

Source BioScience

# **Source BioScience plc**

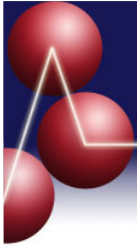
**Annual Results**

**Year ended 31 December 2008**

***Healthcare***

***Pharma Biotech Services***

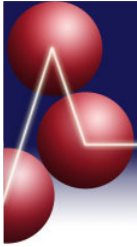
***Life Science Research***



## Disclaimer

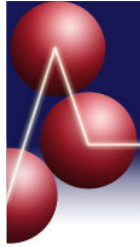
In the interest of providing Source BioScience's shareholders and potential investors with information regarding the Company, including management's assessment of the Company's future plans and operations, certain statements and charts throughout this presentation are "forward-looking statements" and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



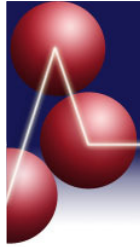
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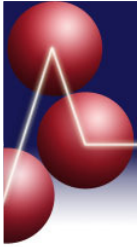
## About Source BioScience

- 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



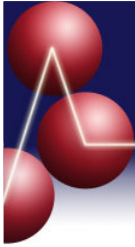
## Financial highlights

- 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

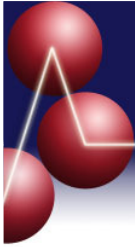
- Acquisition of Autogen Bioclear UK Limited for up £5.9 million; a profitable and cash generative business
- Opened London genomics facility at University College London
- FocalPoint™ location guided screener added to the exclusive distribution agreement with BD
- Selection of Illumina's Genome Analyzer™ 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	
<b>Revenue</b>				<b>+11% revenue</b>
Cytology	4,432	4,242	3,526	<b>+31% operating</b>
Diagnostic Pathology	1,922	1,501	2,200	<b>result</b>
	<b>6,354</b>	5,743	5,726	
<b>Operating result</b>				
Cytology	1,137	1,072	658	
Diagnostic Pathology	311	31	529	
Operating result	<b>1,448</b>	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

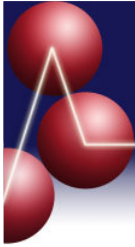
Year ended 31 December	2008 £'000	2007 £'000	2006 £'000
Revenue	558	509	299
Operating result	(65)	(272)	(516)

**+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





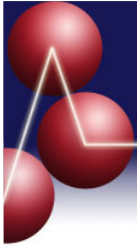
## Divisional review - Life Science Research

