

Source BioScience plc

Half Year Results

Six months ended 30 June 2011

**Genetic analysis and diagnostics for the
international research and healthcare
markets**

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About Source BioScience

- International genetic analysis and diagnostics business serving the research, healthcare and pharmabiotech industries
- 3 operating divisions and markets:
 - LifeSciences - academic labs and research institutions in Europe
 - Healthcare - NHS and private healthcare in the UK
 - PharmaBiotech – global pharma and biotech
- State of the art UK laboratory facilities in Oxford, Cambridge, London and Nottingham plus European facilities in Dublin and Berlin
- Highest standard quality accreditations including CPA, GLP and GCP
- Experienced Board and 120 employees across the Group
- Rapidly growing, profitable and cash generative business; expected to meet management expectations at the full year
- Good medium and long term growth prospects

Group overview

Genetic testing, analysis and diagnostics

LifeSciences

DNA sequencing
Next gen sequencing
Clones & antibodies
Bioinformatics

Healthcare

Cervical cancer
screening
Cancer diagnostics
Companion
diagnostics

PharmaBiotech

Clinical trials
Pharmaco-genomics
Biomarker discovery
Genetic testing

- Broad portfolio of complementary services and products
- Shared expertise and technology platforms
- Integrated operational and commercial infrastructure
- Opportunities from overlap and complementary nature of activities

Operational highlights

Six months ended 30 June 2011

- Launch of world's largest clone and linked antibody portfolio; comprising over 20 million clones
- Release of GenomeCube® proprietary search engine
- **SpeedREAD™** rapid data delivery for service for DNA sequencing and Overnight Service launched
- Installation and commissioning of second HiSeq2000™ in Berlin
- Approved for direct link to the NHS internal IT network
- Awarded EU Framework 7 grant to study genetics of childhood dementia

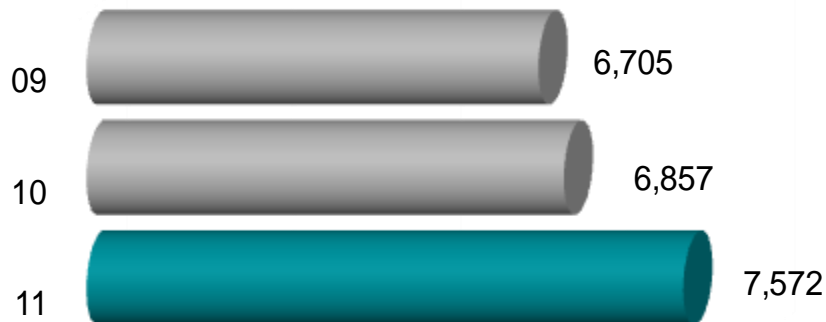
Post Period Event

- “No Further Review” automated cervical cancer screening approved by NHS
- Won competitive bid to provide sequencing services to Trinity and University Colleges, Dublin.

