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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to ____

Commission File Number 001-36200

_____

OXFORD IMMUNOTEC GLOBAL PLC

(Exact name of registrant as specified in its charter)

England and Wales	**98-1133710**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
94C Innovation Drive, Milton Park, Abingdon OX14 4RZ, United Kingdom	**Not Applicable**
(Address of Principal Executive Offices)	(Zip Code)

+44 (0)1235 442780

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Smaller reporting company ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)		Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes☐ No☒

As of July 25, 2018, there were 25,967,617 Ordinary Shares, nominal value £0.006705, of Oxford Immunotec Global PLC outstanding.

Oxford Immunotec Global PLC
Form 10-Q
Quarterly Period Ended June 30, 2018

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PART I – FINANCIAL INFORMATION

PART II – OTHER INFORMATION

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, and exhibits hereto, contains or incorporates by reference estimates, predictions, opinions, projections and other statements that may be interpreted as "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The forward-looking statements are contained principally in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Part II, Item 1A, "Risk Factors," but are also contained elsewhere in this Quarterly Report. In some cases, you can identify forward-looking statements by the words "may," "might," "will," "would," "could," "should," "intend," "plan," "contemplate," "expect," "anticipate," "believe," "estimate," "predict," "project," "target," "potential," "continue," and "ongoing" and other comparable expressions intended to identify statements about the future, although not all forward-looking statements contain these identifying words. These statements involve substantial known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievements to differ materially from those currently anticipated. Forward-looking statements are neither historical facts nor assurances of future performance. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain and that involve substantial risks and uncertainties. Such risks and uncertainties include, but are not limited to:

- our history of losses, our ability to achieve or sustain profitability and our ability to manage our growth;
- our ability to effectively use our current financial resources and our ability to obtain additional capital resources;
- our ability to service our debt and meet the obligations thereunder;
- our ability to further develop, commercialize and achieve market acceptance of our current and future products;
- our ability to obtain and maintain regulatory body clearance and approval to market any of our products;
- continued demand for diagnostic products for tuberculosis, tick-borne diseases and other than immune-regulated conditions and the development of new market opportunities;
- our ability to compete successfully and to maintain and expand our sales network;
- our ability to properly complete and submit claims to insurers and other third party payors with respect to coverage and reimbursement;
- decisions by insurers and other third party payors with respect to coverage and reimbursement;
- our dependence on certain of our customers, suppliers and service providers;
- disruptions to our business, including disruptions at our laboratories and manufacturing facilities;
- the integrity and uninterrupted operation of our information technology and storage systems;
- the impact of currency fluctuations on our business;
- the impact of global economic and political developments, including the referendum to leave the European Union, passed by the United Kingdom, or U.K., on June 23, 2016, and further implementing legislation on our business;
- potential changes in the United States, or U.S., social, political, regulatory and economic conditions or laws and policies governing the health care system, U.S. tax laws, foreign trade, immigration, manufacturing, and development and investment in the territories and countries where we or our customers and suppliers operate;
- our ability to make successful acquisitions or investments and to manage the integration of such acquisitions or investments;
- our ability to retain key members of our management;
- the impact of taxes on our business, including our ability to use net operating losses;
- the impact of legislative and regulatory developments, including healthcare and tax reform, on our business;
- potential changes to the Patient Protection and Affordable Care Act of 2010, or PPACA;
- the impact of product liability, intellectual property and commercial litigation on our business;
- our ability to comply with Securities and Exchange Commission, or SEC, reporting, antifraud, anti-corruption, environmental, health and safety laws and regulations;
- our ability to maintain our licenses to sell our products around the world, including in countries such as China and the U.S. and in the several U.S. states requiring licensure;
- our ability to protect and enforce our intellectual property rights;

- our status as an emerging growth company, which ends in late 2018, and as an English company listing ordinary shares in the U.S.;
- the volatility of the price of our shares, substantial future sales of our shares and the fact that we do not pay dividends; and
- the impact of anti-takeover provisions under U.K. law and our articles of association.

You should refer to Part I, Item 1A, "Risk Factors" in our 2017 Annual Report on Form 10-K for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report will prove to be accurate. Further, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us that we will achieve our objectives and plans in any specified time frame, or at all. The forward-looking statements in this Quarterly Report represent our views only as of the date of this Quarterly Report. Subsequent events and developments may cause our views to change. While we may elect to update these forward-looking statements at some point in the future, we undertake no obligation to publicly update any forward-looking statements, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report. As used in this Quarterly Report, the words "Company," "we," "us" and "our" refer to Oxford Immunotec Global PLC, a public limited company incorporated under the laws of England and Wales.

Where you can find more information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the SEC's Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that makes available reports, proxy statements and other information regarding issuers that file electronically.

We make available free of charge on our corporate website at *www.oxfordimmunotec.com* (in the "Investors" section) copies of materials we file with, or furnish to, the SEC. By referring to our corporate website, *www.oxfordimmunotec.com*, we do not incorporate such website or its contents into this Quarterly Report.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Oxford Immunotec Global PLC
Condensed consolidated balance sheets

(in thousands, except share and per share data)	June 30, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 66,263	$ 90,332
Accounts receivable, net	19,742	16,981
Inventory, net	9,835	10,142
Prepaid expenses and other assets	4,088	3,027
Total current assets	99,928	120,482
Restricted cash, non-current	200	200
Property and equipment, net	12,712	9,067
Goodwill	3,967	3,967
Other intangible assets, net	7,521	7,849
Deferred tax asset	1,435	2,486
Other assets	181	185
Total assets	$ 125,944	$ 144,236
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 4,186	$ 6,842
Accrued liabilities	9,754	11,134
Settlement liability	4,451	4,342
Deferred income	46	36
Current portion of loans payable	94	91
Total current liabilities	18,531	22,445
Long-term portion of loans payable	30,136	29,904
Settlement liability	3,991	3,894
Other liabilities	122	364
Total liabilities	52,780	56,607
Commitments and contingencies (Notes 3, 8, and 12)		
Shareholders' equity:		
Ordinary shares, £0.006705 nominal value; 36,183,293 shares authorized at June 30, 2018 and December 31, 2017, and 25,957,954 and 25,661,634 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	272	269
Additional paid-in capital	297,906	294,613
Accumulated deficit	(218,338)	(201,541)
Accumulated other comprehensive loss	(6,676)	(5,712)
Total shareholders' equity	73,164	87,629
Total liabilities and shareholders' equity	$ 125,944	$ 144,236

See accompanying notes to these unaudited condensed consolidated financial statements.

Oxford Immunotec Global PLC
Condensed consolidated statements of operations
(unaudited)

(in thousands, except share and per share data)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue:				
Product	$ 11,721	$ 10,422	$ 19,656	$ 18,808
Service	17,597	15,698	31,032	28,817
Total revenue	29,318	26,120	50,688	47,625
Cost of revenue:				
Product	3,477	4,094	6,051	7,339
Service	9,229	8,398	17,245	15,650
Total cost of revenue	12,706	12,492	23,296	22,989
Gross profit	16,612	13,628	27,392	24,636
Operating expenses:				
Research and development	3,385	3,948	7,129	7,753
Sales and marketing	9,308	10,041	18,713	19,681
General and administrative	7,116	7,990	14,044	14,866
Change in fair value of contingent purchase price consideration	—	(238)	—	(2,595)
Settlement expense	1,560	9,635	1,767	9,635
Total operating expenses	21,369	31,376	41,653	49,340
Loss from operations	(4,757)	(17,748)	(14,261)	(24,704)
Other expense:				
Interest expense, net	(733)	(807)	(1,337)	(1,630)
Foreign exchange losses	(151)	(547)	(254)	(653)
Other expense	(196)	(122)	(248)	(262)
Loss before income taxes	(5,837)	(19,224)	(16,100)	(27,249)
Income tax (expense) benefit	(634)	2,458	(697)	2,411
Net loss	$ (6,471)	$ (16,766)	$ (16,797)	$ (24,838)
Net loss per ordinary share—basic and diluted	$ (0.25)	$ (0.74)	$ (0.65)	$ (1.10)
Weighted-average shares used to compute net loss per ordinary share—basic and diluted	25,845,124	22,805,379	25,782,366	22,670,206

See accompanying notes to these unaudited condensed consolidated financial statements.

Oxford Immunotec Global PLC
Condensed consolidated statements of other comprehensive loss
(unaudited)

(in thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net loss	$ (6,471)	$ (16,766)	$ (16,797)	$ (24,838)
Other comprehensive (loss) income:				
Foreign currency translation adjustment, net of tax charges / (credits) of $651, $(918), $272, and $(918), respectively	(1,521)	1,276	(964)	1,495
Other comprehensive (loss) income, net of tax	(1,521)	1,276	(964)	1,495
Total comprehensive loss	$ (7,992)	$ (15,490)	$ (17,761)	$ (23,343)

See accompanying notes to these unaudited condensed consolidated financial statements.

