Allergy Therapeutics plc

Interim Report for the six months ending 31 December 2009

www.allergytherapeutics.com

Allergy Therapeutics®
Transforming Allergy Treatment

Allergy Therapeutics is a European-based speciality pharmaceutical company focused upon the treatment and prevention of allergy

Highlights

- Net profit after tax increases to £6.3 million (H1 2009: loss £8.5 million)
- Revenues increased by 13% to £27.3 million (prior period H1 2009: £24.2 million)
  - o Revenues increased by 4% on a constant currency basis
  - o Pollinex Quattro named-patient sales increased by 19% to £16.4 million
- Gross profit increased by 24% to £21.4 million (H1 2009: £17.3 million)
- Operating profit increased to £7.8 million (H1 2009: loss £0.8 million)
- Raised £23.7 million net of expenses from equity issues
  - o Repayment of £9.4 million of debt
  - o Revised and amended bank terms agreed
- A further £9.6 million of debt repaid as a result of the strong seasonal operating performance, £12.4 million debt outstanding
- Net debt reduced to £7.1 million (H1 2009: £ 30.3 million)
- Placing and Subscription to raise £2.0 million net of expenses on 1 March 2010, the placing has been underwritten by Nomura Code Securities.

Chairman's Statement

"We have been actively investing in all operational areas for the past four years to develop and improve the operational infrastructure and management systems across the Group. "

Joint Statement from the Chairman and Chief Executive Officer

Operating Review

Overview

Allergy Therapeutics plc had a good first half with sales growth of 13% (4% on a constant currency basis) over the comparative period last year; net sales were £27.3m for the period (H1 2009: £24.2m). Sales of Pollinex® Quattro grew by 19%; 10% on a constant currency basis. This was a good performance, particularly as the pollen count last year was lower than normal in most areas of Germany- our key market, which reduced the overall market growth rate.

Following the successful introduction of the cost reduction programme, operating profit has improved to £7.8m (H1 2009: loss £0.8m)

The Company has raised £23.7m in the period from shareholders; with the Weinstein family, whose interests include a group of pharmaceutical companies across South America known as the Recalcine Group, acting as a cornerstone investor.

Following the equity issue in July 2009, £9.4m of debt has been repaid to RBS in July 2009 and the terms of the loan facilities have been revised. A further £9.6m of debt was repaid during the period as a result of the strong seasonal operating performance, reducing the debt to £12.4m. The Group is now in a strong and stable financial position and is able to focus on the business of growing sales, growing profitability and treating allergy sufferers across Europe.

As a consequence of the financing there have been changes to the board, with Keith Carter agreeing to step down as CEO and Manuel Llobet, a highly experienced executive from the Weinstein family pharmaceutical businesses, took over the role from 1 September 2009. Mr Carter remains on the board as a non-executive and is joined by Alejandro Weinstein as senior representative of the Weinstein family which now owns over 45% of the Company.

Business Model and Market

Allergy Therapeutics is a fully integrated pharmaceuticals company specialising in allergy vaccines. We have been actively investing in all operational areas for the past four years to develop and improve the operational infrastructure and management systems across the Group. With this infrastructure now in place we have focused attention from the beginning of this financial year on improving the gross margin, improving efficiencies within the cost base and strengthening the sales and marketing capabilities. Allergy Therapeutics has rationalised its portfolio. This has released production capacity permitting future growth without adding resources. The Company has pursued an aggressive cost reduction programme including reduced purchasing costs, an effective lean manufacturing programme targeting at eliminating waste and reducing dependency on consultants. The benefits of these projects have been seen already in the improved gross margin.

"The Group is now in a strong and stable financial position and is able to focus on the business of growing sales, growing profitability and treating allergy sufferers across Europe."

The Company is also increasing the focus on sales and marketing to strengthen sales performance in European markets. In the German market, the Company continues to have a strong performance from it's flagship product, Pollinex Quattro but due to that products' seasonal nature is increasing marketing resources for other products to alter the balance between high and low seasons. In addition, Allergy Therapeutics intends to continue to concentrate on strengthening its commercial position across Europe and creating new business opportunities.

