PRESS RELEASE

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Synairgen plc

Preliminary Results for the year ended 30 June 2007

Synairgen plc ('Synairgen' or the 'Company'), the drug discovery company focused on discovering novel therapies which address the causes, rather than the symptoms, of respiratory disease, today announces its Preliminary Results for the year ended 30 June 2007.

Operational highlights

- Successful completion of Phase I safety study in healthy volunteers; follow-on safety study anticipated to start early 2008;
- US patent filed to protect discovery of IFN-beta potential impact against rhinovirus in the elderly; and
- Growth factor development programme progressing to plan.

Financial highlights

- Research and development expenditure for the year: £1.5 million (2006: £1.1 million);
- Retained loss for the year: £1.6 million (2006: loss of £1.0 million); and
- Cash at 30 June 2007 of £6.0 million (2006: £7.5 million).

Commenting on the results, Simon Shaw, Chairman of Synairgen, said:
"The last year has seen Synairgen grow its intellectual property portfolio considerably. The opportunities we have created so far have given the Company significant potential value over the coming years, which, coupled with the progress of our focused research programmes, provides a promising outlook for the future of the business."

-Ends-

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CHAIRMAN'S STATEMENT

Synairgen is committed to discovering novel therapies which address the causes, rather than the symptoms, of respiratory disease. In combination with the University of Southampton, our research has yielded two potentially significant development programmes, interferon-beta (IFN-beta) against viral infection in asthma and COPD, and a proprietary growth factor in asthma. In addition we have a developing pipeline of potentially significant opportunities such as the novel peptide IL-13/IL-4 inhibitor in asthma.

In recent times it has become ever clearer both to industry participants and investors that long term drug pipelines are increasingly being filled through collaboration and licensing relationships with discoverers and early stage developers of novel therapies. Synairgen's business model is to develop each opportunity to a stage where it becomes a marketable development programme to the pharmaceutical and biotechnology industry. We believe that collaborating with a significant industry participant at an early stage, under appropriate licence terms, improves the probability of bringing a novel medicine to market quickly through the combination of development, regulatory, market positioning and financial resources that a partner can bring to the programme. It is gratifying to see that the quantity and quality of our discussions with pharmaceutical and biotechnology companies, has stepped up a gear in the past year. This reflects the fact that we have successfully completed our first Phase I trial in the Company's lead programme.

During the forthcoming year, we will continue to add value to our portfolio of development and discovery programmes and to market our lead programmes with a view to collaborating on the next stages of their development.

Simon Shaw
Chairman

MANAGING DIRECTOR'S REPORT

Synairgen discovers and develops novel patent-protected drug therapies for asthma and Chronic Obstructive Pulmonary Disease (COPD). Both specialist respiratory physicians and the industry recognise the need for new ways of meeting the clinical need which is not adequately met by currently available therapeutics in these substantial markets.

Synairgen's model is to engage with its potential partners in out-licensing discussions at an early stage in the development programme to maximise the chances of candidates advancing through Phase II and III clinical trials as rapidly as possible, and ultimately reaching the market.

In our IFN-beta and growth factor programmes, Synairgen has two novel programmes that have reached the stage where they can sensibly be out-licensed. We have ongoing contact with a number of the top 30 pharmaceutical and biotechnology companies worldwide to explore the potential for partnering these programmes.

Development programmes

IFN-beta programme

Synairgen is seeking to develop an inhaled interferon product which enables asthmatics and COPD patients overcome the seriously debilitating effect of the main common cold virus (rhinovirus) on their condition.

The cost of the common cold

The common cold is the probable cause of 50-80% of all hospitalisations of asthmatic and COPD patients. Accordingly, the health economic impact of the common cold in these prevalent diseases is high, with hospitalisations in the US for asthma and COPD costing $4.7 billion and $11.3 billion per annum respectively.

IFN-beta in asthma

Scientists in Southampton, using a biobank of cells from asthmatic patients and proprietary *in vitro* lung models, discovered a deficiency in asthmatics' ability to produce IFN-beta, which is one of the human's primary defence mechanisms against viral attack. Simulated delivery of inhaled delivery of IFN-beta normalised the asthmatic cells' response to the common cold virus. This pioneering series of experiments was the catalyst for Synairgen's inhaled IFN-beta programme. IFN-beta is currently approved for administration by injection to treat multiple sclerosis patients; thus its systemic safety profile is well understood. Synairgen has needed to optimise and establish the safety of inhaled IFN-beta for use in asthma.

