

3 June 2009

**IS Pharma plc**

**('IS Pharma' or the 'Group')**

IS Pharma announces record sales and profitability

IS Pharma plc (AIM: ISPH), the international speciality pharmaceutical company, is pleased to announce its unaudited Preliminary Results for the year ended 31st March 2009.

**Financial Highlights**

- Revenue up 73% to £12.2m (2008: £7.0m)
- Gross profit up 67% to £7.1m (2008: £4.3m)
- Profit before tax up 70% to £2.0m (2008: £1.2m)
- Basic earnings per share is 9.1p (2008: 10.3p)
- Cash £6.0m (net cash £2.6m) (2008: £2.3m)

**Operating Highlights**

- Strong revenue performance across all our brands
- Speciality European Pharma International AG integration completed ahead of schedule
- Successful conclusion of the European Mutual Recognition Procedure (MRP) for Variquel™ / Haemopressin® - access to a further 14 territories across Europe
- UK commercial team and international partners in place and driving growth across a broadening geographic and product base

Commenting on the preliminary results, Tim Wright, Chief Executive of IS Pharma plc said:

“Once again the Company has delivered a strong set of results in line with our growth strategy. We have grown all of our brands resulting in record revenue and profits as well as completing a significant acquisition early in the year. We have established an international footprint and, following the successful completion of the Mutual Recognition Procedure, are well placed for the launch of Variquel / Haemopressin across 14 new European territories in the coming months.”

- 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

Notes to Editors:

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, focused 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](http://www.ispharma.plc.uk).

## **Chairman's Statement**

I am pleased to present the results for the financial year ended 31 March 2009, which again show record revenue and profits. Revenue has increased by 73% to £12.2m (2008: £7.0m) and profit before tax has increased by 70% to £2.0m (2008: £1.2m). We continue to implement our strategy of building a significant international specialist late-stage pharmaceuticals and medical devices group.

In April 2008 we completed the acquisition of Speciality European Pharma International AG and its successful integration into the Group was undertaken ahead of schedule. Throughout the year the management team has focused on growing revenue from all brands across the UK and internationally as well as progressing the European Mutual Recognition Procedure (MRP) for Variquel / Haemopressin. It was therefore very pleasing to have announced in March 2009 the successful completion of the MRP process, which is a precursor to receipt of marketing authorisations across a further 14 European territories. A network of distributors is in place across Europe and ready to commence marketing Variquel / Haemopressin following the issue of national licenses.

I also take this opportunity to welcome Matthew Hall, Chief Financial Officer and Mike McDonald, Non-Executive Director onto the Board.

### **Outlook**

Trading since the period end has been strong and is in line with the Board's expectations. We continue to drive growth through our portfolio of launched products whilst also assessing new product and corporate opportunities in line with our strategy of focusing on late-stage specialist products.

Geoff McMillan  
Chairman  
3 June 2009

## Chief Executive's Review

### Overview

We have delivered another record year for revenue and profits and we continue to deliver against our focused strategy of building a dynamic and growing group. IS Pharma is becoming one of the leading speciality pharmaceutical companies in Europe. We remain committed to focusing on late-stage international pharmaceuticals and medical devices in three core areas of specialist hospital medicine, namely:

- Critical Care
- Neurology
- Oncology

In April 2008 we completed the acquisition of Speciality European Pharma International AG ('SEPI') and its integration was successfully undertaken ahead of schedule, once again demonstrating our ability to acquire and then grow international brands. Throughout the year we focused on driving revenue growth across our portfolio and, as a result, all brands recorded year-on-year revenue growth. Of particular note:

- Variquel / Haemopressin - sales in Germany have been strong throughout the year. In addition, we progressed the brand through European Mutual Recognition Procedure (MRP) across 14 additional territories and in March 2009 we announced the successful conclusion of that process
- Aloxi - revenue has more than doubled following our acquisition and re-launch in the UK in February 2008
- Cryogestic - revenue of our market leading anaesthetic spray was up 38% on last year as a result of aggressive positioning and branding.

### Brand performance

Variquel / Haemopressin. As a result of the acquisition of Speciality European Pharma International AG, Haemopressin, a rapid-acting vasoconstrictor used in the treatment of oesophageal varices (varicose veins in the food pipe) and hepatorenal syndrome (late stage liver disease), was added to our portfolio of specialist medicines. In addition to the very significant milestone of achieving MRP approval across Europe, Haemopressin is already marketed in Germany where sales continue to grow.

