

News Release

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VERNALIS ANNOUNCES SALE OF APOKYN® AND US COMMERCIAL OPERATIONS, SHARE SUBSCRIPTION AND EXTRAORDINARY GENERAL MEETING

Introduction

The Board today announced that it has agreed terms for the sale of Apokyn® and the Group's US Commercial Operations to Ipsen for up to US\$17.5 million (£9.0 million), comprising an initial cash consideration of US\$6.5 million (subject to adjustment for working capital at Completion), further milestone consideration of up to US\$6.0 million if certain events occur and the Subscription by Ipsen, which amounts to US\$5.0 million. The Sale constitutes a class 1 transaction for the purposes of the Listing Rules and, as such, is conditional on the approval of Shareholders. The Sale is also conditional on the Subscription and is expected to be completed by 1 July 2008.

In relation to Ipsen's proposed subscription for New Ordinary Shares as part of the Sale arrangements, the Board also announced today the Company's intention to issue 35,253,134 New Ordinary Shares (representing approximately 10.7 per cent of Vernalis' existing issued ordinary share capital) at 7.26 pence per New Ordinary Share, representing a premium of 20 per cent to the average of the Closing Prices of an Ordinary Share on the three trading days prior to the announcement of the Sale. The Subscription is conditional on Shareholders approving the Sale, an increase in the authorised share capital of the Company and the Authorities.

Vernalis is currently implementing a major change in its business strategy, following receipt by Endo of the FDA's non-approvable action letter for the supplemental New Drug Application (sNDA) seeking approval for frovatriptan for the short-term prevention of menstrual migraine. The Company will now focus on building value by progressing its innovative development pipeline and discovery programmes up to and including proof of concept clinical studies and then undertake partnerships for later-phase clinical development and commercialisation. The action letter was issued in September 2007 and the Sale forms part of an extensive restructuring of the business to implement the new strategy. Elements of this restructuring have already been implemented, including:

- (i) early settlement in February 2008 of the loan due to Endo. The outstanding balance of approximately US\$56 million, which was originally due for repayment in September 2009, was discharged in full in return for an initial payment by Vernalis of US\$7 million and Vernalis foregoing future royalties on US sales of frovatriptan until they exceed US\$85 million per annum;

(ii) reduction of the total headcount from 210, including the US Commercial Operations, to approximately 90, of which 75 remain in R&D. The remaining employees will all be based in the UK and the changes will be fully implemented by the end of Q3 2008;

(iii) a financing agreement with Paul Capital Healthcare agreed in April 2008 relating to frovatriptan. Paul Capital Healthcare acquired an interest in 90 per cent of VDL's revenues under its collaboration with Menarini for the commercialisation of frovatriptan in Europe and certain other territories in return for a payment to VDL of €18.4 million. The remaining 10 per cent retained by VDL will be used to meet the costs of supplying active pharmaceutical ingredient to Menarini.

Recent developments; background to and reasons for the Sale

Vernalis is a research and development based pharmaceutical company primarily focused on drugs for the treatment of CNS disorders and oncology. In addition to Apokyn® (which is the subject of the Sale), Vernalis currently has one other marketed product, frovatriptan, six product candidates in clinical trials and other competitive research programmes.

Vernalis was formed from the merger of British Biotech and Vernalis Group Limited in September 2003. Following the merger, Vernalis carried out a review of its operations and its product portfolio and research programmes as a result of which a substantial restructuring of the Group was carried out and a decision was made to focus the Group's investment efforts primarily in the fields of CNS disorders and oncology.

Since then Vernalis has progressed the commercialisation of frovatriptan, reacquiring the North American rights to frovatriptan from Elan in April 2004 and in August 2004, entering into a major licensing agreement with Endo to market frovatriptan in North America. In addition to the licensing agreement, Vernalis also entered into a loan agreement with Endo. Under the loan agreement, Vernalis borrowed US\$50 million from Endo at an interest rate of 5 per cent per annum, with a repayment date of September 2009. The proceeds from this loan were principally used to fund the cost of reacquiring the rights to frovatriptan from Elan of US\$44 million. Vernalis had the option (which it exercised) to roll-up the interest due each half year and Endo had the option (which it exercised) to withhold 50 per cent of any royalty payments in respect of the sales of frovatriptan due to Vernalis from 1 January 2007 to reduce the outstanding balance of the loan.

