

7 December 2009

IS Pharma plc ('IS Pharma', the 'Company' or the 'Group')

Investment Drives Growth in Product Revenues

IS Pharma plc (AIM: ISPH), the international speciality pharmaceutical company, is pleased to announce Interim Results for the six months ended 30 September 2009.

FINANCIAL SUMMARY

A strong first half which has seen product revenues increase by 16% and underlying gross profit by 17%. Our investment in Variquel has resulted in multiple regulatory approvals and a doubling of revenues in Europe.

- Revenues of £5.9m (H1 2008: £5.8m)* underlying revenues up 16% (H1 2008: £5.1m)
- Gross profit £3.7m (H1 2008: £3.8m)*, underlying gross profit up 17% (H1 2008: £3.1m)
- Gross margin 62% (H1 2008: 66%)*, underlying gross margin stable at 62%
- Profit from operations £0.9m (H1 2008: £1.7m)*, after Variquel® launch investment
- Profit before tax £0.5m (H1 2008: £1.5m)*
- Cash balance of £4.2m (H1 2008: £2.2m)
- Available bank facility of £8m (£3.5m drawn down)

* **Note:** Underlying performance excludes a one off payment of £0.7m received in H1 2008 for award of US distribution rights

TRADING AND OPERATIONAL HIGHLIGHTS

- Variquel approved and launched in six additional European markets
- European Variquel revenues doubled
- Cryogesic® revenues up 33%
- Aloxi® revenues more than doubled and now included in key EU guidelines

Tim Wright, Chief Executive Officer of IS Pharma said:

“We continue to implement our strategy of acquiring and commercialising speciality products. We have rapidly gained regulatory approvals for Variquel and successfully launched it in key EU markets. This together with our other promoted products is contributing to strong underlying growth in revenues and gross profit. IS Pharma is a dynamic and profitable international business, soundly positioned for further significant growth.”

-End-

For further information, call:

IS Pharma plc
Tim Wright – CEO / Matthew Hall – CFO

Tel: +44(0) 1244 625150

Financial Dynamics Limited
Billy Clegg / Edward Westropp

Tel: +44(0) 20 7831 3113

Piper Jaffray Ltd
Neil Mackison / Rupert Winckler

Tel: +44 (0) 20 3142 8700

About IS Pharma plc (AIM: ISPH)

IS Pharma (International Speciality Pharmaceuticals) is a fast growing, profitable business which develops, acquires and commercialises late-stage pharmaceuticals and medical devices, focusing in critical care, oncology and neurology. Based in the UK, IS Pharma commercialises its portfolio in the UK directly and internationally through a strong network of distributors.

To find out more please go to www.ispharma.plc.uk

Chairman and Chief Executive's Statement

Introduction

The Group's primary focus over the first six months of this financial year has been securing regulatory approvals for Variquel and launching the product across Europe. At the same time we have maintained strong revenue growth across all of our other key promoted products.

Across Europe, we are pleased to report that, in addition to the existing markets of Germany, Austria and Switzerland, Variquel has been launched in the UK, Ireland, Denmark, Netherlands, Portugal and Sweden. Furthermore, we have now gained marketing authorisations for France, Italy, Spain, Benelux and Finland where launch preparations are ongoing.

We remain intent upon building a growing and profitable European speciality pharmaceutical group. Our portfolio of key products continues to expand and we are increasing our geographic spread. Despite the investment in the Variquel regulatory process and launch, careful management of the Group's resources has enabled us to end the six month period with a strong balance sheet.

Financial Summary – Growth from our key promoted products

H1 2009 was a strong period which has seen product sales increase by 16% and underlying gross profit by 17%. Our investment in Variquel has resulted in multiple regulatory approvals and a doubling of revenues in Europe.

- Revenues of £5.9m (H1 2008: £5.8m)*, underlying revenues up 16% (H1 2008: £5.1m)
- Gross profit £3.7m (H1 2008: £3.8m) *, underlying gross profit up 17% (H1 2008: £3.1m)
- Gross margin 62% (H1 2008: 66%)*, underlying gross margin stable at 62%
- Profit from operations, incorporating Variquel launch investment, £0.9m (H1 2008: £1.7m) *
- Profit before tax £0.5m (H1 2008: £1.5m) *
- Cash balance of £4.2m (H1 2008: £2.2m)
- Available bank facility of £8m (£3.5m drawn down)

* **Note:** H1 2008 figures include one off payment of £0.7m received for award of US distribution rights

Product Performance

Following our success in gaining Variquel regulatory approvals, we focused our promotional activities on its launch and the continuing growth of Aloxi and Cryogestic. The remaining portfolio performed in line with our expectations.

