Half-yearly Report

ANPARIO PLC (AIM: ANP)

("Anpario" or "the Group")

Anpario plc the international supplier of natural high performance feed additives to enhance health, growth and sustainability in agriculture and aquaculture is pleased to announce its interim results for the 6 months to 30 June 2012.

Key points: Financial

- 25% increase in adjusted EBITDA[1] to £1.35m (2011: £1.08m)
- 20% increase in underlying earnings per share to 5.25 pence per share (2011: 4.36 pence per share)[2]
- 16% increase in sales revenue to £10.82m (2011: £9.36m)
- 24% increase in gross profit to £3.57m (2011: £2.88m)
- Cash balance of £2.83m at 30 June 2012.

Key points: Operational

- Meriden Animal Health Limited, acquired in March 2012, makes a full three month contribution.
- Successful repositioning of UK Agriculture division delivers continued profit growth on previous year.
- Organic feed division, Vitrition, more than doubles profitability through production efficiencies and margin improvement.

Richard Rose, Chairman, commented:

"The Group's performance is very encouraging, despite the disruption in European and Middle Eastern regions, and demonstrates the resilience of our geographic spread. The recent acquisition of Meriden Animal Health Limited has further bolstered our product range and the business is performing to plan. I am particularly pleased with the successful repositioning of the UK Agriculture Division, which is now focused on value-added feed additives, and Vitrition, our organic feed business, which is performing very well."

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Anpario plc.

Interim results for 6 months to 30 June 2012

Chairman's statement

I am pleased to report another successful and most encouraging trading period for the Group with profitability well ahead of the same period last year; characterised by good performances across our divisions and boosted by a maiden contribution from Meriden Animal Health Limited ("Meriden"), acquired on 29 March 2012.

The Group is focused on supplying high performance natural animal feed additives for global agriculture and aquaculture markets through its strong trading brands: Kiotechagil, Optivite, and now, Meriden. The Group has generated good profit growth despite the ongoing turbulence in the Eurozone and Middle East regions. In particular, the UK agriculture business is now repositioned to market high value-added products and has secured a number of important new customers. Vitrition, the organic feed business, has also improved its profitability markedly and made significant market share advances.

Our strategy of focusing sales effort on more profitable product lines continues to deliver improved levels of return overall.

Results

In the six months to 30 June 2012 adjusted EBITDA[1] increased by 25% to £1.35m (2011: £1.08m), with sales increasing by 16% to £10.82m (2011: £9.36m), benefiting from a maiden three months contribution from Meriden. Gross profit during the period increased by 24% to £3.57m (2011: £2.88m) helped by a richer product mix in the UK, which when combined with Meriden's performance has delivered an overall increase in gross margin of 2.2 percentage points to 33.0% (2011: 30.8%).

The total consideration paid for Meriden is £3.00m, with up to a further £1.12m contingent consideration payable. As required by IFRS, Meriden acquisition costs totalling £0.31m have been written off to the income statement. Amortisation of acquisition intangibles relating to Meriden brands and customer relationships of £0.02m has also been incurred. Discounted contingent consideration payable of £0.92m is provided for in the Balance Sheet.

The increase in administrative expenses reflects the Meriden operations and investment in key human resources. The Group's tax liability reflects benefits received from research and development tax credits.

Underlying earnings per share[2] increased by 20% to 5.25 pence per share from 4.36 pence per share.

The Meriden acquisition was financed entirely from Anpario's own resources and has been immediately cash generative. The balance sheet remains strong with good cash generation and the Group ended the period with a cash balance of £2.83m.

Acquisition

Anpario continues to add growth through the completion of carefully selected acquisitions and on 29 March 2012 the Group acquired the entire share capital of Meriden Animal Health

Limited. During the period since the acquisition, Meriden has performed according to our expectations.

Meriden's sales and marketing teams continue to operate separately but, where appropriate, certain administrative functions are being progressively absorbed into Anpario to raise efficiency and lower cost. This consolidation includes certain areas of product development. Meriden is taking advantage of this additional technical resource to develop new product opportunities to market through its brand.

A key step in the integration process has been to consolidate Anpario's aquaculture interests into Meriden's Aquaculture division, to offer customers a broader range of products under one brand. We believe that combining resources and focus in this area will provide a better proposition to customers and accelerate sales growth in aquaculture markets.

Operations – International Agriculture

The International Agriculture division had a solid first half despite the continuing turbulence in the Eurozone and Middle Eastern regions, where some of the challenges have increased. As we reported in the 2011 Annual Report, we continue to work closely with our distributors to minimise credit risk where there is a financial or political concern. The global nature of the division means that regions such as Latin America and Asia Pacific continue to be key focus areas for growth. The division is currently re-structuring its account management function to ensure that sufficient time and resources are being targeted in the key growth areas.

The success of our Chinese wholly owned subsidiary, where like for like sales growth for the period was almost 150%, albeit from a small base, has demonstrated the effectiveness of employing staff locally. Our business in China is gathering pace and the intensive efforts of the Group in supporting the local team, including monthly technical visits, is having a tangible impact.

Building on the experience gained in China, the Group intends to replicate this process in other areas, including Brazil, where local account managers have recently been recruited. This investment will enable the Group to gain deeper first-hand knowledge of this important market, whilst also supporting its distributor to accelerate the establishment of our products.

Operations – UK Agriculture

The repositioning of the UK Agriculture division to focus on higher margin business has delivered growth in profitability compared with the same period last year. In addition, there are a number of market-led opportunities for our products to gain wider use as disease legislation, especially around salmonella control, tightens within the industry. The Food Standards Agency, Defra, the UK poultry industry and major retailers have agreed new targets that will measure the effectiveness, from farm to fork, of reducing the levels of the food bug campylobacter in chickens.

The campylobacter bacterium is one of the most common causes of food poisoning. Optivite has been undertaking a number of product trials to assess the efficacy of its antimicrobial products with some very encouraging results. Further work is still required but there may be a good opportunity for our products to take a lead in this area.

The UK team has launched a series of other marketing initiatives, including a salmonella control programme for pigs and a water disinfection system that can be connected directly at the discharge point to a drinking water tank, storage tank or container. These initiatives were launched at the national Pig and Poultry Fair in May 2012 and generated significant interest and new business. We are investing in additional resource to ensure we capitalise on this opportunity by providing a focused service and support staff.

Vitrition, Anpario's organic feed division, has performed well, gaining market share in a very tough market, as organic farmers recognize Vitrition's expertise and long term commitment to the industry. The pressures of the current economic climate have led to a decline in consumption of organic meat, forcing some producers to exit the market, particularly those who tried to balance organic and conventional feed production, whilst aiming to optimise efficiency within the same mill. However, strong control of our cost base, operational improvements and specific targeting to broaden and diversify the customer base, has enabled the division to deliver encouraging results.

Operations - Aquaculture

The Group's aquaculture interests have now been consolidated under the Meriden brand where the sales team will have a broader range of aquaculture products to offer customers. In addition to Anpario's Aquatice®, Meriden has recently launched Phyconomix, a 100% natural algae based product to optimize nutrition for growing shrimp and fish larvae and Orego-Stim® Aquatract, which enhances the fish immune system so improving growth performance. Placing all the products under one brand and sales team will improve both efficiency and effectiveness and give the customer a broader product proposition. Our aquaculture business is a small part of the Group but we are confident that these changes will help to accelerate sales growth.

Outlook

The second half is maintaining the progress of the first and the Group's overall performance is in line with its budget. We are very pleased with the acquisition of Meriden, which broadens our product range and increases our global market share in key feed additive markets. Meriden is integrating well and will contribute fully to the Group's second half performance. We remain focused on delivering organic growth through strong territory management, innovative product development and by supplementing these initiatives, from time to time, with suitable acquisition opportunities. There are geopolitical and financial concerns around the globe, but the Company's broad product base and strong balance sheet offer encouraging opportunities to deliver improved returns to shareholders.

Richard S Rose

Chairman

19 September 2012

[1] Adjusted EBITDA represents operating profit before tax £0.88m (2011: £0.97m) adjusted for: share based payments £0.03m (2011: £0.05m); acquisition related costs of £0.32m (2011: £nil); and depreciation and amortisation of £0.12m (2011: £0.06m).

[2] Underlying earnings per share represents profit for the period before: share based payments; acquisition related costs, and amortisation of acquisition intangibles; and prior year tax adjustments divided by the weighted average number of shares in issue.

