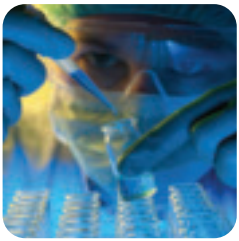
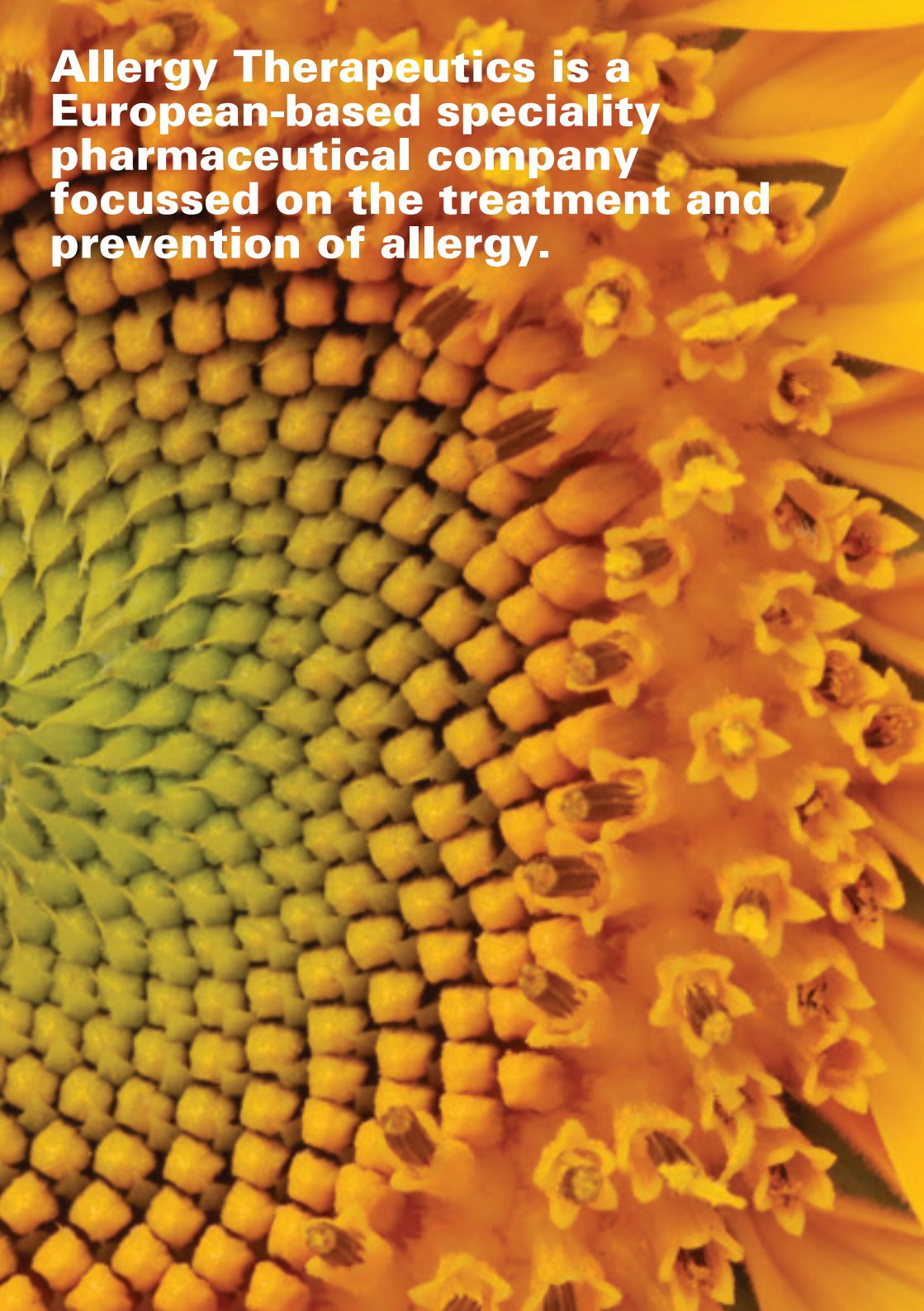