Oxford Immunotec Global PLC
Condensed consolidated statements of cash flows
(unaudited)

(in thousands)	Six months ended June 30, 2018	2017
Cash flows from operating activities		
Net loss	$ (16,797)	$ (24,838)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of intangible assets	2,243	1,993
Change in fair value of contingent purchase price consideration	—	(2,595)
Accretion and amortization of loan fees	280	289
Share-based compensation expense	2,746	2,760
Loss on disposal of property and equipment	83	—
Deferred income taxes	728	(2,471)
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,913)	(4,480)
Inventory, net	187	(1,775)
Prepaid expenses and other assets	(1,096)	(392)
Accounts payable	(3,292)	1,064
Accrued liabilities	(1,114)	2,872
Other liabilities, net	(44)	7,234
Net cash used in operating activities	(18,989)	(20,339)
Cash flows from investing activities		
Purchases of property and equipment	(5,148)	(2,928)
Purchases of intangible assets	—	13
Net cash used in investing activities	(5,148)	(2,915)
Cash flows from financing activities		
Proceeds from exercise of share options	814	308
Payments of tax withheld on vesting of restricted share units	(265)	(203)
Change in loans payable	(45)	196
Net cash provided by financing activities	504	301
Effect of exchange rate changes on cash and cash equivalents	(436)	556
Net decrease in cash, cash equivalents, and restricted cash	(24,069)	(22,397)
Cash, cash equivalents, and restricted cash at beginning of period	90,532	59,310
Cash, cash equivalents, and restricted cash at end of period	$ 66,463	$ 36,913

See accompanying notes to these unaudited condensed consolidated financial statements.

Oxford Immunotec Global PLC
Notes to Unaudited Condensed Consolidated Financial Statements
June 30, 2018

1. Business and basis of presentation

Description of business

Oxford Immunotec Global PLC, or the Company, is a global, high-growth diagnostics company focused on developing and commercializing proprietary tests for underserved immune-regulated conditions. The Company's focus is on four areas: infectious diseases, transplantation, autoimmune and inflammatory disease and immune-oncology. The Company believes these areas are particularly attractive because they involve large patient populations and chronic conditions that present the opportunity for both initial diagnosis and additional testing to monitor the conditions. These immune-regulated conditions also tend to be characterized by wide variation in presentation and progression and often require expensive therapies, making diagnostic tests that can better categorize patients and inform treatment pathways particularly useful and cost-effective. Lastly, the Company believes these conditions to be underserved as the industry lacks the appropriate techniques to prosecute the immune responses which are driving these conditions.

Unaudited interim financial statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the interim condensed consolidated financial statements reflect all adjustments, of a normal recurring nature, necessary for a fair statement of the financial position at June 30, 2018, the results of operations for the three and six-month periods ended June 30, 2018 and 2017, and the cash flows for the six-month periods ended June 30, 2018 and 2017. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2017, has been derived from the audited consolidated financial statements as of that date. The consolidated financial statements and notes included in this report should be read in conjunction with the 2017 consolidated financial statements and notes included in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on February 27, 2018, or the Company's 2017 Form 10-K.

Cash, cash equivalents, and restricted cash

We maintain our available cash balances in cash, money market funds and repurchase agreements primarily invested in U.S. government and agency securities, and bank savings accounts in the United States, United Kingdom, Germany, Japan, China and South Korea.

Restricted cash is pledged as collateral for procurement cards issued by a U.S. commercial bank.

Cash, cash equivalents, and restricted cash consists of the following:

(in thousands)	June 30, 2018	December 31, 2017
Cash and cash equivalents	$ 66,263	$ 90,332
Restricted cash, non-current	200	200
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 66,463	$ 90,532

Revenues

The Company's revenues include product and service revenues. Product revenue from diagnostic test kit sales and related accessories is recognized at a point in time based upon contractual rates. Service revenue from tests performed on samples sent by direct billing customers is recorded based upon contractually established billing rates and recognized upon delivery of test results to the customer. Revenue from tests paid by third-party payors in the U.S. includes variable consideration, which is estimated using the expected value method based on the Company's historical collection experience. See Note 2 for disaggregation of revenue by type, indication and geography.

As of June 30, 2018, accounts receivables related to products and services were $19.7 million. For the three and six months ended June 30, 2018, the Company had no material bad-debt expense and there were no material contract assets, contract liabilities or deferred contract costs recorded on the Condensed Consolidated Balance Sheet as of June 30, 2018. The Company generally expenses sales commissions when incurred because the amortization period would be less than one year.

For the three and six months ended June 30, 2018, revenue recognized from performance obligations related to prior periods (for example, due to changes in transaction price), was not material.

Revenue expected to be recognized in any future year related to remaining performance obligations is not material.

The remainder of the significant accounting estimates and policies used in preparation of the condensed consolidated financial statements disclosed in Note 1 to the consolidated financial statements in the Company's 2017 Form 10-K remain unchanged.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which converges the FASB and the International Accounting Standards Board standards on revenue recognition. Under ASU 2014-09, a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In addition, ASU 2014-09 requires certain additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has issued several amendments to the standard, including clarification on accounting for licenses of intellectual property, identifying performance obligations and other technical corrections. The Company adopted ASU 2014-09 on January 1, 2018, using the modified retrospective approach. The adoption of ASU 2014-09 did not have a material impact on the Company's financial position, results of operations, equity or cash flows as of the adoption date or for the six months ended June 30, 2018. The Company has included the disclosures required by ASU 2014-09 above and in Note 2 to the Condensed Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, or ASU 2016-15. ASU 2016-15 is intended to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company adopted ASU 2016-15 retrospectively as of January 1, 2018. The adoption of ASU 2016-15 has not had a material impact on the Company's statement of cash flows.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes*, or ASU 2016-16. The guidance requires companies to recognize the income tax effects of intercompany sales and transfers of assets, other than inventory, in the income statement as income tax expense (or benefit) in the period in which the transfer occurs. The Company adopted ASU 2016-16 retrospectively as of January 1, 2018. The adoption of ASU 2016-16 has not had a material impact on the Company's financial position, results of operations or related disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, or ASU 2016-18. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted ASU 2016-18 retrospectively as of January 1, 2018. The adoption of ASU 2016-18 has not had a material impact on the Company's statement of cash flows.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations*, or ASU 2017-01. ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company adopted ASU 2017-01 prospectively as of January 1, 2018. The adoption of ASU 2017-01 has not had a material impact on the Company's financial position, results of operations or related disclosures.

In May 2017, the FASB issued ASU 2017-09, *Scope of Modification Accounting*, or ASU 2017-09. ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting of a share-based payment award. The guidance should be applied prospectively to an award modified on or after the adoption date. The Company adopted ASU 2017-09 prospectively as of January 1, 2018. The adoption of ASU 2017-09 has not had a material impact on the Company's financial position, results of operations or related disclosures.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, or ASU 2016-02. ASU 2016-02 requires lessees to reflect most leases on their balance sheets but recognize expenses on their income statements in a manner similar to current accounting. The guidance also eliminates real estate-specific provisions for all entities. The new guidance will be effective for the Company for annual and interim periods beginning after December 15, 2018. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Early adoption is permitted. The adoption of ASU 2016-02 will result in an increase to the Company's consolidated balance sheets for right-of-use assets and lease liabilities, and the Company is currently evaluating the other effects of adoption of ASU 2016-02 on the Company's consolidated financial statements. This evaluation process includes reviewing all forms of leases, performing a completeness assessment over the lease population, and analyzing the practical expedients provided for in adopting ASU 2016-02.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*, or ASU 2016-13. ASU 2016-13 requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. Under current U.S. GAAP, a company only considered past events and current conditions in measuring an incurred loss. Under ASU 2016-13, the information that a company must consider is broadened in developing an expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss. The new guidance will be effective for the Company for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The guidance is applied using a modified retrospective, or prospective approach, depending on a specific amendment. The Company is currently evaluating ASU 2016-13 and has not yet determined how it may impact its financial position, results of operations or related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other*, or ASU 2017-04. ASU 2017-04 simplifies subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The new guidance will be applied on a prospective basis. ASU 2017-04 will be effective for the Company for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests. The Company is currently evaluating ASU 2017-04, but does not expect its adoption to have a material impact on the Company's financial position, results of operations or related disclosures.

In June 2018, the FASB issued ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*, or ASU 2018-07. ASU 2018-07 simplifies the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. ASU 2018-07 will be effective for the Company for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted. The Company is currently evaluating ASU 2018-07, but does not expect its adoption to have a material impact on the Company's financial position, results of operations or related disclosures.

Under the U.S. Jumpstart our Business Startups Act, or the JOBS Act, emerging growth companies that become public can delay adopting new or revised accounting standards until such time as those standards apply to private companies. The Company irrevocably elected not to avail itself of this exemption from new or revised accounting standards and, therefore, it is subject to the same new or revised accounting standards as public companies that are not emerging growth companies.

2. Revenue

The following tables present the Company's revenues disaggregated by type:

(in thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue				
Product	$ 11,721	$ 10,422	$ 19,656	$ 18,808
Service	17,597	15,698	31,032	28,817
Total revenue	$ 29,318	$ 26,120	$ 50,688	$ 47,625

The following tables present the Company's revenues disaggregated by indication:

(in thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue				
Tuberculosis	$ 24,962	$ 21,338	$ 43,799	$ 39,880
Tick-borne disease and other	4,356	4,782	6,889	7,745
Total revenue	$ 29,318	$ 26,120	$ 50,688	$ 47,625

The following tables reflect revenue by geography (United States, Europe and rest of world, or Europe and ROW, and Asia):

(in thousands, except percentages)	Three months ended June 30, 2018		Three months ended June 30, 2017	
Revenue				
United States	$ 17,696	60%	$ 16,093	62%
Europe and ROW	2,234	8%	1,914	7%
Asia	9,388	32%	8,113	31%
Total revenue	$ 29,318	100%	$ 26,120	100%

(in thousands, except percentages)	Six months ended June 30, 2018		Six months ended June 30, 2017	
Revenue				
United States	$ 31,089	61%	$ 29,629	62%
Europe and ROW	4,474	9%	3,720	8%
Asia	15,125	30%	14,276	30%
Total revenue	$ 50,688	100%	$ 47,625	100%

3. Fair value measurement

As a basis for determining the fair value of certain of the Company's financial instruments, the Company utilizes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The carrying amount of certain of the Company's financial instruments, including cash, accounts receivable, prepaid expenses and other assets, accounts payable, and accrued liabilities approximate fair value due to their short term nature.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the entire fair value measurement requires management to make judgments and consider factors specific to the asset or liability.

