

**PROXIMAGEN NEUROSCIENCE PLC**  
("Proximagen" or "the Company")

**Interim results for the six months  
ended 31 May 2009**

London, UK, 23 July 2009 – Proximagen Neuroscience plc (AIM: PRX), the biopharmaceutical company focused on diseases of the central nervous system (CNS), today announces its interim results for the six months ended 31 May 2009.

**Highlights:**

- Continued strong R&D investment of £1.19 million in the period (2008: £1.37 million).
- Cash and other financial assets of £8.49 million at 31 May 2009 (30 November 2008: £10.21 million).

**Post period-end highlights:**

- £50 million (before expenses, £49 million net) raised from new and existing shareholders, including participation from licensing partner Upsher-Smith Laboratories, Inc. (Upsher-Smith).
- The funding will be used to acquire drug development programmes of the CNS and to help build Proximagen into a self-financed biopharmaceutical company.

**Commenting on this announcement, Kenneth Mulvany, Chief Executive Officer of Proximagen Neuroscience plc, said:** "Our £50 million fundraising has equipped Proximagen with the right tools at the right time to transform the Company. We intend to build a sustainable biopharma business through a variety of transactions. We understand from investors that the sector has demanded results via a route of asset consolidation for some time now and we look forward to delivering deals and beginning to prove our new business strategy before the end of the year."

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## **Chairman's and Chief Executive's Statement**

### **Introduction**

2009 is shaping up to be a momentous year for your Company. Earlier this year, we outlined the business strategy to build value through asset consolidation within the biotechnology sector. To that end, we recently announced that we raised £50 million from new and existing investors. The fundraising was one of the largest in the biotechnology sector in the past decade and uniquely positions Proximagen within this sector. With the Company's existing programmes largely partnered, this leaves the Company with more than £57 million in cash to invest in asset consolidation during a very challenging time for many biotech companies.

### **Overview**

The UK biotechnology sector has historically been a world leader, pioneering some truly life-changing scientific discoveries, and as such, has historically attracted a large amount of investment capital from each of the government, institutional investors, venture capitalists and academia. However, despite this heritage and funding, proportionally few companies have delivered value to investors, leaving little investor appetite to continue to finance biotech companies.

It is not surprising that cash intensive companies with a high beta and dwindling cash resources have been unwanted investments and have been unable to attract funding over the past year. Industry specialists have reported that a significant number of sector companies have less than 12 months' cash. Investors feel that this is a risky proposition for small biotechnology companies which have little critical mass and focus their resources on one or two key programmes and their non-R&D overheads. Replicated non-R&D overheads generate little value, decrease the amount that can be spent on value-driving R&D and therefore multiply risk. Proximagen believes that significant value creation opportunities can arise by building critical mass, reducing the cost base, and focusing resources on a more promising pipeline where tough decisions will be taken to discontinue weak programmes. Many sector specialists believe that there is a large proportion of biotechnology companies that are too small and under-resourced to effectively compete and return value to UK investors.

The principle of consolidation has been a recurrent theme in the sector, particularly in difficult times. However, with notable exceptions, little consolidation has taken place. There are thought to be a variety of reasons for this, one is that smaller biotechnology companies have not had the resources to make cash bids and have chosen to undertake equity-based transactions. To this end, negotiations as to relative values in equity-based transactions, coupled with decisions over management roles, frequently become protracted and often discussions break down.

### **Valuations are attractive**

Many small biotechnology companies with a market capitalisation of less than £100 million have seen their market valuations depreciate over the past year. Approximately one in three UK listed small-cap biotech companies are trading at or below cash, reflecting the fact that investors believe that these companies will continue to spend the remainder of their cash without delivering further returns to shareholders. Thus in the current environment, many companies appear attractively priced. However, identifying such companies in the sector is easy; finding companies with strong technology and attractive value is more challenging.

Proximagen believes that it has the right team at the right time and it now has the right resources in terms of cash to deliver on a consolidation strategy, generating economies of scale and expertise, significant returns and returning value to investors in biotechnology.

### **Risk sharing and value creation**

Proximagen is seeing a number of acquisition and partnering opportunities in the CNS space, including those that are from larger companies keen to divest non-core programmes. Proximagen, with the aim of acquiring undervalued assets, would develop programmes from such companies and work in a variety of ways and via innovative deal structures to share risk and co-fund the development and commercialisation of promising programmes.

