PRESS RELEASE

SYNAIRGEN PLC

('Synairgen' or the 'Company')

Preliminary results for the year ended 30 June 2008

Southampton, UK – 31 July 2008: Synairgen (LSE: SNG), the drug discovery company focused on asthma and COPD, today announces its preliminary results for the year ended 30 June 2008.

Operational highlights

- Preparation for and commencement of dual-centre Phase I study (SG004) of inhaled interferon beta ('IFN-beta') in moderate asthmatics;
- Exclusive in-licence and supply agreement signed with Rentschler Group for novel patent-protected formulation of IFN-beta for the treatment of respiratory diseases by inhalation;
- Development and validation of biomarkers in blood and sputum relevant to IFN-beta response; and
- Advancement of core technology platform, including biobank.

Financial highlights

- Research and development expenditure for the year: £2.0 million (2007: £1.5 million);
- Post tax loss for the year: £2.2 million (2007: £1.6 million); and
- Cash at 30 June 2008: £4.0 million (2007: £6.0 million).

Commenting on the results, Simon Shaw, Chairman of Synairgen, said: *"Against a backdrop of increasing evidence of the impact of virus infection on respiratory patients, the primary focus of our current resources continues to be on expediting our two potential blockbuster indications (asthma and COPD) for inhaled interferon beta."*

Ends

For further information, please contact:

Synairgen **Tel: + 44 (0) 2380 512 800**
Richard Marsden, Managing Director
John Ward, Finance Director
or email info@synairgen.com

Hogarth Partnership **Tel: + 44 (0) 20 7357 9477**
Sarah MacLeod / Simon Hockridge

BUSINESS OVERVIEW

During the year to 30 June 2008, we have made significant progress on our core programmes and have, in parallel, continued to develop our relationships with potential partners in the pharmaceutical industry.

The Group's finances have remained under tight control in preparation for the next clinical trial of our lead programme, inhaled interferon beta ('IFN-beta'), which is being developed to prevent exacerbations of asthma and Chronic Obstructive Pulmonary Disease ('COPD').

At the same time we have further enhanced the Group's technology platform based upon the use of our "biobank" of samples from both healthy volunteers and those with respiratory conditions. Samples from the biobank are used to create cell-based assays for target discovery and validation, screening of novel compounds, and modelling the pharmacokinetic and pharmacodynamic effects of new therapies.

Our success with this approach is largely due to the well-characterized nature of the biobank, which enables us to differentiate confidently between healthy controls and samples from volunteers with respiratory disease at different levels of severity. This capability has not only given rise to our own proprietary research and development programmes, but also represents a focal point for collaborative work with the biopharmaceutical industry, which is itself increasingly exploring new ways of harnessing innovation from companies such as Synairgen.

Synairgen's proprietary activities

Synairgen currently has one programme in clinical development for two separate indications, and a second at the preclinical testing stage. In addition the application of proteomics to our biobank and some targeted research alongside the University of Southampton continues to yield further innovative discovery opportunities.

Inhaled IFN-beta

Synairgen's lead programme is the use of inhaled IFN-beta to combat the debilitating effect of virus infections, typically human rhinovirus, (the common cold), on asthma and COPD sufferers. The common cold causes up to 80% of all hospitalisations associated with asthma and is also a significant cause of COPD exacerbations. A therapy that prevents or minimises this effect in either patient group would address a major and costly unmet clinical need, and would add significantly to the respiratory physician's armoury, with potential market place revenues in each indication of well over $1 billion per annum.

This year, in preparation for our first study in moderate asthma, we have achieved a significant number of project milestones:

In the first half of the year we successfully completed the analysis of the first safety study (SG003) in atopic subjects (healthy volunteers who have allergies).

Since then, we have selected and exclusively in-licensed a novel formulation of IFN-beta for the treatment of respiratory diseases by inhalation from the Rentschler Group of Germany, including appropriate access to the regulatory and safety data that supported the marketing authorisation application for systemic administration of IFN-beta for multiple sclerosis sufferers. This patent-protected formulation has many advantages over alternative IFN-beta preparations and is suitable for both clinical development and the market place. We have successfully completed the pre-clinical safety studies to allow this formulation to be used in our next trial (SG004).