In September 2008, we announced that Orphan Therapeutics LLC, our licensee for Haemopressin (Lucassin® in the US), entered into an agreement for the commercialisation of the brand in North America with Ikaria Holdings, Inc. As a result of this agreement, IS Pharma received a cash payment of \$1.25M. Lucassin® is in the registration process in the US where it has been granted orphan drug and fast track status by the US Food and Drugs Administration (FDA). IS Pharma will also receive royalties once this brand is launched.

Despite the failure towards the end of the year of a Haemopressin contract manufacturer which resulted in the exceptional stock provision of £526,000, we were able to accelerate our plans to qualify and commence production with an alternative manufacturer. This supplier also has the capability of meeting the supply demands of the rapid internationalisation of Variquel / Haemopressin.

Aloxi. In February 2008 Aloxi was re-launched following our acquisition of the UK distribution rights. Aloxi is a patented new generation 5-HT3 antagonist used for the prevention of acute nausea and vomiting associated with high and moderate emetogenic cancer chemotherapy. It is differentiated by its strength on initiation and the duration of its activity. Revenue has more than doubled over the last year.

Cryogestic, our market leading fast-action freeze spray, reported a 38% increase in revenue over last year. We have expanded our market for Cryogestic by positioning it against topical anaesthetic creams and the brand is now used regularly in critical care, oncology, obstetric anaesthesia and paediatrics, where the rapid acting effect of the product offers unique benefits.

Volplex®, our plasma substitute used in trauma to maintain blood volume, also recorded year on year revenue growth. In addition, Isoplex®, which we took from concept to regulatory approval in just 3 years, is now in early launch phase and will augment our overall fluid and volume portfolio.

Mysoline®, our treatment for epilepsy and essential tremor, continued to increase revenue largely from our international market with the expectation of further sustained growth in international territories.

OptiFlo™. Our renewed agreement with Bard Limited for the distribution of the OptiFlo™ catheter maintenance solutions has again seen revenue growth as the brand continues to maintain its UK market leading position.

#### Financial summary

Revenue for the year to 31 March 2009 was up 73% to £12.2m (2008: £7.0m).

Gross profit before exceptional stock provision increased 79% to £7.6m (2008: £4.3m) and after exceptional stock provision increased 67% to £7.1m (2008: £4.3m). Gross profit margin before exceptional stock provision increased to 63% (2008: 61%) as a result of our continued focus on product profitability.

Profit from operations was up 99% to £2.5m (2008: £1.3m).

Profit before taxation for the year was up 70% to £2.0m (2008: £1.2m)

Retained profit for the year was up 62% to £2.7m (2008: £1.7m).

Basic earnings per share for the year was 9.1p (2008: 10.3p).

Group cash at 31 March 2009 was £6.0m compared with £2.3m last year. During the year the Group drew down £3.5m from its £8.0m debt facility with Bank of Scotland and at year end, £3.0m of this balance remained on deposit. Net cash at 31 March 2009 was £2.6m compared with £2.3m last year.

The Board regularly reviews its dividend policy and can confirm it will not be paying a dividend for the year ended 31 March 2009 (2008: nil).

2009 has been the most successful year in the Group's history. This has been achieved by the hard work and determination of our team of employees, collaborators and advisers. On behalf of the Board I would like to thank this team for all they have achieved.

#### Outlook

Trading since the period end has been strong. With growth continuing across our portfolio of products in the UK and internationally, and the forthcoming marketing approvals of Variquel / Haemopressin across Europe, we look to the future with confidence.

Tim Wright  
Chief Executive Officer  
3 June 2008

**Consolidated Income Statement**  
**For the year ended 31 March 2009**

	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
Revenue	12,157	7,031
Cost of sales	(5,051)	(2,766)
Gross profit	7,106	4,265
<i>Analysed as:</i>		
<i>Gross profit before exceptional item</i>	7,632	4,265
<i>Exceptional stock provision</i>	(526)	—
<i>Gross profit</i>	7,106	4,265
Marketing and selling costs	(1,345)	(759)
Administrative expenses	(3,218)	(2,230)
Profit from operations	2,543	1,276
<i>Analysed as:</i>		
<i>Profit from operations before exceptional items</i>	3,159	1,276
<i>Exceptional stock provision and restructuring cost</i>	(616)	—
<i>Profit from operations</i>	2,543	1,276
Finance income	67	69
Finance expense	(612)	(167)
Profit before taxation	1,998	1,178
Tax credit	725	507
Profit for the financial year attributable to equity holders of the parent	2,723	1,685
Basic earnings per ordinary share	9.1p	10.3p
Diluted earnings per ordinary share	9.1p	10.1p

