August 9, 2018

Ligand Makes Offer to Acquire Vernalis, a Leader in Structure-Based Drug Discovery, For Approximately $43 Million in Cash

Ligand to gain broad portfolio of partnered and unpartnered programs, a self-funding R&D group and approximately $32 million of net cash

SAN DIEGO & WINNERSH, United Kingdom--(BUSINESS WIRE)-- **Ligand Pharmaceuticals Incorporated (NASDAQ: LGND) and Vernalis plc (LSE: VER)** announce that Ligand has declared its firm intention to acquire the entire issued and to be issued shares of Vernalis through a UK scheme of arrangement conditional on approval by the Vernalis shareholders. Vernalis is a structure-based drug discovery biotechnology company with a broad pipeline of partnered programs and ongoing collaborations.

Under the terms of the proposed UK scheme of arrangement, Ligand would pay Vernalis shareholders £0.062 per share in cash, valuing Vernalis at approximately £32.8 million, equivalent to approximately $43 million. This proposal – which requires approval by a majority of the shareholders representing at least 75% or more in value of the company's outstanding shares voting on the transaction – has received the support and irrevocable undertakings from the Board of Directors of Vernalis and its two largest shareholders, who own in aggregate approximately 67% of the outstanding shares of the company.

On March 15, 2018 Vernalis announced that as part of its then-ongoing strategic review, it had decided to commence a formal sales process with Evercore serving as financial advisor. As part of its strategic review Vernalis has substantially completed the closure of its US commercial operations and remains on track to have completed this by 30 September 2018. If Ligand's offer is approved by Vernalis shareholders, the transaction is expected to close in October 2018.

The acquisition of Vernalis would provide Ligand with the following:

- A portfolio of more than 8 fully-funded partnered programs, or shots on goal, including programs in the respiratory, oncology and CNS sectors. Partners include Corvus, Verona, Celgene, Servier, Menarini, Tris and CTI.
- 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, Lundbeck, Asahi Kasei and an undisclosed Japanese partner.
- 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.

- Expected cash on hand as of June 30, 2018 of £27.3 million or approximately $36 million. Ligand estimates incurring additional deal costs of approximately $4 million, resulting in $32 million of net cash to Ligand from the transaction.
- United Kingdom-based operations that would provide a platform to more efficiently pursue investment and acquisition opportunities in Europe and the United Kingdom.

Ligand 2018 Financial Outlook

Currently the transaction is anticipated to close in the fourth quarter of 2018. With a fourth quarter close, revenue and operating expense impact from Vernalis 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. are serving as financial advisors and Latham Watkins LLP is serving as legal advisor to Ligand in this transaction.

About Vernalis

Vernalis is a revenue generating pharmaceutical company with significant expertise in drug development. It has programs in its NCE development pipeline, which are either partnered or available for partnering, in addition to significant expertise in fragment and structure based drug discovery which it leverages to enter into research collaborations with larger pharmaceutical companies. Vernalis' technologies, capabilities and products have been endorsed over the last six years by collaborations with leading pharmaceutical companies, including Asahi Kasei Pharma, Biogen Idec, Endo, GSK, Genentech, Lundbeck, Menarini, Novartis Servier and Tris Pharma, Inc.

For further information about Vernalis, please visit www.vernalis.com.

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.

Follow Ligand on Twitter @Ligand_LGND.

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 pursuant 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 Veranlis’ 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.

View source version on businesswire.com:
https://www.businesswire.com/news/home/20180809005374/en/

Ligand Pharmaceuticals Incorporated
Todd Pettingill, 858-550-7893
investors@ligand.com
@Ligand_LGND
or
LHA Investor Relations
Bruce Voss, 310-691-7100
bvoss@lhai.com

Source: Ligand Pharmaceuticals