Furthermore we have secured the supply of a specialist inhalation device, the I-neb®, manufactured by Respironics Inc., which we have validated for use in the next trial. The I-neb has the advantage over alternative systems in that it enables liquid aerosol delivery to be biased to the conducting (central) airways, which are the primary sites of rhinovirus infection in the lungs.

Each of these steps was necessary for us to assemble a package that met the needs of the development plan and the regulatory authorities. The establishment of appropriate infrastructure, quality systems and documentation to conduct SG004, which will primarily investigate the safety and tolerability of inhaled IFN-beta at escalating single and multiple doses in moderate asthmatic patients, was carried out during the first half of 2008. In June 2008, we received all necessary approvals to commence the study, which will be conducted at both the Wellcome Trust Clinical Research Facility in Southampton and the Medicines Evaluation Unit in Manchester. The first volunteer entered into the study on 28 July 2008 and the study is expected to complete in the second quarter of 2009.

Alongside the preparation for SG004, we have worked on developing and validating biomarkers in blood and sputum to indicate whether inhaled IFN-beta sets in motion the body's natural anti-viral defences.

During the forthcoming year, SG007 will be advanced at Southampton and Imperial College under the guidance of Professors Ratko Djukanovic and Sebastian Johnston respectively. This study seeks to validate the administration of rhinovirus to moderate asthmatics, in advance of our first clinical proof of concept Phase IIa studies in asthma and COPD (SG005 and SG006), which are scheduled for the winter season of 2009/10.

Barrier function
The cells lining a healthy individual's lung (the "epithelium") form a natural barrier to protect against unwanted particles and environmental contamination of the sensitive underlying tissues. Synairgen has shown this barrier to be defective in asthma sufferers. In particular, the tight junction proteins that normally "knit" epithelial cells together are poorly organised and contribute to the creation of a "leaky" barrier. Synairgen's first candidate in this arena is SNG-3, a protein that re-organises and re-establishes this barrier. This is currently being tested in collaboration with Wayne State University, USA, in proprietary models established by Professor David Bassett, with results expected during the second half of 2008. In addition, Synairgen is seeking to screen other potential candidates for this exciting area, using our proprietary patent-protected screening assays applied to samples from our biobank.

Collaborative and discovery activities
Alongside our proprietary programmes, we continue to work with collaborators using our proprietary technology platform and the "bench-to-bedside" expertise afforded by being so closely associated with the University of Southampton's School of Medicine and the NHS Trust at Southampton General Hospital.

During the year, the discovery programme with our unnamed North American biotechnology partner completed the second phase of its work and has identified novel targets worthy of further investigation. We are currently discussing next steps with the partner.

Our in-house proteomics work has continued to generate interesting discoveries through analysis of lung tissue. In conjunction with academic investigators we continue to develop the areas from which new proprietary and partnered programmes will emerge.

Intellectual property and technology platform
During the year, we added two significant pieces of intellectual property to our portfolio; first we obtained an exclusive licence to the patent-protected Rentschler formulation of IFN-beta; an essential milestone for our lead programme. In February 2008, a US patent was granted for our proprietary screening method to test the effect of potential drug candidates on the lung's barrier function.

Our biobank activities increased substantially during the period, with the 200th bronchoscopy conducted in house. We are now in the enviable position of holding a broad bank of well-characterised samples, to which we continue to add, and which provides a valuable platform for our future research activities.

Staff
In an organisation which is deliberately kept lean, none of this would be possible without the dedication and focus of our small but highly expert team consisting of both scientists, including aerosol and epithelial assay specialists, and Synairgen's core clinical team of nurses and doctors who collect biobank samples and carry out our clinical trials so effectively.

FINANCIAL REVIEW

The financial focus of the period under review has been consistent with a primary tenet of this company since its foundation in 2003; namely to achieve significant biotechnological and clinical advances efficiently and as cost effectively as possible. This allows us to maximize the use of our cash and ensure that we have a sensible period in which to move to the next stage of our lead development programmes.

