

**IMMUPHARMA PLC**  
**PRELIMINARY RESULTS**

for the period ended 31<sup>st</sup> December 2006

ImmuPharma plc (LSE:IMM), the specialist pharmaceutical discovery and development company is pleased to announce its preliminary results for the period ended 31<sup>st</sup> December 2006.

**Key Highlights:**

- Successful completion of Phase II trial of our lead compound IPP-201101, for the treatment of Lupus.
- Positive discussions held with FDA and plans for a PhaseII/III multicentre study in the US and Europe.
- Cash reserves strengthened with a further €7m funds raised.

Dimitri Dimitriou, Chief Executive Officer, said:

*“During our first year as a public company we have enjoyed strong share price performance and continued success in the development of our key asset, compound IPP-201101, for the treatment of Lupus. The focus for the year ahead will be on the next phase of trials for IPP-201101, and to advance our analgesic and antibiotic compounds and to engage in continuing out-licensing dialogue with large biotech and pharmaceutical companies worldwide.”*

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## **IMMUPHARMA PLC**

The consolidated results for ImmuPharma plc (the “Company”) and its subsidiaries (collectively the “Group”) cover the period 1<sup>st</sup> April 2006 to 31<sup>st</sup> December 2006. During the period, the accounting reference date of the Company was changed from 31<sup>st</sup> March to 31<sup>st</sup> December, in order that all companies within the Group had co-terminous year-ends.

### **REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

We are delighted to report on the company’s achievements during the period under review and are proud to have delivered on our key milestones ahead of time. By all measures, 2006 has been a record year in our corporate history. During our first year as a public company we have enjoyed strong share price performance and continued success in the development of our key asset.

Following the successful completion of phase I clinical trials in healthy volunteers, where our lead drug candidate for the treatment of Lupus (IPP-201101) showed an attractive safety profile, we have successfully completed a phase II study in patients suffering from Lupus. Most importantly, this study showed statistically significant clinical improvement in the overall symptoms of the patients.

During our phase II study we held discussions with the Food and Drug Administration in the United States relating to the development activities required for the approval of our Lupus drug candidate IPP-201101. As a result of the feedback from the FDA, we have initiated the work for a phase II/III multicentre study to take place in the US and Europe. Analysts estimate that IPP-201101 for the treatment of Lupus has blockbuster sales potential.

We believe that ImmuPharma has an attractive business model. Our focus is on innovative drugs for niche therapeutic areas with large sales potential but importantly without the need for a large sales force. This is characterised by relatively low cost of development and shorter timelines than the norm. Our progress so far with IPP-201101 for the treatment of Lupus is confirmation that this can be achieved.

We are particularly pleased to report on the milestone funding for the company in December 2006. In excess of €7 million was raised from prestigious institutions including Jupiter, ING Bank and Martin Currie. This has strengthened our cash reserves and provided the funds to begin the phase II/III trial for our Lupus drug candidate. During 2006, we have held licensing discussions with big pharma and biotech companies which are ongoing.

Finally, we have strengthened our management team with three industry executives. Dr Franco Di Muzio and Dr Ajay Agrawal have joined our Board as Non-Executive Directors. Dr Di Muzio was appointed in February and has 40 years experience in companies including Bristol-Myers Squibb, Glaxo Wellcome and Alza Corporation. Dr Ajay Agrawal was appointed in April and has over 20 years of experience in the biotech and pharmaceutical industry. He was co-founder of polyMASC pharmaceuticals plc and has worked with Genovac GmbH (Germany), Qiagen (Germany), PHT Pharma (Italy), Karo Bio (Sweden), Aldevron (USA) and Jubilant Biosys. Ms Tracy Weimar joined as Vice-President of Operations and has also been appointed Company Secretary. She was most recently at GlaxoSmithKline as Director of Worldwide Business Development which involved numerous corporate licensing transactions.

With an experienced management team and a strong financial position, ImmuPharma is well placed to deliver value from our lead drug candidates and promising pipeline.