Allergy Therapeutics plc Interim Report for the six months ended 31 December 2010

www.allergytherapeutics.com
www.pollinex.com

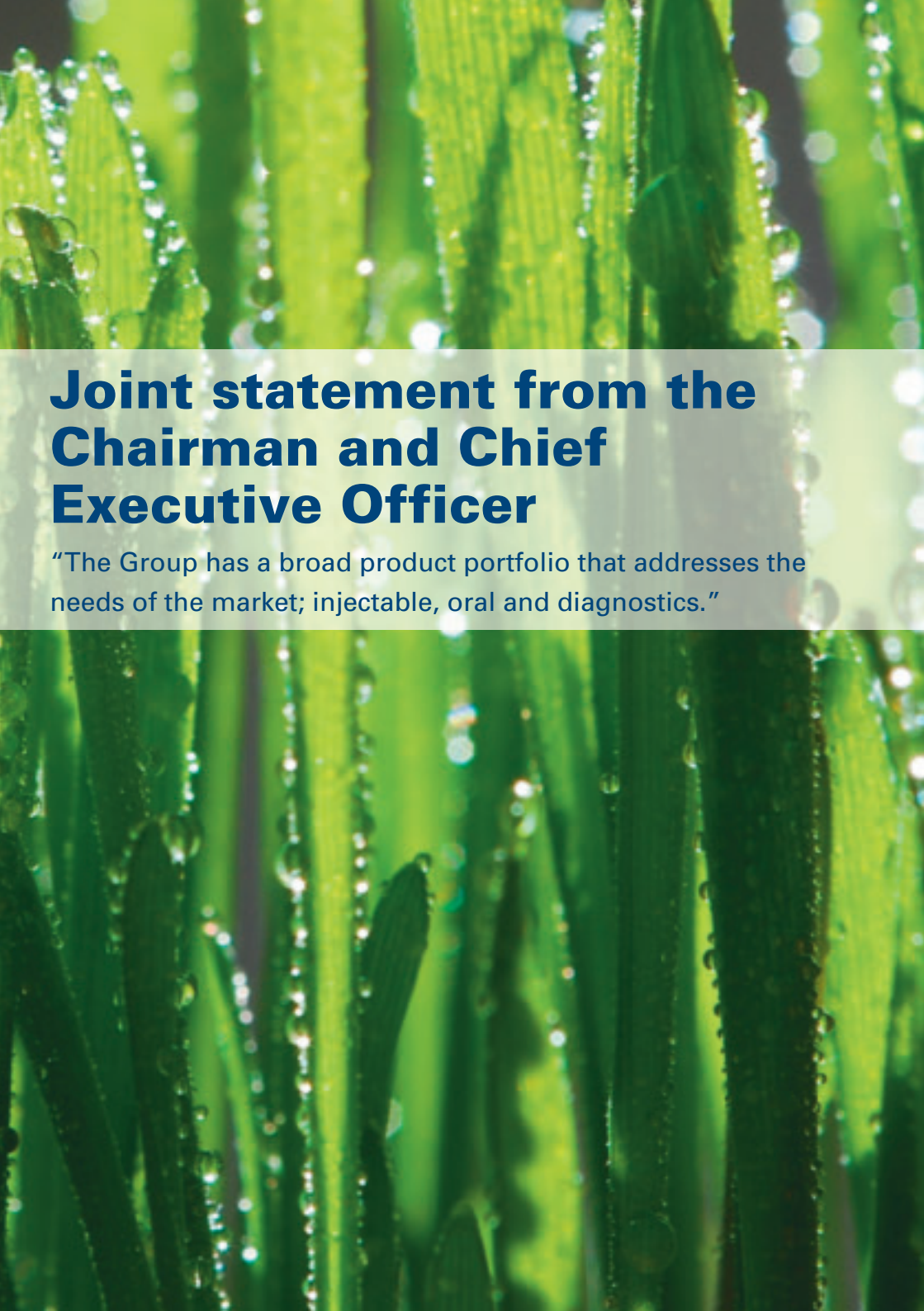
Allergy Therapeutics®
Transforming Allergy Treatment



Allergy Therapeutics is a European-based speciality pharmaceutical company focussed on the treatment and prevention of allergy.

