



Medical Solutions plc
Presentation to Investors
March 2007



Disclaimer

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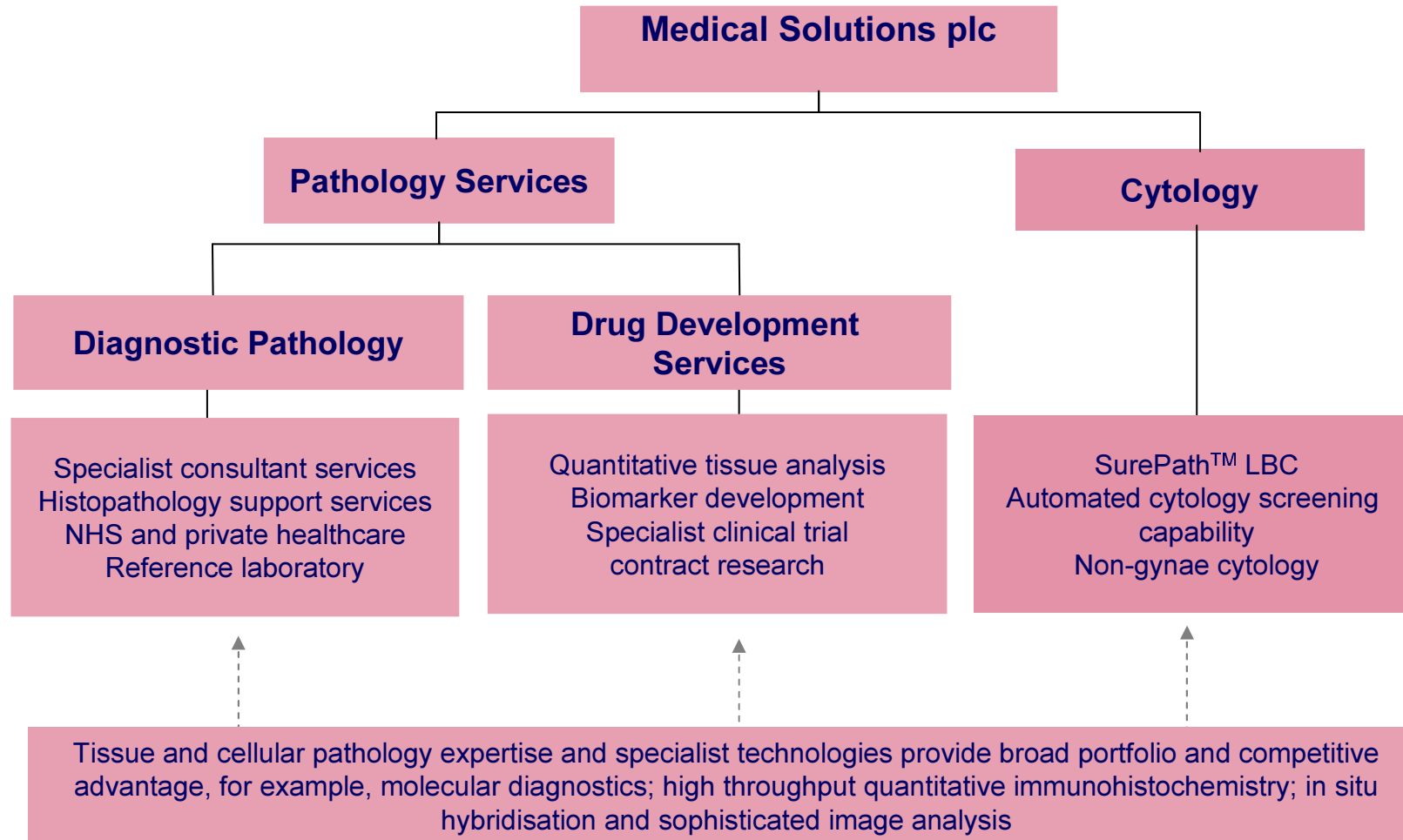
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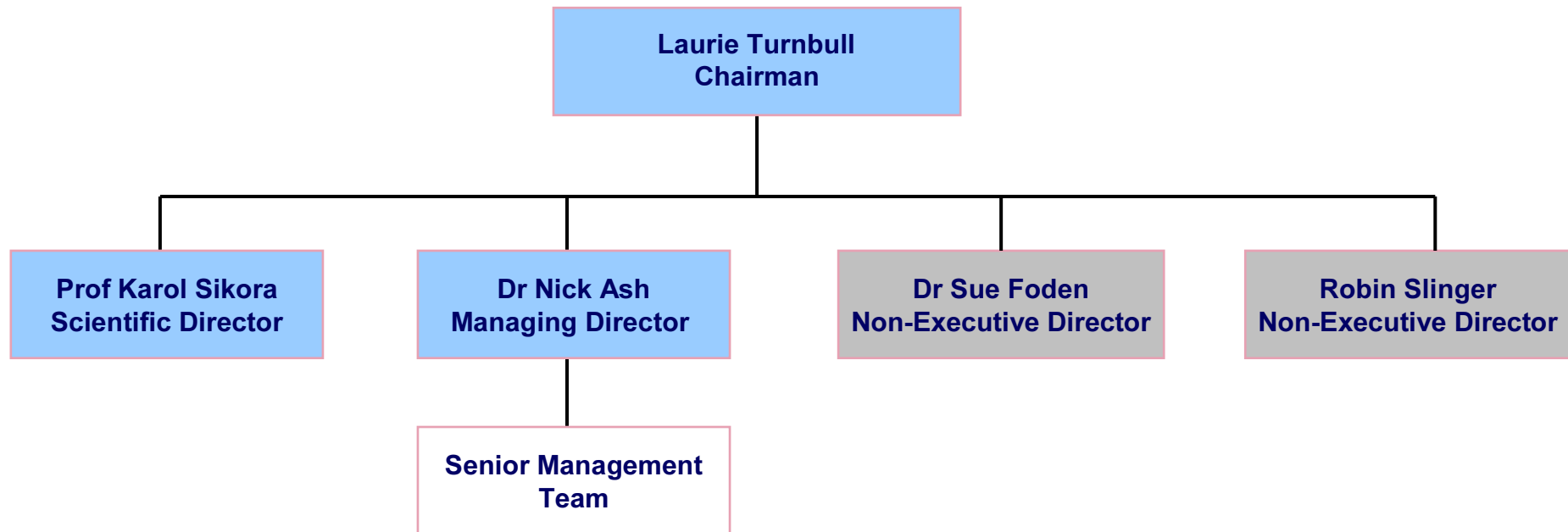
About Medical Solutions

