



26 August 2009

Axis-Shield plc
Interim Results for the Six Months Ended 30 June 2009

Axis-Shield plc (LSE: ASD, OSE: ASD), the *in vitro* diagnostics (IVD) company based in Scotland and Norway, today announces its interim results for the six months ended 30 June 2009.

Financial Highlights

- Reported revenues up 18.5% to £50.6 million (H1 2008: £42.7 million)
- Revenues at constant currency up 11% excluding third party distributed products and adjusting for Plasmatec disposal and discontinued contract R&D (up 7.4% including third party distribution)
- Underlying Profit Before Tax increased to £3.6 million (H1 2008: £1.6 million); underlying EPS 6.74p (H1 2008: 2.86p)
- Statutory Profit Before Tax £7.5 million (H1 2008: £1.6 million); statutory EPS 11.06p (H1 2008: 2.67p)
- Gross Margin 54.4% (H1 2008: 50.7%), helped by favourable product mix
- Underlying EBITDA up 56.6% to £6.9 million (H1 2008: £4.4 million)
- R&D spend £4.9 million (H1 2008: £4.1 million)
- Net debt £7.9 million (end-June, 2008: £7.5 million); cash £11.6 million (end-June 2008: £5.0 million).

Operating Highlights

Point-of-Care Division

- Revenues up 27.3% to £22.1 million (H1 2008: £17.4 million)
- Over 5,000 Afinion™ systems in place by end-June 2009; revenues £7.2 million, up 93.4%
 - On track to achieve full year target of 2,500 new placements, with 50% in US
 - New hs-CRP marker for cardiovascular risk now in development
- NycoCard™ sales up 9.2% to £12.3 million (H1 2008: £11.3 million), including 20.7% increase in NycoCard HbA1c
 - More than 2,000 new instruments placed
 - Installed base in excess of 33,000
- Acquisition of PoC distribution business in Germany

Laboratory Division

- Revenues up 23.0% to £12.8 million (H1 2008: £10.4 million)
- Homocysteine revenues up 45.3% to £4.4 million (H1 2008: £3.0 million), helped by winning back business previously lost to unlicensed competition
- Abbott AxSYM[®] *xtra* product revenues up 45.2% to £2.2 million (H1 2008: £1.5 million)
- Exclusive development and commercialisation licence from Hansa Medical for new sepsis marker, heparin binding protein (HBP)
- Anti-CCP launched on ARCHITECT[®] by Abbott
 - New agreement concluded for use of Anti-CCP assay on Beckman Coulter's automated laboratory systems
- Divestment of Plasmatec Laboratory Products

Direct Distribution Division

- Third party distribution revenues up 5% to £15.6 million (H1 2008: £14.9 million), with growth moderated by loss of Norwegian distribution rights to a medical device product range

Commenting on the results, Nigel Keen, Chairman of Axis-Shield said:

“We have produced a sound first half performance by building the revenues of our key products. We continue to broaden the range of tests we market, and today we announce plans to market a new Afinion[™] test for high sensitivity CRP, which is being increasingly recognised as an important marker for cardiovascular disease. In addition, as part of a comprehensive programme of new marker development, the company has acquired rights to a new proprietary test for sepsis diagnosis, which represents a growing and critical area of clinical need. Our business remains strong, with particularly good growth from our Afinion[™] system, and we see no obvious impact on diagnostic test utilisation from the global recession. I look forward to reporting another set of strong results at the year end.”

A meeting for analysts will be held at 9:00 BST on Wednesday 26 August 2009 in London at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, WC2A 1PB. There will be a simultaneous conference call and webcast. For further details, please contact Mo Noonan on +44 (0)20 7831 3113.

A meeting for Oslo analysts will take place at 8:00 am on Thursday 27 August 2009 at the Continental Hotel, Oslo. For further details, please contact Jackie Nani on +44(0)203 178 7849.

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Chairman's Statement

INTRODUCTION

Axis-Shield has produced another good performance in the first half of 2009, despite the global recession. Healthcare expenditure has remained relatively immune to the current economic downturn, especially where such expenditure helps healthcare system providers save both time and money. Reimbursement rates are generally holding up, with the exception of Switzerland, where some cuts have been imposed since the end of June. We remain focused on high growth areas of the global *in vitro* diagnostic (IVD) market and particularly on the move to near patient testing for rapid diagnosis and more effective patient management, with our state-of-the-art Afinion™ system and the well established and respected NycoCard™ platform.

Axis-Shield recorded revenues of £50.6 million in the first six months of the year, representing an 18.5% increase over the first half of 2008 (£42.7 million), with underlying profits of £3.6 million. Revenue growth has been positively affected by favourable exchange rates. Revenues at constant exchange rates were up 11% excluding third party distributed products and adjusted for the sale of Plasmatec and for non-recurring contract research payments received by our Laboratory Division (growth of 7.4% including all distributed products). Underlying earnings per share were 6.74p (2008: 2.86p). Statutory basic earnings per share were 11.06p (2008: 2.67p). Underlying EBITDA was £6.9 million, up 56.6% over the first half of 2008 (£4.4 million).