Highlights

- Productive meeting held with FDA in the U.S.
  - o FDA intends to lift clinical hold to allow further development of MATA-MPL products
- 10 Marketing Authorisation Applications filed in Germany
- Acquisition in Switzerland of the Group's distributor Teomed
- Revenue marginally higher at £27.4 million (prior period H1 2010 (6 months ended December 2009): £27.3 million)
  - o At constant currency revenue increased by 4% to £28.5 million (H1 2010 : £27.3 million)
  - o At constant currency Pollinex Quattro revenue increased by 4% to £17.0 million (H1 2010: £16.3 million)
- Profit before tax increased to £6.0 million (H1 2010: £5.6 million)



Joint statement from the Chairman and Chief Executive Officer

"The Group has a broad product portfolio that addresses the needs of the market; injectable, oral and diagnostics."

Joint statement from the Chairman and Chief Executive Officer

Peter Jensen *Chairman*

Manuel Llobet *Chief Executive Officer*

Operating Review

Overview

Allergy Therapeutics is pleased to announce that it met with the FDA for a productive discussion. The FDA informed the Group of its intention to lift the clinical hold in order to allow the development of MATA-MPL© products to move forward. The Group expects to get the formal communication from the FDA in the coming weeks.

Operationally, the results for the period were impacted by a weak German market with revenue marginally higher at £27.4m (H1 2010: £27.3m). On a constant currency basis however revenue increased by 4% to £28.5m (H1 2010: £27.3m). Sales of Pollinex Quattro grew by 4% on a constant currency basis.

The market in Germany has declined for the first time in the Group's history as a result of various factors changing in the market place, including the introduction of a new regulatory environment, the Therapeutic Allergen Regulation (TAV), which has led to the withdrawal of certain minor product ranges and pressures from the German health insurance companies on the prescribing doctors to reduce their spending. Moreover, the pollen count last year was lower than normal in most areas of Germany.

The Group has initiated a number of measures to offset the impact of weaker sales in Germany including strengthening our sales teams in all major markets outside of Germany, all of which have been showing good growth. The acquisition of the Group's Swiss distributor, Teomed, has progressed well and this has helped support revenue in the period. Equally, the Group's new subsidiary in the Netherlands is also performing to plan. During 2011 the Group is also looking to emerging markets to increase its overall revenue and the Group expects to enter a number of new territories in the coming months. The first wave of countries will be in South America: Argentina, Chile, Venezuela and Columbia; where operational staff are already in place. During the period the Group performed a major cost base reduction review. The actions included a reduction in the Group's headcount by approximately 10%; mostly in the UK manufacturing area.

There have been changes to the Board, with Keith Carter retiring as a non executive director on 31 December 2010 and Peter Jensen becoming non executive Chairman from the 1 January 2011, taking over from Ignace Goethals who continues on the board as a non executive director.

"The Group is looking to emerging markets to increase overall revenue and expects to enter a number of new territories in the coming months."

Business Model and Market

Allergy Therapeutics is a fully integrated pharmaceuticals company specialising in allergy vaccines. With the right infrastructure now in place we have focused on strengthening the Group's sales and marketing capabilities to increase sales in existing and new markets. During the period a number of products have been licensed into the Group to exploit the sales force infrastructure.

Allergy Therapeutics has a broad product portfolio that addresses the needs of the market, including injectables (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 market share in those countries where named patient sales are currently possible.