The Company has a term loan outstanding with MidCap Financial Trust, or the MidCap agreement. The amount outstanding on the MidCap agreement is reported at its carrying value in the accompanying balance sheet. The estimated fair value of the MidCap agreement as of June 30, 2018, based upon current market rates for similar borrowings, as measured using Level 2 inputs, approximates the carrying amount as presented on the condensed consolidated balance sheet.

4. Accounts receivable, net

Accounts receivable, net, consisted of the following as of:

(in thousands)	June 30, 2018	December 31, 2017
Accounts receivable	$ 20,801	$ 17,807
Less allowance for uncollectible accounts receivable	(1,059)	(826)
Accounts receivable, net	$ 19,742	$ 16,981

5. Inventory, net

Inventory, net consisted of the following as of:

(in thousands)	June 30, 2018	December 31, 2017
Raw materials	$ 5,850	$ 6,927
Work in progress	86	179
Finished goods	3,899	3,036
Inventory, net	$ 9,835	$ 10,142

6. Goodwill and acquired intangible assets

The carrying amount of goodwill reflected in the Company's condensed consolidated balance sheets was $4.0 million at June 30, 2018 and December 31, 2017 and was recorded in conjunction with the 2016 acquisitions of Imugen, Inc., or Imugen, and Immunetics, Inc., or Immunetics.

Acquired intangible assets consisted of the following as of June 30, 2018 and December 31, 2017:

	As of June 30, 2018			
(in thousands)	Amortization period (years)	Gross carrying amount	Accumulated Amortization	Net carrying amount
Imugen technology - clinical	15	$ 5,100	$ 680	$ 4,420
Imugen customer relationships	10	1,400	280	1,120
Imugen trademarks / trade names	16	1,140	143	997
Immunetics technology - clinical	15	883	101	782
Immunetics customer relationships	11	130	20	110
Immunetics trade name	5	30	10	20
Other	5 - 10	676	604	72
Total		$ 9,359	$ 1,838	$ 7,521

	As of December 31, 2017			
(in thousands)	Amortization period (years)	Gross carrying amount	Accumulated Amortization	Net carrying amount
Imugen technology - clinical	15	$ 5,100	$ 510	$ 4,590
Imugen customer relationships	10	1,400	210	1,190
Imugen trademarks / trade names	16	1,140	107	1,033
Immunetics technology - clinical	15	883	72	811
Immunetics customer relationships	11	130	14	116
Immunetics trade name	5	30	8	22
Other	5 - 10	692	605	87
Total		$ 9,375	$ 1,526	$ 7,849

The weighted average amortization period of our definite-lived intangible assets is 14 years. Amortization expense related to acquired intangible assets is estimated at $0.7 million per year for each of the years 2018 through 2020 and $0.6 million in 2021 and 2022.

7. Accrued liabilities

Accrued liabilities consisted of the following as of:

(in thousands)	June 30, 2018	December 31, 2017
Employee related expenses	$ 6,020	$ 6,162
Royalties	741	1,419
Professional services	520	346
Rent	503	238
Clinical trials	192	688
Other accrued liabilities	1,778	2,281
Total accrued liabilities	$ 9,754	$ 11,134

8. Loans payable

On October 4, 2016, the Company entered into an agreement with MidCap Financial Trust, or the MidCap agreement, that provided it with $40 million in debt financing, comprised of both a term loan and a revolving line of credit. The MidCap agreement provided the Company with a term loan of $30 million, which matures October 4, 2021. The term loan accrues interest at a rate of LIBOR plus 7.60% with interest only payments for the first 24 months, with the ability to extend to 48 months subject to certain conditions, before the loan begins to amortize. The Company has the intention and ability to extend the interest only period. The MidCap agreement also provides the Company with a revolving line of credit of up to $10 million, which matures October 4, 2021. The revolving line of credit accrues interest at a rate of LIBOR plus 4.45%. The Company is also required to pay the lenders an unused line fee equal to 0.50% per annum of the average unused portion of the revolving line of credit. Based on certain conditions, both the term loan and revolving line of credit may be increased by an additional $10 million for a total of $60 million.

The balance of the secured term loan due to MidCap as of June 30, 2018 is $30 million, and is recorded in the accompanying consolidated balance sheet, net of unamortized discount and debt issuance costs.

Future minimum payments required under the term loan , in consideration of the Company's intent to extend the interest only period until at least November 2019, and under the revolving line of credit as of June 30, 2018 are as follows:

(in thousands)	Term Loan
2018	$ —
2019	2,500
2020	15,000
2021	12,500
2022	—
Thereafter	—
Total minimum payments	$ 30,000

The Company classifies current maturities of long-term debt that are expected to be refinanced on a long-term basis as long-term as they do not require the use of current assets.

The Company has never borrowed under the revolving line of credit.

9. Share option and equity incentive plan

The impact on the Company's results of operations from share-based compensation was as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2018	2017	2018	2017
Cost of revenue	$ 60	$ 43	$ 72	$ 86
Research and development	210	171	498	331
Sales and marketing	97	445	712	870
General and administrative	555	775	1,464	1,473
Total share-based compensation	$ 922	$ 1,434	$ 2,746	$ 2,760

In November 2013, in connection with the Company's initial public offering, the Company adopted the 2013 Share Incentive Plan, or the 2013 Plan, which provides for the grant of share options, restricted shares, restricted share units, or RSUs, and other share-based awards to employees, officers, directors and consultants of the Company. The 2013 Plan was amended at the 2017 annual general meeting of shareholders.

During the three-month period ended June 30, 2018, the Company granted to certain employees 65,656 share options with exercise prices ranging from $14.49 to $14.59 per share under the 2013 Plan. The weighted-average grant date fair value related to share options granted under the 2013 Plan during the three-month period ended June 30, 2018 was $6.76 per share. During the six-month period ended June 30, 2018, the Company granted to certain employees 749,787 share options with exercise prices ranging from $10.93 to $14.59 per share under the 2013 Plan. The weighted-average grant date fair value related to share options granted under the 2013 Plan during the six-month period ended June 30, 2018 was $6.17 per share. Share options generally vest based on the grantee's continued service with the Company during a specified period following the vesting start date and expire after ten years.

During the three-month period ended June 30, 2018, the Company awarded to certain employees 44,473 RSUs with a weighted average grant date fair value of $13.60 per share under the 2013 Plan. During the six-month period ended June 30, 2018, the Company awarded to certain employees 161,899 RSUs with a weighted average grant date fair value of $13.34 per share under the 2013 Plan. The RSUs vest based on the grantee's continued service with the Company during a specified period following grant as follows: 40% on the second anniversary of the grant date; 30% on the third anniversary of the grant date; and 30% on the fourth anniversary of the grant date. Share-based compensation expense for these RSUs is calculated based on the grant date market price of the shares and is being recognized over the vesting period.

For the three-month period ended June 30, 2018, the Company incurred shared-based compensation expense related to share options and RSUs of $713,000 and $209,000, respectively. For the three-month period ended June 30, 2017, the Company incurred shared-based compensation expense related to share options and restricted shares/RSUs of $919,000 and $515,000, respectively.

For the six-month period ended June 30, 2018, the Company incurred shared-based compensation expense related to share options and restricted shares/RSUs of $1.7 million and $1.0 million, respectively. For the six-month period ended June 30, 2017, the Company incurred shared-based compensation expense related to share options and restricted shares/RSUs of $1.7 million and $1.1 million, respectively.

As of June 30, 2018, there was $7.2 million and $4.0 million of total unrecognized compensation cost related to unvested share options and restricted shares/RSUs, respectively. These costs are expected to be recognized over weighted-average periods of 2.73 years for option shares and 3 years for RSUs.

10. Share capital

During the first six months of 2018, the Company issued 242,729 ordinary shares upon the exercise of options and 53,591 ordinary shares were issued upon the vesting of RSUs.

11. Net loss per share

The following numbers of outstanding ordinary share options and unvested restricted shares and unvested RSUs were excluded from the computation of diluted net loss per share for the periods presented because their effect would have been anti-dilutive:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Options to purchase ordinary shares	536,998	993,778	499,550	956,684
Unvested restricted shares	—	63,438	—	63,438
Unvested restricted share units	343,774	266,164	343,774	266,164

12. Lease commitments

In March 2018, the Company entered into an agreement relating to its location in Norwood, Massachusetts to bifurcate its existing lease for two adjacent facilities into two separate leases, as one of the facilities was being sold to a new owner. The first of the two leases, which is referred to as the "315 Lease", relates to about 18,000 rentable square feet within a larger facility. The escalating monthly base rental payments on the 315 Lease over the lease term will range from $32,000 per month to $35,000 per month and the term currently extends through March 31, 2019.

The second lease, which extends through March 31, 2023, is referred to as the "320 Lease" and relates to a building containing about 39,000 rentable square feet. The escalating monthly base rental payments on the 320 Lease over the lease term will range from $67,000 per month to $83,000 per month. The Company will have two options to extend the lease term, each for a five-year period.

