

ImmuPharma plc

INTERIM RESULTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

ImmuPharma plc

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ImmuPharma plc

Statement from the Chairman and Chief Executive Officer

INTERIM HIGHLIGHTS

Summary

The first six months of 2009 have been a momentous time for ImmuPharma with the announcement of an interim analysis of the Phase IIb data for Lupuzor™ demonstrating statistically significant superiority over placebo and Cephalon Inc's exercise of their right to license Lupuzor™ with a \$30m license payment. The various future cash milestone payments upon the achievement of certain regulatory and sales milestones (including the option and license fees) may total up to approximately \$500m. In addition to the cash milestone payments, ImmuPharma will receive royalties on commercial sales of Lupuzor™. The licensing of Lupuzor™ has strengthened the Group's cash position and secures ImmuPharma's ability to progress our other compounds in the coming years. Furthermore, we have been delighted to add a number of blue chip, institutional investors to the shareholder base.

Our pipeline now includes 5 drug candidates, the most advanced, Lupuzor™ has been licensed to Cephalon, Inc. who will take over responsibility for its development, one for cancer which has been awarded grants totalling €1.15m by French government organisations, with the 3 others in preclinical development for – inflammatory disorders, moderate to severe pain and serious hospital infections. In addition to our lead compounds, our long-term pipeline includes a patented chemical library of over 300,000 small molecules and a technology for converting small peptides to drugs that can be applied to generate more compounds for the company.

Development Pipeline

- **IPP-201101, treatment of lupus**

Early in the year, ImmuPharma announced that a planned interim analysis of the Phase IIb clinical trial comparing Lupuzor™ to placebo in patients with systemic lupus erythematosus (also known as Lupus) demonstrated statistically significant superiority of Lupuzor™ over placebo. This interim analysis was performed and reviewed by an independent Data Monitoring Committee according to ICH guidelines and was conducted after 125 randomised patients had completed the 12 week treatment period with half of them having also completed the additional 12 week follow-up. The primary efficacy measure was a 'SLEDAI response' defined as a decrease of at least 4 points in the SLEDAI score, a scale generally accepted by physicians as an assessment of the clinical activity of Lupus patients, a lower score representing lower disease activity. The analysis of the data has demonstrated that the 200mcg dose of Lupuzor™ administered every four weeks was statistically significantly superior to placebo (p=0.015). Lupuzor™ was generally well-tolerated with no significant drug related adverse events recorded. This data follows on from the successful results of the Phase IIa trial.

Following on from the Option Agreement between Cephalon, Inc and ImmuPharma agreed in November, 2008 and based on the interim analysis of the Phase IIb data, Cephalon decided to exercise their right to license Lupuzor™ in February 2009. This brought an immediate license payment of \$30m to the Group and holds the potential for a total of approximately \$500m in future cash milestone payments upon the achievement of certain regulatory and sales milestones. In addition to the cash milestone payments, ImmuPharma will receive royalties on commercial sales of Lupuzor™.

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Statement from the Chairman and Chief Executive Officer

Development Pipeline (continued)

- **IPP-204106, treatment for cancer**

IP-204106 is ImmuPharma's lead compound for cancer. The rights for this compound have been obtained through the Company's ongoing research collaboration with the Centre National de la Recherche Scientifique (CNRS), France's leading scientific research. The molecule is a nucleolin antagonist and has a dual mechanism of action, acting both in preventing angiogenesis as well as proliferation. Preclinical data has shown that nucleolin antagonists inhibit the growth of tumours and metastasis in many cancer types. Having confirmed the €1.15m of French government grants, the first half of 2009 has seen ImmuPharma move forward with the clinical development plans of IPP-204106.

- **Other Pipeline Compounds**

More limited progress has been made on ImmuPharma's other pipeline compounds for inflammation, pain, MRSA and other hospital-acquired infections during the period. The Group remains committed to their development either alone or with a partner.

Financial Review

There are several key highlights to the financial position of the Group for the first half of 2009. ImmuPharma received \$30m from Cephalon, Inc. as a license payment for LupuzorTM in February which is reflected in the Group's reported £21.6m revenue for the period. Basic and diluted earnings per share were 15.05p and 13.69p respectively (31 December 2008: 6.23p and 5.72p). This \$30m payment added to the \$15m received in November 2008 has ensured a strong cash position for the Group of £27m at the end of the period. No interim dividend is proposed.

The Group continues to use International Financial Reporting Standards as its accounting basis.