Variquel is a rapid-acting vasoconstrictor used in the treatment of oesophageal varices. Having completed the acquisition of the product in the last financial year, we have focused on gaining maximum return from our investment by growing sales in existing markets as well as rapidly gaining regulatory approvals across Europe.

We have successfully completed the Mutual Recognition Procedure which means that, in addition to the existing markets of Germany, Austria and Switzerland, Variquel has now been launched in the UK, Ireland, Denmark, Netherlands, Portugal and Sweden. Furthermore, we have gained marketing authorisations for France, Italy, Spain, Benelux and Finland where launch preparations are ongoing. Marketing authorisations for two further markets, Norway and Greece, are expected by the end of this financial year.

Customers have responded well to the launch of Variquel, particularly in the UK, where we market the product. In the first half, European revenues have doubled compared with the same period last year.

In the US, the FDA has issued a Complete Response Letter for Lucassin (US tradename for Variquel). Our US partners plan to meet with the FDA in the coming months.

Aloxi is a patented new generation 5-HT₃ receptor antagonist used for the prevention of nausea and vomiting associated with high and moderate emetogenic cancer chemotherapy. The product continues to respond well to promotion with revenues more than doubled, up 114%, compared with H1 2008. The recent incorporation of the product in key international guidelines published by MASCC (Multinational Association for Supportive Care in Cancer) and ESMO (European Society of Medical Oncology) will further support its growth.

Cryogestic. Revenues from Cryogestic were up 33% on H1 2008 as our market-leading analgesic spray continued to respond well to promotion. We have positioned Cryogestic against topical anaesthetic creams and the product is now used extensively in critical care, oncology, obstetric anaesthesia and paediatrics, where the speed of effect of the product offers unique benefits over competing products.

Partnered / non promoted products. Revenue from **OptiFlo**, our catheter maintenance solution, partnered with Bard Limited, was up 19% on H1 2008 and the product continues to maintain its UK market-leading position.

As projected, UK and international revenue from **Mysoline**, our treatment for epilepsy and essential tremor, has flattened. Despite its markets being mature, Mysoline continues to be a significant contributor to the Group's revenues while requiring minimal sales and marketing effort. Overall revenue for the half was marginally behind H1 2008.

Sales effort on **Volplex and Isoplex®** was reduced during the period, in favour of promoting higher margin products. Revenues from these products, whilst still significant, were reduced in comparison with the previous period. It is anticipated that this trend will remain as we continue to prioritise our sales and marketing spend on our most profitable and sustainable products.

Outlook

Trading for the six months to 30 September 2009 has been in line with the Board's expectations. We are committed to driving strong revenue growth from all our key promoted products whilst pursuing further complementary acquisitions.

Since the end of the first half of the financial year, overall revenues from our key promoted products have continued to grow. Variquel sales in particular, are performing strongly, not only in the UK and German markets, but also in the newly launched markets. In the second half, we will be concentrating our efforts on maximising growth from our most profitable products. The financial results for the full year to 31 March 2010 are anticipated to be in line with the Board's expectations.

Geoff McMillan
Chairman

Tim Wright
Chief Executive Officer

7 December 2009

Consolidated statement of comprehensive income
For the six months ended 30 September 2009

		Unaudited Six months ended 30 September 2009 £'000	Unaudited Six months ended 30 September 2008 £'000	Audited Year ended 31 March 2009 £'000
Revenue	Note	5,931	5,812	12,157
Cost of sales		(2,236)	(1,964)	(5,051)
Gross profit		3,695	3,848	7,106
Analysed as:				
Gross profit before exceptional item		3,695	3,848	7,632
Exceptional stock provision		-	-	(526)
Gross profit		3,695	3,848	7,106
Marketing and selling costs		(926)	(630)	(1,345)
Administrative expenses		(1,879)	(1,531)	(3,218)
Profit from operations		890	1,687	2,543
Analysed as:				
Profit from operations before exceptional items		890	1,687	3,159
Exceptional stock provision and restructuring cost		-	-	(616)
Profit from operations		890	1,687	2,543
Finance income		7	41	67
Finance expense		(376)	(245)	(612)
Profit before taxation		521	1,483	1,998
Tax (expense)/credit		(155)	356	725
Profit for the period		366	1,839	2,723
Other comprehensive income/(expense)				
Foreign currency exchange differences		(289)	21	3,955
Total comprehensive income for the period		77	1,860	6,678
All of the profit and the total comprehensive income for the period is attributable to equity holders.				
Basic earnings per ordinary share	3	1.2p	6.6p	9.1p
Diluted earnings per ordinary share	3	1.2p	6.5p	9.1p