In June 2018, the Company entered into a lease for new space in Abingdon, which extends through June 30, 2033, that will allow it to combine its manufacturing, laboratory, storage and office operations into a single facility. The base rent on the facility over the lease term will range from $39,000 per month to $79,000 per month. The Company expects to take occupancy of the new space in the second half of 2018.

13. Restructuring

During the third quarter of 2017, the Company's management committed to a plan to terminate various government grants that were acquired as part of the acquisition of Immunetics. As a result, the Company terminated 15 employees during the fourth quarter of 2017 and recorded restructuring charges of $169,000 in research and development expense and $13,000 in general and administrative expense.

The following table provides a rollforward of the liability balance for this restructuring. Accrued restructuring costs at December 31, 2017 and June 30, 2018 were included in accrued liabilities in the accompanying balance sheet.

(in thousands)	**Severance**
Balance at December 31, 2017	$ 74
Payments	(57)
Balance at June 30, 2018	$ 17

14. Settlement expense

On June 18, 2018, the Company entered into a Settlement Agreement with the former shareholders of Immunetics, Inc., or the Immunetics Settlement Agreement, to resolve disputes arising from the Agreement and Plan of Merger dated October 12, 2016. The terms of the Immunetics Settlement Agreement are confidential.

On June 30, 2017, the Company and Statens Serum Institut, or SSI, entered into a Release and Settlement Agreement, or the SSI Settlement Agreement, to resolve outstanding disputes arising from the license agreement with SSI. The terms of the SSI Settlement Agreement are confidential.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks and uncertainties. Please see "Special note regarding forward-looking statements" in this Quarterly Report on Form 10-Q for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report. In addition to our historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs and expectations. Our actual results and the timing of events could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and in the Company's 2017 Form 10-K, particularly in Part I, Item 1A, "Risk Factors."

Overview

We are a global, high-growth diagnostics company focused on developing and commercializing proprietary tests for underserved immune-regulated conditions. Our focus is on four areas: infectious diseases, transplantation, autoimmune and inflammatory disease and immune-oncology. We believe these areas are particularly attractive because they involve large patient populations and chronic conditions that present the opportunity for both initial diagnosis and additional testing to monitor the conditions. These immune-regulated conditions also tend to be characterized by wide variation in presentation and progression and often require expensive therapies, making diagnostic tests that can better categorize patients and inform treatment pathways particularly useful and cost-effective. Lastly, we believe these conditions to be underserved as the industry lacks the appropriate techniques to prosecute the immune responses which are driving these conditions.

Our first product is our proprietary T-SPOT®.*TB* test, which is used to test for tuberculosis, or TB, infection and leverages our T-SPOT technology platform, which allows us to measure the response of specific immune cells to inform the diagnosis, prognosis and monitoring of patients with immune-regulated conditions. Our T-SPOT.*TB* test has been approved for sale in over 50 countries, including the United States, where we have received premarket approval, or PMA, from the Food and Drug Administration, or FDA, in Europe, where we have obtained a CE mark, as well as in Japan and China. Interferon-gamma release assays, or IGRAs, such as our T-SPOT.*TB* test have been included in clinical guidelines for TB testing in over 30 countries, including the United States, several European countries and Japan. In addition, we have established reimbursement for our test in the United States, as well as a Current Procedural Terminology, or CPT [1], code that is unique to our test. Outside the United States, we have established reimbursement in several countries where reimbursement applies, including Japan, Switzerland, Germany, France and South Korea. We have also established the cost-effectiveness of our test in several published studies.

Our second product line is a range of assays for tick-borne diseases, such as Lyme disease. Tick-borne disease is the collective name for diseases passed to humans through the bite of an infected tick. The most prevalent and well known tick-borne disease is Lyme disease, but there are others such as anaplasmosis, ehrlichiosis, and babesiosis. If left unrecognised, and therefore untreated, they may go on to cause significant complications, including in rare cases death. Our tick-borne disease tests utilize molecular methods (such as polymerase chain reaction) and techniques to prosecute the immune system, and are widely reimbursed in the U.S. using existing codes on fee schedules. Our tests include multiple laboratory developed tests, or LDTs, which utilize unique methodologies offered from our Clinical and Laboratory Improvement Amendments, or CLIA, certified and College of American Pathologists, or CAP, accredited laboratory in Massachusetts and an FDA cleared test kit utilizing the C6 peptide, which is a marker specific to Lyme disease. Our C6 Lyme ELISA™ kit is also CE marked in the European Union.

Our third product line is a series of assays for use in screening blood for the parasite *Babesia microti* which causes babesiosis. Babesiosis is a tick-borne disease characterized by a wide spectrum of clinical manifestations that range from asymptomatic to severe acute or even fatal illness. While it is primarily transmitted through a tick bite, babesiosis can also be transmitted by blood transfusion. In fact, transfusion-transmitted babesiosis is responsible for the highest percentage (31%) of transfusion-related infectious fatalities reported to the FDA in transfusion recipients. We received FDA approval for two of our assays in March 2018.

[1] CPT is a registered trademark of the American Medical Association.

Our T-SPOT.*CMV* test is a part of our fourth product line focused on the transplantation market. The test utilizes our T-SPOT technology platform and is an LDT performed in our CLIA certified, CAP accredited laboratory in Tennessee. The T-SPOT.*CMV* test is also CE marked as a kit in the European Union. The T-SPOT.*CMV* test measures the strength of a patient's cellular immune response to antigens specific to cytomegalovirus, or CMV, and provides information that may be useful in informing management strategies of patients at risk of CMV infection and disease, such as transplant patients. We continue to take a measured approach to market introduction of this test as we continue to evaluate the final results of our two pivotal clinical studies involving this test.

In addition to our existing product lines, we continue to pursue development programs to enhance our TB and tick-borne disease and other product offerings. In April, we CE marked the T-Cell Select™ kit enabling launch in the United Kingdom and across the European Union. The T-Cell Select kit is used to isolate mononuclear immune cells using positive selection via a magnetic bead cell separation system. In July, we launched two new tick-borne disease tests directed to the detection of additional species of *Babesia* and *Ehrlichia*. Product development activities are inherently uncertain, and there can be no assurance that we will be able to obtain regulatory body clearance to market any of our products, or if we obtain clearances that we will successfully commercialize any of our products. In addition, we may terminate our development efforts with respect to one or more of our products under development at any time, including before or during clinical trials.

We have incurred significant losses from inception and as of June 30, 2018 had an accumulated deficit of $218.3 million. We anticipate that our operating losses may continue for the foreseeable future as we continue to invest to grow our customer base and invest in research and development to expand our product portfolio. Our revenue for the six months ended June 30, 2018 was $50.7 million and for the six months ended June 30, 2017 was $47.6 million. Our net loss for the six months ended June 30, 2018 was $16.8 million and for the six months ended June 30, 2017 was $24.8 million.

Financial operations overview

Revenue

We generate revenue from sales associated with our T-SPOT technology platform via our direct sales force and also through distributors. Our T-SPOT.*TB* test is our first commercialized product based on this technology and accounted for $25.0 million of our revenue in the second quarter of 2018. We also generate revenue from sales of tick-borne disease and other tests via our direct sales force and also through distributors. During the second quarter of 2018 these tests accounted for revenue of $4.3 million.

Revenue mix

We currently offer our T-SPOT. *TB* test as both an *in vitro* diagnostic kit and a service. In the former, we sell test kits and associated accessories to distributors for resale and directly to institutions and laboratories that perform TB testing. In the latter, we have established clinical testing laboratories in the U.S. and the U.K., where we perform our T-SPOT. *TB* test on samples sent to us by customers. In these markets, we have found that many of our customers prefer to send samples to us rather than perform their own analysis on-site.

Our U.S. business derived 95% and 93% of its revenue from our service offering, as opposed to kit sales, for the three months ended June 30, 2018 and 2017, respectively, and 95% and 93% from service revenue for the six months ended June 30, 2018 and 2017, respectively. These results reflect our experience that U.S. customers prefer to send IGRA tests out for processing and analysis rather than run them in-house. For the majority of our U.S. customers in the hospital and public health segments, TB testing programs are funded primarily from institutional budgets. We receive payment from these customers according to our pre-negotiated prices. For other segments of the U.S. market (notably, for example, the physicians' office segment) third-party reimbursement is often available to cover the cost of our T-SPOT. *TB* test. In addition, U.S. results include revenue from our portfolio of tick-borne disease tests. For certain customers, we receive payment from customers according to pre-negotiated rates. For other customers we seek third party reimbursement. U.S. results also include revenue from our C6 Lyme ELISA kits, which is included in product revenue. Our C6 Lyme ELISA kits are sold to customers at pre-negotiated rates.

Outside the U. S., we derived 93% and 94% of our revenue from the sale of our *in vitro* diagnostic kits and associated accessories for each of the three month periods ended June 30, 2018 and 2017, respectively. These sales represented 92% and 93% of our revenue for each of the six month periods ended June 30, 2018 and 2017, respectively. For the majority of our customers outside the U.S., we primarily negotiate pricing directly with our customers; our prices are influenced to some degree by the mechanism and level of funding our customers receive for performing tests for TB infection.

Revenue by type

By type, total revenues were as summarized in the table below.

