



Newsletter

KEY INFORMATION:

Founded: 1993, incorp. ("AG"): 1999

Key Partner: Johnson & Johnson

Personnel: ~ 40

Ownership: private

Investors:

3i Group, HealthCap, Gilde Investments, LSP, MPM Capital, Quest, TechnoStart, VCM, tbg

Management Board:

Prof. Dr. Gregor Cevc, CEO

Dr. Matthias Rother, Head of R&D

Chairman of the Supervisory Board:

Dr. G.J. Blaker (ex Glaxo-Wellcome)

Introduction

Over the past six months IDEA progressed significantly in product development, having initiated two late stage clinical studies, and in strengthening its capital and shareholder base, through the successful closing of its Series D financing round. IDEA thus currently has 500 subjects in clinical trials and expects to nearly treble this number by years end—all paid from its own budget. The Company, moreover, was quite active in business development, in consulting with several (inter)national regulatory agencies, and also continued expanding its technological basis. In addition to this, new people were hired at different levels and some new members joined the Supervisory Board, who will all help the Company team to deliver according to the plan and shareholders expectations.

Management, Supervisory Board and the entire team all share the enthusiastic judgement about the advancements IDEA has made in pursuit of its de-risked, product oriented and cost-optimised business model. This explains the unusually high interest from dedicated international healthcare investors in the Series D round.

SUCCESSFUL CLOSING OF SERIES D FINANCING ROUND

Finance Update

The Series D financing round, split into 2 tranches, was several times oversubscribed. IDEA achieved an attractive valuation based on the excellent progress the Company has made during the recent years, particularly in product development. IDEA has chosen Life Sciences Partners (LSP) from The Netherlands as the lead investor. Further contributions came from the other new investors HealthCap, Gilde Investments (The Netherlands) and Quest for Growth (Belgium). From the existing institutional shareholders, 3i Group and MPM Capital also participated in the Series D issue. As a result, and to reflect the increased importance of IDEA in individual portfolios, the Company's Supervisory Board was newly constituted:

NEW SUPERVISORY BOARD ELECTED

IDEA's Supervisory Board after the Series D financing round:

- Dr. G. Joe Blaker (ex Glaxo-Wellcome), Chair
- Dr. David Haselkorn (ex Clal Industries and Investments Ltd)
- Mr. Andreas Kochhäuser (Director, 3i Deutschland)
- Mr. Michael Mayer (Managing Director of TechnoStart Ventures)
- Dr. Joachim Rothe (Partner, Life Sciences Partners), Vice-Chair
- Dr. Steven St. Peter (Partner, MPM Capital Boston)

PRODUCT PORTFOLIO TABLE

Product candidate	Indication	Development stage
IDEA-033 / EU	Osteoarthritis; peripheral pain	Phase III
IDEA-033 / US	Osteoarthritis	Phase II
IDEA-070	Skin pain & inflammation; (sun)burn	Phase II
IDEA-068 / 072	CS dermatosis; psoriasis	PC/Ph I efficacy
IDEA-067	Onychomycosis	Preclinical
IDEA-077	Neuropatic pain	Research
IDEA-073	IFN alpha sensitive dermal diseases	Research

In addition to the independent chairman, Dr. David Haselkorn was elected into the new Supervisory Board. He brings to IDEA ample industrial experiences from his most successful career in the Israeli biotech industry and sciences, as CSO at the Eisenberg Group, COO at BTG, and finally, as CEO of Clal Biotechnology Industries. David commented: "With the successful financing round closure, the Company is now even better positioned to continue its transformation from an originally drug-delivery business into an emerging specialty pharma company with two clear focal points".

**PHASE II STUDY WITH IDEA-070
STARTED***Product Development*

In February 2005 IDEA started a double-blind, placebo-controlled, Phase II study with IDEA-070. A previous IDEA-070 clinical study had already shown good efficacy of this product in an UVB-induced skin inflammation and hyperalgesia model. The new study will test the safety and efficacy of the IDEA-070 for the treatment of various naturally occurring inflammatory skin diseases, such as atopic eczema, plaque type psoriasis, seborrheic eczema, and acne vulgaris. A total of 240 patients will be enrolled at six centres in Germany for a three week treatment period. The coordinating study investigator is Prof. Dr. Luger of the University of Münster, Germany. The first results are expected for the fourth quarter of 2005.

**ENROLMENT IDEA-033 OPEN LABEL
STUDY COMPLETED ON PLAN**

As reported in Autumn 2004 Newsletter, IDEA then started a Phase III open label safety and efficacy study with its lead product IDEA-033 under the ICH guidelines for chronic therapeutic use. Enrolment of the planned 400 patients for the study was completed in March, 2005, which is on target. To date, no product-related serious adverse side effects were reported. This is encouraging as, prior to the start of the study, IDEA-033 has already shown excellent efficacy compared to placebo and to an oral comparator. This success triggered a significant milestone payment to IDEA.

