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TRANSFORM ANNOUNCES AGREEMENT WITH LILLY

Collaboration To Improve Preclinical Formulation Screening

Lexington, MA – July 28, 2004 – TransForm Pharmaceuticals, Inc. (TransForm) today announced that it has entered into a new agreement with Eli Lilly and Company (NYSE:LLY) to apply TransForm’s capabilities to develop a robust method of identifying optimal formulations for preclinical drug candidates. Under the collaboration, TransForm’s scientists will conduct over 10,000 formulation experiments to develop an extensive data set of quantitative measurements that will identify the optimal formulations for preclinical candidates.

Using proprietary informatics capabilities, TransForm will develop a novel suite of tools that is intended to allow Lilly to improve the speed and success rate of its preclinical compounds by moving them into *in vivo* toxicology studies earlier and with more reliable formulations. TransForm will retain rights to use the new tools to improve its own proprietary pipeline of product candidates. Financial terms of the agreement were not disclosed and the work will start immediately.

“We are very excited to announce this collaboration with Lilly for a number of reasons,” remarked Paul Goldenheim, M.D., TransForm’s President. “First of all it takes advantage of our expertise in form and formulation, secondly it allows continued innovation that can improve product performance, and lastly it allows us to work with Lilly, one of our strategic investors and first partners, in an area that is valuable to their drug development process.”

About the Company

TransForm Pharmaceuticals is reinventing the pharmaceutical industry's approach to form and formulation, with physical chemistry and novel high-throughput platform technologies, powered by state-of-the-art informatics and a scientific and managerial team with deep experience in pharmaceuticals. It uses these capabilities to optimize drug form and/or formulations, and increase the clinical and commercial value of pharmaceutical products, across the entire spectrum of pharmaceutical development from early stage to lifecycle management. In research and development, TransForm is working with partners such as Alza Corporation to help them make better candidate selection decisions and reduce attrition and development time and cost. For later stage and marketed products, TransForm is working with partners such as Johnson & Johnson to enhance the lifecycle management of their products by rapidly discovering novel forms and/or formulations that improve bioavailability, broaden intellectual property protection and enable new indications. TransForm is a privately held emerging specialty pharmaceutical company. More information on TransForm can be found at:

<http://www.transformpharma.com/> .