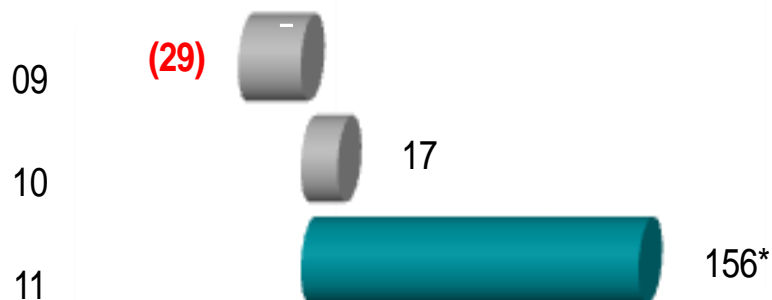
Financial highlights

Six months ended 30 June 2011

Revenue £'000



Adjusted operating profit* £'000



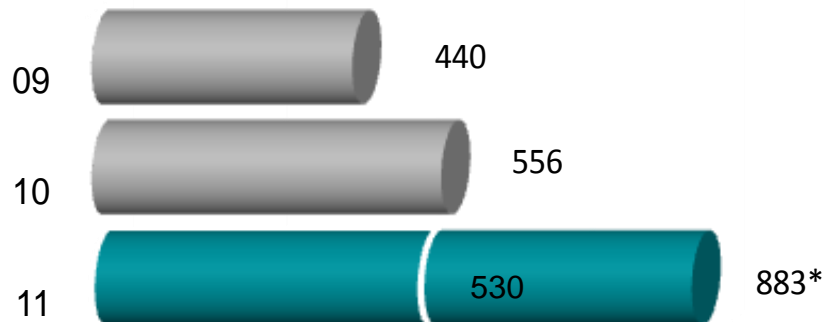
- Revenue up 10%; year on year growth
- Operating profit* increased 8x
- All divisions profitable; good opportunities for growth
- Non-recurring and restructuring costs of £0.4 million from imaGenes integration
- Annualised cost savings of £0.5 million
- Strong financial position to support future business growth
- H2 2011 outlook: expect to meet full year expectations

* Operating profit stated after adjusting for the non-recurring and restructuring costs of £0.4 million on the planned integration of imaGenes

Financial highlights (continued)

Six months ended 30 June 2011

Adjusted EBITDA* £'000

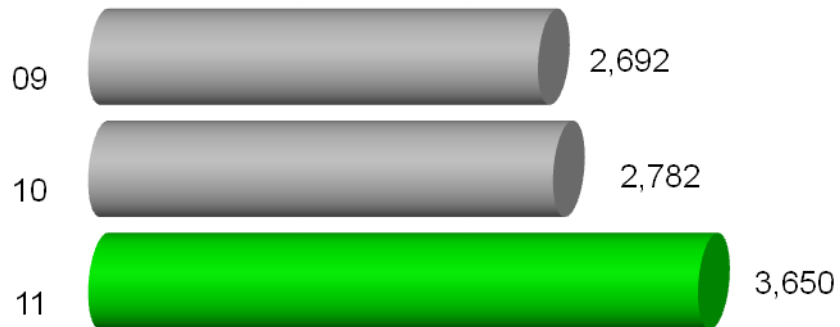


- Year on year EBITDA* growth
- Cash balance of £3.0 million
- Bank debt of £0.4 million acquired with imaGenes
- Cash available to invest in
 - new technologies, where demand exists
 - infrastructure, to improve performance
 - acquisition opportunities

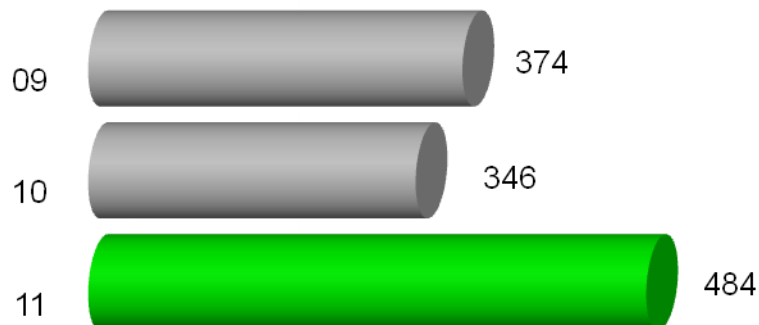
* EBITDA stated after adjusting for the non-recurring and restructuring costs of £0.4 million on the planned integration of imaGenes

