



**York Pharma plc**

**(‘York Pharma’ or ‘the Company’)**

**Acquisition of leading dermatological & wound care brands,  
\$48 million (£24.2 million) financing and £3.9 million institutional  
placing**

**London, UK, 4 July 2008** York Pharma (AIM:YRK), the AIM listed specialist dermatology pharmaceutical company, announces today that it has acquired the sales and worldwide commercial rights to two leading dermatological/wound care products, Flammazine<sup>®</sup> and Flammacerium<sup>®</sup>, from Solvay Pharmaceuticals B.V. (‘Solvay’) and has agreed terms for a financing package to fund the acquisition and provide working capital for the enlarged group.

**Key points**

- Acquisition of the current sales and worldwide commercial rights to Flammazine<sup>®</sup> and Flammacerium<sup>®</sup> from Solvay for a total consideration of €28.5 million (£22.6 million)
- Flammazine<sup>®</sup> and Flammacerium<sup>®</sup> are leading, established dermatological brands indicated for the prevention and treatment of infections in burn wounds and topical wound infections
- The brands are currently approved and sold in 21 countries and generate combined annual revenues of approximately £8.5 million, which York Pharma plans to grow through active promotion and geographic expansion
- The acquisition will leverage York Pharma’s sales and marketing infrastructure and will enable the Company to become self-financing in the first full year of trading following the acquisition
- The Company has agreed terms for a US\$48 million (£24.2 million) financing package to fund the acquisition, to be achieved by the issuance of US\$25 million of senior secured non-convertible notes and US\$23 million of subordinated convertible debentures
- Additional funding of £3.9 million has been raised for York Pharma by way of a conditional institutional placing by FinnCap of 8.9 million York Pharma 5p ordinary shares at a placing price of 44 pence per share (‘the Placing’). The proceeds will be used to fund the acquisition and provide working capital for the enlarged group

Under the terms of the agreements with Solvay, York Pharma has acquired Flammazine<sup>®</sup> and Flammacerium<sup>®</sup>, both leading brands for the prevention and treatment of infections in burn

wounds and topical wound infections for a total consideration of €28.5 million. The transaction consists of two agreements; the first agreement entails the acquisition by York Pharma of all rights, permits, continuing sales and intellectual property to both brands on a worldwide basis; the second, separate agreement, entails the five year supply to York Pharma of finished products by Solvay.

Both products contain silver sulfadiazine and are currently approved in 21 countries under the trade names Flammazine<sup>®</sup>, Bruluzine<sup>®</sup>, Silver sulfadiazine<sup>®</sup>, and Zilverulfadiazine<sup>®</sup> for the prevention and treatment of infections in burn wounds and topical wound infections. Silver sulfadiazine is also available in a combination with cerium nitrate under the major trade name of Flammacerium<sup>®</sup>. The global market for topical anti-infective products is estimated to be valued at \$445 million.

Currently, sales of Flammazine<sup>®</sup> and Flammacerium<sup>®</sup> are concentrated in the major European markets of France, Germany, Belgium and Spain. The acquisition of the two products by York Pharma will provide an opportunity to grow their sales in these key territories and to extend the brands' reach into new geographic markets through the Company's expanding specialist dermatology sales and marketing infrastructure. The North American market is a key strategic area for York Pharma's future expansion, where the Company plans to exploit the Orphan Drug designation for Flammacerium<sup>®</sup>.

To fund the acquisition of Flammazine<sup>®</sup> and Flammacerium<sup>®</sup> and associated costs and expenses, York Pharma has agreed terms for a financing package of US\$48 million. Of this, US\$25 million will be in the form of senior secured non-convertible 5 year term notes (the "Debt") and US\$23 million in the form of subordinated convertible debentures ("Convertible Debentures").

The Debt is repayable over five years, has a coupon of EURIBOR plus 11% and is capped at an interest rate of 16% per annum. No capital is to be repaid in the first two years. The Debt is secured by way of a floating charge over the assets of the Company and the holders will be issued with 3,240,070 warrants. The grant of these warrants will be conditional upon York Pharma obtaining approval of shareholders at an extraordinary general meeting (the "EGM"), and are exercisable until August 2013. The exercise price is 44 pence.

