



Asterand plc
PRELIMINARY RESULTS STATEMENT
for the year ended 31 December 2009

Building a Foundation for Future Growth

Asterand plc (LSE: ATD), a leading global supplier of human tissue and human tissue-based research services to pharmaceutical companies engaged in drug discovery and development, announces its audited preliminary financial results for the year ended 31 December 2009.

Highlights

- Revenue of £12.0 million (2008: £15.2 million).
A decrease of 30% at constant exchange rates.
- Base business revenue up 20% to £9.5 million (2008: £7.9 million) with exclusions for non-recurring revenue proceeds in 2008.
An increase of 7% at constant exchange rates.
We define base business revenue as total revenue excluding licensing payments from Allergan and non-recurring revenue sources including a government contract to assess the US Department of Defense biorepository and the completed Baylor contract.
- Gross margins improved to 57% (2008: 56%).
- Significant investment in supply network and setting foundation for BioSeek acquisition.
Agreements signed in 2009 with East-West Bio and Asian collaborator adds 22 new sites in Europe and Asia.
Investment in defence of the Company's freedom to operate in Asia.
Prepared ground for acquisition of BioSeek.
- Operating expenses increased 30% to £7.8 million (2008: £6.0 million).
An increase of 26% at constant exchange rates.
General and Administrative expenses (excluding exceptional expenses) decreased by £0.1 million at constant exchange rates.
- Loss for the year £1.1 million (2008: £3.9 million profit).
Adjusted EBITDA £0.21 million profit (2008: £3.1 million profit).
Basic earnings per share (0.96)p (2008: 3.53p profit).
- Tissue-based solutions segment adjusted EBITDA £0.5 million profit (2008: £1.0 million)
- Cash resources £4.2 million (2008: £ 6.9 million). No long-term debt.
- Established additional collaborations with key customers.
Executed two more global supply agreements with global pharmaceutical companies; in total thirteen.
Extended collaboration with Bristol-Myers Squibb for up to three years.
Entered into a collaborative agreement with Abcam for the validation and characterisation of select antibodies through our PhaseZERO® services platform.

Post Year End Events

- Completed acquisition of BioSeek, Inc.
Expands the Company's offering into predictive human biology through BioSeek's unique human primary cell based disease models.
- Established GLP at Royston UK facility
Admission into the UK GLP Monitoring Programme expands product offering into GLP compliant services.
- Signed development collaboration with Ono Pharmaceutical Co., Ltd.
The multi-year agreement allows for the application of BioSeek's proprietary BioMAP® platform for phenotypic screening, hit identification, lead optimization and clinical selection of selected Ono drug candidates.

Martyn Coombs, CEO, Asterand, commented:

“During an extremely tumultuous year which saw significant R&D retrenchment in the pharmaceutical and biotech sector, Asterand fared better than most. Indeed, we have seen increasing demand for human tissue solutions, even against these turbulent industry headwinds. We experienced 7% growth in our base business at constant exchange rates. While others downsized and restricted expansion, we chose to innovate and make bold investments for future growth. We expanded our supply network, and acquired novel technologies. Even after choosing to invest, we delivered essentially a breakeven adjusted EBITDA performance.”

“Going forward, we seek to lead the development of the human-based solution market. Our investments have set the stage for continued growth and future profitability. We are very optimistic about the future.”

2009 Annual Report and Accounts

The full 2009 Annual Report and Accounts can be found on our website at www.asterand.com/Asterand/investors/financialreports/2009/financialreports2009.htm

Webcast of 2009 Preliminary Results:

Simultaneously to the analyst briefing at 10:00 am BST, there will be a live audio web cast of the presentation.

To connect to the web cast facility, please go to: <http://mediaserve.buchanan.uk.com/2010/asterand300310/registration.asp>

Please connect approximately 10 minutes (09:50 am BST) before the start of the briefing. The presentation will also be available on www.buchanan.uk.com for replay shortly after the conclusion of the presentation.