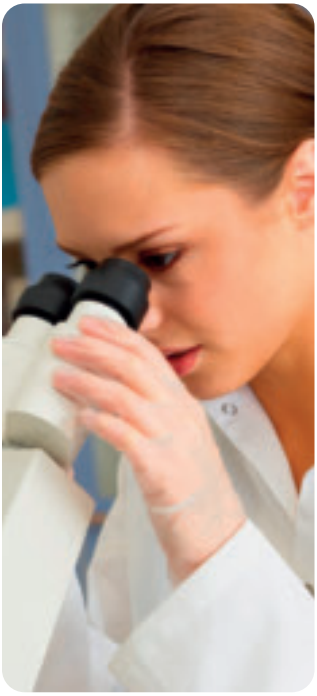
The clinical programme and regulatory approach

At the end of November 2010 the Group submitted 10 Marketing Authorisation Applications (MAA's) to the Paul Ehrlich Institute (PEI), the Regulatory Authority for biological products in Germany. This achievement has been in response to the introduction of the TAV which has changed the regulatory landscape in Germany. To date many products have been available in Germany on a 'named patient' basis, however, as a result of the TAV all immunotherapy products containing common allergens (grass, trees, house dust mites and insect venoms) will need Marketing Authorisations by 2017.

Since 2008, Allergy Therapeutics has reviewed its product portfolio and has been preparing MAA's for its top 10 products in the Pollinex Quattro, Tyrosin TU t.o.p. and Oralvac Compact ranges. This has been a major project that has required significant investment over the past two years and will result in the Group continuing to offer an attractive portfolio of products.

These regulatory changes should favour the Group as the market will become focused on evidence-based, approved, value-added

"The Group's flagship product is Pollinex Quattro; an injectable short course vaccine which requires only 4 injections over a period of 3 weeks."



immunotherapy products and Allergy Therapeutics is well-placed to deliver a range of such products.

For the Pollinex® Quattro Grass dossier submission in Germany, the Group continues to maintain contact with the PEI in order to monitor its progress. Based on communications with the PEI feedback is expected in the coming weeks.

For the US, Allergy Therapeutics met with the FDA for a productive discussion. The FDA informed the Group of its intention to lift the clinical hold in order to allow the development of MATA-MPL© products to move forward. The company expects to get formal communication from the FDA in the coming weeks.

Financial Review

Revenues for the period were marginally higher at £27.4m (H1 2010: £27.3m). This growth was limited by the weakness in the Euro which adversely impacted sterling revenues by £1.1m compared to the prior period and by a weak German market which accounts for approximately 70% of the Group's revenue.

At a constant currency (at prior period exchange rates) there was an improvement in revenues of £1.1m. Constant currency growth is driven primarily by an increase of 4% in named-patient sales of Pollinex Quattro.

Gross profit decreased to £20.8m (H1 2010: £21.4m), representing a gross margin of 76% (H1 2010: 78%) of revenue. This is due to higher compliance requirements in the manufacturing area, required as a result of the MAA's submitted in Germany.

Owing to the seasonality of the pollen allergy market, some 60% to 70% of Allergy Therapeutics' revenues are generated in the first half of the financial year and, as a consequence, the Group records profits in the first half of the year and losses in the second half.

Sales and marketing expenses, the major component of distribution costs, have increased due to the strategy of improving marketing capabilities in all of our key markets. Distribution costs increased to £8.5m (H1 2010: £8.0), an increase of 6% over the previous period. Sales representatives have been added in the UK, Italy and Germany and an International Business Centre has been opened with the objective of exploiting emerging markets. Administration costs of £4.4m (H1 2010: £4.8m) were lower by £0.4m due mainly to compensation paid to the previous CEO in the prior period.

Research and development expenditure decreased to £0.8m (H1 2010: £1.2m) as the development activity for the MPL based vaccine range has now completed its current programme.

Finance expenses were £1.4m (H1 2010: £2.2m) with the decrease being primarily due to a smaller revaluation loss against the prior period on the Euro denominated loan and lower interest costs due to lower debt levels.

Property, plant and equipment at £9.0m is broadly unchanged, with additions roughly equalling depreciation charged. Intangible assets increased by £0.8m mainly due to the fair valuation of the assets acquired from the purchase

of Teomed. Net current assets excluding cash have increased against the prior period, showing an asset of £5.9m (H1 2010: £4.9m) primarily due to a statutory rebate refund outstanding in Germany. Cash is lower at £2.3m (H1 2010: £5.3m) but net debt is higher at £8.4m (H1 2010: £7.1m). This increase is due mainly to the acquisition in the current period of Teomed.

Net cash generated by operating activities was an inflow of £1.8m (H1 2010: inflow £3.1m), lower than the previous period by £1.3m due principally to the prior period benefitting from the receipt of an R&D tax credit of £0.8m and lower cash generated by operations.

Financing

The Group meets its ongoing financing obligations principally through a combination of a term loan facility of €9m and a revolving credit facility of €15.5m. At the balance sheet date €13.0m 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 have applied the going concern principle in drawing up the financial statements.

Trends in the currency markets between the periods, with the Euro weakening against Sterling, have been adverse to the Group's operations. The Group manages its cash exposure in this respect by foreign currency hedges. Over 90% of our sales are denominated in Euros whereas c.50% of costs are incurred in the United Kingdom and denominated in Sterling.

Outlook

Historically, Allergy Therapeutics' sales are heavily biased towards the first half of the Group's financial year, benefitting first half performance against the full year. In spite of the generally flat markets in Europe, the Group has been able to register a healthy growth in most of our European markets, with the exception of Germany, but we have however improved our competitive position in the German market. We will continue to invest in our European domestic market operations and plan to grow either organically or by acquisition. We are also developing a strategy for the emerging markets that will be rapidly implemented bringing additional growth to the Group. We continue to progress our regulatory projects and develop our future R&D programme in consultation with the European regulators. For the US, we continue to work with the FDA and Allergy Therapeutics is confident in the large potential of its trailblazing Pollinex® Quattro range of products for the US market.

Peter Jensen
Chairman
25th March 2011

Manuel Llobet
Chief Executive Officer
25th March 2011

Consolidated income statement

	6 months to 31 Dec 2010 £'000 unaudited	6 months to 31 Dec 2009 £'000 unaudited	12 months to 30 June 2010 £'000 audited
Revenue	**27,407**	27,342	40,750
Cost of sales	**(6,586)**	(5,938)	(11,164)
Gross profit	**20,821**	21,404	29,586
Distribution costs	**(8,542)**	(8,015)	(16,141)
Administration expenses – other	***(4,361)***	*(4,785)*	*(10,235)*
Research and development costs	***(784)***	*(1,150)*	*(2,210)*
Administration expenses	**(5,145)**	(5,935)	(12,445)
Other income	**210**	390	456
Operating profit	7,344	7,844	1,456
Finance income	**1**	3	9
Finance expense	**(1,379)**	(2,207)	(1,581)
Profit/(loss) before tax	**5,966**	5,640	(116)
Income tax	**(90)**	657	702
Profit for the period	**5,876**	6,297	586
Earnings per share			
Basic (pence per share)	**1.89p**	2.19p	0.20p
Diluted (pence per share)	**1.82p**	2.09p	0.19p

Consolidated statement of comprehensive income

	6 months to 31 Dec 2010 £'000 unaudited	6 months to 31 Dec 2009 £'000 unaudited	12 months to 30 June 2010 £'000 audited
Profit for the period	**5,876**	6,297	586
Actuarial gain/(loss) on defined benefit pension scheme	**82**	11	(612)
Exchange differences on translation of foreign operations	**303**	290	(79)
Revaluation gains	**23**	1,437	1,265
Income tax relating to components of other comprehensive income	**-**	(35)	(31)
Total comprehensive income	**6,284**	8,000	1,129