### **Development Discipline**

The efforts of connecting science and development with a strong financial discipline can already be seen in our R&D pipeline. Relative to other biotechnology companies, Proximagen now has a rich and growing early stage pipeline,

reflecting the Company's ability to pursue treatments for various therapeutic indications. Research at Proximagen has always been a streamlined process with those programmes showing more visible commercialisation opportunities receiving more resources.

We are pleased that our scientific efforts within our programmes continue to translate into research and development success. Our most advanced programme, PRX1, is a platform of levodopa (L-DOPA) prodrugs for symptomatic treatment of Parkinson's disease (PD), a market worth more than \$2 billion annually. There is the potential for a longer acting L-DOPA drug with a reliable absorption profile to make significant headway into this market. This programme has been partnered with U.S.-based pharmaceutical company, Upsher-Smith. Results generated to date have been very encouraging, showing a pre-clinical profile with reliable onset of activity, a significantly increased duration of action, and an overall improved efficacy compared to best selling drug combination, L-DOPA plus entacapone. Importantly, these benefits occur with a reduction in the unwanted side-effect of dyskinesia, an improvement which could prove to be a major breakthrough for patients suffering from PD.

Our scientific efforts within our other programmes also continue to translate into research and development success. As we begin to develop more programmes from the consolidation opportunities available to us, we plan to increase development activity substantially over the next several years. Even as we grow however, we will maintain a streamlined and cost efficient company, but one in which innovation and cutting edge science happen through collaboration, and where the most talented scientists want to work.

## **Financial review**

### **Income statement**

The operating loss for the six months ended 31 May 2009 was £1.48 million (2008: loss of £1.84 million). Our expenditure on R&D was £1.19 million, compared with £1.37 million for the same period last year and £0.95 million for the second half of 2008, as we continue to progress our programmes through the pre-clinical pipeline.

Revenue principally represents the recognition of revenue under the terms of our licensing agreement with Upsher-Smith and we also received a further installment of the grant from the Michael J Fox Foundation and Elan Pharmaceuticals in respect of our PRX4 programme.

Administrative expenses at £0.69m represent an increase over the same period in 2008 when administrative expenses were £0.55m. The increase is in line with our expectations and we expect to report increased administrative expenses as we incur further acquisition-related costs, such as due diligence and advisory fees.

The loss after tax was £1.14 million (2008: loss of £1.61 million) and the loss per share was 5.3p (2008: loss of 8.0p).

### **Balance sheet and cash flow**

At 31 May 2009, net assets amounted to £7.2 million (30 November 2008: £8.3 million), including net cash and other financial assets of £8.49 million (30 November 2008: £10.21 million). Cash outflow, excluding the realisation of financial assets, for the six months to 31 May 2009 was £1.72 million (six months ended 31 May 2008: £1.74 million).

## **Outlook: Moving forward with confidence**

We anticipate exciting times ahead, though we will approach our investments in acquired development programmes with a keen eye to mitigating risk through partnerships and collaborations with pharmaceutical partners where appropriate.

The key to our success is our people and we are grateful for their continued contribution. Their knowledge and expertise is important but it is their passion to make a difference to the lives of people with illness that really counts. Our thanks also go to our business partners for the confidence they have shown in us and for their continuous support, as well as the Board of Directors for their healthy challenge and support.

Importantly, we would like to again thank our investors for their trust and for sharing our enthusiasm to build a better Proximagen.

Kenneth Mulvany  
Peter Allen

22 July 2009

## CONSOLIDATED INCOME STATEMENT

For the six months ended 31 May 2009

	Note	Six months ended 31 May 2009 (Unaudited) £'000	Six months ended 31 May 2008 (Unaudited) £'000	Year ended 30 November 2008 (Audited) £'000
<b>Revenue</b>	2	396	98	272
Cost of sales		-	(18)	(32)
Operating costs				
Research and development		(1,185)	(1,373)	(2,318)
Administrative expenses		(687)	(546)	(1,381)
		(1,872)	(1,919)	(3,699)
<b>Operating loss</b>		(1,476)	(1,839)	(3,459)
Net finance income		37	227	491
<b>Loss before income tax</b>		(1,439)	(1,612)	(2,968)
Income tax credit	3	302	-	661
<b>Loss for the period attributable to equity shareholders</b>		(1,137)	(1,612)	(2,307)
<b>Basic and diluted loss per share attributable to equity shareholders of the company (pence)</b>	4	(5.3)	(8.0)	(11.4)

All group activities relate to continuing operations.

