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Ligand Announces the Close of its Acquisition of Vernalis

Ligand's portfolio now includes more than 178 shots on goal

SAN DIEGO--(BUSINESS WIRE)-- **Ligand Pharmaceuticals Incorporated (NASDAQ: LGND)** announces that its acquisition of Vernalis plc has successfully closed and Vernalis will now operate as a subsidiary of Ligand. Vernalis is a structure-based drug discovery biotechnology company with a broad pipeline of partnered programs and ongoing collaborations. In conjunction with this event, Ligand announced that its portfolio now contains more than 178 shots on goal.

"We welcome the Vernalis team into the Ligand family and are pleased to add its expertise in structure-based drug discovery to our discovery technology platforms that we offer partners. The Vernalis team has proven its ability to generate novel drug candidates for its partners, including the leading partnerships with Verona and Corvus for COPD and oncology," said John Higgins, Chief Executive Officer of Ligand. "As we advance the Ligand business model, we will continue to evaluate a variety of business, royalty and technology acquisitions, all with the objective of adding shots on goal to our portfolio and creating potential for long-term, diversified and sustainable cash flows for our investors."

Under the terms of the acquisition, Ligand paid Vernalis shareholders approximately \$42.3 million, offset by approximately \$32 million of net cash on hand at Vernalis, after deal costs.

As previously announced, the acquisition of Vernalis provides Ligand with the following:

- A portfolio of more than 8 fully-funded partnered programs, or shots on goal, including:
 - RPL554, a Phase 2, novel treatment for COPD, which is partnered with Verona Pharma;
 - CPI-444, a Phase 1, adenosine A2A receptor antagonist for treatment of solid tumors, which is partnered with Corvus Pharmaceuticals.
- A 70-person R&D team based in Cambridge, England focused on fragment- and structure-based drug discovery and partnering, with an active portfolio of collaboration agreements generating over \$8 million per year of service revenue matched by a comparable level of costs, and partnerships that have the potential to generate additional near-term shots on goal. Ongoing collaboration partners include Servier, Daiichi Sankyo, Asahi Kasei and others.
- An established compound library and additional early-stage, unpartnered programs in oncology, CNS and other areas that will provide business development out-

licensing and corporate formation opportunities.

- England-based operations that provide a platform to more efficiently pursue investment and acquisition opportunities in Europe and the United Kingdom.

Ligand 2018 Financial Outlook

As previously announced, revenue and operating expense impact from Vernalis in 2018 is currently expected to be small and mostly offset each other. Beyond 2018, research business revenue is expected to approximate expenses with longer-term milestones and royalties being accretive to future Ligand earnings.

Advisors

MTS Securities, LLC and finnCap Ltd. served as financial advisors and Latham Watkins LLP served as legal advisor to Ligand in this transaction.

About Ligand Pharmaceuticals

Ligand is a biopharmaceutical company focused on developing or acquiring technologies that help pharmaceutical companies discover and develop medicines. Our business model creates value for stockholders by providing a diversified portfolio of biotech and pharmaceutical product revenue streams that are supported by an efficient and low corporate cost structure. Our goal is to offer investors an opportunity to participate in the promise of the biotech industry in a profitable, diversified and lower-risk business than a typical biotech company. Our business model is based on doing what we do best: drug discovery, early-stage drug development, product reformulation and partnering. We partner with other pharmaceutical companies to leverage what they do best (late-stage development, regulatory management and commercialization) to ultimately generate our revenue. Ligand's Captisol[®] platform technology is a patent-protected, chemically modified cyclodextrin with a structure designed to optimize the solubility and stability of drugs. OmniAb[®] is a patent-protected transgenic animal platform used in the discovery of fully human mono- and bispecific therapeutic antibodies. Ligand has established multiple alliances, licenses and other business relationships with the world's leading pharmaceutical companies including Novartis, Amgen, Merck, Pfizer, Celgene, Gilead, Janssen, Baxter International and Eli Lilly.

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Forward-Looking Statements

This news release contains forward-looking statements by Ligand that involve risks and uncertainties and reflect Ligand's judgment as of the date of this release. Words such as "plans," "believes," "expects," "anticipates," and "will," and similar expressions, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements regarding: the potential benefits of the acquisition of Vernalis; the expected timing of the completion of the transaction; the expected revenues and earnings expectations, future financial and operating results of Vernalis and Ligand; the number of partners to be added to Ligand's portfolio due to the acquisition; the

potential that Vernalis' compound library and early-stage programs will provide future business development opportunities; the ability to use Vernalis as a UK-based operations to pursue investment and acquisition opportunities in Europe and the United Kingdom; Ligand's future revenues and other projected financial measures; expected value creation for Ligand's shareholders; and guidance regarding full-year 2018 financial results and the impact of the acquisition on future revenues. Actual events or results may differ from Ligand's expectations. For example, various closing conditions for the transaction may not be satisfied or waived, including risk that Vernalis shareholders do not approve the transaction or a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction, or the terms of such approval. In addition, the number of shots on goal may not be independent if one of Vernalis' partner's programs fails due to a problem related to the Vernalis platform; and Vernalis' compound library and early-stage programs or UK-operations may fail to generate future opportunities. With regards to Ligand's pro forma projections, Ligand may not receive expected revenue from material sales of Captisol, expected royalties on partnered products and research and development milestone payments. Ligand and its partners may not be able to timely or successfully advance any product(s) in its internal or partnered pipeline. In addition, there can be no assurance that Ligand will achieve its guidance for 2018 or any portion thereof or beyond, that Ligand will be able to create future revenues and cash flows by developing innovative therapeutics, that results of any clinical study will be timely, favorable or confirmed by later studies, that products under development by Ligand or its partners will receive regulatory approval, that there will be a market for the product(s) if successfully developed and approved, or that Ligand's partners will not terminate any of its agreements or development or commercialization of any of its products. Further, Ligand may not generate expected revenues under its existing license agreements and may experience significant costs as the result of potential delays under its supply agreements. Also, Ligand and its partners may experience delays in the commencement, enrollment, completion or analysis of clinical testing for its product candidates, or significant issues regarding the adequacy of its clinical trial designs or the execution of its clinical trials, which could result in increased costs and delays, or limit Ligand's ability to obtain regulatory approval. Further, unexpected adverse side effects or inadequate therapeutic efficacy of Ligand's product(s) could delay or prevent regulatory approval or commercialization. In addition, Ligand may not be able to successfully implement its strategic growth plan and continue the development of its proprietary programs. The failure to meet expectations with respect to any of the foregoing matters may reduce Ligand's stock price. Additional information concerning these and other risk factors affecting Ligand can be found in prior press releases available at www.ligand.com as well as in Ligand's public periodic filings with the Securities and Exchange Commission available at www.sec.gov. Ligand disclaims any intent or obligation to update these forward-looking statements beyond the date of this release. This caution is made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Foreign Exchange Conversion

Amounts converted from pound sterling to U.S. dollars have been converted at the prevailing exchange rate as of the date of this announcement.

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