



For Immediate Release

28 April 2011

**Asterand plc**  
**FINAL RESULTS STATEMENT**  
**for the year ended 31 December 2010**

**Evolution of Discovery**

Asterand plc (LSE: ATD), a leading global supplier of human tissue and human tissue-based research services to pharmaceutical and biotechnology companies engaged in drug discovery research, announces its audited preliminary financial results for the year ended 31 December 2010.

**Highlights**

- Revenue \$21.3 million, an increase of 14% over 2009. Operating loss \$2.1 million (2009: \$1.6 million), nearly break-even adjusted EBITDA (2009: \$0.4 million profit).  
*Adjusted EBITDA is defined as interest, taxes, depreciation and amortisation ("EBITDA") – and excluding exceptional items and share option related charge. See below for a reconciliation of operating loss to adjusted EBITDA.*
- Successfully integrated our first acquisition as a public Company – BioSeek: 2010 Revenues of \$6.4 million represented a 68% increase over 2009.  
*A California-based company with propriety human primary cell based predictive technology. Complementary to Asterand's existing human tissue based business.*  
*Total consideration of \$9.5 million represents a multiple of less than 1.5 times 2010 sales – we believe that this is a favourable arrangement, given BioSeek's true value.*
- Awarded prestigious contract under The Cancer Genome Atlas Project (TCGA) – (US National Cancer Institute (NCI) / the National Human Genome Research Institute (NHGRI)). Up to \$24 million over five years, including an initial base period of \$5.4 million over 17 months. A validation of Asterand's approach.
- Won key contracts with pharmaceutical and diagnostic companies, and government agencies, including with Ono Pharmaceuticals, Eisai Co. Ltd., Cellzome, Amylin Pharmaceuticals, the EPA (Environmental Protection Agency).
- Invested in science and innovation to lay the foundation for future growth and profitability. Established GLP at Royston (UK facility). Held successful inaugural annual human tissue conference in Washington DC in April 2010. Appointed Dr Dalia Cohen as CSO in September.
- Gross margin 56% (2009: 58%), operating expenses increased to \$14.1 million (2009: \$12.4 million) and cash resources of \$5.9 million (2009: \$6.6 million).

**Post Year End Events**

- \$8.5 million of contingent consideration due for BioSeek to be paid entirely in cash - \$2.5 million in May 2011 and the remaining \$6 million financed through the issue of loan notes to the BioSeek vendors which mature over the period to December 2013.

- Statement on Japan earthquake and tsunami

We have many close business and personal relationships in Japan and we feel deep sadness over the tragic impact on the Japanese people caused by the recent earthquake and tsunami. In terms of the Asterand business, 12% of 2010 revenues were from Japan. However, most of our business conducted in Japan is from long term BioMAP collaborations with companies that were not significantly impacted by the tragedy due to their geographical locations. Some minor delays in the progression of these contracts may result in 2011. However, currently, all indications suggest that they will not be significant.

**Martyn Coombs, CEO, Asterand, commented:**

*"2010 has been a year of renewed momentum for Asterand. Our revenues grew by 14% fuelled by the successful integration of our new acquisition BioSeek. Revenues of BioSeek were \$6.4 million, 68% growth over 2009. We invested as much as we could into our future, for example by hosting our first ever human tissue conference and in recruiting a top-flight CSO, whilst still achieving effectively break even EBITDA. Furthermore, our 2010 revenue did not materially include any contribution from the five year up to \$24 million contract win with the NCI. So, not only are we optimistic at the potential for 2011, but it was also an honour to be awarded the contract, and a clear endorsement of Asterand's approach to quality and science. Whilst I am delighted with Asterand's achievements in 2010, I'm even more excited about our future given the scalability of our business as we aim to lead the development of the human-based solutions market.*

*I would like to take this opportunity to thank our dedicated and talented staff together with our loyal shareholders."*

## **Chairman's Statement**

Dear Shareholders,

As you may know, it has been my long held belief that human tissue-based solutions will play an ever increasing role in the discovery, development, and clinical evaluation of more effective treatments and diagnostics, for human disease. I believe this now more than ever, as the potential for drug discovery locked away in world biobanks is beginning to be recognized more prominently. Asterand continues to be the leading company in this growing niche, with ever growing channels of distribution and world renowned standards in quality, diversity of materials and ethical protocols. This has been validated with the new contracts and customers that we have secured in 2010. We are well positioned to benefit from this growing trend while doing the important work of helping our customers quicken the pace of bringing new treatments and diagnostics to market.

