8th March 2005

Allergy Therapeutics plc
Interim Results for the six months ended 31 December 2004

Allergy Therapeutics plc (LSE:AGY), the specialty pharmaceuticals company focused on allergy vaccines, today announced its maiden interim results for the six months ended 31 December 2004.

Highlights

- Allergy Therapeutics shares admitted to trading on AIM on 11th October at a price of 73pence per share
- Fully-subscribed placing raised £15million of new capital, net of expenses
- Gross sales up 13% to £14.1million (HY 2003: £12.1)
- UK patent granted for sublingual (under the tongue) use of MPL® as an adjuvant to immunological therapies
- Pollinex® Quattro awarded prestigious German MMW Arzneimittelpreis for pharmaceutical innovation, previously dominated by major pharmaceutical companies
- Tom Holdich appointed as R&D director from Shire Pharmaceuticals

Allergy Therapeutics has continued to make progress since the period end. In January, the Company announced agreements with Allied Research International and Allerpharma to develop and commercialise Pollinex® Quattro for the Canadian market. Under the terms of the agreement Allergy Therapeutics will receive milestone payments totalling £8million during the period of development and registration of the products.

Commenting on the results, Keith Carter, CEO of Allergy Therapeutics, said:

"Allergy Therapeutics has made a strong start in its life as a public company. Trading in the core business has been strong and the development programme is on track to deliver the targets set out at flotation."

For further information:

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Chairman & Chief Executive's Statement

Allergy Therapeutics continued to pursue its strategy as an integrated, Europe-based, specialty pharmaceutical company, looking to build its EU sales and marketing infrastructure and to progress its development pipeline of innovative, short-course allergy vaccines based on the immunostimulatory adjuvant MPL®. The guiding principle of the development pipeline is to create efficacious and safe allergy vaccines, which can be administered over a short period of time, with few injections or injection-free. The Company made great progress on many fronts during the six months to 31 December 2004.

Financial independence

In October 2004, the company completed a successful IPO, listing the ordinary shares on the Alternative Investment Market of the London Stock Exchange and raising its target of £15m of new capital, net of expenses. In combination with the Company's operating cash flows, this funding allows Allergy Therapeutics to pursue an independent strategy for the development of its pipeline and its business.

Market and professional validation

In September 2004, our MPL®-adjuvanted new product, Pollinex® Quattro, was awarded the prestigious MMW Arzneimittelpreis by an independent panel of experts. This award is made for pharmaceutical innovation and has, in the past, always been won by major pharmaceutical companies. We are particularly pleased that Pollinex® Quattro was selected, as it is our flagship development product.

Allergy Therapeutics is fortunate to have the technology and infrastructure to sell unregistered Named Patient Products ('NPPs'). Pollinex® Quattro is currently marketed on this basis in Germany, Italy and Spain by the Company's own sales forces; sales were up by over 40% on the equivalent period in the previous year, taking the total sold to date on a NPP basis to well over 100,000 units. This extensive practical clinical experience with the product contributes greatly to our confidence in the ultimate success of the registration efforts with this family of products.

In January 2005, we entered into agreements with Allied Research International and Allerpharma to develop and commercialise Pollinex® Quattro in Canada; terms include upfront and milestone payments, linked to clinical development, totalling £8m, a supply agreement for the manufactured product and royalties on sales. This is the first out-licensing of the Pollinex® Quattro product line. Consistent with the Company's strategy of retaining rights for the EU, discussions regarding other markets have commenced and will be progressed; however, Allergy Therapeutics is a financially strong business, not dependent on the further partnering of its pipeline, and so will only enter agreements highly selectively.

Development

In August 2004, we were very pleased to announce the recruitment of Dr Tom Holdich as R&D Director. Previously, Tom was Head of Clinical Research at Shire Pharmaceuticals plc and he has a wide experience of clinical development and pharmaceutical registration. Under Tom's leadership, with the financial and development resources in place, we are now positioned to complete the clinical development of our novel MPL®-based vaccine pipeline, in which we believe much of the potential value of the company lies.

Progress has been made towards conducting Phase III programmes during 2006 for the lead subcutaneous products of Grass, Tree & Ragweed. Interactions with the US Food and Drug Administration (FDA) have clarified where any additional pre-Phase III information is needed. The

proposed design of further studies has been accepted and, through our partnership with Allied Research Inc, these studies have been scheduled through 2005. Allergy Therapeutics plans to initiate the Phase III programme for the Pollinex® Quattro family of vaccines, starting in Q4 2005. An advantage of Allergy Therapeutics' pipeline is the degree of commonality between the individual vaccine product development plans; the path to registration for Grasses will inform the process for other allergens – Trees, Ragweed, House Dust Mite – hence the agreement of the first Investigational New Drug application for Pollinex® Quattro Grasses, received on 18 February 2005, will allow the efficient progress of the whole portfolio of injected vaccines.

