

Press Release

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Phenex AG widens customer base, maintains profitability and recruits further laboratory staff

The Nuclear Receptor Research Company strengthens its service business while heading for a funding round to invest into its proprietary drug discovery projects

Heidelberg, July 28th, 2005

Phenex Pharmaceuticals AG, based in Heidelberg, Germany, announced today that the company has generated additional business by acquiring a list of new customers worldwide. Moreover, the company maintains its profitability that Phenex has kept from its first business year 2003 throughout 2004 and the first half of 2005. For the second half of 2005, further revenue increases are envisaged, based on a series of research collaborations that have already been signed or are close to signature. Moreover, the company is currently finalizing its first external funding round which will lead to a substantial equity increase. This investment is dedicated to accelerate Phenex' proprietary drug discovery programs which will allow the company to grow further on a mid to long term basis. With these funds, Phenex will also hire additional scientists and technicians to staff its growth plans.

„We are very pleased with our financial results from 2003 until now,” states Thomas Hoffmann, Chief Financial Officer of Phenex. “Since we signed the first collaboration deal with F. Hoffmann-La Roche in June 2003, we could expand our customer base to currently nine major pharma and five biotech companies worldwide. What makes us really proud is that 90% of our revenues came from customers outside of Germany and out of that more than 50% from non-European customers. This shows that the speciality services and assays that we offer are really competitive on a worldwide scale.”

Claus Kremoser, CEO of Phenex, complements: „ The fact that we could market our Nuclear Receptor assays and services to customers throughout the world as a profitable business is

the result of hard work in our labs and with our customers. We continue to set ourselves ambitious goals in expanding our services business by broadening our assay services and offering portfolio. Parallel to this, the second stage of Phenex' growth strategy will see us investing into our own proprietary drug discovery projects. We aim at developing new highly demanded medicines for severe diseases such as inflammatory gastrointestinal disorders or antiestrogen-resistant breast cancer. Our goal there is to have at least one project ready to enter into clinical trials within two years from now. Meanwhile, we have already recruited further laboratory staff and will continue to do so over the next three to six months."

Thomas Hoffmann adds: "In order to be able to do so, we are currently finalizing our first financing round with external equity investors. Together with a substantial grant package that we could attract, we can continue to walk our two-armed business model and that is to expand our service revenues on a profitable basis and invest into drug discovery and development in the long term."

About Phenex Pharmaceuticals AG:

Phenex Pharmaceuticals AG was founded by six former senior scientists and executives with profound experience in science and business in the biotech and pharmaceutical industry together with Prof. Dr. Günther Schütz from the German Cancer Research Center (DKFZ) in Heidelberg. The company focusses on the identification and analysis of novel selective drug candidates that target Nuclear Receptors using its *SNuRM* technology (= **S**elective **N**uclear **R**eceptor **M**odulators = SNuRMs). Currently, Phenex is solely owned and financed by its founders and generates revenues through research collaborations with international partners from the pharmaceutical and biotech industries.

Phenex pursues its own discovery programs in the field of LXR, FXR and Estrogen-related receptors (ERRs) with a dual focus on metabolic diseases and niche indication diseases such as cholestasis. Phenex' aims at developing its own *SNuRM* - type drug candidates for diseases with small patient numbers and high medical needs in the long term and, at the same time, intends to outlicense drug candidates for major metabolic indications to the pharmaceutical and biotech industry for further development.

About Phenex' *SNuRM* technology:

The *SNuRM* -Technology combines automated protein interaction analysis with Nuclear Receptor specific gene expression analysis. Nuclear Receptors are generally known as excellent drug targets. With some Nuclear Receptors the striking phenomenon can be observed that the same ligand at the same receptor can be stimulatory as well as inhibitory, depending on the chemical nature of the ligand and the tissue environment. Classical Nuclear Receptor targeted drugs tend to yield a good efficacy for their main indication at the cost of

potentially severe adverse effects (e.g. estradiol for hormone replacement therapy or cortisol as an antiinflammatory glucocorticoid). Phenex' *SNuRM* –Technology analyses the molecular effects of different compounds at the targeted Nuclear Receptor and thereby contributes important information to the design of novel selective drugs with much less adverse effects.

Visit our new webpage under:

<http://www.phenex-pharma.com/>