



Press Release

ProStrakan Group plc

ProStrakan Reports Strong Revenue Growth in Pre-Close Trading Update

Galashiels, Scotland, 5 July 2007 ProStrakan Group plc (LSE: PSK), the European specialty pharmaceutical company, today issues a business and trading update for the six months ending 30 June, 2007, ahead of the close period preceding the publication of the Group's Interim Results, planned for 12 September, 2007.

KEY HIGHLIGHTS

- Strong revenue growth – product sales up 15% over H1 2006; total revenues up 28%.
- Strong growth in recently launched pan-European products (Tostran, Rectogesic & Droperidol) with sales up 43% in H1.
- New Drug Application (NDA) for Sancuso submitted to FDA on 29th June. EU submission expected in coming weeks.
- Distribution agreement with privately held Italian pharmaceutical company, Keryos, announced today. Product launches in 2007 extending Group's EU commercial capabilities into Italy.
- Agreements reached with FDA on key design elements of pivotal US clinical trials of Cellegesic (Rectogesic US) and Fortigel (Tostran US) allowing patient enrolment to start in the coming weeks.
- Completed £50m secured debt facility.

FINANCIAL UPDATE

ProStrakan has performed strongly in the first half of 2007. Product sales increased by 15% in the period, including growth in our pan-European products (Tostran, Rectogesic and Droperidol) of 43%. We continue to see good growth in our UK market-leading product, Adcal D3, which increased sales by 12%. Other revenues, which included deferred milestone payments from agreements signed in H2 2006, increased from £212,000 in H1 2006 to more than £2m in H1 2007. This, combined with our strong product sales growth, results in expected total reported revenue growth of 28%.

The increasing proportion of revenues emanating from newer, differentiated and protected products, together with the Group's growing portfolio of global rights, has contributed to an expected improvement in gross margins.

In March, we announced the completion of a £50m secured debt facility, of which the Group has drawn down an initial £20m. The expenses associated with this transaction will appear in the Group's Interim Results as a one-off cost. Net cash at 30 June was £10m and cash used during the period was £10m, including the one-off costs associated with the secured debt facility.

CORPORATE UPDATE

ProStrakan announces today that it has entered into an agreement with the privately held Italian pharmaceutical company, Keryos SpA, granting Keryos exclusive distribution rights to Tostran and Rectogesic in Italy, thereby completing the ability of ProStrakan to commercialise its products in the major EU markets.

Keryos will provide marketing and sales support, through its 140 person sales force, for the launch and ongoing distribution of Tostran and Rectogesic in Italy. This distribution agreement is planned to evolve as further product approvals are achieved by ProStrakan.

PRODUCT UPDATE

Significant progress has been made on a number of fronts in the first half of 2007, particularly in EU product launches, ProStrakan's extensive programme of regulatory approvals in EU and new filings in EU and USA planned for the next 18 months. Developments in these areas are set out below:

Sancuso is a transdermal granisetron patch for the prevention of chemotherapy-induced nausea and vomiting. The NDA was filed successfully with the FDA on plan in June and the Group is currently awaiting confirmation of the acceptability of this filing. Subject to successful completion of the US approval process, we anticipate the US launch of Sancuso in H2 2008. This NDA filing is the trigger for our commercialisation plans in the USA, and we expect to communicate further on these plans in H2 2007 as they evolve. The EU filing of Sancuso is on track for submission in the coming weeks.

The pan-EU introduction of our 2% testosterone gel, **Tostran**, is well under way and on schedule. The product launched in both the UK and Germany in June, and initial interest in this product has been strong. The French launch is under way, and the launch in Spain will take place in Q3, with Italy in Q4. It is planned to be available in all relevant EU territories by the end of 2007.

Following successful meetings with the FDA in H1, the process for seeking US approval for Tostran (known as Fortigel in the US) is also under way, with its Phase III protocol now submitted to the FDA, and patient enrolment into the single required study scheduled to commence later this month. If successful, we anticipate re-filing Fortigel with the FDA in 2008.

Rectogesic, for the treatment of pain associated with anal fissures, has also seen significant progress in its EU rollout, with H1 launches completed in Germany and Sweden, where we have seen strong sales performance alongside continuing strong growth in the UK, where it was launched in 2006. The French launch is underway, with

Spain scheduled for Q3, and Italy in Q4. Rectogesic is therefore planned to be available in all major EU territories by the year-end.

Following successful meetings in H1 with the FDA, the US development process for Rectogesic (currently branded Cellegesic in the US) is under way, with patient enrolment in the single remaining clinical study scheduled to start later this month.

Rapinyl, a sub-lingual fast-melt fentanyl tablet for the management of breakthrough cancer pain, is progressing through the Decentralised Process (DCP) of the EU regulatory approval system. The Group continues to work towards EU-wide approvals to support launches in 2008.

The EU DCP approval process for **Droperidol** (an injectable drug used primarily for the treatment of post-operative nausea and vomiting, to be branded as Xomolix in a number of European territories) is ongoing and we continue to work towards approvals to support more widespread EU launches in 2008.

OUTLOOK

Commenting on 2007 progress, Dr Wilson Totten, ProStrakan's Chief Executive Officer, said:

"The strategic benefit of the many transactions completed between 2005 and H1 2007 are now bearing fruit. We have a well funded business in the transformational stages of launching a series of well differentiated Pan-EU products, which are expected to be the main drivers of revenue growth and margin improvement in the coming years. The filing of our first NDA is a further major milestone, and signals our intent to extend our commercial presence into the USA, the world's largest pharmaceutical market. We expect to provide further updates on our planned US expansion later in the year.

"We have made first-rate progress in the first half of 2007 towards our goal of creating a successful, profitable, international specialty pharmaceutical business. The building blocks of attractive product rights, regulatory approvals and powerful marketing are combining to create a strong business with meaningful revenues, good growth and excellent prospects. We remain clearly focussed on successfully commercialising our existing product portfolio, while also targeting appropriate licensing and corporate opportunities in order to fuel even greater future growth."

Ends

There will be a conference call for analysts today (Thursday 5 July) at 9.00am. Contact Mo Noonan, Financial Dynamics (+44 (0)20 7269 7116) for details.

For more information on this announcement, please contact:

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ProStrakan

ProStrakan Group plc is a rapidly growing specialty pharmaceutical company engaged in the development and commercialisation of prescription medicines for the treatment of unmet therapeutic needs in major markets.

ProStrakan's head office and development facilities are situated in Galashiels in Scotland. EU-wide sales and marketing of ProStrakan's portfolio of products are handled by commercial subsidiaries in the UK, France, Germany, Spain and other EU countries.
www.prostrakan.com