IFN-beta - safety study successfully completed

During the year under review, Synairgen successfully completed the important milestone of a Phase I safety study in healthy volunteers, and is expecting to start a follow-on safety study in early 2008. Phase II studies are expected to start in 2009.

IFN-beta in COPD

During this period, Synairgen also generated compelling data showing that the common cold virus is more destructive to cells from the lungs of smokers. This fits well with the impact of the common cold on the COPD population during the winter months.

IFN-beta in the elderly

The common cold virus can have a devastating effect on vulnerable groups other than asthmatic and COPD patients. One report has linked rhinovirus to the death of nursing home residents. Whilst demonstrating the therapeutic potential of IFN-beta in COPD, Synairgen scientists observed a deficiency in the older control subjects' cells' ability to

defend themselves against RV when compared to younger controls. IFN-beta significantly improved these cells' response to RV, limiting cell death. Synairgen has filed a patent in the US to protect this discovery.

Business Development activity
The market opportunity for a breakthrough product in asthma, COPD and other at risk groups, such as the elderly, is substantial. Synairgen is seeking to out-license its IFN-beta programme at an early stage to a large Pharma/Biotech partner and has several ongoing confidential dialogues at various stages of the process with suitable partners.

Growth factors to restore Barrier Function in asthma
The second licensable programme arose from our work showing that, in common with diseases of the gut and the skin, the cells that line the airways (the epithelium) of asthmatics form a poor barrier to the external environment. The "leaky" epithelium of asthmatics may be allowing the ingress of aggravating inhaled particles such as pollen, cigarette smoke or infectious agents which can trigger and maintain the asthma response.

Using epithelial cells from asthmatics, Synairgen has shown that a panel of growth factors can restore Barrier Function. Within the last year a therapeutic candidate has been selected, which can restore Barrier Function without promoting the unwanted structural changes in the lung that may be promoted by other growth factors. Manufacture of this lead candidate is being scaled-up to support preclinical safety and ultimately clinical studies.

Synairgen has commenced discussions regarding the out-licensing of its growth factor programme.

IL-4/IL-13 Inhibiting Peptide
Synairgen's earliest stage development programme is for the development of a novel peptide that has been shown to inhibit the two cytokines IL-4 and IL-13; both cytokines are the target of considerable industry interest in this field of allergy and asthma. During the year under review, Synairgen in-licensed from the University of Southampton a patent protecting the peptide. Synairgen is seeking to validate these early findings over the coming year.

Discovery programmes
Our proteomics programme, which is designed to identify potential new targets or markers in asthma, has uncovered approximately 80 proteins which differ significantly between asthmatic and normal subjects. In the coming year these will be identified and the list rationalised to generate between two and five possible targets for subsequent research. In addition we have continued to investigate the nature of the barrier function deficiency, which adds to our understanding of the underlying defect; a necessary precursor to discovering a treatment for the potential cause(s).

During the period we also extended our target discovery partnership with the unnamed North American Biotechnology company partner; data is currently being analysed.

Financial Review
The financial information comprises the consolidated results of the Company and Synairgen Research Limited (together the 'Group'), prepared in accordance with UK Generally Accepted Accounting Principles ('GAAP').

Profit and loss account
Turnover for the year ended 30 June 2007 was £78,000 (year ended 30 June 2006: £82,000) and arose primarily from the ongoing collaboration with the unnamed North American biotechnology company. The operating loss for the year was £2.23 million (2006: loss of £1.68 million), in line with our expectations. Research and development expenditure increased from £1.08 million to £1.53 million as the Group progressed its four development programmes and broadened the number of discovery projects. During the year the number of research and clinical staff has increased from 16 to 18. Other administrative costs increased from £0.67 million to £0.75 million. Interest receivable decreased from £0.38 million to £0.34 million. The tax credit of £0.25 million comprises the research and development tax credit claim in respect of this year (£0.24 million) and amounts in respect of prior years. The prior year tax credit comprised claims relating to the years ending 30 June 2005 (£0.09 million) and 30 June 2006 (£0.17 million). The retained loss for the year was £1.64 million (2006: loss of £1.05 million) and the loss per share was 7.58p (2006: loss of 4.84p).

