

science group

19 April 2018

Science Group plc

AGM Business Update and Share Buy-Back Programme

Science Group plc (the 'Company') together with its subsidiaries ('Science Group' or the 'Group') is an international consultancy providing applied science, product development, technology advisory and regulatory services to a client base in medical, food & beverage and commercial markets.

Business Update

The audited results for the year ended 31 December 2017 were released on 28 February 2018. The Group reported another year of strong operating margins and excellent cash flow with adjusted operating profit ahead of market expectations.

Trading in the first quarter of 2018 has been positive with revenue and profitability ahead of the Board's expectations for this period. While it is still early in the year and the Board remains cautious, particularly with the strengthening of Sterling, this positive start provides a good platform for the remainder of the year. At 31 March 2018, the Group had gross cash of £21.5 million and net funds of £7.8 million.

The integration of TSG has continued to make progress and the Board has continued to review the business operations to increase focus on areas which offer greater long term potential. In addition, as announced on 23 March 2018, the deferred contingent consideration of \$750,000 related to the TSG acquisition will not be payable, since the single criterion was not satisfied by the vendor.

Science Group owns two large freehold facilities, which host the Group's main UK offices and laboratories, providing a cost-effective operating model and an attractive asset base. These properties are held on the balance sheet at 31 December 2017, on an historical cost basis, at £21.7 million. As announced on 26 March 2018, the scheduled 5-year valuation concluded that on a Vacant Possession model, the property values would be around £22.6 million and on a Sale and Leaseback (or, fully let at market rate with good covenant) model, the valuation would be around £33.9 million. The balance sheet will continue to hold the assets on the historical cost basis.

Nominated Adviser and Broker

The Board has today announced the appointment of Panmure Gordon (UK) Limited as the Company's Nominated Adviser and Broker.

Share Buy-Back Programme

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The Board considers that the share price performance of Science Group has persistently lagged the Group's financial performance. This is not only disappointing for shareholders, but also has implications on the Group's strategy. For example, due to the excessive dilution which would occur, it is not in shareholders' interests to raise new equity capital, or issue shares as consideration for potential larger acquisitions. Similarly, share option programmes for employees are less effective at providing the incentive and retention mechanisms which are essential in a high end scientific consultancy.

The concentrated shareholder base of the Company, with nine shareholders accounting for approx. 80% of the issued share capital (excluding shares held in treasury), is recognised as a contributing factor. Daily share trading liquidity is limited and small volume share trades can have a disproportionate impact. As a result, from time to time, the Company has provided market liquidity through short-duration ad hoc share buy-backs and the Board typically reviews such activity each month. However, the available windows for undertaking buy-backs under this model are restricted.

To address these limitations, subject to shareholder approval of the buy-back resolution(s) at today's Annual General Meeting, the Board will appoint Panmure Gordon (UK) Limited to manage the Company's share buy-back programme at its own discretion. The Board believes that this delegated authority programme should reduce volatility, which is in the interests of all shareholders of the Company, by providing liquidity for small share trades. The maximum cash outflow related to this delegated buy-back programme will be £100,000 per calendar month and the maximum daily volume will be 10,000 shares. The annual cash cost will not exceed £1 million. The delegated buy-back programme will be suspended during the following closed periods:

- 1 January until 2 days after release of the Preliminary Results;
- 1 June until 2 days after release of the Interim Results; and
- During the period from issuing the notice of a shareholder General Meeting of the Company (including the Annual General Meeting) and 2 days after the General Meeting.

The Board may still undertake ad hoc share buy-backs if appropriate and when permissible. However, the delegated authority programme enables share buy-backs to continue throughout a greater proportion of the year.

- Ends -

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Notes:

This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation.