

Source BioScience

Source BioScience plc

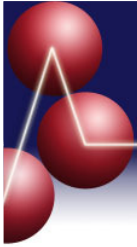
Annual Results

Year ended 31 December 2008

Healthcare

Pharma Biotech Services

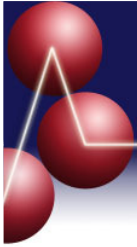
Life Science Research



Disclaimer

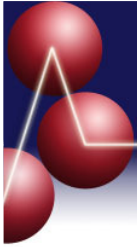
In the interest of providing Source BioScience's shareholders and potential investors with information regarding the Company, including management's assessment of the Company's future plans and operations, certain statements and charts throughout this presentation are "forward-looking statements" and 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.

The projections, estimates and beliefs contained in such forward looking statements necessarily involve known and unknown risks and uncertainties which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections. Nothing in this presentation should be construed as a profit forecast.



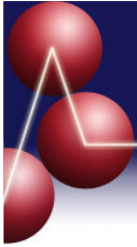
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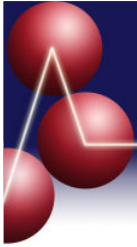
About Source BioScience

- A highly focused healthcare and biotechnology company offering expert, quality services and products to the healthcare, pharma biotech and life science research sectors
- Fully listed (LSE: SBS)
- 3 operating divisions:
 - Healthcare
 - Pharma Biotech Services
 - Life Science Research
- State of the art reference laboratories in Oxford, Cambridge, London and Nottingham
- Highest standard quality accreditations including CPA, GLP and GCP
- Total of 102 employees across the group



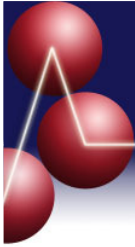
Financial highlights

- Revenue **up 53%** to £11.5 million
- **69% improvement** in adjusted operating loss (before exceptionals and amortisation on acquisitions) to £0.4 million (2007: £1.3 million loss)
- **57% improvement** in loss after tax to £0.2 million (2007: £0.5 million loss)
- Operations £0.6 million **cash generative** (2007: £1.1 million negative)
- **£7.6 million cash** reserves (31 December 2007: £12.3 million)
- Well positioned for further growth during 2009



Key events

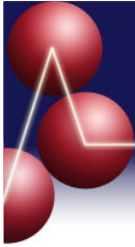
- Acquisition of Autogen Bioclear UK Limited for up £5.9 million; a profitable and cash generative business
- Opened London genomics facility at University College London
- FocalPoint™ location guided screener added to the exclusive distribution agreement with BD
- Selection of Illumina's Genome Analyzer™ next generation sequencing and BeadStation™ genotyping platforms, becoming the first commercial service provider of these technologies in the UK
- Expansion of distributor network for Life Science Research products and services into the East Asian market
- Capital restructuring approved by Court; effective from December 2008



Divisional review - Healthcare

Year ended 31 December	2008 £'000	2007 £'000	2006 £'000	
Revenue				+11% revenue
Cytology	4,432	4,242	3,526	+31% operating
Diagnostic Pathology	1,922	1,501	2,200	result
	6,354	5,743	5,726	
Operating result				
Cytology	1,137	1,072	658	
Diagnostic Pathology	311	31	529	
Operating result	1,448	1,103	1,187	

- Very strong performance; underpinned by Diagnostic Pathology growth
- Cytology consistent with expectations; estimated 47% market share consolidated
- Initial revenue from automated cervical cancer screening
- Enhanced diagnostic portfolio including *OncotypeDX*[™], KRAS, Roche Amplichip[™] CYP450 and other molecular diagnostic testing
- Demand strengthening



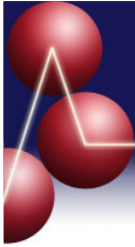
Divisional review - Pharma Biotech Services

Year ended 31 December	2008 £'000	2007 £'000	2006 £'000
Revenue	558	509	299
Operating result	(65)	(272)	(516)

+10% revenue

**+76% operating
result**

- Enhanced “one-stop shop” service offering
- Clinical trials support for large pharma growing
- Pharmacogenomics and biomarker/companion diagnostic identification
- Accreditations enhanced to include GCP alongside GLP and HTA license; essential for regulatory studies
- Strategic value to business; costs minimised and efficiencies maximised