Intellectual Property

In November 2004, the UK Patent Office granted our patent for the sublingual (under the tongue) use of MPL® as an adjuvant to immunological therapies, including allergy vaccines. This was the first grant for this family of patent applications. The patent is very broad, covering all antigens, and therefore could cover vaccines for many diseases as well as allergy. For Allergy Therapeutics, the immediate benefit is that we can now commence proof of concept clinical studies on a sublingual, MPL®-containing allergy vaccine with confidence regarding the protection of the intellectual property we will generate. It is thought that such injection-free products would have significant commercial potential.

In February 2005, GSK announced that it has been granted EU regulatory approval for Fendrix, a vaccine for hepatitis B containing the adjuvant MPL®. This is the first MPL®-containing product to receive a major market approval and further confirms the wide acceptance and efficacy of the adjuvant.

Financial Review

Our results for the six months to 31 December 2004 have been very encouraging and have continued the progress shown in previous years.

We are pleased to report that the Group's sales for the six month period to 31 December 2004 are in line with the Board's expectations. Gross sales for the period (before the statutory rebate in Germany) were £14.1m, compared with £12.5m in the same period in 2003. This represents an increase of 13%, driven primarily by a 42% growth in sales of Pollinex® Quattro, the Group's award-winning, four shot allergy vaccine.

Owing to the seasonality of the allergy market, some 70% of Allergy Therapeutics' sales are made in the first half of the Company's financial year and, as a consequence, the first half results give a better than normal indication of full year performance.

At present, approximately 70% of Allergy Therapeutics' sales are generated in Germany, so the increase of the compulsory rebate from 6% to 16% in January 2004 has been costly to the Company, with a charge of £2m in the period to 31 December 2004, compared with £0.4m in the same period in 2003. Despite the rebate, net sales were maintained at £12.1m. As from 1 January 2005, the rebate has reverted to 6% and is now calculated using current list prices, instead of the previously used October 2002 prices.

Gross profit of £9.4m represents a margin of 78% of sales, compared with £9.1m and 75% in the same period last year. This encouraging trend, especially after taking into account the increase in German rebates, is as a result of the increasing proportion of Pollinex® Quattro sales and is helped further in the period by the release of a stock obsolescence provision of £0.3m.

Marketing expenses, the major component of distribution costs, have increased in line with expectation as we have intensified the promotional spend on our high margin products. Administration costs of £2.0m remain broadly in line with the previous period.

Research and development expenditure increased during the period to £0.7m (H1 2003: £0.1m) as the development activity for the Pollinex® Quattro vaccine range was initiated. In the future this spend will increase markedly as the development programme progresses.

The operating profit for the period was £2.6m (H1 2003: £3.7m). However, before development costs, German rebate and an exceptional charge crystallised by the placing, the operating profit was £5.9m (H1 2003: £4.3m), which allows for a more reasonable comparison of performance and highlights the strong performance from the core business in this period. Interest receivable was significantly higher at £163,000 (H1 2003: £11,000), as a result of higher cash balances following the IPO in October 2004.

Capital expenditure for the period was £0.5m (H1 2003: £0.2m) and mainly represents upgrades to plant and machinery and the introduction of a new ERP system, allowing for better gross margin analysis.

Net current assets, excluding cash, increased to £2.2m (H1 2003: £1.1m) reflecting higher gross sales.

When comparing the balance sheet to the position as at 30 June 2004, debtors of £3.8m are significantly higher than as at 30 June 2004 (£2.1m), due to the highly seasonal pattern of sales, which normally peak in October or November each year as patients are treated pre-seasonally and fall to a year low in the summer. For the same reason, creditors falling due within 1 year, at £3.8m, are higher than as at 30 June 2004 (£3.3m), due to increased trading activity, most notably due to higher rebate accruals in the German market, linked to higher sales.

Net assets of £24.8m (H1 2003: £9.4m) show a net increase of £15.4m, due primarily to the £15m net proceeds from the IPO in October 2004.

Net cash inflow before financing for the six month period to 31 December 2004 was £1.7m, £0.7m lower than in the same period in 2003, due to a higher investment in R&D and a benefit in the previous period of £0.4m from the surrender of tax losses to a shareholder under consortium loss relief legislation.

Outlook

For our core marketed products 2005 got off to a good start and we anticipate an excellent full year of trading. Our strategy is, where possible, to establish our own sales and marketing infrastructure in the EU, and we are continually assessing our sales and marketing activities in this light; we hope to make further progress in this regard in the coming 6 – 12 months.

Outside the EU we are expecting to gain our first experience with the Japanese regulatory authorities (MHLW), as we proceed with plans to meet the regulatory requirements for Pollinex® Quattro Japanese Cedar. Partnership discussions regarding Pollinex® Quattro for the USA and Japan continue, but we cannot currently predict the outcome; meanwhile we continue the product development process as planned.

On the product development front, we anticipate the commencement of pivotal Phase III studies on the Pollinex® Quattro family of products towards the end of this calendar year, and are in the clinic currently with precursor work as requested by the FDA. We will shortly commence our ‘first in man’

proof of concept study of MPL® delivered sublingually; this will provide first indications of how this adjuvant reacts when delivered without injection and hence the prospects for an efficacious sublingual allergy vaccine.

We are entering an exciting and active period at Allergy Therapeutics.

Ignace Goethals	**Keith Carter**
Chairman	**Chief Executive Officer**
8th March 2005	**8th March 2005**

Consolidated profit and loss account
for the six month period ended 31 December 2004

	Note	**6 months to 31 Dec 2004 £'000**	6 months to 31 Dec 2003 £'000	Year ended 30 June 2004 £'000
Turnover	*2*	**12,140**	12,105	18,001
Cost of sales		**(2,709)**	(3,031)	(5,513)
Gross profit		**9,431**	9,074	12,488
Distribution costs		**(3,750)**	(3,456)	(6,569)
Administrative expenses- other		**(1,978)**	(2,051)	(4,335)
Research and development costs		**(665)**	(141)	(451)
Exceptional costs	6	**(614)**	-	-
Administrative expenses		**(3,257)**	(2,192)	(4,786)
Other operating income		**160**	195	423
Operating profit		**2,584**	3,621	1,556
Interest receivable and similar income		**163**	11	60
Interest payable on loans and overdrafts		**(39)**	(14)	(26)
Profit on ordinary activities before tax		**2,708**	3,618	1,590
Tax on profit on ordinary activities		**-**	(372)	(372)
Retained profit for the financial period		**2,708**	3,246	1,218
Basic earnings per share	***3***	**5.2p**	7.9p	3.0p
Diluted earnings per share	***3***	**4.5p**	6.1p	2.5p

All amounts relate to continuing activities

Consolidated balance sheet
at 31 December 2004

	Note	**31 Dec 2004 £'000**	31 Dec 2003 £'000	30 June 2004 £'000
Fixed assets				
Intangible assets				
Goodwill		**2,850**	3,173	2,945
Other intangible assets		**1,013**	1,152	1,072
		3,863	4,325	4,017
Tangible assets		**1,926**	1,293	1,650
		5,789	5,618	5,667
Current assets				
Stocks		**2,185**	1,723	1,825
Debtors: amounts falling due within one year		**3,832**	3,699	2,062
Debtors: amounts falling due after one year		**-**	-	223
Cash at bank and in hand		**17,234**	3,165	1,457
		23,251	8,587	5,567
Creditors: amounts falling due within one year		**(3,801)**	(4,319)	(3,277)
Net current assets		**19,450**	4,268	2,290
Total assets less current liabilities		**25,239**	9,886	7,957
Creditors: amounts falling due after one year		**(459)**	(460)	(881)
Net assets	*4*	**24,780**	9,426	7,076
Capital and reserves				
Called up share capital		**73**	51	51
Share premium account		**14,945**	-	-
Profit and loss account		**(30,020)**	(30,753)	(32,730)
Other reserves - share premium on shares issued by subsidiary		**40,128**	40,128	40,128
Other reserves – shares held in Employee Benefit Trust		**(346)**	-	(373)
Shareholders' funds		**24,780**	9,426	7,076
Equity		**24,770**	**9,416**	7,066
Non-equity		**10**	10	10
		24,780	9,426	7,076

Consolidated cash flow statement
for the six month period ended 31 December 2004

	Note	**6 months to 31 Dec 2004 £'000**	6 months to 31 Dec 2003 £'000	Year ended 30 June 2004 £'000
Cash inflow from operating activities	*5*	**2,057**	2,359	1,508
Returns on investment and servicing of finance				
Interest received		**163**	11	60
Interest paid		**(39)**	(14)	(26)
		124	(3)	34
Taxation		**-**	364	364
Capital expenditure and financial investment				
Purchase of fixed assets and intellectual property		**(456)**	(320)	(760)
Sale of tangible fixed assets		**3**	-	-
		(453)	(320)	(760)
Cash inflow before financing		**1,728**	2,400	1,146
Acquisitions and disposals				
Deferred consideration		**-**	(32)	(308)
Financing				
Net funds raised on AIM		**14,967**		
Bank loans repaid		**(945)**	(500)	(305)
Sale/(purchase) of EBT shares		**27**	-	(373)
Premium on shares issued by subsidiary		**-**	30	30
		14,049	(502)	(956)
Increase in cash in period		**15,777**	1,898	190