Consolidated Balance Sheet

	31 Dec 2010 £'000 unaudited	31 Dec 2009 £'000 unaudited	30 Jun 2010 £'000 audited
Assets			
Non-current assets			
Property, plant and equipment	**8,971**	8,772	8,938
Intangible assets – Goodwill	**2,564**	2,627	2,496
Intangible assets – Other	**1,773**	978	860
Investment - Retirement benefit asset	**2,307**	2,107	2,017
Total non-current assets	**15,615**	14,484	14,311
Current assets			
Trade and other receivables	**8,940**	6,701	3,390
Inventories	**7,337**	7,031	6,894
Cash and cash equivalents	**2,285**	5,286	4,520
Total current assets	**118,562**	19,018	14,804
Total assets	**34,177**	33,502	29,115
Liabilities			
Current liabilities			
Trade and other payables	**(7,982)**	(7,603)	(8,875)
Current borrowings	**(2,116)**	(681)	(1,109)
Derivative financial instruments	**(309)**	(545)	-
Total current liabilities	**(10,407)**	(8,829)	(9,984)
Net current assets	**8,155**	10,189	4,820
Non current liabilities			
Retirement benefit obligation	**(3,892)**	(3,152)	(3,573)
Non current borrowings	**(8,532)**	(11,726)	(10,596)
Derivative financial instruments	**(608)**	(1,001)	(830)
Non current provisions	**(479)**	(310)	(246)
Total non current liabilities	**(13,511)**	(16,189)	(15,245)
Total liabilities	**(23,918)**	(25,018)	(25,229)
Net assets	**10,259**	8,484	3,886
Equity			
Capital and reserves			
Issued capital	**321**	303	321
Share premium	**58,704**	56,682	58,704
Merger reserve – shares issued by subsidiary	**40,128**	40,128	40,128
Reserve – shares held by EBT	**67**	67	67
Reserve – share based payments	**1,396**	1,251	1,323
Revaluation reserve	**1,384**	1,570	1,381
Foreign exchange reserve	**241**	(823)	(62)
Retained earnings	**(91,982)**	(90,694)	(97,976)
Total equity	**10,259**	8,484	3,886

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 2009	303	56,682	40,128	67	1,251	1,570	(823)	(90,694)	8,484
Correction of prior period immaterial errors							947	(947)	
Exchange differences on translation of foreign operations							(186)		(186)
Actuarial losses								(623)	(623)
Valuation losses taken to equity						(172)			(172)
Income tax relating to components of other comprehensive income						4			4
Net income recognised directly in equity	-	-	-	-	-	(168)	(186)	(623)	(977)
Loss for the period after tax								(5,894)	(5,894)
Total recognised income and expense	-	-	-	-	-	(168)	(186)	(6,517)	(6,871)
Share based payments					233				233
Shares issued	18	2,022							2,040
Transfer of depreciation on revalued property						(21)		21	-
Transfer of lapsed options to retained reserves					(161)			161	-
At 30 June 2010	**321**	**58,704**	**40,128**	**67**	**1,323**	**1,381**	**(62)**	**(97,976)**	**3,886**
Exchange differences on translation of foreign operations							303		303
Actuarial gains								82	82
Valuation gains taken to equity						23			23
Net income recognised directly in equity	-	-	-	-	-	23	303	82	408
Profit for the period after tax								5,876	5,876
Total recognised income and expense	-	-	-	-	-	23	303	5,958	6,284
Share based payments					89				89
Transfer of depreciation on revalued property						(20)		20	0
Transfer of lapsed options to retained reserves					(16)			16	0
At 31 December 2010	**321**	**58,704**	**40,128**	**67**	**1,396**	**1,384**	**241**	**(91,982)**	**10,259**