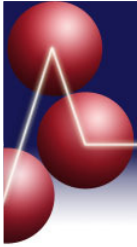
Divisional review - Life Science Research

Year ended 31 December	2008 £'000	2007 £'000	2006 £'000
Revenue			
Geneservice™	3,026	1,279	-
Autogen Bioclear™	1,582	-	-
	4,608	1,279	-
Operating result			
Geneservice™	315	71	-
Autogen Bioclear™	100	-	-
Operating result	415	71	-

+29% revenue from DNA sequencing (like for like)

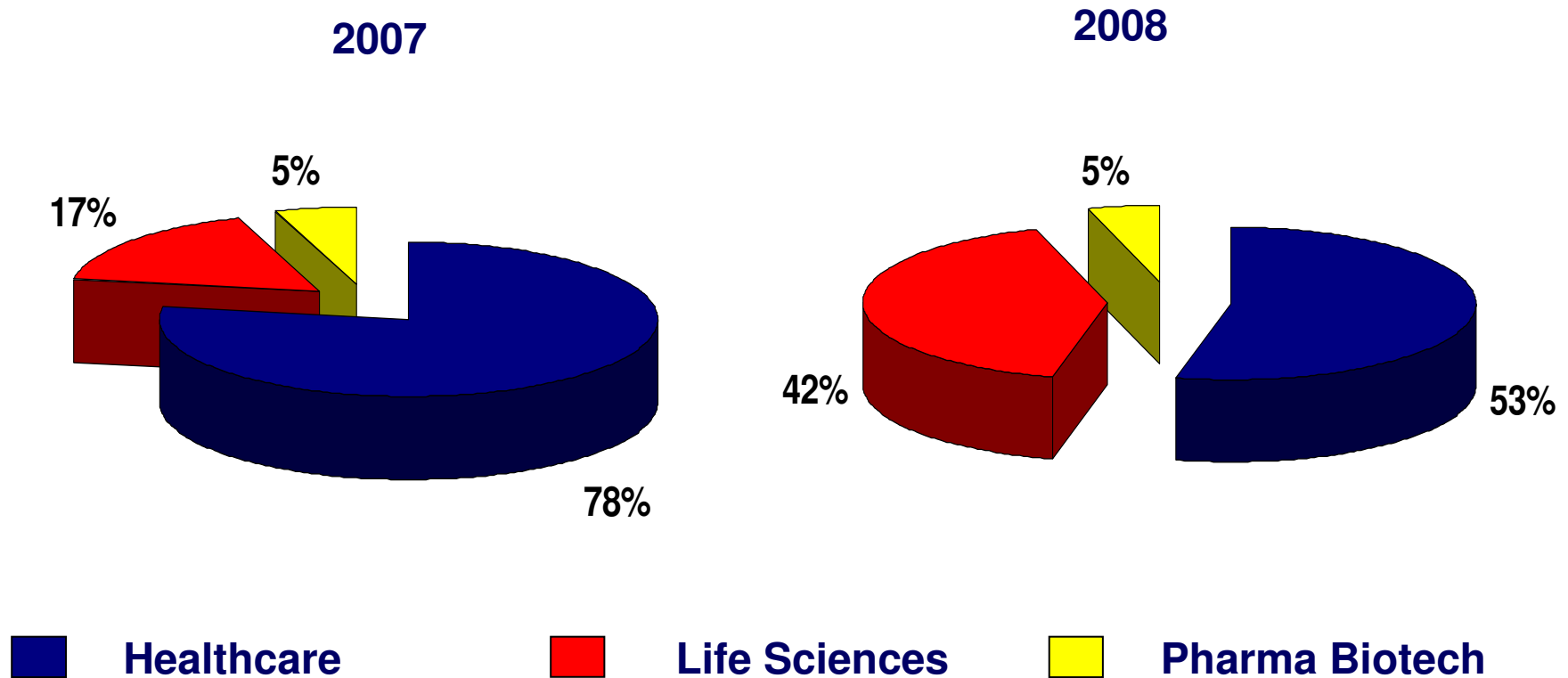
increased operating efficiencies

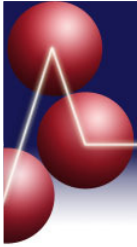
- Acquisition of Autogen Bioclear™ and full year of Geneservice™
- Operating result includes £226k of amortisation associated with acquisition accounting
- Opened London genomics facility and consolidated Geneservice™ activities to a single site in Cambridge
- Investment in Illumina Genome Analyser™ and Beadstation™
- Expansion of distributor network into East Asia