Our base business across IVD products continues to expand and consists of a Point-of-Care Division located in Oslo, with an increasingly successful US branch in Norton, Massachusetts, a Laboratory Division in Dundee and Direct Distribution organisations in the Nordic Countries (where our portfolio includes medical devices in general), the UK, Switzerland and Germany. Our strategy remains to identify and develop patent-protected novel markers and to commercialise these through our own distribution channels, a network of global distributors and via the major IVD laboratory analyser suppliers as must-have additions to their instrument menus. This process was exemplified in June by the exclusive licence obtained from Swedish company Hansa Medical for a new test for sepsis. We expect to elicit strong interest from pharmaceutical companies in the theranostic applications of this product and we will continue to explore opportunities with the pharmaceutical industry where the diagnostic test can positively influence patient treatment.

In our Point-of-Care Division there has been good growth in Afinion™ system placements and solid NycoCard™ revenues, while in our Laboratory Division we have seen significant revenue increases in our homocysteine test business and in the AxSYM® *xtra* range of assays. Our distribution businesses continue to perform well, although Medinor sales in Norway were affected by the loss of an agency for a range of medical device products. We also divested Plasmatec Laboratory Products, which manufactures low cost diagnostics for developing markets, as non-core to our strategy as vendors of high added value diagnostics in areas of unmet clinical need.

OPERATIONAL REVIEW

Point-of-Care Division

Revenues for the period increased by 27.3% to £22.1 million (H1 2008: £17.4 million). Our Afinion™ system continues to attract positive comments regarding its ease-of-use, reliability and accuracy and this was confirmed in the paper by Arabadjief and Nichols in the March 2009 edition of the journal “Point of Care”, along with its superiority over current methodologies for measuring HbA1c for the monitoring of diabetes control at the point of care. We have now installed over 5,000 Afinion™ instruments in the marketplace and we expect to see increased cartridge utilisation per system as the Afinion™ menu is expanded. We are particularly pleased with the progress we have made in the key US doctors’ office market with our partners Abbott and PSS. Afinion™ revenues in the first half of 2009 reached £7.2 million, up 93.4% over the corresponding period in 2008 (H1 2008: £3.7 million, when total system placements were 2,500 at the end of the period), and our new production facility at Kjelsås in Oslo, formally opened in June, is fully capable of meeting increased Afinion™ cartridge demand. Our Afinion™ menu development programme is progressing well and we expect to launch a PT (Prothrombin Time) venous blood test for use in monitoring anticoagulation therapy before the end of the year, outside the USA. A capillary blood version, required for the US market, will follow in 2011, with a lipid panel planned for 2011/12.

We also announce today that we have secured a licence for high sensitivity C-Reactive Protein (hs-CRP) as a marker for the detection of increased risk of cardiovascular disease (CVD). This marker is being increasingly used at the point of care in patient screening. This complements our existing CRP test which detects higher levels of this marker for evidence of bacterial infection, and whether antibiotic prescribing is merited. We expect the hs-CRP assay will be launched in 2012/13, into a market where there is a good US reimbursement price but currently no CLIA-waived test (CLIA-waiver from the FDA considerably expands the available physicians’ office market).

NycoCard™, our long-established point-of-care system, recorded sales of £12.3m, up 9.2% over the same period in 2008, helped by favourable exchange rates. At constant currency, sales were slightly down, largely due to some transfer of business to Afinion™ and reduced NycoCard™ CRP revenues, previously boosted by a strong 2007/8 flu season. On-going global demand for this simple, accurate and cost-effective testing system continues and NycoCard™ HbA1c is particularly well suited to diabetes management programmes in emerging markets. There is also increasing interest in CRP to control inappropriate antibiotic prescribing and the May publication of a paper in the BMJ from Maastricht has reinforced the utility of this marker in general practice to distinguish between antibiotic-sensitive bacterial infections and unresponsive viral diseases. We believe the on-going EU-funded, multinational study (the “Happy Audit” study) announced last year, using NycoCard™ to examine the effects of increased use of CRP testing on antibiotic usage and the development of resistance, will further increase the CRP evidence base. The global population of NycoCard™ instruments is now in excess of 33,000 and we are making good progress on the execution of our plan to increase the instrument population in key emerging markets in 2009, including India (which has the largest number of diabetic patients in the world), China, Mexico and Eastern Europe.

Laboratory Division

Divisional sales increased by 23.0% to £12.8 million (H1 2008: £10.4 million), helped by big increases in homocysteine and AxSYM[®] *xtra* revenues, and despite Plasmatec revenues not being included since the May disposal to Lab21 Ltd and the loss of some non-recurring payments from ITI Techmedia (created and sponsored by Scottish Enterprise), as a result of the completion of a research project. AxSYM[®] *xtra* sales grew by 45.2% to £2.2 million from £1.5 million in the first half of 2008. Under the AxSYM *xtra* programme, Abbott markets our assays for anti-CCP (early marker of rheumatoid arthritis), HbA1c and Active-B12 globally and D-Dimer (for detection of deep vein thrombosis) outside the USA. We are working with Abbott to develop assays for the newer ARCHITECT[®] family of analysers and we have already developed and manufactured homocysteine and anti-CCP assays for this platform, with the latter currently only available outside the USA. An ARCHITECT[®] Active-B12 assay is under development and scheduled for launch in 2010.