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

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

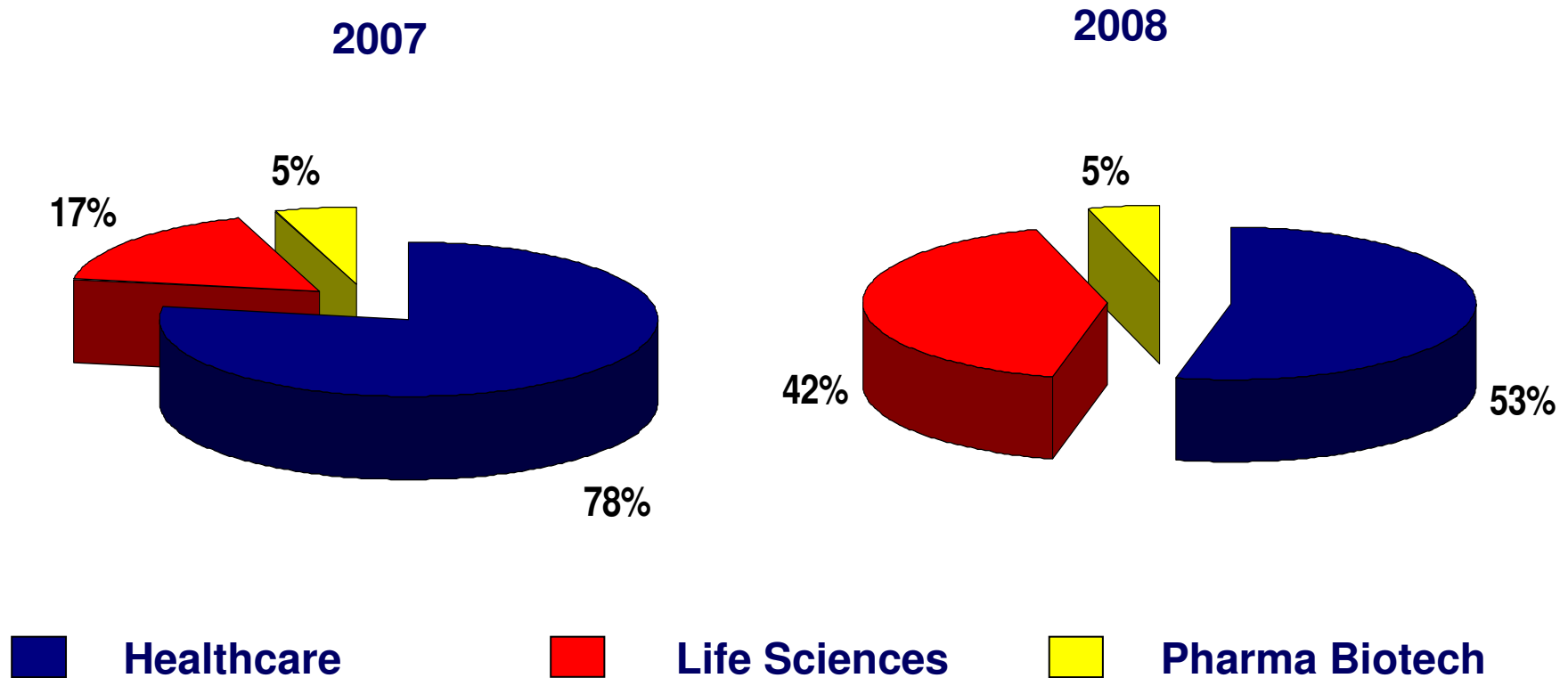
**increased operating efficiencies**

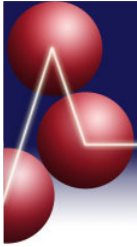
- Acquisition of Autogen Bioclear™ and full year of Geneservice™
- Operating result includes £226k of amortisation associated with acquisition accounting
- Opened London genomics facility and consolidated Geneservice™ activities to a single site in Cambridge
- Investment in Illumina Genome Analyser™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



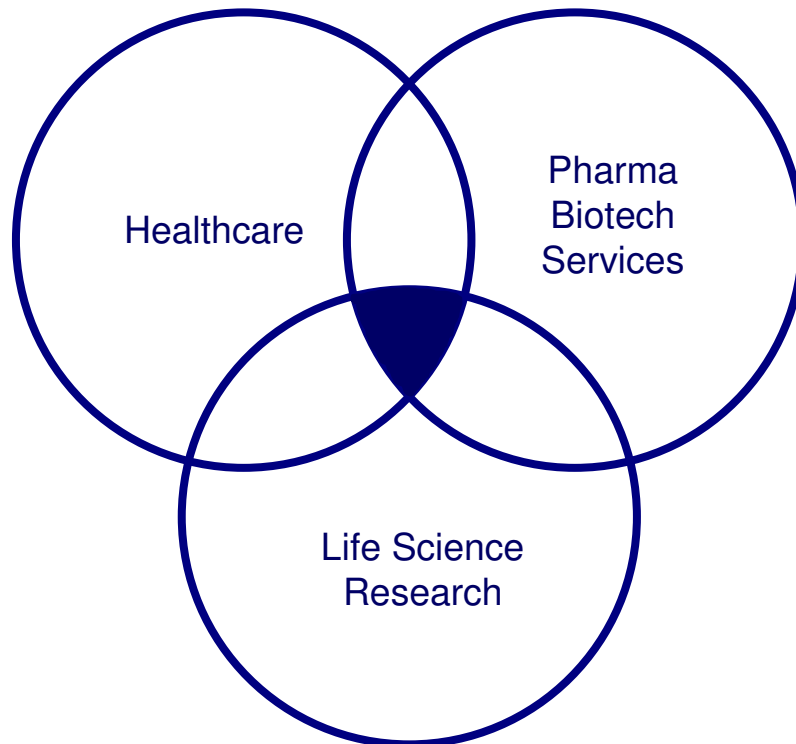
## Divisional review - revenue contribution by division