The Convertible Debentures are repayable after five years, have a coupon of 10% per annum, payable in either cash or to be satisfied by the issue and allotment of new Ordinary Shares, at the Company's option. If the coupon is satisfied by the allotment and issue of new Ordinary Shares then such shares are to be issued at a 10% discount to the then prevailing share price. The Convertible Debentures holders will be issued with 13,117,372 warrants

which are exercisable until August 2013 at 52.8 pence. The grant of these warrants is also conditional upon York Pharma obtaining approval of shareholders at an EGM.

Additionally a further £3.9 million has been raised for York Pharma by way of an institutional placing by FinnCap of 8,904,611 York Pharma 5p ordinary shares (the "Placing Shares") at a placing price of 44 pence per share. This will be used to co-fund the acquisition as well as to provide increased working capital for the enlarged group arising as a result of the acquisition. As part of the equity financing, 1,149,997 warrants, exercisable at 50 pence per ordinary share ("the Warrants") will be granted pursuant to the Company's warrant instrument dated 16 February 2004 (as amended on 22 March 2004). The Warrants expire on 16 February 2009.

In addition, the Company will enter into an equity swap with one placee to retain, over the next twenty four months, much of the economic value on approximately 1.9 million shares. This arrangement will allow the Company to participate in the potential upside on these Ordinary Shares.

Whilst the Company has sufficient shareholder authority to complete the Placing, it will need additional shareholder authority at a forthcoming EGM to be able to issue the warrants attached to the non-equity financing and to allow the Convertible Debenture holders to convert their loan into Ordinary Shares. Accordingly the Company anticipates sending out a EGM circular to shareholders in the coming weeks and expects to hold an EGM later in the summer.

Application will be made to the London Stock Exchange plc for the Placing Shares and the Warrants to be admitted to trading on AIM. It is expected that the allotment, issue and admission of the Placing Shares and Warrants to trading on AIM will become effective and that dealings in such shares and warrants will commence on 18 July 2008 ("Admission").

**Commenting on the acquisition, Terry Sadler, Chief Executive of York Pharma, said:**

*"This is a highly strategic acquisition for York Pharma, bringing us two well established products which represent the 'gold standard' of treatment within their sphere of use. York Pharma intends to use its European sales and marketing infrastructure to generate incremental sales of both brands and to broaden their geographic reach, particularly in North America, where Flammacerium® has an 'orphan drug' designation.*

*"Importantly, together with our expanding sales revenues, the addition of these two brands will enable York Pharma to become self-financing in the first full year of trading following*

*their acquisition and will accelerate the Company's transition to profitability. This acquisition moves our business firmly towards its primary corporate objective of becoming an established and profitable international dermatology business."*

The securities offered in this placement will not be registered under the US Securities Act of 1933, as amended, or state securities laws, and cannot be offered or sold in the United States absent registration with the United States Securities and Exchange Commission (SEC) or an applicable exemption from the registration requirements. This press release does not constitute an offer to sell or solicitation of an offer to buy any securities and is being issued under Rule 135c of the US Securities Act of 1933.

**For more information please contact:**

**York Pharma plc**

Tel: +44 (0) 870 066 4453

Terry Sadler, Chief Executive Officer

**Collins Stewart**

Tel: +44 (0) 207 523 8000

Tim Mickley

**FinnCap**

Tel: +44 (0) 207 600 1658

Geoff Nash

**Financial Dynamics**

Tel: +44 (0) 207 831 3113

Ben Brewerton / Emma Thompson

**About York Pharma PLC**

YORK PHARMA PLC is a pharmaceutical Group, established in 2003, which develops, markets and supplies branded dermatological products to pharmaceutical wholesalers, hospitals and general practitioners within the field of dermatology.

The Group currently has at its disposal more than 20 patent families (with over 100 individual patents/patent applications) and intellectual property in relation to its portfolio of novel dermatology products and technology platforms in the key therapeutic areas of fungal infection, eczema/dermatitis, psoriasis, vitiligo and acne that make up more than 87% of the global \$10bn dermatology market. For more information, visit [www.yorkpharma.com](http://www.yorkpharma.com).

**About Solvay Pharmaceuticals**

Solvay Pharmaceuticals is a research driven group of companies that constitutes the global pharmaceutical business of the Solvay Group. The company seeks to fulfill carefully selected, unmet medical needs in the therapeutic areas of neuroscience, cardiometabolic, influenza vaccines, gastroenterology and men's and women's health. Its 2007 sales were EUR 2.6 billion, and it employs more than 9,000 people worldwide. For more information, visit [www.solvaypharmaceuticals.com](http://www.solvaypharmaceuticals.com)

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