



Xytis Pharmaceuticals Ltd.

FOR IMMEDIATE RELEASE

**ROTTAPHARM AND XYTIS ENTER INTO
GLOBAL LICENSING AGREEMENT FOR NEBOGLAMINE**

Milan and London, Thursday, 17 March 2005 - Rottapharm S.p.A. and Xytis Pharmaceuticals Ltd. announced they have signed an agreement regarding the development and commercialisation of Rottapharm's neboglamine (CR2249), a potential new psychotropic medication for the treatment of a variety of disorders.

Xytis has acquired an exclusive license to develop and market the compound in the United States, Canada, Japan, Australia and New Zealand, while Rottapharm retains rights in the rest of the world. The companies have not disclosed further terms of the agreement.

Professor Luigi Rovati, MD, President of Rottapharm S.p.A., commented: "Neboglamine's unique pharmacological properties may provide the basis for establishing a novel treatment paradigm in schizophrenia and potentially other CNS disorders. We are delighted to have entered into that partnership with Xytis, with the objective to progress the development of neboglamine globally"

Dr. Werner Tschollar, founder of Xytis Pharmaceuticals Ltd., said: "Neboglamine is the first compound in-licensed by our company and a very exciting one in terms of mechanism of action, existing pre-clinical data and the possibility to address unmet

medical needs in schizophrenia in particular, a major burden to society. Xytis will continue to develop its pipeline with a few additional in-licensing transactions of this type geared towards compounds that present the same level of innovation and address critical needs in the field of CNS.”

About Neboglamine

Neboglamine is a positive allosteric glycine-site specific modulator of the glutamate NMDA receptor complex. As demonstrated in numerous peer-reviewed publications, endogenous dysfunction or dysregulation of neurotransmission mediated at the NMDA glutamate receptor complex may contribute significantly to the underlying pathophysiology of schizophrenia, in particular to the negative symptomatology and cognitive impairment of the disease. Neboglamine will start Phase I clinical studies in early 2005.

About Rottapharm

Rottapharm is a multinational pharmaceutical group based in Italy. The Group was founded in 1961 by Professor Luigi Rovati, professor of pharmacology at the University of Pavia, Italy. Professor Rovati created Rotta Research Laboratorium, as an independent research laboratory, which is now the headquarters of the group renamed Rottapharm Spa. The goal of Rottapharm is the discovery, development and distribution around the world of new original drugs for the treatment of major diseases. Rottapharm's strategic therapeutic areas are anti-inflammatory, anti-rheumatic, bone metabolism and menopause, gastrointestinal disorders. Rottapharm has other arrangements in progress for the development of nine new chemical entity projects deriving from its own internal discovery. These projects involve compounds directed to rheumatic, gastroenterological, respiratory and CNS disorders. Arrangements include development through Rottapharm's own internal capabilities for most of the compounds and co-development with industrial partners for some of them.

Please visit us at www.rotta.com

About Xytis Pharmaceuticals Ltd.

Xytis Pharmaceuticals Ltd. is a venture-backed biopharmaceutical company focused on the in-licensing and the development of innovative CNS drug candidates addressing

major unmet needs in the psychiatric and neurological fields. The company was founded by Dr. Werner Tschollar, a seasoned entrepreneur and former pharmaceutical industry executive, and is funded by Atlas Venture and CDC Entreprises Innovation.

Please visit us at www.xytis.com

For more information contact:

<p>Giovanna Forlanelli Rottapharm Spa Tel.(+39) 039.739 0356 Fax . (+39) 039.739 0216 e-mail: giovanna.forlanelli@rotta.com</p>	<p>Dr. Werner Tschollar Xytis Pharmaceuticals Ltd. e-mail: werner.tschollar@xytis.com</p> <p>Christophe Lamps Rochat & Partners (PR Firm) Tel. Direct: (+41) 022.718 3746 e-mail: clamps@rochat-pr.ch</p>
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