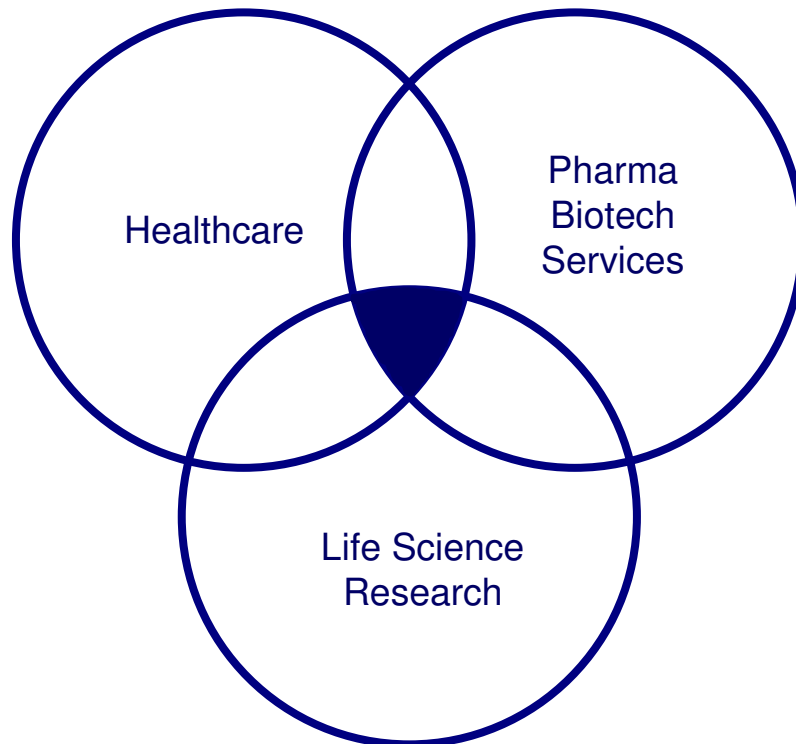
Divisional review - revenue contribution by division

A more balanced business; broader offering across a wider market

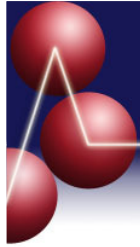




Divisional review - a “joined up” business



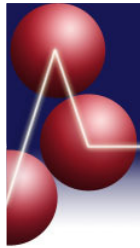
- Shared expertise and technology platforms
- Broad portfolio of complementary services and products
- Integrated operational and commercial infrastructure
- Robust business model within each division
- Opportunities from overlap and complementary nature of activities



Financial review – income statement

- Revenue up £4.0 million; 20% organic and 80% acquisitions
- Gross margin maintained at 42%
- Investment in sales and marketing
- Admin expenses reduced to 34% of sales (2007: 49%); cost control and operational consolidation
- Pro forma operating loss reduced by 69%; consistent trend
- Operating loss reduced by 41% to £0.7 million
- Interest income down 51%; reduced base rate and acquisitions
- EBITDA highlights sound investment strategy and cash generation

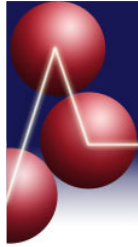
Year ended 31 December	2008 £'000	2007 £'000	2006 £'000
Revenue	11,520	7,531	6,025
Cost of sales	(6,651)	(4,404)	(3,640)
Gross profit	4,869	3,127	2,385
Selling and distribution	(1,165)	(680)	(609)
Research and development	(196)	(110)	(167)
Admin expenses - normal	(3,924)	(3,668)	(3,837)
Pro forma operating loss	(416)	(1,331)	(2,228)
Amortisation on acquisitions	(226)	(63)	-
Exceptional income	-	206	-
Exceptional costs	(75)	(29)	(185)
Reported operating loss	(717)	(1,217)	(2,413)
Finance income/(expense)	344	704	81
Share of associate	27	(20)	-
Loss before tax	(346)	(533)	(2,332)
EBITDA	490	(400)	(1,690)



