

Source BioScience plc

Annual Results

Year ended 31 December 2010

Healthcare

LifeSciences

PharmaBiotech

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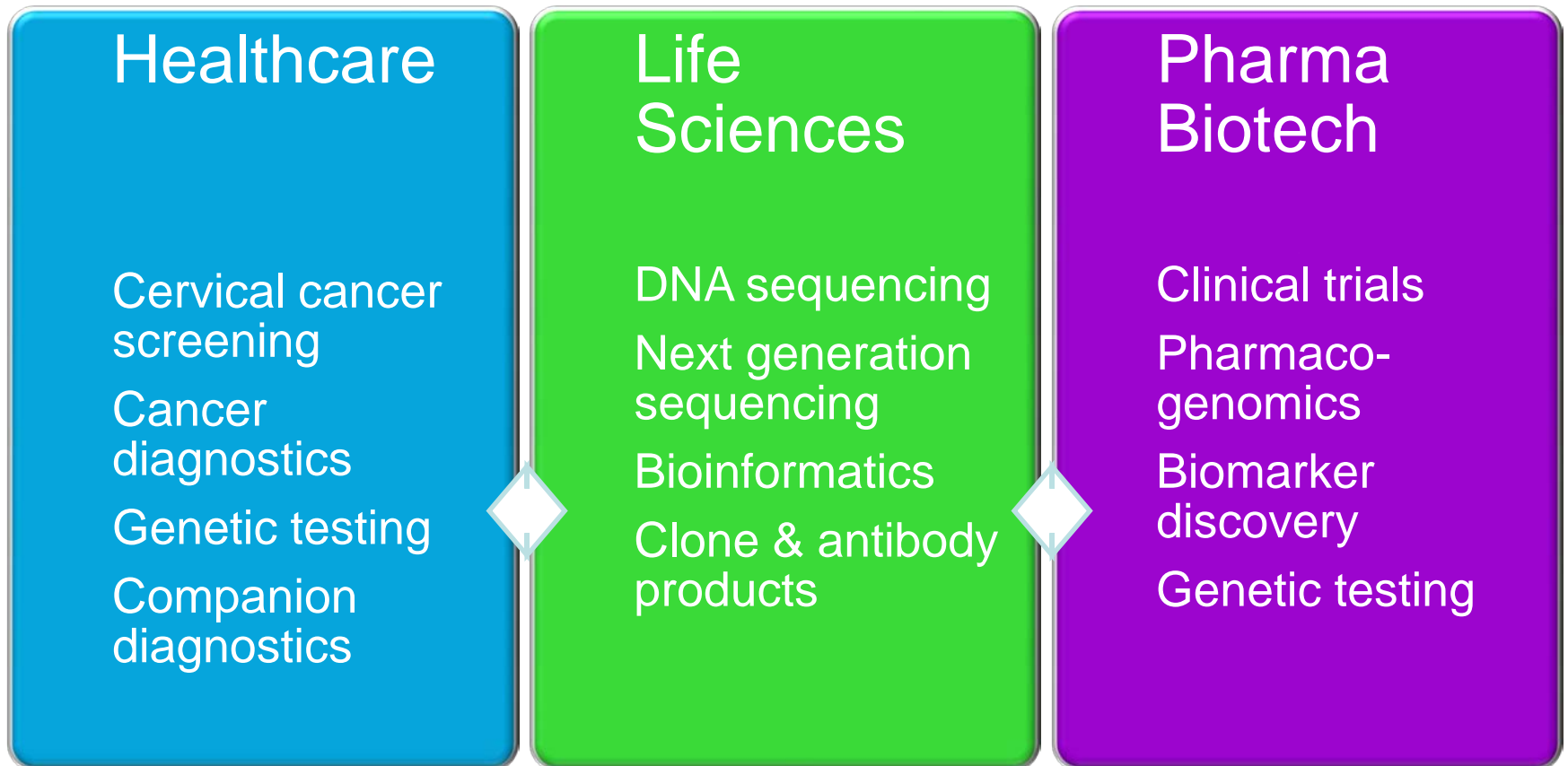
About Source BioScience

- International diagnostics and genetic analysis business serving the healthcare, research and pharmaceutical industries
- Premium LSE listing (LSE: SBS)
- 3 operating divisions and markets:

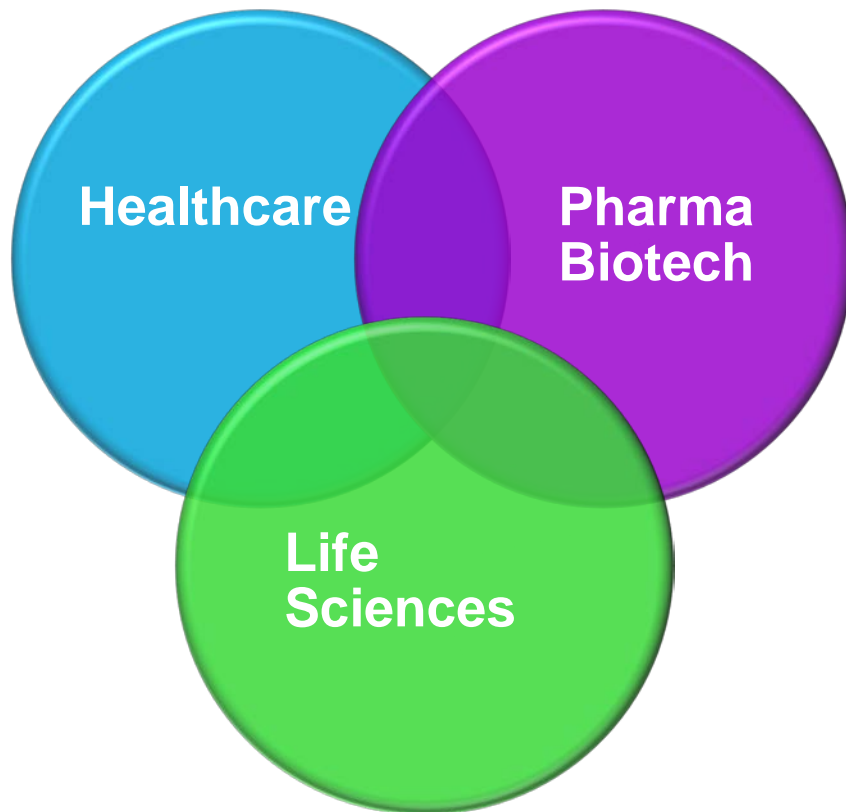
Division	Market
Healthcare	NHS and private healthcare; mainly UK
LifeSciences	Academic labs and research institutions; mainly UK but increasing overseas
PharmaBiotech	Pharma and biotech; globally

- State of the art laboratory facilities in Oxford, Cambridge, London and Nottingham with recently launched new facilities in Dublin and Berlin
- Highest standard quality accreditations including CPA, GLP and GCP
- Experienced Board and 130 employees across the Group

Group overview



Group overview



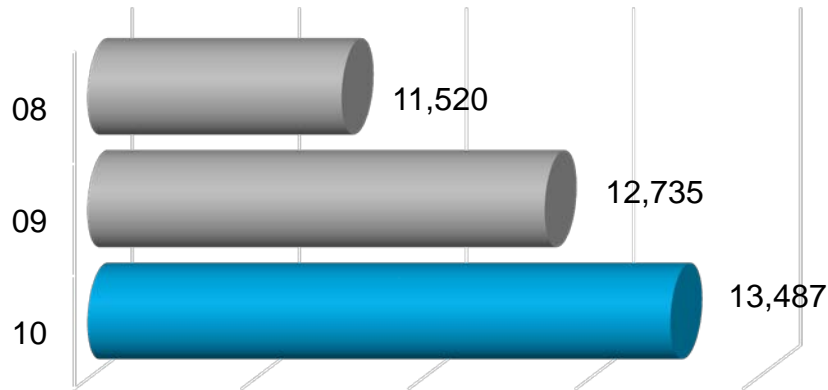
- Shared expertise and technology platforms
- Broad portfolio of complementary services and products
- Integrated operational and commercial infrastructure
- Robust business model within each division
- Opportunities from overlap and complementary nature of activities

