

**EKF Diagnostics Holdings Plc**  
**("EKF", the "Group" or the "Company")**

**Proposed Acquisition of the entire issued share capital of Stanbio**  
**Laboratory L.P.**  
**Placing to raise £13 million at 20p per share**

EKF Diagnostics Holdings plc (AIM: EKF), the AIM listed point-of-care diagnostics business, announces:

- An agreement to acquire the entire issued share capital of Stanbio Laboratory L.P. ("Stanbio") for a total consideration of US\$25.5 million of which US\$14 million is payable in cash on Completion and US\$5.5 million is to be satisfied by the issue of 16,189,675 new Ordinary Shares; a further US\$2 million in cash will be payable if the EBITDA of Stanbio exceeds defined targets in each of the years ending 31 December 2011 and 2012 and a further US\$4 million in cash will be payable if the sales of the Enlarged Group exceed US\$50 million in any calendar year before 31 December 2015; and
- A Placing by Matrix and Zeus Capital to raise £13 million by means of the issue of 65,000,000 new Ordinary Shares at 20p per share to fund the acquisition and future working capital. The Placing Price represents a 2.44 per cent. discount to the closing middle market share price on 20 May 2011. The Placing Shares will represent approximately 26.0 per cent. of the Enlarged Issued Share Capital.

In addition, the Company has also today announced:

- it has entered into a conditional distribution agreement with Alere Inc ("Alere"), a global diagnostics company, under which Alere has been appointed the exclusive distributor of EKF's CLIA waived Hemo\_Control device and cuvettes in the US, Canada and United Kingdom. The agreement is contingent on the acquisition of Stanbio becoming unconditional in all respects; and
- the preliminary results for the Company for the year ended 31 December 2010.

The Acquisition of Stanbio constitutes a substantial transaction in accordance with AIM Rule 12 and is also conditional upon shareholders' approval, thus requiring the publication of a Circular. A general meeting of the Company will be held on 15 June 2011 to consider the Resolutions.

**Commenting, Julian Baines, said:** "The acquisition of Stanbio is

transformational for EKF. As previously promised we now have access to the US Point of Care market and in addition I am sure that our relationship with Alere will help build our reputation in this very important market."

**Enquiries:**

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*EKF will host a conference call for analysts at 8am for further details please contact Walbrook PR*

*Below are extracts from the Circular which is being sent to shareholders today. The full Circular is available on the Company's website: <http://www.ekfdiagnostics.com/>. The definitions in this announcement have the same meaning as those in the Circular.*

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## KEY STATISTICS

<b>Existing Share Capital</b>	168,788,459
Current number of Ordinary Shares in issue	
<b>Placing</b>	
Number of Placing Shares	65,000,000
Placing Price	20p
Gross Proceeds	£13.0 million
Estimated net proceeds of the Placing	£12.1 million
<b>Acquisition</b>	
Total consideration payable	up to US\$25,500,000
Initial cash consideration	US\$14,000,000
Value of Consideration Shares to be issued to the Vendor	US\$5,500,000
Deferred cash consideration	up to US\$2,000,000
Earnout cash consideration	US\$4,000,000
Number of Consideration Shares*	16,189,675
<b>Upon Admission</b>	
Number of Ordinary Shares in issue immediately following Admission	249,978,134
Market capitalisation of the Enlarged Group at the Placing Price immediately following Admission	£50.0 million
Placing Shares as a percentage of the Enlarged Share Capital	26.0%
Consideration Shares as a percentage of the Enlarged Share Capital	6.48%

*\* The number of Consideration Shares has been calculated by dividing US\$5,500,000 by the average closing price of the Company's shares during the 10 business days prior to the date of signing the Acquisition Agreement.*

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2011
Publication date of Circular	23 May
Latest time and date for receipt of Proxy Forms for the General Meeting	9.30 a.m. on 13 June
General Meeting	9.30 a.m. on 15 June
Admission and commencement of dealings in the Consideration Shares and Placing Shares	16 June
CREST accounts credited (as applicable)	16 June
Definitive share certificates despatched (as applicable)	23 June

(1) If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.

- (2) References to times in this document are to London time (unless otherwise stated).
- (3) The timing of the events in the above timetable following the General Meeting and in the rest of this document is indicative only.