A more balanced business; broader offering across a wider market

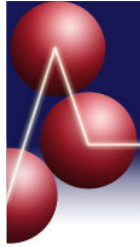




## Divisional review - a “joined up” business



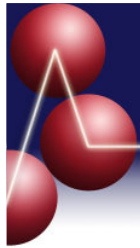
- Shared expertise and technology platforms
- Broad portfolio of complementary services and products
- Integrated operational and commercial infrastructure
- Robust business model within each division
- Opportunities from overlap and complementary nature of activities



## 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

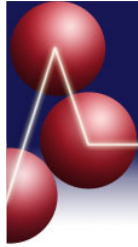
Year ended 31 December	2008 £'000	2007 £'000	2006 £'000
Revenue	11,520	7,531	6,025
Cost of sales	(6,651)	(4,404)	(3,640)
<b>Gross profit</b>	<b>4,869</b>	3,127	2,385
Selling and distribution	(1,165)	(680)	(609)
Research and development	(196)	(110)	(167)
Admin expenses - normal	(3,924)	(3,668)	(3,837)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

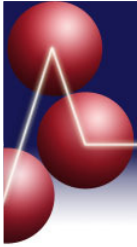
As at 31 December	2008 £'000	2007 £'000	2006 £'000
<b>Non-current assets</b>	<b>9,556</b>	6,043	2,334
Goodwill	6,602	3,729	583
Other intangible assets	1,119	605	117
Tangible assets	1,835	1,709	1,634
<b>Current assets</b>	<b>10,498</b>	14,605	16,934
Inventory	478	435	533
Trade and other receivables	2,373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



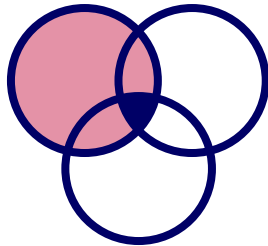
## Financial review – cash flow

- 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
<b>Cash flows from operating activities</b>		
Cash generated from/(used in) operations	601	(1,126)
Interest paid	(19)	(22)
Tax paid	(144)	(40)
<b>Operating cash flow</b>	<b>438</b>	<b>(1,188)</b>
<b>Cash flows from investing activities</b>		
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
<b>Net cash used in investing activities</b>	<b>(4,877)</b>	<b>(1,610)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(105)	(108)
Finance lease repayments	(76)	(56)
<b>Net cash used in financing activities</b>	<b>(181)</b>	<b>(164)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,620)</b>	<b>(2,962)</b>
<b>Cash and cash equivalents</b>	<b>7,647</b>	<b>12,267</b>

