PRESS RELEASE

Synairgen plc

('Synairgen' or the 'Company')

Interim Results for the six months ended 31 December 2010

Southampton, UK – 1 February 2011: Synairgen plc (LSE: SNG), the respiratory drug discovery and development company with a particular focus on viral defence, today announces its interim results for the six months ended 31 December 2010.

Operational highlights

- Phase II study of inhaled interferon beta ('IFN-beta') in exacerbation-prone asthmatics (SG005) progressing well: 10 sites now initiated, with recruitment scheduled to complete in Autumn 2011
- Influenza pre-clinical programme commenced, with results expected late Summer 2011
- Patent for the use of inhaled IFN-beta in the elderly (aged over 40 years) granted in US
- Process of identification and selection of a long-term development and licensing partner for the IFN-beta programme well under way

Financial highlights

- Research and development expenditure for the period: £1.28 million (six months ended 31 December 2009: £1.04 million)
- Post-tax loss for the period: £1.41 million (six months ended 31 December 2009: loss of £1.21 million)
- Cash outflow for the period: £1.14 million (six months ended 31 December 2009: £1.10 million)
- Net funds at 31 December 2010: £3.88 million (31 December 2009: £6.84 million)

Commenting on the results, Simon Shaw, Chairman of Synairgen, said:

"*I am delighted with our progress in the period and look forward to the results, initially from our influenza programme, and later in the year from our asthma Phase II proof of concept study. In terms of business development, I am hopeful that the quality of interest in our IFN-beta development programme positions us well to establish a partnership this year to bolster the next stage of development of our potentially important antiviral therapy.*"

-Ends-

For further information, please contact:

Synairgen plc **Tel: +44 (0) 23 8051 2800**
Richard Marsden, Chief Executive Officer
John Ward, Finance Director

Matrix Corporate Capital LLP **Tel: +44 (0) 20 3206 7000**
Stephen Mischler
Nick Stone

Threadneedle Communications **Tel: +44 (0) 20 7653 9850**
Graham Herring
Josh Royston

Chairman's and Chief Executive Officer's Review

OPERATING REVIEW

During the first six months of the financial year Synairgen has made good progress advancing its lead programme, inhaled IFN-beta, across three substantial potential therapeutic applications: asthma, COPD, and influenza. Synairgen is developing inhaled IFN-beta, which is a well-recognised antiviral, to help people with existing lung diseases such as those with asthma and COPD, defend themselves against pulmonary complications caused by respiratory viruses such as the common cold and influenza. Respiratory viruses are understood to cause the majority of hospitalisations in these patient populations. Synairgen is also developing inhaled IFN-beta as a hospital-based treatment for any patient with severe viral lung infections.

Asthma

It is normal to develop upper respiratory tract symptoms such as blocked/runny nose, sore throat and sometimes a fever when we become infected with cold or influenza viruses. These viruses can spread to the lungs. Whilst people with healthy lungs are able to mount an antiviral defence, which is capable of preventing the virus infection from taking significant hold in the lungs, asthma sufferers have a deficiency in the antiviral protein IFN-beta, and this appears to enable the virus to establish itself in the their lungs. Viral infection in the lungs can cause an increase in the level of asthma symptoms, known as an exacerbation. Asthma exacerbations lead to an increase in the use of existing therapies and compromise the patient's ability to function normally. 80% of exacerbations that necessitate a hospitalisation are caused by common respiratory viruses, of which the common cold virus (rhinovirus) is the most prevalent.

Synairgen is developing inhaled IFN-beta to correct the deficiency in IFN-beta in asthmatic lungs at the first sign of viral symptoms in the upper respiratory tract.

Synairgen has already conducted a Phase I safety study in moderate asthmatics, in which inhaled IFN-beta was well-tolerated and lung cells responded to IFN-beta by generating antiviral proteins (even in the absence of a virus). Phase II is somewhat de-risked for this programme because IFN-beta is already an accepted medication by injection for multiple sclerosis with a known pharmacological profile, which at the doses being administered means that any drug which passes through the lung and into the blood stream is unlikely to cause any unforeseen adverse effects.