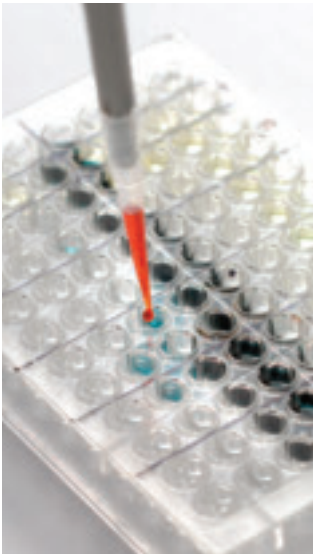
The Company has a broad product portfolio that addresses the needs of the market: injectable (both short and longer course), oral and diagnostics. The flagship product is Pollinex Quattro; an injectable short course vaccine which requires only 4 injections over a period of 3 weeks.

Pollinex Quattro

Pollinex Quattro is currently sold across a number of European countries on a named patient basis. Completion of the regulatory process outlined below will open up new markets to Pollinex Quattro and enable Allergy Therapeutics to improve pricing and market share in those countries where named patient sales are currently possible.

The clinical programme and regulatory approach

During this period, the review of the Marketing Authorisation Application ("MAA") for Pollinex Quattro Grass by the Paul Ehrlich



Institute (PEI) in Germany has been ongoing. The review, however, is taking longer than anticipated due to resource availability at the PEI and therefore the launch has been rescheduled for 2011 calendar year. We have provided additional information and clarifications as requested and are continuing to maintain close contact with the authority so as to answer further questions as they arise.

Meanwhile, a significant amount of progress has been made in generating and collating information and preparing materials and documentation for the MAAs under the Therapy Allergen Regulation introduced by

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the PEI in Germany. This will be a key activity throughout the course of this calendar year. Thus far, the batch manufacture and stability are underway; the paediatric investigational plans have been drawn up and are under review; and clinical development plans have been drafted. The compilation of MAAs is ongoing and due to be submitted in December 2010.

In the US, the FDA's review of GlaxoSmithKline's (GSK's) new drug application (NDA) for Cervarix® culminated in an Advisory Committee hearing last September. GSK provided further information on the mode of action of the MPL® (Monophosphoryl lipid A), in Cervarix together with data on over 80,000 patients treated with MPL containing vaccines or controls and clinical experience from up to 2 million patients with commercial use. MPL is also the active ingredient in Pollinex Quattro. This data demonstrated no increase in the relative risk of auto-immune or neuro-inflammatory conditions with Cervarix and the Advisory Committee gave a strong recommendation in favour of Cervarix which was subsequently approved by the FDA in October (independently, Cervarix was also approved in Japan at the same time). This was an important point for the clinical hold of Pollinex Quattro in the US as it would appear to indicate that the FDA has completed its adjuvant review; although the FDA has stated that it will evaluate each product on a case by case basis depending on its benefit: risk profile. We have therefore re-established contact with the FDA and are actively seeking a way forward to continue our development programmes, which would involve further efficacy and safety studies. Allergy Therapeutics is preparing a response to address issues surrounding the clinical hold to progress Pollinex Quattro clinical studies, which is expected to be submitted to the FDA in Q2 2010.

The potential submission of the Pollinex Grass dossier has been discussed with Health Canada and Allergy Therapeutics has also requested re-instatement of clinical trial authorisations in Canada.

Financial Review

The results for the six months to 31 December 2009 (H1 2010) have continued the encouraging trend shown in previous years.

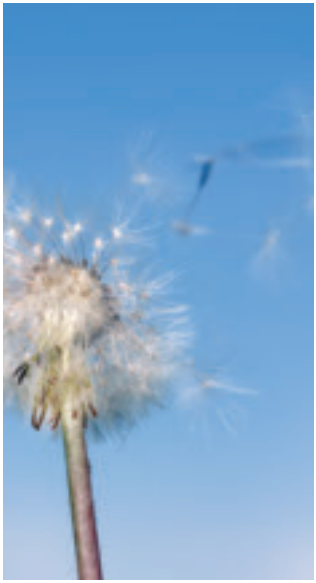
Gross sales for the period, before the statutory sales rebate in Germany of £0.9m, were £28.2m (H1 2009: £25.0m). This represents an increase of 13% over the previous period. This growth is driven primarily by an increase of 10% in named-patient sales of Pollinex Quattro at a constant currency, and by the increasing strength of the Euro which added £2m to the sales over the prior period. After the rebate, group net sales increased by 13% to £27.3m (H1 2009: £24.2m).