**CONSOLIDATED BALANCE SHEET AT 31 MAY 2009**

	Note	31 May 2009 (Unaudited) £'000	31 May 2008 (Unaudited) £'000	30 November 2008 (Audited) £'000
<b>Non-current assets</b>				
Property, plant and equipment		230	307	262
<b>Current assets</b>				
Trade and other receivables		425	595	296
Current tax receivable		570	-	268
Other financial assets	5	-	6,000	1,200
Cash and cash equivalents		8,494	769	9,013
<b>Total current assets</b>		<u>9,489</u>	<u>7,364</u>	<u>10,777</u>
<b>Total assets</b>		<u>9,719</u>	<u>7,671</u>	<u>11,039</u>
<b>Current liabilities</b>				
Trade and other payables				
Trade payables		(628)	(426)	(299)
Other taxation and social security		(36)	(37)	(31)
Accruals and deferred income	6	(1,832)	(135)	(2,408)
<b>Total current liabilities</b>		<u>(2,496)</u>	<u>(598)</u>	<u>(2,738)</u>
<b>Net current assets</b>		<u>6,993</u>	<u>6,766</u>	<u>8,039</u>
<b>Net assets</b>		<u>7,223</u>	<u>7,073</u>	<u>8,301</u>
<b>Equity</b>				
Ordinary shares		216	201	216
Share premium		14,527	12,661	14,527
Merger reserve		299	299	299
Share based payment reserve		258	157	199
Retained earnings		(8,077)	(6,245)	(6,940)
<b>Total equity</b>		<u>7,223</u>	<u>7,073</u>	<u>8,301</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 May 2009

	Six months ended 31 May 2009	Six months ended 31 May 2008	Year ended 30 November 2008
	(Unaudited) £'000	(Unaudited) £'000	(Audited) £'000
<b>Cash flows from operating activities</b>			
Loss before tax	(1,137)	(1,612)	(2,968)
Adjustments for:			
Depreciation	46	45	90
Net finance income	(37)	(227)	(491)
Share based payment	59	31	73
<b>Cash flow from operations before changes in working capital</b>	<b>(1,069)</b>	<b>(1,763)</b>	<b>(3,296)</b>
<b>Changes in working capital</b>			
(Increase)/decrease in trade and other receivables	(356)	58	160
(Decrease)/increase in trade and other payables	(241)	(245)	1,896
Cash used in operations	(1,666)	(1,950)	(1,240)
Income taxes received	-	-	393
Net cash used in operating activities	(1,666)	(1,950)	(847)
<b>Cash flow from investing activities</b>			
Financial assets realised	1,200	2,000	6,800
Interest received	29	210	604
Purchase of property, plant and equipment	(14)	(1)	(1)
Proceeds from sale of property, plant and equipment	-	3	3
Net cash generated from investing activities	1,215	2,212	7,406
<b>Cash flows from financing activities</b>			
Net proceeds from the issue of ordinary shares	-	-	1,881
Net cash from financing activities	-	-	1,881
Foreign exchange (loss)/gain	(68)	-	66
Net (decrease)/increase in cash and cash equivalents	(519)	262	8,506
Cash and cash equivalents at the beginning of the period	9,013	507	507
Cash and cash equivalents at end of the period	8,494	769	9,013

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Ordinary Shares</b>	<b>Share Premium</b>	<b>Merger reserve</b>	<b>Share based payment reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Six months ended 31 May 2009 (Unaudited)</b>						
<b>Balance at 1 December 2008</b>	216	14,527	299	199	(6,940)	8,301
Loss for the period	-	-	-	-	(1,137)	(1,137)
Total recognised income and expense for the period	-	-	-	-	(1,137)	(1,137)
Share based payments	-	-	-	59	-	59
<b>Balance at 31 May 2009</b>	<b>216</b>	<b>14,527</b>	<b>299</b>	<b>258</b>	<b>(8,077)</b>	<b>7,223</b>
<b>Six months ended 31 May 2008 (Unaudited)</b>						
<b>Balance at 1 December 2007</b>	201	12,661	299	126	(4,633)	8,654
Loss for the period	-	-	-	-	(1,612)	(1,612)
Total recognised income and expense for the period	-	-	-	-	(1,612)	(1,612)
Share based payments	-	-	-	31	-	31
<b>Balance at 31 May 2008</b>	<b>201</b>	<b>12,661</b>	<b>299</b>	<b>157</b>	<b>(6,245)</b>	<b>7,073</b>
<b>Year ended 30 November 2008 (Audited)</b>						
<b>Balance at 1 December 2007</b>	201	12,661	299	126	(4,633)	8,654
Loss for the period	-	-	-	-	(2,307)	(2,307)
Total recognised income and expense for the period	-	-	-	-	(2,307)	(2,307)
Share based payments	-	-	-	73	-	73
Issue of share capital	15	1,866	-	-	-	1,881
<b>Balance at 30 November 2008</b>	<b>216</b>	<b>14,527</b>	<b>299</b>	<b>199</b>	<b>(6,940)</b>	<b>8,301</b>