Financial review – balance sheet

- Non-current assets
 - goodwill of £2.9 million from Autogen acquisition
 - Capex of £0.9 million
- Current assets
 - strong cash position
- Current liabilities
 - deferred consideration £0.8 million Autogen plus £0.3 million Geneservice
 - negligible external debt
- Non-current liabilities
 - deferred consideration for Autogen

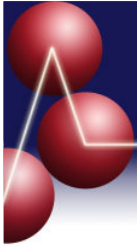
As at 31 December	2008	2007	2006
	£'000	£'000	£'000
Goodwill	6,602	3,729	583
Other intangible assets	1,119	605	117
Tangible assets	1,835	1,709	1,634
Non-current assets	9,556	6,043	2,334
Inventory	478	435	533
Trade and other receivables	2,373	1,903	1,172
Cash	7,647	12,267	15,229
Current assets	10,498	14,605	16,934
Trade and other payables	3,154	3,034	3,473
Financial liabilities	32	166	162
Deferred consideration	1,065	2,133	-
Current liabilities	4,251	5,333	3,635
Net current assets	6,247	9,272	13,299
Financial liabilities	4	51	206
Deferred consideration	750	300	-
Deferred taxation	209	-	-
Net assets	14,840	14,964	15,427



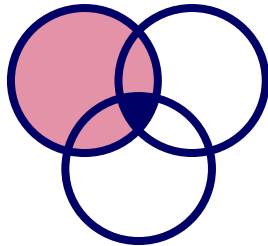
Financial review – cash flow

- Cash generated from operations
- Acquisition of subsidiaries gross £3.9 million for Autogen and £2.1 million for Geneservice
- Cash of £1.5 million acquired with Autogen
- Capex of £0.8 million for Illumina next generation platforms and automated cytology system
- Proceeds from planned disposal of assets acquired with Autogen and not required
- Interest reduced; lower base rates and reduced funds on deposit
- Strong cash position

Year ended 31 December	2008 £'000	2007 £'000
Cash flows from operating activities		
Cash generated from/(used in) operations	601	(1,126)
Interest paid	(19)	(22)
Tax paid	(144)	(40)
Operating cash flow	438	(1,188)
Cash flows from investing activities		
Acquisition of subsidiaries	(5,978)	(1,503)
Cash acquired with subsidiaries	1,474	269
Transaction costs	(342)	(497)
Investment in associate	(18)	(273)
Capital expenditure	(895)	(347)
Proceeds from fixed asset sales	570	15
Interest received	312	726
Net cash used in investing activities	(4,877)	(1,610)
Cash flows from financing activities		
Repayment of borrowings	(105)	(108)
Finance lease repayments	(76)	(56)
Net cash used in financing activities	(181)	(164)
Net decrease in cash and cash equivalents	(4,620)	(2,962)
Cash and cash equivalents	7,647	12,267

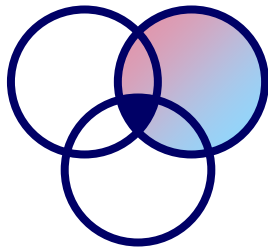


Growth opportunities – core expertise organic growth



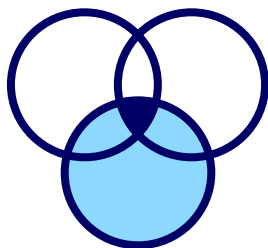
Healthcare

- Automated cytology screening for cervical cancer – FocalPoint™
- Molecular markers and HPV testing
- Expand portfolio of diagnostic tests
- IT solutions for pathology reporting



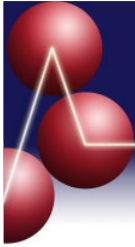
Pharma Biotech Services

- “One-stop shop” offering
- Enhanced support for oncology clinical trials
- Exploit tissue and genomic biomaterial resource