Balance sheet and cash flow
At 30 June 2007, net assets amounted to £6.28 million (30 June 2006: £7.84 million) including cash and deposit balances of £6.01 million (2006: £7.48 million).

The principal elements of the £1.48 million decrease (2006: £1.20 million decrease) in cash and deposit balances were:

- operating cash outflow of £1.97 million (2006: £1.53 million outflow);
- capital expenditure of £0.13 million (2006: £0.05 million);
- interest received of £0.36 million (2006: £0.40 million) and
- research and development tax credits received of £0.27 million (2006: £nil).

Capital expenditure comprised investment into patent and licence costs and equipment.

Adoption of Financial Reporting Standard 20 ('FRS 20')
As of 1 July 2006, the Group has adopted FRS 20 "Share-based Payment" in place of UITF 17 "Employee Share Schemes". FRS 20 requires fair value accounting for options and LTIPs granted after 7 November 2002 which have not vested by 1 July 2006. In accordance with standard practice, prior year results are restated. For the period up to 30 June 2006 the additional charge booked to the Profit and Loss Account following the adoption of FRS 20 amounted to £41k. The FRS 20 charge for the year ended 30 June 2007 was £83k.

Adoption of International Financial Reporting Standards ('IFRS')
The Group has adopted IFRS, as adapted for use in the European Union, on 1 July 2007.

Summary
The year has been one of considerable progress with our teams performing well across all our programmes. We have added significant value to our two lead programmes and brought them to a position where we are able to discuss them seriously with potential licensing partners. We look forward to further developments in the coming year.

Richard Marsden
Managing Director

Consolidated Profit and Loss Account
for the year ended 30 June

	Notes	**2007** **£000**	Restated 2006 £000
Turnover		**78**	82
Cost of sales		**(33)**	(15)
Gross profit		**45**	67
Administrative expenses			
Research and development expenditure		**(1,527)**	(1,083)
Other		**(750)**	(664)
Total administrative expenses		**(2,277)**	(1,747)
Operating loss		**(2,232)**	(1,680)
Bank interest receivable		**342**	376
Finance lease interest payable		**(1)**	-
Loss on ordinary activities before taxation		**(1,891)**	(1,304)
Tax on loss on ordinary activities	2	**247**	255
Loss on ordinary activities after taxation and retained loss for the year		**(1,644)**	(1,049)
Loss per ordinary share			
Basic and diluted loss per share (pence)	3	**(7.58)p**	(4.84)p

There are no recognised gains and losses other than the loss above and, in the current year, the cumulative loss from the prior year adjustment on the adoption of FRS 20 (£41,000) as detailed in Notes 1 and 4.

All amounts relate to continuing activities.

Consolidated Balance Sheet
as at 30 June

	Notes	2007 £000	Restated 2006 £000
Fixed assets			
Intangible assets		**99**	36
Tangible assets		**146**	157
		245	193
Current assets			
Stocks		**96**	68
Debtors		**367**	423
Investments: short-term deposits		**5,903**	7,464
Cash at bank and in hand		**115**	33
		6,481	7,988
Creditors: amounts falling due within one year		**(442)**	(334)
Net current assets		**6,039**	7,654
Total assets less current liabilities		**6,284**	7,847
Creditors: amounts falling due after more than one year		**(8)**	(10)
Net assets		**6,276**	7,837
Capital and reserves			
Called up share capital		**217**	217
Share premium account		**8,903**	8,903
Merger reserve		**483**	483
Share-based payment reserve		**163**	80
Profit and loss account		**(3,490)**	(1,846)
Shareholders' funds	4	**6,276**	7,837

Consolidated Cash Flow Statement
for the year ended 30 June

	Notes	**2007** **£000**	2006 £000
Net cash outflow from operating activities	5	**(1,974)**	(1,530)
Returns on investments and servicing of finance			
Bank interest received		**358**	397
Finance lease interest paid		**(1)**	-
Net cash inflow from returns on investments and servicing of finance		**357**	397
Taxation			
Research and development tax credits received		**267**	-
Capital expenditure and financial investment			
Purchase of intangible fixed assets		**(77)**	(17)
Purchase of tangible fixed assets		**(49)**	(35)
Net cash outflow from capital expenditure		**(126)**	(52)
Net cash outflow before management of liquid resources and financing		**(1,476)**	(1,185)
Management of liquid resources			
Decrease in short-term deposits		**1,561**	1,141
Financing			
Repayment of capital element of finance leases and hire purchase contracts		**(3)**	(1)
Increase/(Decrease) in cash		**82**	(45)

Notes

1. Basis of preparation

The financial information on 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 2007 has been extracted from the Group's audited consolidated financial statements, which will be delivered to the Registrar of Companies for England and Wales in due course. The report of the auditors on these financial statements was unqualified, did not include 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 annual report will be posted to shareholders in October 2007 and will be laid before shareholders at the Annual General Meeting on 14 November 2007.

