

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

**FINANCIAL RESULTS FOR THE SIX MONTHS ENDED  
31 DECEMBER 2006**

**Sareum Holdings plc** (AIM: SAR), the specialist structure-based drug discovery business, is pleased to announce its financial results for the six month period ended 31 December 2006.

**Financial highlights during period 1 July to 31 December 2006:**

- Three-fold increase in revenues to £1,205,000 (2005: £361,000) plus an increase of £319,000 in deferred revenue (pre-payments to be recognised in current financial year)
- Gross profit of £372,000 (2005: £115,000 loss)
- 65% reduction in loss on ordinary activities (after taxation) to £208,000 (2005: £602,000)

**Business highlights during period 1 July to 31 December 2006:**

- Novel compounds discovered in cancer drug discovery collaboration with the Institute of Cancer Research and Cancer Research Technologies Ltd
- Progress made on further in-house cancer discovery programmes
- Collaborations signed with Roche, Genentech and Plramed plus repeat business from Ammirall and Lundbeck

**Post-period end highlights:**

- Patent applications filed from in-house drug discovery collaboration with the Institute of Cancer Research and Cancer Research Technologies Ltd
- Research collaboration signed with Johnson & Johnson

**Dr Tim Mitchell, CEO of Sareum Holdings plc, said:** "Sareum has enjoyed yet another productive and successful period. The Company has progressed its in-house drug discovery programmes in cancer significantly and achieved further revenue-generating collaborations with major international pharmaceutical companies. We look forward to expanding the business and to announcing further advances in our in-house cancer programs whilst meeting the market's financial expectations."

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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. Sareum's unique approach aims to halve the time it takes to discover new drug candidates.

A structure-based approach to drug discovery relies on knowledge of the three-dimensional structure of the proteins that cause disease. Once the structure is known, potential drugs are designed to 'lock-in' to the protein with the aim of reversing or arresting a disease's progression. Knowledge of the structure of the potential drugs and how they 'lock-in' to their target protein assists greatly in the development of high-quality drug candidates. Determining structure is a complex task and requires leading-edge equipment and experienced staff. Sareum's approach to structure determination utilises its proprietary protein expression platform in order to produce multiple recombinant proteins that accelerate structure determination using x-ray crystallography.

Once the structure is determined, the Company's innovative fragment screening platform is used to identify novel chemical templates designed to interact with the target protein. Sareum then uses its high-throughput medicinal chemistry platform to rapidly optimise these molecules and develop the most promising into potential drug candidates.

Sareum aims to successfully deliver drug candidates for licensing to larger pharmaceutical companies at the pre-clinical or early clinical trials stage. This is funded by provision of its specialist drug discovery capabilities to partners in the pharmaceutical and biotechnology industries.

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](http://www.sareum.co.uk)

## **Interim Results for the six months ended 31 December 2006**

### **Chairman's Statement**

Sareum Holdings plc has enjoyed a further successful trading period, evidencing the ability of the team to consistently focus on the business drivers that build value. We have continued to make significant advances in our in-house cancer drug discovery programmes and in our revenue-generating business where a series of collaborations have been signed with leading pharmaceutical research partners.

It is now abundantly clear that the Sareum technology platform and business model is able to meet the Company's objectives to generate quality anti-cancer drug candidates, specifically targeted against solid tumours, using cash generated from discovery research collaborations with quality partners.

Through its integrated structure-based drug discovery platform and the management team's 90 plus years of pharmaceutical industry experience, Sareum represents a unique offering. The Company provides protein structures and novel drug leads to some of the most prestigious pharmaceutical and biotech partners in the world. Sareum does this with significantly increased speed, delivering solid IP results with great efficiency and flexibility for collaborators. In return Sareum receives fees for service with which it advances its own drug discovery programmes in the field of cancer.

Our in-house drug discovery programme was enhanced by the announcement in August that the Company had achieved substantial progress in its joint research program with Cancer Research Technology Ltd. and the Cancer Research UK Centre for Cancer Therapeutics at the Institute of Cancer Research with the development of novel compound series that showed efficacy in cancer cell models. This has resulted in a number of patent application filings of these compounds and their use in the treatment of cancer. Consequently, we are expecting to be able to nominate a compound to enter pre-clinical development in the next twelve months. The Institute of Cancer Research is one of the world's leading cancer research organisations and thus a prestigious partner for Sareum's in-house research. In addition, we continue to work on a number of other quality cancer targets in our in-house programmes in addition to the joint venture activities. Further patent applications are expected to be made in the near future.

