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Circassia Pharmaceuticals plc
Proposed Acquisitions of Aerocrine AB and Prosonix Limited
Creating a world-class allergy and asthma specialty pharma business

Highlights

Oxford, UK, 15 May 2015: Circassia Pharmaceuticals Plc **(Circassia** or the **Company)**, a specialty biopharmaceutical company, is pleased to announce that it intends to make an all cash offer to acquire Aerocrine, a Swedish listed company focused on the development and commercialisation of medical diagnostic products for use in the diagnosis and management of patients with asthma, for a total consideration of up to SEK 1.78 billion (approximately £139 million).

Circassia is also pleased to announce its intention to acquire Prosonix, a privately-held specialty pharmaceutical company focused on the development of product candidates for the treatment of asthma and / or chronic obstructive pulmonary disease (**COPD**), for an aggregate cash consideration of up to £100 million.

Circassia has separately announced today that it proposes to raise £275 million, through a Placing and Open Offer.

Steve Harris, CEO of Circassia said:

"These proposed acquisitions and associated fundraising significantly accelerate Circassia's strategy to become a self-sustaining specialty biopharmaceutical company focused on allergy and asthma. The combined organisation will give us both the capability and resources to commercialise our enlarged late-stage pipeline of potential new allergy and asthma products, once approved, and thereby generate significant shareholder value.

We believe Aerocrine's established commercial infrastructure, which is already targeting our core potential customers in key markets, will optimise the launch of Cat-SPIRE, which is the first of our next generation allergy immunotherapies, and which remains on track to report pivotal phase III results in H1 2016. Additionally, Prosonix's innovative technology gives us a portfolio of near-term products targeting asthma and other respiratory diseases, which complement our current pipeline and should enable us to further leverage Aerocrine's commercial infrastructure."

Rolf Classon, Chairman of the Board of Directors of Aerocrine commented:

"In Circassia, we have found the ideal partner to continue the future development of Aerocrine. The combined group benefits from a strong commercial platform and exciting pipeline to ensure long term benefits for allergy and asthma patients worldwide"

David Hipkiss, CEO of Prosonix added:

"Circassia is a perfect home for Prosonix, and the enlarged group will have a strong portfolio of near-term allergy and asthma products, along with the resources and infrastructure to bring them to market. With our lead product currently under regulatory review and other filings planned, we look forward to making our treatments available to patients in the near future."

The Acquisitions have a compelling strategic rationale and accelerate the Company's ambition to build a self-sustaining specialty biopharmaceutical business with the potential for significant growth:

- Adding Aerocrine's established sales force and commercial infrastructure, which is already targeting the allergy/asthma specialists, and which gives us the opportunity to accelerate and optimise the launch of Circassia's Cat-SPIRE allergy immunotherapy product candidate, once approved.
- Expanding Aerocrine's sales force to target robust sales growth of Aerocrine's market leading device used in asthma diagnosis and management, and, to prepare for the launch of Circassia's lead product and broader portfolio.
- Complementing Circassia's commercial offering by adding Prosonix's near-term asthma products to the Company's portfolio of novel allergy immunotherapies.
- Creating a strong broad based specialty biopharmaceutical company with two currently marketed products sold to allergy / asthma specialists and 12 products in development for allergy, asthma and COPD, with the potential for 8 product launches by the end of 2021.
- Strengthening the commercialisation of its products in key markets by leveraging Aerocrine's experience and capabilities in achieving reimbursement and inclusion in treatment guidelines, and expanding its portfolio of complementary late-stage product candidates through the acquisition of Prosonix.

The Placing and Open Offer is being fully underwritten by J.P. Morgan Cazenove and Peel Hunt. A General Meeting is to be held at Northbrook House, Robert Robinson Avenue, Oxford Science Park, Oxford, Oxfordshire, OX4 4GA, United Kingdom at 10.00 a.m. on 10 June 2015 for the purpose of seeking approval for the Aerocrine Acquisition and the proposed Placing and Open Offer. Invesco Asset Management, as agent for and behalf of its discretionary managed clients, Imperial Innovations, Woodford Investment Management and Lochside (International) Ltd, who account for c.57 per cent of Circassia's issued share capital, have indicated their support for the Placing and the Acquisitions and their current intention is to vote in favour of the Resolutions at the General Meeting. Funds managed by Invesco Asset Management Limited and Woodford Investment Management have indicated their intention to participate in the equity raise.

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Introduction

Circassia Pharmaceuticals Plc **(Circassia** or the **Company),** is pleased to announce that it intends to make an offer to acquire the entire issued and to be issued share capital of Aerocrine, a Swedish listed company focused on the development and commercialisation of medical diagnostic products for use in the diagnosis and management of patients with asthma, for a consideration of a fixed amount of SEK 2.55 for each Aerocrine Share, with the total consideration being up to SEK 1.78 billion (approximately £139 million), such amount to be paid in cash. Novo A/S, holder of 25.2 per cent of the votes in Aerocrine, and Invifed AB, holder of 24.8 per cent of the votes in Aerocrine, have committed to accept the Offer with respect to all of their shares in Aerocrine, subject to certain conditions. As at 31 March 2015 Aerocrine had net cash of SEK 189 million (£17 million).

Circassia is also pleased to announce its intention to acquire the entire issued and to be issued share capital of Prosonix for an aggregate consideration of up to £100 million to be paid in cash, of which £30 million is contingent on UK approval of Prosonix's lead product, which is currently under review by the UK Medicines and Healthcare products Regulatory Agency (**MHRA**).

