Asterand plc ("Asterand" or the "Group" – LSE: ATD), a leading supplier of human tissue based solutions to pharmaceutical and biotechnology companies engaged in drug discovery research, today announces its unaudited financial results for the six months ended 30 June 2011.

Highlights

- Revenue of $11.9 million (H1 2010: $8.7 million)
  An increase of 36%. Includes full six months of revenue associated with BioSeek as compared to 4.5 months in H1 2010.

- Operating expenses of $6.6 million (H1 2010: $6.0 million)
  Includes full six months of operating expenditures associated with BioSeek as compared to 4.5 months in H1 2010

- Loss for the period of $2.3 million (H1 2010: $1.5 million loss)
  Includes $1.7 million exceptional interest expense relating to the acquisition of BioSeek

- EBITDA profit of $0.9 million (H1 2010: $1.4 million loss)

  Basic loss per 5p Ordinary Share of 1.9c (H1 2010: (1.3)c)

- Gross Margin of 57% (H1 2010: 50%)

- Cash resources at 30 June 2011 of $4.7 million (31 December 2010: $5.9 million)

- Awarded key BioMAP® patents by the US Patent and Trademark office, solidifying the Company's IP position for this important platform

- Attained ISO 9001:2008 certification for the Company's tissue and biobanking operations in Detroit

- Launched isletOrganDOT™ a novel 3D human cell based model for diabetes research

- Partnered with 5AM Solutions to create next generation virtual biobanking software to expand access to geographically distinct biospecimen resources

- Volatile trading experienced post period end (excluding BioSeek) has led to a reduced outlook for the year and the Group is consequently looking to raise funds to bolster working capital

Jack Davis, Chairman and Interim CEO of Asterand plc said:

"We are pleased to report a 36% increase in Group revenues. This reflects the successful integration of our BioSeek acquisition, which has been a key growth driver within the Group. At the same time we are seeing the benefits of our continuing drive to improve gross margins through focused cost reductions. These efforts coupled with the steps we are taking to reduce volatility in the Tissues Solutions business position us well to attain a larger share of the burgeoning tissue and tissue services market."

Chairman's Statement

H1 2011 Results

Excluding revenues from Bioseek, the rest of the Tissue Based Solutions business has experienced volatile trading in the year to date. Demand for these products and services remains high, particularly for highly annotated materials, however meeting these needs has been challenging, resulting in a retraction in the non-BioSeek revenues, including the anticipated revenues under the NCI contract. We are actively addressing these supply issues but in the short term, after experiencing flat revenue year on year and weakness at the start of the second half, we now expect that revenue and earnings for the year, excluding BioSeek, will be materially lower than current market expectations. At the same time, I am pleased to say that the BioSeek business continues to grow dramatically, driving total revenue for H1 to $11.9 million (H1 2010: $8.7 million), an increase of 36% (includes full six months of revenue associated with BioSeek as compared to 4.5 months in H1 2010).

This revenue was achieved while making well placed investments in science and innovation and keeping other expenditures in check. Operating expenses for the period were $6.6 million (H1 2010: $6.0 million). The additional expenditures reflect a full six month's expenditures for the BioSeek operations (2010: 4.5 months) and expansion of our R&D activities following the appointment of Dr Dalia Cohen as Chief Scientific Officer in September 2010. The Biobank inventory was reduced to $9.0 million at 30 June 2011 (31 December 2010: $9.1 million) as the Group has improved its efficiency on tissue spend. Gross margins for the first half of 2011 increased to 57% (H1 2010: 50%).

The Group realised a $2.3 million loss for the period, including a $1.7 million exceptional interest expense relating to the acquisition of BioSeek. Excluding this exceptional cost, the Group's loss for the period was $0.6 million, an improvement from the $1.5 million loss in H1 2010. When reviewed on an EBITDA basis, the Group made a $0.9 million profit as compared to a $1.4 million loss in H1 2010.

At 30 June 2011, cash resources were $4.7 million (31 December 2010: $5.9 million). The change in cash is attributable to working capital movements, tax and interest payments, as well as the investment in equipment and servicing the Group's debt. The Group has a $2.7 million cash balance on a term loan with Silicon Valley Bank. $2.5 million (plus accrued interest) of the $8.5 million contingent BioSeek payment was paid subsequent to the period end and the remaining $6 million contingent payment was converted into loan notes that mature over the period to December 2013.

We continue to prudently manage cash flows through more efficient spending on tissue acquisition and have taken measures to trim our cost base going forward to better improve efficiency. As a result, in July 2011, we've reduced costs by $150,000 per month. These savings were achieved by reducing fixed production and operating expenses and are expected to be in full effect by September 2011. We expect to raise additional funds in the short term to provide sufficient working capital for operations and to fund improved tissue sourcing strategies.