In February 2005, Vernalis decided to establish a commercial business in North America following the exercise of Vernalis' option under the licensing agreement with Endo to co-promote frovatriptan in the USA. Under this co-promotion arrangement Endo provided funding for and assisted in the establishment of a Vernalis sales team of up to 25 speciality neurology sales representatives for a five year period from 1 January 2006. This sales team was established with the aim of marketing other CNS products in addition to frovatriptan. In November 2005, Vernalis acquired, from Mylan, the exclusive rights to market and sell Apokyn®, an on-market drug indicated for the acute, intermittent treatment of immobilising OFF episodes associated with advanced Parkinson's disease, in North America.

The acquisition of Apokyn® was the first step in Vernalis' North American commercial business plans, which were central to achieving its then strategic goal of becoming a sustainable, self-funding, R&D driven, speciality pharmaceutical company. Following the acquisition of Apokyn®, Vernalis established a US commercial business of approximately 15 people based in Morristown, New Jersey, with the capabilities of marketing and distributing

CNS products in the USA and, in addition, the speciality neurology sales team was expanded to 34. Since the beginning of 2006, Vernalis has been promoting Apokyn® in the USA.

The value of the gross assets of Apokyn® and the US Commercial Operations as at 31 December 2007 was £5.7 million. The losses attributable to the assets of Apokyn® and the US Commercial Operations for the year ended 31 December 2007 was £16.1 million (including exceptional items of £7.9 million).

Achieving the aim of becoming a sustainable, self-funding company was dependent upon two key factors. First, the regulatory approval of frovatriptan in the USA for the short-term prevention of menstrual migraine, which would have substantially strengthened the Group's financial position, since approval would have triggered a milestone payment of US\$40 million from Endo. In addition, Endo's in-market sales of frovatriptan in the USA and hence Vernalis' royalty return would have been expected to increase should approval have occurred. Second, acquiring the rights to sell and market an additional product to neurologists in the USA alongside Apokyn® was expected to enable the US Commercial Operations to become profitable and contribute to, and ultimately fund, the Group's R&D expenditure. At the time of the Company's fundraising in November 2005, Vernalis stated that it would not undertake any further significant transactions prior to the decision from the FDA on whether or not to approve frovatriptan for the new indication of the short-term prevention of menstrual migraine.

In May 2006, Vernalis announced the top-line data from the second Phase III efficacy study of frovatriptan for the short-term prevention of menstrual migraine. The data from this study corroborated the findings from a prior efficacy study published in *Neurology* (July 2004: Vol 63; 261-269) and showed that both once and twice-daily dose regimens of frovatriptan demonstrated efficacy, with statistical significance with respect to placebo. As a result, in July 2006, Endo submitted a sNDA to the FDA for frovatriptan for the short-term prevention of menstrual migraine and this filing was accepted by the FDA in September 2006 and a Prescription Drug User Fee Act date of 15 May 2007 was allocated.

However, on 30 September 2007, following two delays in their review, the FDA informed Endo that it had identified deficiencies and asked for additional information pertaining to the sNDA in a "not approvable" action letter. While the FDA acknowledged that both pivotal efficacy trials that had been submitted as part of the sNDA met their primary endpoints in significantly improving the number of headache free premenstrual periods, it questioned whether the benefit demonstrated was clinically meaningful. The FDA also noted that, even though serious vascular adverse events were not observed in this drug development programme, an increased risk, compared to its acute use, could not be ruled out.

On 8 April 2008, Endo announced that it had notified the FDA of the withdrawal of the sNDA but that Vernalis and Endo were continuing to evaluate the potential for frovatriptan for the short-term prevention of menstrual migraine and other related indications.