The rationale for the Acquisitions is to accelerate Circassia's strategy to build a self-sustaining specialty pharmaceutical business by; i) optimising the launch of its Cat-SPIRE allergy immunotherapy product candidate, once approved, using Aerocrine's established sales force and commercial infrastructure in the United States and Germany, which is already targeting the allergy/asthma specialists who comprise Circassia's core customers; ii) expanding Aerocrine's sales force to target robust sales growth of Aerocrine's market leading device used in asthma diagnosis and management, and to prepare for the launch of Circassia's lead product; and iii) by complementing its offering to these allergy/asthma specialists by adding Prosonix's near-term asthma products, once approved, to Circassia's portfolio of novel allergy immunotherapies.

By creating a leading specialty biopharmaceutical company focusing on allergy and asthma, with an established commercial organisation in the United States and Europe, the Enlarged Group has the potential for significant growth. Through Aerocrine's experience and capabilities in achieving reimbursement and inclusion in the treatment guidelines of leading allergy and asthma organisations in the Company's key target market, the United States, and with an established sales force in Europe's largest allergy immunotherapy market, Germany, the Aerocrine Acquisition could allow Circassia to accelerate the successful launch of its allergy products currently in development, and through the acquisition of Prosonix to expand its portfolio of complementary late-stage product candidates.

Aerocrine is currently focused on the development and commercialisation of medical diagnostic products for use in the diagnosis and management of patients with asthma. Its sales and marketing organisation includes 28 sales representatives calling on allergy/asthma specialists in the United States, five tele-marketers targeting repeat business and five sales representatives in Germany, together with associated functions including medical affairs, regulatory, marketing, distribution, compliance, commercial operations, market access, customer service, finance and reimbursement. Aerocrine currently markets two products, NIOX MINO® and NIOX VERO®, which are based on its core proprietary technology of fractional exhaled nitric oxide (**FeNO**) measurement. Aerocrine generated revenues of SEK 166.2 million (£14.7 million) in the financial year ended 31 December 2014.

Prosonix is a specialty pharmaceutical company focused on the development of a range of product candidates for the treatment of asthma and/or COPD. Prosonix's portfolio is based on its proprietary particle engineering technology and Prosonitron® reactor system, which enables precise control of pharmaceutical product crystallisation during manufacture, and subsequent delivery characteristics. Prosonix's technology platform is established at commercial scale, and its lead product is currently under review by UK regulatory authorities with a decision anticipated in H2 2015, with additional product filings planned in H2 2015 and H1 2016.

Circassia has today separately announced that it proposes to raise £275 million, before expenses, through a Placing and Open Offer. The Placing and Open Offer is being fully underwritten by J.P. Morgan Cazenove and Peel Hunt LLP on, and subject to, the terms of the Placing Agreement.

The Aerocrine Acquisition, because of its size in relation to the Company, is a Class 1 transaction for Circassia under the Listing Rules, and is therefore conditional, *inter alia*, upon the approval by Shareholders of all of the Resolutions. A General Meeting is to be held at Northbrook House, Robert Robinson Avenue, Oxford Science Park, Oxford, Oxfordshire, OX4 4GA, United Kingdom at 10.00 a.m. on 10 June 2015 for the purpose of seeking such approvals for the Aerocrine Acquisition and the proposed Placing and Open Offer.

Background to and strategic rationale for the Acquisitions

The Directors believe there is a strong commercial and financial rationale for a combination of Circassia, Aerocrine and Prosonix. Circassia's goal is to become a leading specialty biopharmaceutical company focused on allergy and asthma. Circassia intends to achieve this through (i) expanding Aerocrine's existing specialty sales force, in North America and the major EU markets, focused on marketing to physicians who treat allergy and asthma patients, to have in place an optimally-sized, trained sales force to launch Cat-SPIRE, if approved, and by (ii) assembling a portfolio of products for these physicians through its own work developing its allergy immunotherapy candidates and Prosonix product candidates, and potential acquisition, in-licencing or other commercial arrangements. By leveraging Aerocrine's existing US and German sales organisations and adding Aerocrine's commercialised products and Prosonix's near-time pipeline to Circassia's portfolio of product candidates (leading to 12 products in development for allergy asthma and COPD and the potential for eight product launches by the end of 2021), the Directors believe the Acquisitions will accelerate the Enlarged Group's progress to achieving this goal. The Directors believe that the Acquisitions will:

- add a sales organisation including (i) 28 US sales representatives, and five tele-marketers targeting repeat business, who are already calling on allergy/asthma specialists, Circassia's core customers, providing strong access to and a deep knowledge of this key physician target group, (ii) five sales representatives in Germany and (iii) associated functions including medical affairs, regulatory, marketing, distribution, compliance, commercial operations, market access, customer service, finance and reimbursement;

- accelerate the development of Circassia's commercial activities ahead of the anticipated launch of Cat-SPIRE, by having commercial infrastructure established well ahead of the potential launch, with a trained sales force and key marketing activities in place, and through regular contact with physicians who would prescribe Cat-SPIRE, if approved. Circassia believes this should improve the effectiveness of Cat-SPIRE's launch and accelerate product uptake, if approved;

- add NIOX MINO® and NIOX VERO®, commercialised, patent-protected and innovative products that have a demonstrated ability to improve the diagnosis, treatment and care of asthma patients, with ongoing combined sales growth;

- provide experience and expertise in working with insurance companies and other payers to establish reimbursement;

- provide a near-term pipeline of Prosonix's complementary product candidates with significant commercial potential; and

- provide the commercial platform for the commercialisation of Prosonix's product candidates and further complementary products that Circassia may develop, acquire or in-licence in the future.

