



## **Global Life Science Ventures: 2004 highlights**

Dear Sirs,

The start of a new year is the ideal opportunity to take a look back at some of the defining events that took place over the past 12 months and to take a fresh look at some of the developments on the horizon. Before we proceed, we would like to thank you, on behalf of the entire team of Global Life Science Ventures (GLSV), for your continued interest in and support of our activities. We have now invested and earmarked approximately two-thirds of our second fund in a host of promising companies active across the life science industry. For the industry as a whole, the financial and business market environments remain in a state of caution despite some clear-cut improvements in 2004. For GLSV, 2004 was a very dynamic year with further progress and some changes, including several achievements that we would like to share with you here.

### **New investments**

In 2004, we made four new investments in companies in France, The Netherlands, Switzerland and the United States. In February, we were the lead investor in **NeurogesX, Inc.** (series C private placement), a privately held specialty pharmaceutical company focused on the development of treatments for the improved relief of neuropathic pain. This type of pain arises when abnormal signalling occurs in select nerve fibres in the body. HIV/AIDS, shingles, diabetes as well as other conditions are associated with chronic pain of this type for which there is no effective treatment. NeurogesX has an advanced-stage product candidate with positive phase II results that has the potential to meet significant unmet medical needs for chronic pain in the years ahead.

One month later, we invested into **CareX SA** (series B private placement), a privately held early stage biopharmaceutical company focused on developing new treatments for metabolic diseases. CareX is building a substantial pipeline of therapeutics that target nuclear receptors involved in metabolic diseases like diabetes and dyslipidemia (elevated lipid levels in the blood) which can lead to cardiovascular disease. Diseases of this type pose some of the most pressing public health problems in countries throughout the globe.



Our third new investment of the year was made into pharmacogenomics company **Agendia BV**, an enterprise founded in 2003 by leading scientists at the Netherlands Cancer Institute. Agendia has developed a microarray diagnostic kit that predicts which patients with primary breast cancer are at risk of developing metastasis. This is an important step since it allows physicians to identify those patients that are more likely to benefit from chemotherapy thus reducing the amount of unnecessary adjuvant chemotherapy. The first diagnostic kits that Agendia has started to offer are already being sold to the private market.

Our new investments in 2004 were concluded by a series A investment into **Nitec Pharma AG** in October. Nitec, recently established in Switzerland as a spin-out of Merck KGaA, has a novel formulation of a chronic pain-relieving drug in advanced development. This "chronodrug" should be suitable for oral use via an innovative timed-release drug delivery system. The therapeutic principle being developed by Nitec should meet a large unmet medical need as well as offer a significantly improved benefit-risk profile.

The four new investments in 2004 met our established criteria for achieving a balanced portfolio across different therapeutic areas as well as stage of product development and geography. Each of these companies not only offers innovative science and technologies but also what we consider to be the essential ingredients for long-term, sustainable growth. The investments were made in significant markets with considerable upside market potential.

### **Initial public offerings**

Some of the key highlights in 2004 were the public listing of two of our portfolio companies. **Memory Pharmaceuticals, Inc.**, a GLS I-funded company, went public on the NASDAQ on April 5 (NASDAQ: MEMY) and **Cyberkinetics Neurotechnology Systems, Inc.** was listed on the OTC market in the US on October 5 (OTC BB: CYKN). Memory is a neuropharmaceutical drug development company active in the field of learning and memory disorders. The company was recently selected by the World Economic Forum as one of its Technology Pioneers for 2005.



Cyberkinetics is the first company to exit from our second fund, GLSV II, only 2 years after the closing of this fund. Cyberkinetics develops direct brain-computer interfaces (neural interface systems). The company's first system, BrainGate™, is currently undergoing pilot clinical trials and has the potential to translate thoughts into movement. Cyberkinetics was selected as a member of FierceBiotech's annual "The Fierce 15," a list of the top emerging biotech and life sciences companies of 2004. The progress of BrainGate™ has attracted much media interest (see for example *Brain chip offers hope for paralyzed*, CNN News, October 21, Simon Hooper<sup>1</sup>). This is certainly due to the potentially dramatic benefits this approach may offer to people suffering from disabilities arising from motor impairment in the years ahead.

On December 13, **CombinatoRx Inc.**, filed a registration statement with the Securities and Exchange Commission in the US relating to the proposed initial public offering of its common stock. Most recently, on February 14, 2005, **Intercell AG**, a developer of next generation vaccines for the prevention and treatment of major infectious diseases, announced its intention to list on the Vienna Stock Exchange. In the GLSV portfolio, additional companies are making substantial progress and may be looking towards public listings in the year ahead. To date, eight companies have exited by IPO or M&A, either financed through GLS I (seven) or GLSV II (one).