### **Adding shareholder value through the integration of BioSeek**

On 18 February 2010, Asterand finalised its acquisition of BioSeek. Both organizations immediately set to work, to capitalize on Asterand's worldwide commercial connections in order to expand the use of the BioSeek platform. BioSeek's 2010 performance was outstanding! Revenue grew 68% from 2009, greatly exceeding any previous year's sales.

Our shareholders will recall that the terms of the BioSeek acquisition included a contingent payment based upon BioSeek's 2010 revenue. Following the audit of BioSeek's 2010 revenues, this contingent payment was calculated as US \$8.5 million. As previously announced, the first US \$3 million of this payment was to be satisfied through the issue of 8.1 million Asterand shares, and the remaining \$5.5 million consideration was to have been paid in cash. To this end we announced in December 2010 that we had secured a term loan and a revolving credit line from Silicon Valley Bank ("SVB") to fund this payment. However, volatility in trading during March 2011 impaired our ability to draw on the revolving line of credit. The \$3 million term loan remains drawn and intact. As a consequence, we subsequently agreed with the BioSeek vendors that the entire \$8.5 million of contingent consideration will be satisfied with cash - \$2.5 million will be paid in May 2011 and the remaining \$6 million is to be satisfied in loan notes that mature over the period to December 2013, in a payment schedule that fits well with our business.

I'd like to congratulate the Asterand and BioSeek management teams and employees for the success of the integration. Mergers are never easy, but both organizations worked tirelessly to make this one exceed our pre-acquisition goals.

### **Board Changes and Corporate Governance**

On 8 June 2010, Ian Ratcliffe's Board of Director term expired and he did not present himself for re-election. Ian has proven to be an asset to our company and has contributed significantly to our success during his tenure. I would like to thank him warmly for his insight and guidance over the past few years and wish him well in his future endeavours. I would also like to take this opportunity to thank all of the Board of Directors for their contributions throughout 2010. It has been my pleasure to work with a Board of such high calibre. Their deep industry experience, entrepreneurial spirit and willingness to take on any assignment has set the foundation for excellence at the Company.

The Board and Management continues to have a policy of transparency in regards to our strategy and related activities. An important component of this involves communicating and listening to our shareholders to understand their ideas and points of view.

### **Aligning objectives between employees and shareholders**

During 2010, we granted a total of 2.5 million share options to our employees through our Long Term Incentive programme. We have a deep commitment to this program which enables us to retain key employees, while aligning the goals of our shareholders with those of our employees and we were especially pleased to grant our first shares to BioSeek employees. Every Asterand employee receives shares under this programme, allowing them to own a part of the Company and benefit from the growth and success they are helping to build.

### **Positive Outlook**

The year 2010 was a year of accomplishment on several fronts for Asterand: The successful integration of the BioSeek acquisition, the acceptance of our Royston facility for GLP accreditation, and the award of a substantial government contract with the

NCI/NHGRI have positioned us well to achieve our strategic goals. These advancements were made possible through the extra efforts of Asterand's employees and management team. I'd like to take this opportunity to thank all of Asterand's employees for their dedication, commitment and hard work.

As witnessed in March 2011, we sometimes experience month to month volatility in sales. As the business matures and grows, we have made progress towards stabilizing monthly revenues with long term contracts. I am pleased to say that there is more visibility into 2011 sales than ever before with several multi-year collaborative agreements for the BioSeek platform and our contract with the NCI/NGHRI. Thus we believe that Asterand is well positioned for 2011 and that the achievements of 2010 will provide a solid foundation for Asterand's continued leadership within the global marketplace for years to come.

**Jack Davis Chairman, Asterand plc**

## **Chief Executive's Business Overview**

Dear Shareholders,

I'd like to take a brief moment to express my sympathy to the Japanese people. I have a great many close business and personal relationships in Japan and was deeply saddened by the tragic impact of the recent earthquake and tsunami.

### **2010**

2010 was a good year for Asterand – a year of inflection.

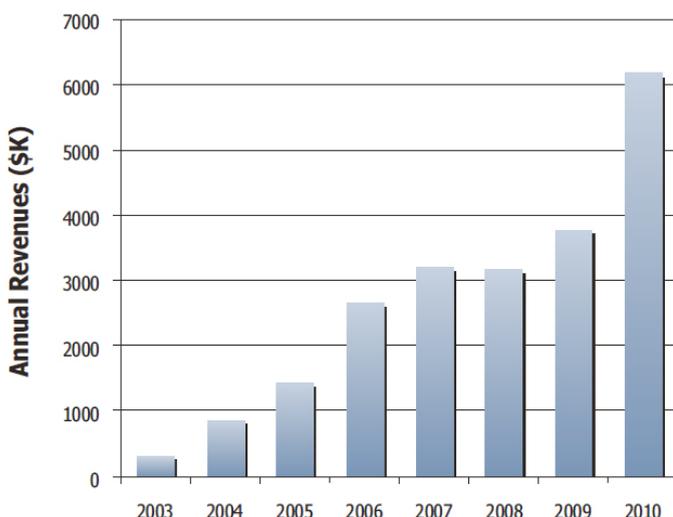
Our revenues exceeded \$21.3 million (an increase of 14% over 2009), and we were nearly break even on an adjusted EBITDA basis.