Summary information on Aerocrine

Aerocrine is focused on the development and commercialisation of medical diagnostic products for use in the diagnosis and management of patients with asthma. Its sales and marketing organisation includes 28 sales representatives calling on allergy/asthma specialists in the United States, with five tele-marketers targeting repeat business, five sales representatives in Germany, together with associated functions including medical affairs, regulatory, marketing, distribution, compliance, commercial operations, market access, customer service, finance and reimbursement. Aerocrine currently markets two products, NIOX MINO® and NIOX VERO®, which are based on its core proprietary technology of FeNO measurement. Aerocrine generated revenues of SEK 166.2 million (£14.7 million) and operating losses of SEK (228.2) million (£(20.2) million) in the financial year ended 31 December 2014 and had gross assets as at 31 December 2014 of SEK 230.9 million (£20.5 million) and as at 31 March 2015 Aerocrine had net cash of SEK 189 million (£17 million).

Globally, asthma affected approximately 235 million people in 2013, according to the WHO and approximately 25 million people in the US. Asthma is the world's most frequent chronic disease among children, and the WHO estimates that the number of people with asthma will increase by more than 100 million by 2025. Despite the treatment of asthma having improved considerably since anti-inflammatory medicines began to be used regularly 20 years ago, approximately 250,000 people die each year as a result of uncontrolled asthma.

Although asthma has no cure, symptoms can be controlled. Some studies have found that acute attacks occur less frequently in asthma patients with treatments guided by the analysis of FeNO, and research suggests that drug therapy can be better tailored through regular testing of nitric oxide (**NO**) levels in exhaled air, combined with monitoring and follow-up.

Aerocrine's products are based on research demonstrating that raised levels of NO in exhaled air can be an indicator of inflammation in the airways. By measuring, identifying and controlling the inflammation rather than just measuring lung function and symptoms, the diagnosis, treatment and care of patients can be improved. Aerocrine's medical diagnostic products are used to facilitate the diagnosis, and improve the treatment and monitoring of patients with inflammation of the airways. This allows physicians to assess and apply the correct treatment or adjust on-going treatment if the patient's adherence is shown to be inadequate. In addition to these improvements, this asthma management approach has the potential to reduce exacerbations.

Aerocrine was founded in 1997 by researchers at the Karolinska Institute in Sweden. Aerocrine's first product, NIOX®, was launched in 2001 in the European market and quickly became established as a market leader. Many researchers around the world have conducted clinical studies using NIOX® and its successor, NIOX® FLEX, which was launched in 2007. Both of these products have been taken out of production but are still used by some of Aerocrine's customers. In 2005, Aerocrine launched the NIOX MINO®, a small handheld instrument that makes the testing of FeNO accessible to a larger group of physicians. In 2013 and 2014, Aerocrine launched the NIOX VERO®, a new fully portable device for FeNO testing, in Europe and received approval for its sale in the United States in November 2014 and in Japan in 2015. Aerocrine receives revenue for both NIOX MINO® and NIOX VERO® on a per-test basis through the sale of disposable sensors in addition to revenue from the sale of the device.

The NIOX MINO® is approved in 69 countries including the United States, EU countries, Japan and China. The NIOX VERO® is approved in 37 countries including the United States, EU countries and Japan, and an application for approval of the NIOX VERO® is pending in China. Aerocrine retains all market rights to its products globally and holds a portfolio of patents, including 26 approved patents in the United States and additional patents pending.

Until 2011, Aerocrine focussed extensively on research, product development and preparations for the future broadening of its commercial operations. Since the end of 2011, a process of transition towards an increased focus on sales and marketing has been in progress, primarily in the United States.

Aerocrine is the market leader in the routine testing of FeNO. There are currently a limited number of participants in this market, which forms part of the total market for the diagnosis and monitoring of asthma patients. It is expected that, based on the inclusion of certain of its products in national guidelines and a recent NICE recommendation, it can significantly expand the market for its products.

Aerocrine is headquartered in Sweden and has direct sales organisations in Germany and the United States, as well as a commercial presence through distributors in over 40 markets around the world. The United States is currently Aerocrine's largest single country market by revenue, with rapid growth following the inclusion of the FeNO method in the American Thoracic Society's clinical guidelines for the treatment of asthma in 2011. Germany is currently the largest market in Europe, with 80 per cent. of the country's private lung specialists being Aerocrine customers. Aerocrine's key markets include the United States, Germany, the United Kingdom, Japan and China. In addition to the United States and Germany, the use of exhaled NO as a marker of inflammation is included in the asthma clinical guidelines in the United Kingdom, Sweden, the Netherlands (for child asthma care), Spain, Czech Republic, Switzerland, Finland, Denmark, France, Japan and China.

Aerocrine is planning a medical diagnostic product candidate targeted at FeNO measurement in the patient's home. This approach provides a potential opportunity in the longer term.

Since 15 June 2007, Aerocrine has been listed on the NASDAQ OMX Stockholm, and from the start of 2013, it has been included on the Nordic list for mid-cap companies with the ticker AERO.

Key strengths

The Board considers that Aerocrine's key strengths include:

Established commercial operations in the United States and Germany

Aerocrine has invested considerable resources in establishing its own commercial operations in the United States and Germany, including 28 sales representatives in the United States and five in Germany. The Aerocrine sales representatives in the United States are calling primarily on allergy/asthma specialists, who will also be the target customers for Cat-SPIRE, if approved. Circassia believes that it will be possible to increase the number of sales representatives in the United States well in advance of the launch of its Cat-SPIRE allergy immunotherapy, if approved.

Leadership in FeNO Monitoring

Aerocrine is the market leader in the routine testing of FeNO. Studies have found that analysis of FeNO can improve asthma diagnosis and management.

