2001 salary and bonus compensation.

(2) Unless otherwise noted, numbers in this column refer to shares of Versicor common stock underlying options granted under (i) the Versicor Inc. 1997 Equity Incentive Plan Stock (the "1997 Plan"), as amended, or (ii) the Versicor Inc. 1995 Stock Option Plan (the "1995 Plan"). There were no individual grants of stock options in tandem with stock appreciation rights ("SAR's") or freestanding SAR's made during the years ended December 31, 1999, 2000 or 2001 to the named executive officers.

(3) Amounts accrued as of December 31, 2001.

(4) Based on annual salary of $295,000. Dr. Henkel was hired on February 1, 2001.

(5) Dr. Henkel received a signing bonus of $154,959 on February 1, 2001.

(6) Dr. White issued to us a non-interest bearing promissory note dated May 15, 1997. The promissory note was in the original principal amount of $200,000 and was due on May 15, 2002. We forgave the unpaid principal balance of the promissory note of $146,667 in 2000 and $40,000 in 2001.

(7) Based on annual salary of $205,000. Dr. Goldstein was hired on July 6, 2000.

Employment Arrangements with our Executives Located in Italy

Upon completion of the merger, Dr. Quarta, Dr. Parenti and Mr. Ambrosio will become executive officers of Versicor. Currently, Drs. Parenti and Quarta are employed by Biosearch and Mr. Ambrosio is the managing director of Biosearch's manufacturing subsidiary. Under Italian law, all employees of Biosearch immediately before the merger will continue as employees of the combined company immediately after

the merger, entitled to essentially unchanged employment terms and conditions. In Italy, employment terms and conditions are governed:

by individual employment agreements;

by law; and

by collective bargaining agreements.

The general manner in which each of these three authorities will affect our employment relationship with our Italian executives following the merger is described below.

Employment and Non-Competition Agreements

Biosearch has not entered into employment agreements with any of its officers. On July 30, 2002, concurrently with our entry into the merger agreement, we entered into employment agreements with Drs. Quarta and Parenti, each of whom will be a director and an executive officer of our combined company. We also entered into a consulting agreement with the head of Biosearch's manufacturing subsidiary, Constantino Ambrosio, who will be a director and an executive officer of our combined company, and issued offer letters to key employees of Biosearch.

Our agreements with Drs. Quarta and Parenti and Mr. Ambrosio will be effective upon the closing of the merger. These agreements are filed as exhibits to the registration statement of which this proxy statement/prospectus forms a part. Under the agreements, we will pay base salaries to Mr. Quarta of €160,000 per year and to Mr. Parenti of €160,000 per year and we will make consulting payments to Mr. Ambrosio of €154,000 per year. In addition, each executive will be eligible for the fringe benefits package offered to our executive officers generally and for an annual bonus based on his performance under standards established in advance by the compensation committee. Each executive will also be awarded a specified number of stock options under our 2001 Stock Option Plan, as discussed under "Proposal to Amend Versicor's 2001 Stock Option Plan." In their agreements, each Italian executive agrees that for one year following any termination of services to us he will not engage in any business activity in Italy that competes against us. In exchange, in accordance with the custom in Italy, we agree to pay each executive a portion of his base compensation in a lump sum, one year following the termination of his employment. Although our Italian counsel has advised us that these non-compete agreements, comply with Italian law, the courts of many jurisdictions are hesitant to enforce non-competition agreements and we face the risk that these agreements might provide incomplete or no protection to us.

Italian Law and National Collective Bargaining Agreements

Many material terms of our Italian executives' employment are supplied by Italian law and national collective bargaining agreements. In Italy, collective bargaining agreements are much more prevalent than in the United States and are negotiated at a national level beyond the control of any particular employer between the unions of a particular business sector (mechanical, commerce, banks, chemical, etc.) and the employers' association of the same sector.

In principle, the Italian national collective agreements will be legally binding on our employment relationships after the merger only if we, and the employees in question, have actually joined the relevant national associations or if our individual employment agreements expressly or implicitly accept

that the employment relationship is to be regulated by a specified national collective agreement (which our executive employment agreements do not expressly provide). In practice, however, the treatment provided in the national collective agreements is generally considered to be the minimum acceptable and Italian courts apply the national collective agreements in every case.