We have continued to make good progress in securing profitable service collaborations that generate revenues to support our in-house research. In this period, an agreement was reached with Roche, an initial one-year multi-target collaboration was entered into with Genentech and a potential 18-month multi-disciplinary drug discovery collaboration started with Plamed. In addition, repeat business was secured from Almirall and Lundbeck. Our existing collaborations continue to progress well, and success milestone payments have been received from our multi-disciplinary drug discovery collaborations with Organon and Idenix. These successes demonstrate the standard of excellence from our growing, expert research team ensures that we both deliver challenging milestones, and build a steady stream of new business from some of the largest and most respected names in this sector.

The overall increase in activity on in-house programmes and fee for service activities resulted in the need to create additional capacity and resource. We are currently upgrading our operations in Cambridge to accommodate additional equipment, to

create new facilities and to make space for additional staff. The placing of £312,000 in October was made to augment the cash available from our own activities, to fund this investment. The cash position was further underpinned by a placing of £400,000 announced in January.

During this period, revenues of £1,205,000 have been recognised, over one third of which (£423,000) came from success milestone payments., This represented a more than three-fold increase in revenue over the same period last year, and is only 18% less than the revenues reported for the full 2005/06 year. In addition, pre-payments of £401,000 were received in December which will be recognised in the current financial year, an increase of £319,000 compared with June 2006. Thus the total contracted sales for this period are £1,514,000 and in line with Board expectations. We ended the half year with net current assets of £996,000, an increase of over £1 Million including £767,000 cash in bank.

The announcement in January 2007 of a research collaboration with Johnson and Johnson Pharmaceutical R&D adds a further major global pharmaceutical company to Sareum growing list of blue chip collaborators. The Company's order book currently stands at £4 Million achievable over the next 18 months, assuming successful delivery of milestones.

A focus on meeting (or exceeding) customer expectations to maximise the revenue potential of each contract combined with careful management of costs has resulted in a loss on ordinary activities (after taxation) of £208,000. This is approximately one third of that for the same period last year. The Company's short term cash position is expected to improve further in H2 as the revenues from existing contracts and the additional revenues from the contracts signed in this period flow through.

Sareum has demonstrated that it is able to advance its in-house research by developing programmes to plan whilst at the same time investing in strategic alliances to develop candidate drug molecules. In addition, there has been a more than three-fold increase in its revenue generating activities and a healthy cash position. This is a creditable performance and one that reflects the professionalism and commitment of the entire Sareum team to excellence and to generating shareholder value. Sareum will continue to build on this position via expansion of its facilities and advancement of its exciting in-house anti-cancer drug pipeline.

Dr Paul Harper  
Chairman  
Sareum Holdings plc

## Sareum Holdings plc

### Unaudited Consolidated Profit & Loss Account for the half year ended 31 December 2006

	Unaudited Half Year to 31 Dec 06 £'000	Unaudited Half Year to 31 Dec 05 £'000	Audited Year ended 30 Jun 06 £'000
<b>Turnover</b>	<b>1,205</b>	<b>361</b>	<b>1,476</b>
Cost of sales	(833)	(476)	(1,080)
<b>Gross profit (loss)</b>	<b>372</b>	<b>(115)</b>	<b>396</b>
Administrative expenses	(671)	(555)	(1,146)
<b>Operating loss</b>	<b>(299)</b>	<b>(670)</b>	<b>(750)</b>
Interest receivable and similar income	5	3	10
Interest payable and similar charges	(5)	(7)	(12)
<b>Loss on ordinary activities before taxation</b>	<b>(299)</b>	<b>(674)</b>	<b>(752)</b>
Tax on loss on ordinary activities	91	72	128
<b>Loss on ordinary activities after taxation</b>	<b>(208)</b>	<b>(602)</b>	<b>(624)</b>
<i>Loss per share (pence)</i>			
<i>Basic and diluted</i>	0.05p	0.17p	0.18p