Two commercialised products, NIOX MINO® and NIOX VERO® with fast-growing combined sales

Aerocrine has developed and received regulatory approval in the EU, United States and Japan for its two commercialised products, the NIOX MINO® and the NIOX VERO®. These hand-held point-of-care devices are the leading products for FeNO testing worldwide. Aerocrine receives revenue for both devices on a per-test basis through the sale of disposable sensors, in addition to revenues from the sale of the device.

It is expected that the recent launch in Europe, the United States and Japan of the NIOX VERO® will significantly expand the use of FeNO monitoring. The improvements in portability and user-friendliness over the NIOX MINO® are expected to expand the range of physicians using the device, and encourage growth in installed base and sale of consumables.

Strong IP position

Aerocrine has multiple levels of intellectual property protection for its FeNO monitoring products and product candidates, and has a robust patent filing and maintenance programme that offers broad

protection until at least the end of the decade. As of 28 April 2015, Aerocrine has 72 approved patents in the United States, Europe and Japan. In cooperation with Panasonic Healthcare, Aerocrine is developing and applying for new patents to which the companies will have shared access.

Summary information on Prosonix

Prosonix is a specialty pharmaceutical company focused on the development of a range of product candidates for the treatment of asthma and/or chronic obstructive pulmonary disease (**COPD**). Prosonix's portfolio is based on its innovative proprietary ultrasonic particle engineering technology and unique Prosonitron® reactor system, which enables precise control of product crystallisation during manufacture, and subsequent formulation delivery characteristics. Prosonix's technology platform is established at commercial scale and its first product launch is expected in H1 2016.

Prosonix's pipeline includes late-stage product candidates, which are designed to be directly substitutable for market-leading asthma and/or COPD treatments, Flixotide®/Flovent® Pressurized Metered Dose Inhalers (**pMDI**), Serevent® pMDI and Advair®/Seretide® pMDI. Prosonix is also using its proprietary technology to develop a number of novel particle-engineered respiratory product formulation/presentations, including a triple fixed dose combination of an inhaled corticosteroid (**ICS**), long-acting beta agonist (**LABA**) and long-acting muscarinic antagonist (**LAMA**), and a potential future competitor for leading COPD treatment, Spiriva®.

Prosonix's lead candidate, which is designed as a substitute for GSK's Flixotide® pMDI is currently undergoing regulatory review under the European decentralised procedure, with a decision on the first approval anticipated from the MHRA in H2 2015. Filing for Prosonix product candidate targeting substitution for Serevent® pMDI is anticipated in H2 2015 in the UK under the European Decentralised Procedure, and for its candidate targeting substitution for Seretide® in H2 2016. Prosonix's triple fixed dose combination and potential competitor for Spiriva® are longer term programmes, with filings anticipated in the US in 2020 and 2021, respectively.

Prosonix is pursuing a regulatory strategy for its near-term pipeline that exploits the Abbreviated New Drug Application (**ANDA**) procedure in the United States and guidelines on Orally Inhaled Products (**OIP**) in the European Union. Under this approach, Prosonix intends to pursue regulatory approval based on demonstrating *in vitro* product equivalence.

Prosonix's product pipeline targets a market valued at approximately US$20 billion. Prosonix's portfolio of near-term product candidates targets existing therapies responsible for estimated sales of approximately US$2.8 billion. The Company believes that the market for key inhaled respiratory products for asthma and/or COPD is predicted to undergo significant change in the coming years, as currently marketed products face generic competition and fixed dose combinations are successfully introduced. In addition, guidelines published by the Global Initiative for Asthma (**GINA**) and Global Initiative for Chronic Obstructive Lung Disease (**GOLD**) support the prescribing of medications based on favourable costing and availability, in addition to safety and efficacy. Prosonix's technology has the potential to exploit these market dynamics by providing cost-effective, therapeutically equivalent, reimbursable and directly substitutable products in the near term, and novel optimal formulations/presentations in the longer term.

Prosonix's proprietary technology combines ultrasonic particle engineering and controlled crystallisation of active pharmaceutical ingredients (**APIs**). Inhaled respiratory products comprise complex systems, with multiple interactions between the drug product, delivery device and excipients making formulation and production challenging. Prosonix's technology is designed to provide sophisticated control of the APIs' physicochemical properties. Prosonix's approach reduces API variability, instability, complexity and cost, providing the opportunity to develop therapeutically equivalent, cost-effective products.

Prosonix's technology has been demonstrated at commercial scale and to current Good Manufacturing Practice (**cGMP**) standards in FDA approved facilities. Prosonix's Prosonitron® system is fully operational at commercial scale at cGMP contract manufacturing facilities.

Under Prosonix's regulatory strategy, its near-term pipeline, if approved, has the potential for direct substitution without the requirement for targeting by a large force of sales representatives. In addition, the Enlarged Group has the opportunity to promote the products, if approved, directly to specialists in key markets using its commercialisation infrastructure. Prosonix's longer-term pipeline products fit the Enlarged Groups' commercialisation strategy, with the potential for direct promotion to specialists by a targeted sales and marketed team. These products, if approved, also have the potential for partnering with large pharmaceutical companies, to enable wider primary care sales via large forces of sales representatives.

Prosonix has a number of development and commercialisation collaborations in place. Its lead product is partnered with Mylan. Under the agreement, Prosonix retains marketing rights in certain EU territories. Mylan has rights in the United States, Europe, Canada, Australia, New Zealand, Japan, India, Turkey, Russia and the Commonwealth of Independent States. Prosonix retains rights elsewhere under the agreement and has the ability to convert the rights granted with respect to the United Kingdom, Germany and the Netherlands to semi-exclusive rights, allowing it to exploit the product in those territories itself or grant such right to a third party.