Gross profit increased by 24% to £21.4m (H1 2009: £17.3m), representing a gross margin of 78% of sales; an increase from the previous period at 71%. This is a strong performance and reflects the efforts the Company has made to improve gross margin through a

"The Company has identified a number of opportunities in key European markets including the potential acquisition of a distributor in one market and a joint venture in another, both of which the Directors believe have the potential to accelerate sales in key markets."

cost reduction exercise initiated at the beginning of the financial period.

However, owing to the seasonality of the pollen allergy market, some 60% to 70% of Allergy Therapeutics' sales are generated in the first half of the financial year and, as a consequence, the interim



results present a better performance than can be expected over the course of a full year.

Sales and marketing expenses, the major component of distribution costs, have increased in line with our budgets due to the strategy of improving our marketing capabilities in all of our key markets. Costs increased to £8.0m (H1 2009: £7.6m), an increase of 5% over the previous period. Administration costs of £4.8m (H1

"The Company has a broad product portfolio that addresses the needs of the market: injectable (both short and longer course), oral and diagnostics. The flagship product is Pollinex Quattro; an injectable short course vaccine which requires only 4 injections over a period of 3 weeks."

2009: £7.3m) were lower by £2.5m than in the previous period due to a £4.9m reduction of losses on fair valuation of derivative instruments; this benefit was offset by losses on foreign exchange hedge contracts, higher costs for preparing marketing authorisations in Germany and compensation paid to the outgoing CEO, Mr Carter.

Research and development expenditure decreased significantly during the period to £1.2m (H1 2009: £3.2m) as the development activity for the MPL based vaccine range has now completed its current programme.

The operating profit for the period was £7.8m (H1 2009: loss £0.8m)

Finance expense costs for the period were £2.2m (H1 2009: £7.7m) with the decrease being principally due to a relatively smaller revaluation loss in the current period against the prior period on the Euro denominated loan. The net profit for the period was £6.3m (H1 2009: loss £8.5m).

Tangible fixed assets increased by £1.5m, to £8.8m including the revaluation upwards of the Italian freehold to a valuation equivalent to market value.

Net current assets excluding cash show an asset of £4.9m (H1 2009: net liability of £3.4m), due principally to current borrowings reducing to £0.7m (H1 2009: £6.5m) and lower liabilities on the fair valuation of financial derivatives.

Net assets of £8.5m (H1 2009: net liability of £19.4m) show an increase in assets of £27.9m against the previous period end, due primarily to those improvements outlined above in net current assets and a reduction in long-term borrowings to £11.8m (H1 2009: £27.8m).

Net cash generated by operating activities for the period was an inflow of £3.1m (H1 2009: inflow £2.1m), better than the previous period by £1.0m due principally to an improvement in operating performance offset by a relative increase in working capital, due to the opening working capital balance being lower than in the previous period.

Financing

The Company has raised £23.7m from shareholders in the period; using some of the proceeds to repay £9.4m of debt in July at the time of the primary fundraising.

The Group meets its ongoing financing obligations through a combination of a term loan facility of €11m, a revolving credit facility €15.5m, a small bank overdraft and asset-backed facility. At the balance sheet date £12.4m was drawn on these facilities. The directors believe that the Company and the Group will have access to adequate facilities for the foreseeable future and accordingly, they continue to adopt the going concern basis in preparing the Interim Results.

Trends in the currency markets in the period, with the Euro gaining on Sterling, have been favourable to the Company's operations. Over 90% of our sales are denominated in Euros whereas c.50% of costs are incurred in the United Kingdom and denominated in Sterling.

