



Press Release

ProStrakan Group plc

ProStrakan announces US\$9 million (£4.7 million) outright purchase of worldwide rights to Tostran™ and Rectogesic™

Galashiels, Scotland, 27 September 2006 - ProStrakan Group plc (LSE: PSK), the European specialty pharmaceutical company, today announces the proposed acquisition of expanded rights to two of its leading marketed products, Rectogesic™ (glyceryl trinitrate, branded Cellegesic™ in the US) and Tostran™ (testosterone gel, branded Tostrex™ or Fortigel™ in certain countries) from US-based Cellegy Pharmaceuticals Inc. for a total cash consideration of US\$9 million (£4.7 million). Subject to Cellegy receiving shareholder approval, ProStrakan will acquire worldwide rights to Rectogesic (Cellegesic in the US) and Tostran on a royalty and milestone free basis, inherit existing commercial licences for certain SE Asian and other countries as set out below and acquire Cellegy's related patent estate and other intellectual property.

ProStrakan initially licensed EU rights to Rectogesic from Cellegy in December 2004. Rectogesic was launched in the UK in May 2005 as the only prescription product approved for the treatment of pain associated with chronic anal fissures. Rectogesic completed the Mutual Recognition Process (MRP) throughout the EU earlier this year which will permit its launch into other EU countries from next year. In July, the Food and Drug Administration (FDA) granted Cellegesic approvable status in the US, conditional upon a further clinical trial being successfully conducted. ProStrakan will initiate this trial as soon as practicable following closure of the acquisition. Upon successful completion of the trial, the results would be submitted to the FDA with a view to pursuing full US approval. Cellegesic has patent cover in the US until 2014. The Directors of ProStrakan believe that the peak sales potential for Cellegesic in the US could be in the range of US\$50-70 million per annum.

On successful completion of the proposed asset purchase, ProStrakan would own rights to Rectogesic on a worldwide basis, excluding Australia, New Zealand, Singapore, South Korea and South Africa, and would take over Cellegy's existing partnering arrangements in Israel, Turkey, China and Taiwan. As a result of renegotiating the terms of the licensing agreement to Rectogesic in the EU in November 2005, ProStrakan already owes no further milestones or royalties to Cellegy from EU sales of Rectogesic.

ProStrakan initially acquired the EU rights to Tostran, a testosterone gel for male hypogonadism, from Cellegy in July 2004. Tostran (branded as Tostrex) was launched in Sweden in September of last year and has already captured a 29% share of the testosterone gel market in Sweden. The EU MRP has been completed and national licences are in the process of being issued which will permit further EU launches from next year.

Under the terms of the agreement relating to this acquisition entered into between ProStrakan Group and Cellegy, all future approval and sales milestones (amounting to \$5.05 million) and royalty payments (embedded within cost of goods) payable by ProStrakan to Cellegy for Tostran in the EU will be cancelled. ProStrakan will also gain Cellegy's existing worldwide rights to Tostran (Fortigel in the US) and will take over their existing partnering arrangements which cover 13 countries, notably South Korea, Israel, South Africa, Philippines, Thailand and Malaysia.

Completion of the acquisition is subject, *inter alia*, to the approval of Cellegy's shareholders and is expected to take place by the end of November 2006.

In a separate press release today, ProStrakan also announced an exclusive collaboration with Novartis to research, develop and commercialise novel antibodies for bone related diseases.

Commenting, ProStrakan CEO Dr Wilson Totten, said:

"Tostran and Rectogesic are both high potential, high value specialist care products. In acquiring these expanded rights from Cellegy, we open up the opportunity to take Rectogesic into the US market and substantially improve the economics for Tostran in Europe.

"This is a significant value-creating transaction for ProStrakan, wholly in line with our strategy. We are rapidly growing the near-term revenues of the Company organically and using the funds generated from licensing our earlier stage pipeline to grow them further and faster. This has been exemplified by our recent transaction with Amgen and is being shown again with Novartis today."

There will be a conference call for analysts today at 11.00am. Please contact Mo Noonan at Financial Dynamics on +44 (0) 20 7831 3113.

For more information, please contact:

ProStrakan

Wilson Totten, CEO

+44 (0)1896 668060

Adrian Gardner, CFO

+44 (0)1896 668060

Financial Dynamics

David Yates/ Sarah MacLeod

+44 (0)20 7831 3113

Notes to Editors

Tostran

Tostran is a clear, colourless gel containing 2% testosterone, twice the strength of other testosterone gel products, meaning less gel has to be applied for maximum efficacy.

Rectogesic

Rectogesic is a 0.4% topical nitroglycerin ointment indicated for the treatment of pain associated with chronic anal fissures. It is the only prescription medicine licensed specifically for the relief of this condition.

Rectogesic works by relaxing the vascular smooth muscle around the anal canal leading to the dilation of peripheral arteries and veins. It is estimated that at any one time up to 800,000 individuals suffer from anal fissures in the EU.

ProStrakan

ProStrakan Group plc is a rapidly growing international specialty pharmaceutical company engaged in the research, development and commercialisation of prescription medicines for the treatment of unmet therapeutic needs in major markets. Headquartered in Scotland, the Company's R&D facilities are situated in Romainville, near Paris, and in Galashiels in Scotland. EU-wide sales and marketing of ProStrakan's portfolio of products are handled by commercial subsidiaries based in the UK, France, Germany and Spain.

ProStrakan was listed on the London Stock Exchange in June 2005.

On 13th Sept 2006, the Company announced its interim results for the first half of 2006: revenues on continuing products increased by 28% over the prior period to £16.1 million; total gross profit increased by 14% to £9.9 million and retained loss increased by 6% to £14.9 million. www.prostrakan.com