

AVANT Immunotherapeutics, Inc.

Paul Royalty Fund Transaction

Frequently Asked Questions

<i>Rotarix® Royalty Transaction</i>	
Question	Answer
1) What are the essentials of this royalty transaction with Paul Royalty Fund?	<p>In May 2005, AVANT announced an important strategic transaction with Paul Royalty Fund (PRF). The transaction enables AVANT to receive a considerable amount of the future royalty stream now from future sales of GlaxoSmithKline's (GSK) vaccine against rotavirus disease, Rotarix®.</p> <p>At the same time, the agreement allows AVANT to retain upside in future royalty revenues depending on the commercial success of Rotarix®.</p> <p>An affiliate of PRF will purchase, for up to \$61 million, an interest in the net royalties AVANT is due to receive on worldwide sales of Rotarix®.</p>
2) Why did AVANT enter into a transaction to sell the Rotarix® royalty stream?	<p>AVANT wanted access to a significant and non-dilutive capital infusion to invest in those programs that it expects will return maximum shareholder value.</p> <p>AVANT wanted to receive potentially \$50 million within the next 12-month period, with a guaranteed \$10 million in 2005.</p>
3) Who are Paul Capital Partners and the Paul Royalty Funds?	<p>Founded in 1991, Paul Capital Partners is an established member of the global private equity community and is recognized as an industry innovator. One of Paul Capital Partners' distinct areas of investment focus, Healthcare Royalty and Revenue Interests, provides well-tailored transactions funded primarily by the Paul Royalty Funds.</p> <p>The Paul Royalty Funds have used investment in both royalty and revenue interests to finance various types of healthcare product companies, including pharmaceutical, drug delivery, biotechnology, medical device and diagnostic</p>

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	companies, universities and research institutes. The Paul Royalty Funds (PRF) prefers to invest in products that address compelling medical needs, in which pricing and demand are readily defined.
4) What payments will AVANT receive from PRF and when?	<p>The terms of the agreement with PRF include an unconditional upfront payment from PRF totaling \$10 million received in 2005; and the following milestone payments:</p> <ul style="list-style-type: none">• \$40 million on product launch in the European Union, received in Q1-2006; and• Between \$11 and \$9 million on product launch in the United States, depending on date of U.S. launch. <p>AVANT also retains half of up to \$5.5 million of gross milestones payable by GSK, increasing the total value to AVANT to up to \$63.75 million (excluding any upside participation in Rotarix® royalties).</p>
5) What potential upside participation in the Rotarix® royalty stream has AVANT retained? Has AVANT sold the entire Rotarix® royalty stream?	<p>AVANT has NOT sold the entire Rotarix® royalty stream but retains a share of potential future royalties from Rotarix® that, depending on its commercial success, could be significant.</p> <p>Under the agreement with PRF, AVANT will keep 92.5% of royalties above the first \$27.5 million in any year, which goes to PRF. Once PRF receives a return on its investment of 2.45 times its cash payments, AVANT will receive 92.5% of all future royalties.</p> <p>Thus, the value of this transaction to AVANT is in excess of the \$61 million in PRF-related payments.</p>