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EKF Diagnostics Holdings PLC
16 September 2013

EKF Diagnostics Holdings plc
("EKF", the "Company" or the "Group")

Interim Results

EKF Diagnostics Holdings plc (AIM: EKF), the point-of-care diagnostics business, announces its unaudited interim results for the six months ended 30 June 2013.

Financial Highlights

- Revenue up 17.7% to £14.89m (H1 2012: £12.65m)
- Adjusted EBITDA* up 51.6% to £2.12m (H1 2012: £1.40m)
- Cash generated from operations of £1.56m (H1 2012: £0.15m)
- Cash at 30 June 2013 was £3.14m after deferred consideration payments of £1.43m (31 December 2012: £4.33m)

* Before exceptional items and share based payments

Operational Highlights

- Quo-Lab and Quo-Test organic revenue growth of 115% from H1 2012
- Hemo Control/HemoPoint organic revenue growth of 15% from H1 2012
- Biosen product line organic revenue growth of 24% from H1 2012
- Management restructure including promotion of Richard Evans to COO

Commenting on outlook, David Evans, Executive Chairman of EKF, said: "With an encouraging start to the second half of the year, and performance in line with management expectations we look forward to the rest of the year with confidence, supported in particular by an increasing contribution from Quo-Lab sales worldwide through our distributors and OEM partners as well as HemoPoint H2 sales through the Alere agreement in North America. In line with our stated strategy we will continue to identify and evaluate suitable acquisition opportunities."

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CHAIRMAN'S STATEMENT

Dear Fellow Shareholder

I am pleased to present half year results which show the Group making strong but steady progress. Revenue has shown an encouraging increase of 17.7% to £14.89m (H1 2012: £12.65m), adjusted EBITDA has also continued to rise considerably and above original market expectations to £2.12m, an increase of 51.6% over the same period last year (H1 2012: £1.40m).

Strategy

We continue to work towards building a world class diagnostics company focussing on the point of care, central laboratory, and molecular diagnostics segments. We are building the Group through driving the performance of our existing businesses, sealing partnerships with leading players in the diagnostics market, and making appropriate acquisitions. Our business model involves us selling direct in some of our domestic markets while utilising carefully chosen distributors and OEM customers in others. This model has allowed us to sell into over 100 countries in the first six months, from Albania to Zambia.

Acquisition

On 8 March 2013 the Group acquired 360 Genomics Limited ("360"), a business that develops diagnostic technologies for cancer gene detection. The initial consideration of £1.6m was satisfied through the issue of 5,649,717 new ordinary shares in EKF at an issue price of 28.32 pence per share. In addition, deferred contingent consideration of up to £8.0m is payable, depending mainly on the sales performance of the technologies acquired in the period up to 31 December 2019. 360 will form part of the Group's new Molecular Diagnostics division. More details of the acquisition are provided in note 8.

Operations

In the point of care segment, our main interests are in diabetes and haematology. Our products are mainly instrument based and an increasing revenue stream comes from supplying consumables to the installed base. We have now supplied and installed over 50,000 instruments in the last 5 years alone, and sales in the first half of 2013 increased by 15% compared to the same period last year. Many of these are our HemoControl haematology analysers (sold as HemoPoint H2 in the US), and we have continued to see strong demand for both instruments and consumables, especially from North America including the USA where Alere Inc. is our distribution partner. We are expecting to participate in tenders in the second half of the year which have a significantly higher value than in the first half, particularly in Mexico.

Demand for our Quo-Test and Quo-Lab HbA1c tests has remained very encouraging, with sales having increased by 115% compared to the same period last year. We have signed OEM deals for Quo-Lab with two European companies, one with the German based blood glucose monitoring specialist IME-DC GmbH, and the second with a leading international clinical diagnostic specialist. Several other companies are keen to conclude contracts.

Our Biosen analyser which measures lactate and glucose levels in a point of care machine continues to be very popular especially in Eastern Europe and China. Sales have increased by 24% compared to the same period last year. The lactate version is used by top professional sports teams in Germany, the UK and other countries.

Our major products in the central laboratory segment are in clinical chemistry where our most successful product is Beta-Hydroxybutyrate (ßHB) Liquid Reagent. Sales of this product have remained constant despite the re-entry to the market of its major competitor.

Following the acquisition of 360, the Group formed a new molecular diagnostics business. Led by Andrew Webb, they will be concentrating in the first instance on two product lines: PointMan, which was acquired through 360; and Xtract, which was licenced from Arcis Biotechnology in 2012.

Progress with the PointMan enrichment technology has been rapid. We have already launched three kits for Research Use Only and received the first order, with a further three expected to launch in September 2013. Ten kits have been shipped to sample sites for pre-clinical trials for diagnostic use. Most importantly, a proof of concept trial is underway with the Welsh Cancer Bank for a liquid biopsy using blood. The results of this trial are expected before the end of the year.

Development of the Xtract DNA extraction technology is progressing satisfactorily. Product validation work is currently being undertaken with a leading Welsh academic institution.