(in thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue				
Product	$ 11,721	$ 10,422	$ 19,656	$ 18,808
Service	17,597	15,698	31,032	28,817
Total revenue	$ 29,318	$ 26,120	$ 50,688	$ 47,625

Revenue by indication

By indication, total revenues were as summarized in the table below.

(in thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue				
Tuberculosis	$ 24,962	$ 21,338	$ 43,799	$ 39,880
Tick-borne disease and other	4,356	4,782	6,889	7,745
Total revenue	$ 29,318	$ 26,120	$ 50,688	$ 47,625

Revenue by geography

We have a direct sales force in the U.S., certain European countries and Japan and market development personnel in China and South Korea. In parts of the world where we do not maintain a direct sales force, we market and sell our products through distributors. As a result, our revenue is denominated in multiple currencies.

The following tables reflect revenue by geography (United States, Europe and rest of world, or Europe and ROW, and Asia) and as a percentage of total revenue, based on the billing address of our customers.

(in thousands, except percentages)	Three months ended June 30, 2018		Three months ended June 30, 2017	
Revenue				
United States	$ 17,696	60%	$ 16,093	62%
Europe and ROW	2,234	8%	1,914	7%
Asia	9,388	32%	8,113	31%
Total revenue	$ 29,318	100%	$ 26,120	100%

(in thousands, except percentages)	Six months ended June 30, 2018		Six months ended June 30, 2017	
Revenue				
United States	$ 31,089	61%	$ 29,629	62%
Europe and ROW	4,474	9%	3,720	8%
Asia	15,125	30%	14,276	30%
Total revenue	$ 50,688	100%	$ 47,625	100%

Cost of revenue and operating expenses

Cost of revenue and gross margin

Cost of revenue consists of direct labor expenses, including employee benefits and share-based compensation expenses, overhead expenses, material costs, cost of laboratory supplies, freight costs, royalties paid under license agreements, depreciation of laboratory equipment and leasehold improvements.

We expect our overall cost of revenue to increase as we continue to increase our volume of kits manufactured and tests performed. However, we also believe that through these increased volumes, we can achieve certain efficiencies in our manufacturing and laboratory operations that could help maintain or improve our overall margins.

On June 30, 2017, we entered into a Release and Settlement Agreement, or the Settlement Agreement, with Statens Serum Institut, or SSI, to resolve outstanding disputes arising from the license agreement with SSI. The terms of the Settlement Agreement are confidential. Based on the Settlement Agreement, we no longer expect to pay royalties to SSI, which will improve future margins. On December 19, 2017, the Company amended its license agreement with Rutgers, The State University of New Jersey, which reduced our royalties due under the license. This agreement will further improve our future margins.

During the three months ended June 30, 2018 and 2017, our cost of revenue represented 43% and 48%, respectively, of our total revenue. For the six months ended June 30, 2018 and 2017 our cost of revenue represented 46% and 48%, respectively, of our total revenue.

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2018**	**2017**	**2018**	**2017**
Cost of revenue				
Product	$ 3,477	$ 4,094	$ 6,051	$ 7,339
Service	9,229	8,398	17,245	15,650
Total cost of revenue	$ 12,706	$ 12,492	$ 23,296	$ 22,989

Our gross profit represents total revenue less total cost of revenue, and gross margin is gross profit expressed as a percentage of total revenue. Our gross margins were 57% and 52%, respectively, for the three months ended June 30, 2018 and 2017. Gross margins were 54% and 52%, respectively, for the six months ended June 30, 2018 and 2017.

Research and development expenses

Our research and development efforts have historically focused on developing multiple new diagnostic tests that use our quantitative T cell measurement technology, including assays that may help transplant physicians better manage patients at risk of rejection and infection.

Our research and development activities include performing research, development, clinical and regulatory activities and validating improvements to our technology and processes for the purposes of enhancing product performance. Research and development expenses include personnel-related expenses, including share-based compensation, fees for contractual and consulting services, clinical trial costs, travel costs, laboratory supplies, amortization, depreciation, rent, insurance and repairs and maintenance. We expense all research and development costs as incurred.

During the three months ended June 30, 2018 and 2017, our research and development expenses represented 12% and 15%, respectively, of our total revenue. For the six months ended June 30, 2018 and 2017, our research and development expenses represented 14% and 16%, respectively, of our total revenue.

Sales and marketing expenses

Our sales and marketing expenses include costs associated with our sales organization, including our direct sales force and sales management, and our marketing, customer service and business development personnel. These expenses consist principally of salaries, commissions, bonuses and employee benefits for these personnel, including share-based compensation, as well as travel costs related to sales, marketing, customer service activities, medical education activities and overhead expenses. We expense all sales and marketing costs as incurred.

During the three-month periods ended June 30, 2018 and 2017, our sales and marketing expenses represented 32% and 38%, respectively, of our total revenue. For the six months ended June 30, 2018 and 2017, our sales and marketing expenses represented 37% and 41%, respectively, of our total revenue.

General and administrative expenses

Our general and administrative expenses include costs for our executive, accounting, treasury, finance, legal, information technology, or IT, and human resources functions. These expenses consist principally of salaries, bonuses and employee benefits for the personnel included in these functions, including share-based compensation and travel costs, professional services fees, such as consulting, audit, tax and legal fees, costs related to our Board of Directors, general corporate costs, overhead expenses, and bad debt expense. We expense all general and administrative expenses as incurred.

During the three months ended June 30, 2018 and 2017, our general and administrative expenses represented 24% and 31%, respectively, of our total revenue. For the six-month periods ended June 30, 2018 and 2017, our general and administrative expenses represented 28% and 31%, respectively, of our total revenue.

Interest expense, net

Interest expense, net mainly relates to our October 4, 2016 MidCap agreement, that provides us with $40 million in debt financing, comprised of both a term loan and a revolving line of credit. The MidCap agreement provides us with a term loan of $30 million, which matures five years from closing. The term loan accrues interest at a rate of LIBOR plus 7.60% with interest only payments for the first 24 months, with the ability to extend to 48 months subject to certain conditions, before the loan begins to amortize. The MidCap agreement also provides us with a revolving line of credit of up to $10 million, which matures five years from closing. The revolving line of credit accrues interest at a rate of LIBOR plus 4.45%. Based on certain conditions, both the term loan and revolving line of credit may be increased by an additional $10 million for a total of $60 million. To date, we have not borrowed under the revolving line of credit.

Foreign exchange gains (losses)

Foreign exchange (losses) gains largely result from U.S. Dollar denominated bank accounts, accounts receivable, and accounts payable reflected on the books of Oxford Immunotec Limited, which has a functional currency of the U.K. Pound Sterling. We are exposed to foreign exchange rate risk because we currently operate in three major regions of the world: the United States, Europe and ROW, and Asia, and our revenue is denominated in multiple currencies. Sales in the United States, China and South Korea are denominated in U.S. Dollars. Sales in Europe are denominated primarily in the U.K. Pound Sterling and Euro. As we grow Europe and ROW sales outside the United Kingdom and the Euro Zone, we may be subject to risk from additional currencies. Sales in Japan are denominated in Yen.

Settlement expense

Settlement expense for 2018 relates mainly to the June 18, 2018 Settlement Agreement with the former shareholders of Immunetics, Inc., or the Immunetics Settlement Agreement, to resolve disputes arising from the Agreement and Plan of Merger dated October 12, 2016. The terms of the Immunetics Settlement Agreement are confidential.

Settlement expense for 2017 relates to the Settlement Agreement with SSI to resolve outstanding disputes arising from our previous license agreement. The terms of the SSI Settlement Agreement are confidential. Based on the SSI Settlement Agreement, we no longer pay royalties to SSI, which improves our margins.

Other expense

Other expense includes interest expense, net, foreign exchange gains/ (losses) and other income and expense items.

Monetary assets and liabilities that are denominated in foreign currencies are remeasured at the period-end closing rate with resulting unrealized exchange fluctuations. Realized exchange fluctuations result from the settlement of transactions in currencies other than the functional currencies of our businesses. The functional currencies of our businesses are U.S. Dollars, Pounds Sterling, Euros, Japanese Yen and Chinese Yuan, depending on the entity.

Results of operations

Comparison of three months ended June 30, 2018 and 2017

The following table sets forth, for the periods indicated, the amounts of certain components of our statements of operations and the percentage of total revenue represented by these items, showing period-to-period changes.

	Three months ended June 30,					
	2018		2017		Change	
(in thousands, except percentages)	Amount	% of revenue	Amount	% of revenue	Amount	%
Revenue:						
Product	$ 11,721	40%	$ 10,422	40%	$ 1,299	12%
Service	17,597	60%	15,698	60%	1,899	12%
Total revenue	29,318	100%	26,120	100%	3,198	12%
Cost of revenue:						
Product	3,477	12%	4,094	16%	(617)	(15)%
Service	9,229	31%	8,398	32%	831	10%
Total cost of revenue	12,706	43%	12,492	48%	214	2%
Gross profit	16,612	57%	13,628	52%	2,984	22%
Operating expenses:						
Research and development	3,385	12%	3,948	15%	(563)	(14)%
Sales and marketing	9,308	32%	10,041	38%	(733)	(7)%
General and administrative	7,116	24%	7,990	31%	(874)	(11)%
Change in fair value of contingent purchase price consideration	—	—%	(238)	(1)%	238	(100)%
Settlement expense	1,560	5%	9,635	37%	(8,075)	(84)%
Total operating expenses	21,369	73%	31,376	120%	(10,007)	(32)%
Loss from operations	(4,757)	(16)%	(17,748)	(68)%	12,991	(73)%
Interest expense, net	(733)	(3)%	(807)	(3)%	74	(9)%
Foreign exchange losses	(151)	(1)%	(547)	(2)%	396	(72)%
Other expense	(196)	(1)%	(122)	(0)%	(74)	61%
Loss before income taxes	(5,837)	(20)%	(19,224)	(74)%	13,387	(70)%
Income tax expense	(634)	(2)%	2,458	9%	(3,092)	(126)%
Net loss	$ (6,471)	(22)%	$ (16,766)	(64)%	$ 10,295	(61)%

Revenue

Revenue increased by 12% to $29.3 million for the three months ended June 30, 2017, compared to $26.1 million for the same period in 2017.