Homocysteine revenues increased by 45.3% to £4.4 million (H1 2008: £3.0 million), benefiting from favourable exchange rates, winning back sales previously lost to unlicensed competition and the launch on Abbott's ARCHITECT[®] platform. Data on marker utility in cardiovascular and neurodegenerative disease continue to be published and we continue to promote homocysteine as an early risk marker for these major diseases.

Interest in anti-CCP continues with first half sales of anti-CCP tests reaching £2.3 million, against £1.3 million in the corresponding period of 2008. In January we concluded an arrangement with Beckman Coulter Inc. of Orange County, California, one of the world's largest biomedical testing companies, to incorporate an anti-CCP test for early detection of rheumatoid arthritis (RA) on Beckman Coulter's automated laboratory systems using clinical chemistry technology. It has been demonstrated that anti-CCP is a very specific marker for RA and that levels in arthritics may be elevated some years before development of symptoms. This is very important in patient management and we are exploring test utility in relation to the prescribing of new generations of rheumatoid arthritis therapies. In February the UK's National Institute for Health and Clinical Excellence (NICE) issued new guidelines on the management of RA in adults which confirmed anti-CCP utility and encouraged wider use of anti-CCP antibody testing. Regretably the success of this marker has spawned unlicensed competition, as is becoming increasingly commonplace in our industry, and we are currently in litigation against a US-based supplier of unlicensed product for patent infringement in both Europe and the USA. We remain fully committed to protecting our intellectual property rights.

Our Active B-12 test is also eliciting much interest and was the subject of a very well attended symposium at the June EuroMedLab/IFCC meeting in Innsbruck. It is becoming increasingly evident that quantification of blood levels of this marker is more efficient than the measurement of total vitamin B₁₂ in assessing all levels of vitamin B₁₂ deficiency and that subclinical or mild deficiency is a major problem in elderly populations, particularly where medication may have impaired the absorption of this vital vitamin. In addition to availability on Abbott's AxSYM[®] analyser, we have now developed a manual ELISA system to assist market development, particularly in the smaller laboratory, and this test format is currently being validated, with launch expected by the end of the year.

We have continued our programme aimed at the identification and acquisition of novel markers, and the delivery of new patented tests to our partners capitalising on our proven new-marker development and commercialisation capabilities. In June we signed a global agreement with Hansa Medical, of Lund, Sweden, for exclusive rights to a diagnostic assay for heparin binding protein (HBP) as a promising marker for severe sepsis and related conditions. Under the terms of the agreement, Axis-

Shield will develop tests for HBP and seek commercial partners to incorporate the assay on high-throughput laboratory systems.

Sepsis and septicaemia are increasingly problematic, particularly in intensive care patients and it is estimated that there are around 8 million admissions to ICU's per annum in Western markets. Severe sepsis is often lethal and in the USA more than 200,000 people die from this condition every year. Delays in identifying the onset of this condition affect patient survival significantly. Currently available tests have not proved reliable and better methods for detection of this life-threatening complication of infection have been sought for some time. Preliminary clinical evaluation of HBP has shown improved specificity and sensitivity compared to existing methods of sepsis diagnosis and it is likely any successful new test in this area will be sought by pharmaceutical companies investigating new treatments for this dangerous condition.

Our HbA1c franchise in diabetes monitoring continues to expand and revenues across Afinion™, NycoCard™ and AxSYM® *xtra* totalled £8.9 million compared to £6.0 million in the corresponding period of 2008. We expect this trend to accelerate as the utility of HbA1c in diabetes screening continues to be promoted. At the July 2009 meeting of the American Association of Clinical Chemistry in Chicago, Dr. David B. Sacks, from Brigham and Women's Hospital (Boston, MA, USA), reported that: "Although specific details have yet to be confirmed, it appears highly likely that all of the major clinical diabetes organisations will adopt HbA1c measurement for the diagnosis of diabetes."

Direct Distribution

Our distribution organisations continue to make a significant revenue contribution and help us to maintain direct customer contact with valuable feedback on competitor strategies and future pipelines. Third party distribution forms an important part of our strategy and in the first half of the year sales were up 5% to £15.6 million from £14.9 million in H1, 2008. Medinor, our pan-Nordic distributor, is by far the biggest organisation in our Distribution Division and was affected by the loss of one major agency involving *in vivo* medical devices and this resulted in a revenue shortfall of £0.5 million compared to the same period in 2008, significantly affecting overall growth. Such a loss is not unusual for a third party distribution business and other agencies will be added to compensate. The acquisition of the PoC business from Progen in Germany and the subsequent creation of Axis-Shield GmbH in Heidelberg considerably strengthens our direct distribution network and we will continue to look for further new opportunities to expand our direct distribution capabilities in key markets. As part of this expansion we recently established a registered office in China, and have recruited an experienced local manager.