New product development

The American Association of Clinical Chemistry's annual meeting in July (AACC) saw the worldwide launch of the Group's new strip based tests using the STAT-Site M platform developed in the USA by Stanbio Laboratory. The new tests are ßHB, which provides a quick and easy assessment of diabetic ketoacidosis; and Hgb, for the rapid point-of-care analysis of haemoglobin for anaemia determination.

In June, we introduced a novel test to accurately identify diabetic patients at high risk of progression to end stage renal disease up to 10 years in advance, which is well above the capabilities of currently available tests. Our new sTNFr1 test is an ELISA assay that has the potential to significantly improve diabetic patient management and outcomes. This test is the first output from the licence agreement with the Joslin Diabetes Centre.

During the period we have also showcased the Lactate Scout+ hand-held lactate analyser. Work continues with our partners to develop applications in obstetrics using our lactate sensor technology. We are also continuing with the development of new analytes for our Quo-Lab product line, and of RenaStat, our acute kidney injury test.

Financial review

Revenue

Revenue has shown an increase of 17.7% to £14.89m (H1 2012: £12.65m). This increase has been broadly based with improvements in sales of both instruments and consumables, and across many geographic regions. It reflects the hard work that has been done over the last few years to drive instrument placements.

Margins

Gross margins have reduced to 51.3% (H1 2012: 57.4%). This is mainly as a result of product mix.

Adjusted EBITDA

The Group continues to consider that adjusted earnings before interest, tax, depreciation and amortisation (AEBITDA) is the most meaningful measure of profitability at this stage of the Group's development. AEBITDA has increased to £2.12m, an increase of 51.6% over the same period last year (H1 2012: £1.40m), largely as a result of the improved turnover.

Profit before tax and loss after tax

The Group has made a profit before tax of £0.19m (H1 2012: £0.15m). As outlined in the Admission Document published on 15 June 2010, part of the outstanding deferred consideration for the acquisition of EKF-diagnostic GmbH would be reduced to the extent that there have been any claims under the warranties in the acquisition agreement. The Company has been advised by its German tax advisers that there is a potential tax and associated interest liability associated with the EKF-diagnostic GmbH business prior to acquisition, of up to €1.44m (£1.23m). Under the warranties of the acquisition agreement EKF had already withheld payment of the deferred consideration to cover such liability. The Board has determined that the maximum likely liability is a tax charge of €0.70m (£0.60m). The warranty claim effect of this is included as a deduction from administration costs and has also been disclosed as an exceptional item. The liability effect is shown in corporation tax.

Balance sheet

The cash position of the Company remains strong, with cash balances as at 30 June 2013 of £3.14m (As at 31 December 2012: £4.33m). The reduction in cash reflects deferred cash consideration payments of £1.43m that were made during the period. This included the second payment in relation to the Stanbio acquisition and the deferred consideration payment for the Quotient acquisition, the balance of which will be settled in June 2014. Cash generated from operations for the six months was £1.56m (H1 2012: £0.15m).

Management

The Group has made a number of management changes to facilitate continued growth.

Richard Evans, Finance Director, has been promoted to Chief Operating Officer. His new role reflects the de facto responsibility he has assumed for operational issues and his success in driving operational efficiencies across the Company. Paul Foulger, Company Secretary, has re-joined the Board taking on the role of Interim Finance Director until a new full-time Finance Director is recruited. Paul previously held the role of Finance Director for EKF up until September 2011 and has an in-depth understanding of the Group. Recruitment of a full time Finance Director has commenced.

Dr David Corr, Head of Research and Development at EKF, has been appointed as Chief Technology Officer, a non-Board position.

Bill Pippin, president of Stanbio Laboratory has decided to retire from the business. A replacement will be appointed in due course. We wish Bill a long and happy retirement.

Outlook

With an encouraging start to the second half of the year, and performance in line with management expectations we look forward to the rest of the year with confidence, supported in particular by an increasing contribution from Quo-Lab sales worldwide through our distributors and OEM partners as well as HemoPoint H2 sales through the Alere agreement in North America. In line with our stated strategy, we will continue to identify and evaluate suitable acquisition opportunities.

David Evans
Executive Chairman

CONSOLIDATED INCOME STATEMENT
FOR THE 6 MONTHS ENDED 30 JUNE 2013

	Notes	Unaudited 6 months ended 30 June 2013 £'000	Unaudited 6 months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Continuing operations				
Revenue	3	**14,887**	12,652	26,060
Cost of sales		**(7,239)**	(5,384)	(11,747)
Gross profit		**7,648**	7,268	14,313
Administrative expenses		**(7,110)**	(7,243)	(14,651)
Other income		**121**	313	542
Operating profit		**659**	338	204
Depreciation and amortisation		**(1,744)**	(1,515)	(3,079)
Share based payments		**(231)**	(264)	(537)

