

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

**FINANCIAL RESULTS FOR THE SIX MONTHS ENDED  
31 DECEMBER 2005**

**Sareum Holdings plc** (AIM: SAR), the specialist structure-based drug discovery and services business, is pleased to announce its financial results for the six month period ended 31 December 2005.

**Business Highlights during period 1 July to 31 December 05:**

- Major in-house drug discovery collaboration with leading cancer centres
- Crystal Bank protein structure resource launched
- Four-fold increase in revenues to £361,000 plus a further £302,000 in deferred revenue; ahead of Board expectations
- Four-fold reduction in cash outflow before financing
- Multi-disciplinary drug discovery collaboration with Organon
- New protein structure collaborations with international pharmaceutical companies.

**Post-period end highlights:**

- \$5M Research collaboration with Idenix Pharmaceuticals
- Exercise of £500,000 Put and Call option
- Crystal Bank collaboration with UCB
- Total current order book, depending on success, of £4 Million

**Dr Tim Mitchell, CEO of Sareum Holdings plc, said:** "Sareum has enjoyed yet another productive and successful period. The Company has enhanced its in-house drug discovery and secured revenue-generating collaborations with a further six international pharmaceutical companies. We continue to move closer to our goal of fully funding valuable cancer research programs from our sales revenues."

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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. Sareum Limited was formed in August 2003 to discover new drugs for the treatment of cancer 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.

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 the protein permits the best potential drug to be discovered. Determining structure is a complex task and requires leading-edge equipment and experienced staff. Sareum's approach to structure determination is to produce multiple recombinant proteins primarily through a baculovirus expression system and to determine their structure using x-ray crystallography.

When the structure is determined, the Company's innovative Template Screening platform is used to identify novel chemical starting material 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 provides its specialist drug discovery capabilities to partners in the pharmaceutical and biotechnology industries. The Company aims to successfully deliver: Programmes for complete gene-to-candidate structure-based discovery; projects to accelerate or improve the productivity of specific activities; and drug candidates for licensing 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](http://www.sareum.co.uk)

## **Interim Results for the six months ended 31 December 2005**

### **Chairman's Statement**

Sareum Holdings plc has enjoyed another successful trading period, building both its in-house drug discovery and its service business with a series of collaborations with leading pharmaceutical research partners. The message is clear: Major international pharmaceutical companies are prepared to endorse Sareum's technology platform by investing in research programmes to advance their own key programmes.

Our in-house drug discovery was significantly enhanced by the announcement in July that the Company had established a joint research team with Cancer Research Technology Ltd. and the Cancer Research UK Centre for Cancer Therapeutics at the Institute of Cancer Research, to develop cancer treatments that are effective against tumours that are resistant to traditional therapeutics. 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, and this collaboration continues to progress on-track. We are currently working on a number of cancer targets for our in-house programmes in addition to the joint venture activities. If all goes to plan we aim to have a candidate molecule ready to enter pre-clinical development within 12-18 months

We have made better than expected progress in securing service collaborations that generate revenues to support our in-house research. In this period, agreements were reached with Almirall Prodesfarma, Infinity Pharmaceuticals and Schering AG. In addition to receiving research fees, success milestone payments have also been earned in all of these collaborations. Additionally, in December, collaborative agreements were entered into with Idenix Pharmaceuticals, Organon and Lundbeck. The collaboration with Organon represented Sareum's largest fee-for-service collaboration. It is the first programme to combine the Company's expertise in its three key areas of protein structure determination, Template Screening and automated medicinal chemistry.

The Crystal Bank protein structure resource was launched during the period. This provides the Company with a source of additional revenue as well as being an effective demonstration of Sareum's success in its core capability of protein structures determination. In November, we announced additions to the Crystal Bank, increasing the number of therapeutically relevant proteins to 16. A number of the collaborations referred to above are expected to provide additional proteins to Crystal Bank.

During this period, revenues of £361,000 have been recognised, representing a more than four-fold increase over the same period last year. In addition, pre-payments of £302,000 were received for collaborations signed in December, which will be recognised by the end of the current financial year. Thus the total contracted sales for this period are £662,000 and somewhat ahead of Board expectations. This brings the total amount earned by the Company, from its service activities since flotation in October 2004, to almost £1 Million. With the announcement in February 2006 of a

second research collaboration with Idenix Pharmaceuticals, inc. that has a value of up to US\$ 5 Million, the Company's order book currently stands at £4 Million, depending on successful delivery.

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 cash outflow before financing of £408,000. This is less than a quarter of that in the same period last year. The Company's short term cash position is expected to improve substantially in H2 as the revenues from existing contracts and the additional revenues from the contracts signed in December flow through. This position was further underpinned by the £0.5 Million put and call option exercised by Billam AG in February 2006.

Sareum has demonstrated that it is able to considerably advance its in-house research by developing programmes to plan whilst at the same time investing in strategic alliances to develop candidate drug molecules, increasing its revenue generating activities by more than fourfold. 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.