Consolidated statement of financial position
At 30 September 2009

	Unaudited 30 September 2009 £'000	Unaudited 30 September 2008 £'000	Audited 31 March 2009 £'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	148	121	142
Intangible assets	36,652	32,786	36,735
Deferred tax asset	2,006	1,415	2,006
Total non-current assets	38,806	34,322	38,883
CURRENT ASSETS			
Inventories	1,221	1,495	1,239
Trade and other receivables	2,107	1,775	1,920
Cash and cash equivalents	4,225	2,158	5,971
Total current assets	7,553	5,428	9,130
Total assets	46,359	39,750	48,013
EQUITY AND LIABILITIES			
Equity			
Share capital	4	3,075	21,528
Share premium account		238	238
Other reserves		22,772	371
Retained earnings		2,739	1,489
Total equity		28,824	23,626
NON-CURRENT LIABILITIES			
Long term financial liabilities		11,785	9,794
Deferred tax liability		834	926
Total non-current liabilities		12,619	10,720
CURRENT LIABILITIES			
Trade and other payables		2,453	1,836
Financial liabilities		1,916	3,166
Current tax payable		547	402
Total current liabilities		4,916	5,404
Total liabilities		17,535	16,124
Total equity and liabilities		46,359	39,750

Consolidated statement of changes in equity
For the six months ended 30 September 2009

	Share Capital £'000	Shares to be issued £'000	Capital Redemption £'000	Share premium account £'000	Equity movements in foreign exchange £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2008	12,428	215	-	12,035	-	(12,557)	12,121
Share-based payments	-	135	-	-	-	-	135
Issue of ordinary shares	9,100	-	-	410	-	-	9,510
Transfers	-	-	-	(12,207)	-	12,207	-
Total comprehensive income for the period	-	-	-	-	21	1,839	1,860
At 30 September 2008	21,528	350	-	238	21	1,489	23,626
Share-based payments	-	146	-	-	-	-	146
Total comprehensive income for the period	-	-	-	-	3,934	884	4,818
At 31 March 2009	21,528	496	-	238	3,955	2,373	28,590
Share-based payments	-	157	-	-	-	-	157
Subdivision of shares	(18,453)	-	18,453	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(289)	366	77
At 30 September 2009	3,075	653	18,453	238	3,666	2,739	28,824

At a general meeting of the Company on 21 April 2008, the shareholders approved the cancellation of the Company's share premium account and a reduction in accumulated deficit on the retained earnings of £12.207m.

At the Annual General Meeting of the Company on 28 July 2009, the shareholders agreed a subdivision of the share capital to reduce the nominal value from 70p per Ordinary share to 10p per Ordinary Share.

Refer to Note 4 for more detail.

Consolidated statement of cash flows
For the six months ended 30 September 2009

	Unaudited Six months ended 30 September 2009 £'000	Unaudited Six months ended 30 September 2008 £'000	Audited Year ended 31 March 2009 £'000
Cash flows from operating activities			
Profit before taxation	521	1,483	1,998
Adjustments for:			
Finance income	(7)	(41)	(67)
Finance expense	376	245	612
Depreciation and amortisation	261	179	388
Foreign exchange movements	-	25	-
Share-based payments expense	157	135	281
Cash flows from operations before changes in working capital	1,308	2,026	3,212
Changes in working capital excluding the effects of acquisition on consolidation:			
Changes in inventory	18	(230)	4
Changes in trade and other receivables	(181)	24	(46)
Changes in trade and other payables	(180)	(783)	1
Total changes in working capital	(343)	(989)	(41)
Cash generated from operations	965	1,037	3,171
Taxation paid	(119)	(422)	(662)
Net cash generated from operating activities	846	615	2,509
Investing activities			
Acquisition of subsidiary inclusive of costs and net of cash acquired	-	(9,908)	(9,926)
Purchase of property, plant and equipment	(31)	(19)	(64)
Purchase of development costs and licences	(460)	(385)	(762)
Interest received	7	41	67
Net cash absorbed by investing activities	(484)	(10,271)	(10,685)
Financing activities			
Net proceeds from issue of ordinary share capital	-	9,509	9,510
Proceeds from borrowings	-	-	3,500
Repayment of borrowings	(2,000)	-	(1,168)
Interest paid	(108)	-	-
Net cash received from financing activities	(2,108)	9,509	11,842
Net movement in cash and cash equivalents	(1,746)	(147)	3,666
Cash and cash equivalents at start of year	5,971	2,305	2,305
Cash and cash equivalents at end of year	4,225	2,158	5,971

Notes to the interim financial information
For the six months ended 30 September 2009

1. Basis of preparation of interim financial information

The interim financial information was approved by the Board of Directors on 7 December 2009. The financial information set out in the interim report is unaudited.