Exceptional items	**4**	**510**	716	618
EBITDA before exceptional items and share based payments		**2,124**	1,401	3,202
Finance income		**3**	17	4
Finance costs		**(471)**	(203)	(404)
Profit/(loss) before income tax		**191**	152	(196)
Income tax (charge)/credit	**5**	**(1,134)**	(538)	606
(Loss)/profit for the period from continued operations		**(943)**	(386)	410
Discontinued operations				
Profit for the period from discontinued operations		**-**	1,598	1,594
(Loss)/profit for the period		**(943)**	1,212	2,004
(Loss)/profit attributable to:				
Owners of the parent		**(1,019)**	1,151	1,830
Non-controlling interest		**76**	61	174
		(943)	1,212	2,004
(Loss)/profit per ordinary share from continuing and discontinued operations attributable to the equity holders of the company during the period	**6**			
		Pence	**Pence**	**Pence**
Basic				
From continuing operations		**(0.38)**	(0.18)	0.09
From discontinued operations		**0.00**	0.64	0.62
Continued and discontinued operations		**(0.38)**	0.46	0.71
Diluted				
From continuing operations		**(0.36)**	(0.16)	0.09
From discontinued operations		**0.00**	0.57	0.59
Continued and discontinued operations		**(0.36)**	0.41	0.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 30 JUNE 2013

	Unaudited 6 months ended 30 June 2013 £'000	**Unaudited** 6 months ended 30 June 2012 £'000	**Audited** Year ended 31 December 2012 £'000
(Loss)/profit for the period	**(943)**	1,212	2,004
Other comprehensive income:			
Actuarial loss on pension scheme	**-**	(3)	(18)
Recycling of reserves in respect of available-for-sale financial assets	**-**	-	67
Recycling of currency translations in respect of disposal of subsidiary	**-**	(1,587)	(1,587)
Currency translation differences	**1,713**	(660)	(947)
Other comprehensive income for the period	**1,713**	(2,250)	(2,485)
Total comprehensive profit/(loss) for the period	**770**	(1,038)	(481)
Attributable to:			
Owners of the parent	**693**	(1,099)	(659)
Non-controlling interests	**77**	61	178

	770	(1,038)	(481)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	Unaudited as at 30 June 2013 £'000	Unaudited as at 30 June 2012 £'000	Audited as at 31 December 2012 £'000
Assets				
Non-current assets				
Property, plant and equipment		**9,971**	10,226	10,014
Intangibles	**7**	**36,605**	31,911	31,250
Investments		**250**	250	250
Deferred tax assets		**977**	158	973
Available-for-sale financial assets		**-**	54	-
Total non-current assets		**47,803**	42,599	42,487
Current Assets				
Inventories		**5,691**	5,685	4,971
Trade and other receivables		**5,342**	4,422	3,884
Deferred tax assets		**47**	66	44
Cash and cash equivalents		**3,138**	3,165	4,331
Total current assets		**14,218**	13,338	13,230
Total assets		**62,021**	55,937	55,717
Equity attributable to owners				
Ordinary shares		**2,728**	2,539	2,671
Share premium account		**41,783**	38,372	40,240
Other reserve		**41**	-	-
Foreign currency reserves		**645**	(670)	(961)
Retained Earnings		**(3,686)**	(4,008)	(3,004)
		41,511	36,233	38,946
Non-controlling interest		**389**	363	481
Total equity		**41,900**	36,596	39,427
Liabilities				
Non-current liabilities				
Borrowings		**2,234**	2,006	2,031
Deferred consideration		**5,237**	3,091	3,114
Deferred tax liability		**3,911**	4,131	3,793
Retirement benefit obligation		**128**	101	112
Total non-current liabilities		**11,510**	9,329	9,050
Current liabilities				
Trade and other payables		**4,879**	4,416	3,743
Deferred consideration		**2,132**	4,514	2,600
Current income tax liabilities		**1,103**	429	200
Deferred tax liabilities		**241**	457	417
Borrowings		**256**	196	280
Total current liabilities		**8,611**	10,012	7,240
Total liabilities		**20,121**	19,341	16,290
Total equity and liabilities		**62,021**	55,937	55,717

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 30 JUNE 2013

	Unaudited 6 months ended 30 June 2013 £'000	Unaudited 6 months ended 30 June 2012 £'000	Audited Year to 31 December 2012 £'000
Cash flow from operating activities			
(Loss)/profit before income tax	**191**	152	(196)
Adjustments for			
- Discontinued activities	**-**	1,598	-
- Recycle of foreign exchange gains on disposal of subsidiary	**-**	(1,587)	-
- Release of provision	**-**	(503)	(503)
- Warranty claim in relation to EKF-diagnostic	**(595)**	**-**	**-**
- Depreciation	**654**	554	1,165
- Amortisation and impairment charges	**1,090**	961	1,914

