

Aerovance Secures \$60 Million in Financing

Financing to Fund Continued Development of Drugs Targeting Severe Respiratory, Inflammatory Diseases

BERKELEY, Calif., May 4th, 2006 - Aerovance Inc., a biopharmaceutical company with a portfolio of clinical-stage drugs targeting severe respiratory and inflammatory diseases, today announced it has secured \$60 million in Series C financing.

Led by Clarus Ventures, the financing round, which consists of two tranches, includes participation from Alta Partners as well as Aerovance's current investors: Apex Partners, Lehman Brothers, NGN Capital and Burrill & Co. Aerovance has received \$28 million and will receive an additional \$32 million upon meeting certain clinical, manufacturing and other milestones. With this financing, the company, which was spun out of Bayer Pharmaceutical Corp. in 2004, will have sufficient capital to advance two of its lead products through definitive clinical proof of concept.

In conjunction with the closing of the financing, Clarus Ventures' Nick Galakatos, Ph.D. and Alta Partners' Farah Champsy have joined Aerovance's board of directors. John P. Walker has also been added to Aerovance's board.

"Aerovance is Clarus' first investment, an important milestone for our firm," said Galakatos, a Managing Director of Clarus Ventures, which closed on its inaugural fund of \$500 million last December. "The fundamentals of this investment align perfectly with the strategy of our firm, which is to focus on mid- to late-stage product companies that are led by outstanding management."

"This is a significant dollar amount that speaks to investors' enthusiasm for our rapid progress and the tremendous potential of our drug pipeline," said William J. Newell, Aerovance's president. "With four programs for asthma, cystic fibrosis, chronic obstructive pulmonary disease and eczema advancing through clinical trials, Aerovance is well positioned to join the ranks of successful, product focused spin-offs from big pharma. Our efforts are focused on very large markets, and we look forward to developing products that will improve patient care."

Richard Fuller, M.D., Ph.D., the company's chief operating officer, added, "The financing will cover our working capital needs as we continue with the development of drugs that can meet patients' and physicians' needs with respiratory diseases such as asthma and inflammatory diseases such as atopic dermatitis. We're pleased not only

with the financial investment but also with the caliber of investors and their commitment to the strategic direction of the company."

Aquilo Partners Inc., a life science investment bank, was the exclusive placement agent for the financing.

Aerovance is a Berkeley, Calif.-based company that is focused on the development and commercialization of biologics for respiratory and inflammatory diseases. The company's lead products are Aerovant™, an IL4/13 receptor antagonist for severe asthma and eczema that is currently in Phase 2 clinical studies, and Aerolytic™, a recombinant protein for the treatment of cystic fibrosis and chronic obstructive pulmonary disease that is currently in Phase 2 clinical studies. In addition to these investigational products, Aerovance has several preclinical programs in respiratory disease.

✦ Aerovance Closes Second Tranche of \$60 Million Series C Financing

Company Prepared to Advance Novel Asthma Drug Into Phase IIb Trial

BERKELEY , Calif. , March 27, 2007 – Aerovance, Inc. today announced it has closed the \$32 million second tranche of its \$60 million Series C financing. The \$28 million first tranche of the financing closed in May 2006.

“While we are pursuing a strategic partnership for Aerovant™, our novel asthma drug targeting the root cause of the disease, the second tranche will allow us to fully fund the program through a Phase IIb clinical trial, which is scheduled to commence later this year,” said Mark Perry, Aerovance’s president and chief executive officer. “With the Phase IIa data for our cystic fibrosis drug, Aerolytic™, anticipated this summer, our pipeline is strong, enabling us to continue to build the long term value of Aerovance.”

The company’s investors include Apax Partners, Clarus Ventures, Alta Partners, Lehman Brothers, NGN Capital and Burrill & Co.

Aerovant™ is a recombinant human IL-4 variant that is a potent inhibitor of both the IL-4 and IL-13 receptors. It blocks Th2 allergic inflammation, and it is in development to treat patients with uncontrolled asthma.

Aerolytic™ is a novel serine protease inhibitor in development for the treatment of cystic fibrosis. It targets the most upstream defect in the

pathology of the lung disease by blocking prostaticin.

Aerovance acquired the worldwide rights to both drug candidates when the company was formed as a spin-out of Bayer Pharmaceuticals Corp. in 2004.

Aerovance is a biopharmaceutical company focused on the development and commercialization of clinical-stage products for respiratory and allergic diseases. The company's goal is to build an integrated company, with acknowledged expertise in leveraging operational partnerships that include the discovery, development and commercialization of novel molecules. Aerovance currently has molecules in development for the treatment of uncontrolled asthma, cystic fibrosis, chronic obstructive pulmonary disease and uncontrolled eczema.