Operational highlights

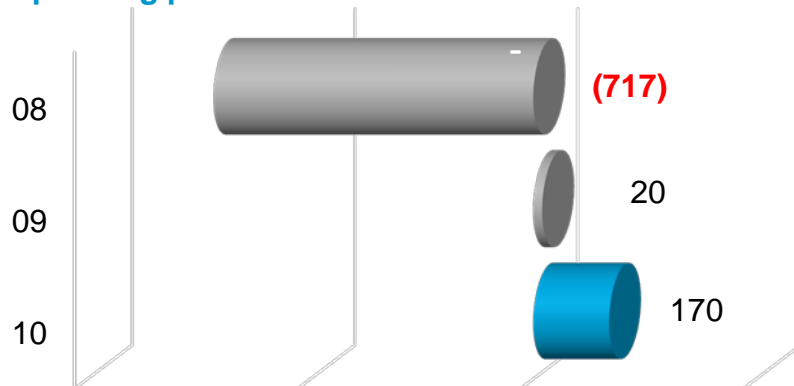
- Acquisition of imaGenes
- Award of cervical cancer screening contract worth up to £5.0 million over 5 years
- Installation of HiSeq 2000™ next generation sequencing platform
- Won competitive bid to provide sequencing services to Research Councils UK
- DNA sequencing lab opened in Dublin
- Agreements signed with leading pharma to provide companion diagnostic cancer testing
- Launch of LifeSciences website and e-commerce portal; over 20 million clones and over 90,000 antibodies
- New DNA sequencing service launched from Berlin facility
- **SpeedREAD™** launched, the world's fastest DNA sequencing service

Financial highlights

Revenue £'000



Operating profit* £'000

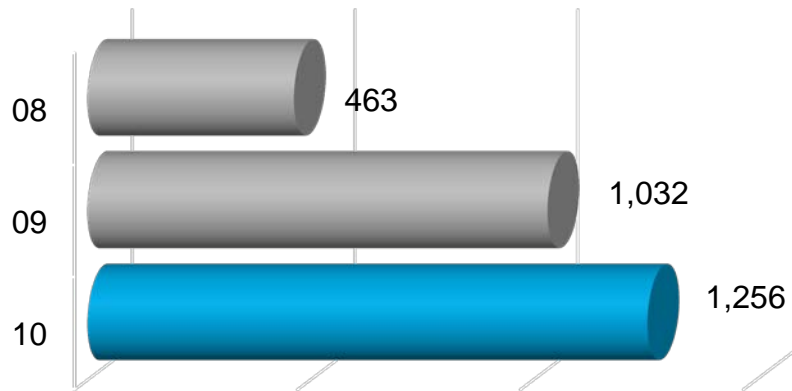


- Profitable and cash generative
- Good opportunities for growth across all three divisions
- Revenue up 6%; year on year growth
- Operating profit* increased eight fold
- Costs controlled and operational gearing exploited
- imaGenes contributed £0.2 million revenue and £25,000 profit
- Strong financial position to support future business growth

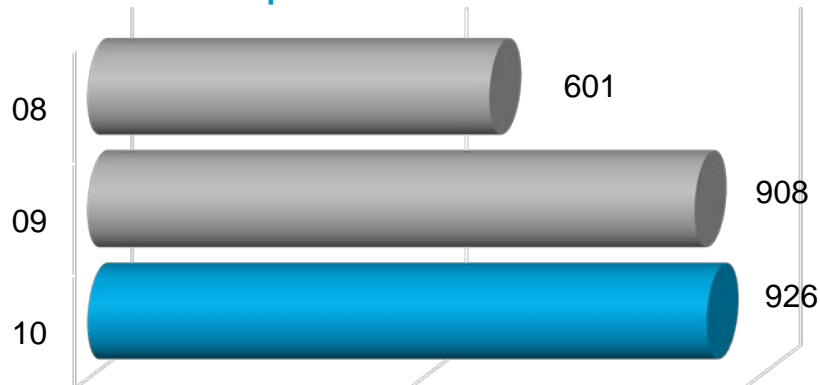
* Operating profit from continuing operations stated after adjusting for the transaction costs of £159,000 on the acquisition of imaGenes

Financial highlights (continued)