In particular, our employment relationships with our Italian executives will be regulated by Italy's National Collective Agreement for the Executives in the Industrial Sector of April 27th, 1995, as amended, which provides, among other things:

executives are entitled to minimum gross monthly salary and salary increases connected to length of service;

executives' yearly salaries are paid in 13 installments, two of which are paid in December;

executives are not subject to working time schedules or overtime rules;

executives are entitled to 35 days of holiday per year;

for justified reasons, executives are entitled to an unpaid leave period;

in case of illness the executives are entitled to maintain their job position for a period up to 12 months during which they will receive their full salary (with the cost of this illness indemnity being fully borne by the employer);

executives are entitled to mandatory paid maternity leave;

executives are entitled to insurance coverage for on- and off-duty accidents; and

executives are entitled to indemnification for any civil and criminal liabilities incurred by the executives in the performance of their employment activities.

In addition, the National Collective Agreement provides that following a merger (including the proposed merger between Versicor and Biosearch), executives are entitled to resign without notice for three months from the date of a merger, regardless of any detriment in their working conditions. If one of our executives asserts this right, we will be required to pay the executive an indemnity equal to one-third of the indemnity in lieu of the notice period that we would have been required to pay if we had terminated his employment without notice (as described in the next paragraph). This right to resign cannot be waived by contract. Accordingly, even though we have entered into signed employment agreements with Drs. Quarta and Parenti as described above, we face the risk that they might resign following the merger. The preceding does not apply to Mr. Ambrosio in light of the fact that he is not an employee of Biosearch but of Biosearch Manufacturing (Biosearch's wholly-owned subsidiary, which is not a party to the merger).

Finally, the National Collective Agreement regulates the severance benefits we would be required to pay upon any termination by us of our executives' employment. The severance amount varies based upon whether the termination is for cause, for justified reasons or for no justified reason:

Terminations for Cause. If we were to dismiss an executive for cause, he would not be entitled to any notice period or indemnity in lieu of the notice period, but he would be entitled to receive the severance compensation (so-called TFR). We would have "cause" to terminate an executive's employment, under Article 2119 of the Italian civil code, following any serious event that makes the continuation of the employment relationship impossible, even on a temporary basis. Events such as theft, riots and serious insubordination are generally considered to be "cause" for termination in Italy.

Terminations for Justified Reasons. If we were to terminate any executive's employment, other than for "cause," the executive would be entitled to a notice period. The notice period is equal to eight months for executives having a seniority of up to two years, and it is increased in

proportion to seniority up to a maximum of 12 months for executives having more than 10 years of seniority. If we were to terminate an executive's employment for justified reasons without providing the required notice, he would be entitled to the indemnity in lieu of the notice period equal to the salary he would have received during the notice period, in addition to the severance compensation. The average amount of the bonuses paid to him during the prior three years and the value of his fringe benefits would be taken into account when calculating this indemnity. Under Article 2118 of the Italian civil code, the following events are generally considered to provide a "justified reason" for terminating an executive's employment: failure the executive to comply with material management directions; a restructuring or reorganization of the company; a complete

closing of the company, or the closing of the office to which the executive is assigned.

Unlawful Terminations. If we were to terminate an executive's employment without cause or justified reasons, the executive might challenge the dismissal in court. If the termination of the employment relationship is deemed unlawful by the court, the executive may be awarded damages in the form of an indemnity (to be paid in addition to the indemnity in lieu of the notice period and the severance compensation) ranging from a minimum amount equal to the Notice Indemnity due to the executive plus two months' salary up to a maximum equal to 22 months' salary. An executive is never entitled to reinstatement in his/her employment position, regardless of the cause of termination.

Certain Relationships and Related Party Transactions

Versicor Relationships

Please refer to our proxy statement dated April 26, 2002 for a description of our business relationships and transactions with Drs. Walsh, Milligan and White and for a description of our employment and non-competition arrangements with our executives located in the United States.