- Focused diagnostics and healthcare business, providing pathology and cytology services and products to the healthcare, pharmaceutical and biotechnology sectors
- State of the art reference laboratories in Nottingham, UK
- Fully listed (listed 1999)
- Two core operating divisions:
 - **Pathology Services**
 - diagnostic histopathology services
 - drug development services
 - specialist reference laboratory testing
 - **Cytology**
 - distribution of SurePath™ liquid based cytology ('LBC') equipment and consumables

Group overview



The Board





Financial highlights

(continuing operations)

- Revenue up 7% to £6.0 million
- Gross profit up 19% to £2.4 million; gross profit margin 40%
- Operating expenses (excluding restructuring costs) reduced by £0.9 million to £4.6 million
- Operating loss reduced by £1.0 million to £2.4 million
- Net cash balance of £15.2 million
- Disposal of Dubai operations completed for gross proceeds of £16.5 million and net cash proceeds of £13.2 million

Operational highlights

- **LBC market share expected to reach 47%; LBC UK distribution agreement with TriPath Imaging, Inc. extended to 31 December 2010**
- **New products launched in Diagnostic Pathology and Drug Development Services including Circulating Tumour Cells ('CTC') analysis**
- **Key initiatives in automated cervical cancer screening, a major potential growth market**
- **Completed the disposal of the Dubai operations and refocused on the UK based operations**
- **Continued focus on cost control without detriment to our operational capability**
- **Achieved unconditional CPA accreditation and maintained GLP standards**