## **1. Introduction**

The Board is pleased to announce today:

- (a) an agreement to acquire Stanbio for a total consideration of US\$25.5 million of which US\$14 million is payable in cash on Completion, US\$5.5 million is to be satisfied by the issue of 16,189,675 new Ordinary Shares at 20.825p per share, being the average market price during the 10 business days prior to signing the Acquisition Agreement, a further amount of up to US\$2 million in cash is to be paid if the EBITDA of Stanbio exceeds defined targets in each of the years ending 31 December 2011 and 2012 and a further US\$4 million in cash is to be paid if the sales of the Enlarged Group exceeds US\$50 million in any calendar year before 31 December 2015;
- (b) a conditional distribution agreement with Alere Inc ("Alere"), a global diagnostics company, under which the Company has appointed Alere as the exclusive distributor of its CLIA waived Hemo\_Control device and cuvettes in the US, UK and Canada and such other countries as the parties may agree. The agreement is conditional on the Acquisition becoming unconditional in all respects;
- (c) a Placing to raise approximately £13 million by means of the issue of 65,000,000 new Ordinary Shares at 20p per share to fund the Acquisition and to provide the Enlarged Group with additional working capital; and
- (d) the preliminary results for the Company for the year ended 31 December 2010.

The purpose of this announcement and the Circular to be sent to Shareholders later today is to provide you with information on the Proposals and to explain why your Board believes that the Proposals are in the best interest of Shareholders and why they intend to vote in favour of the Resolutions in respect of their aggregate shareholdings of 6,084,633 Existing Ordinary Shares, representing approximately 3.60 per cent. of the Company's Existing Ordinary Shares.

## **Background on the Group**

In July 2010, the Group completed the acquisition of EKF-diagnostic GmbH for €14.32 million and refocused its strategy to one of building a substantial point of care diagnostics business focused primarily on the significant commercial market for diabetes testing. As part of this strategy, the Group has integrated two further acquisitions, Quotient Diagnostics Limited ("Quotient"), acquired in October 2010 for a maximum total consideration of £5.41m and Argutus Medical Limited, acquired in December 2010 for £2.18 million.

The Group, with its head office in Cardiff and operations in London, Germany, Poland, Russia and Ireland, is a leading diagnostics business, focused on the development, production and distribution of analysers for the testing of glucose, lactic acid, haemoglobin, red blood cell content (haematocrit) and glycated haemoglobin ("HbA1c"). Recently, the Group has been granted SFDA approval in China for its proprietary Quo-Test HbA1c testing platform. With this approval, Quotient will be able to commence the promotion, distribution and sale of its Quo-Test HbA1c reagent kit on its testing platform in China.

Income is generated from customers located worldwide and recently the Group won significant orders for its Hemo\_Control (rapid haemoglobin test) product. For example, in Peru, the Company recently won an order for 3,000 units with a value of approximately €1 million and, in Tanzania, the Company won an order for 950 units with a value of approximately €200,000 and a follow on order with a value of approximately €228,000.

The Group has strong sales representation in the European Market but only limited exposure to the US Market. The Board believes that the proposed acquisition of Stanbio represents a significant opportunity to achieve enhanced sales in the US; the largest point of care diagnostics market in the world.

## **2. Information on Stanbio**

Stanbio is an established 50 year old US based medical diagnostic devices distribution and manufacturing business, with a strong brand and robust product sales. It sells a broad range of products (including EKF's Hemo\_Control device), either direct to a high quality customer base including Roche Diagnostics Corporation, Ortho Clinical Diagnostics, Cardinal Health Inc, Fisher Healthcare Inc and Sekisui Diagnostics LLC (formerly Genzyme Diagnostics) or through a distribution network focused on North and South America, which complements the existing EKF distribution network.

Stanbio has an FDA audited facility in Texas, which can be used to "fast track" EKF's existing product portfolio through CLIA waiver. Stanbio also has an office in Indiana, which means it is well situated geographically for servicing not only the North American market, but also EKF's expanding business in Mexico and Peru.

### **Products**

There are three main product sales areas which, in aggregate, account for approximately 81 per cent. of Stanbio's total revenues:

- Chemistry - the manufacture and sale of chemical reagents used mainly in laboratories and not linked to any particular instruments;
- Haemoglobin - products primarily bought from EKF including both instruments and the microcuvettes onto which a blood sample is placed before being tested; and
- Rapid test strips (such as pregnancy tests) - where Stanbio acts as a distributor of products manufactured by third parties.

## Financials

Stanbio's historical trading results are summarised below and have been extracted from the management accounts for the three years ended 31 December 2010. The accounts have been prepared under US GAAP, but have not been subject to a separate audit.

	31 Dec 2008 \$'000	31 Dec 2009 \$'000	31 Dec 2010 \$'000
Sales	14,157	15,215	16,355
Cost of Sales	(8,315)	(8,635)	(8,887)
Gross Profit	5,842	6,580	7,468
Overheads	(4,541)	(5,371)	(4,891)
EBITDA	1,301	1,524*	3,058*
PBT	789	983	2,404

*\* Note: In the two years ended 31 December 2010, Stanbio paid US\$315,000 and US\$481,000 respectively to William Pippin, CEO and ultimately the sole owner of Stanbio, to meet partnership tax liabilities resulting from the limited partnership structure of Stanbio. These amounts have been added back to normalise EBITDA.*

As at 31 December 2010, the accounts recorded net assets of US\$5.673 million.

