Allergy Therapeutics plc
("Allergy Therapeutics" or "the Group")

Interim Results for the six months ended 31 December 2016

29 March 2017 Allergy Therapeutics plc (AIM:AGY), the fully integrated specialty pharmaceutical group specialising in allergy vaccines, announces its unaudited interim results for the six months ended 31 December 2016.

Highlights (including post period end highlights)

Financial highlights

- Revenue increased by 18% at constant currency to £34.2m (H1 2016: £29.0m)* while reported revenue increased by 39% to £40.4m (H1 2016: £29.0m)
- R&D expenditure of £3.8m (H1 2016: £6.5m) following a higher level of investment in Phase II trials in H1 2016
- Strong growth in operating profit pre R&D of 40% as a result of broad investment in the business to £11.1m (H1 2016: £7.9m) and the strength of the euro against sterling
- Cash balance of £27.8m (H1 2016: £33.2m)

Products and pipeline highlights

- Increased market share in the Group's main European markets to 13% (2016: 12%) against a low to flat market
- Pollinex franchise continues to expand and shape the market as a more convenient treatment
- First patient recruited in pivotal Pollinex Quattro Birch Phase III study in Europe
- US Grass MATA MPL programme proceeding as planned with the safety trial (G104) advancing to a dosing trial in H2 2017
- CTA approval in Spain for Phase I clinical study investigating the safety and tolerability of Acarovac MPL (monophosphoryl lipid A)
- Positive proof of concept preclinical trial results announced with Polyvac® Peanut, the Group's peanut allergy vaccine

Commenting on the interim results, Manuel Llobet, Chief Executive Officer, said: *"In the first half of this year, we delivered an increase of 18% in revenue at constant currency, despite flat or low growth in European markets, driven by the quality of the Group's highly convenient, ultra-short course, aluminium-free therapy enabling us to continue to gain market share. This, linked to the recent announcements on progress with our pipeline projects, illustrates that the approach of investing both in the current business as well as the pipeline is working, paving the way for our long-term strategic international plans for a world-class allergy vaccines portfolio."*

* Constant currency uses prior year weighted average exchange rates to translate current year foreign currency denominated revenue to give a year on year comparison excluding the effects of foreign exchange movements. See table in financial review for an analysis of revenue.

Joint Statement from the Chairman and Chief Executive Officer

Operating Review

Overview

During the first six months of the year, the Group's revenues grew by 18% (at constant currency) compared to 16% on a like-for-like basis (19% including acquisition) during the year ended 30 June 2016, despite flat or low growth in European markets. This continued high level of growth reflects both the quality of the Group's highly convenient, aluminium-free therapy and the service levels of the Group's supply chain and customer teams which has enabled the Group to continue to gain market share. In terms of markets, Germany, Austria, Spain and The Netherlands have contributed the most although all markets have shown growth.

Furthermore, the overall performance of the business continued strongly with operating profit pre R&D growing 40% to £11.1m (H1 2016: £7.9m). This performance underpins the investment in R&D to support the current product portfolio and pipeline and underscores the long-term ambitions for the Group.

The Market

Allergy Therapeutics continues to gain market share in its core European markets. In the year to 31 December 2016, market share grew to 13% compared to 12% in the year ended 30 June 2016 in the markets in which the Group competes. The revenue figures for the first half of the financial year show that that the Pollinex franchise continues to expand and shape the market as a more convenient treatment. The value of this to patients cannot be underestimated given that most competitor products have on average 12-14 injections or need daily dosing, requiring additional time and effort as well as cost. Moreover, the investment made in commercial infrastructure in the last financial year continues to benefit the Group. Acarovac Plus™ continues to grow well in Spain and has been launched in Austria while Synbiotics product sales in Italy and Spain have performed well.

The Group has continued to invest in regulatory, quality assurance and manufacturing facilities to ensure a robust and high quality supply chain. This has led to gains in market share when competitors have had supply chain problems. In an industry where there is a high level of interaction between the doctor/allergist and patient, product quality and credibility is critical and this has benefited the Group.

