PRESS RELEASE

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

Interim Results for the six months ended 31 December 2009

Southampton, UK – 8 February 2010: Synairgen plc (LSE: SNG), the respiratory drug discovery and development company with a particular focus on viral defence in asthma and COPD, today announces its interim results for the six months ended 31 December 2009.

Operational highlights

- August 2009, interferon-beta ('IFN-beta') patent granted in US;
- August 2009, recruitment completed for SG004, a Phase I study of inhaled IFN-beta in moderate asthmatics;
- November 2009, analysis of safety results of SG004 confirms inhaled IFN-beta was well-tolerated, causing no adverse effect on standard measures of lung function and inflammation;
- November 2009, multiple biomarkers from SG004 study confirm antiviral proof of mechanism of inhaled IFN-beta;
- Successful *in vitro* testing of IFN-beta in other respiratory viruses: RSV, H1N1 'swine flu' and seasonal flu, confirming potential breadth of inhaled IFN-beta antiviral therapy;
- Progression of preparation for commencement of Phase II studies from Spring 2010, with scope of first study broadened to include flu; and
- Board additions – Phill Monk, Chief Scientific Officer and Paul Clegg, Non-Executive Director.

Financial highlights

- Research and development expenditure for the period: £1.04 million (six months ended 31 December 2008: £1.04 million);
- Post-tax loss for the period: £1.21 million (six months ended 31 December 2008: loss of £1.14 million); and
- Net funds at 31 December 2009 of £6.84 million (31 December 2008: £3.02 million).

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

"During the period, we have successfully completed a Phase I study in asthma patients, showed that the lungs' antiviral defence mechanism is switched on by inhaled interferon beta, and extended its potential application to influenza viruses. On the back of these achievements and the imminent commencement of our Phase II study programme, we are well-positioned to execute our strategy of out-licensing this exciting programme in 2011."

-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**
Alastair Stratton
Anu Tayal

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

Chairman's Statement

OPERATING REVIEW

During the period, we have made significant strides in the development of our inhaled interferon beta ('IFN-beta') programme, which has been expanded to include asthmatic patients with influenza. We are on track to commence our first Phase II study this Spring.

IFN-beta for the treatment of viral infection in asthma and COPD sufferers
Synairgen's proprietary formulation of inhaled interferon beta-1a (SNG001) is being developed to prevent exacerbations of asthma and chronic obstructive pulmonary disease (COPD) caused by common cold and influenza viruses. The majority of hospitalisations for asthma and COPD patients are associated with such virus infections, causing significant suffering and health economic burden. SNG001 has been shown to protect asthmatic and COPD cells in *in vitro* models of lung infection.

Successful completion of Phase I safety study in controlled asthmatic subjects
In August 2009, we finished recruitment for the Phase I study (SG004) in controlled asthmatic subjects who take the mainstay therapy of inhaled corticosteroids. SG004, conducted by Synairgen in Southampton and Medicines Evaluation Unit in Manchester, was an escalating dose study with a treatment period of up to 14 days and was conducted in 40 subjects. In November, we were pleased to report that SNG001 was well tolerated at all dose levels.

Confirmed antiviral activity in the lungs
Interferons have been administered by injection to many patients with viral conditions such as hepatitis. In clinical trials, injectable interferon beta invokes an antiviral response that can be measured in blood samples; principally through the detection of specific antiviral biomarkers, such as neopterin, MXA and 2-5-OAS. Our approach is aimed at "switching on" the antiviral defences in the lungs whilst avoiding significant activity elsewhere in the body.

During 2009, we developed and validated techniques to measure antiviral defences in the lungs of clinical trial volunteers through the level of the biomarker neopterin. Analysis of the samples from SG004 showed that levels of neopterin and three other biomarkers in sputum (phlegm) produced by the subjects were significantly increased above placebo. This gives us the strongest evidence to date that inhaled IFN-beta sets in motion the lungs' antiviral defences.

The combination of a clear safety signal and the ability to activate antiviral defences in the lung increases our confidence of success. The proof of concept trials (SG005 in asthma and SG006 in COPD) are designed to demonstrate that SNG001 protects the lungs of these "at risk" patients during respiratory virus infection.

On-going preparation for commencement of Phase II studies in asthma and COPD
Synairgen's Phase II asthma study will compare SNG001 against placebo in 'exacerbation-prone' asthma patients. Applications to the MHRA and an Ethics committee were submitted in January 2010. The study is scheduled to start in the Spring across a number of clinical trial centres in the UK and is designed to detect a difference in symptom scores during naturally-acquired respiratory virus infections, including influenza. We intend to commence a study for COPD later in the year.

