

Medical Solutions plc Investor presentation March 2006



Disclaimer

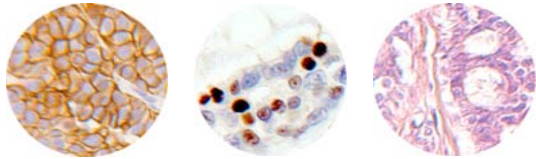
In the interest of providing Medical Solutions' shareholders and potential investors with information regarding the Company, including management's assessment of the Company's future plans and operations, certain statements and charts throughout this presentation are "forward-looking statements" and represent the Company's internal projections, expectations or beliefs concerning, among other things, future operating results and various components thereof or the Company's future economic performance.

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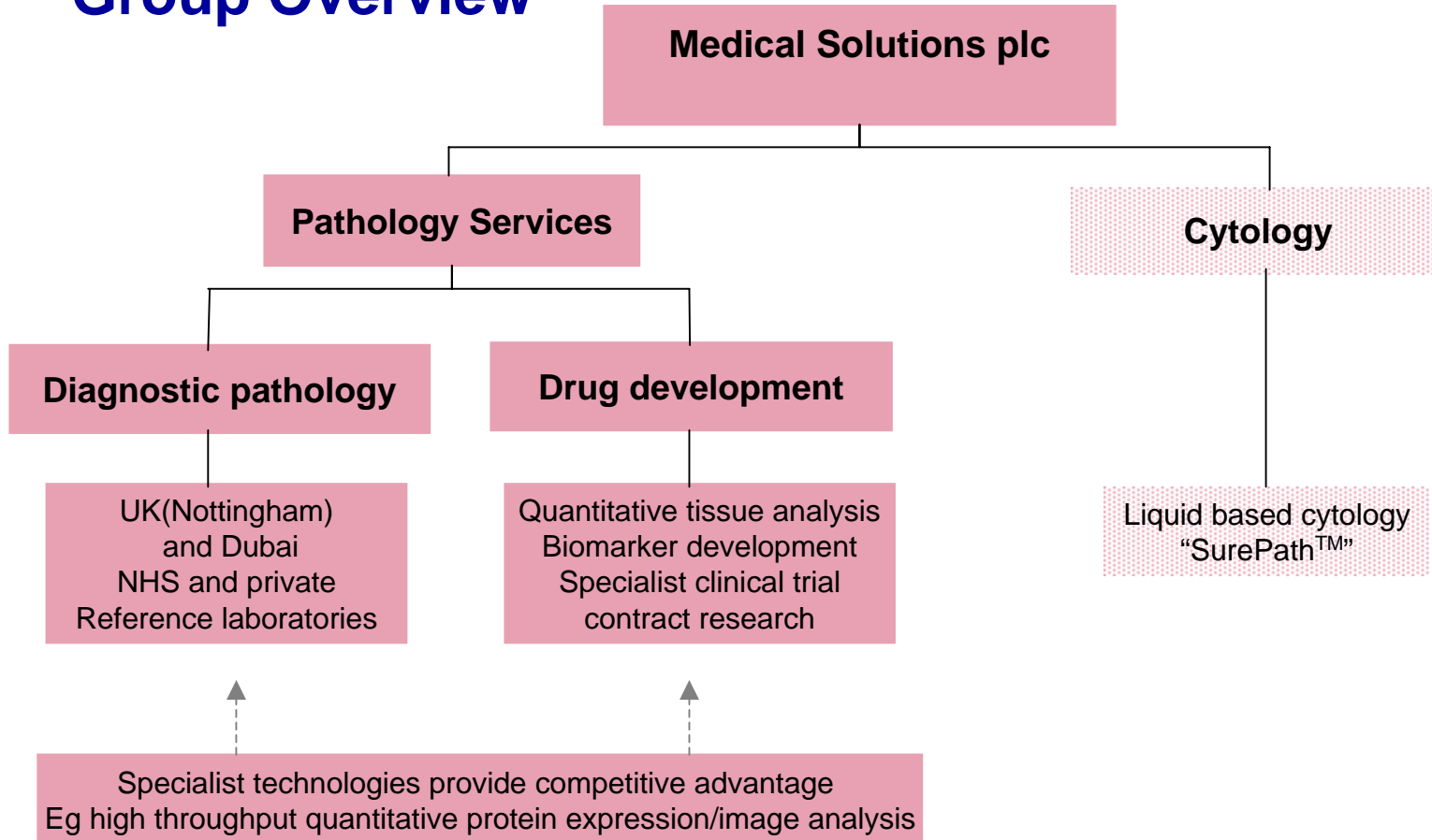


About Medical Solutions

- Focused business operating in the healthcare sector specialising in Pathology Services and Cytology
- **Pathology Services (UK/Dubai)**
 - UK - diagnostic histopathology service (wet and pre-prepared)
 - drug development services
 - specialist reference lab testing
 - Dubai - full service pathology operation (Welcare Hospital)
 - 3 smaller pathology operations (SCL, DML, HSL)
- **Cytology**
 - distribution of Liquid Based Cytology equipment and consumables (SurePath™).