Biosearch Relationships

ADM S.r.l., which was controlled by Constantino Ambrosio, one of Biosearch's directors and executive vice-president for manufacturing, was party to a consulting agreement with Biosearch whereby ADM S.r.l. provided services related to the production of active ingredients. Under that agreement, ADM S.r.l. received fees amounting to an aggregate of Lit. 288 million for the period 1997-1999.

In February 2000, Biosearch acquired a 37.4% quota in Areta International S.r.l., a service provider active in the field of cellular biology established on September 21, 1999, with registered offices at Viale Regina Giovanna 17, Milan, Italy and a share capital of Lit. 200 million (or approximately €103,291). Although there are no binding agreements between Biosearch and Areta as of this date, Biosearch's management believes that the holding of the above interest will give Biosearch access to biotechnologies useful to some of its discovery and profiling programs. The purchase was carried out by way of a capital increase for a nominal amount of Lit. 74.7 million (or approximately €38,579) plus a share premium of Lit. 225.2 million (or approximately €116,306). Constantino Ambrosio, member of Biosearch's board of directors, holds a quota of 4.7% of the registered capital of Areta. On June 26, 2002, Mr. Ambrosio informed the board of Areta, pursuant to the pre-emption right procedure provided by Areta's bylaws, that Mr. Ambrosio intends to sell his shareholdings of Areta. Another interest equal to 24.1% of Areta's share capital is held by Ubaldo Livolsi, also a member of Biosearch's board of directors. In January, 2000, Biosearch entered into a services supply agreement with Areta providing for the supply by Biosearch to Areta of administrative and general services, including security, warehouse space, maintenance and cafeteria. Biosearch and Areta entered into a lease agreement providing for the lease by Biosearch to Areta of recently renovated laboratory and office space for a term of nine years, in exchange for rent in the amount of approximately Lit. 90 million (or

approximately €46,481) per year. As of the date hereof, no other agreements are in effect between Biosearch and Areta.

In July 2001, Biosearch entered into an agreement with Livolsi & Partners S.p.A., an advisory and consulting company controlled by Dr. Livolsi, a member of Biosearch's board of directors. Under this agreement, Livolsi & Partners agreed to provide various advisory services to Biosearch, including management and financial consulting and investor relations support. Biosearch agreed to pay Livolsi & Partners a monthly fee of €25,000. This agreement expired by its terms in July 2002, but has been extended through December 2002, on the same terms and conditions, through the mutual consent of Biosearch and Livolsi & Partners.

COMPARISON OF RIGHTS OF VERSICOR STOCKHOLDERS AND BIOSEARCH SHAREHOLDERS

Versicor is a Delaware corporation subject to the provisions of the Delaware General Corporation Law, which we refer to as Delaware law. Biosearch is an Italian joint stock company subject to the provisions of the Italian civil code, the Italian special laws and legislative decree number 58, dated February 24, 1998, all of which we refer to as Italian law. Biosearch's shareholders, whose rights are currently governed by the

Biosearch bylaws, as amended and Italian law, will, upon completion of the merger, become stockholders of Versicor and their rights will be governed by the Versicor certificate of incorporation, as amended, the Versicor bylaws, as amended, and Delaware law.

The following description summarizes the material differences that may affect the rights of Versicor stockholders and Biosearch shareholders but does not purport to be a complete statement of all those differences or a complete description of the specific provisions referred to in this summary. The identification of specific differences is not intended to indicate that other equally or more significant differences do not exist. Stockholders should read carefully the relevant provisions of Italian law, Delaware law, the Versicor certificate of incorporation, as amended, the Versicor bylaws, as amended, and the Biosearch bylaws, as amended. Additionally, stockholders should read carefully the sections in this proxy statement/prospectus entitled "Management of the Combined Company After the Merger Bylaw Amendments Affecting Board Composition," and " Stockholders Agreement," together with the form of amended bylaws that appears as an exhibit to the merger agreement (which is attached to this proxy statement/prospectus as *Appendix A*), for a more complete understanding of the bylaw provisions that will govern Versicor upon completion of the merger.