The receipt of the "not approvable" action letter from the FDA means that Vernalis is unable to complete its transition to a sustainable, self-funded company based on its US Commercial Operations. The failure to earn the US\$40 million milestone payment from Endo that was due on approval and the inability to earn royalties from expected sales for the new indication meant that Vernalis became unlikely to be able to repay to Endo the full amount of the outstanding loan when it was to have become due in September 2009, and has also required Vernalis to implement a major change to its business strategy, which has included carrying out substantial restructuring and expenditure cuts.

The financial consequences of the “not approvable” action letter also meant that Vernalis was unable to attract an additional product to promote alongside Apokyn®. As a result, the US Commercial Operations would remain loss making for the foreseeable future and continued investment in them could not be justified, therefore a planned divestment process has resulted in the proposed Sale.

Principal terms of the Sale

Under the terms of the Sale Agreements, the Company has agreed to sell Apokyn® and its US Commercial Operations to Ipsen for an initial cash consideration of US\$6.5 million, subject to adjustment for working capital at Completion. Further milestone consideration of up to US\$6.0 million is payable to Vernalis under the Sale Agreements as follows:

- up to US\$1.5 million dependent on the level of net sales of Apokyn® for 2008;
- US\$2.5 million payable at the end of the first financial year that combined Apokyn® and Dysport net sales exceed US\$50 million;
- up to US\$1.0 million payable 12 months from Completion dependent on success of the retention and incentive plan for Vernalis Inc. employees to be put in place by Ipsen at Completion; and
- an additional payment of US\$1.0 million payable if Vernalis does not proceed with a potential CNS collaboration with Ipsen.

As part of the Sale arrangements, Ipsen has also agreed to make the Subscription, which amounts to US\$5.0 million.

Assuming that the Sale had completed on 1 January 2008 it would have reduced losses by the elimination of the US Commercial Operations. All key employees associated with Apokyn® and the US Commercial Operations will remain with that business to be transferred to Ipsen under the terms of the Sale Agreements.

The Sale is conditional, amongst other things, on the Subscription and the approval of Shareholders and is expected to complete on 1 July 2008.

Details of the Subscription and its effect

Pursuant to the Subscription, Ipsen (through SCRAS) will subscribe at Completion for 35,253,134 New Ordinary Shares. The Subscription Price for the New Ordinary Shares is 7.26 pence per New Ordinary Share, which represents a premium of 20 per cent to the average of the Closing Prices of an Ordinary Share on the three trading days prior to the announcement of the Sale. Upon Completion the 35,253,134 New Ordinary Shares will represent approximately 9.7 per cent of the Company’s enlarged issued ordinary share capital and the Existing Ordinary Shares will represent approximately 90.3 per cent of the Company’s enlarged issued ordinary share capital. Following the issue of all the New Ordinary Shares to be allotted to Ipsen pursuant to the Subscription, Shareholders will suffer an immediate dilution of approximately 9.7 per cent in their interests in the Company.

The Subscription is conditional upon, amongst other things, the Sale, the passing of the Resolutions at the Extraordinary General Meeting and Admission becoming effective. It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence at 8.00 a.m. on 1 July 2008. The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with, and carry the same voting rights as, the Existing Ordinary Shares.

Effect of the Sale not proceeding

After Completion, the Directors believe that the Company will have funds to pursue its planned R&D programme for two years. However, if the Sale fails to proceed the Group will close its US Commercial Operations at an estimated one off cost of approximately US\$4.0 million and this period may reduce below 18 months. In these circumstances, the Group may look to out-license programmes, in addition to V1512, which may occur on less than optimal terms, or it may look to undertake further restructuring, in order to secure more than 18 months' working capital.

Use of proceeds

The aggregate net proceeds of the Sale received at Completion and the Subscription will amount to approximately £4.8 million.

