

# Source BioScience plc

Half Year Results

Six months ended 30 June 2009

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

- Fully listed (LSE: SBS)
- Healthcare and biotechnology company providing diagnostic and screening services, genetic analyses and biomolecular tools and products
- 3 markets and 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 104 employees across the group

## Financial highlights

- Profitable and cash generative
- All operating divisions increased revenue and reported profits
- Revenue up 14% to £6.7 million
- 81% improvement in operating loss to £29,000 (2008: £0.2 million loss)
- Profit before tax of £0.1 million (2008: £0.2 million loss)
- Cash generated from operations of £0.9 million (2008: £33,000)
- £7.7 million cash reserves (31 December 2008: £7.6 million)
- Cash reserves generated 52% less interest, impact of base rate cuts; PBT still achieved
- Financially well positioned for continued growth

## Key events

- Agreement with Northwest NHS Region to provide FocalPoint™; worth £0.5 million over 2 years
- CPA accreditation extended to include molecular genetics; underpins provision of next generation of molecular tests and companion diagnostics
- New European distributors for Life Science Research products and services

Post period end:

- Extension to LBC and FocalPoint™ agreement with Cervical Screening Wales; worth £0.9 million over 2 years

## Healthcare

Six months ended	30 Jun 09 £'000	30 Jun 08 £'000	30 Jun 07 £'000	30 Jun 06 £'000
<b>Revenue</b>				
Cytology	2,846	2,172	2,083	1,712
Diagnostic Pathology	749	1,116	830	1,289
	<b>3,595</b>	<b>3,288</b>	<b>2,913</b>	<b>3,001</b>
<b>Operating result</b>				
Cytology	910	552	507	262
Diagnostic Pathology	1	206	31	337
	<b>911</b>	<b>758</b>	<b>538</b>	<b>599</b>

**+9% revenue**

**+20% operating  
result**

- Very strong performance
- Exceptional demand for LBC in period
- Significant agreements for automated imaging
- Demand increasing for molecular testing, especially KRAS testing
- Enhanced accreditations

## Pharma Biotech Services

Six months ended	30 Jun 09 £'000	30 Jun 08 £'000	30 Jun 07 £'000	30 Jun 06 £'000
Revenue	418	211	207	156
Operating result	107	(120)	(195)	(293)

**+98% revenue**

**+200% operating result**

- Maiden profits for the division
- Increased recognition of, and buy-in to, “one-stop” offering by large pharma
- Further penetration into clinical trials support
- Pharmacogenomics and biomarker/companion diagnostic identification
- Remains key to growth strategy



## Life Science Research

Six months ended	30 Jun 09 £'000	30 Jun 08 £'000
Revenue	2,692	2,375
Operating result	374	339