Activity against other viruses
During 2009, the H1N1 pandemic became front page news across the world. Up until the summer of 2009, Synairgen has conducted most of its work using variants of the rhinovirus (the main cause of the common cold), which accounts for two-thirds of respiratory virus infections. Unlike other therapeutic approaches, such as Tamiflu® and Relenza®, which target one virus type, SNG001 is potentially able to afford broad protection against common respiratory viruses and in this period we have carried out a number of *in vitro* experiments to support this. In

September, Synairgen reported that SNG001 has activity against respiratory syncytial virus (RSV). Then in November we announced that the Health Protection Agency (Porton Down) had shown that SNG001 protects airway cells from H1N1 'swine flu'. Since then, we have also completed *in vitro* experiments which confirm that SNG001 is similarly protective against seasonal influenza.

Successful completion of this work against a broad range of flu viruses will place SNG001 as a potential front line antiviral defence for "at risk" asthmatic and COPD patients, who make up a significant proportion of the hospitalised cases during influenza outbreaks. It is also well known that many viruses other than influenza cause significant complications in these patients. Evidence that SNG001 is active against a multitude of respiratory viruses enhances the chance of demonstrating efficacy in our forthcoming proof of concept (Phase II) clinical trials and accordingly we have broadened the first Phase II clinical trial to encompass a broad range of respiratory viruses including flu.

Out-licensing strategy and IFN-beta intellectual property

Synairgen plans to out-license the SNG001 programme upon successful completion of the proof of concept Phase II studies. As part of this package, we were pleased to see that our pivotal US patent was granted in August and, following receipt of the Notice of Allowance from the European Patent Office, we expect that a similar patent will be granted in the European Union in the coming months.

FINANCIAL REVIEW

Statement of Comprehensive Income

The operating loss for the six months ended 31 December 2009 was £1.44 million (six months ended 31 December 2008: loss of £1.41 million). Research and development expenditure was £1.04 million in both periods. During the current period, expenditure has been focussed on completion of SG004, preparation for the forthcoming Phase II studies and further *in vitro* work with IFN-beta in other respiratory viruses. Other administrative costs increased to £0.40 million (2008: £0.37 million). Interest receivable decreased from £0.09 million to £0.05 million with the reduction of interest rates. Research and development tax credits remained constant at £0.18 million (2008: £0.18 million). The loss after tax was £1.21 million (2008: loss of £1.14 million) and the loss per share, following the equity issue in June 2009, reduced to 2.02p (2008: loss of 5.17p).

Statement of Financial Position and cash flows

Following adoption of the revised IAS1 (Presentation of Financial Statements), the Balance Sheet has been redesignated as the Statement of Financial Position. At 31 December 2009, net assets amounted to £6.85 million (31 December 2008: £3.11 million), including net funds of £6.84 million (2008: £3.02 million).

Cash outflow (including movements in bank deposits) for the six months to 31 December 2009 was £1.10 million (six months ended 31 December 2008: £0.98 million).

BOARD CHANGES

In September 2009 there were three board changes: Phill Monk, who had joined Synairgen in 2006, was appointed to the Board as Chief Scientific Officer; Susan Sundstrom, following her departure from the University of Southampton, resigned as a non-executive director; and Paul Clegg was appointed as a non-executive director.

OUTLOOK

During the period, we have successfully completed a Phase I study in asthma patients, showed that the lungs' antiviral defence mechanism is switched on by inhaled interferon beta, and

extended its potential application to influenza viruses. On the back of these achievements and the imminent commencement of our Phase II study programme, we are well-positioned to execute our strategy of out-licensing this exciting programme in 2011.

Simon Shaw
Chairman

5 February 2010

Consolidated Statement of Comprehensive Income
for the six months ended 31 December 2009

	Notes	Unaudited Six months ended 31 December 2009 £000	Unaudited Six months ended 31 December 2008 £000	Audited Year ended 30 June 2009 £000
Research and development expenditure		**(1,040)**	(1,037)	(2,107)
Other administrative expenses		**(397)**	(370)	(864)
Total administrative expenses		**(1,437)**	(1,407)	(2,971)
Loss from operations		**(1,437)**	(1,407)	(2,971)
Finance income		**46**	92	130
Finance expense		**-**	-	(1)
Loss before tax		**(1,391)**	(1,315)	(2,842)
Tax credit	2	**182**	178	348
Loss and total comprehensive income for the period attributable to equity holders of the parent		**(1,209)**	(1,137)	(2,494)
Loss per ordinary share				
Basic and diluted loss per share (pence)	3	**(2.02)p**	(5.17)p	(10.64)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 2008	217	8,903	483	(5,416)	4,187
Issuance of ordinary shares	7	-	-	-	7
Recognition of share-based payments	-	-	-	54	54
Total comprehensive income for the period	-	-	-	(1,137)	(1,137)
At 31 December 2008	224	8,903	483	(6,499)	3,111
Issuance of ordinary shares	373	5,977	-	-	6,350
Transaction costs in respect of share issues	-	(155)	-	-	(155)
Recognition of share-based payments	-	-	-	50	50
Total comprehensive income for the period	-	-	-	(1,357)	(1,357)
At 30 June 2009	597	14,725	483	(7,806)	7,999
Recognition of share-based payments	-	-	-	59	59
Total comprehensive income for the period	-	-	-	(1,209)	(1,209)
At 31 December 2009	**597**	**14,725**	**483**	**(8,956)**	**6,849**