## Notes

### 1. Basis of preparation

These unaudited interim financial statements are for the six months ended 31 May 2009. They have been prepared on the basis of the accounting policies expected to apply for the financial year to 30 November 2009 and in accordance with recognition and measurement principles of International Financial Reporting Standards (IFRS) 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 November 2008. The financial information in this interim announcement does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The IFRS that will be effective in the financial statements for the year to 30 November 2009 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 November 2009.

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 IFRS, they cannot be construed as being in full compliance with IFRS.

The comparative financial information for the year ended 30 November 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of Proximagen Neuroscience plc for the year ended 30 November 2008 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain an emphasis of matter statement. The auditors' report did not contain statements under Section 237(2) or 272(3) of the Companies Act 1985.

### 2. Revenue recognition

#### i) Services rendered

Revenue represents the value of services provided to third parties after deducting Value Added Tax. Revenue is derived from a range of services aimed at accelerating the drug discovery process in neurology. Services are generally provided through specific research agreements with distinct milestones, each with a typical study duration of three to six months.

Revenue from these services is recognised on a percentage to completion basis. Fixed price contracts are assessed on a contract by contract basis and reflected in the income statement by recording revenue and related costs as contract activity progresses. Revenue is recognised so as to reflect the right to consideration as contract activity progresses by reference to the value of work performed. The amount by which revenue exceeds payments on account is included in trade and other receivables; to the extent that payments on account exceed relevant revenue, the excess is included as deferred income. Provisions for estimated losses, if any, on uncompleted contracts are recognised in the period in which the likelihood of such losses is determined.

#### b) Licence revenues

Product licence transactions typically have an initial upfront payment, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales. Where the initial fee paid is received in connection with product licensing agreements, even where such fees are non-refundable and not creditable against future royalty payments, such fees are deferred and recognised as income by reference to the development costs incurred in developing the programme towards the next milestone.

When the Group receives milestone payments for achieving pre-defined targets during pre-clinical and clinical development, these milestones are recognised when receivable (i.e. on achievement of the pre-defined target) except where a proportion of the milestone is to be applied to the development of the programme which is the subject of the licensing agreement. In such circumstances, the income is deferred and recognised as income by reference to the development costs incurred in developing the programme towards the next milestone.

#### c) Grant income

Grant income is recognised when there is reasonable assurance that the conditions attaching to the grant have been met and that the grant will be received.

Six months ended

Six months ended

Year ended

	<b>31 May 2009</b>	<b>31 May 2008</b>	<b>30 November 2008</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Services rendered	-	56	109
License revenues	341	-	79
Grant income	55	42	84
Total	<u>396</u>	<u>98</u>	<u>272</u>

### **3. Tax on loss on ordinary activities**

The tax credit figure for the current period represents an estimate of the research and development tax credit receivable in respect of R&D expenditure incurred in the current period.

### **4. Loss per share**

The calculation of loss per share for the period ended 31 May 2009 is based upon the loss after tax for the period of £1,137,000 divided by the weighted average number of 21,581,715 shares in issue during the six month period to 31 May 2009. 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.

### **5. Other financial assets**

Other financial assets comprise Sterling fixed rate bank deposits of greater than three months' maturity. As at 31 May 2009, no bank deposits had a maturity date greater than three months.

### **6. Accruals and deferred income**

The Accruals and deferred income balance principally comprises deferred income in relation to out-licensing agreements. When the Group receives milestone payments for achieving pre-defined targets during pre-clinical and clinical development, these milestones are recognised when receivable (i.e. on achievement of the pre-defined target) except where a proportion of the milestone is to be applied to the development of the programme which is the subject of the licensing agreement. In such circumstances, the income is deferred and recognised as income by reference to the development costs incurred in developing the programme towards the next milestone.

### **7. Availability of information**

Copies of this interim report are available at the Registered Office of the Company, Hodgkin Building, Guy's Campus, King's College, London SE1 1UL and on the Company's website, [www.proximagen.com](http://www.proximagen.com).