Divisional performance - LifeSciences

Revenue £'000



Divisional profit £'000

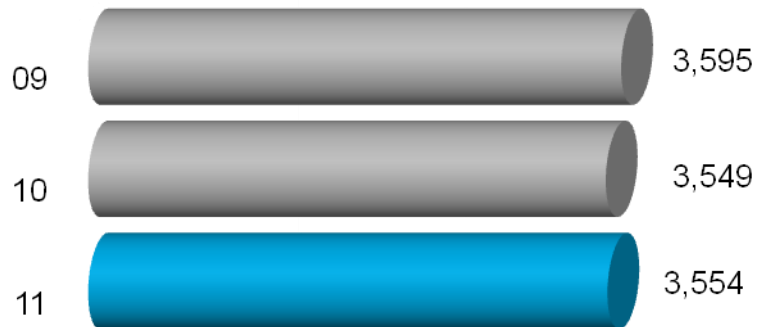


Highlights

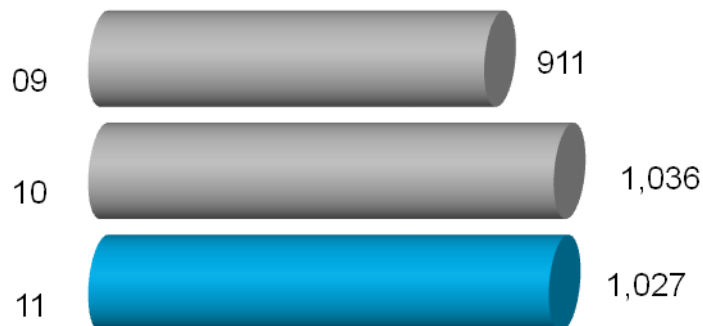
- Next gen sequencing growth of over 100% compared with H1 2010
- Second HiSeq 2000™ next gen platform installed in Berlin; market >£100 million
- Positive impact from German business; additional sequencing facilities in Berlin
- **SpeedREAD™** and Overnight Service launched for sequencing; secures and grows market share
- GenomeCube® launched; enhanced e-commerce offering generating increased activity, bundling and cross-selling

Divisional performance - Healthcare

Revenue £'000



Divisional profit £'000

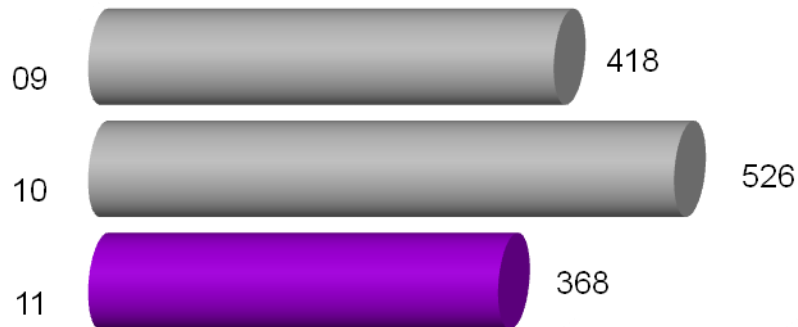


Highlights

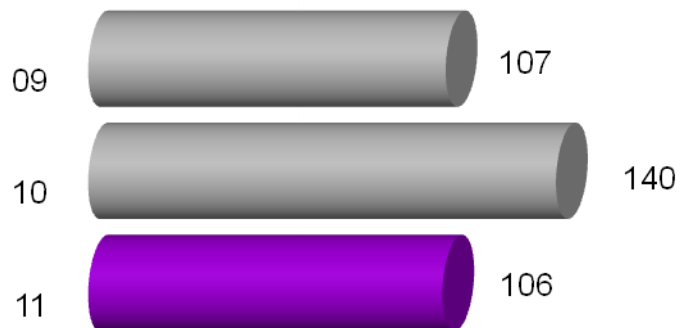
- Maintained cervical cancer screening market share at 48%; mature market
- Shift in demand away from traditional histopathology business
- Increasing volume of companion diagnostic tests for cancer including gene-based testing
- Gene-based diagnostic testing gaining traction in the NHS
- New lab infrastructure and LIMS delivered efficiencies

Divisional performance - PharmaBiotech

Revenue £'000



Divisional profit £'000



Highlights

- Significant proportion of revenue from clinical trial support
- Patient recruitment out of SBS control; trial revenue can be “lumpy” in nature
- No evidence of change in outsourcing attitude by pharma – evidence that actually increasing
- Increased penetration of genetic testing into pharma R&D and clinical trials
- Apparent increase in pharma outsourcing; biomarker discover and diagnostic R&D

