

29 March 2005

SAREUM HOLDINGS PLC
("Sareum" or the "Company")

**FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER
2004**

Sareum Holdings plc (AIM: SAR), the structure-based drug discovery and services business, is pleased to announce its financial results for the six month period ended 31 December 2004.

Business Highlights to date:

- Successful flotation on AIM – October 2004
- Collaborative agreement with Inpharmatica – November 2004
- Collaboration with Millennium Pharmaceuticals, Inc – November 2004
- Drug discovery collaboration with EiRx Therapeutics plc – December 2004
- Collaboration with Cancer Research Technology Limited – December 2004
- Collaboration with undisclosed UK pharmaceutical company – December 2004

Dr Tim Mitchell, CEO of Sareum Holdings, said: "Our debut as a publicly quoted company has been a successful one. Since joining the AIM Market we have announced several collaborative and fee-for-service collaborations. Our business development activities are expanding, we have fully equipped laboratories in Cambridge and together with our strong cash position, I believe Sareum is well positioned for a healthy year ahead."

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Notes for Editors

About Sareum Holdings plc

Sareum Holdings plc is a structure based drug discovery business headquartered in Cambridge, UK. The Company was formed in August 2003 to discover new drugs for the treatment of cancer and inflammation and to provide a range of drug discovery services to the pharmaceutical industry. Sareum's unique approach aims to halve the time it takes to discover new drug candidates.

Structure-based drug discovery involves the determination of a disease causing protein's three-dimensional structure. Once the structure is known, novel chemical entities are designed to 'lock-in' to the protein with the aim of reversing or arresting a disease's progression.

Sareum's approach to structure based drug discovery is to produce multiple recombinant proteins primarily through a baculovirus expression system; determine their structure using x-ray crystallography; and then use the Company's computational chemistry expertise to create virtual, focused libraries of new chemical entities designed to interact with the target protein. Sareum then uses its high-throughput medicinal chemistry platform to rapidly synthesise these molecules and develop the most promising into potential drug candidates.

Sareum offers its accelerated drug discovery capabilities on a fee basis to the pharmaceutical and biotechnology industries. Sareum intends to license out its internally generated drug candidates at the Phase I or Phase II clinical trials stage.

Sareum joined the AIM market of the London Stock Exchange in October 2004 and trades under the symbol SAR. For further information, please visit www.sareum.co.uk

Preliminary Results for the six months ended 31 December 2004

Chairman's Statement

Sareum Holdings plc has made a confident and successful start to its first period of trading. In addition to our flotation, we moved into purpose-fitted laboratories and announced an important series of collaborations in drug discovery and service revenue generation.

The highlight of the last six months was our admission to the AIM market on October 11th, successfully placing 100,000,000 ordinary shares to raise £1.75 million net of expenses. We are using this money to continue funding our in-house drug discovery activities and to provide working capital to develop our revenue-generating service businesses.

Our in-house drug discovery capability was significantly enhanced in December by the collaboration with EiRx Therapeutics plc. . In this shared-risk agreement, Sareum will use its structure-based drug discovery expertise to rapidly discover and develop novel cancer therapies effective against proprietary gene targets identified by EiRx. We aim to licence out any successful results of this collaboration to larger pharmaceutical companies once initial proof-of-concept in patients has been demonstrated. Discovering and developing drug molecules that interact with novel therapeutic targets remains the Company's highest priority.

We have made better than expected progress in obtaining revenue-generating service collaborations, with the announcement of four agreements. The first of these, with Inpharmatica Ltd., a privately-held UK drug discovery company, is to express and determine the structures of a series of novel, genomics-derived nuclear hormone receptor targets. This collaboration makes full use of our leading capabilities in high-throughput protein expression.

Another agreement was with Millennium Pharmaceuticals Inc, the parent company from which the Sareum team emanated. This is a very important collaboration for us. As well as the revenues generated, it provides a positive validation of our capabilities by the company in which much of our platform was developed.

We also announced fee-for-service agreements with Cancer Research Technologies Ltd and another unnamed pharmaceutical company. The latter collaboration has progressed extremely well, and we are expecting to achieve success milestones ahead of schedule.

We are actively expanding our business development activities worldwide. In addition to strengthening the in-house business development team, we have appointed a consultant to assist our efforts in Europe and the USA, as well as engaging representatives in Japan that are well-known to the Sareum team.

We moved into our fully equipped laboratories south of Cambridge in September and have therefore been fully operational for only four months of the six months of this period. We have established a highly experienced Scientific Advisory Board chaired by Professor Dave Tapolczay and including Professor Rod Hubbard and Dr Harry Finch. We have also successfully recruited the research staff required to deliver our plan.

During this period, revenues of £82,000 have been recognised from fee-generating research services. This figure is close to our own internal budget forecast and reflects the fact that work on these collaborations were initiated close to the end of this period. Most of the revenues from these collaborations will therefore be recognised in the next trading period.

With a healthy pipeline, Sareum expects to exceed its own internal revenue forecast for this year. Careful management of costs has resulted in a cash burn of £545,000, some 29% below the forecast level. This has resulted in losses that were 36% below the levels budgeted and consequently, a stronger than expected cash position. Cash at bank and in hand amounted to £1,252,000. This creditable performance reflects the commitment of the Board and the entire Sareum team to generate solid shareholder value and bodes well for the future.