During the first half of 2010, Synairgen commenced a Phase II proof of concept trial in exacerbation-prone asthmatics who have a history of respiratory problems caused by viruses. This trial is progressing well: 10 sites have been initiated (including 4 in Australia) and are recruiting patients; and we are currently initiating several additional sites. At 31 December 2010, 82 patients have been screened successfully, and of these 35 have been treated with either the study medication or placebo. This study is scheduled to complete in the autumn, although we will carry out an interim statistical review of the sample size in Q2 2011.

COPD

COPD patients are also vulnerable to the complications of usually benign respiratory viruses. A COPD patient who develops cold symptoms has a 50% chance of developing an exacerbation. Research groups have shown that cells from smokers are more susceptible to virus infections and that these cells also have an impaired IFN-beta response to virus infection. During the past six months, Synairgen has secured UK regulatory (MHRA) and Ethics Committee approval, thereby preparing the ground to enable the commencement of a Phase II proof of concept study in COPD patients during the winter of 2011-2012 (SG006).

Influenza-like-illness – a third indication for inhaled IFN-beta

Every year, influenza epidemics (seasonal influenza) claim the lives of thousands of people. This is despite the use of vaccines and products such as Tamiflu® and Relenza®. Beyond seasonal influenza there is the fear that a new strain of influenza will emerge that is both highly transmissible and pathogenic. In 2009 we saw the emergence of H1N1 (swine flu) in Mexico. While H1N1 is transmissible, it has hereto shown not to be particularly pathogenic. A further round of infection and associated mortality has been experienced this winter and governments continue to prepare for future threats. Such threats could be in the form of a re-

emergence of swine flu, a more transmissible form of H5N1 (bird flu) which is highly pathogenic, or the emergence of non-influenza respiratory viruses such as SARS. It is worth noting that as many as a half of viral infections believed to be caused by influenza are caused by other respiratory viruses such as rhinovirus, adenovirus, corona virus, RSV, or parainfluenza virus. Inhaled IFN-beta has the potential to be efficacious against all of these viruses, which would provide a competitive advantage to existing therapies.

Patients who are hospitalised with influenza infection generally have a persistent viral infection in the lungs, sometimes even after the virus has cleared from the nose and throat. These patients can vary in age from the very young, to the very old with or without pre-existing chronic conditions (eg heart disease).

Synairgen is developing inhaled IFN-beta to treat patients who have been hospitalised as a result of this persistent viral infection of the lungs. The rationale for this programme has been provided by *in vitro* experiments conducted by Synairgen, where the introduction of IFN-beta was shown to alter the course of persistent and established respiratory virus infection.

Synairgen is developing and conducting a series of experiments with the first significant results anticipated during late summer 2011.

IFN-beta intellectual property
In addition to patents granted in the US and EU to treat asthmatic and COPD patients with inhaled IFN-beta to prevent rhinovirus induced exacerbations, during the period Synairgen has also received grant of a similar patent in the US to treat the elderly (aged over 40 years) irrespective of co-existing medical conditions, which greatly expands the Company's IP coverage.

IFN-beta partnering strategy
In 2010 we embarked upon a formal process to identify and select a long term development and licensing partner for the IFN-beta programme. Deloitte LLP's Licensing team was selected to manage this exercise with a view to providing Synairgen with a high quality partnering option between now and the commencement of the next phase of development in asthma (Phase IIb in 2012) and the Phase IIa study in COPD. Since the summer we have had a gratifyingly high level of interest in the development opportunity, and both the number and the quality of the interested parties suggest that we should satisfactorily meet this goal.

FINANCIAL REVIEW

Statement of Comprehensive Income
The loss from operations for the six months ended 31 December 2010 was £1.67 million (six months ended 31 December 2009: loss of £1.44 million). Revenue and gross profit arose from service work undertaken for Pfizer Limited and it is anticipated that this project will be completed during the first half of 2011. Research and development expenditure was £1.28 million (2009: £1.04 million) and has been focussed on the progression of SG005, securing ethical and regulatory approval for SG006, and preparation for the pre-clinical influenza programme. Other administrative costs increased to £0.47 million (2009: £0.40 million). Research and development tax credits increased to £0.24 million (2009: £0.18 million) in line with the higher level of research and development expenditure. The loss after tax was £1.41 million (2009: loss of £1.21 million) and the loss per share was 2.36p (2009: loss of 2.02p).
Statement of Financial Position and cash flows
At 31 December 2010, net assets amounted to £4.23 million (31 December 2009: £6.85 million), including cash and bank deposit balances of £3.88 million (2009: £6.84 million).

