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## **GRAFFINITY PHARMACEUTICALS COMPLETES EURO 15 MILLION SERIES C ROUND OF FINANCING**

Heidelberg, Germany - February 20, 2004 - Graffinity Pharmaceuticals AG today announced the completion of a Euro 15 million Series C Round of fundraising led by Merlin Biosciences and subscribed to by all other existing institutional investors, including 3i, Oxford Bioscience Partners, GIMV, Heidelberg Innovation, Dow Chemical Company, and TechnoStart. Joining the syndicate in this round was Carnegie Asset Management.

The funds raised in this round will be used to finance the development of the in-house drug discovery programs, support the technology platform, and reinforce the active pursuit of corporate development opportunities.

"Graffinity continues to mature at a rapid and consistent pace," said Mark Clement, Chairman of Graffinity and Chief Executive of Merlin Biosciences. "The Company is now at a critical transition point where the main components of their business model have been put into practice. Graffinity has been very successful in the development of drug discovery partnerships that open the door to recurring revenue. Moreover, the technology access program has been well received, resulting in agreements with major pharmaceutical and biotechnological companies. Lastly, and by no means least, we have every confidence that the in-house drug discovery programs will ultimately prove to be a significant generator of value."

With the completion of this round, the Company has raised more than Euro 50 million since its inception.

"We are very proud that Graffinity -- a prominent German drug discovery company -- has attracted the repeated loyalty of their international shareholder group, and has earned the confidence of Carnegie Asset Management, our newest investor," said Dr. Klaus Schollmeier, Chief Executive Officer of Graffinity Pharmaceuticals. "Our previous round of financing was used to propel our fragment based drug discovery process to a superior level of performance and commercial viability and to start in-house drug discovery programs in the field of thrombosis and diabetes. In addition to our in-house programs, we are excited about our successful key partnerships with leading biotechnology and pharmaceutical companies such as Genentech, Serono, and Eli Lilly.

"Over the last year, we have diligently planted the seeds for success that Graffinity is now in a position to harvest," continued Dr. Schollmeier. "Within the next two years, we will continue to capitalize on the opportunities provided by the progression of our drug development partnerships, and advance a first compound from our in-house programs into the clinic. We have successfully made the transition from a technology-driven company to a product-driven company. As we move forward in pursuit of our mission, we are extremely honored to have such an esteemed group of investors backing the growth of Graffinity."

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Graffinity Pharmaceuticals is a leading company for the discovery, optimization, and early development of small molecule pharmaceuticals. Graffinity is working to establish high-profile development collaborations, while building its own pipeline of product candidates. The first products, orally available thrombin and DPP4 inhibitors, have reached advanced pre-clinical stage. Graffinity has recently established collaborations with pharmaceutical and biotechnological partners including Genentech, Serono, Pfizer and Eli Lilly, and technology access programs with major pharmaceutical and biotechnological companies. For more information, please visit [www.graffinity.com](http://www.graffinity.com)

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