**Consolidated balance sheet  
at 31 March 2009**

	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	142	124
Intangible assets	36,735	13,567
Deferred tax asset	2,006	742
Total non-current assets	38,883	14,433
<b>CURRENT ASSETS</b>		
Inventories	1,239	850
Trade and other receivables	1,920	1,566
Cash and cash equivalents	5,971	2,305
Total current assets	9,130	4,721
<b>TOTAL ASSETS</b>	<b>48,013</b>	<b>19,154</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	21,528	12,428
Share premium account	238	12,035
Other reserves	4,451	215
Retained earnings	2,373	(12,557)
Total equity	28,590	12,121
<b>NON-CURRENT LIABILITIES</b>		
Long-term financial liabilities	11,488	3,138
Deferred tax liability	882	605
Total non-current liabilities	12,370	3,743
<b>CURRENT LIABILITIES</b>		
Trade and other payables	2,637	1,963
Other financial liabilities	3,946	908
Current tax payable	470	419
Total current liabilities	7,053	3,290
<b>TOTAL LIABILITIES</b>	<b>19,423</b>	<b>7,033</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48,013</b>	<b>19,154</b>

**Consolidated statement of changes in equity  
For the year ended 31 March 2009**

	<b>Share Capital</b>	<b>Shares to be issued</b>	<b>Share premium account</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
At 1 April 2007	3,428	37	12,154	—	(14,243)	1,376
Profit for the period	—	—	—	—	1,685	1,685
Total recognised income and expense for the year	—	—	—	—	1,685	1,685
Share-based payments	—	179	—	—	—	179
Issue of ordinary shares	9,000	—	238	—	—	9,238
Fundraising fees	—	—	(357)	—	—	(357)
Transfers	—	(1)	—	—	1	—
At 31 March 2008	12,428	215	12,035	—	(12,557)	12,121
Profit for the period	—	—	—	—	2,723	2,723
Foreign currency exchange differences	—	—	—	3,955	—	3,955
Total recognised income and expense for the year	—	—	—	3,955	2,723	6,678
Share-based payments	—	281	—	—	—	281

Issue of ordinary shares	9,100	—	410	—	—	9,510
Capital reduction	—	—	(12,207)	—	12,207	—
At 31 March 2009	21,528	496	238	3,955	2,373	28,590

**Consolidated cash flow statement  
For the year ended 31 March 2009**

	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
Operating activities		
Profit before taxation	1,998	1,178
Adjustments for:		
Finance income	(67)	(69)
Finance expense	612	167
Depreciation and amortisation	388	196
Share-based payments expense	281	179
Cash flows from operations before changes in working capital	3,212	1,651
Changes in working capital excluding the effects of acquisition on consolidation:		
Changes in inventory	4	(425)
Changes in trade and other receivables	(46)	(422)
Changes in trade and other payables	1	850
Total changes in working capital	(41)	3
Cash generated from operations	3,171	1,654
Taxation (paid)/received	(662)	14
Net cash generated from operating activities	2,509	1,668
Investing activities		
Acquisition of subsidiary inclusive of costs and net of cash acquired	(9,926)	(8,077)
Purchase of property, plant and equipment	(64)	(92)
Purchase of development costs and licences	(762)	(333)
Interest received	67	69
Net cash absorbed by investing activities	(10,685)	(8,433)
Financing activities		
Net proceeds from issue of ordinary share capital	9,510	7,643
Proceeds from borrowings	3,500	—
Repayment of borrowings	(1,168)	—
Net cash generated from financing activities	11,842	7,643
Net movement in cash and cash equivalents	3,666	878
Cash and cash equivalents at start of year	2,305	1,427
Cash and cash equivalents at end of year	5,971	2,305

## 1. NOTES TO THE PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The unaudited financial information set out in the preliminary results above does not constitute the Group's statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the previous financial year ended 31 March 2008 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their opinion, and did not contain any statement under section 237(2) or (3) of the Companies Act 1985. The statutory financial statements for the year ended 31 March 2009 will be finalised on the basis of the financial information in this preliminary announcement and will be delivered to the Registrar of Companies following the annual general meeting.

The accounts for the year ended 31 March 2009 are being prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board as adopted by the EU ("IFRS") and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. The Group has elected to prepare its Parent Company accounts in accordance with UK GAAP.