- Defined benefit pension scheme	**-**	-	(3)
- Loss/(profit)/ on disposal of assets	**18**	-	(115)
- Share-based payments	**231**	264	537
- Foreign exchange gains on operating activities	**-**	(5)	-
- Net finance costs	**468**	186	400
Changes in working capital			
- Inventories	**(529)**	(874)	(314)
- Trade and other receivables	**(683)**	(149)	319
- Trade and other payables	**719**	(445)	(684)
Cash generated by operations	**1,564**	152	2,520
Interest paid	**(54)**	(73)	(144)
Income tax paid	**(503)**	(566)	(777)
Net cash generated by/(used in) operating activities	**1,007**	(487)	1,599
Cash flow from investing activities			
Acquisition of investments	**-**	(250)	(250)
Purchase of property, plant and equipment (PPE)	**(293)**	(340)	(961)
Purchase of intangibles	**(630)**	(333)	(977)
Proceeds from sale of PPE	**127**	17	120
Proceeds from disposal of available-for-sale assets	**-**	277	462
Interest received	**3**	16	4
Net cash used in investing activities	**(793)**	(613)	(1,602)
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	**-**	27	127
New borrowings	**212**	181	-
Repayment of borrowings	**(149)**	(392)	(312)
Dividends paid to non-controlling interests	**(169)**	(84)	(83)
Repayment of deferred consideration	**(1,429)**	(637)	(617)
Net cash used in by financing activities	**(1,535)**	(905)	(885)
Net decrease in cash and cash equivalents	**(1,321)**	(2,005)	(888)
Cash and cash equivalents at beginning of period	**4,331**	5,219	5,219
Exchange gains/(losses) on cash and cash equivalents	**128**	(49)	-
Cash and cash equivalents at end of period	**3,138**	3,165	4,331

STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 JUNE 2013

	Share Capital	Share Premium	Other Reserve	Foreign Currency Reserve	Retained earnings	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2012	**2,512**	**38,372**	**244**	**1,577**	**(5,664)**	**37,041**	**386**	**37,427**
Comprehensive income								
Profit for the period	-	-	-	-	1,151	**1,151**	61	**1,212**
Other comprehensive income								
Actuarial loss on pension	-	-	-	-	(3)	**(3)**	-	**(3)**
Recycling of reserves in respect of disposal of subsidiary	-	-	(244)	(1,587)	244	**(1,587)**	-	**(1,587)**
Currency translation differences	-	-	-	(660)	-	**(660)**	-	**(660)**
Transactions with owners								
Proceeds from shares issued	27	-	-	-	-	**27**	-	**27**
Share based payment	-	-	-	-	264	**264**	-	**264**
Dividends to non-controlling interest	-	-	-	-	-	**-**	(84)	**(84)**
At 30 June 2012	**2,539**	**38,372**	**-**	**(670)**	**(4,008)**	**36,233**	**363**	**36,596**
Comprehensive income								
Profit for the period	-	-	-	-	679	**679**	113	**792**
Other comprehensive income								
Actuarial loss on pension	-	-	-	-	(15)	**(15)**	-	**(15)**
Recycling of reserves in respect of available-for-sale financial assets	-	-	-	-	67	**67**	-	**67**
Currency translation differences	-	-	-	(291)	-	**(291)**	4	**(287)**
Transactions with owners								

Proceeds from shares issued	132	1,868	-	-	-	**2,000**	-	**2,000**
Share based payment	-	-	-	-	273	**273**		**273**
Dividends to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	1	**1**
At 31 December 2012	**2,671**	**40,240**	**-**	**(961)**	**(3,004)**	**38,946**	**481**	**39,427**
Comprehensive income								
Loss for the period	-	-	-	-	(1,019)	**(1,019)**	76	**(943)**
Other comprehensive income								
Currency translation differences	-	-	-	1,606	106	**1,712**	1	**1,713**
Total comprehensive income	**-**	-	-	1,606	(913)	**693**	77	**770**
Transactions with owners								
Proceeds from shares issued	57	1,543	-	-	-	**1,600**	-	**1,600**
Issue of convertible loan notes in subsidiary	-	-	41	-	-	**41**	-	**41**
Share based payment	-	-	-	-	231	**231**	-	**231**
Dividends to non-controlling interest	-	-	-	-	-	**-**	(169)	**(169)**
Total contributions by and distributions to owners	57	1,543	41	-	231	**1,872**	(169)	**1,703**
At 30 June 2013	**2,728**	**41,783**	**41**	**645**	**(3,686)**	**41,511**	**389**	**41,900**

NOTES FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

1. General information and basis of presentation

EKF Diagnostics Holdings plc is a public limited company incorporated in the United Kingdom (Registration Number 04347937). The address of the registered office is 14 Kinnerton Place South, London SW1X 8EH.

The Group's principal activity continues to be that of a business focused within the In-Vitro Diagnostics devices ("IVD") market place.

The financial information in these interim results is that of the holding company and all of its subsidiaries. It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2012 and which will form the basis of the 2013 financial statements except for a number of new and amended standards which have become effective since the beginning of the previous financial year. These new and amended standards are not expected to materially affect the Group.

The financial information presented herein does not constitute full statutory accounts under Section 434 of the Companies Act 2006 and was not subject to a formal review by the auditors. The financial information in respect of the year ended 31 December 2012 has been extracted from the statutory accounts which have been delivered to the Registrar of Companies. The Group's

Independent Auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the half years ended 30 June 2013 and 30 June 2012 is unaudited and the twelve months to 31 December 2012 is audited.