Outlook for H2 2011

- Drive synergies, and costs, from imaGenes acquisition; already in progress
- Continue expansion of sequencing service based on **SpeedREAD™** and Overnight Service; exploit Berlin and Dublin opportunities
- Next generation sequencing and bioinformatics; second HiSeq 2000™ in Berlin; continue to build presence in European market
- World's largest clone portfolio, enhanced e-commerce platform and GenomeCube® - build up sales with existing and new customers
- Accelerate programme of distributor recruitment and training for LifeSciences
- Promote and support adoption and roll-out of automated cervical screening technology based on “No Further Review”
- Increase penetration of genetic and companion diagnostic testing in the NHS; including cancer diagnostics and HPV testing

Summary

- Revenue increased and growth in pro forma* operating profit and EBITDA
- Portfolio business model focused on sustainable growth and continued operational development
- Outstanding facilities and technology platforms
- Cash available to invest in infrastructure, new technologies and acquisition opportunities
- Geographic reach of business – UK focus and access to German/European markets; distributor model for Asia and North America
- Market fundamentals strong for core activities; ideally positioned as preferred outsourcing partner for NHS and pharma
- Significant financial upside from combination of dominant healthcare market position and growth opportunities in LifeSciences

Appendices

- Value drivers and strategy
- Detailed financial information
- Historic performance

Value drivers and strategy – LifeSciences

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 clones (>20 million) and linked antibody library

Enhanced e-commerce platform and on-line tools; GenomeCube®

Geographic reach into European markets

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

Distributor/franchise model for Asia/US penetration

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 £2 billion spend on
diagnostics; global cancer
diagnostic market est £4 billion

Highly accredited labs

Cytology

Automated imaging adoption by
NHS; incremental £2 million pa

HPV testing – gene-based test;
market approx £30 million

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 – 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