## 2. PROFIT FROM OPERATIONS

	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	46	36
Amortisation of intangible assets	342	160
Operating leases – plant and machinery	5	7
Operating leases – other	41	45
Research and development	70	119
Share-based payments	281	179
Foreign exchange gains	(235)	(105)
Foreign exchange losses	323	37
Grant income	—	1
Exceptional Items		
	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
Exceptional items include:		
Provision for stock write off	526	—
Restructuring cost	90	—
	616	—

Restructuring cost includes the cost of payments made for compensation of loss of office following the replacement of the Financial Director.

## 3. FINANCE INCOME AND EXPENSE

	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
Finance income		
Bank interest received	67	69
Finance expense		
Bank borrowings	(107)	—
Interest imputed on deferred consideration	(505)	(167)
Total finance expense	(612)	(167)
Net finance expense	(545)	(98)

#### 4. TAX

	<b>2009</b> <b>£'000s</b>	<b>2008</b> <b>£'000s</b>
Current tax		
Tax charge	667	292
Research and development tax credits in respect of prior year	—	(14)
	667	278
Deferred tax		
Origination and reversal of temporary differences	(1,264)	(742)
Deferred tax income relating to changes in tax rates	—	(43)
Amortisation of deferred tax liability arising on acquisitions	(128)	—
	(1,392)	(785)
Total tax credited to income statement	(725)	(507)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	<b>2009</b> <b>£'000s</b>	<b>2008</b> <b>£'000s</b>
Profit before tax	1,998	1,178
Expected tax charge based on the standard rate of corporation tax in the UK of 28% (2008: 30%)	559	353
Expenses not deductible for tax purposes	240	101
Differences between depreciation for year and capital allowances	—	(21)
Effect of tax rules on foreign operations taxable in Switzerland	(44)	—
Tax losses utilised by subsidiaries	(88)	(141)
Research and development tax credits received in respect of prior year	—	(14)
Origination and reversal of temporary differences	(1,392)	(742)
Deferred tax income relating to changes in tax rates	—	(43)
Total tax credited to income statement	(725)	(507)

The Group has estimated tax losses available for offset against future profits of £8.5m (2008: £9.7m).

#### 5. EARNINGS PER SHARE

The calculations of earnings per share are based on the following results and numbers of shares:

	<b>2009</b> <b>£'000s</b>	<b>2008</b> <b>£'000s</b>
Profit for the year	2,723	1,685
Weighted average number of shares for the purposes of basic earnings per share	29,866	16,384
Effect of employee share option schemes	161	220
Weighted average number of shares for the purposes of diluted earnings per share	30,027	16,604
Basic earnings per share	9.1p	10.3p
Diluted earnings per share	9.1p	10.1p

## 6. INVENTORIES

	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
Raw materials and consumables	419	299
Finished goods	820	551
	1,239	850

Movements on the Group provision for impairment of inventories are as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
At beginning of year	62	—
Provided during the year	526	62
Released during the year	(7)	—
At end of year	581	62

The cost of inventories recognised as expense and included in the cost of goods sold amounted to £4,932k (2008: £2,766k). Provisions for obsolescence are included in the value for inventory.

Towards the end of the year the Group moved to an alternative Haemopressin manufacturer given concerns over the commercial viability of the Group's original supplier. That supplier has subsequently ceased to trade with the consequence that a provision of £526k was included at the year end to recognise the write off of finished stock held at that supplier's site.

## 7. OTHER FINANCIAL LIABILITIES – CURRENT

	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
Interest accrued on bank borrowings	76	—
Contingent consideration in respect of acquisitions	3,870	908
	3,946	908

Contingent consideration in other current financial liabilities includes £1,000k (2008: £908k) which represents the fair value of Loan Notes issued to the vendors of Acorus Therapeutics Limited when the business was acquired in May 2007.

The remaining items of contingent consideration relate to the acquisition of Speciality European Pharmaceuticals International AG.

## 8. LONG-TERM FINANCIAL LIABILITIES

	<b>2009</b>	<b>2008</b>
	<b>£'000s</b>	<b>£'000s</b>
Bank borrowings	3,341	—
Contingent consideration in respect of acquisitions	8,147	3,138
	11,488	3,138

Contingent consideration in long term financial liabilities includes £1,510k (2008: £2,802k) which represents the fair value of Loan Notes issued to the vendors of Acorus Therapeutics limited when the business was acquired in May 2007.