These interim accounts have not been prepared in accordance with IAS 34.

2. Significant accounting policies

Intangible Assets

(a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill has an infinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Trademarks and licences
Separately acquired trademarks and licences are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of between 8 to 12 years and is charged to administrative expenses in the income statement.

(c) Contractual customer relationships
Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of between 6 to 12 years and is charged to administrative expenses in the income statement.

(d) Trade secrets
Trade secrets, includes technical knowhow, operating procedures, methods and processes, acquired in a business combination are recognised at fair value at the acquisition date. Trade secrets have a finite useful life and are carried at

cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trade secrets over their estimated useful lives of between 7 to 16 years and is charged to administrative expenses in the income statement.

(e) Research and Development costs

Research and development costs acquired in a business combination are recognised at fair value at the acquisition date. Research and development costs have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 15 years and is charged to administrative expenses in the income statement.

Expenditure incurred on the development of new or substantially improved products or processes is capitalised, provided that the related project satisfies the criteria for capitalisation, including the project's technical feasibility and likely commercial benefit. All other research and development costs are expensed as incurred.

Development costs are amortised over the estimated useful life of the products with which they are associated. Amortisation commences when a new product is in commercial production. The amortisation is charged to administrative expenses in the income statement. The estimated remaining useful lives of development costs are reviewed at least on an annual basis.

The carrying value of capitalised development costs is reviewed for potential impairment at least annually and if a product becomes unviable and an impairment is identified the deferred development costs are immediately charged to the income statement.

(f) Non-Compete clauses

Non-compete clauses included in contracts for business combinations are recognised at fair value at the acquisition date. Non-compete clauses have a finite useful life and are carried at fair value less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the value of non-compete clauses over their estimated useful lives of 3 years and is charged to administrative expenses in the income statement.

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost is calculated on a first in and first out basis and includes raw materials, direct labour, other direct costs and attributable production overheads, where appropriate. Net realisable value represents the estimated selling price less all estimated costs of completion and applicable selling costs. Where necessary, provision is made for slow moving and obsolete inventory. Inventory on consignment and their related obligations are recognised in current assets and payables respectively.

Provisions

Provision for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. Restructuring provisions are recognised where the restructuring has been announced prior to the end of the reporting period. Restructuring costs include the costs of redundancy, outplacement fees and relocation where appropriate.

Provision is made for product warranty claims to the extent that the Group has a current obligation under warranties given. Warranty accruals are based on historic warranty claims experience. Provisions are discounted to their present value where the impact is significant.

Employee benefits

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments of the Group. Equity-settled share-based payments are measured at fair value at the date of grant and are expensed over the vesting period based on the number of instruments that are expected to vest. For plans where vesting conditions are based on share price targets, the fair value at the date of grant reflects these conditions. Where applicable the Group recognises the impact of revisions to original estimates in the income statement, with a corresponding adjustment to equity for equity-settled schemes. Fair values are measured using appropriate valuation models, taking into account the terms and conditions of the awards.

When the share based payment awards are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Revenue recognition

(a) Sale of goods and services

Revenue for the sale of medical diagnostic instruments and reagents is measured at the fair value of the consideration received or receivable and represents the invoiced value for the sale of the goods and services net of sales taxes, rebates and discounts. Revenue from the sale of goods is recognised when a Group Company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Exceptional items

These are items of an unusual or non-recurring nature incurred by the Group and include the estimated effect of a warranty claim, transactional costs relating to business combinations and in prior periods profits on disposal of listed securities, and the one off effect of a litigation settlement.

3. Segmental reporting

Management has determined the Group's operating segments based on the monthly management reports presented to the Chief Operating Decision Maker ('CODM'). The CODM is the Executive Directors and the monthly management reports are used by the Group to make strategic decisions and allocate resources.

The principal activity of the Group is the design, development, manufacture and selling of diagnostic instruments, reagents and certain ancillary products. This activity takes place across various countries, US, Germany, Poland, Russia, United Kingdom and Ireland, and as such the Board considers the business primarily from a geographic perspective. Although not all the segments meet the quantitative thresholds required by IFRS 8, management has concluded that given the recent acquisitions, all segments should be maintained and reported, given potential future growth of the segments.

The reportable segments derive their revenue primarily from the manufacture and sale of medical diagnostic equipment. Other services include the servicing and distribution of other Company products under separate distribution agreements.

Currently the key operating performance measures used by the CODM are Revenue and adjusted EBITDA.