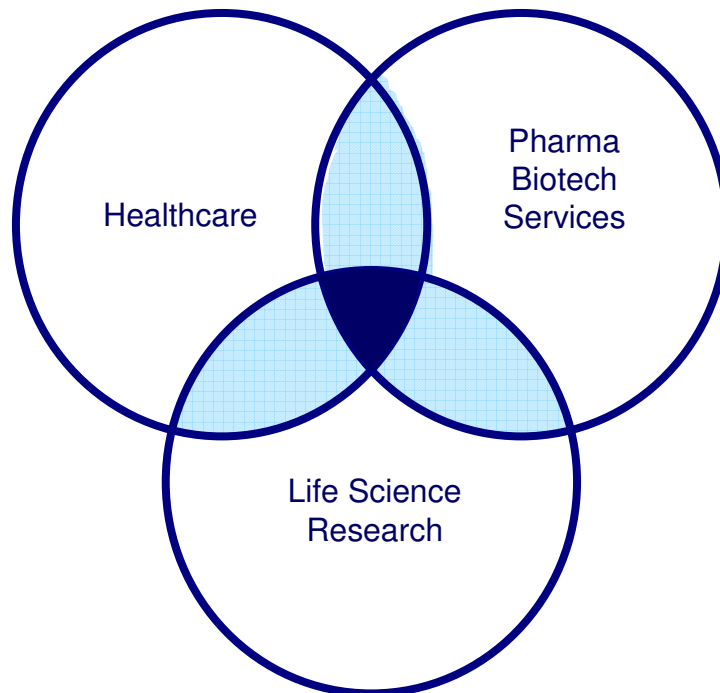
Life Science Research

- Next generation sequencing and genotyping services; bioinformatics
- Enhance portfolio of biomolecular tools including Autogen™ products
- Bundled products; cross-selling opportunities
- Broaden distributor network; geographic markets



Growth opportunities - synergistic activities

Significant opportunities for growth exist where the expertise in each of the divisions interact and complement each other:



Molecular diagnostics

combining pathology and genetics to diagnose, predict and monitor disease

- diagnostic genotyping on Illumina platform
- gene-based testing

Pharmacogenomics

how genetics determines response to therapies

- genetic segmentation of patient groups

Personalised medicine & companion diagnostics

biomarkers for disease predisposition and therapy response

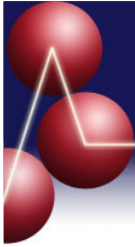
- companion diagnostics eg KRAS testing
- personalised genomics and predisposition testing

Summary

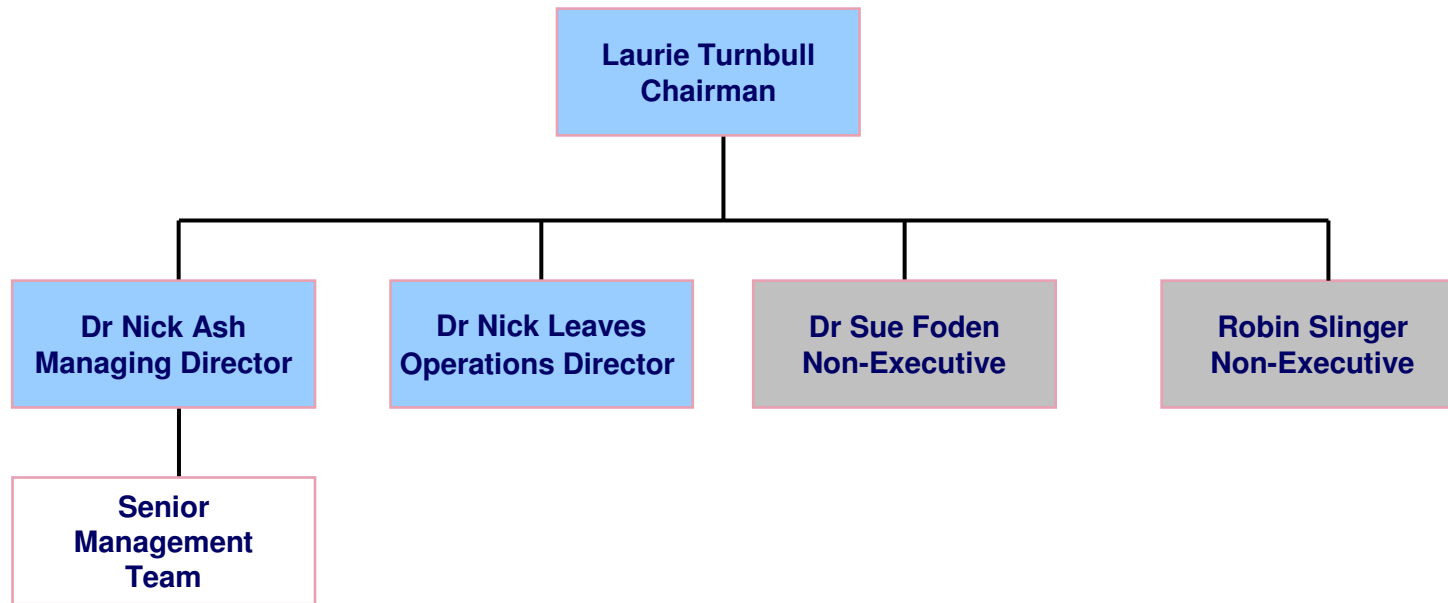
- Cash generative and significant progress toward profitability
- Cash available to invest in
 - acquisition opportunities
 - new technologies – where demand exists
- Strong executive team and integration capability
- “Joined up” business with focus on service delivery
- Outstanding facilities and technology platforms
- Market fundamentals strong for core activities
- Expanding markets for molecular diagnostics and pharmacogenomics