EBITDA* £'000



Cash flow from operations £'000



- Significantly cash generative
- Year on year EBITDA* and cash flow growth
- Cash balance of £4.2 million
- Bank debt of £400k acquired with imaGenes
- Cash available to invest in
 - acquisition opportunities
 - new technologies, where demand exists

* EBITDA from continuing operations stated after adjusting for the transaction costs of £159,000 on the acquisition of imaGenes

Value drivers and strategy – Healthcare

Cytology

Cervical cancer screening
dominant market position

Mature market; significant barriers
to entry

Diagnostics

Expertise in breast, lung, CR and
gastric cancer diagnostics

Genetic testing and companion
diagnostics

NHS c. £2 billion spend on
pathology; global cancer
diagnostic market c. £4 billion

Highly accredited labs

Cytology

Automated imaging adoption by
NHS; incremental £2 million pa

HPV testing – gene-based test
companion with cancer vaccine

Diagnostics

Other cancers and non-cancer
diseases

Targeted therapeutics demand
companion diagnostics

Changes to NHS funding; ideal
outsourcing partner

Increased understanding of genetic
cause of disease and genetic
response to therapy

Value drivers and strategy – LifeSciences

Sequencing services

Leading player in Europe for DNA sequencing and genomics

Cutting edge next generation technologies; fee for service

Extensive bioinformatics capability

Products

Huge portfolio of clone (>20 million) and antibody (>90,000) products

Enhanced e-commerce platform and on-line tools

Geographic reach into European markets

Sequencing services

Exploit critical mass; credibility as leading commercial provider

Nascent market in next gen sequencing; >£100m market

Releases value from data for customer

Products

One stop shop; cross-selling of bundled products and services

Significant untapped potential

Roll out of successful UK-based model

Value drivers and strategy – PharmaBiotech

GLP/GCP accreditations for regulatory studies

Pathology expertise and genetic capability; “single site” for multiple assays

Access to cutting edge technology platforms

Relationships with leading global pharma companies

Licensed by the UK Human Tissue Authority

Gene-based biomarkers and biomarker development

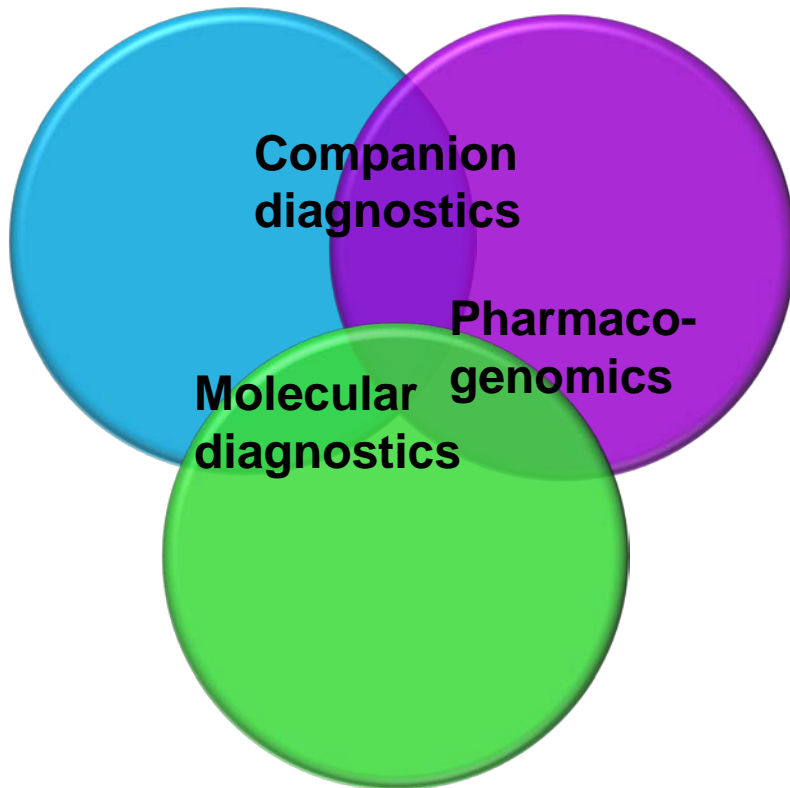
Extremely precious clinical samples; maximise analysis

