

Arakis and Vectura Announce Agreement on New Therapy for Respiratory Disease

10 April 2005

Arakis Ltd and Vectura Group plc (LSE: VEC) today announce that they have signed a global development and commercialisation agreement with Novartis for their collaborative product AD 237, a novel once daily, long acting antimuscarinic agent for the treatment of chronic obstructive pulmonary disease (COPD).

Novartis will be responsible for developing AD 237 both as a monotherapy and in combination with QAB149, its once daily, long acting beta2 agonist currently in Phase II clinical development.

Developed to date through a joint venture between Arakis and Vectura, AD 237 is a once-daily, long-acting muscarinic antagonist (LAMA) with a fast onset of action. The compound is in Phase II trials for the treatment of COPD and studies have thus far demonstrated that it is well-tolerated and effective over 24 hours after a single dose. AD 237 was originated by Arakis and has been developed using Vectura's proprietary PowderHale® inhalation technology for delivering product to the lung and optimizing fine particle fraction delivery through a commercially available dry-powder inhaler device.

Dr Chris Blackwell, Chief Executive of Vectura, said: "We believe that AD 237 will play a major role in the expansion of the COPD market which is underserved today but set for dramatic growth over the coming decade. Our objective is for AD 237 to be launched as a differentiated once-daily antimuscarinic having potential patient benefits over the competition, in this rapidly expanding market."

Dr Ken Cunningham, Chief Executive Officer of Arakis, said: "As one of the world's leading companies in the treatment of respiratory disease, Novartis is an ideal partner for AD 237. This collaboration is Arakis' first major out-licensing agreement and validates the Company's approach to low-risk drug development."

COPD, the world's fourth largest cause of death, is an irreversible and chronic obstruction of the airways which is caused primarily by smoking. It is estimated that the

disease is prevalent in 4% of the populations of the USA, Europe and Japan and that at least one in fifteen smokers suffers from it. Symptoms include chronic bronchitis and emphysema or both conditions, which slowly progress and eventually lead to a largely irreversible loss of lung function. The current market for COPD drug therapy is estimated to be worth \$4 billion per annum and is predicted to grow to \$10 billion by 2010.

Under the terms of the agreement Arakis and Vectura will each receive an initial payment of \$15 million. Clinical, regulatory and commercialisation payments to each of Arakis and Vectura will be payable upon the achievement of pre-agreed targets, which could total up to \$172.5 million each for both the monotherapy and combination product. Such initial payment plus potential milestones thus total up to \$375 million. In addition, royalties on product sales will be paid for the monotherapy and the combination product. If a third combination product is developed by Novartis, using AD 237, further milestones and royalties may be payable on that product.