

SPHERE



Preliminary Results Presentation – Year ended 31 December 2011

22 March 2012

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Agenda

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Key achievements in 2011

+ Successful IPO

- + £14 million raised (before expenses) and admission to AIM

+ Product development and regulatory progress

- + Proxima Generation 1 - achieved FDA 510(k) clearance March 2011
- + Proxima Generation 2 - achieved European CE Mark December 2011

+ Commercialisation progress

- + Sale of first Pelorus 1000 to Sapporo Medical University, Japan and initiated commercial discussions on Pelorus 1500
- + Commercialisation timetable with Sorin on cardiopulmonary bypass monitor agreed and to plan
- + Commercial discussions with potential partners for Proxima Generation 3 are encouraging and progressing to plan

+ Industry recognition

- + Sphere Medical wins 'The One to Watch' award at the International Business Innovation Zone event

+ New Board appointments

- + New appointments to the Board of Directors coinciding with admission to AIM

- + Generation 1

- + Gain regulatory validation for core microanalyser technology and demonstrate performance equal to the 'gold standard'

- + Generation 2

- + Establish clinical and regulatory clearance as first patient-attached device and use as regulatory pathway device for Generation 3

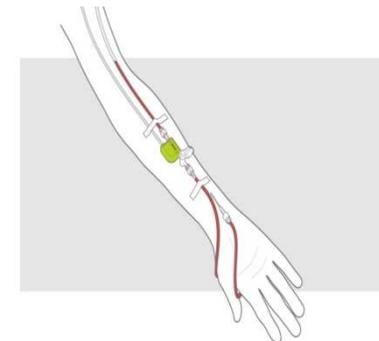
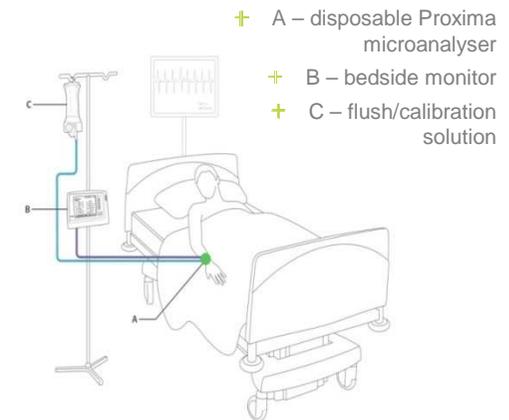
- + Generation 3

- + Develop a commercially attractive and regulatory approved patient-attached device

Proxima – 2011 operating review

- + Key regulatory milestone achieved December 2011 with CE Mark clearance on Generation 2 as in-vitro diagnostic device
- + 2012 – initiation of marketing studies in leading UK hospitals to build substantial feedback and data to support commercial negotiations
- + Encouraging FDA comments on Generation 2 Pre-IDE submission supports focus on Generation 3 regulatory process
- + Development of Generation 3 progressing to plan. On track to achieve CE Mark by end 2012 – a key milestone for commercial partners
- + Commercial discussions have commenced. High level of commercial interest

Generation 3

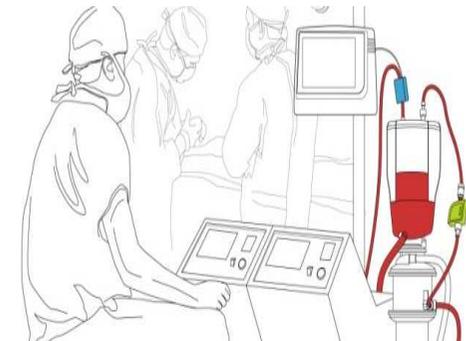


- + Decision is not to file Generation 2 FDA 510(k) submission and instead move directly to Generation 3 510(k) regulatory process
- + Pre-IDE on Generation 2 submitted in December 2011 to understand FDA's views on Generation 2 and 3 regulatory requirements
 - + FDA response focused entirely on Generation 2 "usability" performance
 - + Simplified user interface of Generation 3 means a usability trail on Generation 2 is of no benefit
 - + Encouraging discussions with potential commercial partners are focused on CE Mark for Generation 3
 - + Generation 2 trial would have cost c.£250k and would have provided no commercial, economic or regulatory value
 - + Recent TUV audit of Generation 2 CE Mark technical file finding was very positive
 - + Decision permits Generation 3 FDA Pre-IDE timetable to be moved forward to absorb any potential delay with FDA