## Consideration

Under the Acquisition Agreement, the Company, through EKF Inc, has conditionally, *inter alia*, upon Admission, agreed to acquire Stanbio for a total consideration of up to US\$25.5 million. The consideration will be satisfied by:

- US\$14.0 million payable in cash on Completion;
- US\$5.5 million payable by the issue of the Consideration Shares on Completion;
- Up to US\$2 million payable in cash in 2012 and 2013, dependent on the EBITDA of Stanbio exceeding defined targets in each of the years ending 31 December 2011 and 31 December 2012; and
- US\$4.0 million payable in cash dependent on the Enlarged Group achieving sales in excess of US\$50 million in North and South America in any calendar year before 31 December 2015.

## 3. Information on the Alere Distribution Agreement

The Company has entered into a distribution agreement with Alere, conditional, *inter alia*, upon Completion, in respect of EKF's Hemo\_Control product. This agreement, which is for an initial period of three years and then terminable on notice by either party, has minimum sales levels which are designed to enable EKF to expand rapidly into an existing customer base.

Stanbio currently has approximately 3 per cent. of the US haemoglobin testing market, with approximately 90 per cent. of this market controlled by one dominant entity. The Directors believe that the agreement with Alere,

which will give the Enlarged Group immediate access to one of the largest direct point of care market sales forces in the US, will enable the Enlarged Group significantly to grow market share in the US haemoglobin testing market.

Julian Baines is a director of BBI Holdings Limited, a subsidiary of Alere, and David Evans has recently been invited to join the board of BBI Holdings Limited. In addition, Julian Baines and David Evans have agreements with Alere which entitle them to options over 27,600 and 48,400 ordinary shares in Alere respectively at an exercise price of £21.55 per share.

#### **4. Placing and Related Party Transaction**

Under the Placing the Company is raising approximately £13 million, before expenses, through the placing of 65,000,000 new Ordinary Shares at the Placing Price. Pursuant to the Placing Agreement, entered into between the Company, the Directors, Zeus Capital and Matrix, the Company has given certain warranties and an indemnity to Zeus Capital and Matrix. The Company has agreed to pay a commission of 4 per cent. of the gross proceeds of the Placing other than on funds subscribed by the Board on which no commission will be paid.

The Placing Price of 20 pence per Placing Share represents a discount of approximately 2.44 per cent. to the middle market price of an Ordinary Share at the close of business on 20 May 2011, being the latest practicable date prior to the announcement of the Proposals.

The Board has agreed to subscribe for, in aggregate, 1,094,765 Placing Shares. The participation by Directors in the Placing is classified as a related party transaction under the AIM Rules. Where a company enters into a related party transaction the independent directors of the company are required by the AIM Rules to consult with the company's Nominated Adviser.

The Independent Directors of the Company in respect of the Placing, being Kevin Wilson and Gordon Hall, having consulted with Zeus Capital in its capacity as Nominated Adviser, consider the related party transaction to be fair and reasonable in so far as the Shareholders are concerned.

Application will be made for the Placing Shares to be admitted to trading on AIM and it is expected that Admission will become effective, and dealings will commence, on 16 June 2011. The Placing Shares will, upon allotment, rank *pari passu* in all respects with the Existing Ordinary Shares.

#### **5. Directors' Interests**

The Directors are participating in the Placing as follows:

David Evans is subscribing for 166,665 new Ordinary Shares and Julian Baines is subscribing for 193,400 new Ordinary Shares at the Placing Price. Adam Reynolds and Paul Foulger are each interested in 50 per cent. of the issued share capital of Wilton International Marketing Limited ("Wilton"). Wilton is subscribing for 580,000 new Ordinary Shares at the Placing Price.

Further, Laura Deegan, Paul Foulger's partner, is subscribing for 154,700 new Ordinary Shares at the Placing Price.

In addition, Kevin Wilson has today purchased 120,000 Ordinary Shares at the Placing Price from his son.

The Directors' current interests in the issued ordinary share capital and immediately following Admission are as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>% of the Current Existing Issued Share Capital</i>	<i>Number of Ordinary Shares immediately after Admission</i>	<i>% of the Enlarged Share Capital</i>
David Evans	1,367,660	0.81	1,534,325	0.61
Julian Baines	1,357,127	0.80	1,550,527	0.62
Paul Foulger	1,000,942	0.59	1,445,642	0.58
Adam Reynolds	1,001,776	0.59	1,291,776	0.52
Gordon Hall	339,282	0.20	339,282	0.14
Kevin Wilson	1,017,846	0.60	1,137,846	0.46

Wilton International Marketing Limited currently holds 1,628,552 Ordinary Shares and, as noted above, is subscribing for a further 580,000 Ordinary Shares pursuant to the Placing. 50 per cent. of Wilton's shareholding has been disclosed in the table above within the beneficial holding of Paul Foulger and the other 50 per cent. has been disclosed within the beneficial holding of Adam Reynolds.