Capitalization

Versicor

The total authorized shares of capital stock of Versicor consist of 100,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share. On the close of business on October 1, 2002, there were 26,376,287 shares of Versicor common stock issued and outstanding, and there were no shares of Versicor preferred stock issued and outstanding.

The Versicor certificate of incorporation, as amended, authorizes the Versicor board of directors to issue shares of preferred stock in one or more series, and to fix for each series voting rights, if any, designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions as provided in a resolution or resolutions adopted by the board. The Versicor board of directors may by resolution or resolutions increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, provided that the number of shares may not be decreased below the number of shares then outstanding.

Biosearch

The total authorized shares of capital stock of Biosearch consist of 12,410,500 ordinary shares, par value one euro per share. On the close of business on June 30, 2002, 12,160,500 Biosearch ordinary shares were issued and 12,084,149 shares were outstanding (net of 76,351 treasury shares).

The Biosearch bylaws, as amended, authorize the Biosearch board of directors to issue 170,000 ordinary shares in one or more series, par value one euro per share, to be reserved to the employees of Biosearch and its subsidiaries. The Biosearch bylaws, as amended, also authorize the Biosearch board of directors to issue 80,000 ordinary shares in one or more series, par value one euro per share, to be reserved to the directors and collaborators of Biosearch and its subsidiaries.

Number, Election, Vacancy and Removal of Directors

Versicor

Under Delaware law, a corporation must have at least one director. The Versicor bylaws provide that the total number of directors shall be as determined from time to time by resolution of a majority of the members then constituting the board of directors, and in the absence of such determination, the total number of directors shall be nine. The Versicor certificate of incorporation provides that the directors shall be divided into three approximately equal classes with staggered terms of three years for each class. Vacancies on the board of directors shall be filled by a majority vote of the remaining directors of the class in which the vacancy occurs or by the sole remaining director of that class if only one such director remains, or by the majority vote of the members of the remaining classes if no such director remains. The Versicor certificate of incorporation also provides that directors may be removed, with cause, by the affirmative vote of at least 75% of the votes entitled to be cast in the election of directors.

Upon completion of the merger we will have an eight member board of directors composed of four persons previously associated with Versicor and four persons previously associated with Biosearch. The board will remain classified in three classes with staggered terms. Our bylaws will provide that, subject in all cases to the directors' fiduciary duties, *during a transition period extending until the third anniversary of*

the merger:

- the four Versicor directors will have the right to nominate their replacements and the four Biosearch directors will have the right to nominate their replacements;
- each person nominated by the Versicor directors or the Biosearch directors must be confirmed by the whole board (or the applicable class of the board, as applicable) and, if he or she is not confirmed, then the Versicor directors or Biosearch directors, as applicable, will select a new nominee and the process will repeat itself until the full board ultimately approves the nominee. Once a nominee is approved by the board, he or she will stand for election (or re-election, as the case may be) by the stockholders at the annual meeting. However, if the nominee is being selected to fill a current board vacancy (rather than an expiring board term) the board has the power to appoint him or her directly to the board without a stockholder vote;
- if and when Nasdaq rules or other applicable law requires us to have a greater number of independent directors, then we will need to comply with the new rules while maintaining an even balance of independent Versicor directors and independent Biosearch directors;
- each committee of the board shall be composed of equal numbers of Versicor and Biosearch directors, except as may otherwise be required to comply with Nasdaq rules or applicable law;
- a quorum of the board requires at least one Versicor director and one Biosearch director; and
- any action of the board requires the affirmative vote of at least one Versicor director and one Biosearch director.

Biosearch

Under Italian law, a joint stock company must have at least one director. The Biosearch bylaws, as amended, provide that the total number of directors shall be between five and nine as determined by a resolution adopted by the shareholders at a shareholders meeting. Biosearch currently has eight directors. Vacancies on the board of directors shall be filled by a majority vote of the remaining directors and confirmed by a resolution adopted by the shareholders at a shareholders meeting. The Biosearch bylaws also provide that directors are elected by the shareholders at a shareholders meeting from a list of candidates put forth by individual shareholders or groups of shareholders. Italian law and the Biosearch bylaws also provide that directors may be removed at any time by the affirmative vote of a majority of the votes entitled to be cast at a duly held shareholders meeting provided that the required quorum is satisfied.