Dr Paul Harper

Chairman Sareum Holdings plc

Sareum Holdings plc

**Unaudited Consolidated Profit & Loss Account for the half year ended
31 December 2004**

	Note	Half Year to 31 Dec 2004 Unaudited £'000
Turnover		82
Cost of sales		(342)
Gross loss		(260)
Administrative expenses		(358)
Operating loss		(618)
Interest receivable and similar income		12
Interest payable and similar charges		(7)
Loss on ordinary activities before taxation		(613)
<i>Loss per share (pence)</i>		
<i>Basic and diluted</i>	4	<u>0.3p</u>

Sareum Holdings plc

Unaudited Consolidated Balance Sheet as at 31 December 2004

	Note	31 December 2004 Unaudited £'000
Fixed assets		
Tangible assets		813
Intangible assets		1014
		<u>1827</u>
Current assets		
Debtors		192
Cash at bank and in hand		1,252
		<u>1,444</u>
Creditors: amounts falling due within one year		<u>(197)</u>
Net current assets		<u>1,247</u>
Total assets less current liabilities		3,074
Creditors: amounts falling due after more than one year		<u>(126)</u>
Net assets		<u>2,938</u>
Capital and reserves		
Called up share capital	5	869
Share premium account		1,812
Fair value reserve	6	870
Profit and loss account		<u>(613)</u>
Equity shareholders' funds		<u>2,938</u>

Sareum Holdings plc

**Unaudited Consolidated Cash Flow Statement for the half year ended
31 December 2004**

	2004 Unaudited £'000
	Note
Net cash outflow from operating activities	(1,146)
Returns on investment and servicing of finance	
Interest received	12
Interest paid	(7)
Net cash inflow from returns on investments and servicing of finance	5
Capital expenditure	
Purchase of tangible fixed assets	(410)
Net cash outflow from capital expenditure	(410)
Net cash outflow before management of liquid resources and financing	(1,551)
Financing	
Issue of equity share capital	824
Share premium received on share capital issued	1,781
Less: share issue expenditure	(404)
Convertible loan proceeds	450
Net cash flow from financing	2,651
Increase in cash	1,100
Reconciliation of operating loss to net cash from operating activities	
	2004 Unaudited £'000
	Note
Operating deficit	(618)
Depreciation	59
Increase in debtors	(100)
Decrease in creditors	(487)
Net cash outflow from operations	(1,146)

SAREUM HOLDINGS PLC

NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER 2004

1. FINANCIAL INFORMATION

The results for the six months ended 31st December 2004 are unaudited and do not constitute statutory accounts within the meaning of the Companies Act 1985.

They have been drawn up using the following accounting policies and principles:

Basis of Accounting

The financial statements have been prepared under historical cost convention and in accordance with applicable accounting standards.

Revenue Recognition

The revenue shown in the profit and loss account relates to amounts invoiced during the period in respect of the provision of research and development services and the hire of equipment. The revenue recognised represents the work completed within the period.

Research and Development

Research and development expenditure is written off in the period in which it is incurred.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer equipment – 3 years straight line basis

Laboratory equipment – 4 years straight line basis

Fixtures and fittings – 4 years straight line basis

Leasehold improvements – the life of the lease

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Intellectual property – 5 years straight line basis

2. TAXATION

No liability arises for corporation tax for the period ended 31st December 2004. No account has yet been taken of Research and Development tax credits.

3. DIVIDENDS

The directors do not propose the payment of a dividend in respect of the six months ended 31st December 2004.

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NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER 2004 (CONTINUED)

4. LOSS PER SHARE

Basic loss per share 0.3p

The basic loss per ordinary share is based on the Group's loss for the six months of £613,000 divided by the weighted average number of shares in issue. The weighted average number of shares in issue during the period was 246,500,932.

5. SHARE CAPITAL

The issued capital at 31st December 2004 was 347,750,000 ordinary shares of 0.025p each.

On 5th July 2004 the authorised share capital of the Company was increased to £10,000,000 by the creation of 900,000,000 ordinary shares of 1p. On 16th September 2004, each 1p share was subdivided into 40 shares of 0.025 each.

On 5th July 2004 the company issued 3,000,000 ordinary 1p shares at par and 577,498 1p shares at 30p per share. On 16th September 2004 these shares were subdivided into 143,099,920 ordinary shares of 0.025p. On 20th September 2004, 36,892,080 ordinary shares of 0.025p were issued at 0.75p per share. On 20th September 2004, £450,000 loan notes were converted at 0.75p per share into 60,000,000 ordinary shares of 0.025p each.

On 11th October 2004 100,000,000 ordinary shares of 0.025p were issued at 2p per share on the AIM float and a further 7,750,000 ordinary shares were issued at 2p per share.

6. ACQUISITION ACCOUNTING

On 5th July 2004 3,000,000 ordinary shares of 1p were issued to acquire the total issued share capital of Sareum Limited. The fair value of the shares issued was £900,000 and the fair value of the net liabilities acquired was £88,000 resulting in goodwill of £988,000 and a fair value reserve of £870,000.