Notes to Editors

Asterand is a leading global supplier of high quality human tissue and tissue-based services. Our comprehensive approach to human tissue and research services offers pharmaceutical, biotech and diagnostic companies the unique opportunity to have one company meet all of their human biomaterial needs along the continuum of drug discovery and development. Our mission is to accelerate target discovery and compound validation and enable pharmaceutical and biotechnology companies to take safer and more effective drugs into the clinic.

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Chairman's Statement

Dear Shareholders,

It has been my long held belief that human tissue and human tissue-based research services contain the key solution to advance the discovery and development of more effective and safer therapies to treat human disease. I have also long held the view that Asterand is uniquely positioned to lead this growing worldwide market. We have been pleased with the concrete steps taken in 2009 towards these ends.

Adding shareholder value through the acquisition of BioSeek

I would like to take this opportunity to welcome our BioSeek customers, shareholders and employees to Asterand. We are excited to add this exceptional human biology company into the Group. I have had the opportunity to meet the BioSeek shareholders and employees and have been impressed by the foresight with which they enabled this technology to be developed into a predictive tool. Allied now with Asterand's management team and worldwide customer connections, we believe we will forge an unbeatable combination.

In addition, BioSeek brings assets, additional capital and products which will provide substantial opportunity for growth. Let me say a little about the deal structure, as we put in a lot of thought to de-risk this acquisition, whilst enabling good upside for both Asterand and BioSeek shareholders.

Finalised in February 2010, the Group acquired 100% of the share capital of BioSeek, Inc. in exchange for 2,695,856 Asterand shares valued at \$1 million (\$0.37 per share). The deal includes a provision for an additional payment of up to \$13 million which would be payable should BioSeek revenues reach \$10 million in the year ended December 2010. The additional payment will consist of Asterand Ordinary Shares, or a combination of Asterand Ordinary Shares and cash, at Asterand's discretion.

The acquisition also brings us a presence on the West Coast of the US – clearly it will be beneficial to be right at this centre of innovation. We now have a proper international footing, with bases in Michigan, the UK, and now in South San Francisco.

Leveraging excellence and experience within our Board

Our shareholders will recall the wholesale changes to our Board in the Spring of 2008, when we rotated industry professionals with track records of success onto our Board. We are fortunate that all of our Board of Directors continued to serve throughout 2009, and I would like to thank them for their many contributions. At Asterand's current size, be it in terms of market capitalisation or revenue, I cannot think of any other company with such a quality Board. Clearly we are setting a foundation for the possibility of a much more substantive company.

Building a strong relationship with investors

Throughout 2009, as in the past, we have clearly communicated our strategy, and related activities, in order to be completely transparent in all of our actions. We also continue to listen to our major shareholders in an effort to truly understand their perspectives.

In addition, we have added the expertise of Cenkos Securities plc as a financial advisor and co-broker in May 2009. With their extensive experience in working with small and mid cap high technology companies, we believe Cenkos is an excellent addition to our financial team. We look forward to Cenkos' and Daniel Stewart's combined expertise and guidance as we advance Asterand's position in the emerging human tissue market.

Aligning objectives between employees and shareholders

During 2009, we granted a total of 1,773,000 shares to our employees through our Long Term Incentive programme. This programme enables us to retain key employees, while aligning the goals of our shareholders with those of our employees. Under the programme, every Asterand employee receives shares. During 2010, we anticipate extending this programme to include the new BioSeek employees, allowing them to own a part of their Company, thereby benefiting from the growth and success they help to build.

Positive Outlook

The year 2009 was one of major investment for Asterand. These investments – our preparations for the BioSeek acquisition, the GLP accreditation process, and the expansion of our tissue donor network among others – are all key steps positioning us to achieve our strategic goals. These advancements also came about through the efforts of Asterand's employees and the management team. I'd like to take this opportunity to thank each and every employee of our Company for their dedication, commitment and hard work. With these investments in place we are positioned to more effectively meet the continually evolving demands of our customers. In conclusion, our investments in 2009 contribute to a strong foundation which will better enable us to lead in the marketplace in 2010 and beyond.