The Directors currently expect that the Group's existing cash resources of approximately £11.7 million as at 31 March 2008, together with the net proceeds from the financing arrangement with Paul Capital Healthcare of £14.7 million (€18.4 million) and the aggregate net proceeds from the Sale received at Completion and the Subscription of approximately £4.8 million, will be applied as follows:

- (a) approximately 60 per cent to invest in Vernalis' clinical development and discovery research programmes; and
- (b) approximately 40 per cent for working capital and other corporate purposes.

Current trading and prospects for Vernalis

On 25 April 2008, Vernalis announced its preliminary results for the financial year ended 31 December 2007. During this period the Company made good progress across its marketed products, development portfolio and research programmes. However, on 30 September 2007, as detailed above, Endo received a "not approvable" action letter from the FDA in respect of the sNDA for the additional indication for frovatriptan of the short-term prevention of menstrual migraine. This decision by the FDA has had a significant negative impact on Vernalis and has required it to implement a major change to its strategy which has given rise to an extensive restructuring of its business.

The actions taken by Vernalis for restructuring the business include five elements, of which three have been implemented, one is the subject of this document (the proposed sale of Apokyn® and the US Commercial Operations) and one is being progressed. The three elements that have been implemented are:

(i) early settlement in February 2008 of the loan due to Endo. The outstanding balance of approximately US\$56 million, which was originally due for repayment in September 2009, was discharged in full in return for an initial payment by Vernalis of US\$7 million and Vernalis foregoing future royalties on US sales of frovatriptan until they exceed US\$85 million per annum;

(ii) reduction of the total headcount from 210, including the US Commercial Operations, to approximately 90, of which 75 remain in R&D. The remaining employees will all be based in the UK and the changes will be fully implemented by the end of Q3 2008;

(iii) a financing agreement with Paul Capital Healthcare agreed in April 2008 relating to frovatriptan. Paul Capital Healthcare acquired an interest in 90 per cent of VDL's revenues under its collaboration with Menarini for the commercialisation of frovatriptan in Europe and certain other territories in return for a payment to VDL of €18.4 million. The remaining 10 per cent retained by VDL will be used to meet the costs of supplying active pharmaceutical ingredient to Menarini.

The element of the restructuring that is still being progressed is the licensing of V1512. V1512 is an innovative, patented effervescent formulation combining levodopa methyl-ester, a more soluble form of levodopa, and carbidopa for the treatment of Parkinson's disease. V1512 is being prepared for a Phase III programme designed to demonstrate superiority against Sinemet® measured by reductions in daily OFF time in patients with Parkinson's disease. It was intended that V1512 would have been marketed by the US Commercial Operations if the clinical development and regulatory approval of V1512 were successful. However, following the decision to divest these operations, there is no longer a strategic rationale for Vernalis to develop V1512 and it has been decided to seek out-licensing partners for this product. These discussions are progressing well.

Under the new R&D based strategy, Vernalis will pursue its innovative development pipeline and discovery programmes up to and including proof of concept clinical studies and then undertake partnerships for later-phase clinical development and commercialisation.

The anticipated news flow for the Group's product development portfolio is summarised below, although these timings may be subject to change as a result of factors outside the control of the Company:

Forthcoming Anticipated Newsflow

- V1512: Partner and start Phase III programme H2 08
- V10153: Complete Phase IIa study H2 08
- V3381: Partner/start Phase IIb H2 08
- V24343: Start dose-ranging study H2 08
- BIIB014: (V2006): Complete Phase II (Biogen Idec) 2009
- NVP-AUY922: Complete Phase I (Novartis) Undisclosed

Extraordinary General Meeting

An extraordinary general meeting to, among other things, approve the Resolutions to enable the Directors to complete the Sale and the Subscription and to issue the New Ordinary Shares will be held at the offices of Allen & Overy LLP at One Bishops Square, London, E1 4AD at 10.00 a.m. on 30 June 2008. A document comprising a combined circular and prospectus containing further details of the proposed Sale and Subscription, including notice of Extraordinary General Meeting, will be posted to Shareholders on or before 6 June 2008.

