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This announcement is being made in accordance with Rule 2.4 of the City Code on Takeovers and Mergers (the "Code"). This announcement does not constitute an announcement of a firm intention to make an offer under Rule 2.5 of the Code. Accordingly, IS Pharma plc shareholders are advised that there can be no certainty that any offer for IS Pharma plc will ultimately be made even if the pre-conditions in this announcement are satisfied or waived.

14 February 2011

Sinclair Pharma plc and IS Pharma plc - Announcement of a Possible Merger

The Boards of Sinclair Pharma plc ("Sinclair Pharma") and IS Pharma plc ("IS Pharma") are pleased to announce that they are in advanced discussions regarding a possible merger of Sinclair Pharma and IS Pharma to create Sinclair IS Pharma plc, a fully integrated pan-European specialty pharmaceutical company. Subject to the final terms and conditions of any offer, it is proposed that a merger be effected by way of an all-share offer by Sinclair Pharma for the entire issued share capital of IS Pharma on the following basis:

IS Pharma shareholders expected to receive 2.6868 Sinclair Pharma shares for each IS Pharma share.

Accordingly, subject to the final terms and conditions of any offer, it is expected that Sinclair Pharma shareholders would own 62.4% and IS Pharma shareholders would own 37.6% of Sinclair IS Pharma plc. This would imply a value of 106 pence for each IS Pharma share based on an average closing mid-market Sinclair Pharma share price of 39.5 pence calculated over the period 1 December 2010 to 31 January 2011. In the event that Sinclair Pharma makes an offer for IS Pharma it will also make an offer to the option holders of IS Pharma in accordance with the requirements of the Code. Any such offer or offers remains subject to a number of pre-conditions as further described below.

It is expected that following a possible merger, the resultant combined group would be headquartered in the UK with direct commercial operations in the UK, France, Germany, Italy, Spain and Ireland. The combined group would continue to focus in specialty pharma, notably dermatology and specialist hospital therapies, including supportive oncology, critical care and wound care. The Boards of Sinclair Pharma and IS Pharma believe that there would be cross-selling opportunities by combining the two portfolios. Furthermore, the combined group would have an in-house development capability which would be focused on leveraging the existing portfolio as well as new development opportunities.

It is expected that following a possible merger, the resultant combined group would continue to access the substantial growth opportunities in emerging markets through existing and new regional strategic partnerships. The Boards of Sinclair Pharma and IS Pharma believe that the resultant combined group would represent an attractive commercialisation partner for out-licensors requiring pan-European coverage and with established routes into emerging markets.

The making of any offer by Sinclair Pharma remains subject to the following pre-conditions:

- Sinclair Pharma and IS Pharma respectively being able to satisfactorily complete their confirmatory due diligence;
- the unanimous and unqualified recommendation by the Board of IS Pharma in respect of any offer by Sinclair Pharma; and
- each member of the Board of Directors of IS Pharma and certain other persons as Sinclair Pharma may require giving irrevocable undertakings to accept any offer in respect of all of their IS Pharma shares and/or options.

Sinclair Pharma reserves the right to waive any or all of the pre-conditions described in this announcement. Sinclair Pharma has confirmed that any offer would not be conditional upon external financing.

Sinclair Pharma reserves the right to make an offer on less favourable terms than those set out in this announcement in the event that:

- a third party announces a firm intention to make an offer for IS Pharma;
- IS Pharma announces, declares, pays or makes any dividend or distribution to IS Pharma shareholders at any time which would lead to Sinclair Pharma making a proportionate adjustment to the total offer price; or
- an agreement and recommendation in respect of such other terms is reached with the Board of IS Pharma.

In addition, Sinclair Pharma reserves the right to introduce other forms of consideration and/or vary the proposed mix of consideration in any offer.

Further announcements will be made in due course.

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A copy of this announcement will be available on the website of Sinclair Pharma at www.sinclairpharma.com.

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Singer Capital Markets Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to Sinclair Pharma and no-one else in connection with the possible offer and will not be responsible to anyone other than Sinclair Pharma for providing the protections afforded to clients of Singer Capital Markets Limited nor for providing advice in relation to the possible offer or any of the matters referred to herein.

finnCap Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to IS Pharma and no-one else in connection with the possible offer and will not be responsible to anyone other than IS Pharma for providing the protections afforded to clients of finnCap Limited nor for providing advice in relation to the possible offer or any of the matters referred to herein.

Disclosure requirements required under the Takeover Code (the "Code")

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any paper offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

Rule 2.10 Disclosure

In accordance with Rule 2.10 of the Code, Sinclair Pharma has 231,866,676 ordinary shares of 1p each in issue with ISIN GB0033856740. IS Pharma has 52,000,679 ordinary shares of 10p each in issue with ISIN GB00B2QBY649.