Fundraising 1 March 2010

Allergy Therapeutics also announces that it has today raised £2.1 million (£2.0 million net of expenses) through the issue of 16,809,670 new ordinary shares of 0.1p each at a price of 12.5p per share ("new Ordinary Shares")

9,181,442 by way of a placing with institutional shareholders (the "Placing") and 7,628,228 by way of a subscription ("Subscription"), together the "Fundraising". The net proceeds of the Fundraising are proposed to be used to partially repay long term debt, allowing the Company more flexibility in pursuing its strategy which includes strengthening its current position in Europe. The Placing has been underwritten by Nomura Code Securities.

The Company has identified a number of opportunities in key European markets including the potential acquisition of a distributor in one market and a joint venture in another, both of which the Directors believe have the potential to accelerate sales in key markets. Potential opportunities include small, profitable companies in various European markets. The benefits of either an acquisition or joint venture include the ability to penetrate a specific market more quickly, use of existing goodwill in the market and the ability to access existing contacts in the pursuit of regulatory approvals.

Related Party Transaction

Azure Ventures Limited ("Azure Ventures") is an investment vehicle for which Alejandro Weinstein, a Non-executive Director of the Company, is a beneficiary.

By a letter dated 26 February 2010 Azure Ventures applied for the allotment and issue to it of up to 7,628,228 new Ordinary Shares (the "Subscription Shares") or such lesser number so that Azure's percentage shareholding in the Company when expressed as a percentage of the fully diluted share capital of the Company immediately following the completion of the Subscription and the Placing will be as near as possible equal to but no greater than Azures Venture's existing holding prior to the Placing and Subscription, at a price per New Ordinary Share of 12.5 pence. The consideration for the Subscription Shares will be paid in cash. The Subscription is conditional inter alia upon the Placing becoming unconditional. The Subscription has not been underwritten.

The subscription by Azure Ventures for 7,628,228 New Ordinary Shares pursuant to the Subscription constitutes a 'related party transaction' for the purposes of Rule 13 of the AIM Rules. As such, Mr Weinstein did not take part in the Board's decision to proceed with the Fundraising.

Prior to the Fundraising, Azure Ventures was interested in 132,940,059 ordinary shares (representing 45.38 per cent. of the Company's issued share capital). Following the Fundraising, Azure Ventures will hold 140,568,287 ordinary shares (representing 45.38 per cent. of the Company's issued share capital, as enlarged by the Fundraising). At Admission, the total percentage shareholding of Azure Ventures will not change as a result of the Subscription. The maximum percentage shareholding Azure Ventures may own in the Company is governed by the terms of the Waiver of Rule 9 of the Takeover Code which was approved by the Takeover Panel and voted on by Shareholders following the 12 June 2009 fundraising announcement. The terms of this Waiver of Rule 9 of the Takeover Code were set out in the circular to shareholders dated 12 June 2009.

Accordingly, the Directors, other than Mr. Weinstein, consider, having consulted with Nomura Code in its capacity as Nominated Adviser to the Company, that the terms of Azure Ventures' subscription pursuant to the Fundraising are fair and reasonable insofar as shareholders are concerned.

Dis-application of pre-emption rights

At the Company's AGM held on 19 November 2009, the Company received approval from Shareholders to dis-apply pre-emption rights to allot Ordinary Shares up to a maximum of 29,277,194 ordinary shares, being 10% of the Company's issued share capital as at 19 October 2009 (which was the notice date for the AGM). The issue of 16,809,670 new Ordinary Shares pursuant to the Fundraising represents 5.43% of the Company's issued share capital at that time and 5.74% of the issued share capital immediately prior to this announcement.

Following the Fundraising, the Company's issued share capital is now 309,756,614 ordinary shares of 0.1p each with voting rights attached (one vote per ordinary share). The Company has no shares in Treasury, therefore the total number of voting rights in Allergy Therapeutics is 309,756,614.

The issue of the new Ordinary Shares is subject to the new Ordinary Shares being admitted to trading on AIM, an application for which has been made. Trading in the new Ordinary Shares, which will rank pari passu in all respects with the existing ordinary shares, is expected to commence 08:00 a.m. on 9 March 2010.

Nomura Code Securities Limited acted as Nominated Advisor and broker to Allergy Therapeutics.