Expected timetable of principal events

Combined prospectus and circular and Forms of Proxy posted to Shareholders	6 June
Latest time and date for receipt of completed Forms of Proxy	10.00 a.m. 28 June
Extraordinary General Meeting	10.00 a.m. 30 June
Targeted date of Completion	1 July
Admission and commencement of dealings in New Ordinary Shares	08.00 a.m. 1 July

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Piper Jaffray Ltd, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Vernalis plc in relation to the Sale and the Subscription and will not be responsible to anyone other than Vernalis plc for providing the protections afforded to clients of Piper Jaffray Ltd nor for providing advice in relation to the Sale and the Subscription or any other transaction or arrangement referred to in this announcement.

This announcement is for information purposes only and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities or investment advice in any jurisdiction. The New Ordinary Shares are only being offered to Ipsen under the terms of the Subscription Agreement and are not being, and will not be, offered directly or indirectly to, or for the benefit of, any other person.

Forward-Looking Statements

This announcement may contain forward-looking statements that reflect the Company's current expectations regarding future events, including the clinical development and regulatory clearance of the Company's products, the Company's ability to find partners for the development and commercialisation of its products, as well as the Company's future capital raising activities. Forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors, including the success of the Company's research strategies, the applicability of the discoveries made therein, the successful and timely completion of clinical studies, the uncertainties related to the regulatory process, the ability of the Company to identify and agree beneficial terms with suitable partners for the commercialisation and/or development of its products, as well as the achievement of expected synergies from such transactions, the acceptance of Frova® and Apokyn® and other products by consumers and medical professionals, the successful integration of completed mergers and acquisitions and achievement of expected synergies from such transactions, and the ability of the Company to identify and consummate suitable strategic and business combination transactions.

Definitions

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

Admission		the admission of the New Ordinary Shares to the Official List and to trading on the main market for listed securities of the London Stock Exchange
Apokyn®		Apokyn®, an on-market drug indicated for the acute, intermittent treatment of immobilising OFF episodes associated with advanced Parkinson's disease
Authorities		the authorities under sections 80 and 89 of the Companies Act as set out in the Resolutions
Biogen Idec		Biogen Idec Inc.
British Biotech		British Biotech plc, now Vernalis
Closing Price		the closing middle market quotation of an Ordinary Share as derived from the daily Official List
Companies Act		the Companies Act 1985 (as amended) including any statutory modification or re-enactment thereof for the time being in force and the provisions of the Companies Act 2006 for the time being in force
Company or Vernalis		Vernalis plc, registered in England and Wales under number 2304992
Completion		the completion of the Sale in accordance with the terms of the Sale Agreements
Dysport		Dysport, Ipsen's pharmaceutical product (being <i>Clostridium botulinum</i> toxin Type A haemagglutinin complex)
Elan		Elan Corporation plc and/or any of its subsidiary undertakings
Endo		Endo Pharmaceuticals Inc
Existing Shares	Ordinary	the 327,979,652 existing Ordinary Shares in issue at the date of this document
Extraordinary Meeting	General	the extraordinary general meeting of the Company convened for the purpose of passing the Resolutions, to be held on 30 June 2008, including any adjournment thereof
FSMA		the Financial Services and Markets Act 2000 (as amended), and all regulations promulgated thereunder