Reduced time/cost of clinical trials

Funding cuts in large pharma; ideal outsourcing partner

Companion diagnostics demand increasing

Value drivers and strategy - Group



Companion diagnostics and personalised medicine

biomarkers for disease predisposition and therapy response

- Companion diagnostics and targeted therapies
- Personalised genomics and predisposition testing

Molecular diagnostics

combine genetics and pathology to diagnose; predict and monitor disease

- Genetic testing for diagnostics
- Diagnostic genotyping eg cytogenetics

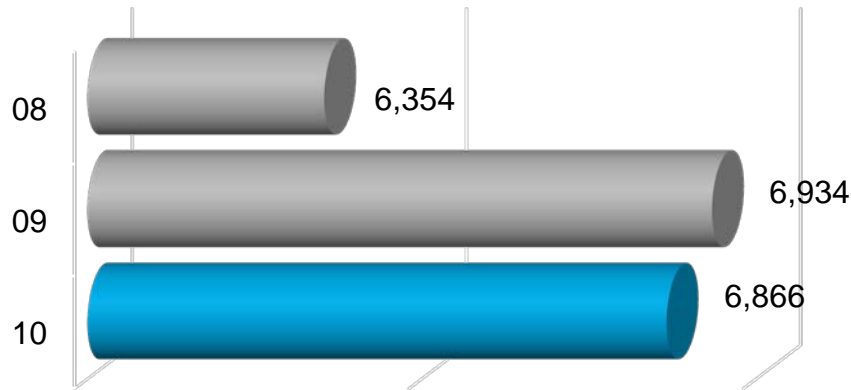
Pharmacogenomics

how genetics determines response to therapies

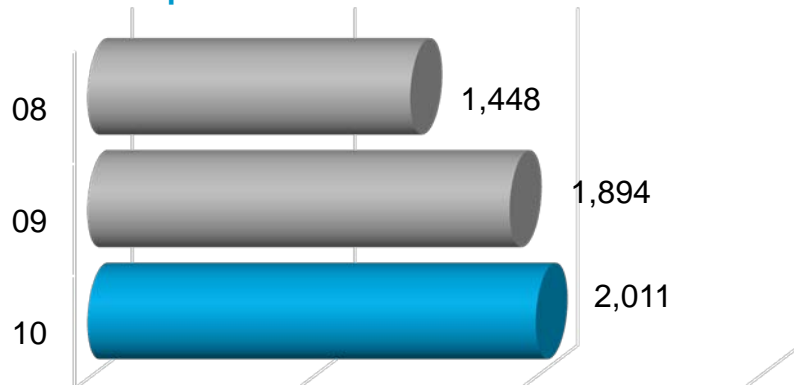
- Genetic segmentation of patient groups
- Amplichip and CYP2D6