Unaudited consolidated income statement

For the six months ended 30 June 2012

	Notes	**Six months to 30.6.12 £000**	Six months to 30.6.11 £000	Year ended 31.12.11 £000
Revenue	3	**10,818**	9,364	19,198
Cost of sales		**(7,250)**	(6,484)	(13,443)
Gross profit		**3,568**	2,880	5,755
Administrative expenses		**(2,366)**	(1,909)	(3,880)
Closure and restructuring costs		**-**	-	(88)
Acquisition costs	6	**(321)**	-	-
Operating profit		**881**	**971**	**1,787**
Finance income		**15**	19	39
Profit before income tax		**896**	990	1,826
Income tax expense		**(249)**	(245)	(150)
Profit for the period from continuing operations		**647**	745	1,676
Profit for the period attributable to:				
Owners of the parent		**647**	734	1,667
Non-controlling interests		**-**	11	9
Profit for the period		**647**	745	1,676

The Consolidated income statement has been prepared on the basis that all operations are continuing operations.

	Notes	30.6.12	30.6.11	31.12.11
Basic earnings per share (pence)	4	3.31	4.03	9.22
Diluted earnings per share (pence)	4	3.28	3.99	9.15
Underlying earnings per share (pence)	4	5.25	4.36	9.89
Diluted underlying earnings per share (pence)	4	5.21	4.31	9.81

Unaudited consolidated statement of comprehensive income
For the six months ended 30 June 2012

	Six months to 30.6.12 £000	Six months to 30.6.11 £000	Year ended 31.12.11 £000
Profit for the period	**647**	745	1,676
Exchange difference on translating foreign operations	**28**	5	(42)
Total comprehensive income for the period	**675**	750	1,634
Comprehensive income for the period attributable to:			
Owners of the parent	**676**	739	1,635
Non-controlling interests	**(1)**	11	(1)
Total comprehensive income for the year	**675**	750	1,634

Unaudited consolidated balance sheet
As at 30 June 2012

	Notes	**As at 30.6.12 £000**	As at 30.6.11 £000	As at 31.12.11 £000
Intangible assets	5	**9,778**	7,086	7,161
Property, plant and equipment		**2,797**	2,862	2,840
Deferred tax assets		**318**	289	318
Non-current assets		**12,893**	10,237	10,319
Inventories		**1,304**	1,236	1,088
Trade and other receivables		**6,980**	4,720	4,439
Cash and cash equivalents		**2,831**	3,437	4,357
Current assets		**11,115**	9,393	9,884
Total assets		**24,008**	19,630	20,203
Called up share capital		**4,555**	4,209	4,555
Share premium		**3,828**	2,957	3,828
Other reserves		**(638)**	5,109	(695)
Retained earnings		**8,911**	3,085	8,264
Non-controlling interest		**49**	62	50
Total equity		**16,705**	15,422	16,002
Deferred tax liabilities		**1,290**	987	994
Trade and other payables		**373**	-	-
Non-current liabilities		**1,663**	987	994
Trade and other payables		**5,243**	3,015	3,207
Current income tax liabilities		**397**	206	-
Current liabilities		**5,640**	3,221	3,207
Total liabilities		**7,303**	4,208	4,201
Total equity and liabilities		**24,008**	19,630	20,203

Unaudited consolidated statement of changes in equity

For the six months ended
30 June 2012

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2011	**4,209**	**2,957**	**5,054**	**2,517**	**51**	**14,788**
Profit for the period	-	-	-	734	11	745
Currency translation differences	-	-	5	-	-	5
Total comprehensive income for the period	-	-	5	734	11	750
Purchase of treasury shares	-	-	(166)	-	-	(166)
Share-based payment adjustments	-	-	50	-	-	50
Transactions with owners	-	-	(116)	-	-	(116)
Balance at 30 June 2011	**4,209**	**2,957**	**4,943**	**3,251**	**62**	**15,422**
Profit for the period	-	-	-	933	(2)	931
Currency translation differences	-	-	(37)	-	(10)	(47)
Total comprehensive income for the period	-	-	(37)	933	(12)	884
Issue of share capital	346	871	-	-	-	1,217
Joint share ownership plan	-	-	(1,210)	-	-	(1,210)
Share-based payment adjustments	-	-	50	-	-	50
Release of special reserve to retained earnings	-	-	(4,441)	4,441	-	-
Dividends relating to 2010	-	-	-	(361)	-	(361)
Transactions with owners	346	871	(5,601)	4,080	-	(304)
Balance at 31 December 2011	**4,555**	**3,828**	**(695)**	**8,264**	**50**	**16,002**
Profit for the period	-	-	-	647	-	647
Currency translation differences	-	-	29	-	(1)	28
Total comprehensive income for the period	-	-	29	647	(1)	675
Share-based payment adjustments	-	-	28	-	-	28
Transactions with owners	-	-	28	-	-	28
Balance at 30 June 2012	**4,555**	**3,828**	**(638)**	**8,911**	**49**	**16,705**