Regulatory Affairs & Clinical Development

Good progress continues to be made in the German TAV (Therapy Allergy Ordinance) process. As disclosed in March, the Group has now recruited the first patient for the pivotal Phase III Pollinex Quattro Birch study in Europe (B301), which is expected to start in H2 2017. If successful, and if approved, the next step is expected to lead to a market authorisation. All ten of the Group's products which were submitted to the TAV process are still in development. The data available shows that 30% of the products that were on the market and submitted for the TAV process have dropped out and are no longer allowed to be sold in Germany (Dr Vieths, 2016).

On the US Pollinex Quattro Grass MATA MPL studies, the safety study to evaluate an additional dosing strength is currently being undertaken in the US (G104). Following the previous Phase II trial undertaken in the US, an additional Phase II trial for Pollinex Quattro Grass (G205) using conjunctival provocation testing is expected to start in H2 2017 in Europe ahead of the planned pivotal Phase III trial (G306).

As disclosed in February, the Group has received CTA approval to start a Phase I trial for Acarovac MPL (AM101), a subcutaneous house dust mite immunotherapy using the Pollinex Quattro technology platform. This trial is expected to be completed in the second half of this calendar year.

During the period under review, further patents were granted for the manufacturing process of the Pollinex platform in both Europe and the US, adding to the microcrystalline tyrosine (MCT®) patent which runs to 2032.

Bencard Adjuvant Systems

This division of the Group focuses on adjuvants and their application in fields outside of allergy. Initial work has focused on MCT and its use as a key part of different adjuvant systems and to enhance immunogenicity of different vaccines. Further studies have been undertaken using MCT in combination with 1- Influenza (Heath et al, in press) and 2- with malaria (Cabral-Miranda et al, submitted) and 3- malaria, and virus like

particles (VLP) (Cabral-Miranda et al, submitted) all showing enhanced efficacy improving T and B cell immunogenicity and protection against P.berghei/vivax.

The malaria study indicated that MCT is superior in comparison with aluminium and that MCT offers optimal compatibility and immunological synergy with other adjuvants and immunomodulators such as VLPs. Work on VLP, the technology licenced last year, will continue to focus mainly on peanut allergy.

VLP- Peanut Allergy

As announced in February, positive results were achieved from preclinical research into its unique therapeutic peanut allergy vaccine, Polyvac® Peanut. Having delivered these positive preclinical Proof of Concept results, the Group will now progress the vaccine in accordance with its stated strategic plan when funding the programme and will proceed to Phase I development following completion of the pre-clinical studies.

The findings demonstrate that a single dose of the Group's VLP adjuvant combined with recombinant peanut allergen successfully protected against anaphylaxis when challenged with peanut. Additionally, when examining symptom scores in the investigational model, those vaccinated with the candidate vaccine exhibited no symptoms compared to placebo when challenged with peanut. Furthermore, the safety profile of the product was evaluated via an intravenous challenge and found that the vaccine itself did not induce anaphylaxis in peanut sensitised subjects (a hypoallergenic vaccine).

Allergy Therapeutics' innovative peanut vaccine is focussed on a subcutaneous application of recombinant peanut allergen coupled with its state-of-the-art VLP adjuvant to increase the safety and efficacy profile. This approach aims to induce protective immunity, enabling shorter therapy duration and an enhanced safety profile and thus has significant implications for peanut allergy therapy with the potential to redefine the market for food allergy products. Alternative peanut vaccines in development often require repeated and long-lasting exposure transdermally or orally, which may limit patient adherence.

Food allergy represents a significant and strategically important area for the Group, with peanut allergy treatments alone being an $8 billion p.a. (*The Journal of Allergy and Clinical Immunology 2016. 1% of US population. EACCI Food Allergy and Anaphylaxis Guidelines Group 2016 0.2% of Western European Population. Management assumption of annual treatment of $2k) addressable market globally. Allergy Therapeutics has the exclusive rights to develop VLP technology, a carrier system to present allergens to the immune system, for allergy vaccines.