**PHASE III DOSE RANGING STUDY IN
EUROPE COMMENCED**

In May 2005, IDEA initiated an European Phase III study, which will test the efficacy and safety of three topically-applied dosages of IDEA-033. The randomised, double-blind, parallel-group, placebo-controlled, study will be conducted under the guidance of Prof. Dr. Stucki (Ludwig Maximilian University, Munich, Germany), who is one of the premier European experts in the field. Dr. Stucki will be the coordinating study investigator and will oversee the trial in about 50 centres in Croatia, France, Germany, Poland, Serbia and the UK. The study is currently expected to involve around 800 subjects with osteoarthritis (OA) of at least one knee, and has the design meeting both the EU and US regulatory recommendations.

**COXIB PROBLEMS SEEN AS POSITIVE
NEWS FOR THE COMMERCIALISATION
OF IDEA-033**

After the recent turmoil in the COX-2 inhibitor markets, the FDA mandated a black-box warning on all oral NSAIDs. Furthermore the *British Medical Journal* (BMJ 2005;330:1342-1343) suggested that actually all traditional NSAIDs and COX-2 inhibitors NSAIDs bear a cardiovascular risk as well when used for a long term. All these changes in clinical practice and perception are expected to improve the market situation for IDEA-033, the first truly effective, topical analgesic, which creates high local and extraordinary low systemic drug concentration.



IDEA'S VISION – LEADER IN TARGETED THERAPEUTICS FOCUSING ON PAIN AND DERMATOLOGY

Corporate Development

IDEA's vision is to become a leader in targeted therapeutics with focus on dermatology and innovative pain treatments, based on non-invasive delivery of established agents with self-optimising carriers for better therapy of human diseases. Dr. Joachim Rothe, Partner with Life Sciences Partners (LSP), the lead investor of the Series D financing round and new Vice-Chairman of IDEA's Supervisory Board, correspondingly stated: "We are pleased to contribute to the further growth of IDEA AG. Its lead pain product IDEA-033 is well advanced and could hit the market as soon as 2007. The dermatology opportunity might add an upside potential for longer term value creation."

NEW FACILITIES AND HIRES WITH FOCUS ON CLINICAL AND COMMERCIAL EXPERTISE

As a consequence of our recent corporate progress, the Company rented additional office space in its current building, which will accommodate the expanded clinical group, and provide extra space for rapidly growing clinical archives. IDEA continues to hire additional people for several departments, and has started searching a Commercial Director, who shall pave the ground for future product launches.

RECENT PUBLICATIONS

Science and Technology

The publication entitled "Cholate effect on solubilisation and permeability of simple and protein loaded phosphatidylcholine / sodium cholate mixed aggregates designed to mediate macromolecules transdermal delivery" (Eur. J. Pharm. Biopharm. 58:509-19, 2004) was published in a collaborative effort between the group of researchers at INETI (Lisbon, Portugal) and IDEA AG. It describes the properties of mixed amphipat aggregates, some of which loaded with Cu,Zn-Superoxide dismutase, designed to deliver the protein non-invasively across the skin.

Additional research papers, partly done in a loose collaboration with IDEA's scientists and, partly independently by third parties, were published in the last half year. This deals with macromolecular association, and delivery by means of complex (deformable) vesicles.

FURTHER AND NEW PATENTS GRANTED

Intellectual Property

Springtime also brought several new patent issues to the Company. Some were additional national grants of the patents that have been already issued earlier elsewhere, but there was also a totally new patent approval in the South Korea of the patent entitled "Method for developing, testing and using associates of macromolecules", which describes how proteins and other large molecules are best bound to a hydrophilic, fluctuating surface of nearly any kind.

GROWING EXPOSURE IN (INTER)NATIONAL PRESS

Public Relations

During the past six months IDEA issued two press releases, both related to IDEA-070 and IDEA-033, respectively. Especially the announcement about the initiation of the IDEA-033 phase III study, being one of the largest clinical study ever executed by a German biotech firm, gained significant press attention including *BioCentury*, *Scrip Magazine* and the largest quality German newspaper, *Süddeutsche Zeitung*.



IDEA MEMBER OF BRUSSELS-BASED EBE ASSOCIATION

In May, IDEA became a member of prestigious EBE (Emerging Biopharmaceutical Enterprises) association. EBE is based in Brussels representing the needs and interests of European biopharmaceutical companies. EBE has currently 59 members across Europe.

UPCOMING EVENTS: IDEA'S CONFERENCE CALENDAR

Conference Calendar

IDEA plans to attend the forthcoming conferences:

- Biopharmaceutical Conference, Lisbon, Portugal (June 15-17th 2005)
- BIO Annual International Convention, Philadelphia, USA (June 19-22nd, 2005)
- 5. Symposium Rheumatology, Weimar, Germany (Aug. 27-28th, 2005)
- German Society of Laboratory Animal Science (GV-SOLAS), Berlin, Germany (Sept. 11-14th, 2005)
- BioPartnering Europe, London, UK (Oct. 9-11th, 2005)
- European Academy of Dermatology & Venereology Conference, London, UK (Oct. 10-16th, 2005)
- BioEurope 2005, Dresden, Germany (Nov. 7-9th, 2005)
- Annual Scientific Meeting of the American College of Rheumatology (ACR), San Diego, USA (Nov. 12-17th, 2005)

FOR FURTHER INFORMATION PLEASE CONTACT:

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