Unaudited consolidated statement of cash flows
For the six months ended 30 June 2012

	Six months to	Six months to	Year ended
	30.6.12	30.6.11	31.12.11
	£000	£000	£000
Cash generated from operating activities	**73**	724	2,451
Income tax refunded/(paid)	**606**	(284)	(436)
Net cash generated from operating activities	**679**	440	2,015
Acquisition of subsidiary, net of cash acquired	**(2,126)**	-	-
Payments to acquire intangible fixed assets	**(65)**	(93)	(212)
Purchases of property, plant and equipment	**(37)**	(291)	(474)
Proceeds from disposal of property, plant and equipment	**12**	-	11
Interest received	**15**	19	39
Net cash generated used by investing activities	**(2,201)**	(365)	(636)
Purchase of treasury shares	**-**	(166)	(166)
Acquisition of shares by JSOP	**-**	-	(1,210)
Proceeds from issuance of shares	**-**	-	1,217
Dividend paid to company's shareholders	**-**	-	(361)
Repayment of borrowings	-	(3)	(3)
Net cash used in financing activities	**-**	(169)	(523)
Net (decrease)/increase in cash and cash equivalents	**(1,522)**	(94)	856
Effect of exchange rate changes	**(4)**	-	(30)
Cash and cash equivalents at the beginning of the period	**4,357**	3,531	3,531
Cash and cash equivalents at the end of the period	**2,831**	3,437	4,357

	£000	£000	£000
Cash generated from operating activities			
Profit before income tax	**896**	990	1,826
Net finance income	**(15)**	(19)	(39)
Depreciation, amortisation and impairment	**118**	61	301
Profit on disposal of property, plant and equipment	**1**	-	(1)
Share-based payments	**28**	50	100
Changes in working capital:			
Inventories	**(1)**	(36)	98
Trade and other receivables	**(2,080)**	564	788
Trade and other payables	**1,126**	(886)	(622)
Cash generated from/(used by) operating activities	**73**	724	2,451

Notes to the financial statements

1. General information

Anpario plc ("the Company") and its subsidiaries (together "the Group") manufacture and supply high performance natural feed additives for agriculture and aquaculture markets with products to improve the health and output of animals.

The Company is traded on the London Stock Exchange Aim market and is incorporated and domiciled in the UK. The address of the registered office is Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS.

2. Basis of preparation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 30 June 2012.

The consolidated financial statements have been prepared on the basis of the accounting policies set out in the Group's financial statements for the year ended 31 December 2011, which are available on the company's web site at www.anpario.com.

Of the new standards, amendments and interpretations that are in issue and mandatory for the financial year ending to 31 December 2012, there is no financial impact on these consolidated interim financial statements.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2011 were approved by the Board of Directors on 26 April 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated interim financial information for the period ended 30 June 2012 is neither audited nor reviewed.

3. Segment information

For the six months ended 30 June 2012	UK and Eire £000	International £000	Total £000
Total semental revenue	**3,291**	**7,784**	**11,075**
Inter-segment revenue	**-**	**(257)**	**(257)**
Revenue from external customers	**3,291**	**7,527**	**10,818**
Adjusted EBITDA	**224**	**1,124**	**1,348**
Depreciation, amortisation and impairment charges	**(38)**	**(80)**	**(118)**
Income tax expense	**(41)**	**(208)**	**(249)**
Total assets	**7,134**	**16,874**	**24,008**
Total liabilities	**(2,170)**	**(5,133)**	**(7,303)**

For the six months ended 30 June 2011	UK and Eire £000	International £000	Total £000
Total semental revenue	3,248	6,596	9,844
Inter-segment revenue	-	(480)	(480)
Revenue from external customers	3,248	6,116	9,364
Adjusted EBITDA	118	964	1,082
Depreciation, amortisation and impairment charges	(19)	(42)	(61)
Income tax expense	(23)	(222)	(245)
Total assets	9,347	10,283	19,630
Total liabilities	(1,490)	(2,718)	(4,208)

For the year ended 31 December 2011	UK and Eire £000	International £000	Total £000
Total semental revenue	6,704	12,871	19,575
Inter-segment revenue	-	(377)	(377)
Revenue from external customers	6,704	12,494	19,198
Adjusted EBITDA	340	1,901	2,241
Depreciation, amortisation and impairment charges	(55)	(246)	(301)
Income tax expense	(22)	(128)	(150)
Total assets	7,311	12,892	20,203
Total liabilities	(1,415)	(2,786)	(4,201)