Financial Review

Reported revenues for the first half of the financial year were £40.4m (H1 2016: £29.0m), representing a growth of 18% at constant currency, despite low to flat markets in Europe. The growth rate reported after taking into account currency movements was 39% with the positive impact on revenues from the strengthening euro being £6.2m. This double digit sales growth has been driven primarily by the Group's investment in infrastructure and broadening of the product portfolio as it continues to increase its market share in all of its main markets.

A reconciliation between reported revenues and revenues in constant currency is provided in the table below:

	6 months to 31-Dec-16 £m	6 months to 31-Dec-15 £m	Increase £m	Increase %
Revenue	40.4	29.0	11.4	39%
Adjustment to retranslate to prior year foreign exchange rate	(6.2)	-		
Revenue at constant currency	34.2	29.0	5.2	18%
Add rebates at constant currency	3.2	2.4	0.8	
Gross revenue at constant currency	37.4	31.4	6.0	19%

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

Cost of goods sold increased marginally in the period to £8.9m (H1 2016: £7.3m), mainly due to higher volumes and currency effect on Spanish manufacturing. Gross profit improved to £31.5m (H1 2016: £21.6m), which represents a gross margin of 78% (H1 2016: 75%), reflecting the currency impact on the revenue line.

Sales, marketing and distribution costs of £13.8m (H1 2016: £9.8m) were higher than the previous period reflecting in roughly equal measures the impact of the strong euro and the investment in distribution made in the second half of 2016 to help accelerate revenue growth. Administration expenses of £6.6m (H1 2016: £3.9m) rose due to the benefit last year of the stronger dollar revaluing US dollar deposits favourably by £1.1m, investment in compliance and the current year negative impact of the fair valuation of euro denominated derivatives (£0.4m).

Research and development costs of £3.8m (H1 2016: £6.5m), reflected the higher level of activity in H1 2016 due to Phase II work in Europe and US last year.

The tax charge in the period of £0.4m (H1 2016: £0.2m) relates to overseas subsidiaries and the increase reflects the growing profitability of the subsidiaries.

Property, plant and equipment was unchanged in the period but increased by £0.9m to £9.7m compared to the year before, mainly as a result of investment in new plant to increase capacity and efficiency and improvements to the Worthing offices. The depreciation charge increased £0.1m reflecting this investment in the plant. Goodwill increased to £3.4m reflecting the currency impact of the goodwill in Spain (H1 2016: £3.1m), whilst other intangible assets have risen by £0.1m.

Total current assets excluding cash have increased by £3.7m to £17.7m (H1 2016: £14.0m). This is mainly due to an increase in debtors reflecting the higher sales and the different sales channel used for Synbiotics.

Retirement benefit obligations, which relate solely to the German pension scheme, increased to £9.6m (H1 2016: £7.5m) as a result of the movement in the sterling-euro exchange rate as well as the reduction in the discount rate.

Net cash generated by operations was strongly positive, due to significantly lower R&D spending in H1 2017 as well as the strong trading result, with a reported inflow of £5.4m (H1 2016: £0.6m).

Financing

The Group had debt on its balance sheet at the close of the financial year relating to loans held in the Spanish subsidiary of £3.4m (H1 2016 £1.6m). The seasonal overdraft was not used during the calendar year 2016 but the Group expects to renew its banking facilities when they are due for review in April 2017. The Group drew down £0.1m of debt from its facility in Spain during the period.

The Directors believe that the Group will have adequate facilities for the foreseeable future and accordingly they have applied the going concern principle in preparing these interim financial statements.

Movements in the currency markets between the respective values of the euro and sterling have an effect on the Group's operations. The Group manages its cash exposure in this respect by foreign currency hedges. Over 90% of our gross sales are denominated in euros whereas approximately 50% of costs are incurred in the United Kingdom and denominated in sterling.

Other Matters

As disclosed in Note 4 (Contingent liabilities), on 23 February 2015, the Group received notification that The Federal Office for Economics and Export ("BAFA") had made a decision to reverse their preliminary exemption to the increased manufacturers rebate in Germany for the period July to December 2012. After taking legal advice, the Group has lodged an appeal against this decision and our advice gives us confidence that the exemption will be re-instated. Therefore, as at 31 December 2016, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review. The potential liability is €1.4m (£1.1m).