Consolidated cash flow statement

	6 months to 31 Dec 2010 £'000 unaudited	6 months to 31 Dec 2009 £'000 unaudited	12 months to 30 June 2010 £'000 audited
Cash flows from operating activities			
Profit / (loss) before tax	**5,966**	**5,640**	**(116)**
Adjustments for:			
Foreign exchange loss	**-**	279	-
Finance income	**(2)**	(3)	(9)
Finance expense	**626**	1,017	1,499
Revaluation loss on loan	**754**	1,190	82
Non cash movements on defined benefit pension plan	**96**	56	155
Depreciation and amortisation	**719**	717	1,427
Gain on bargain purchase	**(184)**	-	-
Charge / (credit) for share based payments	**89**	(40)	193
Financial derivative instruments	**309**	(752)	(1,172)
Disposal of property, plant and equipment	**-**	(35)	-
(Increase) in trade and other receivables	**(5,129)**	(3,261)	(112)
(Increase) in inventories	**(248)**	(1,029)	(911)
(Decrease) / increase in trade and other payables	**(1,147)**	(1,314)	14
Net cash generated by operations	**1,849**	2,465	1,050
Interest paid	**(1)**	-	(15)
Income tax (paid) / refunded	**(90)**	657	667
Net cash generated by operating activities	**1,758**	3,122	1,702
Cash flows from investing activities			
Interest received	**2**	3	9
Investments	**(906)**	(160)	(319)
Payments for intangible assets	**(64)**	(16)	(56)
Payments for property plant and equipment	**(514)**	(755)	(1,642)
Net cash used in investing activities	**(1,482)**	(928)	(2,008)
Cash flows from financing activities			
Proceeds from issue of equity shares	**-**	23,701	25,740
Repayment of borrowings	**(6,339)**	(38,020)	(41,040)
Proceeds from borrowings	**4,367**	19,048	22,442
Bank loan fees and interest paid	**(589)**	(1,611)	(2,248)
Net cash (used in) / generated by financing activities	**(2,561)**	3,118	4,894
Net (decrease) / increase in cash and cash equivalents	**(2,285)**	5,312	4,588
Effects of exchange rates on cash and cash equivalents	**50**	-	(42)
Cash and cash equivalents at the start of the period	**4,520**	(26)	(26)
Cash and cash equivalents at the end of the period	**2,285**	**5,286**	**4,520**

1. Interim financial information

The unaudited consolidated interim financial information is for the six month period ended 31 December 2010. 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 2010, 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 2010 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 except for land and buildings and derivative financial instruments which have been measured at fair value. The accounting policies adopted in this report are consistent with those of the annual financial statements for the year to 30 June 2010 as described in those financial statements.

Going Concern

The Group has been profit making in the six months to 31 December 2010, as it was in the corresponding period ending 31 December 2009 and the year ending 30 June 2010.

The Group has prepared detailed budgets, including cash flow projections for the periods ending 30 June 2011 to 30 June 2013. 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 Group'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. In reaching this view, the Directors have considered and prioritised the actions that could be taken to offset the impact of any shortfall in operating performance.

3. Earnings per share

	6 months to 31 Dec 2010 unaudited £'000	6 months to 31 Dec 2009 unaudited £'000	12 months to 30 June 2010 audited £'000
Profit after tax attributable to equity shareholders	**5,876**	6,297	586
	Shares '000	Shares '000	Shares '000
Issued ordinary shares at start of the period	**310,757**	82,367	82,367
Ordinary shares issued in the period	**-**	210,580	228,390
Issued ordinary shares at end of the period	**310,757**	292,947	310,757
Weighted average number of shares in issue for the period	**310,757**	287,435	293,143
Weighted average number of shares for diluted earnings per share	**322,481**	301,000	305,581
Basic earnings per share (pence)	**1.89p**	2.19p	0.20p
Diluted earnings per share (pence)	**1.82p**	2.09p	0.19p

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