Expanding and Growing our Base Business

The Bioseek acquisition has been a true success story for Asterand. As we have mentioned in previous reports, we have established a blended sales model which has expanded the promotion of BioSeek within our key accounts. This strategy has begun to gain traction. H1 2011 revenues for BioSeek products grew by 111% when compared to full six months H1 2010 revenues.

In addition, we expanded our service offerings with the launch of isletOrganDOT, a 3-D human cell based technology. This IP protected platform allows us to provide clients with relevant data on the effects of their therapeutic compounds for treating diabetes, a disease that afflicts more than 300 million people worldwide.

I would also like to take this opportunity to acknowledge the Detroit operations team for its achievement of ISO 9001:2008 certification. This important milestone recognises the consistent quality exhibited throughout our tissue procurement, processing and biobanking operations.

Board Changes and Corporate Governance

On 29 July 2011 we announced that Martyn Coombs, the Group's Chief Executive Officer, had left the Company. On 31 August 2011, and unrelated to Martyn's departure, we announced that John Stchur, the Group's Chief Financial Officer, had also decided to step down with immediate effect.

Martyn and John were responsible for guiding the Group through an exciting period of its development, including the acquisition of BioSeek in 2010 and their influence has added significantly to the Group's positive growth prospects. I would like to take this opportunity to thank both Martyn and John for their service over the past years and wish them well in their future endeavors.

During the search for their replacements, I have taken on the role of Interim CEO and Alan Fishman has been appointed as the Interim CFO, bringing 30 years of financial experience to the Company.

The board is also reviewing the cost of the Company's current listing. Whilst the Company remains committed to being publicly quoted, the costs of being on the Premium segment of the Official List are quite significant for a Company of our size.

The principal risks and uncertainties faced by the Group remain maintaining sufficient tissue supply, financial and liquidity risk (in particular, in respect of the ability to raise sufficient capital through fund-raising as discussed in the Outlook section below), competition, potential for government regulation and reliance on key personnel. A more detailed explanation of these risks can be found on page 22 of the 2010 Annual Report and Accounts.

Outlook

On July 29th, as part of a Board Changes announcement, we indicated confidence in achieving market expectations for the year as a whole. Since then, we have experienced lower than anticipated sales in the Tissue Based Solutions business (excluding BioSeek) causing us to lower our tissue sales outlook for the remainder of the year. As a consequence, we now believe that revenue and earnings for the year will be materially lower than current market expectations. We expect to experience a slight retraction in the Tissue Based Solutions business (excluding BioSeek) for the full year as compared to 2010. We believe that the retraction is driven by inefficiency in our ability to supply an increasing demand for highly annotated materials (something that we are addressing). Conversely, the BioSeek business continues to grow at a rate of approximately 50% as compared to last year. Thus Group revenue for 2011, while materially lower than market expectations, is expected to still be greater than 2010.

Operating costs continue to be managed carefully, although we are anticipating exceptional costs in H2 surrounding Board changes. In addition exceptional interest charges are anticipated in relation to the BioSeek debt. Additionally, the Group has taken on a total of $9.3 million in debt to finance the BioSeek acquisition with corresponding debt service obligations.

The post period payment to the former BioSeek shareholders of $2.5 million, plus accrued interest, has significantly decreased our cash position. In addition, worse than expected trading post period end will result in a breach of banking covenants in August and the re-classification of the $2.7 million term loan as current debt. Additional funds must be raised in the near future to see the Group through this volatile trading period. Based on discussions with potential investors, the Board believes that it has a reasonable expectation that sufficient funds will be raised within an appropriate timeframe to continue operating as a going concern and provide enough working capital headroom to fund improved tissue sourcing strategies, which are expected to improve supply and thereby stabilise the non-BioSeek sales.

In addition to the inherent risk that funds cannot be raised within the necessary timeframe, the following are considered to be additional uncertainties related to raising these funds:

- Shareholder approval – raising sufficient funds in a cost efficient manner is predicated on shareholder approval. The Board intends to convene a General Meeting at which the necessary resolutions will be put to shareholders. While there is uncertainty over the outcome of these votes, the Board has a reasonable expectation that approval to proceed with this strategy will be forthcoming.

- Loan covenants – it will be necessary to re-negotiate the conditions attached to the Group's banking facility. It is likely that such re-negotiation will be linked to the raising of capital as above. While there is a risk that the Group will not be able to successfully renegotiate the covenants with its providers of finance, the Board has a reasonable expectation based on discussions with the Group's lenders that facilities will continue to be made available.

- Trading results – management have prepared revised budgets and projections which they believe are prudent and achievable, taking into account the volatility in sales (excluding BioSeek) currently being experienced. However, the achievement of these trading results is uncertain.

The directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties described above and making appropriate enquiries, the directors have a reasonable expectation that the company will obtain adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

Jack Davis
Chairman, Asterand plc