

Medicago announces agreement to be acquired by Mitsubishi Tanabe Pharma in a transaction valued at \$357M

Quebec City, July 12, 2013 – Medicago Inc. (TSX: MDG; OTCQX: MDCGF), a biopharmaceutical company focused on developing highly effective and competitive vaccines based on proprietary manufacturing technologies and Virus-Like Particles (VLPs), announced today that it has entered into a definitive arrangement agreement with Mitsubishi Tanabe Pharma Corporation (“Mitsubishi Tanabe Pharma” or “MTPC”) whereby MTPC will acquire all of the issued and outstanding common shares (“Shares”) of Medicago, other than the Shares currently held by Philip Morris Investments B.V. (“PMI”) an affiliate of Philip Morris International Inc. and MTPC, for \$1.16 in cash per Share (the “Purchase Price”). Upon completion of the transaction, Medicago will be jointly owned by MTPC (60%) and PMI (40%).

The Purchase Price represents a premium of approximately 22.1% to the closing price of \$0.95 per Share on the TSX on July 11, 2013 and a premium of approximately 46.8% and 61.1% over the 30-day and 90-day volume weighted average prices of \$0.79 and \$0.72 per Share on the TSX, respectively, up to and including July 11, 2013. The transaction represents a total enterprise value of approximately \$357 million, including the assumption of existing indebtedness, for 100% of Medicago.

The transaction has been approved unanimously by the Board of Directors of Medicago following the unanimous recommendation of a Special Committee of Independent Directors. The Board of Directors of Medicago also unanimously recommends that shareholders vote in favour of the transaction at the special meeting of shareholders to be called to approve the transaction. PMI, Medicago’s principal shareholder, which currently holds 38.5% of all issued and outstanding Shares of Medicago, has agreed to irrevocably support and vote its Shares in favour of the transaction until April 12, 2014. In addition, all directors and certain officers of Medicago holding approximately 1.6% of the issued and outstanding Shares have also entered into agreements pursuant to which they have agreed to vote their Shares in favour of the transaction.

“Mitsubishi Tanabe Pharma, a top 30 global pharmaceutical company, has been a solid and committed partner with the ability to drive Medicago’s future growth and success in the development of our best-in-class rapid plant-based vaccines,” said Andy Sheldon, President and CEO of Medicago. “Mitsubishi Tanabe Pharma’s capabilities in biopharmaceutical research, development, and commercialization along with its financial stability offer us the ideal opportunity to realize the full potential of our platform. These resources provide us the ability to foster the development of innovative vaccines with the financial stability to expand our Quebec, Canadian, U.S. and global operations.”

“Building on our existing collaboration, we look forward to working with the management and employees of Medicago to further develop the business and advance their promising work,” said Michihiro Tsuchiya, Representative Director of Mitsubishi Tanabe Pharma Corporation. “We are proud to invest in developing novel vaccines in Québec City and North Carolina as part of our global operations.”

Fairness Opinions and Formal Valuation

TD Securities Inc. ("TD Securities"), as financial advisor to Medicago, and Desjardins Capital Markets ("Desjardins"), as independent valuator to the Special Committee, have each provided an opinion to the Special Committee and Board of Directors of Medicago that, subject to the assumptions, qualifications and limitations provided therein, the consideration to be received by the shareholders (other than MTPC and PMI) under the arrangement is fair, from a financial point of view, to such shareholders. Desjardins has also provided the Special Committee with a formal valuation completed under the supervision of the Special Committee, as contemplated by Regulation 61-101 *Protection of Minority Security Holders in Special Transactions* ("Regulation 61-101"), and which concludes that, subject to the assumptions, qualifications and limitations therein, the fair market value of the Shares is between \$1.05 and \$1.35 per Share.

Transaction Details

The completion of the transaction is subject to court approval pursuant to the *Business Corporations Act* (Québec) and the approval of Medicago's shareholders. The transaction is subject to Regulation 61-101 and the implementation of the arrangement will be subject to the approval of 66 ²/₃% of the votes cast by shareholders present in person or by proxy at the special meeting of shareholders of Medicago and by holders of more than 50% of the votes cast by Medicago's minority shareholders being all shareholders excluding MTPC, PMI and any of their respective affiliates. The Company intends to mail a management information circular in the upcoming weeks to its shareholders for a meeting expected to be held before August 30, 2013. The transaction is also subject to customary closing conditions, including receipt of all regulatory approvals, and is expected to close later this calendar year. The transaction is not subject to any financing condition.

The arrangement agreement provides for, among other things, a non-solicitation covenant on the part of Medicago subject to customary fiduciary out provisions. The arrangement agreement also provides MTPC with a "right to match" and requires Medicago to pay a termination fee in the amount of \$9.25 million under certain circumstances. MTPC has agreed to pay Medicago a termination fee of \$9.25 million if the transaction is not completed as a result of a breach of representations or covenants by MTPC. MTPC has also agreed to reimburse Medicago's expenses related to the transaction, up to an amount of \$1,500,000, in the event the transaction does not close as a result of certain regulatory approvals not being obtained.

Upon closing of the transaction, holders of warrants and stock options of Medicago will receive a cash payment equal to the difference between \$1.16 and the exercise price of such warrant or stock options.

MTPC has also agreed, subject to the necessary regulatory approvals being secured, to make available to Medicago a non-interest bearing loan in a principal amount not to exceed \$13.5 million in three instalments for the purpose of providing Medicago with adequate cash liquidity until closing of the transaction should closing not have occurred by September 15, 2013. In the event the arrangement agreement is terminated and the transaction does not close, the loan will become due and payable, and Medicago will satisfy its obligations to repay the loan through the issuance of Shares to MTPC at a price of \$0.82 per Share.

Further details regarding the terms of the transaction are set-out in an Arrangement Agreement which will be available under the profile of Medicago at www.sedar.com.

Advisors

TD Securities is financial advisor to Medicago in connection with the transaction and Desjardins Capital Markets acted as independent valuator to the Special Committee of Medicago. McCarthy Tétrault LLP is Medicago's legal counsel. MTPC's financial advisor is Goldman Sachs and its legal counsel are Stikeman Elliott LLP and Ropes & Gray LLP.

About Medicago

Medicago is a clinical-stage biopharmaceutical company developing novel vaccines and therapeutic proteins to address a broad range of infectious diseases worldwide. The Company is committed to providing highly effective and competitive vaccines and therapeutic proteins based on its proprietary VLP and manufacturing technologies. Medicago is a worldwide leader in the development of VLP vaccines using a transient expression system which produces recombinant vaccine antigens in plants. This technology has potential to offer more potent vaccines with speed and cost advantages over competitive technologies, enabling the development of a vaccine for testing in approximately one month after the identification and reception of genetic sequences from a pandemic strain. This production time frame has the potential to allow vaccination of the population before the first wave of a pandemic, and supply large volumes of vaccine antigens to the world market. Medicago also intends to expand development into other areas such as biosimilars and biodefense products where the benefits of our technologies can make a significant difference. Additional information about Medicago is available at www.medicago.com.

About Mitsubishi Tanabe Pharma

Mitsubishi Tanabe Pharma is a research-driven pharmaceutical company based in Japan, specializing in research, development and marketing of globally competitive pharmaceutical products focused on the field of autoimmune disease, diabetes and kidney disease, and CNS disease. Mitsubishi Tanabe Pharma contributes to the healthier lives of people around the world through the creation of pharmaceuticals that respond to unmet medical needs. Additional information about MTPC is available at <http://www.mt-pharma.co.jp/e>