Jack Davis Chairman, Asterand plc

Chief Executive's Business Overview

2009 was the most turbulent year in the pharmaceutical and biotech sector that I can recall. Against a backdrop of an unprecedented global economic crisis, our key customers were in addition faced with looming drug patent expirations, and increasing cost levels to develop new compounds. Several of our larger customers merged or announced significant retrenchments in R&D expenditure. On 16 March 2010, PhRMA (the association of the top 30-50 Pharmaceutical companies in the US) announced that in 2009 PhRMA-member companies spent an estimated \$45.8 billion on R&D. This is a 9% reduction on the previous year. Customers became more cautious in committing to large expenditures, and several parceled larger orders into smaller portions to be made over time.

What then of Asterand? Well, we have fared better than most. Indeed, we have seen increasing demand for human tissue solutions, even against these turbulent headwinds.

- Growth: Leaving aside one-off contracts with AFIP, Baylor and Allergan, our base business revenue grew by 7% in 2009 at constant exchange rates.
- Investment: While others have downsized and restricted expansion, we have chosen to innovate and make bold investments for future growth. We have expanded our supply network, and acquired novel technologies. These investments are outlined below.
- Breakeven Results: Even after choosing to invest, we delivered essentially a breakeven adjusted EBITDA performance.

Investing in building a foundation for the Future

Expanding our Supplier Network

Our previously stated strategy has been to build out our tissue procurement network, in order to:

- Be able to meet a greater proportion of customer orders in the future.
- Enable the offering of a credible one-stop shop to customers.
- Offer an ethnically diverse biobank – our clients seek to establish that their compounds have efficacy for people from all over the world, not just from the West.
- Reduce dependence on Russia, and hence risk to sudden geopolitical policy changes.

As explained previously, building strong collaborations takes much time – after over 18 months of concerted effort, I am pleased to report:

- Europe: In September 2009, we executed an agreement with East-West Bio in Paris, facilitating collaboration with 9 key hospitals in Europe.
- Asia: In October 2009, we executed an agreement with procurement sites in Asia, again facilitating collaboration with 13 key hospitals in Asia.
- Dismissal of lawsuit: On 9 November 2009, the lawsuit filed against Asterand by ILSbio LLC in the US Federal District Court (Southeastern District of Michigan) was dismissed. The lawsuit was attempting to restrict Asterand's activities in Asia. The dismissal of this lawsuit followed a similar rejection of claims for injunctive relief ILSbio filed in the Maryland courts.

As at 31 December 2009, we had over 100 active supplier collaborations with academic centres and hospitals.

Acquisition of BioSeek

We were pleased to complete the acquisition of BioSeek in February 2010. BioSeek's platform, BioMAP®, is patent protected and consists of high throughput/high content screening using human primary cells. Validated disease models can be used to predict biological response to compounds. We believe the platform is a strong extension to Asterand's human tissue-based products and services. Furthermore, our experienced sales team and connections within pharmaceutical companies will allow us to rapidly expand awareness and adoption of BioMAP® within the marketplace.

Good Laboratory Practices (GLP)

During 2009, we made substantial investments at Royston, in the UK, to create a state of the art facility for providing GLP compliant studies, with the aim of broadening our services offering. With the subsequent acceptance of our facility into the UK GLP Monitoring Programme, we are now able to offer preclinical safety studies for regulatory submission. Our initial product offering will be tissue cross reactivity testing for therapeutic antibodies. This critical data is required by regulatory authorities, such as the Food & Drug Administration (FDA) and the European Medicines Agency (EMA), for all biologic investigational new drug submissions.