Reconciliation of net cash flow to movement in net funds

	6 months to 31 Dec 2004 £'000	6 months to 31 Dec 2003 £'000	Year ended 30 June 2004 £'000
Increase in cash in the period	**15,777**	1,898	190
Net loans repaid	**945**	500	305
Movement in net funds in period	**16,722**	2,398	495
Net funds at beginning of period	**512**	17	17
Net funds at end of period	**17,234**	2,415	512

Notes to the interim reports
For the six month period ended 31 December 2004

1 Basis of preparation

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The principal accounting policies of the Group have remained unchanged from those set out in the Group's June 2004 annual report and financial statements. The financial information set out in this interim report is unaudited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

On 11 October 2004 Allergy Therapeutics plc acquired, by way of a share-for-share exchange, the whole of the issued share capital of Allergy Therapeutics (Holdings) Ltd. Accordingly, as permitted by Financial Reporting Standard no.6, the combination has been merger accounted for as if the Group as currently constituted had been in place throughout the whole of the period covered by these accounts.
The Group profit and loss account for the financial period and the comparatives for the Group balance sheet and Group profit and loss account have been presented as though they had always been part of Allergy Therapeutics plc, despite the fact that the Company was only incorporated on 4 October 2004, in order to compare meaningfully the performance of the underlying Group.

2 Analysis of turnover

	6 months to 31 Dec 2004 £'000	6 months to 31 Dec 2003 £'000	Year ended 30 June 2004 £'000
Turnover by destination			
UK	**58**	45	101
Germany	**9,017**	8,327	11,715
Rest of Europe	**2,881**	3,543	5,197
Rest of World	**184**	190	988
	12,140	12,105	18,001
Turnover by origin			
UK	**1,262**	2,093	3,369
Germany	**9,017**	8,309	11,715
Rest of Europe	**1,861**	1,703	2,917
	12,140	12,105	18,001

3 Earnings per share

	6 months to 31 Dec 2004	6 months to 31 Dec 2003	Year ended 30 June 2004
Earnings for the period (£'000)	**2,708**	3,246	1,218
Weighted number of shares in issue	**51,991,728**	40,838,342	40,935,583
Diluted weighted number of shares in issue	**60,787,224**	53,063,458	49,294,066
Basic earnings per share (pence)	**5.2**	7.9	3.0
Diluted earnings per share (pence)	**4.5**	6.1	2.5

4 Reconciliation of movement in shareholders' funds

	6 months to 31 Dec 2004 £'000	6 months to 31 Dec 2003 £'000	Year ended 30 June 2004 £'000
Profit for the financial period	**2,708**	3,246	1,218
Other recognised gains and losses relating to the period (net)	**2**	(11)	40
Issue of shares (net of issue costs)	**14,967**	-	-
Share premium on shares issued by subsidiary	**-**	30	30
Purchase of shares by EBT	**-**	-	(375)
Sale of shares by EBT	**27**	-	2
Net addition to shareholders' funds	**17,704**	3,265	915
Opening shareholders' funds	**7,076**	6,161	6,161
Closing shareholders' funds	**24,780**	9,426	7,076

5 Reconciliation of operating profit to operating cash flow

	6 months to 31 Dec 2004 £'000	6 months to 31 Dec 2003 £'000	Year ended 30 June 2004 £'000
Operating profit	**2,584**	3,621	1,556
Depreciation	**203**	152	319
Amortisation of intangibles	**228**	228	333
Gain on disposal of fixed assets	**(3)**	-	-
Effect of foreign exchange rate changes	**(95)**	(36)	109
(Increase) / decrease in stocks	**(360)**	192	90
(Increase) / decrease in debtors	**(1,547)**	(2,120)	(682)
Increase/ (decrease) in creditors	**1,047**	322	(217)
Net cash inflow from continuing activities	**2,057**	2,359	1,508

6 Exceptional costs

The Group incurred a cost of £614,000 in respect of consultancy services provided in 2000, payable on an initial public offering (IPO) or 'exit'. This was reported as a contingent liability, as defined by FRS 12, in the accounts for the year ended June 2004.