Statement of comprehensive income

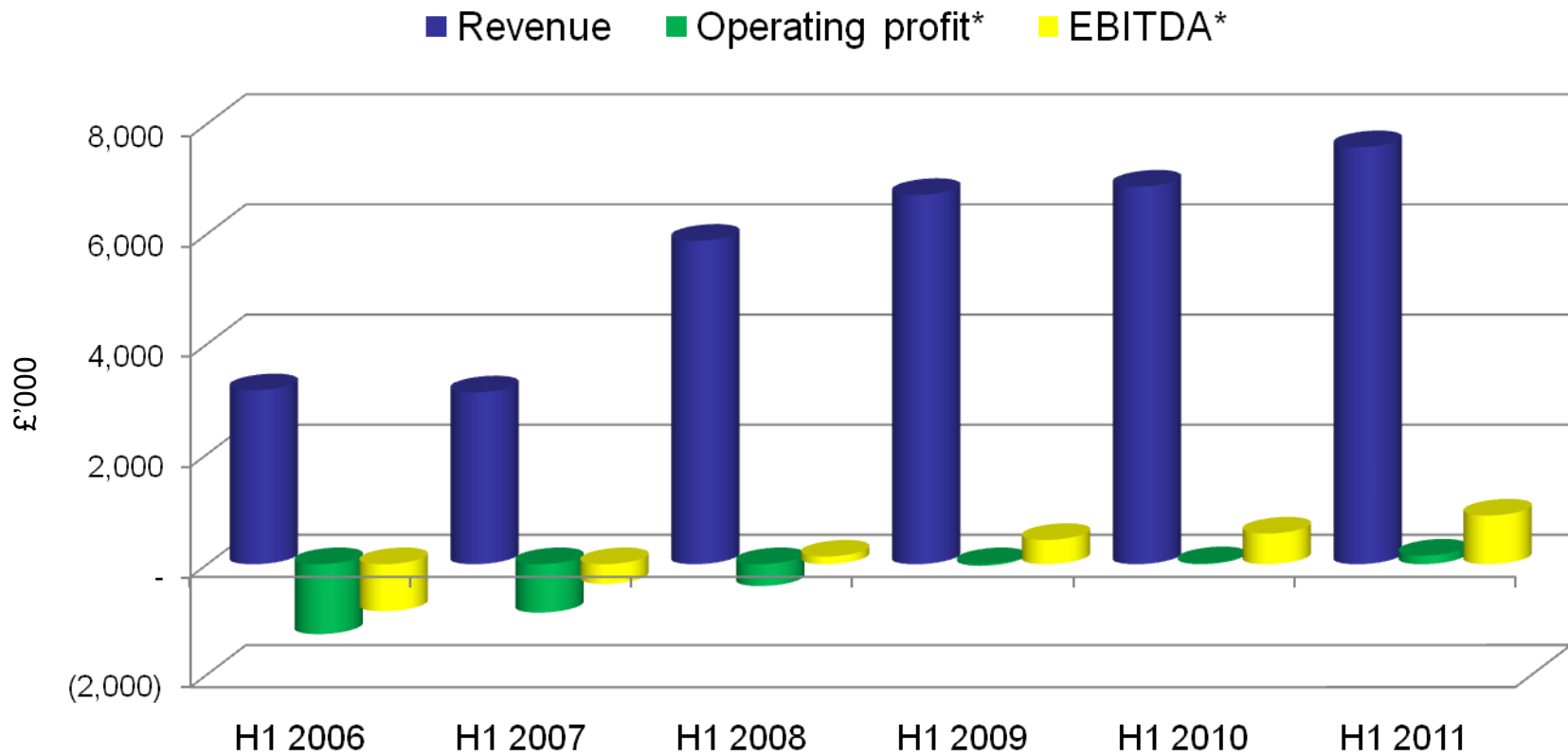
	Six months ended 30 June	2011	2010	2009
		£'000	£'000	£'000
• Revenue growth of 10% year on year	Revenue	7,572	6,857	6,705
• Gross margin maintained at 43%	Cost of sales	(4,315)	(3,888)	(3,842)
• Pro forma* operating profit up eight fold to £0.2 million	Gross profit	3,257	2,969	2,863
• EBITDA* of £0.9 million; highlights sound investment strategy and cash generation	Selling and distribution	(555)	(675)	(676)
• Negligible finance income from funds on deposit	Research and development	(125)	(95)	(101)
	Admin expenses	(2,421)	(2,182)	(2,115)
	Pro forma* operating profit	156	17	(29)
	Restructuring costs	(353)	-	-
	Operating (loss)/profit	(197)	17	(29)
	Finance (expense)/income	(2)	37	91
	PBT	(199)	54	62
	Taxation	20	16	16
	PAT	(179)	70	78
	EBITDA*	883	556	440

* from after adjusting for the non-recurring and restructuring costs on the integration of imaGenes

Statement of financial position

	As at 30 June	2011	2010	2009
		£'000	£'000	£'000
• Non-current assets				
• goodwill of £1.7 million from imaGenes	Goodwill	8,346	6,617	6,617
• intangible assets of £0.2 million on imaGenes acquisition	Other intangible assets	1,109	884	985
• tangible asset investment in next gen sequencing, LIMS and GenomeCube®	Tangible assets	2,742	2,304	2,078
	Non-current assets	12,197	9,805	9,680
• Net current assets				
• significant cash of £3.0 million	Inventory	747	490	592
• bank debt of £0.4 million acquired with imaGenes	Trade and other receivables	3,356	2,841	2,881
• deferred consideration of £0.1 million	Cash	2,987	5,518	7,716
	Current assets	7,090	8,849	11,189
	Tarade and other payables	3,450	3,209	4,631
	Financial liabilities	135	3	333
	Deferred consideration	77	-	750
	Current liabilities	3,662	3,212	5,714
	Net current assets	3,428	5,637	5,475
	Financial liabilities	268	-	3
	Deferred tax	149	124	193
	Net assets	15,208	15,318	14,959

Historic performance



Source: Half Year Reports (continuing operations) *Adjusted for the non-recurring and restructuring costs on the integration of imaGenes