The segment information provided to the Board for the reportable segments is as follows:

Period ended 30 June 2013 unaudited

	Germany	**UK**	**USA**	**Ireland**	**Poland**	**Russia**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income statement								
Revenue	6,404	1,567	8,141	188	532	1,578	-	18,410
Inter segment	(2,960)	(558)	-	-	(5)	-	-	(3,523)
External revenue	3,444	1,009	8,141	188	527	1,578	-	14,887
Adjusted EBITDA	**1,652**	**39**	**2,238**	**(505)**	**155**	**244**	**(1,699)**	**2,124**
Share based payment	-	-	-	-	-	-	(231)	(231)
Exceptional items	-	-	-	-	-	-	510	510
EBITDA	**1,652**	**39**	**2,238**	**(505)**	**155**	**244**	**(1,420)**	**2,403**
Depreciation	(329)	(93)	(150)	(23)	(19)	(7)	(33)	(654)
Amortisation	(311)	(121)	(397)	(110)	(58)	(22)	(71)	(1,090)
Operating profit/(loss)	**1,012**	**(175)**	**1,691**	**(638)**	**78**	**215**	**(1,524)**	**659**
Net finance costs	(110)	-	(134)	-	(1)	-	(223)	(468)
Income tax	(728)	22	(338)	-	(11)	(40)	(39)	(1,134)
Profit/(loss) for the period	**174**	**(153)**	**1,219**	**(638)**	**66**	**175**	**(1,786)**	**(943)**
Segment assets								
Operating assets	16,762	8,912	21,963	3,046	1,229	1,136	32,673	85,721
Inter segment assets	(452)	(173)	-	-	-	-	(26,313)	(26,838)

External operating assets	16,310	8,739	21,963	3,046	1,229	1,136	6,460	58,883
Cash and cash equivalents	1,890	246	118	114	179	498	93	3,138
Total assets	**18,200**	**8,985**	**22,081**	**3,160**	**1,408**	**1,634**	**6,801**	**62,269**
Segment liabilities								
Operating liabilities	9,512	5,447	15,216	426	61	280	9,292	40,234
Inter segment liabilities	(6,087)	(5,042)	(11,458)	-	(16)	-	-	(22,603)
External operating liabilities	3,425	405	3,758	426	45	280	9,292	17,631
Borrowings	400	-	1,920	-	7	-	163	2,490
Total liabilities	**3,825**	**405**	**5,678**	**426**	**52**	**280**	**9,455**	**20,121**
Other segmental information								
Non current assets - PPE	3,047	730	4,229	45	221	40	1,659	9,971
Non current assets - Intangibles	9,721	5,854	13,206	2,438	691	383	4,312	36,605

Year ended December 2012 audited

	Germany	UK	USA	Ireland	Poland	Russia	Switzerland (Discontinued)	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income statement									
Revenue	11,108	1,691	13,989	469	1,210	3,318	-	-	31,785
Inter segment	(5,386)	(332)	-	-	(7)	-	-	-	(5,725)
External revenue	5,722	1,359	13,989	469	1,203	3,318	-	-	26,060
Adjusted EBITDA*	**3,426**	**(248)**	**2,791**	**(421)**	**303**	**558**	**-**	**(3,207)**	**3,202**
Exceptional items	503	-	-	-	-	-	-	115	618
Share based payment	-	-	-	-	-	-	-	(537)	(537)
EBITDA	**3,929**	**(248)**	**2,791**	**(421)**	**303**	**558**	**-**	**(3,629)**	**3,283**
Depreciation	(575)	(181)	(268)	(39)	(30)	(12)	-	(60)	(1,165)
Amortisation	(583)	(218)	(742)	(210)	(117)	(44)	-	-	(1,914)
Operating profit/(loss)	**2,771**	**(647)**	**1,781**	**(670)**	**156**	**502**	**-**	**(3,689)**	**204**
Net finance costs	(47)	-	(282)	-	(2)	-	-	(69)	(400)
Income tax	(44)	1,088	(301)	(13)	(17)	(95)	-	(12)	606
Profit/(loss) from continuing operations	**2,680**	**441**	**1,198**	**(683)**	**137**	**407**	**-**	**(3,770)**	**410**
Discontinued operations	-	-	-	-	-	-	1,594	-	1,594
Retained profit/(loss)	**2,680**	**441**	**1,198**	**(683)**	**137**	**407**	**1,594**	**(3,770)**	**2,004**
Segment assets									
Operating assets	16,851	9,355	22,370	3,023	1,410	1,122	-	22,233	76,364
Inter-segment assets	(97)	(51)	-	-	-	-	-	(24,830)	(24,978)
External operating assets	16,754	9,304	22,370	3,023	1,410	1,122	-	(2,597)	51,386
Cash and cash equivalents	2,069	413	266	37	143	667	-	736	4,331
Total assets	**18,823**	**9,717**	**22,636**	**3,060**	**1,553**	**1,789**	**-**	**(1,861)**	**55,717**
Segment liabilities									
Operating liabilities	9,460	5,606	18,085	1,872	160	183	-	3,373	38,739
Inter-segment liabilities	(6,610)	(4,702)	(12,090)	(1,354)	(4)	-	-	-	(24,760)
External operating liabilities	2,850	904	5,995	518	156	183	-	3,373	13,979
Borrowings	455	-	1,846	-	10	-	-	-	2,311
Total liabilities	**3,305**	**904**	**7,841**	**518**	**166**	**183**	**-**	**3,373**	**16,290**
Other segmental information									