U.S. revenue increased by 10% to $17.7 million for the three months ended June 30, 2018, compared to $16.1 million for the same period in 2017, driven by TB revenue of $13.5 million in 2018, compared to $11.4 million in 2017.

Asia revenue increased by 16% to $9.4 million for the three months ended June 30, 2018, compared to the same period in 2017, due primarily to the timing of shipments to China. On a non-Generally Accepted Accounting Principles, or non-GAAP, constant currency basis, revenue for Asia would have increased by 15%. Europe and ROW revenue increased 17% to $2.2 million for the three months ended June 30, 2018, compared to the same period in 2017, due to strong TB sales and the additional contribution from the sale of Lyme kits. On a non-GAAP constant currency basis, Europe and ROW revenue would have increased by 10% in 2018 compared to 2017.

Changes in revenue include the impact of changes in foreign currency exchange rates. We use the non-GAAP financial measure "constant currency basis" in our filings to show changes in our revenue without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, revenues received in local (non-U.S. Dollar) currencies are translated into U.S. Dollars at the average exchange rate for the period presented. When we use the term "constant currency basis", it means that we have translated local currency revenues for the prior reporting period into U.S. Dollars using the same average foreign currency exchange rates for the conversion of revenues into U.S. Dollars that we used to translate local currency revenues for the comparable reporting period of the current year. We then calculate the change, as a percentage, from the prior period revenues using the current period exchange rates versus the current period revenues. This resulting percentage is a non-GAAP measure referring to a change as a percentage on a "constant currency basis". We consider the use of a period over period revenue comparison on a constant currency basis to be helpful to investors, as it provides a revenue growth measure free of positive or negative volatility due to currency fluctuations.

By revenue type, total revenues were:

	Three months ended June 30,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Revenue				
Product	$ 11,721	$ 10,422	$ 1,299	12%
Service	17,597	15,698	1,899	12%
Total revenue	$ 29,318	$ 26,120	$ 3,198	12%

By indication, total revenues were:

	Three months ended June 30,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Revenue				
Tuberculosis	$ 24,962	$ 21,338	$ 3,624	17%
Tick-borne disease and other	4,356	4,782	(426)	(9)%
Total revenue	$ 29,318	$ 26,120	$ 3,198	12%

By geography, total revenues were:

	Three months ended June 30,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Revenue				
United States	$ 17,696	$ 16,093	$ 1,603	10%
Europe and ROW	2,234	1,914	320	17%
Asia	9,388	8,113	1,275	16%
Total revenue	$ 29,318	$ 26,120	$ 3,198	12%

Cost of revenue and gross margin

Cost of revenue increased by 2% to $12.7 million for the three months ended June 30, 2018 when compared to the same period in 2017. Gross margin was 57% and 52% for the three month periods ended June 30, 2018 and 2017, respectively.

	Three months ended June 30,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Cost of revenue				
Product	$ 3,477	$ 4,094	$ (617)	(15)%
Service	9,229	8,398	831	10%
Total cost of revenue	$ 12,706	$ 12,492	$ 214	2%

Research and development expenses

Research and development expenses decreased to $3.4 million for the three months ended June 30, 2018 from $3.9 million for the same period in 2017. The decrease was largely due to a $452,000 decrease in clinical costs and a $258,000 decrease in consulting costs, partially offset by a $280,000 increase in salary and other employee related expenses. As a percentage of total revenue, research and development expenses declined to 12% for the three months ended June 30, 2018 compared to 15% for the same period in 2017.

Sales and marketing expenses

Sales and marketing expenses decreased to $9.3 million for the three months ended June 30, 2018 from $10.0 million for the same period in 2017. The decrease was largely due to a $615,000 decrease in salary and other employee related expenses, which included a credit from forfeited options and RSUs of $379,000 in the second quarter of 2018. As a percentage of total revenue, sales and marketing expenses declined to 32% for the three months ended June 30, 2018 compared to 38% for the same period in 2017.

General and administrative expenses

General and administrative expenses decreased to $7.1 million for the three months ended June 30, 2018 from $8.0 million for the same period in 2017. The decrease reflected a $1.2 million decrease in legal fees, partially offset by a $326,000 increase in property costs. As a percentage of total revenue, general and administrative expenses declined to 24% for the three months ended June 30, 2018 from 31% for the same period in 2017.

Settlement expense

Settlement expense for 2018 relates mainly to the Immunetics Settlement Agreement. The terms of the Immunetics Settlement Agreement are confidential.

Settlement expense for 2017 relates to the SSI Settlement Agreement. The terms of the SSI Settlement Agreement are confidential.

Interest expense, net

Interest expense, net was $733,000 for the three months ended June 30, 2018, compared to $807,000 in the same period in 2017.

Foreign exchange (losses) gains

We recorded foreign exchange losses of $151,000 for the three months ended June 30, 2018, substantially all as a net result of U.S. Dollar denominated bank accounts, accounts receivable, and accounts payable reflected on the books of Oxford Immunotec Limited, which has a functional currency of the U.K. Pound Sterling. For the three months ended June 30, 2017, we recorded foreign exchange losses of $547,000. We are exposed to foreign exchange rate risk because we currently operate in three major regions of the world: the United States, Europe and ROW, and Asia, and our revenue is denominated in multiple currencies. Approximately 60% of our sales for the three months ended June 30, 2018 were in the United States, which are denominated in U.S. Dollars. Sales in China and South Korea are also denominated in U.S. Dollars. Sales in Europe are denominated primarily in the U.K. Pound Sterling and the Euro. As we grow Europe and ROW sales outside the United Kingdom and the Euro Zone, we may be subject to risk from additional currencies. Sales in Japan are denominated in Yen.

Our expenses are generally denominated in the currencies in which our operations are located, which are primarily in the United States, the United Kingdom, Japan, Europe, China and South Korea.

As we continue to grow our business outside the United States, our results of operations and cash flows will be subject to fluctuations due to changes in foreign currency exchange rates, which could harm our business in the future. To date, we have not entered into any foreign currency hedging contracts, although we may do so in the future.

Other expense

Other expense was $196,000 for the three months ended June 30, 2018, compared to $122,000 for the three months ended June 30, 2017.

Comparison of six months ended June 30, 2018 and 2017

The following table sets forth, for the periods indicated, the amounts of certain components of our statements of operations and the percentage of total revenue represented by these items, showing period-to-period changes.

	Six months ended June 30,					
	2018		2017		Change	
(in thousands, except percentages)	Amount	% of revenue	Amount	% of revenue	Amount	%
Revenue:						
Product	$ 19,656	39%	$ 18,808	39%	$ 848	5%
Service	31,032	61%	28,817	61%	2,215	8%
Total revenue	50,688	100%	47,625	100%	3,063	6%
Cost of revenue:						
Product	6,051	12%	7,339	15%	(1,288)	(18)%
Service	17,245	34%	15,650	33%	1,595	10%
Total cost of revenue	23,296	46%	22,989	48%	307	1%
Gross profit	27,392	54%	24,636	52%	2,756	11%
Operating expenses:						
Research and development	7,129	14%	7,753	16%	(624)	(8)%
Sales and marketing	18,713	37%	19,681	41%	(968)	(5)%
General and administrative	14,044	28%	14,866	31%	(822)	(6)%
Change in fair value of contingent purchase price consideration	—	—%	(2,595)	(5)%	2,595	(100)%
Settlement expense	1,767	3%	9,635	20%	(7,868)	(82)%
Total operating expenses	41,653	82%	49,340	104%	(7,687)	(16)%
Loss from operations	(14,261)	(28)%	(24,704)	(52)%	10,443	(42)%
Interest expense, net	(1,337)	(3)%	(1,630)	(3)%	293	(18)%
Foreign exchange (losses) gains	(254)	(1)%	(653)	(1)%	399	(61)%
Other expense	(248)	(0)%	(262)	(1)%	14	(5)%
Loss before income taxes	(16,100)	(32)%	(27,249)	(57)%	11,149	(41)%
Income tax benefit (expense)	(697)	(1)%	2,411	5%	(3,108)	(129)%
Net loss	$ (16,797)	(33)%	$ (24,838)	(52)%	$ 8,041	(32)%

Revenue

Revenue increased by 6% to $50.7 million for the six months ended June 30, 2018, compared to $47.6 million for the same period in 2017.

U.S. revenue increased to $31.1 million for the six months ended June 30, 2018, compared to $29.6 million for the same period in 2017, driven by TB revenue of $24.4 million in 2018, compared to $22.1 million in 2017.

Asia revenue increased by 6% to $15.1 million for the six months ended June 30, 2018, compared to the same period in 2017, due primarily to the timing of shipments to China. On a non-Generally Accepted Accounting Principles, or non-GAAP, constant currency basis, revenue for Asia would have increased by 4%. Europe and ROW revenue increased 20% to $4.5 million for the six months ended June 30, 2018, compared to the same period in 2017, due to strong TB sales and the additional contribution from the sale of Lyme kits. On a non-GAAP constant currency basis, Europe and ROW revenue would have increased by 9% in 2018 compared to 2017.