On behalf of the Board we should like to thank all our shareholders for their continued support.

## **FINANCIAL REVIEW**

The Group continues to adopt International Financial Reporting Standards (IFRS) as its primary accounting basis.

It is important to note that one of these standards, IFRS2, relating to share-based payments, has had a significant impact on the results for the Group for this nine month period. The Group loss before tax would have been £1.2m, consisting of cash and accrued expenditure on the normal running of the company and research costs, but has increased to £1.9m as a result of charging the majority of the assessed 'fair value' to the recipients of the share options agreed at the time the parent company was floated (16<sup>th</sup> February 2006), including a provision for employers' National Insurance.

It should be stressed that this charge of £0.7m does not represent additional cash expenditure, and is purely a notional amount stipulated by IFRS2 (and calculated using a statistical model) – which is debited to the Income Statement and credited to equity - as a measure of the dilution suffered by shareholders, and hence benefit received by the recipients, as a result of granting the options.

A further £0.1m is due to be charged in next year's accounts under IFRS2, being the remainder of the fair value charge.

### **Results**

Including the IFRS2 charge noted above, the loss of the Group for the period before taxation was £1.9m (prior period loss £2.5m). Basic and diluted loss per share was 2.72p (prior period 4.16p). No dividend is proposed.

The fact that losses have continued to be made is, at this point of the Group's development, to be expected, since there is minimal revenue and business activity is still concerned with clinical trial expenditure and maintaining the infrastructure of the Group.

In the previous period, the loss of £2.5m included an exceptional item of £970,000, being mainly a write-off of goodwill resulting from the treatment of the acquisition of the ImmuPharma business as being a 'reverse takeover' under the Financial Reporting rules. It represented the difference between the market value of the acquirer company's shares in issue at the date of the acquisition and its underlying net asset value (principally cash) at that time. The Directors believed that this 'premium to cash' was justified at the time in order to enable the acquisition and subsequent fund-raising and that it was appropriate to write it off.

### **Operating Loss**

The Operating loss of £1.97m (£1.26m excluding the notional IFRS2 charge noted above) represents principally the employment cost and overheads of maintaining the Group together with expenditure on research carried out by Contract Research Organisations. The timing and extent of the research and development programme continues to be well controlled - and below original expectations forecast at the time of float.

## **Net Funds**

At 31<sup>st</sup> December 2006, the Group had Cash and cash equivalents of £6,460,000 (31<sup>st</sup> March 2006 £2,693,000).

Cash levels have benefited from additional funds raised in December 2006 when equity and debt of €7m was raised. These additional funds have enabled the Group to contemplate the final phases of the Lupus drug development with confidence, and at the same time to make progress with development of the other main drug candidates.

## **OUTLOOK**

The focus for the year ahead will be on the next phase of trials for our Lupus compound IPP-201101; to make further progress advancing our analgesic and antibiotic compounds, and to engage in dialogue with other pharmaceutical companies.

With a strong team in place to execute these objectives, we believe we are well positioned to take the Group forward.

**CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2006**

	Notes	1 April 2006 to 31 December 2006 £	13 January 2005 to 31 March 2006 £
<b>Continuing operations</b>			
Revenue	1	44,818	25,409
Research and development expenses		(568,139)	(679,091)
Administrative expenses		(1,447,998)	(880,074)
		<hr/>	<hr/>
<b>Operating loss</b>	2	(1,971,319)	(1,533,756)
Exceptional costs arising from reverse acquisition		-	(970,524)
Finance costs		(7,739)	(8,045)
Investment revenues		64,307	28,759
		<hr/>	<hr/>
<b>Loss before taxation</b>		(1,914,751)	(2,483,566)
Tax		54,713	788
		<hr/>	<hr/>
<b>Loss for the period</b>		(1,860,038)	(2,482,778)
		<hr/> <hr/>	<hr/> <hr/>
<b>(Loss) per ordinary share</b>			
Basic and diluted	3	(2.72)p	(4.16)p
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE PERIOD ENDED 31 DECEMBER 2006**