Outlook

Historically, Allergy Therapeutics' sales are heavily skewed towards the first half of the Company's financial year; benefiting first half performance against the full year and as a consequence, the interim

results present a better performance than can be expected over the course of a full financial year.

Pollinex Quattro is a unique and valuable product. We are optimistic of achieving regulatory approval across Europe from 2011 onwards and also expect to see some progress with our discussions with the FDA in Q2 2010. As the market in Europe for allergy vaccination develops we expect to increase revenues and for Pollinex Quattro to continue to win market share although the current economic climate may affect certain markets where products are not fully reimbursable and pollen flights continue to be unpredictable.

Ignace Goethals
Chairman
1st March 2010

Manuel Llobet
Chief Executive Officer
1st March 2010

Condensed consolidated income statement

	6 months to 31 Dec 2009 £'000 unaudited	6 months to 31 Dec 2008 £'000 unaudited	12 months to 30 June 2009 £'000 audited
Revenue	**27,342**	24,208	37,757
Cost of sales	**(5,938)**	(6,939)	(13,563)
Gross profit	**21,404**	17,269	24,194
Distribution costs	**(8,015)**	(7,559)	(14,893)
Administration expenses – other	***(4,785)***	*(7,320)*	*(10,250)*
Research and development costs	***(1,150)***	*(3,166)*	*(5,297)*
Administration expenses	**(5,935)**	(10,486)	(15,547)
Other income	**390**	0	0
Operating profit/(loss)	**7,844**	(776)	(6,246)
Finance income	**3**	26	30
Finance expense	**(2,207)**	(7,671)	(5,222)
Profit/(loss) before tax	**5,640**	(8,421)	(11,438)
Income tax	**657**	(52)	(326)
Profit/(loss) for the period	**6,297**	(8,473)	(11,764)
Earnings/(loss) per share			
Basic (pence per share)	**2.2p**	(10.3p)	(14.3p)
Diluted (pence per share)	**2.1p**	(10.3p)	(14.3p)

Condensed consolidated statement of comprehensive income and expense

	6 months to 31 Dec 2009 £'000 unaudited	6 months to 31 Dec 2008 £'000 unaudited	12 months to 30 June 2009 £'000 audited
Profit/(loss) for the period	**6,297**	(8,473)	(11,764)
Actuarial gain/(loss) on defined benefit pension scheme	**11**	77	(9)
Exchange differences on translation of foreign operations	**290**	124	(485)
Revaluation gains and (losses)	**1,437**	30	24
Income tax relating to components of other comprehensive income	**(35)**	0	0
Operating profit/(loss)	**8,000**	(8,242)	(12,234)

Consolidated Balance Sheet

	31 Dec 2009 £'000 unaudited	31 Dec 2008 £'000 unaudited	30 Jun 2009 £'000 audited
Assets			
Non-current assets			
Property, plant and equipment	**8,772**	7,260	7,191
Intangible assets – Goodwill	**2,627**	2,735	2,555
Intangible assets – Other	**978**	1,167	1,065
Investment - Retirement benefit asset	**2,107**	1,916	1,824
Total non-current assets	**14,484**	13,078	12,635
Current assets			
Trade and other receivables	**6,701**	6,490	3,440
Inventories	**7,031**	6,065	6,002
Cash and cash equivalents	**5,286**	3,013	0
Total current assets	**19,018**	15,568	9,442
Total assets	**33,502**	28,646	22,077
Liabilities			
Current liabilities			
Trade and other payables	**(7,603)**	(6,033)	(8,950)
Current borrowings	**(681)**	(6,545)	(11,652)
Derivative financial instruments	**(545)**	(3,364)	(1,172)
Total current liabilities	**(8,829)**	(15,942)	(21,774)
Net current assets / (liabilities)	**10,189**	(374)	(12,332)
Non current liabilities			
Retirement benefit obligation	**(3,152)**	(2,961)	(2,821)
Non current borrowings	**(11,726)**	(26,762)	(19,255)
Derivative financial instruments	**(1,001)**	(2,065)	(1,126)
Non current provisions	**(310)**	(323)	(277)
Total non current liabilities	**(16,189)**	(32,111)	(23,479)
Total liabilities	**(25,018)**	(48,053)	(45,253)
Net assets / (liabilities)	**8,484**	(19,407)	(23,176)
Equity			
Capital and reserves			
Issued capital	**303**	92	92
Share premium	**56,682**	33,173	33,193
Merger reserve – shares issued by subsidiary	**40,128**	40,128	40,128
Reserve – shares held by EBT	**67**	(1)	67
Reserve – share based payments	**1,251**	1,156	1,291
Revaluation reserve	**1,570**	195	189
Foreign exchange reserve	**(823)**	(504)	(1,113)
Retained earnings	**(90,694)**	(93,646)	(97,023)
Total equity	**8,484**	(19,407)	(23,176)