The loan note instruments are redeemable (together with accrued interest) in five equal instalments at least twelve months apart upon achievement of milestone events dependent upon the cumulative net revenue of the acquired company over a six year period following the date of acquisition. The amount included represents the Directors' estimate of the fair value payable at acquisition and subsequently the amortised cost using the effective interest rate method, which ensures that any interest expense over the year to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes imputed interest using prevailing market rates of interest for a similar instrument.

In November 2008 the first loan note was redeemed following the achievement of the first milestone event in April 2008.

The remaining items of deferred consideration relate to the acquisition of Speciality European Pharmaceuticals International AG.

## 9. DEFERRED TAXATION

Deferred tax is calculated in full on taxable temporary differences using a tax rate of 28% (2008: 28%).

The movement on the deferred tax asset is as shown below:

	<b>2009</b> <b>£'000s</b>	<b>2008</b> <b>£'000s</b>
Deferred tax asset at 1 April	742	—
Deferred tax asset recognised in respect of tax losses not previously recognised	1,299	707
Deferred tax asset arising on share options	—	35
Impairment of deferred tax asset arising on share options	(35)	—
Deferred tax asset at 31 March	2,006	742

A deferred tax asset has been recognised in respect of all tax losses and other temporary differences where the Directors believe it is probable that this asset will be recovered. In 2008, IS Pharmaceuticals Limited became profitable and the Directors believe it is appropriate to recognise a deferred tax asset in view of forecast future profits.

The movement on deferred tax liability is as shown below:

	<b>2009</b> <b>£'000s</b>	<b>2008</b> <b>£'000s</b>
Deferred tax liability at 1 April	605	—
Deferred tax liability arising on business combinations	405	648
Amortisation of deferred tax liability	(128)	—
Movement in deferred tax liability arising on change in tax rates	—	(43)
Deferred tax liability at 31 March	882	605

## 10. ACQUISITIONS DURING THE YEAR

On 25 April 2008 the Company acquired the entire share capital of Speciality European Pharma International AG, a Swiss company.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration, and goodwill are as follows:

	<b>Book value</b>	<b>Fair value</b>	<b>Fair value</b>
	<b>£'000s</b>	<b>adjustments</b>	<b>£'000s</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Intangible assets	28	1,423	1,451
Inventory	415	(1)	414
Trade and other receivables	260	(26)	234
Cash and cash equivalents	103	—	103
Trade and other payables	(656)	—	(656)
Deferred tax arising on date of acquisition at 28%	—	(405)	(405)
Net assets acquired	150	991	1,141
Consideration:			
Cash consideration			9,376
Milestone payments		2,342	
Regulatory payment		2,000	
Total contingent consideration			4,342
Total contingent cash and contingent consideration			13,718
Assumed liabilities of previous owners of SEPI AG			4,301
Total consideration			18,019
Costs of acquisition			653
Total cost			18,672
Total cost less net assets acquired			17,531
Goodwill			17,531
Purchase consideration settled in cash			9,376
Costs of acquisition			653
Cash and cash equivalents in subsidiary acquired			(103)
Cash outflow on acquisition			9,926

The fair value adjustments in respect of intangible assets are due to the recognition of £1.4m in respect of trademarks, which have been valued by applying the Royalty Relief Method to the forecast cash flows that were expected to be generated by the trademarks at the date of the business combination.

The milestone payments are payable to Speciality European Pharma Limited in five equal instalments at least twelve months apart on the achievement of milestone events. The events are dependent on the cumulative net sales by the Group of the products acquired with the company over a seven year period following the date of acquisition. The amount included represents the Director's estimate of the fair value of the amount payable.

The regulatory approval payment due to Speciality European Pharma Limited is contingent on achieving regulatory approval for Haemopressin in any of the UK, France or Italy.

The assumed liabilities of the previous owner of Speciality European Pharma International AG are payable to the original developers of Haemopressin in annual instalments until 2016 representing royalties payable on future net revenue of Haemopressin. The amount included represents the Directors' estimate of the fair value of the amount payable.

The main factors leading to the recognition of goodwill are:

- the presence of certain intangible assets, such as the non-contractual customer relationships of the acquired entity, which do not qualify for separate recognition; and
- strategic premium- the IS Pharma Board believes that the acquisition will provide a low risk presence for the Company in the US and major EU markets, giving the Company the potential to create a global business.

Since the acquisition date, Speciality European Pharma International AG has contributed £0.6m to Group profit. If the acquisition had occurred on 1 April 2008, it is estimated that Group revenue would have been £12.3m and Group profit for the period would have been £2.8m.

OptiFlo™ is a trademark of C.R. Bard, Inc. or an affiliate