Furthermore, we met four key milestones:

#### **1. Acquisition of BioSeek**

As our first acquisition as a public company, and after assessing many potential targets, we focused on BioSeek, a California-based company with propriety human primary cell based predictive technology. BioSeek met all of our acquisition criteria; in particular its technology is complementary to Asterand's human tissue based business. We negotiated a de-risked deal, and I would like to thank our shareholders for approving this deal on February 18<sup>th</sup>, 2010.

Of course, after approval, that is when the hard work starts, and those people who have had involvement in M&A will know that the integration of two companies, cultures and histories can be fraught with difficulties. Looking back now, I feel that we managed the integration very well, and I feel very proud of the management team, both those originally from Asterand and from BioSeek. This bodes well for future acquisitions. 2010 Revenues of \$6.4 million represented a 68% increase over 2009.



More importantly even than the revenue metric:

- We retained all of the senior key management team in BioSeek
- We established a blended selling model (where our territory based sales representatives lead the promotion of a *lite* version, and a central specialist team lead on larger deals). The sales cycle of BioSeek is longer than for Asterand's traditional business. Towards the end of 2010, we started getting some real traction in this blended distribution model, which bodes well for 2011 and beyond.

## **2. Award under The Cancer Genome Atlas Project (TCGA)**

In September we were awarded a contract under The Cancer Genome Atlas Project (TCGA) – (US National Cancer Institute (NCI) / the National Human Genome Research Institute (NHGRI)), for \$24 million over five years, including an initial base period of \$5.4 million over the first 17 months.

Under the contract Asterand will supply clinically annotated human biospecimens to further the NCI's critical research into new treatments and diagnostics for cancer.

Many shareholders will already be very familiar with the NCI, but for the benefit of those perhaps non-US shareholders I will point out that the NCI is an extremely prestigious well respected organisation, that invests more in research into cancer than any pharmaceutical company and is regarded as an opinion former and an establisher of standards. We in Asterand therefore feel honoured to be given the opportunity of working with the NCI, and feel that our quest for the highest quality specimens and the most complete and assured information has been validated. As an example, on award of this contract, the US Government approved Asterand's model for the ethical collection of tissues for research.

## **3. Establishment of new contracts**

In 2010, we won key contracts with pharmaceutical and diagnostic companies, and government agencies, including with Ono Pharmaceuticals, Eisai Co. Ltd, Cellzome, Amylin Pharmaceuticals, and the EPA (US Environmental Protection Agency).

We have an example of a new breed of deal for Asterand – beyond mere fee and service, and encompassing the possibility of milestone payments, if compounds progress through our platform. So, we have now demonstrated that our platform is unique and significant enough to be worthy of such deals.

In June the US EPA increased its Phase II funding commitment to BioSeek under the ToxCast™ screening program to \$3.2 million. Approximately 750 chemicals and nanomaterials are being screened to predict harmful effects using the BioMAP platform. BioSeek began screening in 2010 and this project will continue throughout 2011.

## **4. Increased focus on science and innovation**

We were awarded GLP accreditation at our Royston facility in February. In April, we hosted a successful inaugural human tissue conference in Washington DC. The conference provided an opportunity for opinion leaders in the government, academia and commercial companies to gather and discuss key issues at a critical time in the development of this new field.

In addition, we appointed Dr Dalia Cohen as CSO in September. Dalia, is a recognised leader in the drug and diagnostic development field; she will help move our company to the next level.

## **The macro environment in the immediate term**

The environment over the last eighteen months has not been easy, and the medium to long term trends have been impacted by short term pressures. Our traditional customers, big Pharma, have found themselves buffeted by patent expirations, increasing costs and decreasing productivity of R&D, the economy, healthcare reform, and have responded by offshoring, merging, reducing therapeutic sites and closing key sites.

Whilst in the medium term, this will probably be advantageous for Asterand (e.g. more outsourcing), over the last eighteen months it has led to a brake on demand.