Consolidated statement of changes in equity

	Issued capital	Share premium	Merger reserve – shares issued by subsidiary	Reserve – shares held in EBT	Reserve – share based payments	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2008	92	33,173	40,128	(1)	1,156	195	(504)	(93,646)	(19,407)
Exchange differences on translation of foreign operations							(609)		(609)
Actuarial losses								(86)	(86)
Valuation losses taken to equity						(6)			(6)
Net income recognised directly in equity						(6)	(609)	(86)	(701)
Loss for the period after tax								(3,291)	(3,291)
Total recognised income and expense						(6)	(609)	(3,377)	(3,992)
Share based payments					135				135
Sale of shares by Employee Benefit Trust				68					68
Shares issued	0	20							20
At 30 June 2009	**92**	**33,193**	**40,128**	**67**	**1,291**	**189**	**(1,113)**	**(97,023)**	**(23,176)**
Exchange differences on translation of foreign operations							290		290
Actuarial gains							11		11
Valuation gains/(losses) taken to equity						1,437			1,437
Income tax relating to components of other comprehensive income						(35)			(35)
Net income recognised directly in equity						1,402	290	11	1,703
Profit / (Loss) for the period after tax								6,297	6,297
Total recognised income and expense						1,402	290	6,308	8,000
Share based payments					(40)				(40)
Shares issued	211	23,489							23,700
Transfer of depreciation on revalued property						(21)		21	-
At 31 December 2009	**303**	**56,682**	**40,128**	**67**	**1,251**	**1,570**	**(823)**	**(90,694)**	**8,484**

Condensed consolidated cash flow statement

	6 months to 31 Dec 2009 £'000 unaudited	6 months to 31 Dec 2008 £'000 unaudited	12 months to 30 June 2009 £'000 audited
Cash flows from operating activities			
Profit / (loss) before tax	**5,640**	**(8,421)**	**(11,438)**
Adjustments for:			
Foreign exchange (gain) / loss	**279**	(21)	(485)
Finance income	**(3)**	(26)	(30)
Finance expense	**1,017**	1,418	3,236
Revaluation loss on loan	**1,190**	6,253	1,986
Non cash movements on defined benefit pension plan	**56**	76	107
Depreciation and amortisation	**717**	688	1,315
(Credit) / charge for share based payments	**(40)**	125	260
Financial derivative instruments	**(752)**	4,169	1,038
Disposal of property, plant and equipment	**(35)**	(26)	41
(Increase) in trade and other receivables	**(3,261)**	(3,291)	(241)
(Increase) in inventories	**(1,029)**	(248)	(185)
(Decrease) / increase in trade and other payables	**(1,314)**	1,439	4,313
Net cash generated by / (used in) operations	**2,465**	2,135	(83)
Interest paid	**-**	(13)	(31)
Income tax refunded / (paid)	**657**	(52)	(326)
Net cash generated by / (used in) operating activities	**3,122**	2,070	(440)
Cash flows from investing activities			
Interest received	**3**	26	30
Investments	**(160)**	(132)	(296)
Payments for intangible assets	**(16)**	(222)	(295)
Payments for property plant and equipment	**(755)**	(917)	(1,426)
Net cash used in investing activities	**(928)**	(1,245)	(1,987)
Cash flows from financing activities			
Proceeds from issue of equity shares	**23,701**	-	88
Net (repayment of) / proceeds from borrowings	**(18,972)**	1,177	2,262
Bank loan fees and interest paid	**(1,611)**	(1,287)	(2,247)
Net cash generated by / (used in) financing activities	**3,118**	(110)	103
Net increase / (decrease) in cash and cash equivalents	**5,312**	715	(2,324)
Cash and cash equivalents at the start of the period	**(26)**	2,298	2,298
Cash and cash equivalents at the end of the period	**5,286**	**3,013**	**(26)**

