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Aerovance Secures \$60 Million in Financing

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

BERKELEY, Calif., May 4, 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: Apax 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."

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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. For more information, visit www.aerovance.com.

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