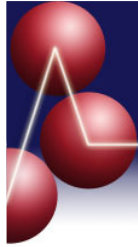
Appendices

- Board of Directors
- Divisional background
- Historic performance and broker's notes



Board of Directors





Healthcare

Screening and diagnostic testing services and products for cancer and other diseases for the NHS and private healthcare under the **Medical Solutions™** brand

Consultant services

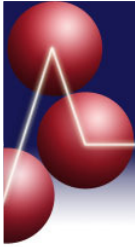
- Specialist consultant pathology services
- Outsourced solution for NHS and private healthcare
- Onsite pathology and specialist referral network
- Sample handling and preparation

Diagnostic pathology

- Predictive and prognostic testing, mainly for cancer
- Immunohistochemistry and in-situ hybridisation incl. HER2
- Molecular diagnostics incl. OncotypeDX™, KRAS, CYP2D6, PI3K, BRAF
- Dako, Ventana, ABI, Qiagen, Illumina, Affymetrix

Cytology

- Supporting NHS CCSP
- SurePath™ liquid based cytology
- Exclusivity with Becton Dickinson
- Distribution and logistics infrastructure
- FocalPoint™ automating imaging
- Molecular markers and HPV testing



Pharma Biotech Services

Support for early stage therapeutic development offering a “one-stop shop” from tissue pathology to gene expression profiling and mutation analysis under the **Medical Solutions™** brand



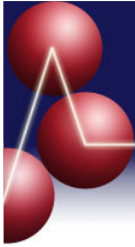
DNA/RNA extraction
SNP genotyping
arrayCGH
Whole genome
amplification
Biobanking
Bioinformatics

SNP genotyping
DNA Sequencing
Illumina GoldenGate
Illumina Infinium
Mutation analysis
Bioinformatics
Biomarker assay
development
Histology/Pathology
review
Tissue sourcing
IHC/FISH
Image analysis

Cross Reactivity
ADME Tox SNPs
CYPP450 genotyping
Biobanking
IHC/FISH
Image analysis
Tumor Classification
Histology/Path review
Tissue Sourcing
Pharmacogenomics

Genotyping for patient
stratification
Genomic extraction
Custom SNP genotyping
Mutation analysis
Bioinformatics
IHC/FISH
Biomarker assays
Tissue sourcing
Biobanking
Tumour classification
CTC/CEC enumeration
OncotypeDX

Companion Diagnostics
KRAS;PI3K;BRAF;Her2
Breast Cancer Portfolio



Life Science Research

Core laboratory research support services to academic labs and research institutes under the **Geneservice™** and **Autogen Bioclear™** brands

DNA sequencing

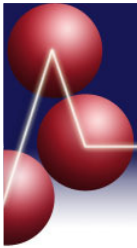
- Illumina Genome Analyser™ next generation sequencing
- ABI 3730 CE sequencing (4 labs)
- Pyrosequencing
- Bioinformatics