CPB and Pelorus - Operating review

Cardiopulmonary bypass monitor

- + Based on the same Proxima microanalyser technology
- + Product Requirements Specification (PRS) signed with Sorin in February 2012
- + Product development programme progressing on schedule
- + On track to achieve CE Mark in Q3 2012 and first commercial sales in 2012
- + Sorin preparing for multi-centre initial marketing acceptance trials



Pelorus

- + Development of Pelorus 1500 on target to achieve CE Mark in 2012
- + Pelorus 1500 will be world's first point-of-care in-vitro diagnostic device for measurement of intravenous anaesthetic propofol
- + Pelorus is attracting interest from leading device companies and preliminary partnering discussions have commenced



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|-----------|--|-----------|
| + Proxima | + Generation 2 - place Proxima with leading UK teaching hospitals to gain key opinion leader following | + 2012 |
| | + Generation 3 – undertake a commercial partnership due diligence process and sign commercial deal | + 2012 |
| | + Generation 3 - launch of Proxima for ICU/OR together with partner and/or distributors | + 2013 |
| + CPB | + First commercial sales of CPB with Sorin Group in EU | + 2012 |
| + Pelorus | + Pelorus 1000 for research | |
| | + Pelorus 1500 IVD receives CE Marking & 510(k) clearance and partner | + 2012 |
| + Other | + Further investigation of the expansion of Proxima in Renal, Neonates and drug monitoring | + Ongoing |

Statement of comprehensive income

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To 31 December	2011	2010	
		(Restated)	
	£000	£000	
Revenue	40	-	Sale of Pelorus 1000 and consumables
Gross profit	26	-	
Research & Development	(3,190)	(2,972)	
Manufacturing	(561)	(596)	
Administrative	(1,078)	(1,358)	
Selling & Marketing	(128)	(118)	
Grants and other income	15	29	
Exceptional items	(344)	-	Includes portion of IPO costs
Operating expenses	(5,286)	(5,015)	
Operating loss	(5,260)	(5,015)	
Finance income	24	23	
Finance costs	(1,090)	(1,365)	Finance costs includes redemption premium on Convertible Loan Notes 2012 £1,335k (2010: £870k), movement in fair value of Warrants £(372)k (2010: £(29)k)
Loss before taxation	(6,326)	(6,357)	
Tax credit	359	575	Research & development tax refund
Loss and total comprehensive income for the period	(5,967)	(5,782)	

Statement of financial position

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As at 31 December	2011	2010	
	£000	(Restated) £000	
ASSETS			
Non-current assets	93	161	
Current assets			
Inventories	15	49	
Receivables	232	29	Includes £133k of VAT refund
Investment	6,000	-	£12,091k cash on deposit at year end
Cash and cash equivalents	6,091	396	
Total assets	12,431	635	
EQUITY			
Share capital	368	166	
Share premium account	38,258	21,771	
Other reserve	2,343	872	FRS 20 charge on share options
Profit and loss account	(29,309)	(23,342)	
Equity shareholder funds	11,660	(533)	
Non-current liabilities	-	24	
Current liabilities			
Trade and other payables	685	665	
Obligations under finance leases	24	44	
Derivative liabilities	62	435	Fair value of Warrants
Total liabilities	771	1,168	
Total equity and liabilities	12,431	635	

