Press release

Synairgen plc
('Synairgen' or the 'Company')

Preliminary statement of results for the year ended 31 December 2013

Southampton, UK – 20 March 2014: Synairgen plc (LSE: SNG), the respiratory drug discovery and development company, today announces its audited results for the year ended 31 December 2013.

Highlights

- Ongoing licensing discussions for SNG001
- Further developments being identified for Synairgen's advanced technology platform
- Research and development expenditure for the year: £1.3 million (2012: £1.5 million)
- Post-tax loss for the year: £2.0 million (2012: £2.3 million)
- Cash, cash equivalents and bank deposits at 31 December 2013: £1.3 million (2012: £3.1 million)
- Balance sheet strengthened post year-end with fundraising of £1.5 million (gross) completed in March 2014

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

'The Company has made significant progress this year and held encouraging discussions with a number of potential licensing partners. Whilst there can be no guarantee that an agreement will be completed, we anticipate that the terms of a final agreement will be in line with the Board's expectations.

In addition to our licensing discussions, we continue to explore additional avenues to add value to discovery and development opportunities through our advanced and proven translational research platform for respiratory disease.'

-Ends-

For further information, please contact:

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

FinnCap **Tel: + 44 (0) 20 7220 0500**
Geoff Nash, Christopher Raggett (Corporate Finance)
Stephen Norcross, Simon Starr (Corporate Broking)

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

OPERATING REVIEW

The Company has made significant progress during the year on its lead programme; the development of inhaled SNG001. This included further positive scientific data from the analysis of samples from the Phase II clinical trial; the formulation of clear options for the delivery and the development of the product; and substantial interaction with a number of potential licensing partners.

SNG001 for asthma and COPD

For asthma and COPD patients, Synairgen's inhaled SNG001 is being developed as a broad spectrum anti-viral therapy to be taken at the onset of cold (or influenza) symptoms to boost the lungs' anti-viral defences. The objective is to treat and/or attenuate a deterioration of asthma or COPD symptoms, by limiting the spread of viral infections to the lung and prevent life-threatening severe exacerbations that require intensive treatment. As a measure of how severe respiratory viruses can be for these patients, it has been reported that up to 80% of asthma exacerbations are linked to common cold infections. In a Phase II clinical trial, in the more severe patients, SNG001 has significantly reduced asthma symptoms, improved lung function and produced an encouraging reduction in the number of severe exacerbations.

During the year we have conducted further analysis of samples of sputum (phlegm) from patients who were dosed with SNG001 in the Phase II trial. This work showed a significant reduction in markers of inflammation and a significant increase in measurable anti-viral activity in the lung during a cold infection. This is important because it clearly demonstrates that the effects observed in the clinical trial can be explained through the expected mechanism of action.

During the same period we have also evaluated regulatory options, assessed the market potential and health economic factors, considered aerosol delivery device options and conducted device development work. In addition, we have considered different clinical trial options for both of the asthma and COPD indications and discussed these with contract research organisations. We have done this both in consultation with and independently of potential partners.

Severe Viral Lung Infections

The clinical and non-clinical data we have generated in the last few years provides a rationale for considering the use of inhaled SNG001 in patients hospitalised with a severe viral lung infection. We are discussing the potential for inhaled SNG001 in this area with various stakeholders including sections of the US government.

Licensing Strategy

We are pleased with the progress to date of licensing discussions. Whilst there can be no guarantee that an agreement will be completed, we anticipate that the terms of a final agreement will be in line with the Board's expectations.

FINANCIAL REVIEW

Statement of Comprehensive Income

The loss from operations for the year ended 31 December 2013 was £2.28 million (2012: £2.49 million). Research and development expenditure for the year amounted to £1.29 million (2012: £1.51 million). The proportionate reduction in research and development expenditure was due to the completion during 2012 of the asthma Phase II study (SG005). The most significant items of continuing research and development expenditure during the year have been the analysis of data from SG005 and the planning/evaluation of next stage of the interferon beta programme in asthma and COPD.

Other administrative costs for the year amounted to £0.99 million and remained in line with the previous year (2012: £0.98 million). The research and development tax credit for the year was £0.22 million (2012: £0.21 million). The loss after tax for the year was £2.04 million (2012: £2.25 million) and the loss per share was 2.72p (2012: loss of 3.12p).

Statement of Financial Position and cash flows

At 31 December 2013, net assets amounted to £1.58 million (2012: £3.42 million), including net funds (cash, cash equivalents and bank deposits) of £1.29 million (2012: £3.09 million).

The principal elements of the £1.8 million decrease over the year ended 31 December 2013 (2012: £0.26 million decrease) in net funds were:

- Cash used in operations of £2.04 million (2012: £2.75 million outflow);
- Research and development tax credits received of £0.24 million (2012: £0.25 million);
- Investment into intangible assets (patents and licences) £0.02 million (2012: £0.14 million); and
- Share issue proceeds (net of costs) £nil (2012: £2.35 million).

Fundraising post year-end
On 10 March 2014, the Company raised £1.5 million (gross) for working capital purposes by issuing 3,125,000 new ordinary shares at 48p each.