	Six months to 30.6.12 £000	Six months to 30.6.11 £000	Year ended 31.12.11 £000
Adjusted EBITDA for reportable segments	**1,348**	1,082	2,241
Depreciation and amortisation	**(118)**	(61)	(213)
Share-based payment charges	**(28)**	(50)	(153)
Finance income	**15**	19	39
Closure and restructuring costs	**-**	-	(88)
Acquisition costs	**(321)**	-	-
Profit before tax	**896**	990	1,826

4. Earnings per share

	Six months to 30.6.12	Six months to 30.6.11	Year ended 31.12.11
Weighted average number of shares in issue (000's)	**19,570**	18,200	18,085
Adjusted for effects of dilutive potential ordinary shares (000's)	**143**	179	139
Weighted average number for diluted earnings per share (000's)	**19,713**	18,379	18,224
Profit attributable to equity holders of the company (£000's)	**647**	734	1,667
Basic earnings per share (pence)	**3.31**	4.03	9.22
Diluted earnings per share (pence)	**3.28**	3.99	9.15

Underlying profit attributable to equity owners:	**Six months to 30.6.12 £000**	Six months to 30.6.11 £000	Year ended 31.12.11 £000
Profit attributable to equity owners	**647**	734	1,667
Amortisation of acquisition intangibles	**31**	9	18
Share-based payment charges	**28**	50	153
Closure and restructuring costs	**-**	-	88
Acquisition related costs	**321**	-	-
Prior year tax adjustments	**-**	-	(138)
Underlying profit	**1,027**	793	1,788
Underlying earnings per share (pence)	**5.25**	4.36	9.89
Diluted underlying earnings per share (pence)	**5.21**	4.31	9.81

5. Intangible assets

	Goodwill, brands and customer relationships	Patents and developments	Total
	£000	£000	£000
Cost			
As at 1 January 2012	5,821	1,551	7,372
Additions	2,565	86	2,651
As at 30 June 2012	**8,386**	**1,637**	**10,023**
Accumulated amortisation/impairment			
As at 1 January 2012	36	175	211
Charge for the period	30	4	34
As at 30 June 2012	**66**	**179**	**245**
Net book value			
As at 1 January 2012	**5,785**	**1,376**	**7,161**
As at 30 June 2012	**8,320**	**1,458**	**9,778**

6. Business combinations

On 29 March 2012, the Group acquired 100% of the share capital of Meriden Animal Health Limited ("Meriden"). The acquisition brings another strong trading brand to the Anpario Group, broadening its product technology and increasing Anpario's global market share in the feed additive sector.

On completion, the fair value of the net assets and liabilities of Meriden equalled £2.57m and consequently gives rise to goodwill on the transaction of £1.35m. The acquired business contributed revenues of £1.41m and net profit after tax of £0.13m to the Group for the period from 30 March 2012 to 30 June 2012.

Acquisition related costs of £0.31m have been expensed in the Consolidated income statement for the period ended 30 June 2012.

The contingent consideration arrangement requires the group to pay in cash to the former owners of Meriden up to £1.00m based on Meriden's profit before tax for two years. In addition and dependent on certain performance criteria, a further £0.12m is to be satisfied by the issue of ordinary shares of Anpario.

The fair value of the contingent arrangement of £0.92m was estimated by applying the income approach. The fair value estimates are based on a discount rate of 14%. The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between £nil and £1.12m.

Details of net assets acquired and goodwill are as follows:

	£000
Purchase consideration	
Cash paid	3,000
Contingent consideration	916
Total consideration	3,916

The assets and liabilities as at 29 March 2012 arising from the acquisition are as follows:

	Fair value	Acquiree's carrying value
	£000	£000
Cash and cash equivalents	874	874
Property, plant and equipment	15	15
Brands	709	-
Customer relationships	510	-
Trademarks	21	21
Inventories	217	217
Trade and other receivables	1,221	1,221
Trade and other payables	(566)	(566)
Corporation tax	(136)	(136)
Deferred tax liabilities	(295)	(2)
Fair value of assets	2,570	**1,644**
Goodwill	1,346	
Total purchase consideration	**3,916**	

Purchase consideration settled in cash	3,000
Cash and cash equivalents	(874)
Cash outflow on acquisition	**2,126**