The consolidated financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 1985 and applicable UK accounting standards, using the merger method of accounting.

The accounting policies used in preparing the financial statements have been applied consistently throughout all periods presented with the exception of Financial Reporting Standard 20 "Share-based Payment" ('FRS 20').

All AIM-quoted companies are required to implement FRS 20 for accounting periods beginning on or after 1 January 2006 and the Group has adopted FRS 20 for the first time for the year ended 30 June 2007. Adoption of FRS 20 supersedes UITF Abstract 17 (revised 2003) "Employee Share Schemes" ('UITF 17'), under which the Group had previously accounted for shares and share options awarded to employees. FRS 20 requires that options awards and awards made under the Company's Long-Term Incentive Plan ('LTIP') granted after 7 November 2002 which had not vested by 1 July 2006 be fair valued and charged to the profit and loss account over the period from grant to vesting. The Group has valued option awards using the Black-Scholes model and awards under the LTIP using the Stochastic model. As required by FRS 20 prior year results have been restated. This change in accounting policy, after the reversal of the UITF 17 charge included in the prior year financial statements, results in a credit of £11,000 for the year ended 30 June 2007 (year ended 30 June 2006: charge of £7,000). Under UITF 17, the credit for the charge was taken to the Profit and Loss reserve and reported in the reconciliation of movements in shareholders' funds. Under FRS 20 the credit for the charge is taken to reserves. The restatement has no impact on net assets in the periods presented in the financial information.

2. Tax on loss on ordinary activities

The tax credit of £247,000 (2005: £255,000) relates to research and development tax credits in respect of the years ended 30 June 2007 (£235,000) and 2006 (£12,000).

3. Loss per ordinary share

	Year ended 30 June 2007	Restated Year ended 30 June 2006
Loss on ordinary activities after taxation (£000)	**(1,644)**	(1,049)
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 Financial Reporting Standard 22. At 30 June 2007 there were 2,404,939 options outstanding (30 June 2006: 1,946,594 options outstanding).

4. Reconciliation of movements in reserves and shareholders' funds

	Share capital £000	Share premium account £000	Merger reserve £000	Share-based payment reserve £000	Profit and loss account £000	Shareholders' funds £000
At 30 June 2005 (as originally stated)	217	8,903	483	-	(763)	8,840
Prior year adjustment for FRS 20 charge	**-**	**-**	**-**	34	(34)	**-**
At 30 June 2005 (restated)	217	8,903	483	34	(797)	8,840
Loss for the year (restated)	-	-	-	-	(1,049)	(1,049)
Share-based payment	**-**	**-**	**-**	46	-	46
At 30 June 2006 (restated)	217	8,903	483	80	(1,846)	7,837
Loss for the year	-	-	-	-	(1,644)	(1,644)
Share-based payment	-	-	-	83	-	83
At 30 June 2007	**217**	**8,903**	**483**	**163**	**(3,490)**	**6,276**

5. Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 30 June 2007 £000	Restated Year ended 30 June 2006 £000
Operating loss	**(2,232)**	(1,680)
Depreciation & amortisation	**74**	48
FRS 20 charge	**83**	46
Increase in stocks	**(28)**	(13)
Decrease in debtors	**20**	136
Increase/(Decrease) in creditors	**109**	(67)
Net cash outflow from operating activities	**(1,974)**	(1,530)

6. Reconciliation of net cash flow to movement in net funds

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Increase/(Decrease) in cash in year	**82**	(45)
Decrease in short-term deposits	**(1,561)**	(1,141)
Cash used to repay capital element of finance leases and hire purchase contracts	**3**	1
Change in net funds resulting from cash flows	**(1,476)**	(1,185)
New finance leases and hire purchase contracts	**-**	(14)
Movement in net funds	**(1,476)**	(1,199)
Net funds at start of year	**7,484**	8,683
Net funds at end of year	**6,008**	7,484