

Press Release

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ProStrakan Group plc

Placing to Raise £11.3m and Pre-Close Update

Galashiels, Scotland, 13 July 2006: ProStrakan Group plc (LSE: PSK) ("ProStrakan" or the "Company"), the speciality pharmaceutical company, announces today a conditional placing ("Placing") to raise £11.3 million, before expenses. The Company also provides a pre-close update for the six months ended 30 June 2006.

Placing Highlights

ProStrakan has conditionally placed 12,434,943 new ordinary shares ("Placing Shares") with institutional and other investors at a subscription price of 91p per share ("Placing Price"), raising £11.3 million of new funds for the Company, before expenses. The Placing Shares represent approximately 6.7 per cent. of the Company's existing issued share capital.

The Placing has been undertaken on behalf of the Company by Morgan Stanley Securities Limited ("Morgan Stanley") and Piper Jaffray Ltd ("Piper Jaffray") (together the "Managers"). Morgan Stanley is acting as bookrunner and joint lead manager and Piper Jaffray is acting as joint lead manager in relation to the issue of the Placing Shares.

Part of the proceeds from last year's IPO has already been utilised to enhance ProStrakan's product portfolio. Recent success with first market launches of Tostrex and Rectogesic and the in-licensing of Rapinyl and Tabphyn have all highlighted the strength of ProStrakan's specialty pharmaceutical model. The proceeds from the Placing will be used to provide additional working capital and to continue this programme of value creation by further leveraging ProStrakan's platform in Europe.

Further details of the Placing are set out below.

Pre-Close Update

In a pre-close update today, ProStrakan confirms that trading and cash levels are in line with the Board's expectations. Sales in the first six months of 2006 are estimated to have been approximately £16 million, representing growth from continuing products of approximately 25% over the same period in 2005 (after excluding Sandoglobulin which is no longer marketed following expiry of the temporary distribution agreement on 30 June 2005) and cash balances are expected to have been not less than £19 million as at 30 June 2006. Sales of Adcal D3, the Company's osteoporosis drug, are estimated to have been approximately £6 million in the first six months of 2006, representing an increase of approximately 33% versus the same period in 2005. UK sales of Rectogesic, for the alleviation of chronic anal fissure pain are estimated to have been approximately £0.8 million in the first six months of 2006, and Tostrex, a

gel for testosterone deficiency now commands approximately a 25% share of the testosterone gel market in Sweden. Both Rectogesic and Tostrex successfully completed the Mutual Recognition Procedure (MRP) in Europe and the Company is currently in the process of obtaining national licences for both products.

ProStrakan confirms recruitment into the Phase III trial of Sancuso, the Company's transdermal anti-emetic patch to treat chemotherapy-induced nausea and vomiting, is progressing in line with expectations.

Commenting on today's placing and pre-close update, Dr Wilson Totten, Chief Executive of ProStrakan, said: "I am delighted by the progress of the business in the 12 months since the IPO. Significant steps have been made in the execution of our business plan thereby increasing our confidence in our future growth. We remain well positioned with a number of significant product launches to come in the near future. We are also well aware of the opportunities to develop our business by M&A and in-licensing, such as we have done by the in-licensing of Rapinyl, which makes this an opportune time to raise some additional capital."

Details of the Placing

The Managers have entered into a conditional placing agreement (the "Placing Agreement") with the Company whereby the Managers have undertaken to use their reasonable endeavours as agent of the Company to procure Placees to subscribe for the Placing Shares. The Placing has not been underwritten. The Placing of the Placing Shares is conditional, inter alia, on admission of the Placing Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange ("Admission") becoming effective by 18 July 2006 (or such later time and/or date as the Company, Morgan Stanley and Piper Jaffray may agree). The Placing Agreement contains provisions entitling the Managers to terminate their obligations prior to Admission in certain circumstances including breach of any of the representations, warranties or undertakings contained in the Placing Agreement which the Managers consider to be material in the context of the Placing or Admission, the occurrence of a force majeure event, or if there has been a material adverse change in the earnings, business affairs or business prospects of the ProStrakan Group, which in each case makes it impracticable or inadvisable to proceed with the Placing.

The Placing Shares will, when issued, be credited as fully paid and will rank equally in all respects with the existing issued ordinary shares of 5 pence each in the capital of the Company.

Application will be made to the UK Listing Authority for admission of the Placing Shares to the Official List and to the London Stock Exchange for admission to trading. It is expected that Admission will take place and dealings in the Placing Shares will commence on or around 18 July 2006.

There will be a conference call for analysts today at 9.30am. Please contact Claire Rowell at Financial Dynamics on +44 (0) 20 7269 7285 for details.

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Morgan Stanley is acting exclusively for ProStrakan in connection with the Placing and no one else and will not be responsible to anyone other than ProStrakan for providing the protections afforded to clients of Morgan Stanley or for providing advice in relation to matters referred to herein.

Piper Jaffray is acting exclusively for ProStrakan in connection with the Placing and no one else and will not be responsible to anyone other than ProStrakan for providing the protections afforded to clients of Piper Jaffray or for providing advice in relation to matters referred to herein.

This announcement does not constitute an offer or invitation to acquire or dispose of any securities of the Company. Past performance is no guide to future performance and persons needing advice should consult their independent financial adviser.

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Notes to Editors

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, Paris, Munich and Madrid.

ProStrakan floated on the London Stock Exchange in June 2005.

www.prostrakan.com