Amendments to Charter Documents

Versicor

Under Delaware law, an amendment to the certificate of incorporation of a corporation requires the approval of the board of directors and the approval of the holders of a majority of the outstanding stock entitled to vote upon the proposed amendment. The holders of the outstanding shares of a class are entitled to vote as a separate class on a proposed amendment that would:

- increase or decrease the aggregate number of authorized shares of the class;
- increase or decrease the par value of the shares of the class; or
- alter or change the powers, preferences or special rights of the shares of the class, so as to affect them adversely.

If any proposed amendment would alter or change the powers, preferences or special rights of one or more series of any class so as to affect them adversely, but would not affect the entire class, then only the shares of the series so affected by the amendment will be considered a separate class.

The Versicor certificate of incorporation provides that the affirmative vote of at least 75% of the shares then entitled to vote thereon is required to amend:

Article IX, relating to the number, election, vacancy, removal and powers of the board of directors;

Article XI, requiring the affirmative vote of the holders of not less than a majority of the outstanding voting shares in order for the corporation to consummate a merger or dispose of all or substantially all of its assets;

Article XII, relating to director liability; and

Article XIII, relating to stockholder actions.

Biosearch

Under Italian law, the articles of association of a joint stock company, such as Biosearch, may be amended at any time by the shareholders at a special shareholders meeting at which the required quorum has been achieved. The quorum required decreases with each successive attempt to call the meeting. At the first call, the attendance of at least a majority of the shares then outstanding is required; at the second call, the attendance of at least one-third of the shares then outstanding is required; and at the third call, the attendance of at least one-fifth of the shares then outstanding is required. According to the Biosearch bylaws, approval of a resolution to amend the certificate of incorporation requires the vote of at least two-thirds of the shares represented at the special shareholders meeting.

Amendments to Bylaws

Versicor

Under Delaware law, unless a corporation's certificate of incorporation provides otherwise, the stockholders entitled to vote have the power to adopt, amend or repeal the corporation's bylaws. The Versicor bylaws provide that either the board of directors or the stockholders may alter or amend the bylaws at any meeting, duly held, the notice of which includes notice of the proposed alteration or amendment. Any amendment of the bylaws by the stockholders shall require the approval of at least 75% of the shares then entitled to vote thereon.

Biosearch

Under Italian law, an amendment to Biosearch's bylaws requires shareholder approval at a special shareholders meeting at which the required quorum has been achieved (as described above). Approval of any amendment to the bylaws requires the vote of at least two-thirds of the shares represented at the special shareholders meeting.

Action by Written Consent

Versicor

As permitted under Delaware law, the Versicor certificate of incorporation provides that the stockholders of the corporation do not have the ability to take action by written consent; any action by Versicor stockholders must be taken at an annual meeting or special meeting.

Biosearch

Under Italian law, the shareholders of a joint stock company, such as Biosearch, do not have the ability to take action by written consent; any action by Biosearch shareholders must be taken at a shareholders meeting.

Notice of Stockholder Actions

Versicor

The Versicor bylaws provide that, for every meeting of Versicor stockholders, a written notice of the time, place and business to be acted upon must be mailed to each stockholder entitled to vote at the meeting not less than 10 days before the meeting, unless such notice is waived by the stockholder in writing or by the stockholder's presence at the meeting. In addition, Delaware law requires notice to be provided to each stockholder not more than 60 days before any meeting and not less than 20 days before a meeting at which the stockholders are to consider a merger.

The Versicor bylaws provide that the only matters that may be considered and acted upon at an annual meeting of stockholders are those matters brought before the meeting:

through the notice of meeting;

by the Versicor board of directors; or

by a Versicor stockholder upon proper written notice.