### **Portfolio developments**

In May, **Develogen AG** and **Peptor Ltd.** shareholders approved the merger of their two companies. In parallel with the approval of the merger, a third round of financing of 19 Million Euro was also closed. GLSV participated in this financing round through a further investment from its first fund (GLS I). Over the years, both companies have developed distinctive, complementary approaches to the treatment of diabetes. The successful merger has created an integrated biopharmaceutical company with the potential to treat metabolic diseases such as diabetes and obesity.

Another key event took place in August. A syndicate of investors led by GLSV succeeded in securing the assets of **Munich Biotech AG** by forming a new company which was merged into the publicly listed German-US biotechnology company **Medigene AG**. Munich Biotech had been financed by GLSV's first fund (GLS I). Under the wings of

<sup>1</sup> [www.cnn.com/2004/TECH/10/20/explorers.braingate](http://www.cnn.com/2004/TECH/10/20/explorers.braingate)



Medigene's experienced management and clinical development team, the transaction should allow further advancement of those promising products that were in clinical testing in Munich Biotech's pipeline. Since the merger, the shares have more than doubled in value.

In September, Prof Arne Skerra, Dr Martin Pöhlchen, and Dr Steffen Schlehuber of **Pieris Proteolab AG** had the honour of being nominated by the German Federal President for the German Future Prize (Deutscher Zukunftspreis). In the same month, **Cytos Biotechnology AG** was awarded third position for the European BioTechnica Award 2004 for excellence in biotechnology business. Cytos has built a strong pipeline of Immunodrugs<sup>TM</sup> for the treatment and prevention of chronic diseases. Five Immunodrug candidates are currently in different stages of clinical development, two of which are expected to complete phase II trials in 2005. Other notable highlights in 2004 included an innovation award for **Coley Pharmaceuticals, Inc.** that was received at the Future Congress 2004 held in Bonn, Germany, on November 19. The award highlighted the company's success in innovative product development for the treatment of a range of diseases spanning different forms of cancer, infectious disease, asthma and allergy. Two months earlier, the company raised USD 25 million in a successful follow-on financing round.

### **Changes to the team**

2004 witnessed several changes to the investment team of Global Life Science Ventures. In June, Dr. Bert S.J. van Toor was appointed as Investment Manager in the company's Zug office. Bert has over 10 years of experience in senior level positions in the drug discovery and development industry. His past work experience in a range of therapeutic areas has included global responsibilities in pharmaceutical development at leading big pharma companies including Boehringer Ingelheim and Bayer AG.

In October, Dr. Holger Reithinger joined the GLSV investment team as Principal operating from the Munich office. Dr. Reithinger comes to GLSV from the 3i Group where he was a Director at 3i Germany's healthcare practice in the Munich office. We have known Holger for many years and he has considerable experience in the venture capital industry. Holger will provide senior level management and guidance for GLSV's growing portfolio of life science companies. Both Holger and Bert share the industry-wide experience that is



at the heart of GLSV's investment philosophy. They will play a major role at GLSV as they develop into Partners to support the activities of our third fund.

In October, Dr Klaus Breiner and Dr Juerg Eckhardt both left to take up new positions in Switzerland. Klaus and Juerg were approached to manage a new investment fund that will focus on later stage companies. They felt that the opportunity was too good to miss. It was a pleasure working with them and we wish them all the best in their new positions.

In December, Philip Morgan decided, for personal reasons, to step down as a Partner of Global Life Science Ventures. Philip will continue to work with Global Life Science Ventures as a Venture Partner devoting around 50% of his time to the management of our portfolio. His insight on the medical device and pharmaceutical sectors will continue to make a major contribution to our future activities. In addition to his support from the United Kingdom, the GLSV team now comprises three Partners, two Principals, one financial Controller, as well as support staff.

## **Market trends**

The life science sector continues to be a challenging environment for investors and, as always, it is necessary to be highly selective when choosing the best projects to finance.

In many ways, 2004 was best described as a transition year for the life science industry. The global financial market environment in 2004 was certainly improved compared with the previous 12 months. However, the overall sentiment of many investors remains distinctly cautious.

In Europe, there were three notable initial public offerings in 2004 (Ark Therapeutics, Basilea and Epigenomics). Worldwide, 50 IPO financings raised approximately USD 2.5 billion at time of issue for the biotechnology industry in 2004 (Biocentury; compare 2003: approx. USD 0.5 billion for 11 offerings). The need for venture capital funding of early stage, private companies is as large as ever.

We firmly believe that the life sciences have the track record and potential to be the engine of growth of the healthcare industry in the coming years. In 2004, worldwide sales of biotechnology products approached USD 37 billion (*IMS*, January 2005) and biotechnology products now account for 26% of the total active pipeline in the industry.