Cash outflow (including movements in bank deposits) for the six months to 31 December 2010 was £1.14 million (six months ended 31 December 2009: £1.10 million).

OUTLOOK

The coming 12 months will be transformational for Synairgen. Operationally we are focusing on the Phase II proof of concept trial in asthma, recruitment for which is scheduled to complete in the autumn 2011. We also look forward to significant developments in the summer as we progress the influenza programme towards the clinic. Finally, the continuation of the licensing programme should see Synairgen well-positioned to support the next phase of development of the IFN-beta programmes.

Simon Shaw
Chairman

Richard Marsden
Chief Executive Officer

31 January 2011

Consolidated Statement of Comprehensive Income
for the six months ended 31 December 2010

	Notes	Unaudited Six months ended 31 December 2010 £000	Unaudited Six months ended 31 December 2009 £000	Audited Year ended 30 June 2010 £000
Revenue		**115**	-	-
Cost of sales		**(29)**	-	-
Gross profit		**86**	-	-
Research and development expenditure		**(1,284)**	(1,040)	(2,109)
Other administrative expenses		**(470)**	(397)	(880)
Total administrative expenses		**(1,754)**	(1,437)	(2,989)
Loss from operations		**(1,668)**	(1,437)	(2,989)
Finance income		**20**	46	71
Loss before tax		**(1,648)**	(1,391)	(2,918)
Tax credit	2	**238**	182	368
Loss and total comprehensive loss for the period attributable to equity holders of the parent		**(1,410)**	(1,209)	(2,550)
Loss per ordinary share				
Basic and diluted loss per share (pence)	3	**(2.36)p**	(2.02)p	(4.27)p

Consolidated Statement of Changes in Equity (unaudited)

	Share Capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total £000
At 1 July 2009	597	14,725	483	(7,806)	7,999
Recognition of share-based payments	-	-	-	59	59
Total comprehensive loss for the period	-	-	-	(1,209)	(1,209)
At 31 December 2009	597	14,725	483	(8,956)	6,849
Recognition of share-based payments	-	-	-	56	56
Total comprehensive loss for the period	-	-	-	(1,341)	(1,341)
At 30 June 2010	597	14,725	483	(10,241)	5,564
Recognition of share-based payments	-	-	-	78	78
Total comprehensive loss for the period	-	-	-	(1,410)	(1,410)
At 31 December 2010	**597**	**14,725**	**483**	**(11,573)**	**4,232**

Consolidated Statement of Financial Position
as at 31 December 2010

	Notes	Unaudited 31 December 2010 £000	Unaudited 31 December 2009 £000	Audited 30 June 2010 £000
Assets				
Non-current assets				
Intangible assets		**241**	205	252
Property, plant and equipment		**74**	89	81
		315	294	333
Current assets				
Inventories		**267**	134	293
Current tax receivable		**200**	160	345
Trade and other receivables		**179**	136	106
Other financial assets – bank deposits	4	**2,701**	6,141	3,680
Cash and cash equivalents		**1,178**	704	1,334
		4,525	7,275	5,758
Total assets		**4,840**	7,569	6,091
Liabilities				
Current liabilities				
Trade and other payables		**(607)**	(716)	(525)
Obligations under finance leases		**(1)**	(3)	(2)
		(608)	(719)	(527)
Non-current liabilities				
Obligations under finance leases		**-**	(1)	-
Total liabilities		**(608)**	(720)	(527)
Total net assets		**4,232**	6,849	5,564
Equity				
Capital and reserves attributable to equity holders of the parent				
Share capital		**597**	597	597
Share premium		**14,725**	14,725	14,725
Merger reserve		**483**	483	483
Retained deficit		**(11,573)**	(8,956)	(10,241)
Total equity		**4,232**	6,849	5,564