## **6. Share Options to Senior Management**

The Board believes that it is important to incentivise senior management through share options and has today agreed to grant options over 4,260,000 new Ordinary Shares (representing 1.70 per cent. of the Enlarged Issued Share Capital) to Richard Evans. Mr Evans, brother of David Evans, the Executive Chairman, is the Geschäftsführer designate of EKF-diagnostic GmbH and it is the Directors' intention to appoint him to the Board in due course. An appropriate announcement will be made at that time.

These share options are exercisable at the Placing Price conditional upon the achievement of 15 per cent. compound annual growth in the Company's EBITDA over the three years commencing on 1 January 2011.

## **7. Current Trading and Prospects for the Group**

The Company has today announced its preliminary results for the year ended 31 December 2010. A copy of the announcement is contained on the Company's website: [www.ekfdiagnostics.com](http://www.ekfdiagnostics.com) and the Board expects to post the report and accounts to Shareholders shortly.

EKF acquired EKF-diagnostic GmbH, Quotient Diagnostics Limited and Argutus Medical Limited during 2010. The unaudited pro forma financial information set out below illustrates the effect on EKF of the acquisition of



EKF-diagnostic GmbH, Quotient Diagnostics Limited and Argutus Medical Limited as if they had been part of the Group for the years ended 31 December 2009 and 31 December 2010. The pro forma information has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial performance of EKF.

<i>£'000</i>	<i>Pro forma Full Year Consolidation</i>	
<i>Year to 31 December</i>	<i>2009</i>	<i>2010</i>
<b>Turnover</b>		
EKF Diagnostics Holdings plc	254	212
EKF-diagnostic GmbH	10,919	10,631
Quotient Diagnostics Limited	314	442
Argutus Medical Limited	1,359	723
<b>Total</b>	<b>12,846</b>	<b>12,008</b>
Gross Profit	8,489	7,633
Gross Profit %	66%	64%
Pre-Tax Profit	69	(4,398)
EBITDA adjusted	953	(146)
Cash at Bank	4,924	3,192
<b>Net Assets</b>	<b>8,845</b>	<b>23,513</b>

*Notes:*

- (1) Adjusted EBITDA excludes one off income and payments, share based charges and acquisition related costs.
- (2) The financial information for EKF has been extracted from the audited financial statements for the year ended 31 December 2009 and the preliminary results for 31 December 2010.
- (3) The financial information for EKF-diagnostic GmbH has been extracted from the short form report of EKF--diagnostic GmbH included in Part III of the Admission Document dated 15 June 2010 and the management accounts for the year ended 31 December 2010.
- (4) The financial information for Quotient Diagnostics Limited has been extracted from the audited financial statements for the years ended 31 March 2009 and 31 March 2010 and management accounts for the period to 31 December 2010.
- (5) The financial information for Argutus Medical Limited has been extracted from the audited financial statements for the years ended 30 June 2009 and 30 June 2010 and the management accounts for the period to 31 December 2010.

## **8. General Meeting**

The General Meeting is to be held at the offices of Matrix Group Limited, One Vine Street, London, W1J 0AH on 15 June 2011 at 9.30 a.m. at which the following resolutions will be proposed:

- (i) to authorise the Directors to allot relevant securities pursuant to section 551 of the 2006 Act; and
  - (ii) to disapply the statutory pre-emption rights the shareholder have in relation to the allotment of new Ordinary Shares to enable the Directors in certain circumstances to allot Ordinary Shares for cash other than pro rata to Shareholders' existing holdings.
- Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution.

Upon completion of the Acquisition and the Placing the Directors will have the authority to allot 64,073,972 Ordinary Shares (representing approximately 25.63 per cent. of the issued share capital) for cash on a non pre emptive basis.

Whilst the Directors have no current intention to issue further Ordinary Shares, they believe that it is important to have the flexibility to issue a limited number of Ordinary Shares without seeking prior Shareholder approval.

## **9. Risk Factors**

Your attention is drawn to the risk factors set out in Part III of the Circular. Investors should, in addition to all other information set out in this document, carefully consider the risks described in that section before making a decision to invest in the Company.

## **10. Recommendation**

The Board considers that the Proposals are in the best interests of the Company and unanimously recommend you to vote in favour of all the Resolutions to be proposed at the General Meeting as the Board intend to do in respect of their aggregate shareholdings of 6,084,633 Existing Ordinary Shares representing approximately 3.60 per cent. of the Company's Existing Ordinary Shares.

This information is provided by RNS  
The company news service from the London Stock Exchange

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Company Announcement - General EKF