The European Commission has concluded its investigation into whether the exemption of pharmaceutical manufacturers from the increase in rebates in Germany constitutes state aid. The European Commission has determined that the exemptions do not constitute state aid but an appeal has been lodged at the EU Court against this decision. If successful, this would lead to a repayment of approximately £5m (including the £1.1m referred to above); however, following advice that this is an unlikely outcome, the Group has not disclosed any contingent liability.

The Group is in discussion with one of its suppliers and their lawyers over potential cost overruns on one of its clinical trials which may lead to additional expense for the Group.

Outlook

The Board and management team expect that growth in net sales will continue in the second half of the year and have great confidence in the future of the business. As planned, research and development costs are expected to rise significantly in the second half of the year compared to the first half, reflecting the exciting preparation for the expected start of two major trials (US Grass MATA MPL Phase II and PQ Birch Phase III) as well as investment in infrastructure to progress the important TAV process. Other costs are expected to be similar to H1 2017.

The Group continues to strive for excellence in its products, the supply chain and convenience for patients leading to increased medical compliance which are key factors in the continuing growth and success of the business.

We look forward to the future with confidence.

Peter Jensen
Chairman

Manuel Llobet
Chief Executive Officer

28 March 2017

ALLERGY THERAPEUTICS PLC

Consolidated income statement

	Note	6 months to 31 Dec 2016 £'000 unaudited	6 months to 31 Dec 2015 £'000 unaudited	12 months to 30 Jun 2016 £'000 audited
	2			
Revenue		40,427	28,959	48,509
Cost of sales		(8,924)	(7,328)	(14,070)
Gross profit		31,503	21,631	34,439
Sales, marketing and distribution costs		(13,842)	(9,842)	(20,223)
Administration expenses – other		*(6,611)*	*(3,879)*	*(10,094)*
Research and development costs		*(3,820)*	*(6,537)*	*(16,223)*
Administration expenses		(10,431)	(10,416)	(26,317)
Other income		-	-	150
Operating profit/(loss)		7,230	1,373	(11,951)
Finance income		90	84	180
Finance expense		(112)	(154)	(293)
Profit/(loss) before tax		7,208	1,303	(12,064)
Income tax		(367)	(249)	(1,008)
Profit/(loss) for the period		6,841	1,054	(13,072)
Earnings/(loss) per share	**3**			
Basic (pence per share)		1.16p	0.19p	(2.29p)
Diluted (pence per share)		1.10p	0.18p	(2.29p)

Consolidated statement of comprehensive income

	6 months to 31 Dec 2016 £'000 unaudited	6 months to 31 Dec 2015 £'000 unaudited	12 months to 30 Jun 2016 £'000 audited
Profit/(loss) for the period	6,841	1,054	(13,072)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	1,105	(255)	(1,688)
Remeasurement of investments-retirement benefit assets	(78)	(51)	(16)
Deferred tax– freehold land and buildings	-	-	(43)
Revaluation gains – freehold land and buildings	-	-	119
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(81)	366	(744)
Total comprehensive income/ (loss)	7,787	1,114	(15,444)