In order to be timely, a stockholder's notice must be delivered to the principal executive officers of Versicor not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders, unless the annual meeting has been scheduled for a date that is not within 30 days before or after such anniversary date, in which case the notice must be delivered no later than 15 days following the day on which notice of the date of the annual meeting was provided to the stockholder or disclosed publicly, whichever occurs first. A stockholder's notice must set forth as to each matter the stockholder proposes to bring before the meeting:

a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the meeting;

the name and record address of the stockholder proposing such business;

the class and number of Versicor shares that are beneficially owned by the stockholder; and

any material interest of the stockholder in such business.

Biosearch

Under Italian law, for each meeting of Biosearch shareholders, a written notice of the time, place and business to be acted upon must be published in the Official Gazette of the Italian Republic not less than thirty days before the first date scheduled for the meeting. The notice may indicate different dates on which the meeting may be validly held (i.e., the first and second calls; and for a special shareholders meeting, a third call may also be provided). In the event that the meeting cannot be validly held at the first call (because, for example, an insufficient number of shares are represented at the meeting), the meeting may be held at the second call, at the relevant date and time indicated in the notice. In the event that the meeting cannot be validly held at the second call, the meeting may be held at the third call at the relevant date and time indicated in the notice.

Special Stockholder Meetings

Versicor

As permitted under Delaware law, the Versicor bylaws provide that special meetings of stockholders may be held only upon notice given by or at the direction of the Versicor board of directors.

Biosearch

As permitted under Italian law, the Biosearch bylaws provide that special shareholders meetings may be held upon the provision of notice by or at the direction of the Biosearch board of directors and the timely publication of the notice in the Official Gazette of the Italian Republic.

Stockholder Inspection Rights; Stockholder Lists

Versicor

Under Delaware law, any stockholder, in person or by attorney or other agent, may, upon written demand given under oath and stating the purpose thereof, inspect for any proper purpose Versicor's stock ledger, a list of its stockholders and its other books and records. A proper purpose is a purpose reasonably related to such person's interest as a stockholder. A complete list of stockholders entitled to vote at any meeting of stockholders must be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least 10 days prior to the meeting. The list must also be kept at the place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. Pursuant to the Versicor bylaws, the list shall be arranged in alphabetical order and show the address and the number of shares registered in the name of each stockholder.

Biosearch

Under Italian law, any shareholder, in person or by attorney or other agent, may inspect at any time Biosearch's stock ledger and the shareholder meetings book and may request a copy of the same to be provided at the shareholder's expense.

Limitation of Personal Liability and Indemnification of Directors and Officers

Versicor

The Versicor certificate of incorporation provides that no director will be held personally liable to Versicor or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

for any breach of a director's duty of loyalty to the corporation or its stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

statutory liability for unlawful payment of dividends or unlawful stock purchase or redemption; or

for any transaction from which the director derived any improper personal benefit. The Versicor certificate of incorporation also provides that if Delaware law is amended to authorize further limitations of the liability of a director of a corporation, then the Versicor directors will be held free from liability to the fullest extent permitted by Delaware law as so amended.

The Versicor bylaws provide that any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was or has agreed to become a director, officer, employee or agent of Versicor, or by reason of any action alleged to have been taken or omitted in such capacity, will be indemnified by Versicor against costs, charges, expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding and any appeal therefrom, if the person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of Versicor, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. If the action, suit or proceeding, however, was made by or in the right of the

corporation, then no indemnification will be made in respect of any claim, issue or matter as to which such person will been adjudged to be liable for negligence or misconduct in the performance of the person's duty to the corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine that the person is fairly and reasonably entitled to indemnity.

The right to indemnification conferred by the Versicor certificate of incorporation will be deemed a contract right between Versicor and each director, officer, employee or agent of Versicor who serves or served in such capacity at any time while the indemnification provisions of the Versicor bylaws are in effect. The Versicor bylaws also provide that these indemnification provisions will not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in the person's official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the corporation, it being the policy of Versicor that indemnification of the persons specified above be made to the fullest extent permitted by applicable law.

Biosearch

Under Italian law, Biosearch is liable for damages to third parties caused by an employee of Biosearch during the performance of his duties in the course of such employment. Italian law and national collective bargaining agreements further provide that Biosearch will reimburse its executives for legal expenses incurred in the defense of such executive in any criminal legal proceeding, provided that such proceeding is related to actions taken by such executive in the performance of his duties to Biosearch, excluding cases of intentional misconduct or gross negligence.