Changes in revenue include the impact of changes in foreign currency exchange rates. We use the non-GAAP financial measure "constant currency basis" in our filings to show changes in our revenue without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, revenues received in local (non-U.S. Dollar) currencies are translated into U.S. Dollars at the average exchange rate for the period presented. When we use the term "constant currency basis", it means that we have translated local currency revenues for the prior reporting period into U.S. Dollars using the same average foreign currency exchange rates for the conversion of revenues into U.S. Dollars that we used to translate local currency revenues for the comparable reporting period of the current year. We then calculate the change, as a percentage, from the prior period revenues using the current period exchange rates versus the current period revenues. This resulting percentage is a non-GAAP measure referring to a change as a percentage on a "constant currency basis". We consider the use of a period over period revenue comparison on a constant currency basis to be helpful to investors, as it provides a revenue growth measure free of positive or negative volatility due to currency fluctuations.

By revenue type, total revenues were:

	Six months ended June 30,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Revenue				
Product	$ 19,656	$ 18,808	$ 848	5%
Service	31,032	28,817	2,215	8%
Total revenue	$ 50,688	$ 47,625	$ 3,063	6%

By indication, total revenues were:

	Six months ended June 30,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Revenue				
Tuberculosis	$ 43,799	$ 39,880	$ 3,919	10%
Tick-borne disease and other	6,889	7,745	(856)	(11)%
Total revenue	$ 50,688	$ 47,625	$ 3,063	6%

By geography, total revenues were:

	Six months ended June 30,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Revenue				
United States	$ 31,089	$ 29,629	$ 1,460	5%
Europe and ROW	4,474	3,720	754	20%
Asia	15,125	14,276	849	6%
Total revenue	$ 50,688	$ 47,625	$ 3,063	6%

Cost of revenue and gross margin

Cost of revenue increased by 1% to $23.3 million for the six months ended June 30, 2018 when compared to the same period in 2017. Gross margin was 54% and 52% for the six month periods ended June 30, 2018 and 2017, respectively.

	Six months ended June 30,		Change	
(in thousands, except percentages)	**2018**	**2017**	**Amount**	**%**
Cost of revenue				
Product	$ 6,051	$ 7,339	$ (1,288)	(18)%
Service	17,245	15,650	1,595	10%
Total cost of revenue	$ 23,296	$ 22,989	$ 307	1%

Research and development expenses

Research and development expenses decreased to $7.1 million for the six months ended June 30, 2018 from $7.8 million for the same period in 2017. The decrease was largely due to a $1.2 million decrease in clinical costs and a $393,000 decrease in consulting costs, partially offset by an $832,000 increase in salary and other employee related expenses. As a percentage of total revenue, research and development expenses declined to 14% for the six months ended June 30, 2018 compared to 16% for the same period in 2017.

Sales and marketing expenses

Sales and marketing expenses decreased to $18.7 million for the six months ended June 30, 2018 from $19.7 million for the same period in 2017. The decrease was largely due to a $794,000 decrease in salary and other employee related expenses, which included a credit from forfeited options and RSUs of $379,000 in the second quarter of 2018, and a $381,000 decrease in marketing costs. As a percentage of total revenue, sales and marketing expenses declined to 37% for the six months ended June 30, 2018 compared to 41% for the same period in 2017.

General and administrative expenses

General and administrative expenses decreased to $14.0 million for the six months ended June 30, 2018 from $14.9 million for the same period in 2017. The decrease reflected a $2.0 million decrease in legal fees, partially offset by a $559,000 increase in salary and other employee related expenses and a $471,000 increase in property costs. As a percentage of total revenue, general and administrative expenses declined to 28% for the six months ended June 30, 2018 from 31% for the same period in 2017.

Settlement expense

Settlement expense for 2018 relates mainly to Immunetics Settlement Agreement. The terms of the Immunetics Settlement Agreement are confidential.

Settlement expense for 2017 relates to the SSI Settlement Agreement. The terms of the SSI Settlement Agreement are confidential.

Interest expense, net

Interest expense, net was $1.3 million for the six months ended June 30, 2018, compared to $1.6 million in the same period in 2017.

Foreign exchange (losses) gains

We recorded foreign exchange losses of $254,000 for the six months ended June 30, 2018, substantially all as a net result of U.S. Dollar denominated bank accounts, accounts receivable, and accounts payable reflected on the books of Oxford Immunotec Limited, which has a functional currency of the U.K. Pound Sterling. For the six months ended June 30, 2017, we recorded foreign exchange losses of $653,000. We are exposed to foreign exchange rate risk because we currently operate in three major regions of the world: the United States, Europe and ROW, and Asia, and our revenue is denominated in multiple currencies. Approximately 61% of our sales for the six months ended June 30, 2018 were in the United States, which are denominated in U.S. Dollars. Sales in China and South Korea are also denominated in U.S. Dollars. Sales in Europe are denominated primarily in the U.K. Pound Sterling and the Euro. As we grow Europe and ROW sales outside the United Kingdom and the Euro Zone, we may be subject to risk from additional currencies. Sales in Japan are denominated in Yen.

Our expenses are generally denominated in the currencies in which our operations are located, which are primarily in the United States, the United Kingdom, Japan, Europe, China and South Korea.

As we continue to grow our business outside the United States, our results of operations and cash flows will be subject to fluctuations due to changes in foreign currency exchange rates, which could harm our business in the future. To date, we have not entered into any foreign currency hedging contracts, although we may do so in the future.

Other expense

Other expense was $248,000 for the six months ended June 30, 2018, compared to $262,000 for the six months ended June 30, 2017.

Liquidity and capital resources

Sources of funds

Since our inception, we have incurred significant net losses and negative cash flows from operations. For the six months ended June 30, 2018, we had a net loss of $16.8 million and used $19.0 million of cash for operating activities. As of June 30, 2018, we had an accumulated deficit of $218.3 million. We incurred a net loss of $24.8 million and used $20.3 million of cash for operating activities for the six months ended June 30, 2017.

As noted above, on October 4, 2016, we entered into a credit agreement with MidCap Financial Trust. The credit agreement consisted of a 60 month, $30 million term loan and a $10 million revolving line of credit, both of which mature on September 30, 2021. The availability of funds under the revolving line of credit is based upon the Company's eligible accounts receivable and eligible inventory. To date, we have not borrowed under the revolving line of credit. Based on certain conditions, both the term loan and revolving line of credit may be increased by an additional $10 million for a total of $60 million.

The term loan accrues interest at a rate of LIBOR plus 7.60% with interest only payments for the first 24 months, with the ability to extend to 48 months subject to certain conditions, before the loan begins to amortize. The Company has the intention and ability to extend the interest only period.

As of June 30, 2018, we had cash and cash equivalents, including restricted cash, of $66.5 million. We maintain our available cash balances in cash, money market funds and repurchase agreements primarily invested in U.S. government and agency securities, and bank savings accounts in the United States, United Kingdom, Germany, Japan, China and South Korea. Essentially all our cash is in the U.S. and the U.K.

Summary of cash flows

The following table summarizes our cash and cash equivalents, accounts receivable and cash flows for the periods indicated:

	As of and for the six months ended June 30,	
(in thousands)	**2018**	**2017**
Cash and cash equivalents, including restricted cash	$ 66,463	$ 36,913
Accounts receivable, net	19,742	18,016
Net cash used in operating activities	$ (18,989)	$ (20,339)
Net cash used in investing activities	(5,148)	(2,915)
Net cash provided by financing activities	504	301
Effect of exchange rate changes on cash and cash equivalents	(436)	556
Net decrease in cash and cash equivalents, including restricted cash	$ (24,069)	$ (22,397)

Cash flows for the six months ended June 30, 2018 and 2017

Operating activities

Net cash used in operating activities was $19.0 million during the six months ended June 30, 2018, which included a net loss of $16.8 million, non-cash expenses of $6.1 million, and cash used for changes in operating assets and liabilities of $8.3 million. The non-cash items included share-based compensation expense of $2.7 million, depreciation and amortization of intangible assets of $2.2 million, deferred tax expense of $728,000, accretion and amortization of loan fees of $280,000, and a loss on disposal of property and equipment of $83,000. The cash used for changes in operating assets and liabilities included a decrease in accounts payable and accrued liabilities of $4.4 million, an increase in accounts receivable of $2.9 million, an increase in prepaid expenses and other assets of $1.1 million, and a decrease in other liabilities of $44,000, partially offset by a decrease in inventory of $187,000. The decrease in accounts payable and accrued liabilities was largely due to payments in the first six months of 2018 for royalties on intellectual property and bonuses that were accrued for at December 31, 2017, as well as the timing of payments. The increase in accounts receivable reflects growing sales and timing of customer payments. The increase in prepaid expenses and other assets reflects the timing of certain payments.

