

## Targacept to Receive \$2 Million from AstraZeneca for Option to Lead Product Candidate in Alpha7 NNR Program

Winston-Salem, North Carolina Nov 05, 2007

Targacept, Inc. (NASDAQ: TRGT), a clinical-stage biopharmaceutical company developing a new class of drugs known as NNR Therapeutics (TM), today announced that AstraZeneca has secured an option for an exclusive license to Targacept's product candidate TC-5619 under the terms of the parties' collaboration agreement. As a result, AstraZeneca will make a \$2.0 million payment to Targacept.

Neuronal nicotinic receptors (NNRs) are a class of receptors found in the nervous system that play a critical role in modulating the release of chemicals called neurotransmitters to regulate nervous system activity. The alpha7 NNR subtype has been shown in animal studies to be a key regulator of cognitive function. TC-5619, the lead product candidate in Targacept's alpha7 NNR program, entered Phase I clinical development in July 2007. The parties' expansion of their collaboration to include TC-5619 reflects the potential of the alpha7 NNR as a therapeutic target for cognitive disorders.

"Our decision to secure an option to license TC-5619 under our collaboration agreement underscores AstraZeneca's enthusiasm for the promise of NNRs as a new mechanism for the treatment of cognitive disorders," said Bob Holland, Vice President and Head of the Neuroscience Therapy Area, AstraZeneca. "We are committed to developing novel therapies in areas of unmet need such as Alzheimer's disease, cognitive deficits in schizophrenia and other cognitive disorders and are delighted to be able to access Targacept's innovation in this field."

Targacept and AstraZeneca entered into their exclusive global license and research collaboration agreement in December 2005, initially for the development and commercialization of another of Targacept's NNR Therapeutics, TC-1734, which AstraZeneca refers to as AZD3480. AstraZeneca is currently conducting Phase IIb clinical trials of AZD3480 (TC-1734) in each of Alzheimer's disease and cognitive deficits in schizophrenia.

"The progress to date in our AstraZeneca collaboration has been impressive," said J. Donald deBethizy, Ph.D., Targacept's President and Chief Executive Officer. "AstraZeneca's ongoing Phase IIb proof of efficacy trials of AZD3480 in Alzheimer's disease and cognitive deficits in schizophrenia are together expected to enroll approximately 900 patients, with both trials on track to complete in the second half of 2008. Beyond that, our funded preclinical research collaboration is yielding additional novel product candidates targeting the alpha4beta2 NNR subtype, and we are now introducing TC-5619, an alpha7 NNR agonist, into the collaboration. We are very fortunate to be working closely with AstraZeneca as we progress our portfolio of NNR Therapeutics for the treatment of cognitive disorders."

### Notes to editors:

AstraZeneca's election to secure an option to license TC-5619 was triggered under the collaboration agreement by Targacept's decision to pursue its development for cognitive disorders. AstraZeneca's election allows Targacept to continue developing TC-5619 independently through a Phase II clinical proof of concept trial. At that point, if TC-5619 achieves clinical proof of concept, AstraZeneca has the option to pay Targacept \$40 million for an exclusive license for TC-5619 for various conditions characterized by cognitive impairment. If AstraZeneca exercises its option, it would assume responsibility for and fund all later-stage development and commercialization of TC-5619 and Targacept would be eligible to receive additional payments of up to \$226 million, contingent upon the achievement of development, regulatory and first commercial sale milestones, and stepped double-digit royalties on any future product sales. If TC-5619 does not achieve clinical proof of concept but AstraZeneca remains interested in a potential license, the collaboration agreement provides a mechanism for the parties to negotiate terms.

### About Targacept

Targacept is a clinical-stage biopharmaceutical company that discovers and develops NNR Therapeutics (TM), a new class of drugs for the treatment of central nervous system diseases and disorders. Its product candidates selectively modulate neuronal nicotinic receptors that serve as key regulators of the nervous system to promote therapeutic effects and limit adverse side effects. Targacept has product candidates in development for Alzheimer's disease and cognitive deficits in schizophrenia, pain, and depression and anxiety disorders, as well as multiple preclinical programs. Targacept also has strategic alliances with AstraZeneca and GlaxoSmithKline. Additional information about Targacept is available at [www.targacept.com](http://www.targacept.com).

### 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 \$26.47 billion and leading positions in sales of gastrointestinal, cardiovascular, neuroscience, respiratory, oncology and infection products. AstraZeneca is listed in the Dow Jones Sustainability Index (Global) as well as the FTSE4Good Index.

In the United States, AstraZeneca is a \$12.44 billion healthcare business with more than 12,000 employees. For nearly three decades, AstraZeneca has offered drug assistance programs side by side with its medicines, and over the past five years, has provided over \$3 billion in savings to more than one million patients throughout the U.S. and Puerto Rico. AstraZeneca has been named one of the "100 Best Companies for Working Mothers" by Working Mother magazine and is the only large pharmaceutical company named to FORTUNE magazine's 2007 list of "100 Best Companies to Work For." In 2006, for the fifth consecutive year, Science magazine named AstraZeneca a "Top Employer" on its ranking of the world's most respected biopharmaceutical employers.

For more information about AstraZeneca, please visit [www.astrazeneca-us.com](http://www.astrazeneca-us.com).

### **Forward-Looking Statements**

Statements in this press release that are not purely historical in nature, including, without limitation, statements regarding the progress, timing or scope of the research and development of AZD3480 (TC-1734), TC-5619 or any of our other product candidates or related regulatory filings or clinical trials, any future payments that AstraZeneca may make to us with respect to TC-5619, our plans, expectations, future operations, financial position, revenues or costs, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by forward-looking statements as a result of various important factors, including risks and uncertainties relating to: the amount and timing of resources that AstraZeneca devotes to the development of AZD3480 (TC-1734); AstraZeneca's right in the future to terminate the preclinical research collaboration that we and AstraZeneca are currently conducting prior to the end of the planned four-year term; the competitiveness of TC-5619 as compared to any other product candidates in AstraZeneca's product pipeline in development for the same indication or indications and to products and product candidates of third parties; the results of clinical trials and non-clinical studies and assessments with respect to TC-5619 or any of our current and future product candidates in development; the conduct of such trials, studies and assessments, including the performance of third parties that we engage to execute them and difficulties or delays in the completion of patient enrollment or data analysis; the timing and success of submission, acceptance and approval of regulatory filings; and our ability to obtain substantial additional funding. These and other risks and uncertainties are described in greater detail under the heading "Risk Factors" in our most recent Annual Report on Form 10-K and in other filings that we make with the Securities and Exchange Commission. As a result of the risks and uncertainties, the results or events indicated by the forward-looking statements may not occur. We caution you not to place undue reliance on any forward-looking statement. In addition, any forward-looking statements in this release represent our views only as of the date of this release and should not be relied upon as representing our views as of any subsequent date. We anticipate that subsequent events and developments may cause our views to change. Although we may elect to update these forward-looking statements publicly at some point in the future, we specifically disclaim any obligation to do so, except as required by applicable law.

### **Contacts:**

Alan Musso, VP and CFO  
Targacept, Inc.  
Tel: (336) 480-2186  
Email: [alan.musso@targacept.com](mailto:alan.musso@targacept.com)

Michelle Linn  
Lindden Communications  
Tel: (774) 696-3803  
Email: [linnmich@comcast.net](mailto:linnmich@comcast.net)

Jamie Smith  
AstraZeneca Pharmaceuticals  
Tel: (302) 885 5725  
Email: [Jamie.Smith@astrazeneca.com](mailto:Jamie.Smith@astrazeneca.com)