Operational highlights (cont'd)

Board changes

- **Laurie Turnbull appointed as Executive Chairman; Sir Gareth Roberts retires**
- **Dr Nick Ash appointed as Managing Director; Dr Neil Johnston and Charles Green resign from the Company**



Financial review

Financial performance

- Revenue from continuing operations up 7%
 - significant growth from Cytology
 - challenging year for Pathology Services
- Increased efficiency of operations resulting in gross profit margin up to 40% from 35%
- Administrative expenses (excluding one-off items) reduced by £0.5 million confirming focus on cost control
- Proforma operating loss reduced by £1.2 million
- Operating loss from continuing operations reduced by £1.0 million
- Other costs relate to compensation on resignation of CEO

	Year ended 31 Dec 06	6 m/e ended 30 Jun 06	Year ended 31 Dec 05 (restated)	Year ended 31 Dec 04 (restated)
	£'000	£'000	£'000	£'000
Continuing operations				
Revenue	6,025	3,157	5,655	3,194
Cost of sales	(3,640)	(1,921)	(3,655)	(2,835)
Gross profit	2,385	1,236	2,000	359
Selling and distribution	(609)	(341)	(833)	(866)
Research and development	(167)	(100)	(207)	(103)
Admin expenses - normal	(3,837)	(1,991)	(4,373)	(5,744)
Pro forma operating loss	(2,228)	(1,196)	(3,413)	(6,354)
Other admin expenses	(185)	-	(411)	(3,470)
Gain on sale of fixed assets	-	-	383	607
Reported operating loss	(2,413)	(1,196)	(3,441)	(9,217)

Balance sheets

- Non-current assets
 - Goodwill decreased following disposal of Dubai operations
 - Capital expenditure £0.3 million
- Current assets
 - Cash £15.2 million of which £13.2 million net proceeds from Dubai disposal
 - Other reductions also due mainly to disposal
- Current liabilities
 - Provisions reduced to £nil as deferred consideration settled as part of Dubai disposal
 - Other payables include accrual of £0.5 million for potential over claim of VAT
 - Net current assets of £13.2 million due to cash from disposal of Dubai and improved working capital management
 - Borrowings reduced to £0.4 million following ongoing repayment of loans

	Year ended 31 Dec 06	6 m/e ended 30 Jun 06	Year ended 31 Dec 05 (restated)	Year ended 31 Dec 04 (restated)
	£'000	£'000	£'000	£'000
Goodwill	583	14,641	14,808	11,131
Other fixed/intangible assets	1,751	2,137	2,222	3,018
Non-current assets	2,334	16,778	17,030	14,149
Inventory	533	726	773	878
Trade and other receivables	1,172	3,287	3,212	4,348
Cash	15,229	2,688	2,313	1,990
Current assets	16,934	6,701	6,298	7,216
Trade and other payables	3,473	3,429	3,356	3,960
Borrowings (<1 year)	162	240	301	3,039
Provisions	-	2,489	2,443	1,197
Current liabilities	3,635	6,158	6,100	8,196
Net current assets	13,299	543	198	(980)
Borrowings (>1 year)	206	287	293	1,366
Net assets	15,427	17,034	16,935	11,803



Operational review

Diagnostic Pathology

	Year ended 31 Dec 06 £'000	6 m/e ended 30 Jun 06 £'000	Year ended 31 Dec 05 £'000	Year ended 31 Dec 04 £'000
Revenue	2,200	1,289	2,415	2,244
Operating result	529	337	121	(2,178)

Current position and recent developments

- Histopathology market in England estimated at £200 million of which 90% is within the NHS; shortage of NHS pathologists largely addressed
- New product and service roll out – initial focus on oncology profiling
- Tailored services aimed at clinicians to support treatment decision making – first of these targeted at breast cancer
- Circulating Tumour Cell ('CTC') and Circulating Endothelial Cell ('CEC') enumeration
- Identified strategic partners as a route into wider "pan pathology" services – estimated £2.2 billion market in UK