Consolidated balance sheet

	31 Dec 2016 £'000 unaudited	31 Dec 2015 £'000 unaudited	30 Jun 2016 £'000 audited
Assets			
Non-current assets			
Property, plant and equipment	9,708	8,787	9,667
Intangible assets - goodwill	3,382	3,053	3,271
Intangible assets - other	2,038	1,925	2,084
Investment - retirement benefit asset	4,291	3,451	4,045
Total non-current assets	19,419	17,216	19,067
Current assets			
Inventories	7,025	6,826	7,692
Trade and other receivables	10,653	7,141	6,514
Cash and cash equivalents	27,763	33,206	23,406
Derivative financial instruments	-	3	-
Total current assets	45,441	47,176	37,612
Total assets	64,860	64,392	56,679
Liabilities			
Current liabilities			
Trade and other payables	(12,375)	(7,906)	(11,045)
Current borrowings	(306)	(262)	(295)
Derivative financial instruments	(486)	-	(1,180)
Total current liabilities	(13,167)	(8,168)	(12,520)
Net current assets	32,274	39,008	25,092
Non-current liabilities			
Retirement benefit obligations	(9,553)	(7,465)	(10,174)
Deferred taxation liability	(315)	(296)	(334)
Non-current provisions	(291)	(252)	(257)
Other non-current liabilities	-	(113)	-
Long term borrowings	(3,071)	(1,378)	(3,070)
Total non-current liabilities	(13,230)	(9,504)	(13,835)
Total liabilities	(26,397)	(17,672)	(26,355)
Net assets	38,463	46,720	30,324
Equity			
Capital and reserves			
Issued share capital	603	597	599
Share premium	102,420	102,389	102,392
Merger reserve – shares issued by subsidiary	40,128	40,128	40,128
Reserve – shares held by EBT	-	67	-
Reserve – share based payments	1,061	761	741
Revaluation reserve	1,254	1,178	1,254
Foreign exchange reserve	(965)	226	(884)
Retained earnings	(106,038)	(98,626)	(113,906)
Total equity	38,463	46,720	30,324

Consolidated statement of changes in equity

	Issued Capital	Share premium	Merger reserve – shares issued by subsidiary	Reserve - shares held in EBT	Reserve - share based payment	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2015	597	102,389	40,128	67	761	1,178	226	(98,626)	46,720
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,110)	-	(1,110)
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	(1,433)	(1,433)
Remeasurement of investments – retirement benefit assets	-	-	-	-	-	-	-	35	35
Total other comprehensive income	-	-	-	-	-	-	(1,110)	(1,398)	(2,508)
Loss for the period after tax	-	-	-	-	-	-	-	(14,126)	(14,126)
Total comprehensive income	-	-	-	-	-	-	(1,110)	(15,524)	(16,634)
Deferred tax (Land buildings)	-	-	-	-	-	(43)	-	-	(43)
Valuation gain taken to equity (Land and Buildings)	-	-	-	-	-	119	-	-	119
Share based payments	-	-	-	-	157	-	-	-	157
Shares issued	2	3	-	-	-	-	-	-	5
Transfer of EBT reserve to retained earnings	-	-	-	(67)	-	-	-	67	-
Transfer of lapsed options to retained earnings	-	-	-	-	(177)	-	-	177	-
At 30 June 2016	**599**	**102,392**	**40,128**	**-**	**741**	**1,254**	**(884)**	**(113,906)**	**30,324**
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(81)	-	(81)
Remeasurement of net defined benefit liability	-	-	-	-	-	-	-	1,105	1,105
Remeasurement of investments – retirement benefit assets	-	-	-	-	-	-	-	(78)	(78)
Total other comprehensive income	-	-	-	-	-	-	(81)	1,027	946
Profit for the period after tax	-	-	-	-	-	-	-	6,841	6,841
Total comprehensive income	-	-	-	-	-	-	(81)	7,868	7,787
Share based payments	-	-	-	-	320	-	-	-	320
Shares issued	4	28	-	-	-	-	-	-	32
At 31 December 2016	**603**	**102,420**	**40,128**	**-**	**1,061**	**1,254**	**(965)**	**(106,038)**	**38,463**

