

Chairman's report

Overview

During the past six months we have announced positive data from phase II trials of our vascular disrupting agent, AS1404, in lung, prostate and ovarian cancers. We have also presented data supporting the advancement of AS1411 into phase II trials in renal cancer and acute myeloid leukaemia (AML). We have strengthened our balance sheet through an oversubscribed placing to institutional investors and we have made good progress in talks with potential marketing partners for AS1404.

AS1404 – building on positive trial data

In June 2006 we presented initial, positive survival data from our phase II trial of AS1404 in lung cancer. Since then we have presented further data from this trial and from two other ongoing phase II trials of AS1404 in ovarian and prostate cancers. As detailed below, we now have positive findings from five different measures of the drug's activity across three different cancers:

- The lung cancer trial demonstrated one of the largest increases in survival ever seen in a controlled study evaluating the addition of a novel agent to front-line chemotherapy in this indication. Patients receiving AS1404 plus chemotherapy had a median survival of 14 months, compared with 8.8 months in those receiving chemotherapy alone
- Median time to tumour progression was also improved in the lung cancer study, being 1 month longer in patients receiving AS1404
- Response rates (a measure of tumour shrinkage) were higher in lung cancer patients receiving AS1404 (31% versus 22% for patients on chemotherapy alone)
- Initial findings from the prostate cancer study show a PSA response rate (the proportion of patients showing reduced blood levels of this cancer biomarker) of 57% with AS1404 plus chemotherapy compared with 35% in patients receiving chemotherapy alone
- Initial findings from the ovarian cancer study show a response rate of 75% in patients receiving AS1404 and chemotherapy, compared with 63% in patients receiving chemotherapy alone

Moreover, addition of AS1404 to chemotherapy was generally well tolerated in all three studies, without exacerbation of chemotherapy-related side effects.

Further data are expected from the phase II programme during 2007. These will include time to tumour progression and survival data from the ovarian and prostate cancer studies, expected during the second half of the year. There will also be data from an additional phase II study in lung cancer in which 30 patients received a 50% higher dose of AS1404. Meanwhile, we are preparing AS1404 for its pivotal phase III trial in lung cancer and progressing through talks with potential marketing partners for the drug. Interest in licensing AS1404 has been considerable and we are confident that we will reach an agreement with a strong partner during the first half of 2007.

AS1411 – progressing to phase II

During the period of this report we presented data supporting the progress of our aptamer drug AS1411 into phase II development:

- In September and October, we reported the latest findings from a phase I trial of AS1411 conducted at the Brown Cancer Center in Louisville, Kentucky. These data continue to suggest an excellent safety profile, with no serious adverse events attributable to AS1411 among the 30 patients treated (only three serious adverse events were reported during the whole trial). Moreover, we now have a second renal cancer patient who has shown dramatic tumour shrinkage. In total, 12 patients with advanced renal cancer were treated in the phase I study, of whom two had a complete or partial response and seven had disease stabilisation for two months or longer. We are therefore planning to start a phase II study in renal cancer during 2007

- In December data were presented at the American Society of Hematology meeting showing potential of AS1411 in the blood cancer AML (acute myeloid leukaemia). The drug had potent effects against AML cells isolated from cancer patients and against AML cell lines in culture. We therefore also plan to start a phase II trial in this cancer during 2007

AS1402 – phase II planned for 2007

Following the completion of phase I trials last year, we are working on plans to begin a phase II trial of our anti-MUC1 antibody drug AS1402 during this year.

AS1409 – first trials planned for 2007

In August we announced plans to test our antibody-cytokine drug, AS1409, in melanoma and renal cell carcinoma. AS1409 is a targeted therapy designed to deliver the potent anti-cancer cytokine IL12 specifically to tumours. Preclinical studies have shown that AS1409 inhibits the growth of various cancers.

Financial review

Institutional placing raises £26.3 million

On 15 December we announced the completion of an oversubscribed placing, which raised £26.3 million before expenses (£24.8 million net). Approximately 74 million new ordinary 1p shares were successfully placed with institutional investors from the UK, continental Europe and the US. The placing shares were priced at 35.5 pence, representing a discount of 8.97% to the prior day's closing price. Costs of the placing were approximately £1.5 million. The proceeds will enable us to press ahead with the development of our promising pipeline of drugs.

The placing was carried out under a disapplication of pre-emption rights. This allowed the Company to complete the placing quickly, with no share price erosion prior to the announcement, and to take advantage of strong demand, particularly from the US.

Results of operations – six months ended 31 December 2006

Revenues for the six months ended 31 December 2006 were £0.3 million (6 months ended 31 December 2005: £1.3 million) and represent the deferred recognition of a part of the upfront payments (totalling £23.2 million) received from Roche under the alliance agreement signed in November 2002. The remaining balance of £0.6 million will be recognised in the period to 31 December 2007.

Operating expenses have fallen by £2.8 million to £8.1 million for the six months ended 31 December 2006 (6 months ended 31 December 2005: £10.9 million). This reflects a fall in development costs during the period, reflecting the completion of our phase II lung cancer study of AS1404 and the completion of patient recruitment into all our other ongoing trials of AS1404 and AS1411. Administrative expenses for the six months ended 31 December 2005 and 2006 were £2.3 million. We would expect development costs to increase from the levels recorded for the six months ended 31 December 2006 upon commencement of new clinical studies on various products as noted above.

Losses for the six months ended 31 December 2006 were £6.4 million (6 months ended 31 December 2005: £8.2 million).

Liquidity and capital resources

Following the placing of 74 million shares the cash resources available to the Group at 31 December 2006 were £33.6 million (31 December 2005: £23.6 million). Net cash used in operating activities for the six months ended 31 December 2006 was £6.5 million (6 months ended 31 December 2005: £8.0 million) this included the receipt of R&D tax credits of £2.1 million (6 months ended 31 December 2005: £1.7 million).

Foreign exchange translation differences

In February 2005, Antisoma completed the acquisition of the US company, Aptamera Inc, for a total consideration of £16.7 million. The assets that represent this consideration, together with the goodwill arising on consolidation, are recorded in the consolidated balance sheet at their fair values converted at the 31 December 2006 (\$/£) exchange rate. The change in the exchange rate has given rise to a reduction in the values (from 30 June 2006) for intangible assets acquired, deferred taxation and goodwill of £1.3 million, £0.5 million and £0.5 million respectively, for the period, with a consequential exchange translation loss on consolidation of £1.3 million in the statement of recognised income and expenses.

Loss per share

The loss per share for the half-year ended 31 December 2006 was 1.66p (6 months ended 31 December 2005: 2.40p).

Outlook

We look forward to completing a licensing deal for AS1404 and to announcing further data from the drug's ongoing phase II programme during this year. We expect advances across the pipeline in 2007, with AS1404 entering phase III in lung cancer, AS1411 and AS1402 progressing into phase II studies and AS1409 entering the clinic for the first time.

Barry Price

Chairman

15 February 2007