Dividends

Versicor

Delaware law provides that Versicor may pay dividends out of its surplus or, if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. The Versicor bylaws provide that dividends may be paid on Versicor's common stock as and when declared by the Versicor board of directors out of funds legally available therefor. Delaware law also provides that dividends may not be paid out of the net profits if, after the payment of the dividend, the corporation's capital would be less than the capital represented by the issued and outstanding sock of all classes having a preference upon the distribution of assets.

Biosearch

Italian law provides that Biosearch may pay dividends out of its net profits or, if there are no net profits, out of its net profits accrued in preceding fiscal years, if any. The Biosearch bylaws provide that dividends may be paid on Biosearch's ordinary shares, out of funds legally available, as and when the distribution is approved in accordance with the applicable Italian law by the Biosearch shareholders at a shareholders' meeting duly held and properly convened. Furthermore, Italian law requires five percent of the net profits of each fiscal year be allocated as legal reserve until such reserve is equal to one-fifth the value of Biosearch's corporate capital.

Conversion

Versicor

Holders of Versicor ordinary shares have no rights to convert their shares into any other securities.

Biosearch

Holders of Biosearch ordinary shares have no right to convert their shares into any other securities.

Rights Plan

Versicor

In June 2001, the Versicor board of directors adopted the Versicor shareholder rights agreement and issued, as a dividend, one preferred stock purchase right for each outstanding share of Versicor common stock. One Versicor purchase right has also been issued with respect to each share of Versicor common stock issued since the date of that dividend. On July 30, 2002 Versicor amended the plan.

Each Versicor purchase right entitles the holder to purchase from Versicor one one-hundredth of a share of Versicor's Series A Junior Participating Preferred Stock, par value $0.01, at a price of $98.00, subject to adjustment, or, under the circumstances described below, shares of Versicor common stock or common stock of a third party. The Versicor purchase rights will be exercisable after the earlier of:

ten business days following public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of Versicor common stock, other than as a result of repurchases by Versicor or certain inadvertent actions; or

ten business days following the commencement of a tender offer or exchange offer that would result in a person or group of affiliated or associated persons beneficially owning 15% or more of the outstanding shares of Versicor common stock.

If a person or group beneficially owns 15% or more of the outstanding shares of Versicor common stock (unless such group has been approved by our board), each holder of a Versicor purchase right may receive, in lieu of shares of Series A Junior Participating Preferred Stock, upon exercise of each purchase right then held, shares of Versicor common stock with a market value equal to two times the exercise price of a Versicor purchase right, except that purchase rights owned by such acquiring person or group will be void. If, following the date that a person or group becomes the beneficial owner of 15% or more of the outstanding shares of Versicor common stock, Versicor is acquired in a merger or other business combination, each Versicor purchase right will be exercisable, in lieu of shares of Series A Participating Preferred Stock, for the number of the acquiring company's shares of common stock having a market value equal to two times the exercise price of the Versicor purchase right.

At any time prior to such time as any person or group becomes a beneficial owner of 15% or more of the outstanding shares of Versicor common stock, Versicor may (1) redeem all but not less than all of the then outstanding purchase rights at a price of $0.01 per right or (2) amend or supplement any provision of the rights agreement without the approval of any holders of purchase rights. Unless earlier redeemed or exchanged by Versicor, the purchase rights will expire on July 9, 2011.

On July 30, 2002, our board resolved that the shareholder rights agreement would be inapplicable to the execution and delivery of the merger agreement or the completion of the transactions contemplated thereby.

Biosearch

Biosearch does not have a shareholders rights plan.

Voting Rights; Required Vote for Authorization of Certain Actions

Versicor

Each holder of Versicor common stock is entitled to one vote for each share held of record.

Merger or Consolidation. Under Delaware law, mergers or consolidations or sales or exchanges of all or substantially all of a corporation's assets or a dissolution of the corporation require the affirmative vote of the board of directors (except in certain limited circumstances). In addition, the affirmative vote of a majority of the outstanding stock of the corporation entitled to vote on the matter is required, except in certain cases, where stockholder approval is not required under Delaware law but may still be required by a corporation's certificate of incorporation.