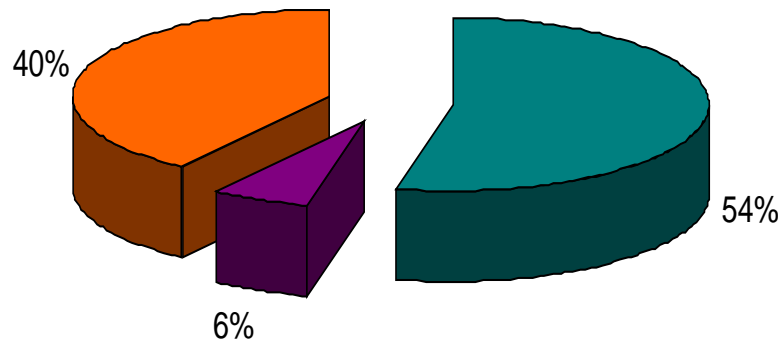
**+22% revenue from DNA sequencing**

**+10% operating result**

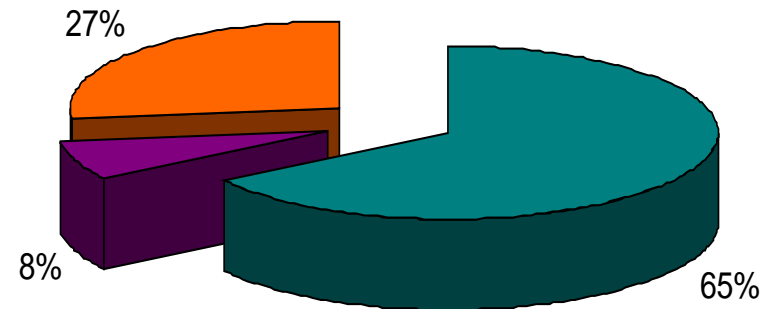
- Next generation sequencing service at full run rate
- UCL laboratory a significant contributor
- Relocated Cambridge facilities to more cost appropriate premises
- Investment in additional cutting-edge platforms from Roche and Qiagen
- Expansion of distributor network into Germany, Italy and France

## Divisional review - revenue and operating result

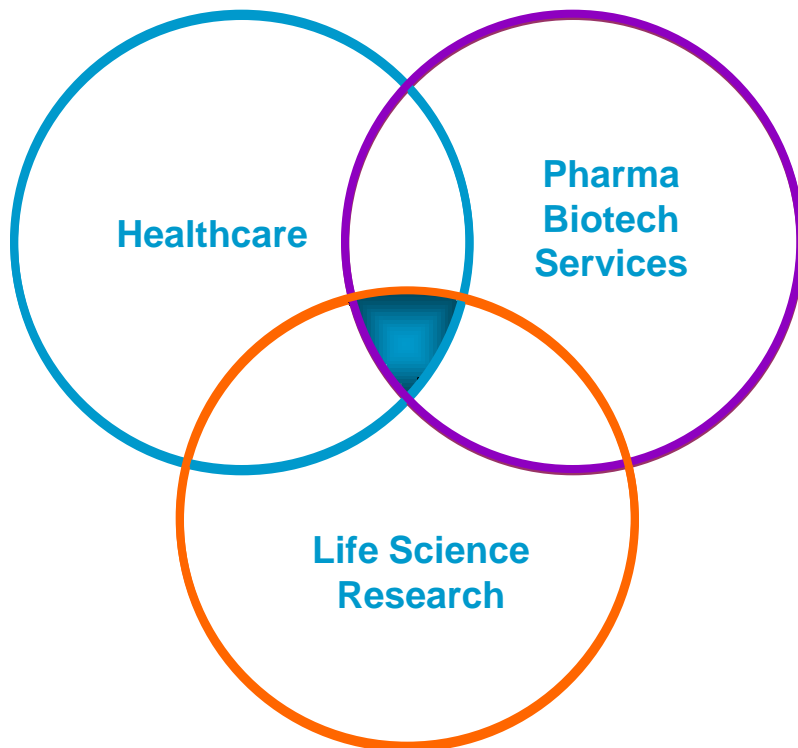
Revenue



Operating result



## 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

## Statement of comprehensive income

	Six months ended 30 Jun 09	6 m/e 30 Jun 08	Year ended 31 Dec 08
	£'000	£'000	£'000
• Profit before tax			
• Revenue up £0.8 million	6,705	5,874	11,520
• Gross margin firmed to 43%	<b>(3,842)</b>	<b>(3,444)</b>	<b>(6,651)</b>
• Admin expenses reduced to 32% of sales (2008: 36%); cost control and operational consolidation	<b>Gross profit</b>	2,430	4,869
• Operating loss reduced by 93%; consistent trend	(676)	(592)	(1,165)
• Profit before tax of £0.1 million	(101)	(109)	(196)
• PBT achieved despite reduced interest income of 52% on similar cash balance	<b>(2,115)</b>	<b>(2,126)</b>	<b>(4,150)</b>
• EBITDA highlights sound investment strategy and cash generation	<b>Pro forma operating loss</b>	(397)	(642)
	-	-	-
	-	-	(75)
	<b>Reported operating loss</b>	(397)	(717)
	91	189	344
	-	27	27
	<b>Profit/(loss) before tax</b>	(181)	(346)
	<b>EBITDA</b>	138	490