The operating profit for the period was £13.6m. It represents the license income received from Cephalon, Inc. as well as the royalty expense due to the Centre National Recherche Scientifique (CNRS) under the terms of an existing agreement for both the \$15m option payment received in November 2008 and the \$30m license payment received in February 2009. Royalties attributable to both payments received have been included in royalty expense in these interim accounts under the terms of the agreement with the CNRS. The \$30m license payment received in 2009 is reported as revenue while for the \$15m option payment received in November 2008 is reported as other income in the accounts for the year ended 31 December 2008. The remaining amounts are principally the employment cost and overhead of maintaining the Group, together with expenditure on research carried out by Contract Research Organisations.

Cash and cash equivalents at 30 June 2009 were £27m compared to £12m at 31 December 2008. The Group's strong cash position is due to the receipt from Cephalon, Inc. of an option payment of \$15m in November 2008 and a license payment of \$30m in February 2009.

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Statement from the Chairman and Chief Executive Officer

Outlook

With a strong cash position to work from, the focus of the Group continues to be on the progression of its lead drug candidates, in particular our promising cancer compound, IPP-204106, and discovery pipeline. We are looking forward to announcing the final results of the Phase IIb trial for Lupuzor™ in the coming months and will continue to work together with our partner, Cephalon, Inc. to ensure progression of Lupuzor™ through its next phase of development and beyond. ImmuPharma is in discussions with a number of pharmaceutical and biotech companies for potential collaborations whilst also considering the option of further progressing the development of some of its assets alone.

Richard Warr, MA, Chairman

Dimitri Dimitriou, MSc, Chief Executive Officer

September 2009

Nexia Smith & Williamson

Independent Review Report To ImmuPharma plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2009 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, and the related notes 1 to 5.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the AIM Rule 18. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with AIM Rule 18.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. It is the responsibility of the directors to ensure that the condensed set of financial statements included in this half-yearly report have been prepared on a basis consistent with that which will be adopted in the Group's annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the requirements of the AIM rules.

Nexia Smith & Williamson
Chartered Accountants
Statutory Auditor
September 2009

25 Moorgate
London
EC2R 6AY

ImmuPharma plc

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2009

| | Note | 6 months ended 30 June 2009 £ | Year ended 31 December 2008 £ | 6 months ended 30 June 2008 £ |
|---|------|---|---|---|
| Continuing operations | | | | |
| Revenue | 4 | 21,569,869 | 57,120 | 97,330 |
| Royalty expense | 4 | (4,301,044) | - | - |
| Research and development expenses | | (1,961,398) | (2,792,767) | (796,888) |
| Administrative expenses | | (1,683,426) | (1,838,913) | (791,341) |
| Operating profit/(loss) | | 13,624,001 | (4,574,560) | (1,490,899) |
| Other income | 4 | - | 9,351,562 | - |
| Finance costs | | (1,747) | (8,078) | (4,787) |
| Finance income | | 31,006 | 94,755 | 43,236 |
| Profit/(loss) before taxation | | 13,653,260 | 4,863,679 | (1,452,450) |
| Tax | | (1,992,325) | (186,220) | - |
| Profit/(loss) for the period | | 11,660,935 | 4,677,459 | (1,452,450) |
| Attributable to: | | | | |
| Equity holders of the parent company | | 11,660,935 | 4,677,459 | (1,452,450) |
| Earnings/(loss) per ordinary share | | | | |
| Basic | 2 | 15.05p | 6.23p | (2.00)p |
| Diluted | 2 | 13.69p | 5.72p | (2.00)p |

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2009

| | 6 months ended 30 June 2009 £ | Year ended 31 December 2008 £ | 6 months ended 30 June 2008 £ |
|---|---|---|---|
| Profit/(loss) for the financial period | 11,660,935 | 4,677,459 | (1,452,450) |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | (1,495,946) | 890,067 | 15,688 |
| Other comprehensive income for the period, net of tax | (1,495,946) | 890,067 | 15,688 |
| Total comprehensive income for the period | 10,164,989 | 5,567,526 | (1,436,762) |