For Prosonix's product candidate targeting direct substitution of Seretide® pMDI and its novel ICS / LABA / LAMA fixed dose combination, Prosonix retains global commercialisation rights, allowing promotion by the Enlarged Group's specialist sales and marketing infrastructure, if approved. It also retains global rights to its proprietary novel engineered candidate targeting competition with Spiriva®, except in China. Prosonix's product candidate targeting direct substitution of Serevent® pMDI is partnered with a UK company for the UK and Ireland market.

Prosonix has an extensive intellectual property programme protecting its technology and portfolio. Prosonix has 136 granted patents, and a further 44 pending, in 20 patent families. These are filed in key markets, including the United States, Europe and Japan, with the patents covering key aspects of Prosonix's manufacturing processes, engineered APIs, formulation and use. Prosonix's patent portfolio offers broad protection on its production apparatus in the United States until 2022 and to 2019 in Europe, and patents pending will extend product and process protection to at least 2030 in the United States.

Prosonix was originally established in 2006. Prosonix was formed from the spin-out of certain assets and intellectual property from Accentus plc, part of AEA Technology plc. Initially, Prosonix provided technology services to the life science and chemical industries, prior to raising funding in three rounds to support its transition into a specialty pharmaceutical business focused on developing treatments for asthma and/or COPD. Prosonix is based at the Oxford Science Park, Oxford, UK, and has 22 full-time equivalent employees. Prosonix's current major shareholders include Ventech (16%), Gilde Healthcare Partners (16%), GIMV (13.7%) and Entrepreneurs Fund (12.7%).

Prosonix generated operating losses of £0.4 million in the financial year ended 31 March 2014 and had gross assets as at 31 March 2014 of £10.4 million.

Financial impact of the Acquisitions and the use of proceeds

The Company anticipates that following the Acquisitions, the Enlarged Group will extend the commercial infrastructure in the United States currently targeting allergy/asthma specialists. It anticipates that by Q1 2017 the sales force will be around 100-strong in preparation for the launch of Cat-SPIRE, if approved. The Company anticipates that the current timeline to cash generation will remain on track, with earnings enhancement by 2018 and is targeting a combined return on investment in relation to the Acquisitions of greater than 20% within 4 to 5 years. On completion of the Acquisitions the Directors believe that the Enlarged Group will be fully funded to deliver on its plans, including the development of its current product portfolio.

The Company proposes to use the net proceeds of the Placing and Open Offer of approximately £275 million and existing cash of approximately £5 million to fund the Acquisitions, Aerocrine's and Prosonix's future operational requirements within the Enlarged Group and to repay the Aerocrine Credit

Agreement. The Aerocrine Credit Agreement has a change of control and will become payable with a prepayment penalty if the Aerocrine Acquisition is completed. The amount required to repay the Aerocrine Credit Agreement, including the penalty, will be approximately USD 44 million. Aerocrine's expected cash balance on completion is £31 million. The cash consideration for the Acquisitions (including the amount to repay the Aerocrine Credit Agreement) is up to £268 million. In addition, the Company will incur commission, adviser fees and expenses of approximately £12 million in connection with the Acquisitions and the Placing and Open Offer.

The Placing and Open Offer and the Acquisitions are not inter-conditional and in the event that the Placing and Open Offer proceeds, but Closing does not take place, the Directors intend to return the Placing and Open Offer proceeds to Shareholders within a reasonable period of time, if no other acquisition opportunities can be found on acceptable terms.

Current trading and prospects

The Circassia Group

Circassia has made recent strong clinical, commercial and financial progress. Its phase III study of its lead product, Cat-SPIRE which targets cat allergy, completed recruitment at the end of December 2014, with 19% more subjects enrolled that the minimum target of 1,182. During 2014, the Company also reported positive results from long-term phase IIb follow-up studies in its Grass-SPIRE and HDM-SPIRE development programmes, which showed a persistent treatment effect three pollen seasons and two years after starting short course treatment respectively, despite subjects receiving no further doses. The Company also initiated a large phase IIb field study of its HDM-SPIRE, which will enrol 660 house dust mite allergic subjects in North America, Europe and South Africa. In December 2014, the Company reported top-line results from a phase IIb study of its ragweed allergy immunotherapy candidate that indicated a reduction in symptoms in the higher-dose treatment group, although a large placebo effect was evident and the result did not reach significance. There was also an apparent dose response effect, suggesting a higher dose may achieve a greater effect. In February 2015, Circassia announced subsequent supportive field data from the study that showed a reduction compared to placebo in symptoms and rescue medication use during the ragweed pollen season recorded by patients in the higher dose group. These data are informing the development strategy for Ragweed-SPIRE, with a dose ranging field study planned.

The Company has begun to establish the foundations of its commercial infrastructure, with the appointment of its Chief Commercial Officer in 2014, and incorporation of its US subsidiary. The Company also began recruiting Medical Science Liaisons in the US and Europe to work with allergy / asthma specialists and key opinion leaders. These are mostly now in place. During 2014, the Company completed market research with specialists, payors and patients, which support a strong commercial opportunity for the Company's allergy immunotherapy products. In addition, the Company's Cat-SPIRE, HDM-SPIRE and Ragweed-SPIRE manufacturing are all at commercial scale, with good progress on the production scale-up for Grass-SPIRE.

The Company has a strong balance sheet and remains well funded to bring its lead product to market. As at 31 December 2014, Circassia had cash and deposits of £186.6 million.

The Aerocrine Group

Aerocrine achieved record sales for the full year 2014. Net sales for 2014 reached SEK 166.2 million (2013: SEK 136.2 million), an increase of 22 per cent. on 2013. Adjusting for the change in exchange rates during the year, the increase was 16 per cent. The net sales for clinical use of NIOX® products in 2014 increased 26 per cent. to SEK 129.3 million (2013: SEK102.4 million), driven mainly by strong sales in Japan following the market clearance received in the fourth quarter 2013 and solid performance in the EU.