Drug Development Services

	Year ended 31 Dec 06 £'000	6 m/e ended 30 Jun 06 £'000	Year ended 31 Dec 05 £'000	Year ended 31 Dec 04 £'000
Revenue	299	156	773	692
Operating result	(516)	(293)	(740)	(888)

Current position and recent developments

- Diagnostic and theranostic testing services to support drug discovery and development
- Services primarily based on quantitative immunohistochemistry; in situ hybridisation; sophisticated image analysis and biomarker determination
- Fully consented tissue bank for wide range of tissue and disease types
- Costs minimised and efficiency of operations maximised
- Strategic value to business
- Focus on smaller to medium pharma/biotech companies with operations located mainly in the UK and Europe
- Clinical trial and study design expertise and support; GLP environment

Cytology

	Year ended 31 Dec 06 £'000	6 m/e ended 30 Jun 06 £'000	Year ended 31 Dec 05 £'000	Year ended 31 Dec 04 £'000
Revenue	3,526	1,712	2,467	258
Operating result	658	262	183	(672)

Current position and recent developments

- Expectation of achieving 47% LBC market in England and Wales
- Estimated total market in England and Wales of 3.8 million cervical smears worth approximately £10 million
- Exclusive distribution agreement with TriPath Imaging, Inc. extended to end 2010
- Investing in automated cervical cancer screening trials in UK – major growth areas with potential to revolutionise UK cervical cancer screening
- Opportunities for companion diagnostics being explored

Summary

- Phased exit from Dubai operations achieved; net cash raised of £13.2 million
- Revenue growth and ongoing cost control in continuing operations; increased efficiency of operations and reduced operating losses
- Board changes and reductions in plc costs; tightly knit team committed to growing business in an effective and controlled manner
- Significant opportunities for growth; cash raised will fund investment and growth in UK business