## Statement of financial position

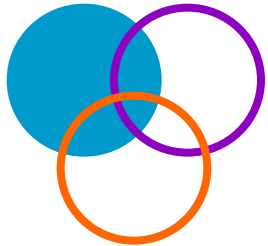
	As at 30 Jun 09 £'000	As at 30 Jun 08 £'000	As at 31 Dec 08 £'000
• Non-current assets			
– goodwill finalised from Autogen acquisition; amortisation in period	6,617	7,558	6,602
	985	580	1,119
	<b>2,078</b>	2,044	1,835
• Current assets			
– strong cash position			
– working capital management			
	<b>9,680</b>	10,182	9,556
	592	576	478
	2,881	2,828	2,373
	<b>7,716</b>	8,341	7,647
	<b>11,189</b>	11,745	10,498
• Current liabilities			
– deferred consideration for Autogen acquisition	4,631	3,884	3,154
	333	111	32
	<b>750</b>	1,734	1,065
	<b>5,714</b>	5,729	4,251
	<b>5,475</b>	6,016	6,247
• Non-current liabilities			
– deferred tax on intangible assets acquired	3	19	4
	-	1,338	750
	<b>193</b>	-	209
	<b>14,959</b>	14,841	14,840

## Statement of cash flows

- Cash generated from operations
- Cash inflow after investing and financing activities
- Acquisitions £0.75 million; payment of planned deferred consideration for Autogen
- Capex of £0.2 million on genomic platforms and lab fit out
- Interest reduced; significant impact of reduced base rates
- Negligible outflow to service negligible external debt
- Strong closing cash position
- Cash available to invest in further growth of Group

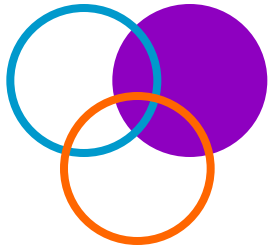
Six months ended	6 m/e 30 Jun 09 £'000	6 m/e Year ended 30 Jun 08	31 Dec 08 £'000
<b>Cash flows from operating activities</b>			
Cash from operations	871	33	601
Interest paid	(1)	(6)	(19)
Tax paid	40	(144)	(144)
<b>Operating cash flow</b>	<b>910</b>	<b>(117)</b>	<b>438</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net)	(750)	(4,105)	(4,846)
Investment in associate	16	(25)	(18)
Capital expenditure (net)	(183)	266	(325)
Interest received	106	142	312
<b>Cash used in investing activities</b>	<b>(811)</b>	<b>(3,722)</b>	<b>(4,877)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	-	(57)	(105)
Finance lease repayments	(30)	(30)	(76)
<b>Net cash used in financing activities</b>	<b>(30)</b>	<b>(87)</b>	<b>(181)</b>
<b>Net change in cash</b>	<b>69</b>	<b>(3,926)</b>	<b>(4,620)</b>
<b>Cash</b>	<b>7,716</b>	<b>8,341</b>	<b>7,647</b>

