



PROTEZ PHARMACEUTICALS TO BE ACQUIRED BY NOVARTIS

Acquisition positions Protez to advance promising development program for hospital antibiotics, including PZ-601, a uniquely broad-spectrum antibiotic in Phase II development to help patients suffering from life-threatening infections

June 4, 2008 – Malvern, Pennsylvania – Protez Pharmaceuticals announced today that it has reached an agreement to be acquired by Novartis. Under the terms of the agreement, Novartis will acquire Protez for up to \$400 million in cash, of which \$100 million will be paid at closing and of up to \$300 million will be paid if certain clinical milestones, regulatory approvals and commercial targets are achieved. Protez will become a stand-alone subsidiary of Novartis, maintaining its operations in Malvern, Pennsylvania. The transaction is subject to customary closing conditions.

The agreement provides Novartis with Protez's research expertise and product pipeline including the North American and European rights to its lead product candidate PZ-601, an injectable antibiotic in the class of agents known as carbapenems. In 2005, Protez entered an exclusive licensing agreement with its originator, Dainippon Sumitomo Pharma Co., Ltd. (DSP), which has expertise in carbapenem research and development through meropenem, to develop and commercialize PZ-601 in North America and Europe. Since that time, Protez in collaboration with DSP advanced the novel antibiotic to Phase II human clinical trials. PZ-601 has the potential of becoming an important therapy in hospital patients with often life-threatening bacterial infections resistant to other medicines, including infections caused by MRSA (methicillin-resistant *Staphylococcus aureus*).

"This acquisition of Protez by Novartis underscores our company's infectious disease expertise and novel antimicrobial programs," said Christopher M. Cashman, Protez President and CEO. "We believe the growing presence of Novartis in the specialty field of hospital infections provides Protez the support required to fully execute its vision, advance its product pipeline and positively impact human health. We look forward to contributing to the strength of the global Novartis team."

Antibiotics in the carbapenem class, which are administered intravenously to patients, are useful in treating serious and often life-threatening infections caused by Gram-negative and Gram-positive bacteria. PZ-601 has been shown to have a unique broad spectrum of activity that could offer better coverage over existing injectable antibiotics, especially multi-drug resistant bacteria, including MRSA. As a result, PZ-601 could become an important therapy for use in hospitals where drug-resistant, Gram-positive bacteria and/or polymicrobial infections are suspected. Protez commenced a 100-patient Phase II study for PZ-601 in May 2008 in the U.S. to evaluate the safety and efficacy of PZ-601 in patients with complicated skin and skin structure infections, including cellulites, abscesses, infected wounds and ulcers.

Antibiotic resistance has been identified as one of the world's most pressing public health problems. According to the Centers for Disease Control and Prevention (CDC), two million people in the U.S. develop hospital-acquired infections each year, and approximately 90,000 die as a result. In Europe, an estimated three million hospital-acquired infections occur each year, resulting in approximately 50,000 deaths.

Protez was founded in 2003 by Klaus M. Esser, Ph.D., Luigi Xerri, Ph.D., Christopher M. Cashman and BTG plc. Protez has assembled a world-class team of scientists and clinicians focused on discovery and development of novel antimicrobial compounds targeting difficult-to-treat infections. Protez and Dainippon Sumitomo Pharma Co., Ltd. (patent holder of PZ-601) have built a successful and productive collaboration. Protez is privately held, with financial backing by international, national and regional investment firms, including BioAdvance, BioAdvance Ventures/Quaker BioVentures, Birchmere Ventures/Bay City Capital, BTG plc, Easton Hunt Capital, L Capital Partners and SR One. Legal and financial advisors to Protez include Duane Morris LLP, Potter Anderson & Corroon LLP and Lazard Frères & Co. LLC.

About Protez Pharmaceuticals

Headquartered in Malvern, Pennsylvania, Protez Pharmaceuticals is engaged in the discovery and development of new antibiotics for difficult-to-treat infections. Its focus is on highly differentiated intravenous and oral small molecule antibiotics to address increasing bacterial resistant and chronic or recurrent infections. For more information, visit www.protez.com.

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