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

| | 30 June 2009 | 31 December 2008 | 30 June 2008 |
|------------------------------------|-------------------------|-----------------------------|-------------------------|
| | £ | £ | £ |
| Non-current assets | | | |
| Intangible assets | 748,697 | 809,213 | 765,706 |
| Property, plant and equipment | 9,894 | 13,319 | 14,139 |
| | <hr/> | <hr/> | <hr/> |
| Total non-current assets | 758,591 | 8,22,532 | 779,845 |
| | <hr/> | <hr/> | <hr/> |
| Current assets | | | |
| Trade and other receivables | 422,369 | 120,914 | 434,411 |
| Cash and cash equivalents | 27,123,016 | 12,458,417 | 1,176,031 |
| | <hr/> | <hr/> | <hr/> |
| Total current assets | 27,545,385 | 12,579,331 | 1,610,442 |
| | <hr/> | <hr/> | <hr/> |
| Current liabilities | | | |
| Financial liabilities – borrowings | 42,207 | 29,611 | 29,251 |
| Trade and other payables | 4,317,812 | 1,106,357 | 308,486 |
| Tax payable | 1,881,169 | 202,648 | - |
| Provisions | 160,612 | 46,808 | 81,511 |
| | <hr/> | <hr/> | <hr/> |
| Total current liabilities | 6,401,800 | 1,385,424 | 419,248 |
| | <hr/> | <hr/> | <hr/> |
| Net current assets | 21,143,585 | 11,193,907 | 1,191,194 |
| | <hr/> | <hr/> | <hr/> |
| Non-current liabilities | | | |
| Financial liabilities - borrowings | 409,008 | 776,085 | 308,593 |
| | <hr/> | <hr/> | <hr/> |
| Net assets | 21,493,168 | 11,240,354 | 1,662,446 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Ordinary shares | 7,748,118 | 7,748,118 | 7,277,615 |
| Share premium | 5,486,985 | 5,486,985 | 3,558,340 |
| Merger reserve | 106,148 | 106,148 | 106,148 |
| Other reserves | (760,850) | 647,271 | (401,580) |
| Retained earnings | 8,912,767 | (2,748,168) | (8,878,077) |
| | <hr/> | <hr/> | <hr/> |
| Total equity | 21,493,168 | 11,240,354 | 1,662,446 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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CONCOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2009

| | Share capital £ | Share premium £ | Merger reserve £ | Other reserves* £ | Retained Earnings £ | Total equity £ |
|--|-----------------------|-----------------------|------------------------|-------------------------|---------------------------|----------------------|
| At 1 January 2008 | 7,277,615 | 3,558,340 | 106,148 | (466,133) | (7,425,627) | 3,050,343 |
| Total comprehensive income for the period | - | - | - | 15,688 | (1,452,450) | (1,436,762) |
| Share based payments | - | - | - | 48,865 | - | 48,865 |
| At 30 June 2008 | 7,277,615 | 3,558,340 | 106,148 | (401,580) | (8,878,077) | 1,662,446 |
| At 1 January 2008 | 7,277,615 | 3,558,340 | 106,148 | (466,133) | (7,425,627) | 3,050,343 |
| Total comprehensive income for the year | - | - | - | 890,067 | 4,677,459 | 5,567,526 |
| New issue of equity capital | 470,503 | 2,306,317 | - | - | - | 2,776,820 |
| Less: expenses of new share issue | - | (377,672) | - | - | - | (377,672) |
| Share based payments | - | - | - | 97,730 | - | 97,730 |
| Equity shares to be issued | - | - | - | 125,607 | - | 125,607 |
| At 31 December 2008 | 7,748,118 | 5,486,985 | 106,148 | 647,271 | (2,748,168) | 11,240,354 |
| Total comprehensive income for the period | - | - | - | (1,495,946) | 11,660,935 | 10,164,989 |
| Share based payments | - | - | - | 87,825 | - | 87,825 |
| At 30 June 2009 | 7,748,118 | 5,486,985 | 106,148 | (760,850) | 8,912,767 | 21,493,168 |

* Other reserves as at 30 June 2009 comprises a reverse acquisition reserve £(3,541,203) (2008: £(3,541,203)), a translation reserve £(494,121) (2008: £1,001,825) and equity shares to be issued of £3,274,474 (2008: £3,186,649).

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CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 30 JUNE 2009

| | Notes | 6 months ended 30 June 2009 £ | Year ended 31 December 2008 £ | 6 months ended 30 June 2008 £ |
|--|-------|---|---|--|
| Cash flows from operating activities | | | | |
| Cash generated from/(used in) operations | 3 | 17,446,000 | (3,556,364) | (1,601,085) |
| Interest paid | | (1,747) | (8,078) | (4,787) |
| <hr/> | | | | |
| Net cash generated from/(used in) operating activities | | 17,444,253 | (3,564,442) | (1,605,872) |
| <hr/> | | | | |
| Investing activities | | | | |
| Purchase of property, plant and equipment | | (908) | (5,033) | (3,450) |
| Disposal of intangibles assets | | (841) | (259) | - |
| Finance income | | 31,006 | 94,755 | 43,236 |
| <hr/> | | | | |
| Net cash from investing activities | | 29,257 | 89,463 | 39,786 |
| <hr/> | | | | |
| Financing activities | | | | |
| Net proceeds from share issue - Company | | - | 2,524,756 | - |
| Decrease in bank overdraft | | 15,096 | (932) | 1,540 |
| New loans | | 1,706 | 390,033 | - |
| Loan repayments | | (297,663) | (269,851) | (212,594) |
| Other income | | - | 9,351,562 | - |
| <hr/> | | | | |
| Net cash (used in)/generated from financing activities | | (280,861) | 11,995,568 | (211,054) |
| <hr/> | | | | |
| Effects of exchange rates on cash and cash equivalents | | (2,528,050) | 990,913 | 6,256 |
| <hr/> | | | | |
| Net increase/(decrease) in cash and cash equivalents | | 14,664,599 | 9,511,502 | (1,770,884) |
| <hr/> | | | | |
| Cash and cash equivalents at start of period | | 12,458,417 | 2,946,915 | 2,946,915 |
| <hr/> | | | | |
| Cash and cash equivalents at end of period | | 27,123,016 | 12,458,417 | 1,176,031 |
| <hr/> | | | | |