Continuing progress on our licenced programmes

Work at Allergan continues on the series of small molecule prostanoid agonists licensed from Asterand in 2008. The programme is making progress and Allergan is currently exploring different compound(s) and formulations to optimise the pre-clinical pharmacology, PK and safety studies.

BGC20-1531 is the lead molecule in a portfolio of prostanoid EP4 receptor targeting compounds, licensed to BTG in 2006, under development for a variety of indications. BTG has successfully completed pre-clinical development and Phase I safety and tolerability studies. Additional formulation work is being undertaken to optimise the drug product for the first Phase II study to treat acute migraine and is progressing well. In addition to migraine, there is extensive evidence supporting the utility of EP4 receptor antagonists in further pain indications and inflammatory diseases. BGC20-1531 has shown statistically significant analgesic effects in both neurogenic and inflammatory pain paradigms in healthy volunteers and data from further non-clinical models supports a broader therapeutic application for this novel compound.

Leveraging partnerships to expand our global footprint

Our client base includes every one of the top 30 pharmaceutical companies in the world. By the end of 2009, 13 of these companies had signed Master Service Agreements (MSAs) with us. Our MSAs include long term partnerships like Bristol-Myers Squibb, which in 2009 extended its collaboration with us for an additional three years, and Lundbeck, a new MSA client which entered a global framework research agreement with us in July 2009. The enthusiastic support we continue to receive from our clients is a validation of the quality of products and services we provide.

In April 2009, we entered into a collaborative agreement with Abcam, the rapidly growing bioscience company that markets antibodies online. Asterand assisted Abcam in the validation and characterisation of select antibodies through our PhaseZERO® human tissue services platform.

During 2009, we were pleased to successfully complete our contract with Baylor College of Medicine (Texas, USA) to replace its breast cancer repository that was permanently lost as a result of flooding that followed tropical storm Allison in 2001. Through this partnership, Asterand delivered thousands of specimens and associated clinical data to Baylor. We are honoured to have assisted this preeminent institution in continuing its vital research into cures for breast cancer.

We are also delighted to report that in March 2010 our BioSeek subsidiary finalised a drug development collaboration with Ono Pharmaceuticals Co., Ltd. to apply its proprietary BioMAP® platform for phenotypic screening, hit identification, lead optimisation and clinical candidate selection. Under the multi-year agreement BioSeek will receive research funding and additional payments upon achievement of certain milestones by drug candidate(s) discovered as a result of the collaboration. These drug development partnerships represent a new model for Asterand that have upside potential for future revenue streams.

Leading into 2010

We expect the headwinds previously described to continue, at least for the first half of 2010. Nevertheless, given the growing realisation that responses in animals are a poor guide to responses in humans, we expect the long term trend of demand for human-based solutions to continue to increase.

We intend to be the clear leader in this space. Therefore we will continue to invest to strengthen our foundation in:

- **Supply:** Our clients' needs are becoming more specific and exact. In order to meet these needs, and to provide further differentiation from our competitors, we will seek closer relationships with our collaborators, and to improve our matching of supply and demand.
- **Customer intimacy:** We will seek more senior level relationships, and to increase further the number of clients on MSA agreements.
- **Integration of BioSeek:** We are very excited about the potential of BioSeek, but we have a seasoned management team that has seen many integrations executed well, and many executed poorly. We therefore have a 100-day implementation plan to carefully implement, following which we will investigate the extension of this technology to other therapeutic areas.
- **The market itself:** We will seek to lead the development of the human-based solution market. As one example, in April 2010, we plan to host our inaugural human tissue conference. ("Understanding Cancer through Human Tissue-based Models"). We are pleased that a raft of key opinion leaders, from both academia, and pharmaceutical companies, have kindly agreed to present at this two-day event. We intend for these sorts of initiatives to help make a real difference in the use of human-based solutions to develop new therapies against disease.

We are very optimistic about the future.

Martyn Coombs

CEO, Asterand plc