Outlook

We have produced a sound first half performance by building the revenues of our key products. We continue to broaden the range of tests we market, and today we announce plans to market a new Afinion™ test for high sensitivity CRP, which is being increasingly recognised as an important marker for cardiovascular disease. In addition, as part of a comprehensive programme of new marker development, the company has acquired rights to a new proprietary test for sepsis diagnosis, which represents a growing and critical area of clinical need. Our business remains strong, with particularly good growth from Afinion™, and we see no obvious impact on diagnostic test utilisation from the global recession. I look forward to reporting another set of strong results at the year end.

FINANCIAL REVIEW

Revenues and Gross Profit

Revenues increased to £50.6m, compared to £42.7m in the first half of 2008, an increase of 18.5%, producing a gross profit of £27.5m (H1 2008: £21.6m).

Gross margin (54.4%) was higher than in the first half of 2008 (50.7%) as expected, largely due to favourable product mix and economies of scale as Afinion™ and AxSYM® sales volumes have increased.

Underlying Performance

The Group has continued to present an alternative performance measure - underlying profit - which is defined as profit before taxation, exceptional items, unrealised foreign exchange gains and losses on forward currency contracts and currency borrowings, and the amortisation of intangible assets acquired under a business combination. By presenting this measure in addition to the statutory IFRS measures, management believes that the underlying trading performance of the Group can be better assessed. The unrealised foreign exchange gains and losses are excluded from underlying profit because they hedge cash flows forecast to occur in future periods. The amortisation of intangible assets acquired under a business combination is excluded because it is considered to relate to investment rather than operating activity.

Underlying operating costs increased by 18.7% to £23.4m (H1 2008: £19.7m); at constant currency, underlying operating costs grew by 9.1%. Sales and marketing costs increased in line with planned increases in activity, and following the acquisition of our German distribution business. Administration costs increased largely as a result of rental increases associated with our expanded facilities in Oslo. Net research and development expenditure increased as a result of reduced capitalisation of late stage development costs (in accordance with IAS 38).

Underlying operating profits were £4.1m (H1 2008: £2.0m). This is after charges for share-based payments totalling £0.4m (H1 2008: £0.2m).

Statutory Results

After unrealised foreign exchange gains on forward contracts and borrowings of £3.0m, statutory profit after tax was £5.5m (H1 2008: £1.3m). The statutory profit on ordinary activities before taxation was £7.5m (H1 2008: £1.6m profit). The statutory profit on ordinary activities before taxation is reconciled to underlying profit before tax in a table presented beneath the Consolidated Income Statement.

Earnings per Share

Underlying earnings per share were 6.74p (H1 2008: 2.86p). Statutory basic earnings per share were 11.06p (H1 2008: 2.67p)

EBITDA

Underlying EBITDA was £6.9 million, up 56.6% over the first half of 2008 (£4.4 million)

Cash Flow

Axis-Shield generated a positive operating cash flow in the first half of 2009, and held cash at 30 June 2009 of £11.6m (31 December 2008: £9.4m). The Group's 30 June 2009 net debt was £7.9m (31 December 2008: £7.5m).

Before the cost of acquiring the German business and the proceeds from disposing of Plasmatec, but after capital expenditure and seasonal working capital increases, the Group had a net cash outflow of £1.4m (H1 2008: £4.3m outflow). Capital expenditure, including capitalised development costs, amounted to £1.8m (H1 2008: £2.7m), due mainly to the Afinion[™] project.

After acquisition costs of £1.4m (H1 2008: £3.5m), disposal proceeds of £0.8m (H1 2008: £nil) and scheduled borrowing repayments of £1.5m (H1 2008: £0.3m), the net cash outflow in the first half was £3.2m (2008: £8.1m).

Balance Sheet

The Group's non-current assets at 30 June 2009 were £55.4m (31 December 2008: £58.4m), including deferred tax assets of £13.2m (31 December 2008: £15.4m). The decrease in the deferred tax assets results from the utilisation of historic losses to reduce tax payable on current year taxable profits.

Inventories have increased to £14.6m (31 December 2008: £13.3m) in line with normal seasonal patterns and as a result of the German acquisition and the continued scale-up of Afinion[™] manufacturing. Trade and other receivables have decreased to £17.4m (31 December 2008: £19.4m), also in line with normal seasonal patterns, and following the receipt of licence payments accrued at 31 December 2008. Trade and other payables have decreased to £13.2m from £18.0m at 31 December 2008, and the valuation of forward contracts has moved from a £1.9m liability at 31 December 2008 to a £1.6m asset at 30 June 2009.

With net debt remaining broadly constant at £7.9m (31 December 2008: £7.5m), the above changes are largely responsible for the increase in the Group's net assets and shareholders' funds from £59.6m at 31 December 2008 to £63.6m at 30 June 2009.