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NOTES TO THE INTERIM ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2009

1 ACCOUNTING POLICIES

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 December 2009.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008.

The presentation of the primary financial statements has been modified in order to comply with IAS 1 (revised). However the revised standard has no impact on the reported results or financial position of the group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Non-Statutory accounts

The financial information for the year ended 31 December 2008 set out in this interim report does not constitute the Group's statutory accounts for that period. The statutory accounts for the year ended 31 December 2008 have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985 and did not include references to any matters to which the auditor drew attention by way of emphasis. The financial information for the 6 months ended 30 June 2009 and 30 June 2008 is unaudited.

Copies of this statement will be available on the Company's website – www.immupharma.com.

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NOTES TO THE INTERIM ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

2 EARNINGS PER SHARE

| | 6 months ended 30 June 2009 £ | Year ended 31 December 2008 £ | 6 months ended 30 June 2008 £ |
|---|--|---|--|
| Earnings | | | |
| Earnings for the purposes of basic and diluted earnings per share being net profit/(loss) attributable to equity shareholders | 11,660,935 | 4,677,461 | (1,452,450) |
| | <hr/> | <hr/> | <hr/> |
| Number of shares | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 77,482,183 | 75,049,193 | 72,776,149 |
| | <hr/> | <hr/> | <hr/> |
| Effect of dilutive potential ordinary shares: | | | |
| Share options | 4,475,000 | 3,545,000 | - |
| Warrants | 3,245,280 | 3,245,280 | - |
| | <hr/> | <hr/> | <hr/> |
| | 85,202,463 | 81,839,473 | 72,776,149 |
| | <hr/> | <hr/> | <hr/> |
| Basic earnings/(loss) per share | 15.05p | 6.23p | (2.00)p |
| | <hr/> | <hr/> | <hr/> |
| Diluted earnings/(loss) per share | 13.69p | 5.72p | (2.00)p |
| | <hr/> | <hr/> | <hr/> |

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NOTES TO THE INTERIM ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

3 CASH GENERATED FROM/(USED IN) OPERATIONS

| | 30 June 2009 £ | 31 December 2008 £ | 30 June 2008 £ |
|---|-------------------------------|-----------------------------------|-------------------------------|
| Operating profit/(loss) | 13,624,001 | (4,574,560) | (1,490,899) |
| Depreciation and amortisation | 20,722 | 41,996 | 13,847 |
| Loss on sale of intangible assets | - | 19,090 | |
| Share-based payments | 87,825 | 97,730 | 48,865 |
| Decrease/(increase) in debtors | 316,928 | 348,113 | (13,368) |
| Increase/(decrease) in creditors | 3,282,720 | 553,233 | (156,102) |
| Increase/(decrease) in provisions | 113,804 | (41,966) | (7,263) |
| | <hr/> | <hr/> | <hr/> |
| Cash generated from/(used in) operations | 17,446,000 | (3,556,364) | (1,601,085) |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

4 LUPUZOR™ REVENUE AND ROYALTY EXPENSE

In February 2009 Cephalon Inc exercised its option to license the exclusive worldwide rights to Lupuzor and has made a non refundable payment of \$30million to the Group (disclosed as “Revenue”), in addition to the non refundable upfront option payment of \$15million made in November 2008 (shown in the comparative figures as “Other income”).

Under the terms of the licence agreement, the Group is entitled to various future cash milestone payments and royalties on commercial sales of Lupuzor. Cephalon Inc will be responsible for all future costs and activities, including Phase III clinical trials, regulatory filing and the subsequent commercialisation and sale of the product worldwide.

Under the terms of the existing arrangement in place with Centre National Recherche Scientifique (CNRS), upon Cephalon Inc exercising its option in connection with the exclusive license agreement referred to above, the Group is obliged to make payments of up to 15% of the payments received from Cephalon Inc. At the date of approval of these interim results, discussions are ongoing with CNRS in relation to the final amounts payable by the Group, and an amount of £4.3million has been accrued as a royalty expense in the period reflecting the Board’s estimate of the maximum amount payable in respect of relevant income earned to date.

5 SUBSEQUENT EVENTS

There have been no subsequent events since 30 June 2009.