Consolidated Statement of Cash Flows
for the six months ended 31 December 2010

	Unaudited Six months ended 31 December 2010 £000	Unaudited Six months ended 31 December 2009 £000	Audited Year ended 30 June 2010 £000
Cash flows from operating activities			
Loss before tax	**(1,648)**	(1,391)	(2,918)
Adjustments for:			
Finance income	**(20)**	(46)	(71)
Depreciation	**16**	16	34
Amortisation	**15**	10	23
Share-based payment charge	**78**	59	115
Cash flows from operations before changes in working capital	**(1,559)**	(1,352)	(2,817)
Decrease/(Increase) in inventories	**26**	(11)	(170)
Increase in trade and other receivables	**(77)**	(31)	(20)
Increase/(Decrease) in trade and other payables	**82**	54	(137)
Cash used in operations	**(1,528)**	(1,340)	(3,144)
Tax credit received	**383**	342	343
Net cash used in operating activities	**(1,145)**	(998)	(2,801)
Cash flows from investing activities			
Interest received	**24**	16	60
Purchase of property, plant and equipment	**(9)**	(24)	(34)
Purchase of intangible assets	**(4)**	(88)	(148)
Decrease/(Increase) in other financial assets	**979**	(4,164)	(1,703)
Net cash generated from/(used in) investing activities	**990**	(4,260)	(1,825)
Cash flows from financing activities			
Repayments of obligations under finance leases	**(1)**	(1)	(3)
Net cash used in financing activities	**(1)**	(1)	(3)
Decrease in cash and cash equivalents	**(156)**	(5,259)	(4,629)
Cash and cash equivalents at beginning of period	**1,334**	5,963	5,963
Cash and cash equivalents at end of period	**1,178**	704	1,334

Notes to the Financial Statements
for the six months ended 31 December 2010

1. Basis of preparation

Basis of accounting
The interim financial statements, which are unaudited, have been prepared on the basis of the accounting policies expected to apply for the financial year to 30 June 2011 and in accordance with recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The accounting policies applied in the preparation of these interim financial statements are consistent with those used in the financial statements for the year ended 30 June 2010.

The IFRSs that will be effective in the financial statements for the year to 30 June 2011 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the IFRS financial statements are prepared at 30 June 2011.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting'. Accordingly, whilst the interim statements have been prepared in accordance with IFRSs, they cannot be construed as being in full compliance with IFRSs.

The financial information for the year ended 30 June 2010 does not constitute the full statutory accounts for that year. The Annual Report and Financial Statements for 2010 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2010 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Going Concern
The directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the next twelve months. In preparing these financial forecasts, the directors have had to make certain assumptions with regards to the timing and amount of future expenditure and other key factors. The directors have attempted to take a balanced and prudent view in preparing these forecasts, however their accuracy is uncertain.

After due consideration and review of these financial forecasts and current cash resources, the directors consider that the Group has adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least twelve months from the date of this report), and for this reason the financial statements have been prepared on a going concern basis.

The 31 December 2010 interim financial statements were approved by a duly appointed and authorised committee of the Board of Directors on 31 January 2011.

2. Tax credit

The tax credit of £238,000 (six months ended 31 December 2009: £182,000; year ended 30 June 2010: £368,000) includes £200,000 as an estimate of the research and development tax credit receivable in respect of the current period and £38,000 representing amounts unprovided for in previous periods.

3. Loss per ordinary share

	Unaudited Six months ended 31 December 2010	Unaudited Six months ended 31 December 2009	Audited Year ended 30 June 2010
Loss attributable to equity holders of the Company (£000)	**(1,410)**	(1,209)	(2,550)
Weighted average number of ordinary shares in issue	**59,745,249**	59,745,249	59,745,249

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33. At 31 December 2010 there were 6,283,487 options outstanding (31 December 2009: 4,592,361 options outstanding; 30 June 2010: 4,733,439 options outstanding).

4. Other financial assets

Other financial assets comprise Sterling fixed rate bank deposits of greater than three months' maturity at time of deposit.

INDEPENDENT REVIEW REPORT TO SYNAIRGEN PLC

Introduction
We have been engaged by the company to review the interim set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes 1 to 4.

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

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

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

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 interim set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

BDO LLP
Chartered Accountants and Registered Auditors
Southampton
United Kingdom
31 January 2011