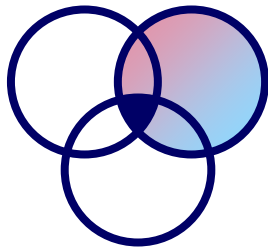


## Growth opportunities – core expertise organic growth



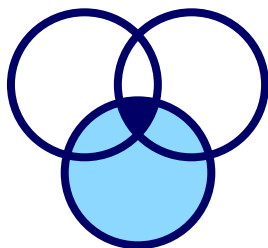
### Healthcare

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



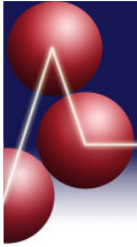
### Pharma Biotech Services

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



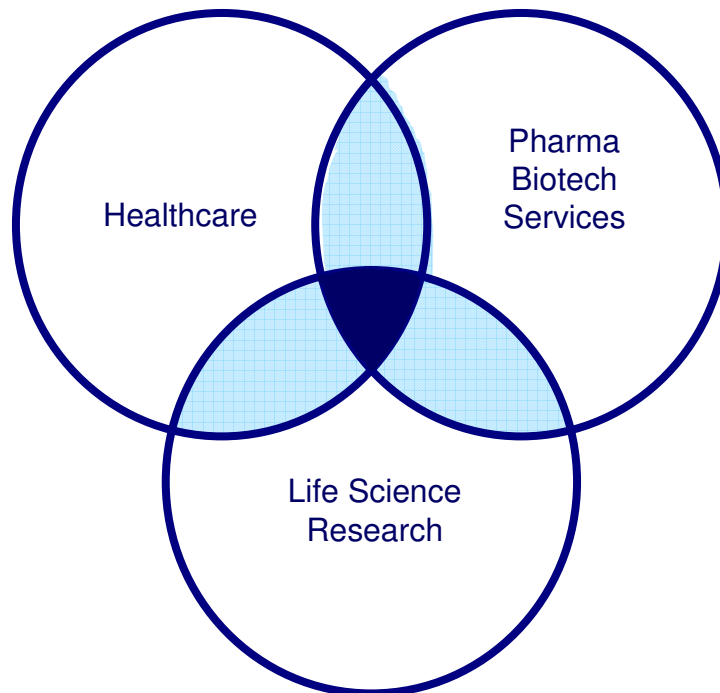
### Life Science Research

- 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

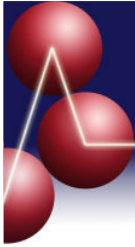


## Summary

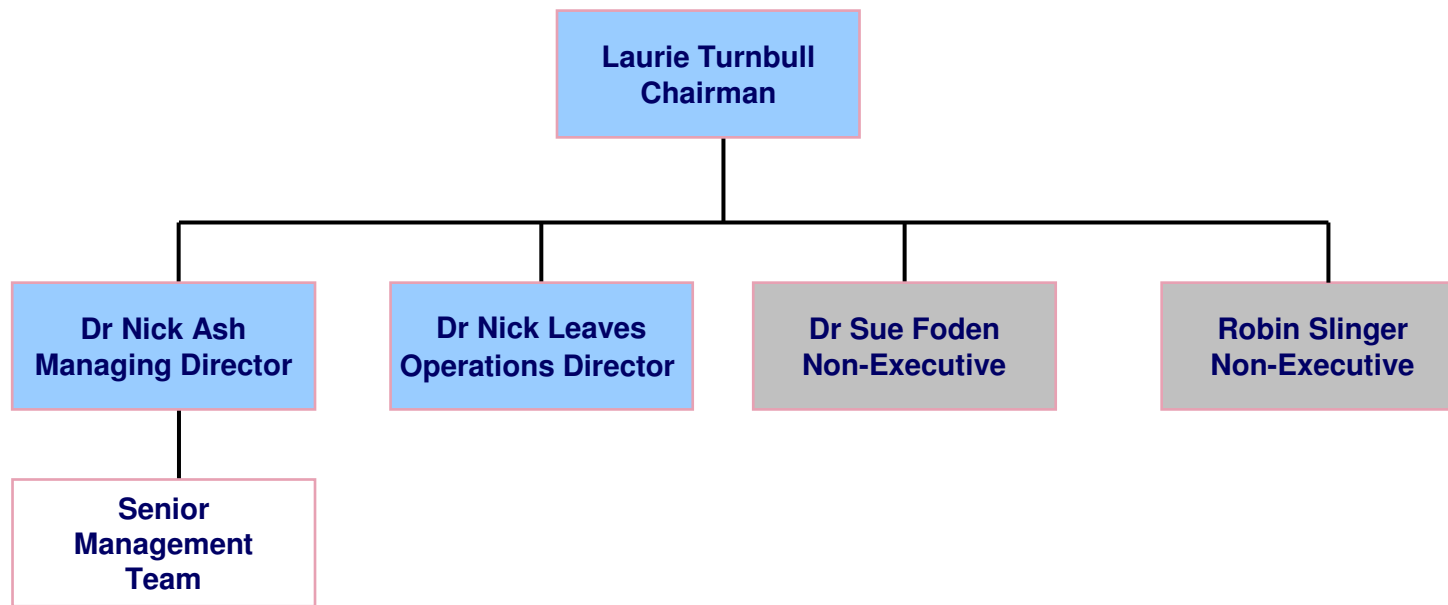
- Cash generative and significant progress toward profitability
- Cash available to invest in
  - acquisition opportunities
  - new technologies – where demand exists
- Strong executive team and integration capability
- “Joined up” business with focus on service delivery
- Outstanding facilities and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

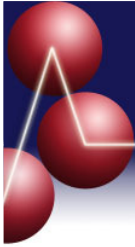
## Appendices

- 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

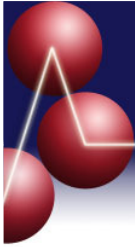
- Specialist consultant pathology services
- Outsourced solution for NHS and private healthcare
- Onsite pathology and specialist referral network
- Sample handling and preparation

### 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



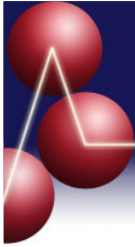
DNA/RNA extraction  
SNP genotyping  
arrayCGH  
Whole genome  
amplification  
Biobanking  
Bioinformatics