Consolidated Statement of Financial Position
as at 31 December 2009

	Notes	Unaudited 31 December 2009 £000	Unaudited 31 December 2008 £000	Audited 30 June 2009 £000
Assets				
Non-current assets				
Intangible assets		**205**	134	127
Property, plant and equipment		**89**	98	81
		294	232	208
Current assets				
Inventories		**134**	131	123
Current tax receivable		**160**	150	320
Trade and other receivables		**136**	116	75
Other financial assets	4	**6,141**	2,440	1,977
Cash and cash equivalents		**704**	586	5,963
		7,275	3,423	8,458
Total assets		**7,569**	3,655	8,666
Liabilities				
Current liabilities				
Trade and other payables		**(716)**	(538)	(662)
Obligations under finance leases		**(3)**	(3)	(3)
		(719)	(541)	(665)
Non-current liabilities				
Obligations under finance leases		**(1)**	(3)	(2)
Total liabilities		**(720)**	(544)	(667)
Total net assets		**6,849**	3,111	7,999
Equity				
Capital and reserves attributable to equity holders of the parent				
Share capital		**597**	224	597
Share premium		**14,725**	8,903	14,725
Merger reserve		**483**	483	483
Retained deficit		**(8,956)**	(6,499)	(7,806)
Total equity		**6,849**	3,111	7,999

Consolidated Statement of Cash Flows
for the six months ended 31 December 2009

	Unaudited Six months ended 31 December 2009 £000	Unaudited Six months ended 31 December 2008 £000	Audited Year ended 30 June 2009 £000
Cash flows from operating activities			
Loss before tax	**(1,391)**	(1,315)	(2,842)
Adjustments for:			
Finance income	**(46)**	(92)	(130)
Finance expense	**-**	-	1
Depreciation	**16**	46	64
Amortisation	**10**	8	43
Share-based payment charge	**59**	54	104
Cash flows from operations before changes in working capital	**(1,352)**	(1,299)	(2,760)
Increase in inventories	**(11)**	(28)	(20)
(Increase)/Decrease in trade and other receivables	**(31)**	-	15
Increase/(Decrease) in trade and other payables	**54**	(40)	84
Cash used in operations	**(1,340)**	(1,367)	(2,681)
Interest paid	**-**	-	(1)
Tax credit received	**342**	328	328
Net cash used in operating activities	**(998)**	(1,039)	(2,354)
Cash flows from investing activities			
Interest received	**16**	111	176
Purchase of property, plant and equipment	**(24)**	(21)	(23)
Purchase of intangible assets	**(88)**	(33)	(61)
(Increase)/Decrease in other financial assets	**(4,164)**	1,005	1,468
Net cash (used in)/generated from investing activities	**(4,260)**	1,062	1,560
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	**-**	7	6,357
Transaction costs in respect of share issues	**-**	-	(155)
Repayments of obligations under finance leases	**(1)**	(2)	(2)
Net cash (used in)/generated from financing activities	**(1)**	5	6,200
(Decrease)/Increase in cash and cash equivalents	**(5,259)**	29	5,406
Cash and cash equivalents at beginning of period	**5,963**	557	557
Cash and cash equivalents at end of period	**704**	586	5,963

Notes to the Financial Statements
for the six months ended 31 December 2009

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 2010 and in accordance with recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union and implemented in the UK. 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 2009.

The IFRSs that will be effective in the financial statements for the year to 30 June 2010 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 2010.

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 2009 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2009 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2009 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 2009 financial statements were approved by a duly appointed and authorised committee of the Board of Directors on 5 February 2010.

2. Tax credit

The tax credit of £182,000 (six months ended 31 December 2008: £178,000; year ended 30 June 2009: £348,000) includes £160,000 as an estimate of the research and development tax credit receivable in respect of the current period and £22,000 representing amounts unprovided for in previous periods.

3. Loss per ordinary share

	Unaudited Six months ended 31 December 2009	Unaudited Six months ended 31 December 2008	Audited Year ended 30 June 2009
Loss attributable to equity holders of the Company (£000)	**(1,209)**	(1,137)	(2,494)
Weighted average number of ordinary shares in issue	**59,745,249**	21,981,438	23,434,742

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 2009 there were 4,592,361 options outstanding (31 December 2008: 2,440,974 options outstanding; 30 June 2009: 2,339,663 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 2009 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 2009 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
5 February 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)