Non current assets - PPE	3,181	807	4,045	58	222	36	-	1,665	10,014
Non current assets - Intangibles	9,312	5,786	12,725	2,267	753	407	-	-	31,250

Period ended 30 June 2012 unaudited

	Germany £'000	**UK £'000**	**USA £'000**	**Ireland £'000**	**Poland £'000**	**Russia £'000**	**Discontinued £'000**	**Other £'000**	**Total £'000**
Income statement									
Revenue	5,566	648	7,106	286	552	1,285	-	-	15,443
Inter segment	(2,714)	(73)	-	-	(4)	-	-	-	(2,791)
External revenue	2,852	575	7,106	286	548	1,285	-	-	12,652
Adjusted EBITDA	**917**	**(325)**	**1,448**	**(353)**	**119**	**196**	**-**	**(601)**	**1,401**
Share based payment	-	-	-	-	-	-	-	(264)	(264)
Exceptional items	503	-	-	-	-	-	-	213	716
EBITDA	**1,420**	**(325)**	**1,448**	**(353)**	**119**	**196**	**-**	**(652)**	**1,853**
Depreciation	(284)	(89)	(134)	(18)	(13)	(6)	-	(10)	(554)
Amortisation	(289)	(106)	(384)	(104)	(56)	(22)	-	-	(961)
Operating profit/(loss)	**847**	**(520)**	**930**	**(475)**	**50**	**168**	**-**	**(662)**	**338**
Net finance income/(costs)	2	-	(148)	-	(1)	-	-	(39)	(186)
Income tax	(188)	(7)	(280)	(18)	(12)	(33)	-		(538)
Profit/(loss) from continuing operations	**661**	**(527)**	**502**	**(493)**	**37**	**135**	-	**(701)**	(386)
Discontinued operations	-	-	-	-	-	-	1,598	-	1,598
Retained profit/(loss)	**661**	**(527)**	**502**	**(493)**	**37**	**135**	**1,598**	**(701)**	**1,212**
Segment assets									
Operating assets	16,603	7,517	22,039	2,892	1,404	1,114	-	26,079	77,648
Inter segment assets	(322)	(15)	-	-	-	-	-	(24,539)	(24,876)
External operating assets	16,281	7,502	22,039	2,892	1,404	1,114	-	1,540	52,772
Cash and cash equivalents	984	81	535	68	47	313	-	1,137	3,165
Total assets	**17,265**	**7,583**	**22,574**	**2,960**	**1,451**	**1,427**	**-**	**2,677**	**55,937**
Segment liabilities									
Operating liabilities	8,329	3,976	18,093	1,463	194	118	-	9,752	41,925
Inter segment liabilities	(6,341)	(3,703)	(13,385)	(1,241)	(116)	-	-	-	(24,786)
External operating liabilities	1,988	273	4,708	222	78	118	-	9,752	17,139
Borrowings	558	-	1,632	-	12	-	-	-	2,202
Total liabilities	**2,546**	**273**	**6,340**	**222**	**90**	**118**	**-**	**9,752**	**19,341**
Other segmental information									
Non current assets - PPE	3,208	677	4,320	77	207	26	-	1,711	10,226
Non current assets - Intangibles	9,419	5,681	13,430	2,185	777	419	-	-	31,911

**- Adjusted EBITDA excludes exceptional items and share based payments*

Other primarily relates to the Holding company and to molecular diagnostics.

Disclosure of Group revenues by geographic location

	Unaudited 6 months ended 30 June 2013 £000	Unaudited 6 months ended 30 June 2012 £000	Audited Year ended 31 December 2012 £000
Americas			
United States of America	**4,489**	4,313	8,322
Rest of Americas	**2,014**	1,634	3,406
Europe, Middles East and Africa (EMEA)			
Germany	**2,202**	1,701	2,992
United Kingdom	**289**	270	514
Rest of Europe	**1,367**	1,387	2,548
Russia	**1,591**	1,298	3,339
Middle East	**328**	258	622
Africa	**630**	500	1,043
Rest of World			
China	**919**	617	1,511
Rest of Asia	**1,035**	656	1,731
New Zealand/Australia	**23**	18	32
	14,887	12,652	26,060

4. Exceptional items

Included within administration expenses and cost of sale are exceptional items as shown below:

	Unaudited 6 months ended 30 June 2013 £000	Unaudited 6 months ended 30 June 2012 £000	Audited year ended 31 December 2012 £000
Exceptional items includes:			
- Warranty claim (note a)	**595**		
- Transaction costs relating to business combinations (note b)	**(85)**	-	-
- Profit on disposal of available-for-sale assets (note c)	**-**	213	115
- Release of patent litigation provision (note d)	**-**	503	503
Exceptional items - continuing	**510**	716	618

*(a)*Estimated warranty claim in relation to the acquisition of EKF-diagnostic GmbH
*(b)*Transaction costs relating to business combinations - included within administrative expenses
*(c)*Profit on the disposal of listed securities
*(d)*Release of provision for patent litigation costs following the settlement with HemoCue.

