

## **Targacept and AstraZeneca Announce Global License and Research Collaboration Agreement**

Agreement Includes License to Targacept's TC-1734 and Research Collaboration to Discover Novel Compounds for the Treatment of Alzheimer's Disease, Cognitive Deficits in Schizophrenia and Other Cognitive Disorders

Winston-Salem, NC and London, UK

December 28, 2005

Targacept, Inc. and AstraZeneca PLC (NYSE: AZN) today announced that they have entered into an exclusive global license and research collaboration agreement for the development and commercialization of Targacept's proprietary compound TC-1734 to treat Alzheimer's disease, cognitive deficits in schizophrenia and other cognitive disorders. TC-1734 is designed to act selectively on neuronal nicotinic receptors (NNRs), a class of receptors that serve as key regulators of central nervous system activity. The agreement, which is subject to the expiration or termination of the HSR (Hart Scott Rodino) clearance period in the US, also provides for a four-year research collaboration under which Targacept will utilize its proprietary drug discovery technology known as Pentad to discover additional compounds.

Upon effectiveness of the agreement, Targacept will receive an initial payment of \$10 million from AstraZeneca, the parties will begin the research collaboration and AstraZeneca will initiate additional safety and product characterization studies of TC-1734. A determination by AstraZeneca to conduct Phase II clinical development of TC-1734 following completion of the safety and product characterization studies would trigger an additional milestone payment of \$20 million to Targacept, in addition to approximately \$26 million in funding over the research term. Taking into account the upfront payment, research funding, and further payments contingent on achievement of development regulatory and first commercial sale milestones for TC-1734, Targacept is eligible to receive up to approximately \$300 million in payments, together with stepped double digit royalties dependent on sales achieved following regulatory approval.

While the parties will collaborate to identify novel candidate drugs, AstraZeneca will be primarily responsible for and will fund the development and commercialization of TC-1734 and any compounds that arise out of the four-year research collaboration. If compounds that are discovered in the research collaboration enter into development, Targacept would be eligible to receive additional milestone payments along with royalties on any product sales. Targacept has retained an option to co-promote TC-1734 and any compounds discovered in the research collaboration in the United States.

Targacept is currently conducting a Phase II clinical trial of TC-1734 as a treatment for age associated memory impairment (AAMI) and is responsible for completing this trial independently.

Independent of the research collaboration, the agreement provides for a mechanism by which Targacept can offer to AstraZeneca compounds that act on different NNR subtypes than TC-1734 for development and commercialization for the treatment of Alzheimer's disease, cognitive deficits in schizophrenia, other cognitive disorders or schizophrenia.

"AstraZeneca is committed to developing innovative therapies in the areas of unmet need of Alzheimer's disease, schizophrenia and other cognitive disorders, and NNR-targeted therapeutics are an exciting area for us. We believe that Targacept's longstanding leadership position in NNR research will build upon our existing strengths and open up new opportunities for AstraZeneca," said Bob Holland, Vice President and Head of the Neuroscience Therapy Area, AstraZeneca.

“We are delighted to have AstraZeneca as our discovery and development collaborator for our TC-1734 program and drug discovery efforts in cognitive disorders,” said J. Donald deBethizy, Ph.D., President and Chief Executive Officer of Targacept. “AstraZeneca has a demonstrated expertise in developing and commercializing treatments for central nervous system diseases, and we look forward to working closely with our AstraZeneca colleagues to advance TC-1734 and this important research.”

Alzheimer’s disease represents an area of great medical need in the developed and developing world, causing great distress to patients and their caregivers and imposing a major financial burden. Current treatments have limited efficacy and significant side effects in many patients.

#### **About Targacept**

Targacept is a biopharmaceutical company engaged in the design, discovery and development of a new class of drugs to treat multiple diseases and disorders of the central nervous system by selectively targeting neuronal nicotinic receptors, or NNRs. NNRs are found on nerve cells throughout the nervous system and serve as key regulators of nervous system activity. Targacept’s product candidates are designed to selectively target specific NNR subtypes to promote therapeutic effects and limit adverse side effects. Targacept has a marketed product, Inversine® (mecamylamine hydrochloride), product candidates in clinical development for cognitive impairment, including Alzheimer’s disease and age associated memory impairment, pain and depression, and multiple ongoing preclinical programs.

#### **About AstraZeneca**

AstraZeneca is a major international healthcare business engaged in the research, development, manufacture and marketing of prescription pharmaceuticals and the supply of healthcare services. It is one of the world’s leading pharmaceutical companies with healthcare sales of over \$21.4 billion and leading positions in sales of gastrointestinal, cardiovascular, respiratory, oncology and neuroscience products. AstraZeneca is listed in the Dow Jones Sustainability Index (Global) as well as the FTSE4Good Index.

In Neuroscience, AstraZeneca is dedicated to providing medicines that have the potential to change patients’ lives. The company already markets several products including SEROQUEL and ZOMIG. The AstraZeneca neuroscience pipeline includes leading approaches for the treatment of depression and anxiety, overactive bladder, dementia, stroke, pain control and anaesthesia.

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