Divisional performance - Healthcare

Revenue £'000



Divisional profit £'000

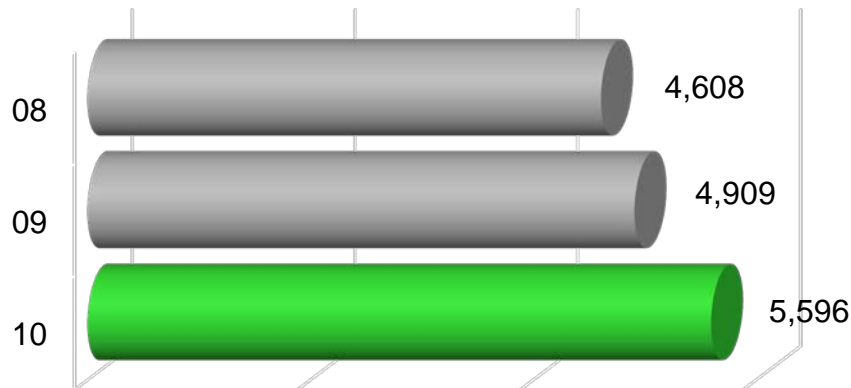


Highlights

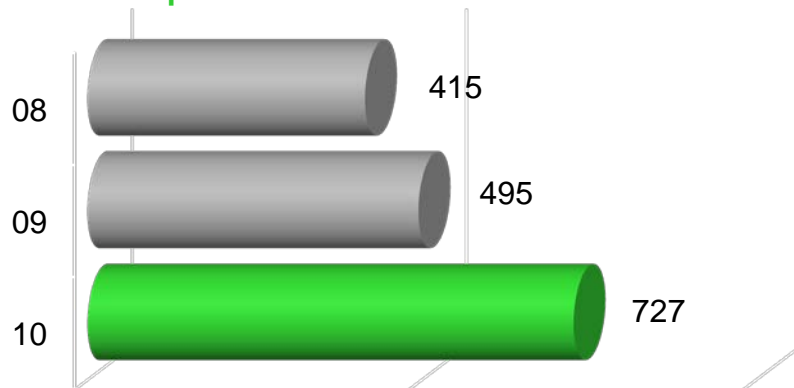
- Maintained screening market share at 47%; 5 year CSW contract won mid-year
- Cytology annualised revenues £5 million and £1.6 million profits; 2009 was exceptional
- Increasing volume of companion diagnostic tests for cancer
- Signed agreements with 2 global pharma companies for companion diagnostics
- Molecular (genetic) testing gaining traction in the NHS
- New lab infrastructure and LIMS improved efficiencies

Divisional performance - LifeSciences

Revenue £'000



Divisional profit £'000

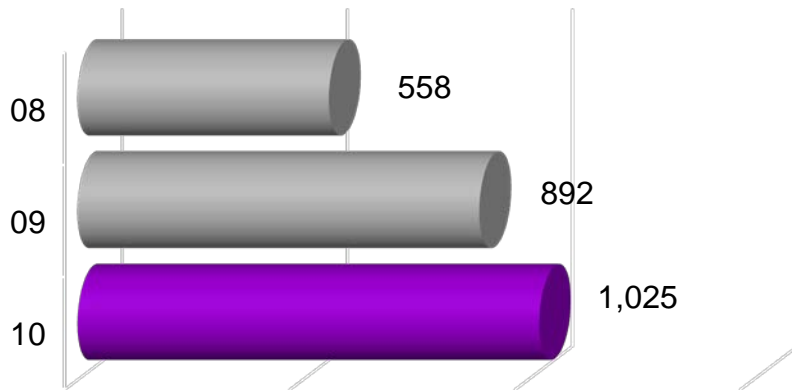


Highlights

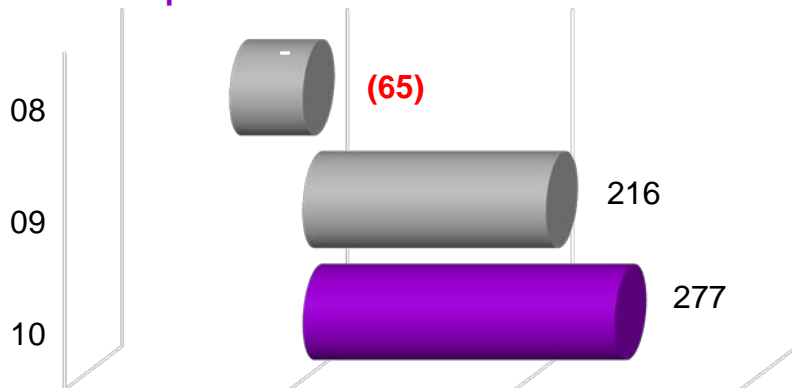
- Next gen sequencing growth of 100%; revenue >£1 million
- Additional sequencing facilities in Dublin and Berlin (March 2011)
- e-commerce platform launched; increased activity, bundling and cross-selling
- Acquisition of imaGenes; expansion into Europe
- World's largest (>20 million) clone portfolio
- Second HiSeq 2000™ next gen platform installed in Berlin; market >£100 million

Divisional performance - PharmaBiotech

Revenue £'000



Divisional profit £'000



Highlights

- Revenues increased 15%; divisional profit up 28%; majority from key accounts
- Preferred/sole supplier status conferred by a leading pharma for lab services
- Increased penetration of genetic testing into pharma R&D and clinical trials
- Won first Phase III clinical trial; worth >£200k over 2 years
- Apparent increase in pharma outsourcing; biomarker discover and diagnostic R&D
- Circulating tumour cell analysis important component of offering