Contract research

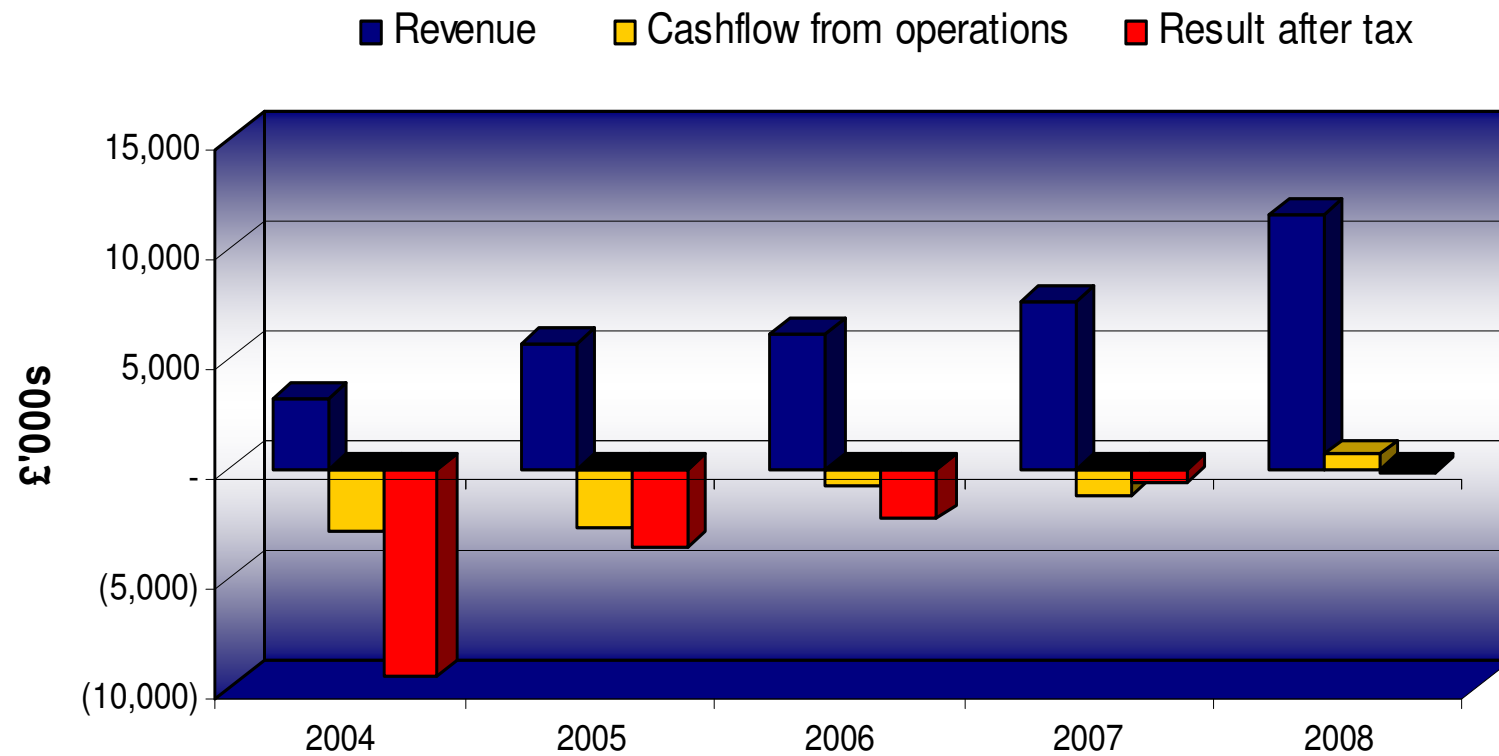
- Illumina Beadstation™ next generation genotyping
- Gene expression analysis
- DNA and RNA extraction
- Whole genome amplification
- ABI 7900 real-time PCR (2 labs)

Reagents

- Extensive library of cDNA, RNAi and genomic clone libraries
- Comprehensive antibody portfolio
- Other biomolecular tools including cell culture, diagnostic kits
- Human tissue bank
- Distribution infrastructure and distributor network



Historic performance



Source: Financial statements, continuing operations