In contrast, the number of new active substances from the pharmaceutical industry reaching the market after FDA approval in 2004 was at its lowest in 20 years (20 by September 2004, *IMS*). Recent estimates put the sales growth of biotechnology products in 2004 at 25-30% per annum which is more than double the growth in sales of conventional pharmaceuticals (Barbara Wall, *International Herald Tribune*, September 2004), which rest at 9.2% (*IMS*, January 2005) .

The message is clear: the pharmaceutical industry needs innovative biotechnology companies to stave off the declining productivity of drug discovery and development pipelines. As a result, big pharma is showing more interest in acquiring products through different forms of collaborations or relationships with its biotechnology industry counterparts. Licensing deals, acquisitions as well as mergers are all on the table as options. One example is the recent acquisition of Angiosyn by Pfizer for USD 527 million (January, 2005). This diversity of options is a strong incentive for those looking to provide venture capital backing to early stage companies.

Through our investments to date, we believe that we are well on track with reaching our objectives across the pharmaceutical, biotechnology and medical technology industries. As we move ahead, we will continue to build on the strategy that has delivered benefits to our portfolio. We have established close relationships with the academic and business communities worldwide. Our strong network of contacts and Expert Group make a major contribution to our efforts and we have been able to significantly strengthen the reach and balance of our team over the past few years. The strength of our investments as well as our efforts to communicate what we have to offer have resulted in Global Life Science Ventures achieving the status of a recognizable "brandname" in the life science industry.

Our track record of investments, the money already invested from GLSV II, and the current market conditions allow us to look with confidence towards raising a third fund soon. The closing of our third fund will allow us to make further high quality investments, expand our diversified portfolio and build upon the many significant achievements to date.



We would like to take this opportunity to thank you again for your interest in Global Life Science Ventures and would be pleased to speak with you should you have any questions.

With best regards

Dr. Hans A. Küpper, Dr. Peter Reinisch, Hanns-Peter Wiese  
The partners of Global Life Science Ventures

Philip W. Morgan  
Venture Partner

Dr. Holger Reithinger, Dr. Bert van Toor

Principals

**For further information, please do not hesitate to contact any of the Partners:**

The Global Life Science Ventures GmbH  
Von-der-Tann-Strasse 3  
D - 80539 München  
Tel: +49 (0)89 288 151-0  
Fax: +49 (0)89 288 151 30 or 20  
[mailbox@glsv-vc.com](mailto:mailbox@glsv-vc.com)  
[www.glsv-vc.com](http://www.glsv-vc.com)

GLSV AG  
Postplatz 1, P.O. 626  
CH – 6301 Zug  
Tel. +41 (0)41 727 19 40  
Fax +41 (0)41 727 19 45

Global Life Science Ventures is a leading venture capital group dedicated to investing in the life sciences. It focuses primarily on early-stage companies and currently manages funds totalling more than EUR 200 million.

Global Life Science Ventures

Industry-born team — Proven track record — Global Perspective

## 2004 activity summary

### New investments in 2004

Company	Country	Round	Sector	Date
NeurogesX, Inc.	United States	Series C	Neuroscience-based therapeutics for pain relief	February 24, 04
Carex SA	France	Series B	nuclear receptor modulators for metabolic diseases	March 8, 04
Agendia BV	Netherlands	Series A	Cancer diagnostics	March 30, 04
Nitec AG	Switzerland	Series A	Drugs to treat chronic inflammatory disease	October 4, 04

### IPOs in 2004

Company	Country	Sector	Date
Memory Pharmaceuticals	USA	Learning and memory disorders	April 5, 04
Cyberkinetics Neurotechnology Systems	USA	Brain-computer interfaces to overcome motor disabilities	October 5, 04

### M&A activity in 2004

Company	Country	Sector	Date
Develogen AG and Peptor Ltd.	Germany-Israel	Metabolic diseases (diabetes, cancer)	May 17, 04
Munich Biotech AG and Medigene AG	Germany-Germany	Anti-angiogenesis therapeutics (cancer)	August 13, 04

### Follow-on financings in 2004

Company	Country	Sector	Round	Date
CombinatoRx	USA	New medicines from synergistic combinations of approved drugs	Series C	March 10, 04
Develogen/Peptor	Germany/Israel	Metabolic diseases (diabetes, cancer)	Merger/ Series C	May 17, 04
Munich Biotech AG/Medigene AG	Germany	Anti-angiogenesis therapeutics (cancer)	Merger	August 13, 04
Xantos Biomedicine AG	Germany	Functional biology and drug discovery	Series C	September 13, 04
Coley Pharmaceuticals	USA	Drugs directing the immune system to treat chronic disease	Series G	September 29, 04
Cyberkinetics	USA	Brain-computer interfaces to overcome motor disabilities	PIPE	November 4, 04