## Growth opportunities – core expertise organic growth



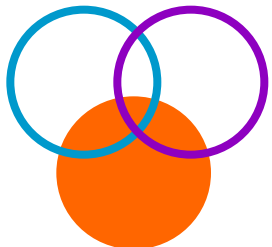
### Healthcare

- 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

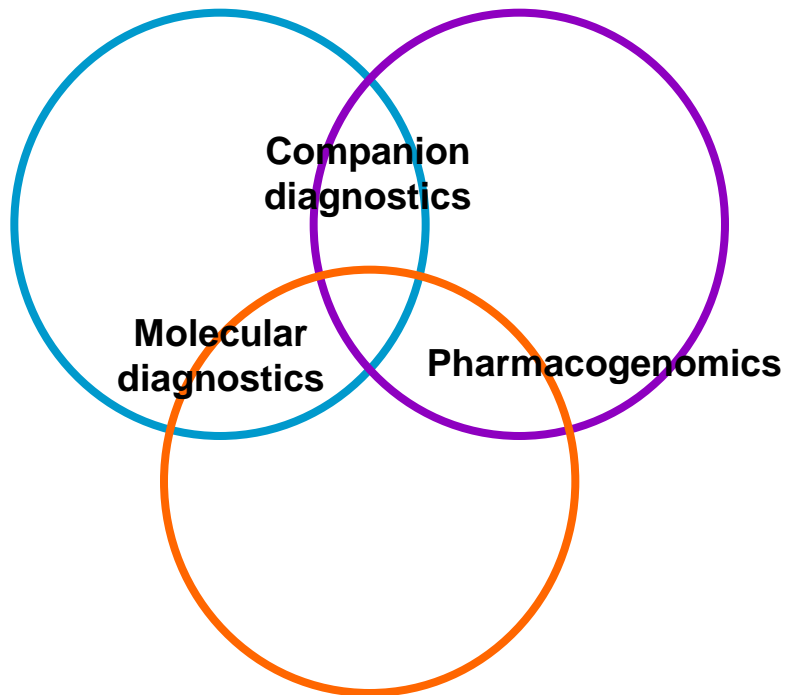


### Life Science Research

- 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 eg CYP2D6

### Pharmacogenomics

*how genetics determines response to therapies*

- genetic segmentation of patient groups eg Amplichip CYP2D6

### Personalised medicine & companion diagnostics

*biomarkers for disease predisposition and therapy response*

- companion diagnostics eg KRAS
- personalised genomics and predisposition testing



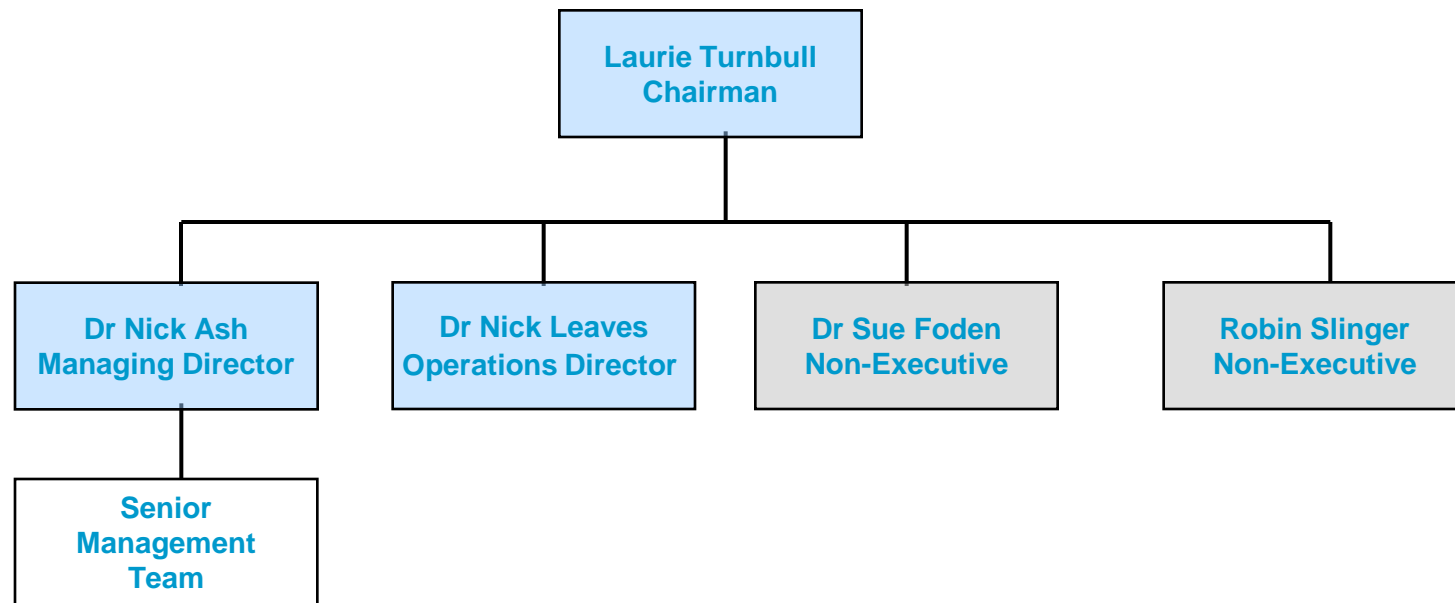
## Summary

- Cash generative and profitable
- Cash available to invest in
  - acquisition opportunities
  - new technologies – where demand exists
- Strong executive team and proven integration capability
- “Joined up” business with focus on service delivery
- Outstanding facilities and technology platforms
- Market fundamentals strong for core activities; markets could be considered “defensive” in current economic climate
- Expanding markets for molecular diagnostics and pharmacogenomics