Aerocrine's net sales for the three months ended 31 March 2015 reached SEK 53.2 million from SEK 35.0 million in the three months ended 31 March 2014, an increase of 52%. Adjusting for the change in currency the increase was 31%. The net sales for clinical use of NIOX products increased 32% to SEK 38.9 million for the three months ended 31 March 2015 from SEK 29.3 million for the three months ended 31 March 2014, driven mainly by increased performance in all three regions; US/North America, Europe/ROW and Asia/Pacific and changes in currency exchange rates. In addition, in 2014 the US was impacted by the implementation of a new sales model in the US which slowed growth in the first half of 2014. Asia/Pacific was further aided by the re-registration of the NIOX MINO in China in December 2014 and the continued launch of the NIOX MINO which was approved in Japan in late 2013.

Aerocrine received approval for NIOX VERO® in the US in early November 2014 and in Japan in January 2015, and has filed for approval in China. The VERO® has been recently introduced in both the US and Japan, and the ease of use of this new device offers the potential for growth in these markets. China also has potential for good growth as sales have been constrained due to the required re-registration of the NIOX MINO® device, which took place in December 2014. On 22 April 2015, the Company announced the launch of the NIOX VERO in Japan.

The rights offering completed on 6 February 2015, resulted in additional gross proceeds of SEK 445 million. At 31 March 2015, Aerocrine had cash reserves of SEK 483.5 million.

If the acquisition is completed, the Enlarged Group will continue Aerocrine's investment in and focus on sales and reimbursement activities in the US, and continue to support distributors in Japan, China and Europe and its cooperation with Panasonic Healthcare. The Enlarged Group will also continue to actively work to get NO analyses introduced into more national guidelines for treating asthma

Circassia's Strategy for the Enlarged Group

Circassia's goal is to become a self-sustaining specialty biopharmaceutical company focusing on allergy and asthma. Circassia intends to achieve this by (i) expanding the existing specialty sales force, in North America and the major EU markets, focused on marketing to physicians who treat allergy and asthma patients, to have in place an optimally-sized, trained sales force to launch Cat-SPIRE, if approved, and by (ii) assembling a portfolio of products for these physicians through its own work developing its allergy immunotherapy candidates and Prosonix product candidates, and potential acquisition, in-licencing or other commercial arrangements. The key elements of this strategy are:

Complete the clinical development of Circassia's new generation of allergy immunotherapy product candidates to approval

Circassia is focused on completing the clinical development of its product candidates. Cat-SPIRE is in an ongoing phase III registration study and Circassia expects to have the results available by H1 2016. Subject to the results of this phase III registration study, Circassia intends to submit applications for marketing approval for Cat-SPIRE to the FDA, Health Canada and the EMA in H2 2016.

In parallel, Circassia intends to complete the development of its other late-stage product candidates, HDM-SPIRE, Ragweed-SPIRE and Grass-SPIRE, which have each demonstrated clinical proof-of-concept in phase IIb studies. Circassia expects that phase III data for Grass-SPIRE will be available in 2017, with phase III data for HDM-SPIRE available in 2019 and Ragweed-SPIRE in 2020.

Independently commercialise the Company's product candidates in North America and major EU markets

Circassia has retained global commercialisation rights for all of its product candidates and intends to use its own sales and marketing capabilities in North America and major EU markets, initially focusing on allergy/asthma specialists. The proposed acquisition of Aerocrine would provide Circassia with a sales and marketing organisation in the United States and Germany that already calls on allergy/asthma specialists, and Circassia intends to build upon this in advance of the launch of Cat-SPIRE, if approved.

The allergy/asthma specialist population is sufficiently concentrated to enable Circassia to promote its product candidates with a targeted sales and marketing group. Circassia believes that the Enlarged Group will have a sales and marketing organisation of around 100 representatives by Q1 2017. Circassia may also consider alternative ways of commercialising its product candidates in these territories, including partnering with or acquiring other companies that have the requisite infrastructure.

Independently commercialise Aerocrine's NIOX MINO® and NIOX VERO® products in North America and Germany through its own sales and marketing organisation

Aerocrine has retained commercial rights for the NIOX MINO® and NIOX VERO® products in the United States and Germany, and intends to continue to commercialise these products through its existing commercial organisation. The Enlarged Group intends to build upon the current Aerocrine sales force in advance of the launch of Cat-SPIRE and will use this expanded capability to sell these products.

Complete the development of Prosonix's product candidates and independently commercialise the products in specific markets

Prosonix is developing a range of particle-engineered product candidates for the treatment of asthma and/or COPD, which Circassia believes has significant commercial potential. Prosonix has retained marketing rights to its lead product candidate in specific EU territories. Additionally, Prosonix has retained global rights to its product candidate targeting direct substitution of Seretide® pMDI, its proprietary novel engineered candidate targeting competition with Spiriva® with the exception of China (including Hong Kong, Macao and Taiwan), and its novel ICS/LABA/LAMA fixed dose combination. The Enlarged Group intends to build upon the current Aerocrine sales force in advance of the launch of Cat-SPIRE, and will use this expanded capability to sell Prosonix's products, if approved, directly to specialists.