## Sareum Holdings plc

### Unaudited Consolidated Balance Sheet as at 31 December 2006

	Unaudited 31 Dec 06 £'000	Unaudited 31 Dec 05 £'000	Audited 30 Jun 06 £'000
<b>Fixed assets</b>			
Intangible assets	14	20	18
Tangible assets	720	857	792
	<b>734</b>	<b>877</b>	<b>810</b>
<b>Current assets</b>			
Debtors	997	469	437
Cash at bank and in hand	767	153	528
	<b>1,764</b>	<b>622</b>	<b>965</b>
Creditors: amounts falling due within one year	(367)	(403)	(435)
deferred income	(401)	(302)	(82)
<b>Net current assets</b>	<b>996</b>	<b>(83)</b>	<b>448</b>
<b>Total assets less current liabilities</b>	<b>1730</b>	<b>794</b>	<b>1,258</b>
Creditors: amounts falling due after more than one year	(45)	(77)	(63)
<b>Net assets</b>	<b>1,685</b>	<b>717</b>	<b>1,195</b>
<b>Capital and reserves</b>			
Called up share capital	112	87	93
Share premium account	3,767	2,594	3,088
Merger reserve	0	0	0
Profit and loss account	(2,194)	(1,964)	(1,986)
<b>Equity shareholders' funds</b>	<b>1,685</b>	<b>717</b>	<b>1,195</b>

**Sareum Holdings plc**  
**Unaudited Consolidated Cash Flow Statement for the half year ended**  
**31 December 2006**

	Unaudited Half year to 31 Dec 06 £'000	Unaudited Half year to 31 Dec 05 £'000	Audited Year to 30 Jun 06 £'000
Net cash outflow from operating activities	(415)	(467)	(363)
Returns on investments and servicing of finance	-	(4)	(2)
Taxation	128	120	120
Capital Expenditure	(54)	(9)	(66)
<b>Cash flow before financing</b>	<b>(341)</b>	<b>(408)</b>	<b>(311)</b>
Financing – share issue	698	0	500
Financing – loans and leases	(118)	120	(102)
<b>Increase (decrease) in cash</b>	<b>239</b>	<b>(288)</b>	<b>87</b>

**Reconciliation of operating loss to net cash outflow from operating activities**

	Unaudited Half year to 31 Dec 06 £'000	Unaudited Half year to 31 Dec 05 £'000	Audited Year to 30 Jun 06 £'000
Operating profit (loss)	(299)	(670)	(750)
Depreciation and amortisation	129	120	244
Increase in debtors	(597)	(275)	(67)
Increase in creditors	352	310	210
<b>Net cash outflow from operations</b>	<b>(415)</b>	<b>(515)</b>	<b>(363)</b>

**Reconciliation of net cash flow to movement in net funds**

	Unaudited Half year to 31 Dec 06 £'000	Unaudited Half year to 31 Dec 05 £'000	Audited Year to 30 Jun 06 £'000
Increase/(Decrease) in cash	239	(288)	87
Cash inflow from financing	119	54	102
<b>Change in net funds resulting from cash flows</b>	<b>358</b>	<b>(234)</b>	<b>189</b>
Net funds at period start	332	143	143
<b>Net funds at period end</b>	<b>690</b>	<b>(91)</b>	<b>332</b>

**Analysis of changes in net funds**

	1 Jul 06 £'000	Cash flow £'000	31 Dec 06 £'000
Cash in hand and at bank	528	239	767
Debt: due within one year	(30)	(2)	(32)
Due after one year	(63)	18	(45)
Finance lease agreements	(103)	103	-
<b>Net funds</b>	<b>332</b>	<b>358</b>	<b>690</b>

## SAREUM HOLDINGS PLC

### NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

#### 1. FINANCIAL INFORMATION

The results for the six months ended 31 December 2006 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The 30 June 2006 Annual Report and Accounts are available from Sareum's web site, [www.sareum.co.uk](http://www.sareum.co.uk).

#### 2. BASIS OF ACCOUNTING

They have been drawn up using the same accounting policies and principles as are detailed in the Company's 30 June 2006 Annual Report and Accounts.

#### 3. TAXATION

No liability arises for corporation tax for the period ended 31 December 2006. Research and Development tax credits receivable as cash are estimated to be £91,100 for the period.

#### 4. DIVIDENDS

The directors do not propose the payment of a dividend in respect of the six months ended 31 December 2006.

#### 5. LOSS PER SHARE

Basic and diluted loss per share	0.05p (2005: 0.17p)
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The basic loss per ordinary share is based on the Group's loss for the six months of £208,000 (2005: £602,000) divided by the weighted average number of shares in issue. The weighted average number of shares in issue during the period was 388,662,000 (2005: 347,750,000).

#### 6. DEFERRED INCOME

Deferred income has increased substantially during the half year. Deferred income arises when sales invoices have been issued to clients but the work covered by the invoices has not been completed at the end of the accounting period. Deferred income will be credited to turnover once the invoiced work is complete.