

Hydra Biosciences Raises \$18.875 Million in Series B Financing

Nick Colangelo of Lilly BioVentures appointed to Hydra's Board of Directors

CAMBRIDGE, MA — January 12, 2004 — Hydra Biosciences, Inc., a biopharmaceuticals company pioneering the discovery of molecular regeneration medicines, today announced that the Company has successfully completed a Series B financing, raising \$18.875 million. The financing was led by Lilly BioVentures, a biotechnology venture fund investing in leading-edge technology companies. Nick Colangelo, a Managing Director of Lilly BioVentures, has joined Hydra's Board of Directors. BioVentures Investors of Cambridge, MA, a new investor, and existing investors Polaris Ventures, Abingworth, New Enterprise Associates, Advanced Technology Ventures, Abbott Laboratories and Boston Medical Investors also participated in the financing. Funds will be used to advance the development of Hydra's molecular regeneration medicines, novel cardiovascular therapies, and drugs targeting novel ion channels.

"A financing round of this size in the current financing environment is an extremely important endorsement of Hydra's mission, people and prospects," stated Mr. Matthew Gantz, President and Chief Executive Officer, Hydra Biosciences, Inc. "We are very pleased to have attracted two outstanding new investors and to have broad support from our strong syndicate of existing investors."

Hydra is pioneering the exciting new field of regeneration biology with molecular medicines that have the potential to revolutionize the treatment of many diseases. The Company is applying its technology toward the discovery of proteins and small molecule drugs that reprogram a patient's own cells to restore damaged or injured tissue without scarring. Hydra's planned molecular regeneration medicines will provide important clinical and commercial advantages over cell-based therapies. The Company's molecular approach to the promise of regeneration medicine can be applied to multiple disease areas including heart, vasculature, muscle, retina, kidney, central nervous system, pancreas, skin and joints, among others. The Company's core molecular regeneration program, with an initial focus on cardiac regeneration, is complemented by programs in novel vascular therapeutics and drugs targeting ion channels.

Dr. Walter Gilbert, General Partner, BioVentures Investors, stated, "Hydra is an exciting investment for many reasons. Founded just two years ago, the Company has established itself as a leading force in regeneration medicine. Hydra also has a well-appointed and growing management team and Board, and a solid financial base bolstered by this latest financing."

In 2002, Hydra successfully completed a \$9.3 million Series A that was led by Polaris Venture Partners, with Abingworth as co-lead and Advanced Technology Ventures, Boston Medical Investors and New Enterprise Associates also investing. In connection with two collaborations between Abbott Laboratories and Hydra, Abbott also made a non-controlling equity investment in Hydra.

About BioVentures Investors

BioVentures Investors (www.bioventuresinvestors.com), headquartered in Cambridge, MA, invests in life science and healthcare companies, including those

focused on novel drugs and drug development, medical devices, and medical IT. The firm is managed by Peter Feinstein, Walter Gilbert, Ph.D., and Marc Goldberg.