5. Income tax charge/(credit)

	Unaudited 6 months ended 30 June 2013 £000	Unaudited 6 months ended 30 June 2012 £000	Audited Year ended 31 December 2012 £000
Current tax			
Current tax on loss for the period	**1,403**	678	659
Deferred tax			
Origination and reversal of temporary differences	(89)	(140)	(104)
Adjustment arising in previous period	-	-	(775)
Impact of deferred tax rate change	(180)	-	(386)
	(269)	(140)	(1,265)
Income tax charge/(credit)	**1,134**	538	(606)

6. (Loss)/profit per share

Basic (loss)/profit per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary share: equity based long term incentive plans, equity based bonus incentive plans and share options.

	Unaudited 6 months ended 30 June 2013 £'000	Unaudited 6 months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
(Loss)/profit attributable to equity holders of the company	**(1,019)**	1,151	1,830
(Loss)/profit from continuing operations attributable to equity holders of the company	**(1,019)**	(447)	236
Profit from discontinued operations attributable to equity holders of the company	**-**	1,598	1,594
Weighted average number of ordinary shares in issue	**270,657,251**	252,713,846	255,156,200
Effect of dilutive potential ordinary shares	**13,855,246**	26,215,457	13,855,246
Weighted average number of ordinary shares - diluted	**284,512,497**	278,929,303	269,011,446
	Pence	Pence	Pence
Basic			
(Loss)/profit per share	**(0.38)**	0.46	0.71
(Loss)/profit per share from continuing operations	**(0.38)**	(0.18)	0.09
Profit per share from discontinued operations	**0.00**	0.64	0.62
	Pence	Pence	Pence

Diluted			
(Loss)/profit per share	**(0.36)**	0.41	0.68
(Loss)/profit per share from continuing operations	**(0.36)**	(0.16)	0.09
Profit per share from discontinued operations	**0.00**	0.57	0.59

7. Intangible Fixed Assets

Group	Goodwill £'000	Trademarks trade names & licences £'000	Non-compete £'000	Customer relationships £'000	Trade secrets £'000	Develop-ment costs £'000	Total £'000
Cost							
At 1 January 2012	13,787	1,596	-	8,933	9,756	876	34,948
Additions	-	15	-	-	-	318	333
Exchange differences	(225)	(28)	-	(119)	(226)	(16)	(614)
At 30 June 2012	**13,562**	**1,583**	**-**	**8,814**	**9,530**	**1,178**	**34,667**
Additions	-	27	-	-	-	617	644
Exchange differences	(120)	(35)	-	(202)	18	(7)	(346)
At 31 December 2012	13,442	1,575	-	8,612	9,548	1,788	34,965
Additions	291	11	70	-	3,950	619	4,941
Exchange differences	588	98	-	511	402	73	1,672
At 30 June 2013	**14,321**	**1,684**	**70**	**9,123**	**13,900**	**2,480**	**41,578**
Amortisation							
At 1 January 2012	-	115	-	527	1,153	37	1,832
Exchange differences	-	(3)	-	(5)	(29)	-	(37)
Charge for the year	-	75	-	407	435	44	961
At 30 June 2012	**-**	**187**	**-**	**929**	**1,559**	**81**	**2,756**
Exchange differences	-	-	-	2	5	(1)	6
Charge for the year	-	74	-	392	436	51	953
At 31 December 2012	-	261	-	1,323	2,000	131	3,715
Exchange differences	-	14	-	62	88	4	168
Charge for the year	-	82	6	421	520	61	1,090
At 30 June 2013	**-**	**357**	**6**	**1,806**	**2,608**	**196**	**4,973**
Net book value							
30 June 2013	**14,321**	**1,327**	**64**	**7,317**	**11,292**	**2,284**	**36,605**
31 December 2012	13,442	1,314	-	7,289	7,548	1,657	31,250
30 June 2012	13,562	1,396	-	7,885	7,971	1,097	31,911

8. Acquisition

On 8 March 2013 the Group acquired 100% of the share capital of 360 Genomic Limited, a company which owns technology in the field of molecular diagnostics.

The goodwill of £291,000 arising from the acquisition is attributable to the expected future benefits arising from the acquired business.

The following table summarises the provisional fair values of the consideration paid for 360 Genomics Limited and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date. Acquisition related costs of £85,000 have been written off against income and disclosed as an exceptional item.

	Provisional fair values £000
Consideration	
Equity instruments	1,600
Deferred contingent consideration	2,557
	4,157
Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade secrets - included in intangibles	3,950
Non-compete agreement -included in intangibles	70
Trade and other payables	(154)
Total identifiable net assets	**3,866**
Goodwill	**291**

9. Dividends

No dividends to shareholders of the holding company were provided or paid during the six months.

10. Share capital

On 8 March 2013 the Company issued 5,649,717 Ordinary Shares at an issue price of 28.32p in relation to the acquisition of 360 Genomics Limited.

11. Press

A copy of this announcement is available from the Company's website, being www.ekfdiagnostics.com. If you would like to receive a hard copy of the interim report please contact the EKF Diagnostics Holdings plc offices on +44 (0) 2920 710570 to request a copy.