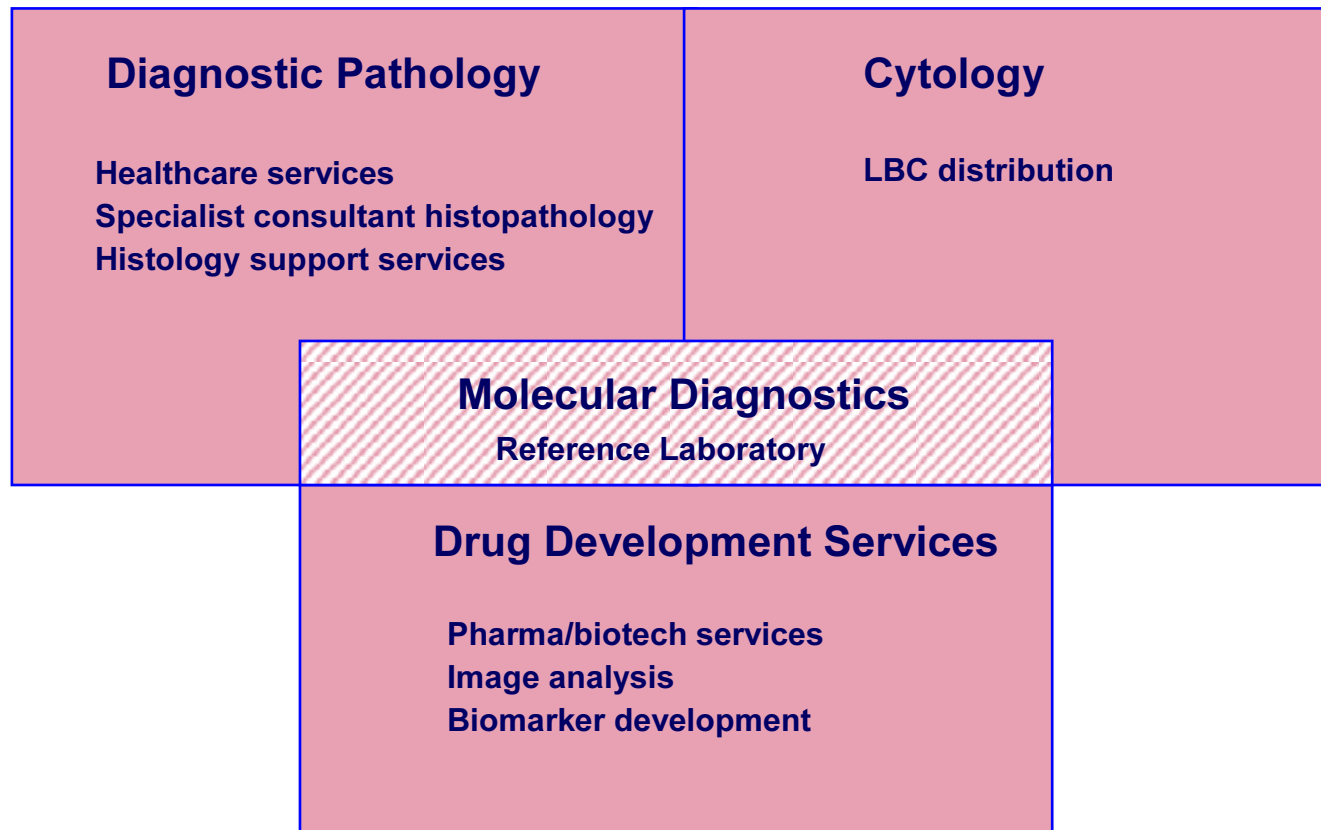
Growth strategy

Growth strategy

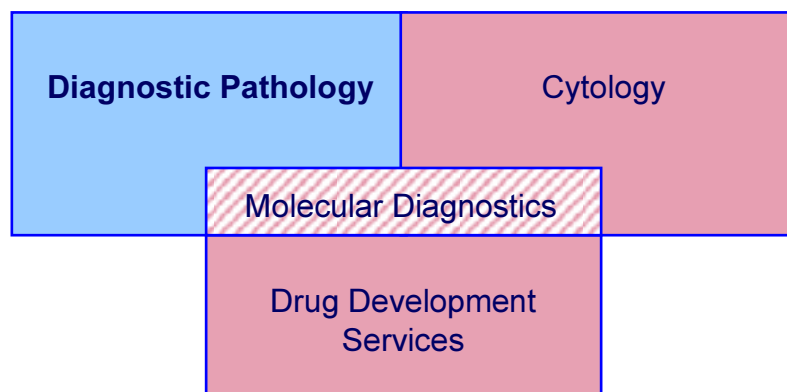
- Organic growth of core competencies of histopathology, cytology and reference laboratory services
- Expansion of core pathology expertise into complementary products and services including molecular diagnostics
- Targeted acquisitions and investments to enhance our diagnostic portfolio



Growth strategy



Growth strategy – Diagnostic Pathology



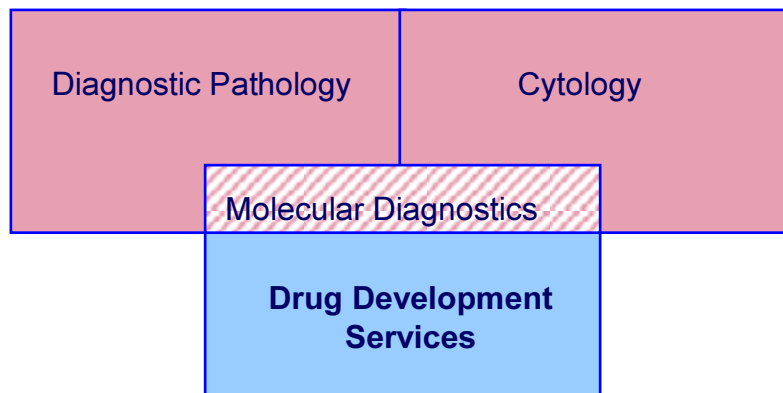
Broad based “pan-pathology” services

- Estimated non-histopathology UK market of £2.0 billion; 90% within NHS
- Non-tissue pathology – fluids and bloods.
- Strategic opportunities – JV and partnership models
- Increasing demands from primary care arena