## Appendices

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

## Board of Directors



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## Healthcare

Screening and diagnostic testing services and products for cancer and other diseases for the NHS and private healthcare

### 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



DNA/RNA extraction  
 SNP genotyping  
 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  
 CYP450 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

### DNA sequencing

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

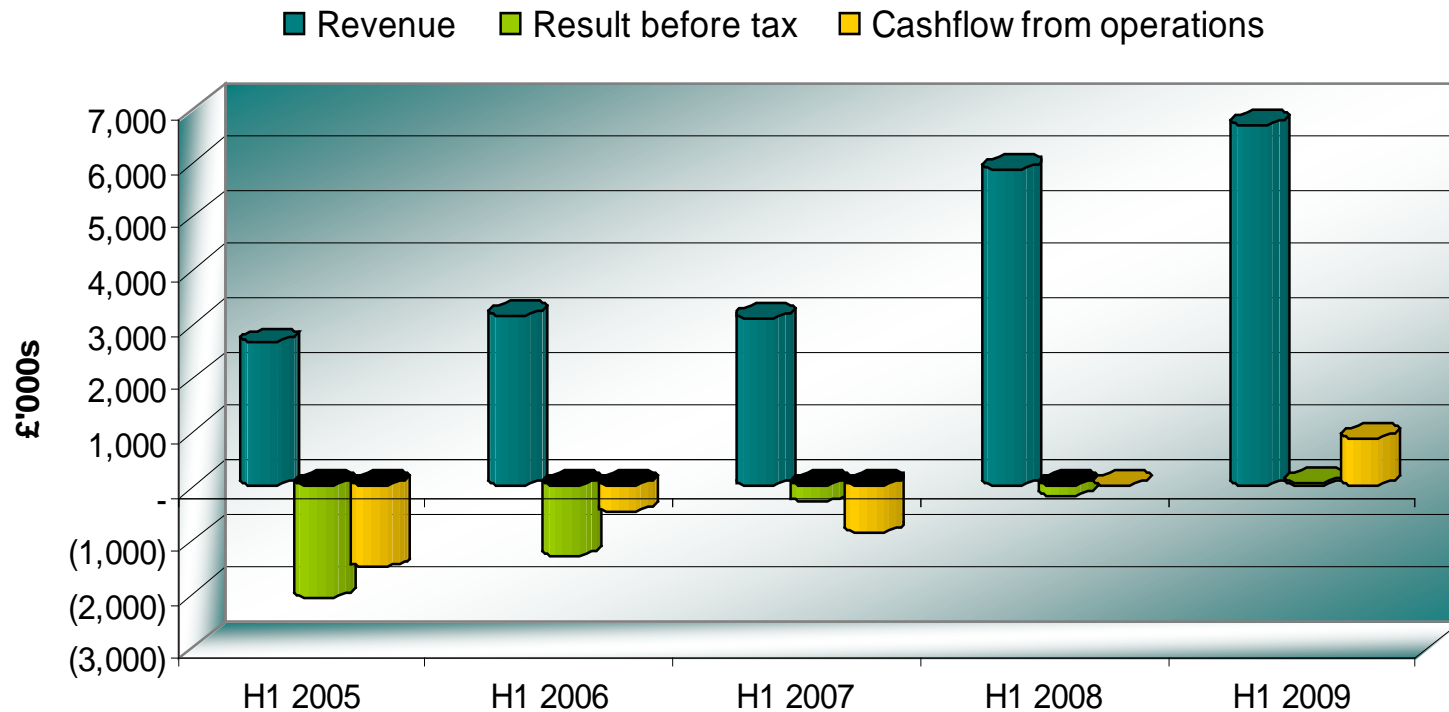
### Contract research

- 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