It is pleasing therefore that our results described above have been achieved despite these macro issues.

## **BioSeek payment**

In April 2011, our contingent payment for BioSeek to the previous owners became due. As previously announced in December 2011, our intention was to satisfy the consideration with cash to avoid unnecessary dilution for our existing shareholders. We have now achieved this, albeit that the Company now has debt of approximately \$9m, with what we believe is an acceptable and an achievable payment schedule.

## **What next for Asterand?**

Towards the end of 2009, seeing the short term issues in Pharma, management in Asterand decided to seek business with government and diagnostic companies (i.e. as well as Pharma companies). In 2011, we anticipate that our two top customers will be the NCI and the EPA. Furthermore, in our tissue business, three of the top five commercial customers currently are diagnostic companies.

In terms of the medium to long term, let me quote from an independent report on Biobanking in the Medical R&D Market from VisionGain (2009):

*"The biobanking market is expected to see significant growth from 2010 to 2025, due primarily to the realisation of advantages of biospecimens compared with animal models in pre-clinical pharma research."*

*"...we conclude that the biobanking market will thrive during the forecast period, from 2010 to 2025, biobanks will become one of the most important resources for advancing medical research and development of drugs and diagnostic tests."*

So, we are very optimistic for 2011 and beyond. In 2011 we will have revenue from the TCGA (negligible in 2010) and anticipate further growth for BioSeek (we already have \$5.5 million booked business). Indeed, our line of sight of business is higher than ever previously.

We are fortunate to operate in a niche (human based solutions for companies engaged in research) that has potential for substantive growth, has barriers to entry, and is very fragmented, with the majority of competition stemming from academia and cancer centres. We seek to be the leader and the consolidator in this niche, and to offer a credible one stop shop to our customers.

We intend to hold our second human tissue conference, on the 1st and 2nd June 2011 in Chicago, and have already lined up an impressive cast of speakers.

While I'm proud of what Asterand has accomplished in 2010, I'm even more excited about what our future holds.

**Martyn Coombs CEO, Asterand plc**

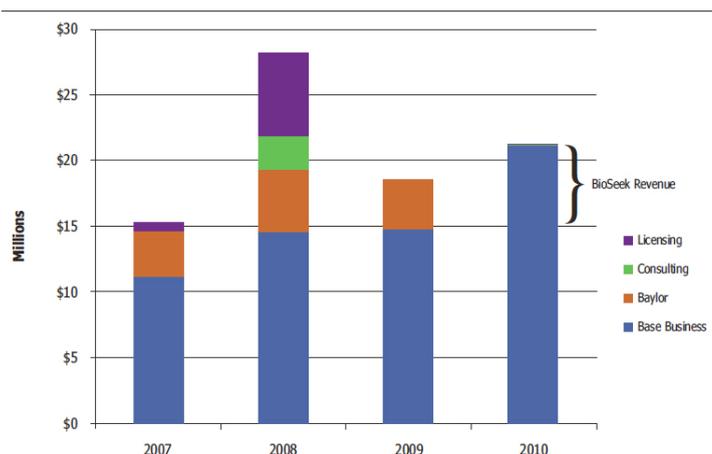
## **Financial Review**

### **Results for the year ended 31 December 2010**

As previously communicated, we changed our presentation currency to US dollars beginning in 2010. The majority of our sales and costs are denominated in USD, and the USD has an increasing influence on the Company's operations. Ongoing presentation in USD should allow clear and transparent year to year comparability with fewer effects from foreign currency translation.

The Group's 2010 revenue was \$21.3 million (2009: \$18.7 million), an increase of 14%. To understand fully the performance in the business, one-off effects need to be analysed. Revenue from 2009 included \$3.7 million from Asterand's contract with Baylor College of Medicine. This contract was completed in that year. When proceeds from this non-recurring source are excluded, revenue for the period (including BioSeek from 18 February 2010) grew 42%. Excluding revenues from BioSeek and the Baylor contract, human tissue based solutions revenues were relatively flat over 2009.

## Revenue By Source 2007-2010



The Group's cost of sales was \$9.3 million (2009: \$7.9 million), leading to a gross profit for the year of \$12 million (2009: \$10.8 million profit). As a result, gross margins were 56% (2009: 58%). Margins were flat in a period of relatively flat sales.

On 31 December 2010, the carrying value of the biobank inventory was \$9.1 million (31 December 2010: \$8.8 million). During 2010, the Group continued to invest in expanding its donor network to meet changing customer needs. However, the inventory expansion was more modest than ever before as we implemented changes that enabled us to more efficiently match supply with demand.