Enhanced portfolio of diagnostic and theranostic tests

- Tailored packages aimed at clinicians and patients
- Primary target breast cancer then other cancers
- Patient led services

Growth Strategy – Drug Development Services



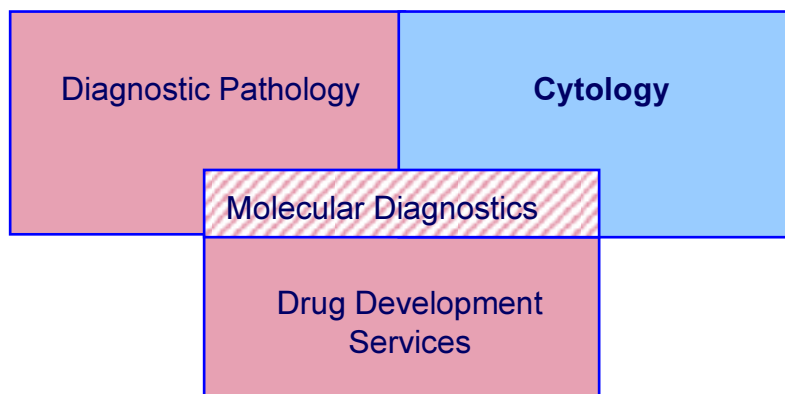
Introduction of latest diagnostic techniques

- DNA and RNA based tests
- Internationally recognised histopathology and reference lab expertise brings competitive advantage
- Stratification of patient and disease populations for targeted therapies
- “Partner of choice” in the UK to developers of companion diagnostics and theranostic
- Ultimately, development of companion diagnostics and theranostics in house

Exploit existing expertise

- Commercial exploitation of newly acquired technologies, for example CTC and CEC
- Focus on UK and European based smaller/medium pharma/biotechs including study design and CRO support within GLP environment

Growth strategy – Cytology



Molecular diagnostic markers for cervical cancer

- Diagnosis of pre-cancers in borderline smears
- Network of contacts and expertise in this field

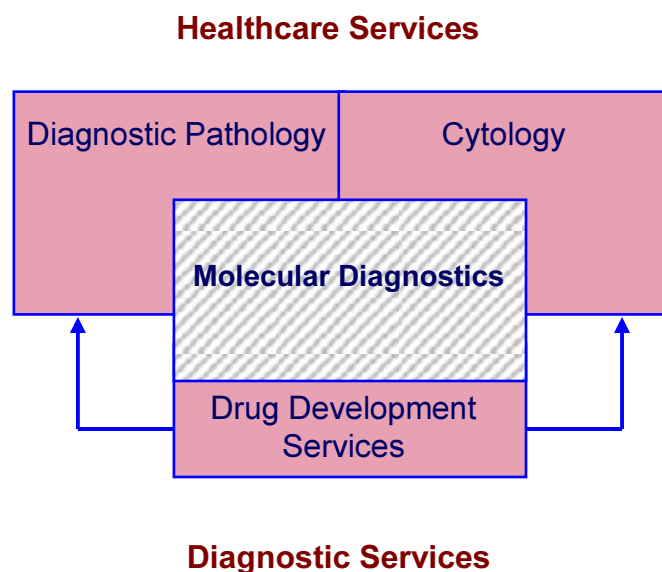
Other testing services

- Cervical cancer related
- Non-gynaecological

Automated cervical cancer screening

- Estimated 3.8 million tests pa, annual cost including treatment of est. £150 million
- Issues facing NHS screening programme including compliance levels, turnaround times, screener population
- Automated screening will play a key role in addressing these issues and increase our target market

Growth Strategy



Short term aims

- To enhance and expand portfolio of diagnostic and theranostic testing
- To target a wide range of cancers
- To expand DNA and RNA based tests and services
- Identify and drive commercial applications for CTC and CEC analysis
- Enhance non-gynaecology cytology applications

Medium to long term aims

- Introduce automated cervical cancer screening service
- Establish pan-pathology service offering
- Migration of latest diagnostic techniques into healthcare arena