Establish commercialisation partnerships with third parties for sales in other regions of the world and to primary care physicians

In other markets, such as Japan, Circassia intends to license commercialisation rights or collaborate with regional partners, global pharmaceutical companies or other qualified potential partners for its product candidates. It intends to extend this approach to Prosonix's product candidates, where the appropriate rights are retained. Aerocrine has already established distribution and other commercial arrangements for its products outside of the United States and Germany; the Enlarged Group intends to continue these relationships, although it may review them as a result of plans to expand the commercial organisation in preparation for the launch of Cat-SPIRE, if approved. Circassia also intends to pursue commercialisation partners with the large-scale capabilities required to promote Prosonix's novel product candidates, if approved, to primary care physicians in specific markets. This approach has the potential to offer the Enlarged Group the capability to promote its SPIRE candidates to primary care physicians if the allergy immunotherapy market dynamics become favourable to this approach.

Leverage its ToleroMune® technology and expertise to expand the portfolio of development candidates

Circassia believes it can leverage its ToleroMune® technology to expand its product candidate portfolio, in allergy immunotherapy as well as immune disorders more generally. Furthermore, Circassia may seek to leverage its broader expertise in allergy and immunology to enhance its product candidate pipeline, including in-licensing or acquisition of complementary product candidates and technologies.

Exploit the Enlarged Group's position as a leading specialty biopharmaceutical company to attract in-licensing and acquisition opportunities

The Enlarged Group intends to complete the clinical development of its portfolio of product candidates and expand its commercial infrastructure in North America and key European markets to target specialist physicians. This infrastructure would transform the Enlarged Group into an attractive partner for companies with late-stage and / or approved specialty products that do not have the capabilities to sell

directly in the Enlarged Group's target markets. The Enlarged Group intends to exploit its position and will consider in-licensing and / or acquiring products and / or near-term product candidates that fit its strategy.

Continue to invest in and strengthen its intellectual property portfolio

As of the date of this prospectus, Circassia owns a patent portfolio that provides broad effective protection of its technology and product candidate portfolio to at least 2028 in Europe and 2030 in the United States. Circassia intends to continue to leverage this patent portfolio to develop and commercialise its product candidates. Circassia intends to continue to generate and file new patent applications and take other steps to expand and strengthen its intellectual property position. In addition, Circassia may also expand its intellectual property portfolio through in-licensing and acquisition.

Aerocrine owns a patent portfolio that provides broad effective protection of its technology and product portfolio to at least 2026. The Enlarged Group intends to continue to leverage this patent portfolio to maintain its position as the leader in the routine testing of FeNO for use in the diagnosis and management of asthma.

Prosonix has an extensive patent portfolio and patents pending with the potential to protect its technology and pipeline through to 2030 in the United States and 2028 in Europe. The Enlarged Group may leverage this intellectual property to develop additional product candidates, including fixed dose combinations, for the treatment of asthma and/or COPD.

Principal terms of the Aerocrine Acquisition

The Aerocrine Offer consists of a fixed amount of SEK 2.55 for each Aerocrine Share, such amount to be payable in cash only, with the total consideration being up to SEK 1.78 billion. The consideration payable under the Aerocrine Offer will be funded out of the net proceeds of the Placing and Open Offer.

The Aerocrine Offer is subject to certain conditions and further terms set out in the Aerocrine Offer Document.

The Aerocrine Offer values the Aerocrine Shares on a fully diluted basis at approximately SEK 1.78 billion.

The Aerocrine Offer represents a premium of 92 per cent. to the average Closing Price of SEK 1.33 per Aerocrine Share for the three months ending on 22 April 2015, the last undisturbed Business Day before Aerocrine's press release noting recent speculation in the markets.

Conditional on completion of the acquisition of Aerocrine, the Company has undertaken to make provision for funding the operational needs of Aerocrine through to profitability.

Principal terms of the Prosonix Acquisition

The consideration for the Prosonix Acquisition comprises £70,000,000 in initial consideration and up to £30,000,000 in deferred consideration. The initial consideration is subject to adjustment for: (i) net debt and working capital of Prosonix; (ii) amounts payable to the Prosonix Shareholders in connection with the exercise of options in Prosonix; and (iii) certain transaction costs incurred by the Prosonix Shareholders on behalf of Prosonix. No adjustment, singly or in aggregate, is expected to be material in the context of the Prosonix Acquisition.

The deferred consideration will only become payable in the event that Prosonix receives a product marketing authorisation in respect of Prosonix's lead product in the United Kingdom on or before 31 December 2017, with the amount of such deferred consideration payable reducing to £15,000,000 if such authorisation is obtained after 31 December 2016. Following completion of the Prosonix Acquisition, Circassia must use commercially reasonable efforts to achieve successful receipt of the marketing

authorisation for Prosonix's lead product. If the relevant marketing authorisation is not obtained by 31 December 2017, no amount of deferred consideration will be payable under the sale and purchase agreement. Completion of the Prosonix Acquisition is conditional upon Admission.

These proposed transactions are not interconditional, but are both conditional on approval of the placing.

IMPORTANT NOTICE

Forward-looking statements

This announcement, including its Appendix (together, the "Announcement") contains forward-looking statements, including statements about the discovery, development and commercialisation of products. Various risks may cause Circassia's actual results to differ materially from those expressed or implied by the forward-looking statements, including: adverse results in clinical development programmes; failure to obtain patent protection for inventions; commercial limitations imposed by patents owned or controlled by third parties; dependence upon strategic alliance partners to develop and commercialise products and services; difficulties or delays in obtaining regulatory approvals to market products and services resulting from development efforts; failure to complete the Acquisition of Aerocrine or Prosonix; the requirement for substantial funding to conduct research and development and to expand commercialisation activities; and product initiatives by competitors. As a result of these factors, prospective investors are cautioned not to rely on any forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. None of the Company, J.P. Morgan Securities plc, J.P. Morgan Limited or Peel Hunt LLP undertake any obligation nor do they intend to revise or update any document (except, in the case of the Company, to the extent required by the Financial Conduct Authority (the ***FCA****), the London Stock Exchange or by applicable law including the Listing Rules or the Disclosure Rules and Transparency Rules).*

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NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES

This Announcement does not constitute an extension into the United States of the offer mentioned in this Announcement, nor does it constitute nor form part of an offer to sell securities or the solicitation of an offer to buy securities in the United States. Aerocrine AB shareholders located or resident in the United States or who are acting for the account or benefit of such persons will not be eligible to participate in the offer described in this Announcement. Offer documents, including the offer document describing the terms of the offer and tender forms, when issued, will not be distributed or sent into the United States.