Outlook for 2011

- Maintain cytology market share; roll out automated technology to “own” and competitor areas
- Increase penetration of genetic and companion diagnostic testing; relationship with pharma as partner lab of choice
- Drive synergies from imaGenes acquisition; already in progress
- Next generation sequencing and bioinformatics; second HiSeq 2000™ in Berlin; penetrate European market
- **SpeedREAD™** sequencing service launched; extended footprint into Germany
- World’s largest clone portfolio; exploit through enhanced e-commerce platform
- Further clinical trials opportunities and sole/preferred supplier status with leading pharma companies for clinical trials

Summary

- Profitable and cash generative
- Portfolio business model focused on sustainable growth and continued operational development
- Geographic reach of business – UK focus and access to German/European markets
- Significant financial upside from combination of dominant healthcare market position and growth opportunities in life sciences
- Cash available to invest in
 - acquisition opportunities
 - new technologies – where demand exists
- Outstanding facilities and technology platforms
- Market fundamentals strong for core activities; ideally positioned as preferred outsourcing partner for NHS and pharma

Appendices

- Detailed financial information
- imaGenes acquisition
- Historic performance

Statement of comprehensive income

- Profitable and positive earnings per share
- Revenue +6% year on year
- Gross margin 43%
- Adjusted* operating profit up £150k
- EBITDA* of £1.3 million; highlights sound investment strategy and cash generation

Year ended 31 December	2010	2009	2008
	£'000	£'000	£'000
Continuing operations			
Revenue	13,487	12,735	11,520
Cost of sales	(7,666)	(7,109)	(6,651)
Gross profit	5,821	5,626	4,869
Selling and distribution	(1,231)	(1,321)	(1,165)
Research and development	(220)	(189)	(196)
Admin expenses - normal	(4,200)	(4,096)	(4,225)
Adjusted* operating profit	170	20	(717)
Transaction expenses	(159)	-	-
Operating profit	11	20	(717)
Finance income	63	145	344
PBT (continuing operations)	74	165	(373)
Taxation	34	59	119
PAT (continuing operations)	108	224	(254)
EBITDA*	1,256	1,032	463

* from continuing operations after adjusting for the transaction costs on the acquisition of imaGenes

Statement of financial position

- Non-current assets
 - goodwill increased £1.7 million on acquisition of imaGenes
 - substantial investment in next gen sequencing and lab
- Net current assets
 - cash of £4.2 million
 - imaGenes consideration paid in cash for £1.9 million (incl costs)
 - Historic deferred consideration settled in full
- Bank debt of £400k acquired with imaGenes

As at 31 December	2010 £'000	2009 £'000	2008 £'000
Goodwill	8,345	6,617	6,602
Other intangible assets	992	861	1,119
Tangible assets	2,818	2,492	1,835
Non-current assets	12,155	9,970	9,556
Inventory	716	509	478
Trade and other receivables	2,527	2,633	2,373
Cash	4,170	7,014	7,647
Current assets	7,413	10,156	10,498
Trade and other payables	3,522	4,033	3,154
Financial liabilities	130	3	32
Deferred consideration	-	750	1,065
Current liabilities	3,652	4,786	4,251
Net current assets	3,761	5,370	6,247
Financial liabilities	302	1	4
Deferred consideration	77	-	750
Deferred tax	169	140	209
Net assets	15,368	15,199	14,840