Group Overview





Position at beginning of 2005

- January fundraising was critical to the future of the business
- Growth slower than expected to materialise, but clear signs that it was emerging
- Improved focus on core areas, improved financial control and significant cost reductions needed to stabilise business
- Turnaround plan intended to:
 - put Medical Solutions on sound financial footing via fundraising exercise; and
 - establish Medical Solutions as a profitable, cash generative business
- Stable financial position provides platform to exploit significant opportunities for future growth



Highlights of 2005/early 2006

Group and UK

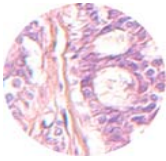
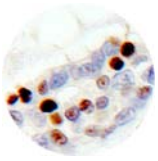
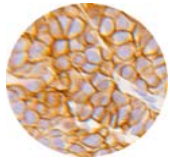
- Hugely improved financial performance
- Continued narrowing of operating losses in H2 (£0.6 million) v H1 (£1.1 million), excluding one-offs
- Cash burn slowed substantially, especially in H2 2005
- Clear focus in UK business on Pathology and Cytology, both areas with strong growth potential
- Brought 3 out of 4 operations into profitability in 2005 (1 out of 5 in 2004)
- Signed LBC contracts worth £15.7 million over 5 years
- Improved operational efficiency
- Closed Harley Street and consolidated UK operations in Nottingham
- Internal initiatives to address key issues



Highlights of 2005/early 2006

Dubai

- Acquisitions of DML and SCL completed in January 2005, both earnings enhancing
- Continued organic growth in existing business
- Reached agreement with Welcare to settle outstanding deferred consideration (£2.5 million) in exchange for 16.7% stake in Medical Solutions FZ LLC
- Recovery of £0.9 million debtor in conjunction with debt/equity swap above
- Planned, phased exit from Dubai



Financial review



Financial performance

- Revenue from continuing operations up 77%
 - Significant growth from LBC and Dubai, both up £2.2 million
 - UK Diagnostic Pathology up £0.2 million
 - DDS up £0.1 million
- Gross profit margin up to 39% from 22%
- Overheads (excluding one-off items) reduced by £1.1 million (20%)
- Other costs of £0.4 million relating to redundancy programme/closure of Harley Street/development cost write down
- £0.4 million gain on sale of IP to Hamamatsu

Continuing operations

Sales

Cost of sales

Gross profit

Gross profit %

Selling and distribution

Research and development

Administrative expenses - normal

Administrative expenses - share based comp

Total Administrative expenses excl other administrative expenses

Pro-forma operating loss

Other administrative expenses (incl restructuring)

Gain on sale of fixed assets

Reported operating loss

	Y/e 31 Dec 2005	6 m/e 30 June 2005	Y/e 31 Dec 2004
	£'000	£'000	£'000
Sales	10,672	4,975	6,026
Cost of sales	(6,536)	(3,026)	(4,710)
Gross profit	4,136	1,949	1,316
Gross profit %	39%	39%	22%
Selling and distribution	(833)	(458)	(866)
Research and development	(207)	(109)	(103)
Administrative expenses - normal	(4,460)	(2,380)	(5,609)
Administrative expenses - share based comp	(304)	(124)	(320)
Total Administrative expenses excl other administrative expenses	(4,764)	(2,504)	(5,929)
Pro-forma operating loss	(1,668)	(1,122)	(5,582)
Other administrative expenses (incl restructuring)	(411)	(287)	(3,470)
Gain on sale of fixed assets	383	383	607
Reported operating loss	(1,696)	(1,026)	(8,445)

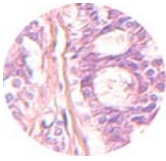
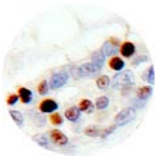
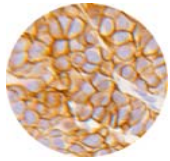


Balance sheets

- Non-current assets
 - Goodwill increased mainly due to acquisitions of DML and SCL
 - Capital expenditure of £0.3 million
- Current assets
 - Inventory/debtor levels reduced (incl £0.9 million from Welcare)
 - Net cash of £2.3 million (30 June 2005: £2.7 million; 31 December 2004 £0.7 million overdrawn)
- Total liabilities reduced by £3.3 million in year
 - Trade/other payables – reduction in trade creditors not paid from 2004
 - Net £1 million reduction in borrowings plus £2 million loan repayment
 - Agreement reached to settle Welcare deferred consideration