Principal Risks and Uncertainties

The principal risks and uncertainties which affect the Group have not changed since 31 December 2008. A detailed explanation of those risks and uncertainties can be found in the Directors' Report section of the Annual Report for the year ended 31st December 2008

By order of the Board

Nigel Keen
Chairman

Ian Gilham
Chief Executive Officer

Consolidated Income Statement

For the six months ended 30 June 2009

		Six months ended 30 June 2009 unaudited	Six months ended 30 June 2008 unaudited	Twelve months ended 31 Dec 2008 audited
	Notes	£000	£000	£000
Continuing operations				
Revenue	3	50,556	42,675	85,261
Cost of sales		(23,050)	(21,032)	(40,899)
Gross profit		27,506	21,643	44,362
Selling, marketing and distribution costs		(10,891)	(9,483)	(19,516)
General administration		(5,301)	(6,153)	(12,981)
Research and development	4	(4,894)	(4,141)	(13,680)
Other gains and losses	6	1,002	-	-
Operating profit/(loss)	3	7,422	1,866	(1,815)
Finance income		29	189	321
Finance costs		(575)	(476)	(1,063)
Unrealised gains/(losses) on foreign currency borrowings		619	(26)	(1,730)
Profit/(loss) on ordinary activities before taxation	3	7,495	1,553	(4,287)
Taxation	5	(2,023)	(244)	8,772
Profit for the period after taxation attributable to Equity shareholders	3	5,472	1,309	4,485
Profit per ordinary 35p share				
Basic	7	11.06p	2.67p	9.12p
Fully diluted	7	10.93p	2.65p	9.06p
Underlying profit *				
	Notes	£000	£000	£000
Statutory profit/(loss) on ordinary activities before taxation	3	7,495	1,553	(4,287)
Gain on disposal of Plasmatec business		(1,002)	-	-
Licence and instrument assets expensed		-	-	5,351
Unrealised (gains)/losses on forward currency contracts		(2,394)	70	1,578
Amortisation of acquired intangible assets		82	-	150
Unrealised (gains)/losses on foreign currency borrowings		(619)	26	1,730
Underlying profit before taxation	6	3,562	1,649	4,522
Underlying profit per ordinary 35p share				
Underlying earnings per share	7	6.74p	2.86p	6.52p

* The Group has adopted the alternative performance measure 'underlying profit', which is defined as profit before taxation, exceptional items, unrealised foreign exchange gains and losses on forward currency contracts and currency borrowings and amortisation of intangible assets acquired under a business combination.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 Jun 2009 unaudited £000	Six months ended 30 Jun 2008 unaudited £000	Twelve months ended 31 Dec 2008 audited £000
Profit for the period	5,472	1,309	4,485
Actuarial loss on pensions (net of tax)	-	-	(297)
Net translation adjustments on foreign currency investments	(2,111)	1,557	1,663
Total recognised income for the period	3,361	2,866	5,851

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained losses £000	Total equity £000
At 1 January 2008	17,174	49,794	244	17,922	(32,483)	52,651
Profit for the period	-	-	-	-	1,309	1,309
Share based payments (net of tax)	-	-	-	-	229	229
Net foreign exchange movements	-	-	-	-	1,557	1,557
At 30 June 2008	17,174	49,794	244	17,922	(29,388)	55,746
Profit for the period	-	-	-	-	3,176	3,176
Shares issued in period	137	490	-	-	-	627
Share based payments (net of tax)	-	-	-	-	194	194
Actuarial loss on pensions (net of tax)	-	-	-	-	(297)	(297)
Net foreign exchange movements	-	-	-	-	106	106
At 31 December 2008	17,311	50,284	244	17,922	(26,209)	59,552
Profit for the period	-	-	-	-	5,472	5,472
Shares issued in period	61	253	-	-	(20)	294
Share based payments (net of tax)	-	-	-	-	408	408
Net foreign exchange movements	-	-	-	-	(2,111)	(2,111)
At 30 June 2009	17,372	50,537	244	17,922	(22,460)	63,615

Consolidated Balance Sheet

As at 30 June 2009

	30 June 2009 unaudited £000	30 June 2008 unaudited £000	31 Dec 2008 audited £000
Non-current assets			
Goodwill	11,056	10,119	10,537
Development costs	3,874	6,607	4,201
Other intangible assets	6,664	8,064	7,733
Property, plant and equipment (note 8)	19,773	19,414	20,476
Deferred income tax assets	13,211	6,665	15,357
Other non-current assets	802	79	86
	55,380	50,948	58,390
Current assets			
Inventories	14,615	15,126	13,253
Trade and other receivables	17,426	17,043	19,373
Derivative financial instruments	1,582	63	-
Cash and cash equivalents	11,586	5,032	9,395
	45,209	37,264	42,021
Current liabilities			
Trade and other payables	13,248	16,910	17,992
Derivative financial instruments	-	-	1,934
Borrowings and lease finance	2,651	1,872	3,288
Provisions	267	316	320
	16,166	19,098	23,534
Net current assets	29,043	18,166	18,487
Total assets less current liabilities	84,423	69,114	76,877
Non-current liabilities			
Borrowings and lease finance	16,804	10,667	13,562
Retirement benefit obligations	3,374	2,554	3,052
Provisions	8	48	7
Other non-current liabilities	622	99	704
	20,808	13,368	17,325
Net assets	63,615	55,746	59,552
Equity			
Share capital	17,372	17,174	17,311
Share premium	50,537	49,794	50,284
Capital redemption reserve	244	244	244
Merger reserve	17,922	17,922	17,922
Retained losses	(22,460)	(29,388)	(26,209)
Total shareholders' equity	63,615	55,746	59,552

Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June 2009 unaudited £000	Six months ended 30 June 2008 unaudited £000	Twelve months ended 31 Dec 2008 unaudited £000
Cash flows from operating activities			
Cash generated from/(used in) operations	964	(1,182)	4,459
Finance costs	(575)	(501)	(1,063)
Finance income	29	189	321
Tax paid	-	(34)	(192)
Net cash generated from/(used in) operating activities	418	(1,528)	3,525
Cash flows from investing activities			
Acquisition of subsidiaries and operations (note 9)	(1,428)	(3,484)	(3,527)
Net proceeds from disposal of business	830	-	-
Purchases of property, plant and equipment	(1,605)	(2,308)	(6,025)
Development expenditure capitalised	(156)	(429)	(1,012)
Purchases of intangible assets	(62)	-	(135)
Net cash used in investing activities	(2,421)	(6,221)	(10,699)
Cash flows from financing activities			
Cash received from share issue	295	-	627
Proceeds from finances lease and bank borrowings	5,745	759	4,006
Repayment of finance lease principal and bank borrowings	(1,469)	(347)	(818)
Net cash generated from financing activities	4,571	412	3,815
Net increase/(decrease) in cash and cash equivalents	2,568	(7,337)	(3,359)
Cash and cash equivalents at beginning of period	9,395	12,235	12,235
Exchange (losses)/gains on cash and cash equivalents	(377)	134	519
Cash and cash equivalents at end of period	11,586	5,032	9,395
Net debt at end of period (cash and cash equivalents less borrowings and lease finance - note 10)	(7,869)	(7,507)	(7,455)

Cash Generated from Operations

For the six months ended 30 June 2009

	Six months ended 30 June 2009 unaudited £000	Six months ended 30 June 2008 unaudited £000	Twelve months ended 31 Dec 2008 unaudited £000
Operating profit/(loss)	7,422	1,866	(1,815)
Depreciation on property, plant and equipment	1,680	1,325	3,256
Amortisation of intangible assets	1,227	1,143	2,421
Impairment of intangible assets	-	-	1,973
De-recognition of intangible assets	-	-	2,696
Profit on disposal of business	(1,002)	-	-
Share based payment – value of employee service	408	229	550
(Increase)/decrease in inventories	(2,268)	(2,331)	52
Decrease/(increase) in trade and other receivables	1,060	(2,630)	(6,350)
Decrease in payables	(4,227)	(790)	(234)
(Decrease)/increase in financial instruments at fair value	(3,575)	76	2,070
Increase/(decrease) in provisions	239	(70)	(160)
Cash generated from/(used in) operations	964	(1,182)	4,459

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with the disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 (Interim Financial Reporting) as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with the IFRS's as adopted by the European Union.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS 1 (revised), 'Presentation of financial statements', requires income and expenses to be shown separately from owner changes in equity. The Group has elected to present two statements: an income statement and a statement of comprehensive income.
- IFRS 8, 'Operating segments', requires segment information to be presented on the same basis as that used for internal reporting. The adoption of this standard has not resulted in any change to the Group's presentation of segment information.

No other new standards, amendments to standards or interpretations mandatory for the first time for the financial year beginning 1 January 2009 are currently relevant for the Group.

The policy for accounting for defined benefit pension arrangements was changed to a full recognition basis in the annual financial statements for the year ended 31 December 2008. The prior year interim balance sheet has been restated as described in those annual financial statements. The change has no effect on the prior year or current year interim income statement.

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on the financial statements was unqualified and did not include a statement under either sections 237(2) or (3) of the Companies Act 1985.

2. Statement of directors' responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and 4.2.8 namely:

- An indication of important events that have occurred during the first six months and their impact on the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Axis-Shield PLC are listed in the Axis-Shield PLC Annual Report 2008.

By order of the Board

Ronny Hermansen
Finance Director

Malcolm Gillies
Company Secretary

3. Segmental analysis

Pursuant to the management approach set out in IFRS 8, 'Operating Segments', our reporting follows the Group's internal structure. Accordingly, business activities in the Axis-Shield Group are divided into three business divisions. The Point of Care Division comprises all activities associated with tests performed at the point of consultation with healthcare professionals. The Laboratory Division concentrates on in vitro diagnostics tests for use in the clinical laboratory. The Distribution Division is an independent arms-length operation that sells both our in-house products and third party products.

Corporate consists of centralised corporate costs which are not allocated across the three business divisions. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.