International Financial Reporting Standards
This is the first annual financial statements for the Group presented under International Financial Reporting Standards as adopted by the European Union ('IFRS'). The comparative figures have also been restated to reflect this. There has been no significant impact on the Group in either the current year or the restated historic results.

Income statement
Group revenue for the year ended 30 June 2008 was £nil (year ended 30 June 2007: £78k). The operating loss for the year was £2.76 million (2007: loss of £2.23 million). Research and development expenditure increased from £1.52 million to £2.00 million as the Group increased its investment into the IFN-beta, barrier function and other programmes. The most significant investment has been into the IFN-beta programmes for asthma and COPD. Following the in-licensing of the Rentschler formulation, pre-clinical work has been satisfactorily completed and significant regulatory preparation work has been required to secure the approvals for the forthcoming SG004 safety study in moderate asthmatics. Other areas of expenditure have included progression of COPD programme and preparation for the multi-centre SG007 study to characterise the common cold model in asthma. With regards to the barrier function programme, the main external costs related to further pre-clinical formulation work. Other administrative costs were held at their 2007 level of £0.75 million. Interest receivable decreased from £0.34 million to £0.29 million. The increase in the tax credit from £0.25 million to £0.32 million reflects the higher level of expenditure which qualifies for UK research and development tax credits. The loss after tax was £2.15 million (2007: loss of £1.64 million) and the loss per share was 9.92p (2007: loss of 7.56p).

Balance sheet and cash flow
At 30 June 2008, net assets amounted to £4.19 million (30 June 2007: £6.25 million) including net funds of £4.00 million (2007: £6.01 million).

The principal elements of the £2.01 million decrease (2007: £1.47 million decrease) in net funds were:

- cash used in operations of £2.50 million (2007: £1.97 million outflow);
- interest received of £0.30 million (2007: £0.36 million); and
- research and development tax credits received of £0.25 million (2007: £0.27 million).

Capital expenditure amounted to £0.07 million (2007 £0.13 million) and comprised investment into patent and licence costs and equipment.

OUTLOOK

In July 2008, we commenced SG004, a critical study for our lead IFN-beta programme, and we expect it to complete during the next year. This will allow us to move on to the clinical proof of concept stage (Phase IIa), for which preparation has also commenced. In short, the primary focus of Synairgen's current resources is on successfully progressing our two potential blockbuster indications (asthma and COPD) for inhaled IFN-beta over the next phase of development.

In addition, knowing that the Group's research and early development capability has broader utility, we are currently responding to significant interest in collaborative work using our proprietary technology platform, in respect of barrier function, virus work, and other challenges facing the lung. In this arena our goal is to build our base of projects and intellectual property interest through collaborative non-conflicting programmes that complement our core focus.

Consolidated Income Statement
for the year ended 30 June 2008

	Notes	**Year ended 30 June 2008 £000**	Year ended 30 June 2007 £000
Revenue		**-**	78
Cost of sales		**-**	(33)
Gross profit		**-**	45
Research and development expenditure		**(2,004)**	(1,523)
Other administrative expenses		**(753)**	(750)
Total administrative expenses		**(2,757)**	(2,273)
Operating loss		**(2,757)**	(2,228)
Finance income		**291**	342
Finance expense		**(1)**	(1)
Loss before tax		**(2,467)**	(1,887)
Tax	2	**315**	247
Loss for the year attributable to equity holders of the parent		**(2,152)**	(1,640)
Loss per ordinary share			
Basic and diluted loss per share (pence)	3	**(9.92)p**	(7.56)p

Consolidated Statement of Changes in Equity
for the year ended 30 June 2008

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total £000
Changes in equity for the year ended 30 June 2007					
Balance at 1 July 2006	217	8,903	483	(1,792)	7,811
Loss for the year	-	-	-	(1,640)	(1,640)
Recognition of share-based payments	-	-	-	83	83
Balance at 30 June 2007	217	8,903	483	(3,349)	6,254
Changes in equity for the year ended 30 June 2008					
Loss for the year	-	-	-	(2,152)	(2,152)
Recognition of share-based payments	-	-	-	85	85
Balance at 30 June 2008	**217**	**8,903**	**483**	**(5,416)**	**4,187**

The loss for the year represents the total recognised income and expense for the year.