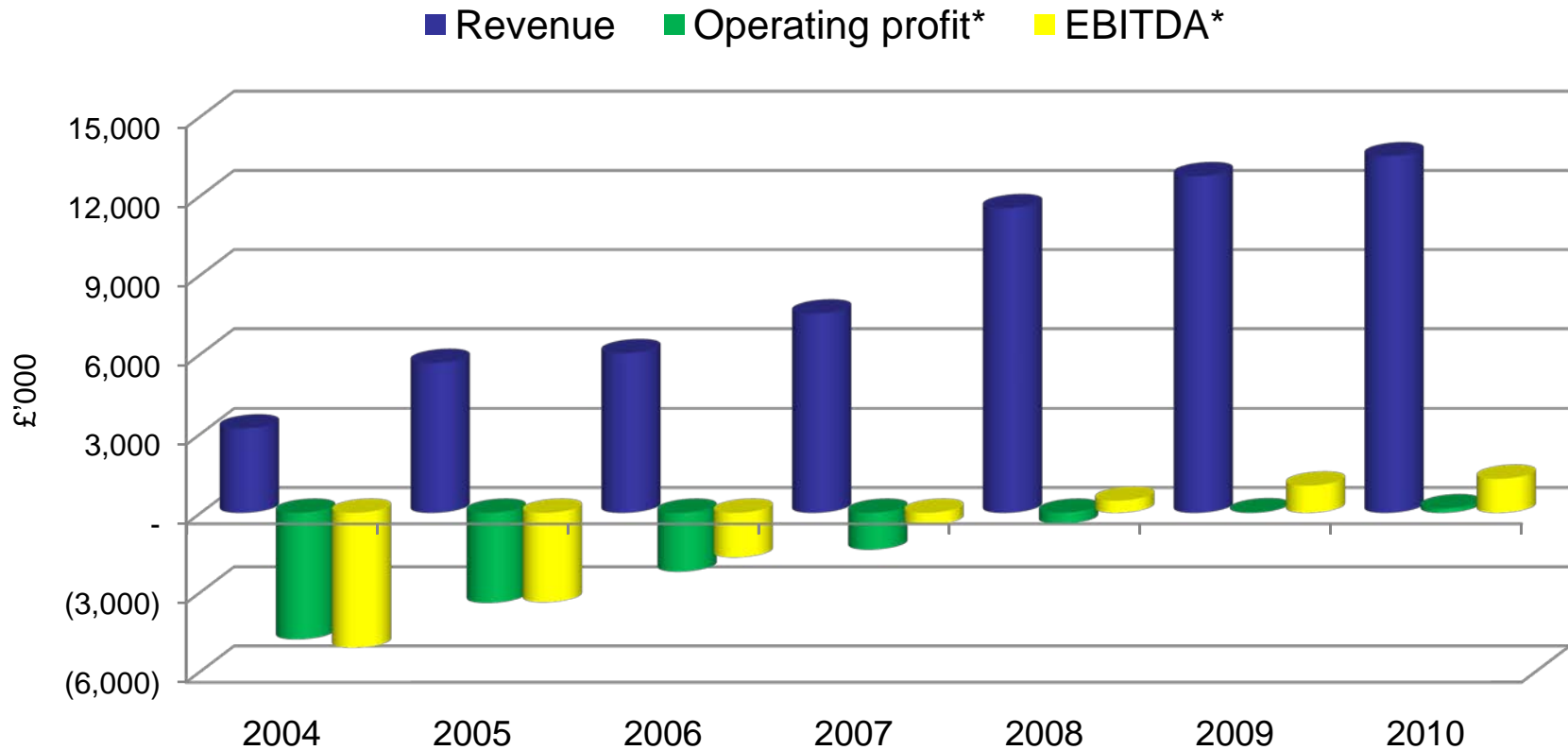
imaGenes strengths

- Spin out from the German Resource Centre for Genomics (RZPD); itself a collaboration between the Max Planck Institute for Molecular Genetics and German Cancer Research Centre (DKFZ)
- Extensive network of European academic and commercial research centre customers and contacts
- Collaborative partner on a number of EU and German Federal funded grant funded research projects
- imaGenes has a significant clone and RNAi library; comparable in size and scope to the Source BioScience clone resource
- Strong reputation for genomic contract research services; technology platforms complementary to those of Source BioScience
- High end bioinformatics and data handling expertise
- Strengths in marketing, webshop and on-line portal

imaGenes acquisition benefits

- Establish one of Europe's strongest and most comprehensive businesses for life science products and services
- Bioinformatic expertise complement investment in leading edge next generation sequencing
- Create the world's largest genomic resource (clone) portfolio
- Geographic expansion; access to German and wider European markets
- Enlarged group will have the capability to manage and deliver much larger projects in life science research, healthcare, agriculture and pharma biotech
- Creation of new cross-selling opportunities, extended customer base and better utilisation of existing infrastructure
- Penetration of German healthcare market with traditional pathology and molecular diagnostics

Historic performance



Source: financial statements (continuing operations). *Adjusted for the transactions costs on the acquisition of imaGenes