Statutory presentation	Six months ended 30 June 2009				
	Point-of Care Division £000	Laboratory Division £000	Direct Distribution £000	Corporate £000	Group £000
Total gross segment revenue	20,118	13,016	22,120	-	55,254
Inter-segment revenue	(4,450)	(237)	(11)	-	(4,698)
Total revenue	15,668	12,779	22,109	-	50,556
Total operating costs	(15,362)	(6,615)	(20,905)	(252)	(43,134)
Operating profit/(loss)	306	6,164	1,204	(252)	7,422
Net finance income	-	-	-	73	73
Profit/(loss) on ordinary activities before taxation	306	6,164	1,204	(179)	7,495
Taxation	-	-	-	(2,023)	(2,023)
Profit/(loss) for the period after taxation	306	6,164	1,204	(2,202)	5,472
Underlying performance					
Statutory profit/(loss) before taxation	306	6,164	1,204	(179)	7,495
Gain on disposal of Plasmatec business	-	(1,002)	-	-	(1,002)
Unrealised gains on forward currency contracts	(994)	(1,261)	-	(139)	(2,394)
Amortisation of acquired intangible assets	82	-	-	-	82
Unrealised gains on foreign currency borrowings	-	-	-	(619)	(619)
Underlying (loss)/profit before taxation	(606)	3,901	1,204	(937)	3,562

Statutory presentation	Six months ended 30 June 2008				
	Point-of Care Division £000	Laboratory Division £000	Direct Distribution £000	Corporate £000	Group £000
Total gross segment revenue	15,195	10,583	20,892	-	46,670
Inter-segment revenue	(3,756)	(235)	(4)	-	(3,995)
Total revenue	11,439	10,348	20,888	-	42,675
Total operating costs	(13,247)	(7,731)	(19,527)	(304)	(40,809)
Operating (loss)/profit	(1,808)	2,617	1,361	(304)	1,866
Net finance income	-	-	-	(313)	(313)
(Loss)/profit on ordinary activities before taxation	(1,808)	2,617	1,361	(617)	1,553
Taxation	-	-	-	(244)	(244)
(Loss)/profit for the period after taxation	(1,808)	2,617	1,361	(861)	1,309
Underlying performance					
Statutory (loss)/profit before taxation	(1,808)	2,617	1,361	(617)	1,553
Unrealised losses on forward currency contracts	70	-	-	-	70
Amortisation of acquired intangible assets	-	-	-	-	-
Unrealised losses on foreign currency borrowings	-	-	-	26	26
Underlying (loss)/profit before taxation	(1,738)	2,617	1,361	(591)	1,649

Segmental analysis by product area

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000
Point-of-Care		
Nycocard™	12,296	11,261
Coagulation	1,725	1,683
Density Gradient Media	836	667
Afinion™	7,226	3,737
Total Point-of-Care Products	22,083	17,348
Laboratory Products		
Homocysteine	4,355	2,996
AxSYM® <i>xtra</i>	2,210	1,522
Infectious Disease	1,371	1,523
BNP	1,181	898
Anti-CCP, non-AxSYM® <i>xtra</i>	1,334	781
Other	2,385	2,714
Total Laboratory products	12,836	10,434
Distribution of third party products	15,637	14,893
	50,556	42,675

External sales geographically by destination

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000
Europe	36,286	33,032
North America	7,927	4,405
Rest of World	6,343	5,238
	50,556	42,675

4. Research and development expenditure

	Six months ended 30 June 2009			Six months ended 30 June 2008		
	Point-of-Care £000	Lab Division £000	Total £000	Point-of-Care £000	Lab Division £000	Total £000
Gross R&D spend	2,219	1,961	4,180	2,087	1,582	3,669
Amortisation	680	199	879	600	300	900
Capitalised development costs	(165)	-	(165)	(386)	(42)	(428)
	2,734	2,160	4,894	2,301	1,840	4,141

5. Taxation

Income tax expense is recognised on management's best estimate of the annual income tax rate expected for the full financial year. The estimated annual tax rate used for the year to 31 December 2009 is 27%; the estimated tax rate for the six months ended 30 June 2008 was 16%. The increase in effective tax rate is primarily due to the recognition of tax losses in Norway for the first time at 31 December 2008, which are now being utilised.

6. Underlying profit

The Group has presented the alternative performance measure 'underlying profit', which is defined as profit before taxation, exceptional items, unrealised foreign exchange gains and losses on forward currency contracts and currency borrowings, and the amortisation of intangible assets acquired under a business combination. By presenting this measure in addition to the statutory IFRS measures, management believe that the underlying trading performance of the Group can be better assessed. Exceptional items are, by definition, material and non-recurring in nature. The unrealised foreign exchange gains and losses are excluded from underlying profit because they hedge cash flows forecast to occur in future periods. The amortisation of intangible assets acquired under a business combination is excluded because it is considered to relate to investment rather than trading activity.

Further details of the items excluded from underlying profit are given below.

Gain on disposal of Plasmatec business (included in Other gains and losses)

On 19 May 2009 the Group disposed of its Plasmatec business. The gain on disposal of £1,002,000 has been classified as an exceptional operating item and excluded from underlying profit.