Consolidated Balance Sheet
as at 30 June 2008

	30 June 2008 £000	30 June 2007 £000
Assets		
Non-current assets		
Intangible assets	**109**	99
Property, plant and equipment	**122**	146
	231	245
Current assets		
Inventories	**103**	96
Current tax receivable	**300**	235
Trade and other receivables	**136**	132
Other financial assets	**3,445**	4,998
Cash and cash equivalents	**557**	1,020
	4,541	6,481
Total assets	**4,772**	6,726
Liabilities		
Current liabilities		
Trade and other payables	**(578)**	(462)
Obligations under finance leases	**(2)**	(2)
	(580)	(464)
Non-current liabilities		
Obligations under finance leases	**(5)**	(8)
Total liabilities	**(585)**	(472)
Total net assets	**4,187**	6,254
Equity		
Capital and reserves attributable to equity holders of the parent		
Share capital	**217**	217
Share premium	**8,903**	8,903
Merger reserve	**483**	483
Retained deficit	**(5,416)**	(3,349)
Total equity	**4,187**	6,254

Consolidated Cash Flow Statement
for the year ended 30 June 2008

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Cash flows from operating activities		
Loss before tax	**(2,467)**	(1,887)
Adjustments for:		
Finance income	**(290)**	(342)
Finance expense	**1**	1
Depreciation	**68**	60
Amortisation	**15**	14
Share-based payment charge	**85**	83
Cash flows from operations before changes in working capital	**(2,588)**	(2,071)
(Increase) in inventories	**(7)**	(28)
(Increase)/Decrease in trade and other receivables	**(16)**	20
Increase in trade and other payables	**116**	105
Cash used in operations	**(2,495)**	(1,974)
Interest paid	**(1)**	(1)
Tax credit received	**250**	267
Net cash used in operating activities	**(2,246)**	(1,708)
Cash flows from investing activities		
Interest received	**302**	358
Purchase of property, plant and equipment	**(44)**	(49)
Purchase of intangible assets	**(25)**	(77)
Decrease in other financial assets	**1,553**	2,165
Net cash generated from investing activities	**1,786**	2,397
Cash flows from financing activities		
Repayments of obligations under finance leases	**(3)**	(3)
(Decrease)/Increase in cash and cash equivalents	**(463)**	686
Cash and cash equivalents at beginning of year	**1,020**	334
Cash and cash equivalents at end of year	**557**	1,020

Notes

1. Basis of preparation

The financial information of the Group set out above does not constitute "statutory accounts" within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 30 June 2008 has been extracted from the Group's audited financial statements which will be delivered to the Registrar of Companies for England and Wales in due course. The financial information for the year ended 30 June 2007, after adjustment for the matters referred to in the following paragraph, has been extracted from the Group's audited financial statements for that year which have been delivered to the Registrar of Companies for England and Wales. The reports of the auditors on both these financial statements were unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') for the first time, having previously been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). Comparative numbers in the financial information have been restated with the exception, as permitted by IFRS1 "First-time Adoption of International Financial Reporting", of business combinations that took place prior to 1 July 2006, the date of transition to IFRS. The financial information has been prepared using the merger method of accounting.

2. Tax

The tax credit of £315,000 (2007: £247,000) relates to research and development tax credits in respect of the years ended 30 June 2008 (£300,000) and 30 June 2007 (£15,000).

3. Loss per ordinary share

	Year ended 30 June 2008	Year ended 30 June 2007
Loss attributable to equity holders of the Company (£000)	**(2,152)**	(1,640)
Weighted average number of ordinary shares in issue	**21,692,308**	21,692,308

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 30 June 2008 there were 2,805,944 options outstanding (30 June 2007: 2,404,939 options outstanding).