Research & Development (R&D) expenses were \$1.3 million (2009: \$0.5 million). 2010 R&D expenses relate to an expansion in our scientific management through the hiring of a CSO as well as improvements to new product offerings to support the Group's focus on the business of human tissue supply and human tissue-based solutions.

Selling and distribution costs were \$3.8 million (2009: \$3.7 million). These costs relate to sales staff salaries, commissions and marketing expenses. The modest increase is attributable to additional marketing and sales staff salaries expense associated with supporting the expanded product offering associated with the purchase of BioSeek.

Total general and administrative expenses were \$8.9 million, an increase of 8% from \$8.2 million in 2009. General and administrative expenses are analysed between those relating to exceptional costs and those to normal operations. Exceptional general and administrative costs were \$0.9 million (2009: \$1.5 million). \$0.4 million of the exceptional expenses relate to the final purchase price for BioSeek being higher than initial estimates, which is recorded as a loss for the year under IFRS 3 (revised). As the final purchase price for BioSeek is based on a multiple of revenue in 2010, this means that BioSeek revenues were higher than anticipated, not necessarily a bad problem to have. The remaining \$0.5 million of exceptional expenses related to severance expenses, legal and professional fees associated with the BioSeek acquisition and the defence of the Group's ability to secure Asian supply collaborations.

General and administrative costs relating to normal operations were \$8.0 million (2009: \$6.7 million). \$1.8 million relates to additional costs related to BioSeek operations. Excluding this, general and administrative costs were reduced by \$0.5 million as compared to 2009. The resulting loss for the year was \$2.0 million (2009: \$1.6 million).

Though it is a non-IFRS measure, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and excluding exceptional items and share option related charge is monitored closely by the Directors and management as a metric to measure progress of business operations towards profitability and positive cash flow. The adjusted EBITDA for 2010 was close to break-even, a \$0.4 million reduction over 2009 (2009: \$0.4 million profit).

### BioSeek Acquisition

BioSeek contributed \$6.3 million in revenue to the Group after its acquisition on 18 February 2010, beating our original estimates of \$6.2 million. Total consideration is based on 2010 full year BioSeek revenues which were \$6.4 million (2009: \$3.8 million). Initial consideration of \$1.0 million was satisfied by the issue of 2.7 million shares in February 2010. An additional contingent payment initially valued at \$8.5 million (which has been revalued at \$7.6 million on the balance sheet based on year-end share price and exchange rates) is payable based on a multiple of 2010 revenue. Therefore, the total purchase price is \$9.5 million or 1.5 times revenue. As previously announced, the first US \$3 million of this payment was to be satisfied through the issue of 8.1 million Asterand shares, and the remaining \$5.5 million consideration we intended to pay with cash. In December 2010, we announced that we secured a term loan and a revolving credit line from Silicon Valley Bank ("SVB") to fund this payment. However, volatility in trading during March 2011 impaired our ability to draw on the revolving line of credit. The \$3 million term loan remains in place. In April 2011, we subsequently agreed with the former BioSeek shareholders that the entire \$8.5 million of contingent consideration

will be satisfied with cash - \$2.5 million will be paid in May 2011 and the remaining \$6 million will be satisfied by the issue of loan notes which matures over the period to December 2013.

### **Financing & Liquidity**

The Directors monitor the cash flow and cash resources closely. At 31 December 2010 the Group had cash and cash equivalents of \$5.9 million (2009: \$6.6 million). During 2010, the Group utilised \$4.8 million of cash in operations principally attributable to working capital movements. Other uses of cash include defence of the Group's ability to secure Asian supply collaborations, expenses and professional fees associated with the BioSeek acquisition. The use of cash was partially offset by a new term loan from Silicon Valley Bank that was secured and drawn down in December 2010 and \$1.6 million of cash acquired in the BioSeek transaction. The term loan will be used to fund part of the cash settlement of the remaining contingent payment for the BioSeek acquisition on the basis described above.

### **Outlook**

During 2010, the Group made investments in building its supply of biospecimens, expanding its government contract business and integrating its new acquisition BioSeek. These investments are paying off. We have begun to see adoption of the BioMAP platform with some of our key clients and collaborative agreements for the platform continue to grow. We secured a 5-year contract for supplying the US National Cancer Institute with biospecimens for The Cancer Genome Atlas (TCGA) project. With this contract and significant secured commitments from several other large clients, we have a greater line of sight on sales than ever before. We believe that these advancements put us on firm footing for future growth in revenue and that because our business is quite scalable, this will result in sustainable profitability.

**John Stchur, CPA Chief Financial Officer**