OUTLOOK

We use human tissue models of disease to conduct our research. It was the use of these models by the academic founders of Synairgen and their collaborators that led to the initial IFN-beta deficiency discovery in asthma and COPD that the Company has subsequently progressed into Phase II. During the last few years, we have extensively and almost exclusively used this translational research platform, including our Biobank of characterised human tissue, to support the development of SNG001: increasing the rationale; addressing questions about dose and different viruses; and supporting biomarker testing. This technology and Synairgen's unique background/experience can add value to other development opportunities for asthma and COPD. To that end, we have identified a number of external discovery/development programmes which will be reviewed in detail and considered for in-licensing in coming periods.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2013

	Notes	**Year ended 31 December 2013 £000**	Year ended 31 December 2012 £000
Research and development expenditure		**(1,292)**	(1,508)
Other administrative expenses		**(986)**	(982)
Total administrative expenses		**(2,278)**	(2,490)
Loss from operations		**(2,278)**	(2,490)
Finance income		**11**	27
Loss before tax		**(2,267)**	(2,463)
Tax	2	**224**	213
Loss and total comprehensive income for the period attributable to equity holders of the parent		**(2,043)**	(2,250)
Loss per ordinary share			
Basic and diluted loss per share (pence)	3	**(2.72)p**	(3.12)p

Consolidated Statement of Changes in Equity
for the year ended 31 December 2013

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total £000
At 1 January 2012	696	17,128	483	(15,184)	3,123
Issuance of ordinary shares	56	2,445	-	-	2,501
Transaction costs in respect of share issues	-	(151)	-	-	(151)
Recognition of share-based payments	-	-	-	193	193
Total comprehensive income for the year	-	-	-	(2,250)	(2,250)
At 31 December 2012	752	19,422	483	(17,241)	3,416
Issuance of ordinary shares	-	-	-	-	-
Recognition of share-based payments	-	-	-	206	206
Total comprehensive income for the year	-	-	-	(2,043)	(2,043)
At 31 December 2013	**752**	**19,422**	**483**	**(19,078)**	**1,579**

Consolidated Statement of Financial Position
as at 31 December 2013

	31 December 2013 £000	31 December 2012 £000
Assets		
Non-current assets		
Intangible assets	**297**	332
Property, plant and equipment	**15**	27
	312	359
Current assets		
Inventories	**199**	72
Current tax receivable	**190**	210
Trade and other receivables	**43**	79
Other financial assets – bank deposits	**458**	1,431
Cash and cash equivalents	**834**	1,656
	1,724	3,448
Total assets	**2,036**	3,807
Liabilities		
Current liabilities		
Trade and other payables	**(457)**	(391)
Total liabilities	**(457)**	(391)
Total net assets	**1,579**	3,416
Equity		
Capital and reserves attributable to equity holders of the parent		
Share capital	**752**	752
Share premium	**19,422**	19,422
Merger reserve	**483**	483
Retained deficit	**(19,078)**	(17,241)
Total equity	**1,579**	3,416

Consolidated Statement of Cash Flows
for the year ended 31 December 2013

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Cash flows from operating activities		
Loss before tax	**(2,267)**	(2,463)
Adjustments for:		
Finance income	**(11)**	(27)
Depreciation	**15**	30
Amortisation	**47**	46
Loss on derecognised intangible asset	**4**	5
Share-based payment charge	**206**	193
Cash flows from operations before changes in working capital	**(2,006)**	(2,216)
(Increase)/Decrease in inventories	**(127)**	13
Decrease in trade and other receivables	**32**	30
Increase/(Decrease) in trade and other payables	**66**	(572)
Cash used in operations	**(2,035)**	(2,745)
Tax credit received	**244**	254
Net cash used in operating activities	**(1,791)**	(2,491)
Cash flows from investing activities		
Interest received	**15**	30
Purchase of property, plant and equipment	**(3)**	(9)
Purchase of intangible assets	**(16)**	(144)
Decrease in other financial assets	**973**	1,024
Net cash generated from investing activities	**969**	901
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**-**	2,501
Transaction costs in respect of share issues	**-**	(151)
Net cash generated from financing activities	**-**	2,350
(Decrease)/Increase in cash and cash equivalents	**(822)**	760
Cash and cash equivalents at beginning of the year	**1,656**	896
Cash and cash equivalents at end of the year	**834**	1,656

Notes

1. Basis of preparation

The financial information of the Group set out above does not constitute "statutory accounts" for the purposes of Section 435 of the Companies Act 2006. The financial information for the year ended 31 December 2013 has been extracted from the Group's audited financial statements which were approved by the Board of directors on 19 March 2014 and will be delivered to the Registrar of Companies for England and Wales in due course. The financial information for the year ended 31 December 2012 has been extracted from the Group's audited financial statements for that period 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 498(2) or Section 498(3) of the Companies Act 2006. Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRSs') as adopted by the European Union, this announcement does not itself contain sufficient information to comply with those IFRSs. This financial information has been prepared in accordance with the accounting policies set out in the December 2013 report and financial statements.

2. Tax

The tax credit of £224,000 (2012: £213,000) relates to research and development tax credits in respect of the year ended 31 December 2013 (£190,000) and an adjustment in respect of prior periods (£34,000).

3. Loss per ordinary share

	2013	2012
Loss attributable to equity holders of the Company (£000)	**(2,043)**	(2,250)
Weighted average number of ordinary shares in issue	**75,186,742**	72,036,917

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 2013 there were 7,393,272 options outstanding (31 December 2012: 7,511,635 options outstanding).

4. Post balance sheet event

On 10 March 2014, the Company raised £1,500,000 (gross) for working capital purposes by issuing 3,125,000 1p ordinary shares at a price of 48p per share.