Unrealised gains/losses on forward currency contracts (included in General Administration costs)

The Group continues to protect its margin on foreign currency sales by the use of forward currency contracts, and is party to a series of contracts maturing in the second half of 2009 and beyond. As in previous years, the Group has elected not to apply hedge accounting to these contracts under IFRS accounting regulations. Unrealised gains and losses arising in the period that relate to contracts hedging future sales are excluded from underlying profit.

Unrealised gains/losses on foreign currency borrowings (included under Finance costs)

The Group has a significant leasing liability in euros, relating to investment in new production equipment in Oslo. The cash flow related to repayment of this facility is well hedged by the Group's forecasted euro revenues, and currency revaluation gains and losses arising in the period are adjusted out of underlying profit.

Licence and instrument asset expensed (included in prior year Research & Development costs)

In the second half of 2008 the Group wrote down the carrying value of its AxSYM[®] *xtra* licence agreement by £2.0 million, following a shift in priorities in favour of Abbott's larger throughput ARCHITECT[®] system. Also in the second half of 2008, following the successful global launch of Afinion[™] and a review of costs capitalised on the validation of production of earlier versions, the Group wrote down £3.4 million of instrument assets.

Recognition of Norwegian deferred tax assets (included in prior year Taxation)

Under IFRS, the tax losses accumulated in prior years by the Group's subsidiaries are recognised on the balance sheet if there is reasonable certainty that future taxable profits will be made in the relevant territories. In the second half of 2008, with Afinion[™] successfully launched and the Norwegian group generating taxable profits, the Group recognised £10.1 million of historical Norwegian tax losses.

7. Profit per ordinary share

Basic earnings per share is calculated by dividing the profit for the financial period after taxation by the weighted average number of ordinary shares in issue during the period.

	Six months ended June 2009	Six months ended June 2008	Twelve months ended Dec 2008
Profit after taxation (£000)	5,472	1,309	4,485
Weighted-average number of ordinary shares in issue	49,470,858	49,069,939	49,170,261
Basic earnings per share (pence)	11.06p	2.67p	9.12p

The difference between basic and diluted weighted-average shares results from the assumed exercise of dilutive share options. Anti-dilutive share options were excluded from this calculation. Fully diluted earnings per share is calculated as follows:

	Six months ended June 2009	Six months ended June 2008	Twelve months ended Dec 2008
Profit after taxation (£000)	5,472	1,309	4,485
Weighted-average number of ordinary shares in issue	49,470,858	49,069,939	49,170,261
Adjustment for share options and awards	609,226	414,604	329,777
Weighted-average number of ordinary shares for diluted earnings per share	50,080,084	49,484,543	49,500,038
Diluted earnings per share (pence)	10.93p	2.65p	9.06p

Underlying basic earnings per share (before exceptional items, unrealised foreign exchange losses and amortisation of acquired intangible assets) and deferred tax credits is calculated as follows:

	Six months ended June 2009	Six months ended June 2008	Twelve months ended Dec 2008
Profit after taxation (£000)	5,472	1,309	4,485
Licence and instrument assets expensed	-	-	5,351
Unrealised foreign exchange (gains)/losses	(3,013)	96	3,308
Amortisation of acquired intangible assets	82	-	150
Tax on the above items at 27%	791	-	-
Exceptional deferred tax credit	-	-	(10,086)
Underlying profit before exceptional deferred tax credit	3,332	1,405	3,208
Weighted-average number of ordinary shares in issue	49,470,858	49,069,939	49,170,261
Underlying earnings per share	6.74p	2.86p	6.52p

8. Property, plant and equipment

In the period to 30 June 2009 the Group purchased plant and equipment with a total cost of £1,605,000 (six months to 30 June 2008: £2,308,000), including £672,000 (six months to 30 June 2008: £768,000) of Afinion™ instruments capitalised from inventories when placed with customers.

9. Acquisition

On 3 March 2009 the Group purchased the German distribution rights for its Point-of-Care business from Progen Biotechnik of Heidelberg, Germany. The Group established Axis-Shield GmbH for the purchase. Details of the consideration given and the net assets acquired are provided below. The fair value process is currently being finalised and therefore these figures are provisional. In the six months to June 2009 the acquired business made a loss after tax of £49,000. Had the acquisition been completed on 1 January 2009 the Group's revenues for the period would have been £50,609,000, and profit after tax £5,472,000.

Net assets acquired and goodwill arising	£000
Current assets	
Inventories	332
Total assets	332
Liabilities	
Provisions	(135)
Provisional fair value of net assets acquired	197
Goodwill	1,231
Consideration (satisfied by cash)	1,428

10. Net debt

	At 1 January 2009 £000	Cash flow £000	Exchange movements £000	At 30 June 2009 £000
Cash and cash equivalents	9,395	2,568	(377)	11,586
Bank borrowings and finance leases	(16,850)	(4,276)	1,672	(19,455)
	(7,455)	(1,708)	1,295	(7,869)