	<b>1 April 2006 to 31 December 2006 £</b>	<b>13 January 2005 to 31 March 2006 £</b>
Exchange differences on translation of foreign operations	(4,143)	8
(Loss) for the financial period	(1,860,038)	(2,482,778)
	<hr/>	<hr/>
Total recognised income and expense for the period	(1,864,181)	(2,482,770)
	<hr/>	<hr/>
Attributable to:		
Equity holders of the parent company	(1,864,181)	(2,482,770)
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**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006**

	31 December 2006 £	31 March 2006 £
Note	£	£
<b>Non-current assets</b>		
Property, plant and equipment	11,503	12,020
Intangible assets - goodwill	-	-
Intangible assets - other	748,878	765,004
	<hr/>	<hr/>
Total non-current assets	760,381	777,024
	<hr/>	<hr/>
<b>Current assets</b>		
Trade and other receivables	103,801	157,572
Cash and cash equivalents	6,459,918	2,692,900
	<hr/>	<hr/>
Total current assets	6,563,719	2,850,472
	<hr/>	<hr/>
<b>Current liabilities</b>		
Financial liabilities - borrowings	192,987	277,898
Trade and other payables	747,615	845,618
Provisions	94,218	-
	<hr/>	<hr/>
Total current liabilities	1,034,820	1,123,516
	<hr/>	<hr/>
<b>Net current assets</b>	5,528,899	1,726,956
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Financial liabilities - borrowings	403,634	-
	<hr/>	<hr/>
<b>Net assets</b>	5,885,646	2,503,980
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Ordinary shares	7,277,615	6,813,815
Share premium	3,558,340	1,607,990
Merger reserve	106,148	106,148
Other reserves	(713,641)	(3,541,195)
Retained earnings	(4,342,816)	(2,482,778)
	<hr/>	<hr/>
<b>Total equity</b>	4 5,885,646	2,503,980
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**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2006**

	<b>31 December 2006 £</b>	<b>31 March 2006 £</b>
<b>Cash flows from operating activities</b>		
Cash flows used in operations	(1,236,598)	(871,552)
Interest paid	(7,739)	(8,045)
	(1,244,337)	(879,597)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,389)	(17,130)
Acquisition of intangibles assets	-	(337,274)
Cash on reverse acquisition	-	975,961
Cash on acquisition of subsidiaries	-	17,773
Reverse acquisition expense	-	(59,561)
Subsidiary acquisition expense	-	(2,342)
Interest received	64,307	28,759
Tax received	-	788
	61,918	606,974
<b>Financing activities</b>		
Net proceeds from share issues – ImmuPharma (UK) Limited	-	1,397,976
Net proceeds from share issue – Company	2,609,150	1,569,802
Increase in bank overdraft	2,556	12
New loans	384,754	-
Loan repayments	(68,586)	(2,267)
Equity shares to be issued	2,021,563	-
	4,949,437	2,965,523
Net increase in cash and cash equivalents	3,767,018	2,692,900
Cash and cash equivalents at beginning of period	2,692,900	-
	6,459,918	2,692,900

## NOTES

1. The financial information set out in this announcement does not comprise the Group's statutory accounts for the period ended 31 December 2006.

The financial information for the period ended 31 March 2006 is derived from the statutory accounts for the period which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

The statutory accounts for the period ended 31 December 2006 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The accounting policies are consistent with those applied in the preparation of the statutory audited accounts for the period ended 31 December 2006 which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The financial information is for the period from 1 April 2006 to 31 December 2006 and the comparatives are for the period from 13 January 2005 to 31 March 2006. The comparatives were prepared using reverse acquisition accounting and therefore represent a continuation of the financial statements of ImmuPharma (UK) Limited, the legal subsidiary acquired.

