

direct/Arakis Ltd: Sosei to acquire Arakis

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Pressemitteilung von: *Arakis Ltd*

Sosei to acquire Arakis for £106.5 million

Combination with Arakis Creates Global Biopharmaceutical Company

London / Tokyo, 19 July 2005: Sosei Co. Ltd ("Sosei" - 4565, Tokyo Stock Exchange MOTHERS index), a leading Japanese biopharmaceutical company with operations in Japan and the UK, announces that it has agreed terms with Arakis and its shareholders to combine its business with Arakis Limited ("Arakis"), a private UK-based biopharmaceutical company, bringing together two highly successful product discovery and development companies. The enlarged group will have a broad mid- to late-stage clinical and pre-clinical pipeline, products with near term revenue generation potential, complementary product discovery capabilities and strengths in Europe and Asia.

The transaction will be effected by way of an offer to acquire the whole of the issued and to be issued share capital of Arakis by Sosei for £106.5 million (\$187.4 million). The aggregate consideration will be satisfied by £11.7 million (\$20.7 million) in cash, and the issue of 35,630 new Sosei shares (assuming the exercise of all outstanding Arakis options). At closing, on a fully diluted basis this will represent 33.6% of Sosei's enlarged share capital of 106,000 shares. Based on Sosei's closing price on Friday, 15 July 2005, this total share capital would have an implied value of £278 million (\$489.0 million).

Strategic rationale

The transaction represents a major step towards Sosei's strategic vision of becoming a global top ten biopharmaceutical company. The enlarged group will have a broad and balanced pipeline with a mix of late and earlier stage products, management depth, a significant cash balance, access to global pharmaceutical markets and have clinical development and regulatory capabilities in the EU, US and Japan. In addition, it will have the potential for generating near term revenues through direct sales of its lead product in Japan and milestone payments from established licensing agreements. The enlarged group's long term aim is to develop its own proprietary sales force, first in Japan, and then worldwide.

In particular, Arakis brings to Sosei:

- A highly attractive £213 million (\$375 million) global partnership with Novartis for its lead product AD 237, a once daily, inhaled, long-acting antimuscarinic agent for COPD (Chronic Obstructive Pulmonary Disease). AD 237 is being developed by Novartis both as a monotherapy and as a combination therapy with Novartis' long-acting beta agonist, QAB 149. The milestone payments and royalties are shared equally between Arakis and Vectura plc
- Three further products in clinical development (AD 923 for cancer breakthrough pain due to commence Phase III trials later this year, AD 452 for rheumatoid arthritis due to commence Phase IIb trials in Q3 2005, and AD 337 for fibromyalgia currently in Phase I)
- Development and regulatory capabilities in the EU and US, complementing those of Sosei in Japan
- A highly experienced management team with expertise in US/EU drug development and commercialisation, and
- A current cash balance of approximately £30 million (\$53 million) on its balance sheet.

The resulting enlarged group will have:

- Near term commercialisation opportunities, with the potential approval of Sosei's lead product, Eligard(R) for prostate

cancer, in Japan next year

- A broad product pipeline of eight clinical products, with a further six in pre-clinical development and two in late stage pre-clinical research
- A sustainable drug discovery business model developed through:
 - The combination of Sosei's and Arakis' complementary, low risk drug re-profiling approaches
 - Arakis' and Sosei's respective new molecular entity (NME) discovery capabilities - Arakis discovers NME's based upon existing drug templates, Sosei focuses on the acquisition of attractive NME's
 - Sosei's licensing capabilities in the world's second largest pharmaceutical market, Japan
- Further revenue generating opportunities by out-licensing primary care products in addition to AD 237 and hospital products in non-core territories
- Sufficient combined net cash to fund the expected expenditure of the enlarged group over the next three years
- The critical mass to begin to put in place a direct, global salesforce for hospital products, with a Japanese salesforce currently being established, a salesforce in the EU planned to be established over the next three years and with the ultimate objective to build a salesforce in the US in the longer term.

For further information please visit www.osei.com or www.arakis.com

Portrait

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