1. Interim financial information

The unaudited consolidated interim financial information is for the six month period ended 31 December 2009. The financial information does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2009, which were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The interim financial information has not been audited nor has it been reviewed under ISRE 2410 of the Auditing Practices Board. The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The group's statutory financial statements for the year ended 30 June 2009 prepared under IFRS have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) of the Companies Act 2006.

2. Basis of preparation

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The accounting policies adopted in this report are consistent with those of the annual financial statements for the year to 30 June 2009 as described in those financial statements, except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007) and the adoption of the revaluation measurement basis for the Group's freehold land and buildings.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property, plant and equipment. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. In accordance with the new standard the entity does not present a 'Statement of recognised income and expenses (SORIE)', as was presented in the 2009 consolidated financial statements. Further, a 'Statement of changes in equity' is presented.

The accounting policy in respect of the measurement basis, subsequent to initial recognition, of the Group's freehold land and buildings has been changed from depreciated cost to the revaluation basis. This change in accounting policy has been applied from the date of change of accounting policy as required by IAS 8 'Accounting policies, accounting estimates and errors', and has resulted in an increase in the carrying amount of the Group's freehold land and buildings by £1,424,000.

Revaluations are performed by independent qualified valuers periodically. In the intervening years between independent revaluations, the directors review the carrying values of the freehold land and buildings and adjustments are made if the carrying values differ significantly from their respective fair values. Increases in the carrying value from revaluations are credited to the revaluation reserve. Decreases in the carrying values arising from revaluations are first offset against increases from earlier revaluations in respect of the same assets and are thereafter charged to the consolidated income statement.

Going Concern

The Group has been profit making in the six months to 31 December 2009 after incurring losses in the six months to 31 December 2008 and the financial years ended 30 June 2008 and 2009. The losses were primarily as a consequence of its investment in research and development activities and were funded by equity issues, debt facilities and cash generated by the operating business. R & D activity has been reduced further in the current period.

The group has prepared detailed budgets, including cash flow projections for the periods ending 30 June 2010 to 30 June 2012. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing debt facilities. After making appropriate enquiries, which included a review of the annual budget and latest forecast, by considering the cash flow requirements for the foreseeable future and the effects of sales and other sensitivities on the Company's funding plans, the Directors continue to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements.

3. Earnings / (loss) per share

	6 months to 31 Dec 2009 £'000 unaudited	6 months to 31 Dec 2008 £'000 unaudited	12 months to 30 June 2009 £'000 audited
Profit/(loss) after tax and earnings attributable to ordinary shareholders	**6,297**	(8,473)	(11,764)
	Shares '000	Shares '000	Shares '000
Weighted average number of shares in issue for the period.	**287,435**	81,951	81,985
Basic earnings/(loss) per share (pence)	**2.2p**	(10.3p)	(14.3p)
Diluted earnings/(loss) per share (pence)	**2.1p**	(10.3p)	(14.3p)

4. Share Issue

During the period 210,405,330 ordinary share of 0.1p each issued pursuant to the Offer, Placing, Subscription and exercise of Warrants were admitted to trading on AIM raising approximately £23.7m net of expenses.

On the 3 July 2009, the Company repaid £9.4m of debt and revised and amended the terms of its loan agreement with The Royal Bank of Scotland. A further £9.6m of debt has been repaid in the period.

On 1 March 2010, the Company announced a £2.1m fundraising (£2.0m net of expenses) by issuing 16,809,670 ordinary shares, representing not more than 10% of the issued share capital of the Company, under shareholder authority obtained at its Annual General Meeting in November 2009.

Allergy Therapeutics plc
Dominion Way
Worthing
West Sussex
BN14 8SA

Tel: +44 (0)1903 844720
Fax: +44 (0)1903 844726

www.allergytherapeutics.com