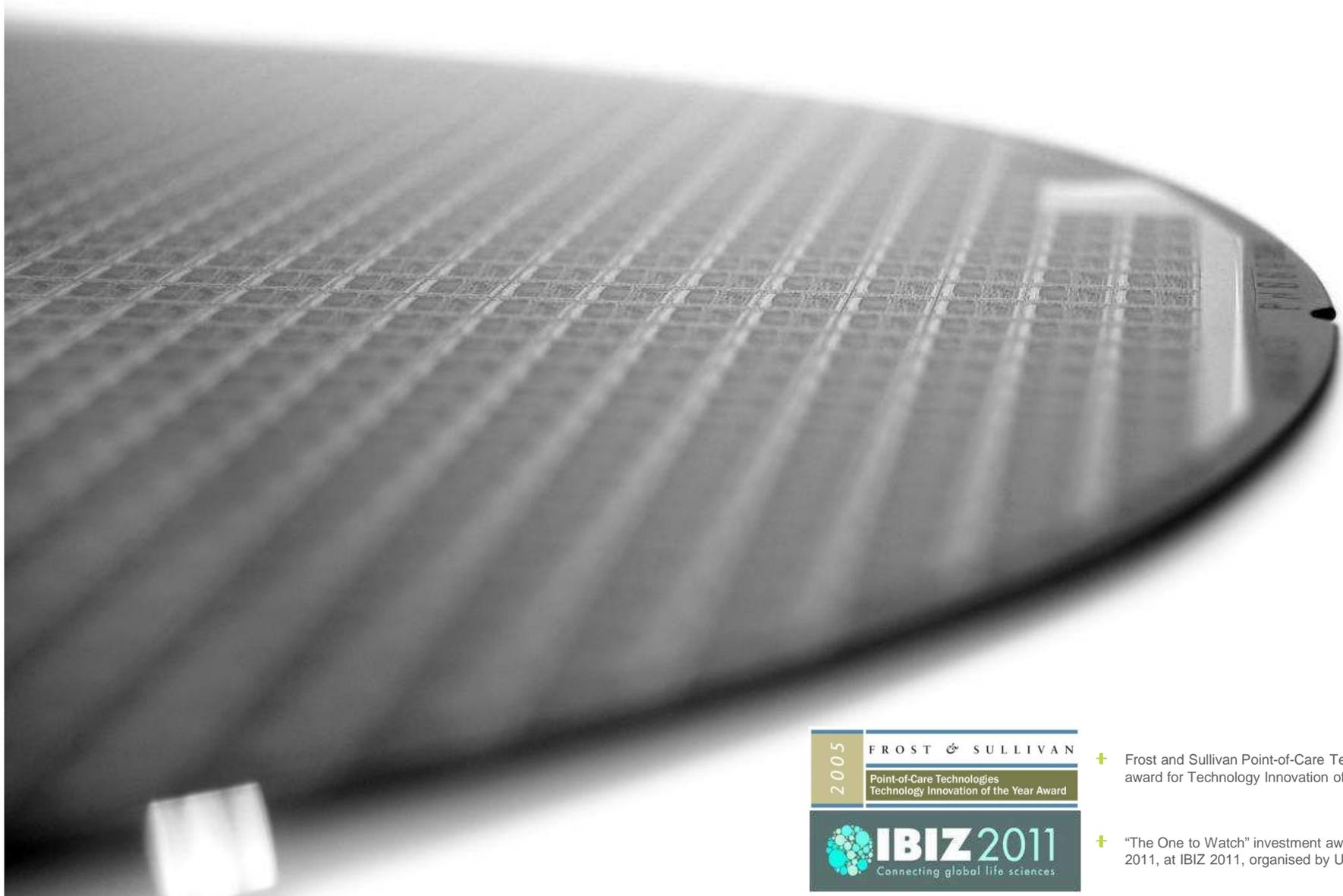
Statement of cash flow

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To 31 December	2011	2010
		(Restated)
	£000	£000
Operating activities	(4,789)	(4,669)
Cash flows from investing activities		
Purchase of property, plant & equipment	(58)	(48)
Purchase of intangible assets	-	(6)
Purchase of treasury deposits	(6,000)	-
Interest received	24	23
	(6,034)	(31)
Cash flows from financing activities		
Issue of share capital	14,342	3,723
Issue expenses	(755)	(96)
Issue of loan notes	3,102	3,016
Repayment of loan notes	-	(1,500)
Discharge of finance lease liabilities	(44)	(113)
Interest payable	(127)	(60)
	16,518	4,970
Net change in cash and cash equivalents in the year	5,695	270
Cash and cash equivalents at beginning of year	396	126
Cash and cash equivalents at end of year	6,091	396

- + Clear focus on the development and regulatory milestones which must be achieved during the year
- + The potential market opportunity for our lead products remains very significant and supported by potential partners' own views
- + Securing a commercial partnering deal for Proxima Generation 3 remains a core objective for 2012
- + Initial discussions with leading potential partners, including Edwards Lifesciences
- + Development commercialisation timetable with Sorin for CPB agreed and on track
- + Development of Pelorus 1500 on target to achieve CE Mark in 2012
- + We have the staff, technical expertise and financial resources to complete the development of our lead products
- + There are further commercial opportunities to develop related products for additional significant markets

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✦ Frost and Sullivan Point-of-Care Technologies award for Technology Innovation of the Year

✦ "The One to Watch" investment award, March 2011, at IBIZ 2011, organised by UKTI