

DeveloGen receives JDRF Grant for Beta-Cell Regeneration Program

Goettingen, Germany - January 31, 2006: DeveloGen, a biopharmaceutical company engaged in the discovery and development of novel therapeutic drugs for the treatment of metabolic disorders, today announced the award of a grant from the Juvenile Diabetes Research Foundation (JDRF) to support development of beta-cell regeneration drugs.

The JDRF will support DeveloGen's beta-cell regeneration programs through a grant entitled "Discovery and Development of Beta-cell Regeneration Drugs for Type 1 Diabetes" with the goal to advance current drug candidates into clinical trials. Dr. Cord Dohrmann, Chief Scientific Officer of DeveloGen said: "DeveloGen is proud to receive funding from the JDRF, the world's leading charitable research foundation for type 1 diabetes and its complications. The grant will boost DeveloGen's efforts in this highly promising field of research which is capable of delivering life-changing therapeutics to diabetic patients in the future."

"JDRF is delighted to be supporting the research at DeveloGen," said Dr. Richard Insel, Executive Vice President of Research at the JDRF. "DeveloGen's focus on developing drugs that activate regeneration of beta-cells is consistent with JDRF's strategy to cure type 1 diabetes."

DeveloGen has a two-pronged approach for the development of beta-cell regeneration drugs: (i) The development of small molecule chemicals activating Pax4, a key regulatory gene for beta-cell formation and (ii) the identification and development of secreted factors involved in embryonic beta-cell formation. The goal of both approaches is to stimulate and support regenerative processes in the body, which control the development of insulin-producing beta-cells. Such regenerative therapies do not merely address symptoms but are viewed as disease-modifying treatments that are expected to reverse disease progression in type 1 as well as type 2 diabetic patients. Combined with immunomodulatory approaches, beta-cell regeneration therapeutics are considered a potential cure for type 1 diabetes.

Beta-Cell Regeneration Program

Accumulating scientific evidence in humans indicates that new beta-cells are continuously generated in response to changing insulin demands of the body. DeveloGen is identifying and using mechanisms involved in the dynamic regulation of beta-cell mass to develop drugs that stimulate regeneration of beta-cells in diabetic patients. DeveloGen's small molecule project aims to activate the Pax4

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pathway, which has been closely linked to proliferation and survival of beta-cells in human islets. DeveloGen successfully identified and validated proof-of-concept compounds that activate Pax4 expression in beta-cells and thereby increase proliferation and resistance to beta-cell death. In a second approach, DeveloGen has identified novel secreted factors from early embryonic stages of pancreas development that have the ability to stimulate beta-cell differentiation and/or proliferation. In-vivo administration of these factors leads to an increase in beta-cell mass and improved glycemic control. Further development of these drug candidates will provide alternative therapies to current treatment options including islet cell transplantation but also insulin therapy. In addition, already identified drug candidates may be effective tools for the expansion and functional preservation of islets to be used in transplantation procedures as well as the generation of transplantable beta-cells from stem cells.

About Type 1 Diabetes

Type 1 diabetes is caused by an autoimmune-mediated attack on the pancreas that ultimately destroys the insulin producing beta-cells. This condition generally occurs in children and young adults who, in absence of a cure, require life-long insulin replacement therapy. Life-long insulin injections in combination with blood glucose monitoring multiple times a day present serious life style and physiological challenges associated with a reduced quality of life. Furthermore, insulin treatment does not address the underlying disease process and often leads to sub-optimal control of blood glucose levels associated with debilitating acute and long-term complications. In 2001, approximately 8-10 million people suffered from type 1 diabetes worldwide accounting for roughly 5% of all diagnosed cases of diabetes.

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Juvenile Diabetes Research Foundation

JDRF (www.jdrf.org) was founded in 1970 by the parents of children with juvenile diabetes - a disease that strikes children suddenly, makes them insulin dependent for life, and carries the constant threat of devastating complications. Since inception, JDRF has provided more than US\$ 900 million to diabetes research worldwide. More than 80 percent of JDRF' expenditures directly support research and education about research. JDRF's mission is constant: to find a cure for diabetes and its complications through the support of research.

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DeveloGen

DeveloGen is a biopharmaceutical company engaged in the discovery and development of novel therapeutic drugs for the treatment of metabolic disorders, such as type 1 and type 2 diabetes as well as diabetic complications. DeveloGen has a broad and innovative pipeline with its most advanced drug candidate, DiaPep277®, currently being evaluated in Europe in a phase III clinical trial for type 1 diabetes in newly diagnosed adult patients. Further Diapep277 is being explored in phase II clinical trials and a phase IIb/III clinical trial for Latent Autoimmune Diabetes in Adults (LADA) patients. In its beta-cell regeneration program for type 1 and type 2 diabetes, the company is pursuing a series of lead structures, such as secreted factors and small molecule Pax4 inhibitors, aimed at regenerating the body's own beta-cells. Somatoprim, a therapeutic drug candidate for the potential treatment of diabetic complications, is in pre-clinical development. Moreover, as part of its efforts to discover novel treatments for type 2 diabetes and obesity, DeveloGen has identified a number of broadly validated novel targets and is pursuing further development of lead structures for several of these targets. DeveloGen is headquartered in Goettingen, with additional sites in Rehovot, Israel, and Erkrath, Germany. For more information on DeveloGen, please visit our website at www.develogen.com.