Dr Paul Harper

Chairman Sareum Holdings plc

**Sareum Holdings plc**

**Unaudited Consolidated Profit & Loss Account for the half year ended  
31 December 2005**

	Unaudited Half Year to 31 Dec 05 £'000	Unaudited Half Year to 31 Dec 04 £'000	Audited Year ended 30 Jun 05 £'000
<b>Turnover</b>	<b>361</b>	<b>82</b>	<b>332</b>
Cost of sales	(476)	(342)	(799)
<b>Gross loss</b>	<b>(115)</b>	<b>(260)</b>	<b>(467)</b>
Administrative expenses	(555)	(358)	(912)
<b>Operating loss</b>	<b>(670)</b>	<b>(618)</b>	<b>(1,379)</b>
Interest receivable and similar income	3	12	29
Interest payable and similar charges	(7)	(7)	(14)
<b>Loss on ordinary activities before taxation</b>	<b>(674)</b>	<b>(613)</b>	<b>(1,364)</b>
Tax on loss on ordinary activities	72	-	120
<b>Loss on ordinary activities after taxation</b>	<b>(602)</b>	<b>(613)</b>	<b>(1,244)</b>
<i>Loss per share (pence)</i>			
<i>Basic and diluted</i>	0.2p	0.2p	0.4p

## Sareum Holdings plc

### Unaudited Consolidated Balance Sheet as at 31 December 2005

	Unaudited 31 Dec 05 £'000	Unaudited 31 Dec 04 £'000	Audited 30 Jun 05 £'000
<b>Fixed assets</b>			
Intangible assets	20	26	24
Tangible assets	857	813	964
	<b>877</b>	<b>839</b>	<b>988</b>
<b>Current assets</b>			
Debtors	469	192	363
Cash at bank and in hand	153	1,242	441
	<b>622</b>	<b>1,434</b>	<b>804</b>
Creditors: amounts falling due within one year	(403)	(171)	(320)
deferred income	(302)	(26)	(59)
<b>Net current assets</b>	<b>(83)</b>	<b>1,237</b>	<b>425</b>
<b>Total assets less current liabilities</b>	<b>794</b>	<b>2,076</b>	<b>1,413</b>
Creditors: amounts falling due after more than one year	(77)	(126)	(93)
<b>Net assets</b>	<b>717</b>	<b>1,950</b>	<b>1,320</b>
<b>Capital and reserves</b>			
Called up share capital	87	87	87
Share premium account	2,594	2,594	2,594
Merger reserve	0	0	0
Profit and loss account	(1,964)	(731)	(1,361)
<b>Equity shareholders' funds</b>	<b>717</b>	<b>1,950</b>	<b>1,320</b>

**Sareum Holdings plc**  
**Unaudited Consolidated Cash Flow Statement for the half year ended**  
**31 December 2005**

	Unaudited Half year to 31 Dec 05 £'000	Unaudited Half year to 31 Dec 04 £'000	Audited Year to 30 Jun 05 £'000
Net cash outflow from operating activities	(395)	(1,285)	(1,553)
Returns on investments and servicing of finance	(4)	5	15
Capital Expenditure	(9)	(410)	(881)
<b>Cash flow before financing</b>	<b>(408)</b>	<b>(1,690)</b>	<b>(2,419)</b>
Financing	120	2,932	2,719
<b>Increase/(Decrease) in cash</b>	<b>(288)</b>	<b>1,242</b>	<b>300</b>

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

	Unaudited Half year to 31 Dec 05 £'000	Unaudited Half year to 31 Dec 04 £'000	Audited Year to 30 Jun 05 £'000
Operating loss	(670)	(618)	(1,379)
Depreciation and amortisation	120	59	159
(Increase) in debtors	(155)	(100)	(150)
Increase/(Decrease) in creditors	310	(626)	(184)
<b>Net cash outflow from operations</b>	<b>(395)</b>	<b>(1,285)</b>	<b>(1,554)</b>

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

	Unaudited Half year to 31 Dec 05 £'000	Unaudited Half year to 31 Dec 04 £'000	Audited Year to 30 Jun 05 £'000
Increase/(Decrease) in cash	(288)	1,242	300
Cash inflow/(outflow) from financing	54	(730)	(298)
<b>Change in net funds resulting from cash flows</b>	<b>(234)</b>	<b>512</b>	<b>2</b>
Conversion of convertible loan	-	450	-
Net funds at period start	143	141	141
<b>Net funds at period end</b>	<b>(91)</b>	<b>1,103</b>	<b>143</b>

**Analysis of changes in net funds**

	1 Jul 05 £'000	Cash flow £'000	31 Dec 05 £'000
Cash in hand and at bank	441	(288)	153
Debt: due within one year	(28)	-	(28)
due after one year	(93)	14	(79)
finance lease agreements	(177)	40	(137)
<b>Net funds</b>	<b>143</b>	<b>(234)</b>	<b>(91)</b>

## SAREUM HOLDINGS PLC

### NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

#### 1. FINANCIAL INFORMATION

The results for the six months ended 31 December 2005 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The 30 June 2005 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 2005 Annual Report and Accounts.

#### 3. TAXATION

No liability arises for corporation tax for the period ended 31 December 2005. Research and Development tax credits are estimated to be £72,200 for the period.

#### 4. DIVIDENDS

The directors do not propose the payment of a dividend in respect of the six months ended 31 December 2005.

#### 5. LOSS PER SHARE

Basic and diluted loss per share	0.2p (2004: 0.2p)
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The basic loss per ordinary share is based on the Group's loss for the six months of £602,000 (2004: £613,000) divided by the weighted average number of shares in issue. The weighted average number of shares in issue during the period was 347,750,000 (2004: 246,500,932).

#### 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.

#### 7. WORKING CAPITAL

Under the arrangements put in place when the Company floated on AIM the Company has access to an additional £0.5 million of funds under a "put and call" option, which is exercisable on or before 28<sup>th</sup> February 2006.