Under Delaware law, stockholder consent is not required under the following circumstances:

the merger agreement does not amend in any respect the surviving corporation's certificate of incorporation;

each share of the surviving corporation outstanding immediately prior to the merger remains an identical outstanding share of the surviving corporation after the merger; and

the surviving corporation does not issue in the merger more than 20% of its outstanding shares immediately prior to the merger.

In addition to the requirements under Delaware law regarding mergers and consolidation, the Versicor certificate of incorporation provides that the affirmative vote of holders of not less than a majority of the outstanding voting stock of Versicor shall be required for the approval or authorization of any (1) merger or consolidation of the corporation with or into any other corporation or (2) sale, lease, exchange or other disposition of all or substantially all of the assets of the corporation to or with any other corporation, person or other entity.

Business Combinations. Versicor is subject to the anti-takeover provisions in Delaware law. The anti-takeover provisions prohibit business combinations between a Delaware corporation and an interested stockholder, as described below, within three years of the time the interested stockholder became an interested stockholder unless:

before that time, the board of directors approved either the business combination or the transaction in which the interested stockholder became an interested stockholder;

upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation, excluding shares held by directors who are also officers of the corporation and by employee

stock ownership plans that do not permit employees to determine confidentially whether shares held by the plan will be tendered in a tender or exchange offer; or

on or following that time, the business combination is approved by the board of directors and the business combination transaction is approved by the holders of at least two-thirds of the outstanding voting stock of the corporation not owned by the interested stockholder.

The business combination restrictions described above do not apply if:

the corporation's original certificate of incorporation contains a provision expressly electing not to be governed by the anti-takeover provisions in Delaware law;

the holders of a majority of the voting stock of the corporation approve an amendment to its certificate of incorporation or bylaws expressly electing not to be governed by the anti-takeover provisions, which election will be effective 12 months after the amendment's adoption and would not apply to any business combination with a person who was an interested stockholder at or prior to the time the amendment was approved; or

the corporation does not have a class of voting stock that is (1) listed on a national securities exchange, (2) authorized for quotation on the Nasdaq Stock Market or (3) owned by more than 2,000 stockholders of record.

Biosearch

Each holder of Biosearch ordinary shares is entitled to one vote for each share held of record.

Merger or Consolidation. Under Italian law, mergers require the prior affirmative vote of the board of directors. In addition, an affirmative resolution adopted by shareholders at a special shareholders meeting is also required.

PROPOSAL TO AMEND VERSICOR'S 2001 STOCK OPTION PLAN

We maintain the Versicor Inc. 2001 Stock Option Plan, which we refer to as the 2001 Stock Option Plan. Our board of directors has approved, subject to stockholder approval, amendments to the 2001 Stock Option Plan that increase the number of shares for award of grants by 5,400,737 shares and increase the number of shares that may be granted under the 2001 Stock Option Plan to one person during any calendar year by 650,000 shares. These amendments, which we call the 2001 Plan Amendments," are described in more detail below. Stockholders are being asked to approve the 2001 Plan Amendments.

Versicor's Stock Option Plans

As described under " Versicor's Equity Compensation Plans" below, we currently maintain the 2001 Stock Option Plan, as well as the 1995 Stock Option Plan, 1997 Equity Incentive Plan and the Employee Stock Purchase Plan. A new plan, the 2002 Stock Option Plan, will be effective only if the proposed merger with Biosearch is completed and may be used to grant replacement options in connection with that merger.

Biosearch's Stock Option Plan

Biosearch currently maintains, and is authorized to grant stock options and other awards under, the Biosearch Stock Option Plan, which we refer to as the "Biosearch Plan." The Biosearch Plan provides that up to 250,000 ordinary shares in Biosearch may be issued or delivered pursuant to awards granted under that plan. As of August 19, 2002, all of the ordinary shares authorized under the Biosearch Plan were subject to awards then outstanding under that plan.

Effect of the Merger

The merger agreement