The Group's interim financial information has been prepared using policies that are consistent with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. As permitted this report has not been prepared in accordance with IAS 34 "Interim Financial Reporting". These policies are the policies that are expected to be applied to the financial statements for the year ending 31 March 2010.

IFRS are subject to ongoing review and endorsement by the European Union and possible amendment by the International Accounting Standards Board ("IASB"), and are therefore subject to possible change. Further standards or interpretations may also be issued that could be applicable for the year ending 31 March 2010. These potential changes could result in the need to change the basis of accounting or presentation of certain financial information from that presented in this document.

The financial information in this report does not constitute the full statutory accounts for the period ending 30 September 2009, 30 September 2008, or the year ended 31 March 2009.

A copy of the statutory accounts for the year ended 31 March 2009 has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention to by way of emphasis without qualifying the report and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

2. Significant accounting policies

The group financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intra-Group transactions, including revenue, profits, receivables and payables, have been eliminated on the Group consolidation.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Revenue

The Group revenue arises from the sale of pharmaceutical products, sale of medical devices and share of gross margin earned by the distributor on certain pharmaceutical products and medical devices sold by distributors. Revenue is recognised upon the transfer of all risks and rewards in relation to the Group's products.

Revenue is measured at the fair value of the consideration received or receivable net of value added tax and similar taxes and trade discounts.

Revenue is represented by either: recognition on dispatch of goods to the final customer; or, in the case of certain pharmaceutical products and medical devices, both (i) recognition on dispatch of goods from the manufacturer to the distributor and (ii) a share of the gross margin, which is recognised on dispatch of goods by the distributor to the final customer.

3. Earnings per share

The earnings per share calculation is based on the following results and number of shares:

	Unaudited Six months ended 30 September 2009 £'000	Unaudited Six months ended 30 September 2008 £'000	Audited year ended 31 March 2009 £'000
Profit for the period (£'000)	366	1,839	2,723
Weighted average number of shares ('000)	30,754	27,999	29,866
Effect of employee share option schemes	360	160	161
Weighted average number of shares for the purposes of diluted earnings per share ('000)	31,114	28,159	30,027
Basic earnings per share	1.2p	6.6p	9.1p
Diluted earnings per share	1.2p	6.5p	9.1p

4. Share capital

	Authorised number '000	Authorised £'000	Issued and fully paid number '000	Issued and fully paid £'000
At 1 April 2009 and 30 September 2008 (Ordinary Shares of 70p each)	40,000	28,000	30,754	21,528
Shares authorised and issued during period (Ordinary Shares of 70p each)	20,000	14,000	-	-
At 28 July 2009 before share subdivision (Ordinary Shares of 70p each)	60,000	42,000	30,754	21,528
Subdivision into Ordinary Shares of 10p each at 28 July 2009	360,000	-	-	(18,453)
At 30 September 2009 (Ordinary Shares of 10p each)	420,000	42,000	30,754	3,075

At a general meeting of the Company on 28 July 2009, the shareholders agreed the following changes to the Company's share capital:

- An increase in the Company's authorised share capital from 40 million 70p ordinary shares to 60 million 70p ordinary shares;
- A subdivision of the share capital to reduce the nominal value from 70p per ordinary share to 10p per ordinary share. Each issued ordinary share of 70p in nominal value was subdivided into one new ordinary share of 10p in nominal value and one Deferred Ordinary Share of 60p in nominal value. Each unissued ordinary share of 70p was then subdivided into seven Ordinary Shares of 10p each in nominal value;
- The 60p Deferred Ordinary Shares were then repurchased by the Company and cancelled.

It should be noted that each shareholder continues to hold the same number of ordinary shares but each share has a lower nominal value.

Copies of this half-yearly report are available on the Group's website at www.ispharma.plc.uk and from the Group's registered office at:

IS Pharma plc
Office Village
Chester Business Park
Chester CH4 9QZ