Net cash used in operating activities was $20.3 million during the six months ended June 30, 2017, which included a net loss of $24.8 million, a net non-cash credit of $24,000 and cash provided by changes in operating assets and liabilities of $4.5 million. The non-cash items consisted of a decrease in the fair value of contingent purchase price consideration of $2.6 million and a deferred income tax credit of $2.5 million, partially offset by share-based compensation expense of $2.8 million, depreciation and amortization expense of $2.0 million and accretion and amortization expense on loan fees of $289,000. The cash from changes in operating assets and liabilities included an increase in other liabilities of $7.2 million and an increase in accounts payable and accrued liabilities of $3.9 million, partially offset by an increase in accounts receivable of $4.5 million, an increase in inventory of $1.8 million and an increase in prepaid expenses and other assets of $392,000. The increase in other liabilities is mainly due to the long-term portion of the settlement with SSI. The increase in accounts payable and accrued liabilities reflects the timing of certain payments. The increase in accounts receivable reflects growing sales. Inventory increased and prepaid expenses and other assets increased due to timing.

Investing activities

Net cash used in investing activities was $5.1 million during the six months ended June 30, 2018 and consisted of purchases of property and equipment.

Net cash used in investing activities was $2.9 million during the six months ended June 30, 2017 and consisted of purchases of property and equipment.

Financing activities

Net cash provided by financing activities was $504,000 during the six months ended June 30, 2018.

Net cash provided by financing activities was $301,000 during the six months ended June 30, 2017.

Employees

As of June 30, 2018, we had 437 employees. None of our employees is represented by a labor union. We have not experienced any work stoppages and we believe our employee relations are good.

Contractual obligations

In March 2018, we entered into an agreement relating to our location in Norwood, Massachusetts to bifurcate our existing lease for two adjacent facilities into two separate leases, as one of the facilities was being sold to a new owner. The first of the two leases, which is referred to as the “315 Lease”, relates to about 18,000 rentable square feet within a larger facility. The base rent on the 315 Lease will range from $32,000 per month to $35,000 per month and extends through March 31, 2019, when the Company is anticipated to surrender the space.

The second lease, which extends through March 31, 2023, is referred to as the “320 Lease” and relates to an entire building containing about 39,000 rentable square feet. The base rent on the 320 Lease over the lease term will range from $67,000 per month to $83,000 per month. The Company will have two options to extend the lease term, each for a five-year period.

In June 2018, we entered into a lease for new space in Abingdon, England that will allow us to combine our manufacturing, laboratory, storage and office operations into a single facility. The base rent on the facility over the lease term will range from $39,000 per month to $79,000 per month. We expect to take occupancy of the new space in the second half of 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk from interest rate fluctuations, capital market fluctuations, and foreign currency exchange rate fluctuations has not materially changed from its exposure as of December 31, 2017, as described in Item 7A of our 2017 Form 10-K.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive and Chief Financial Officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes in the risk factors described in "Item 1A. Risk Factors" of the Company's 2017 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this Quarterly Report, which Exhibit Index is incorporated herein by this reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OXFORD IMMUNOTEC GLOBAL PLC

Date: July 31, 2018

/s/ Peter Wrighton-Smith, Ph.D.
Peter Wrighton-Smith, Ph.D.
Chief Executive Officer and Director
(Principal Executive Officer)

Date: July 31, 2018

/s/ Richard M. Altieri
Richard M. Altieri
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Association of the Registrant (Filed as Exhibit 3.1 to our Current Report on Form 8-K on June 18, 2014 and incorporated herein by reference.)
10.1+	Fourth Amendment to Distributorship Agreement between Oxford Immunotec, Ltd., Fosun Long March Medical Science Co. Ltd. and Shanghai Xin Chang Medical Device Co. Ltd. entered into on June 5, 2018.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed consolidated balance sheets at June 30, 2018 and December 31, 2017; (ii) Condensed consolidated statements of operations for the three and six months ended June 30, 2018 and 2017; (iii) Condensed consolidated statements of comprehensive loss for the three and six months ended June 30, 2018 and 2017; (iv) Condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017; and (v) Notes to unaudited condensed consolidated financial statements

+ Confidential treatment has been granted or requested with respect to certain portions of this exhibit. Omitted portions have been submitted separately to the SEC.

Exhibit 10.1

THIS EXHIBIT HAS BEEN REDACTED AND IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST. REDACTED MATERIAL IS MARKED WITH [***] AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

FOURTH AMENDMENT TO DISTRIBUTORSHIP AGREEMENT

THIS FOURTH AMENDMENT to Distributorship Agreement ("Amendment") is made this __ day of _____, 2018 by and between Oxford Immunotec Limited, a company incorporated in England with number 04516079, whose registered office is at 94C Innovation Drive, Milton Park, Abingdon, Oxfordshire OX154 4RZ (the "Company") and Fosun Long March Medical Science Co. Ltd., (registration number Shanghai Joint-Venture 000422) whose registered office and principal place of business is both at 830 Cheng Yin Road, Shanghai, China 200444 ("Fosun Shanghai I) and Shanghai Xin Chang Medical Device Co. Ltd (registration number 310110000477786), whose registered office and principal place of business is at number 830 Cheng Yin Road, Shanghai, China 200444 ("Fosun Shanghai II") (Fosun Shanghai I and Fosun Shanghai II are herein collectively referred to as "Distributors".)

WHEREAS,

A. The Company and Distributors are parties to a Distributorship Agreement dated 8 October 2013 (the "Distributorship Agreement"), and amended on or about 22 April 2015 (the "First Amendment"), and again on 3 November 2016 (the "Second Amendment"), and again on December 20, 2017 (the "Third Amendment"), pursuant to which Distributors were appointed to distribute Company's Products in the Territory; and,

B. The Company and Distributors now wish to further amend the Distributorship Agreement to incorporate the terms and conditions as set forth in this Fourth Amendment.

IT IS AGREED as follows:

1. Except to the extent defined in this Amendment, all capitalized terms shall have the definitions provided in the Distributorship Agreement.

2. Paragraph B of the Whereas clauses is deleted in its entirety and is intentionally left blank.

3. Section 1.1.18 is deleted in its entirety and is intentionally left blank.

4. Section 1A.2 is deleted in its entirety and is intentionally left blank.

5. Section 2.2 is deleted in its entirety and replaced with the following:

> 2.2. Neither Distributor shall represent itself as an agent of the company for any purpose nor pledge the Company's credit or give any condition or warranty to make any representation on the Company's behalf or commit the Company in any respect to any contracts or other obligations of any kind. Further, neither Distributor shall without the Company's prior written consent make any promises or guarantees with reference to the Products beyond those contained in the promotional material supplied by the Company or otherwise incur any liability on behalf of the Company.

THIS EXHIBIT HAS BEEN REDACTED AND IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST. REDACTED MATERIAL IS MARKED WITH [***] AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

6. Section 3.1.6 is deleted in its entirety and intentionally left blank.

7. Section 7.1.7 is deleted in its entirety and intentionally left blank.

8. Section 12.5 is deleted in its entirety and replaced with the following:

> If the Products do not successfully maintain Registration throughout the Term, the parties will meet and confer to determine whether the Agreement shall continue with respect to the Products subject to Registration or shall be terminated in whole or in part.

9. Section 13.1.7 is deleted in its entirety and intentionally left blank.

10. For the Contract Year commencing 1 January 2018 (the "2018 Contract Year"), Fosun shall be entitled to a rebate equal to [***]% of the total value of Kits paid for by Fosun during the 2018 Contract Year (the "2018 Rebate"), which shall be paid as set forth below; *provided*, *however*, the 2018 Rebate shall only become due and payable if Fosun pays for a total of [***] Kits on or before 15 December 2018 (the "2018 Rebate Minimum"). If Fosun has not paid for the 2018 Rebate Minimum, the 2018 Rebate shall not become due and payable to Fosun. If applicable, the 2018 Rebate shall be paid to Fosun in the form of a credit to the final invoice for Kit purchases in 2018.

11. Except as amended hereby, all other terms of the Distributorship Agreement, as amended, shall remain in full force and effect.

THIS EXHIBIT HAS BEEN REDACTED AND IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST. REDACTED MATERIAL IS MARKED WITH [***] AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

IN WITNESS that this Amendment has been executed by duly authorized officers of the parties to the Agreement the day and year first above written.

For and on behalf of Oxford Immunotec Limited

Signature: /s/ Stefan Linn

Name: Stefan Linn

Title: COO

Date: June 4, 2018

Place: Beijing

For and on behalf of Shanghai Fosun Long March Medical Science Co. Ltd.

Signature: /s/ Dr. Zhang Yue Jian

Name: Dr. Zhang Yue Jian

Title: Chairman

Date: June 5, 2018

Place: Shanghai

For and on behalf of Shanghai Xin Chang Medical Device Co. Ltd.

Signature: /s/ Dr. Zhang Yue Jian

Name: Dr. Zhang Yue Jian

Title: Chairman

Date: June 5, 2018

Place: Shanghai

Exhibit 31.1

CERTIFICATION

I, Peter Wrighton-Smith, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oxford Immunotec Global PLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period for which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2018

/s/ Peter Wrighton-Smith, Ph.D.

Peter Wrighton-Smith, Ph.D.
Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION

I, Richard M. Altieri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oxford Immunotec Global PLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period for which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2018

/s/ Richard M. Altieri
Richard M. Altieri
Chief Financial Officer

Exhibit 32

CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Oxford Immunotec Global PLC, a company incorporated in England and Wales (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended June 30, 2018 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2018

/s/ Peter Wrighton-Smith, Ph.D.
Peter Wrighton-Smith, Ph.D.
Chief Executive Officer and Director

Date: July 31, 2018

/s/ Richard M. Altieri
Richard M. Altieri
Chief Financial Officer

This certification is being furnished and not filed, and shall not be incorporated into any document for any purpose, under the Securities Exchange Act of 1934 or the Securities Act of 1933.