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

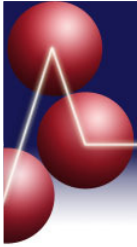
- Illumina Genome Analyser™ next generation sequencing
- ABI 3730 CE sequencing (4 labs)
- Pyrosequencing
- Bioinformatics

### Contract research

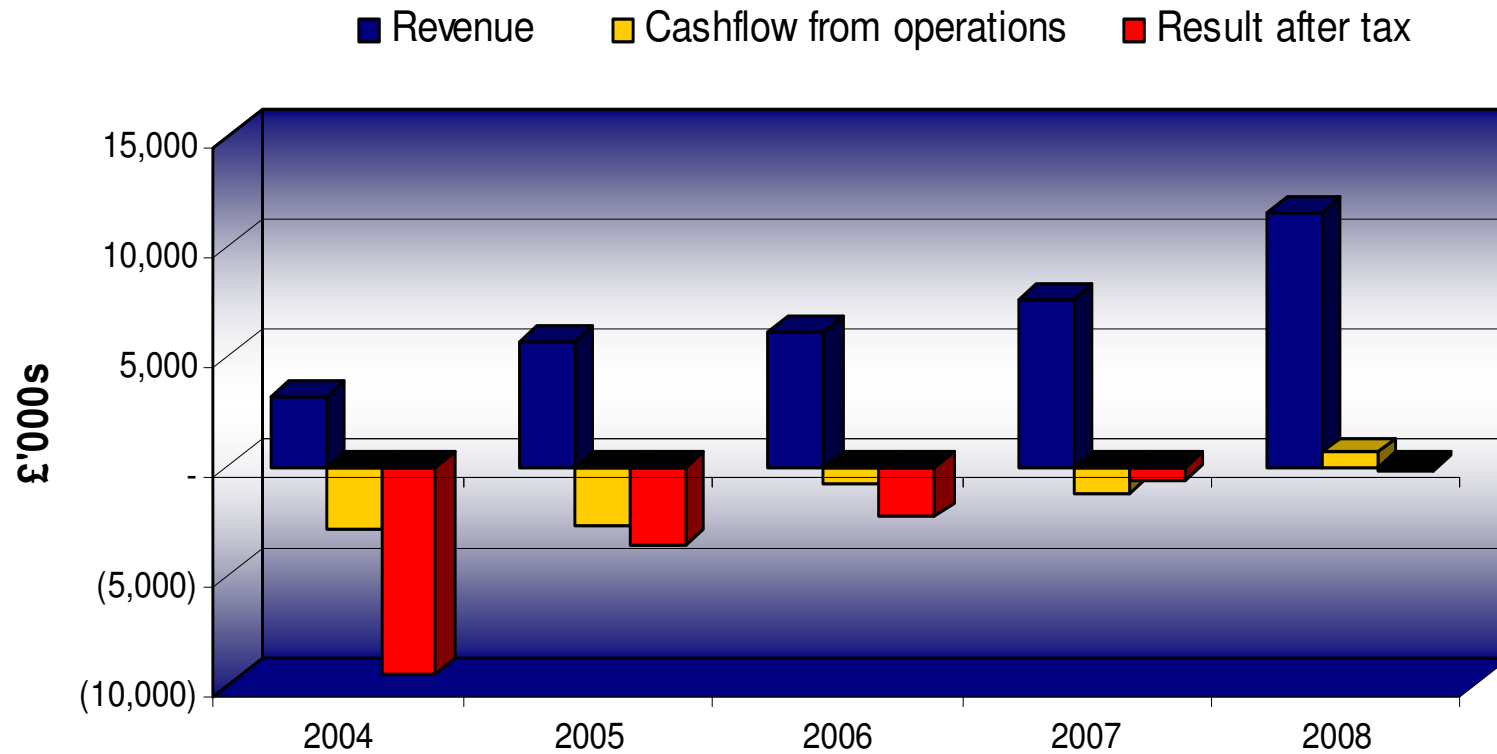
- Illumina Beadstation™ next generation genotyping
- Gene expression analysis
- DNA and RNA extraction
- Whole genome amplification
- ABI 7900 real-time PCR (2 labs)

### 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