	from time to time
Form of Proxy	the form of proxy for use in connection with the Extraordinary General Meeting
Group or Vernalis Group	the Company and its subsidiaries at the date of this announcement
Ipsen	Ipsen S.A., a company incorporated in France with number 419,838,529
Ipsen Limited	Ipsen Limited, registered in England and Wales under number 3200696
Listing Rules	the listing rules made by the Financial Services Authority in exercise of its functions as competent authority pursuant to Part VI of FSMA
London Stock Exchange	London Stock Exchange plc
Menarini	Menarini International Operations Luxembourg S.A.
Mylan	Mylan Pharmaceuticals Inc.
New Ordinary Shares	the 35,253,134 new Ordinary Shares to be issued by the Company to SCRAS pursuant to the Subscription
Novartis	in relation to the collaboration agreement dated 9 August 2004 means the Novartis Institute for Biomedical Research, Inc., and in relation to the subscription agreement dated 18 December 2003 means Novartis Pharma AG
Official List	the list maintained by the UKLA in accordance with section 74(1) of the FSMA
Ordinary Shares	ordinary shares of 5 pence each in the capital of the Company
Paul Capital Healthcare	Paul Capital Advisors, LLC
Product Sale Agreement	the agreement between Ipsen S.A., Ipsen Limited, Vernalis (R&D) Limited and the Company dated 4 June 2008 for the sale and purchase of Apokyn®
Resolutions	the resolutions to be proposed at the Extraordinary General Meeting, as set out in the notice of Extraordinary General Meeting
Sale	the proposed sale by the Vernalis Group of Apokyn® and the US Commercial Operations pursuant to, and subject to, the terms of the Sale Agreements
Sale Agreements	the Product Sale Agreement and the Share Sale

	Agreement
SCRAS	Société de Conseils de Recherches et d'Applications Scientifiques S.A.S., a company incorporated in France with number 308,197,185
Share Sale Agreement	the agreement between the Company, SCRAS and Ipsen S.A dated 4 June 2008 relating to the acquisition by SCRAS of Vernalis Inc.
Shareholder	a holder of Ordinary Share(s)
Subscription	the proposed subscription by Ipsen (through SCRAS) for New Ordinary Shares at the Subscription Price, pursuant to the terms of the Subscription Agreement
Subscription Agreement	the conditional agreement for the Subscription dated 4 June 2008 between (1) the Company and (2) SCRAS
Subscription Price	7.26 pence per New Ordinary Share, representing a premium of 20 per cent to the average of the Closing Prices of an Ordinary Share on the three trading days prior to the announcement of the Sale
UKLA	The United Kingdom Listing Authority
US Commercial Operations	the Vernalis Group's U.S. sales and marketing operations carried on from leased premises in Morristown, New Jersey, U.S.A.
VDL	Vernalis Development Limited, registered in England and Wales under number 02600483
Vernalis Inc.	Vernalis Pharmaceuticals Inc., having its registered office at 89 Headquarters Plaza, North Tower, Morristown, New Jersey, U.S.A. 07960-6834
Vernalis R&D	Vernalis (R&D) Limited, registered in England and Wales under number 01985479

For the purposes of this announcement “subsidiary”, “subsidiary undertaking” and “parent undertaking” shall, unless the context otherwise requires, have the respective meanings given to them by the Companies Act.

All references to “pounds”, “pound sterling”, “sterling”, “£”, “pence”, “penny” and “p” are to the lawful currency of the United Kingdom.

All references to “euros”, “EUR” and “€” are to the lawful currency of the member states of the European Union that adopt a single currency in accordance with the Treaty establishing European Community as amended by the Treaty on European Union.

All references to “USD”, “US\$”, “U.S. dollars” and “United States dollars” are to the lawful currency of the United States.

Unless otherwise stated, the sterling/euro exchange rate applicable to amounts stated in this announcement in relation to the Paul Capital Healthcare financing is £1.2694: €1, being the spot rate of exchange for the conversion of pounds sterling into euros as reported in the Financial Times (London Edition) as the “closing midpoint” rate for dealings in euros on 18 April 2008 (noting that such report is of the previous business day’s trading).

Unless otherwise stated, the sterling/U.S. dollar exchange rate applicable to amounts stated in this announcement in relation to the Sale and the Subscription and its effects is £1: US\$1.95360 being the spot rate of exchange for the conversion of pounds sterling into U.S. dollars as reported in the Financial Times (London Edition) as the “closing midpoint” rate for dealings in U.S. dollars on 5 June 2008 (noting that such report is of the previous business day’s trading).

All references to time in this announcement are, unless the context otherwise requires, to the time in London, United Kingdom.