Balance sheet

	31-Dec-05	30 June 2005	31 Dec 2004
	£'000	£'000	£'000
Goodwill	14,808	14,348	11,131
Other fixed/intangible assets	2,222	2,757	3,018
Non-current assets	17,030	17,105	14,149
Inventory	773	749	878
Trade and other receivables	3,212	3,322	4,348
Cash	2,313	3,457	1,990
Current assets	6,298	7,528	7,216
Trade and other payables	3,058	3,349	3,790
Borrowings (current and non-current)	594	1,463	3,579
Provisions (current and non-current)	2,443	2,533	2,023
Total liabilities	6,095	7,345	9,392
Net assets	17,233	17,288	11,973
Equity attributable to equity holders	17,181	17,269	11,973
Minority interest	52	19	0
Total equity	17,233	17,288	11,973



Review of Operations



Diagnostic pathology - Dubai

	Y/e 31 Dec 2005	Y/e 31 Dec 2004
	£'000	£'000
Sales	5,017	2,832
Operating result	<hr/> 1,617	602

Current position and recent developments

- Dubai business comprises Welcare, HSL, DML and SCL (DML/SCL acquired in Jan 2005)
- Settlement of outstanding deferred consideration agreed (£2.5m) in exchange for 16.7% stake in MedSol FZ; repayment of £0.9 million owed to Medical Solutions plc
- Recent investment in Dubai Marina project
- Increase in Welcare Hospital capacity completed recently (+15%)



Diagnostic pathology - Dubai

Risks

- Inter-dependence between Medical Solutions and Varkey Group
- Overseas business
- Exchange rate risk

Phased exit from Dubai during 2006

- Settlement of deferred consideration
- Indications of interest from private equity groups



Cytology

	Y/e 31 Dec 2005	Y/e 31 Dec 2004
	£'000	£'000
Sales	2,467	258*
Operating result	183	(672)

* Excluding inter-segment sales

Current position and recent developments

- c.5 million cervical smears per annum in England/Wales (NICE decision to move to LBC in October 2003)
- To date won 8 five year contracts (worth £15.7 million) providing LBC based equipment and consumables
- Confident of further contract wins, expect to win >40% of market in England and Wales
- Now investing in automated screening UK trials



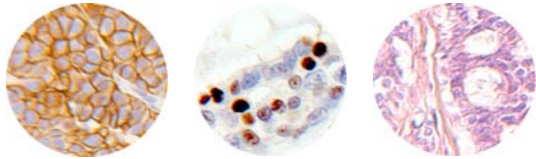
Cytology

Risks

- Agreement with Tripath due for renewal at 31 December 2008
- Financing of further 8-10 machines required to maximise roll-out in 2006

2006 targets

- Maximise market penetration in 2006 and achieve target market share
- Invest in automated screening technology trials in UK
- Add additional products through existing sales force



Diagnostic pathology - UK

	Y/e 31 Dec 2005	Y/e 31 Dec 2004
	£'000	£'000
Sales	2,415	2,244
Operating result	121	(2,178)

Current position and recent developments

- Histopathology market in UK estimated to be worth £150-£200 million (90% within NHS); major shortage of qualified pathologists in UK
- Main focus in 2005 initially on cost reduction plan; consolidation of operations in Nottingham
- Significant increase in Her-2 testing volumes seen from Q3 onwards
- Now generating contribution on ongoing basis



Diagnostic pathology - UK

Risks

- Narrow product range currently
- Shortage of consultant histopathologists may not last for ever

2006 targets

- Broaden product range for diagnostic testing
- R&D programmes in place to improve throughput, reduce cost/slide on histopathology work
- Increase number of strategic relationships
- Look for opportunities for alliances with NHS/other parties
- Possible opportunities for inorganic growth



Drug development services

	Y/e 31 Dec 2005	Y/e 31 Dec 2004
	£'000	£'000
Sales	773	692
Operating result	<u>(740)</u>	<u>(888)</u>

Current position and recent developments

- Focus on development and application of novel biomarkers for use in clinical trials, primarily based on immunohistochemistry/high throughput quantitative protein expression/image analysis techniques
- Underlying growth in 2005 despite modest increase in sales (c.50% of 2004 revenues from one-off contract)
- High level scientific reputation
- Restructuring of relationships with UK tissue banks during 2005



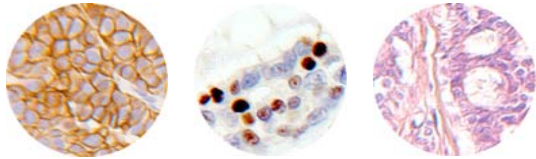
Drug development services

Risks

- Timing of revenue growth

2006 targets

- Broaden scope of offering
- Achieve profitability for DDS



Summary

- Significant progress made during year
- Strong sales growth complemented by implementation of cost reduction/restructuring plan
- Phased exit from Dubai planned, first steps taken
- Cash raised will fund investment and growth in UK business
- Significant opportunities for growth going forward