Condensed consolidated cash flow statement

	6 months to 31Dec 2016 £'000 unaudited	6 months to 31Dec 2015 £'000 unaudited	12 months to 30Jun 2016 £'000 audited
Cash flows from operating activities			
Profit/(loss) before tax	7,208	1,303	(12,064)
Adjustments for:			
Finance income	(90)	(84)	(180)
Finance expense	112	154	293
Non cash movements on defined benefit pension plan	122	148	295
Depreciation and amortisation	955	782	1,666
Charge for share based payments	320	170	327
Movement in fair value of derivative financial instruments	(694)	781	1,963
Foreign exchange revaluation on US dollar cash deposits	(296)	(1,087)	(2,394)
(Increase) in trade and other receivables	(4,202)	(2,112)	(368)
Decrease/(increase) in inventories	743	2	(585)
Increase/(decrease) in trade and other payables	1,263	550	(497)
Net cash generated/(used) by operations	5,441	607	(11,544)
Bank loan fees and Interest paid	(112)	(154)	(388)
Income tax (paid)/received	(6)	44	93
Net cash generated/(used) by operating activities	5,323	497	(11,839)
Cash flows from investing activities			
Interest received	90	11	-
Investments	(148)	(128)	(260)
Payments for intangible assets	(22)	(142)	-
Payments for property plant and equipment	(1,341)	(335)	(1,232)
Net cash used in investing activities	(1,421)	(594)	(1,492)
Cash flows from financing activities			
Proceeds from issue of equity shares (net of share issue costs)	-	10,967	10,967
Share options exercised	32	-	-
Repayment of borrowings	(161)	(120)	(86)
Proceeds from borrowings	77	-	1,658
Net cash (used)/generated by financing activities	(52)	10,847	12,539
Net increase/(decrease) in cash and cash equivalents	3,850	10,750	(792)
Effects of exchange rates on cash and cash equivalents	507	1,257	2,999
Cash and cash equivalents at the start of the period	23,406	21,199	21,199
Cash and cash equivalents at the end of the period	27,763	33,206	23,406

1. Interim financial information

The unaudited consolidated interim financial information is for the six month period ended 31 December 2016. 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 2016, 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 Company's statutory financial statements for the year ended 30 June 2016 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 2016 as described in those financial statements. There are no accounting standards that have become effective in the current period that would have a material impact upon the financial statements.

Going Concern

The Group has been profit making in the six months to 31 December 2016, as it was in the corresponding period ending 31 December 2015.

Detailed budgets have been prepared, including cash flow projections for the periods ending 30 June 2017 and 30 June 2018. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing bank facilities. The Group had a cash balance of £27.8m at 31 December 2016 and expects to renew its banking facilities when they are due for renewal in April 2017. 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 preparing these interim financial statements.

3. Earnings per share

	6 months to 31 Dec 2016 unaudited £'000	6 months to 31 Dec 2015 unaudited £'000	12 months to 30 Jun 2016 audited £'000
Profit/(loss) after tax attributable to equity shareholders	6,841	1,054	(13,072)
	Shares '000	Shares '000	Shares '000
Issued ordinary shares at start of the period	589,159	545,848	545,848
Ordinary shares issued in the period	4,285	41,005	43,311
Issued ordinary shares at end of the period	593,444	586,853	589,159
Weighted average number of shares in issue for the period	591,415	559,516	570,344
Weighted average number of shares for diluted earnings per share	624,470	581,827	570,344
Basic earnings per ordinary share/(loss) (pence)	1.16p	0.19p	(2.29p)
Diluted earnings per ordinary share/(loss) (pence)	1.10p	0.18p	(2.29p)

4. Contingent liabilities

On 23 February 2015, the Company received notification that The Federal Office for Economics and Export ("BAFA") had made a decision to reverse its preliminary exemption to the increased manufacturers rebate in Germany for the period July to December 2012. The Company was granted a preliminary exemption to the increased rebate for this period by BAFA in 2013. The Company recognised revenue of €1.4m (£1.1m) against this exemption in the year ended 30 June 2013. All other preliminary exemptions (granted for periods up to 30 June 2012) have previously been ratified as final by BAFA. After taking legal advice, the Company has lodged an appeal against this decision and is confident that the exemption will be re-instated. Therefore, as at 31 December 2016, no provision has been recognised for the repayment of the rebate refund. This position will be kept under review.

The European Commission has concluded its investigation into whether the exemption of pharmaceutical manufacturers from the increase in rebates in Germany constitutes state aid. The European Commission has determined that the exemptions do not constitute state aid. Subsequent to this announcement, the Group has been advised that an appeal has been lodged at the EU Court against this decision. If successful, and the exemptions are determined to be illegal state aid, then the exemption refunds may have to be repaid. The maximum sum to be repaid would be approximately £5m (including the £1.1m referred to above); however, the Group considers this to be an unlikely outcome and consequently has not recognised any contingent liability.