The Group's financial statements incorporate the financial statements of ImmuPharma plc, ImmuPharma (UK) Limited and other entities controlled by the company ('the subsidiaries') comprising ImmuPharma AG and ImmuPharma (France) SA. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The Group has applied the requirements of IFRS2 *share based payments* for the first time during the current period. The Group issues equity-settled share based payments to certain employees. These are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured by use of the Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**2 OPERATING LOSS**

	<b>Period ended 31 December 2006 £</b>	<b>Period ended 31 March 2006 £</b>
<b>Operating loss is stated after charging/(crediting):</b>		
Foreign exchange gains	(25,167)	-
Research and development costs		
- current period expenditure	568,139	679,091
Share based payments charge	615,134	-
Employers National Insurance provision in respect of share based payments charge	94,218	-
Depreciation of property, plant and equipment		
- owned	2,906	10,081
Amortisation of intangible assets		
- patents	16,126	5,140
Impairment of goodwill	-	970,524
Services provided by Company auditors:		
- Audit services	55,538	15,000
- Other services (split between):		
- The auditing of accounts of associates of the company pursuant to legislation	-	10,000
- Other services relating to taxation	12,584	5,000
- Services relating to recruitment and remuneration	13,630	-
- All other services	29,871	17,025
- Audit services provided by other auditors	11,860	9,000

\* Included within the 'Audit services' figure of £55,538 is £14,413 relating to the period ended 31 March 2006.  
Included within the 'All other services' figure of £29,871 is £19,425 relating to the period ended 31 March 2006.

<b>3 EARNINGS PER SHARE</b>	<b>Period ended 31 December 2006 £</b>	<b>Period ended 31 March 2006 £</b>
<b>Earnings</b>		
Earnings for the purposes of basic earnings per share being net loss attributable to equity shareholders	(1,860,038)	(2,482,778)
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<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	68,388,353	59,663,827
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<b>Basic and diluted loss per share</b>	(2.72)p	(4.16)p
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The Group has granted share options and warrants in respect of equity shares to be issued, the details of which are disclosed in Notes 20 and 21 of the full set of accounts. As a result of the net loss for the period, there is no dilutive effect of these options and warrants.

#### 4 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £	Share premium £	Merger reserve £	Other reserves* £	Retained Earnings £	Total equity £
At incorporation	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	8	-	8
Loss for the period ended 31 March 2006	-	-	-	-	(2,482,778)	(2,482,778)
Total recognised income and expense for the period	-	-	-	8	(2,482,778)	(2,482,770)
Equity share capital of the Company prior to reverse acquisition	420,000	557,003	-	-	-	977,003
Reverse acquisition of the Company	5,875,000	-	-	(3,541,203)	-	2,333,797
New issue of equity share capital	518,815	1,686,148	-	-	-	2,204,963
Less: expenses of new share issue	-	(635,161)	-	-	-	(635,161)
Acquisition of subsidiaries	-	-	106,148	-	-	106,148
At 1 April 2006	6,813,815	1,607,990	106,148	(3,541,195)	(2,482,778)	2,503,980
Exchange differences on translating foreign operations	-	-	-	(4,143)	-	(4,143)
Loss for the period ended 31 December 2006	-	-	-	-	(1,860,038)	(1,860,038)
Total recognised income and expense for the period	-	-	-	(4,143)	(1,860,038)	(1,864,181)
Equity shares to be issued	-	-	-	2,021,563	-	2,021,563
Share based payments	-	(195,000)	-	810,134	-	615,134
New issue of equity share capital	463,800	2,305,200	-	-	-	2,769,000
Less: expenses of new share issue	-	(159,850)	-	-	-	(159,850)
At 31 December 2006	7,277,615	3,558,340	106,148	(713,641)	(4,342,816)	5,885,646

\* Other reserves as at 31 December 2006 comprises a reverse acquisition reserve £(3,541,203), a translation reserve £(4,135) and equity shares to be issued of £2,831,697.

**5. DIRECTORS' REPORT AND ACCOUNTS**

Copies of the report and accounts will be posted to shareholders in early May 2007.