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Announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

No statement in this Announcement is or is intended to be a profit forecast or profit estimate or to imply that the earnings of the Company for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company. The price of shares and the income from them may go down as well as up and investors may not get back the full amount invested on disposal of the shares.

The New Ordinary Shares to be issued pursuant to the placing and open offer will not be admitted to trading on any stock exchange other than the London Stock Exchange.

Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this Announcement.

APPENDIX

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

2010 PD Amending Directive	Directive 2010/73/EU
Acquisitions	the Aerocrine Acquisition and the Prosonix Acquisition
Admission	admission of the New Ordinary Shares to the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with LR 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange
Aerocrine	Aerocrine AB, a company incorporated under the laws of Sweden with registered number 556549-1056, and, where the context requires it, the Aerocrine Group
Aerocrine Acquisition	the acquisition pursuant to the Aerocrine Offer of the entire issued, and to be issued, share capital of Aerocrine AB by Circassia Pharmaceuticals plc
Business Day	a day (other than Saturday, Sunday or a public holiday) on which banks are generally open for business in the City of London for the transaction of normal banking business
Company or **Circassia**	Circassia Pharmaceuticals plc
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear
Directors	the Executive and Non-Executive Directors of Circassia
Disclosure and Transparency	the disclosure rules and transparency rules made by the FCA

Rules	under Part VI of the FSMA
Enlarged Group	together, the Circassia Group, the Aerocrine Group and Prosonix, assuming completion of the Acquisitions
European Economic Area	the European Union, Iceland, Norway and Liechtenstein
European Union or **EU**	an economic and political union of 28 member states which are located primarily in Europe
Exchange Act	the U.S. Securities Exchange Act of 1934, as amended
Excluded Territories	Australia, Canada, Dubai International Financial Centre, Guernsey, Jersey, Japan, New Zealand, Singapore, Switzerland, The Republic of South Africa and the United States and any jurisdiction where the availability of the Placing and Open Offer would breach any applicable laws or regulations and "Excluded Territory" shall mean any of them
FCA	the UK Financial Conduct Authority
FSMA	the UK Financial Services and Markets Act 2000, as amended
Group or Circassia Group	Circassia and its subsidiaries and subsidiary undertakings, and, where the context requires it, its associated undertakings; when used in connection with the unaudited pro forma financial information, the Group means Circassia Group as adjusted for the Aerocrine Acquisition
Prosonix	Prosonix Limited a company incorporated under the laws of England and Wales with registered number 5679156
IFRS	International Financial Reporting Standards
Joint Bookrunners	J.P. Morgan Cazenove and Peel Hunt
Joint Sponsors	J.P. Morgan Cazenove and Peel Hunt
J.P. Morgan Cazenove	(i) in the capacity as joint sponsor in connection with the proposed Aerocrine Acquisition and/or joint sponsor and/or joint bookrunner in connection with the Placing and Open Offer and Admission, J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove; or (ii) in the capacity as sole financial adviser in connection with the Acquisitions, J.P. Morgan Limited, which conducts its UK investment banking business as J.P. Morgan Cazenove
Member State	member state of the EU
Money Laundering Regulations	Money Laundering Regulations 2007
Official List	the Official List maintained by the FCA
Open Offer	the offer to Qualifying Shareholders constituting an offer to apply for the Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in the Prospectus, and in the case of Qualifying Non-CREST Shareholders, the Application Form

Ordinary Shares	ordinary shares of 0.08 pence each in Circassia
Overseas Shareholders	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
PD Regulation	Regulation (EC) No 809/2004
Peel Hunt	Peel Hunt LLP
Placee	any person who has agreed or shall agree to subscribe for Open Offer Shares pursuant to the Placing subject to clawback to satisfy valid applications by Qualifying Shareholders pursuant to the Open Offer
Placing	the conditional placing of the Open Offer Shares with Placees at the Offer Price in accordance with the Placing Agreement, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer
Placing and Open Offer	the Placing and the Open Offer
Prospectus Directive or **PD**	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State
Prospectus Rules	the prospectus rules made by the FCA under Part VI of the FSMA relating to offers of transferrable securities to the public and admission of transferrable securities to trading on a regulated market
QIB	"qualified institutional buyer" as defined under Rule 144A
Qualifying Shareholders	holders of Ordinary Shares on the register of members of Circassia at the Record Date with the exclusion of Overseas Shareholders with a registered address or resident in any Excluded Territory
Regulation S	Regulation S under the Securities Act
Relevant Member State	each Member State of the European Economic Area that has implemented the Prospectus Directive
Rule 144A	Rule 144A under the Securities Act
SEC	the U.S. Securities and Exchange Commission
Securities Act	the U.S. Securities Act of 1933, as amended
Shareholders	holders of Ordinary Shares
Placing Agreement	the sponsor and placing agreement entered into between Circassia, J.P. Morgan Securities plc and Peel Hunt relating to the Placing and Open Offer

UK Corporate Governance Code	the UK Corporate Governance Code dated September 2012 issued by the Financial Reporting Council
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland
United States or **U.S.**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia