19 September 2013

Anpario plc (AIM: ANP)

Anpario plc, the international producer and distributor of natural feed additives for animal health, hygiene and nutrition is pleased to announce its interim results for the six months to 30 June 2013.

Financial Highlights

- 32% increase in underlying earnings per share[1] to 6.94p (2012: 5.25p)
- 28% rise in adjusted EBITDA[2] to £1.7m (2012: £1.3m)
- 27% improvement in gross profit to £4.5m (2012: £3.6m)
- 20% uplift in sales revenue to £13.0m (2012: £10.8m)
- Cash balances of £5.6m at 30 June 2013 (Dec 2012: £3.7m)

Operational Highlights

- Profit growth delivered by all key divisions
- Established wholly owned subsidiary in Brazil and regional office in Malaysia
- Further good progress in China
- Successful launch of new toxin binder range
- Continuing strategy of building local sales and support operations

Richard Rose, Chairman, commented:

"The Group's performance in the first half of the year has been strong with the key strategic initiatives beginning to deliver the expected benefits; some earlier than anticipated. Getting closer to our customers in target regions continues to be the priority for the Group. The second half has started well continuing the performance of the first half and we expect this growth to be maintained.

The healthy cash balance and continuing cash generative nature of the business leaves Anpario well positioned to finance further organic growth and also to make selective investments and earnings enhancing acquisitions, should suitable opportunities arise, which will drive progress and continue to enhance the value of Anpario for its shareholders."

[1]Underlying earnings per share represents profit for the period before: exceptional items; unwinding of discount on contingent consideration and prior year tax adjustments divided by the weighted average number of shares in issue.
[2] Adjusted EBITDA represents operating profit £1.53m (2012: £0.88m) adjusted for: share based payments £0.04m (2012: £0.03m); acquisition related costs of £nil (2012: £0.32m); and depreciation, amortization and impairment charges of £0.15m (2012: £0.12m).

Chairman's Statement

Anpario has delivered a strong performance in the six months to 30 June 2013. The result reflects the success of a number of recent key strategic initiatives including the formation of a wholly owned Chinese subsidiary, the re-structuring of our UK Agriculture Division and the acquisition of Meriden Animal Health in 2012. These initiatives are consistent with our strategy to supply high performance natural feed additives in order to deliver improving overall levels of return, whilst also demonstrating the resilience of our geographic and product diversity.

The Group's strategy to establish sales and technical resource closer to the customer is already generating success in a number of territories including Brazil, the third largest animal production country in the world. The strengthening of our trading brands through focused marketing along with increasing market penetration of our current products and the staged launch of new products will only serve to create further opportunities.

Financial Review

In the six months to 30 June 2013 sales advanced to £13.0m (2012: £10.8m). This is primarily due to a 13% increase in like for like specialist feed additive sales and the Meriden acquisition. As a result of the improvement in sales mix, 89% of total sales are now generated from speciality feed additive products contributing 98% of gross profit.

Gross profit has continued to increase, rising from £3.6m to £4.5m, reflecting the effect of organic growth and the Meriden acquisition. Gross margin percentage also continued to rise, improving from 33.0% to 35.1% as a result of the product sales mix and further production efficiencies.

Adjusted EBITDA[1] increased by 28% to £1.7m (2012: £1.3m). The only significant adjustments to reported operating profit relate to the Meriden acquisition costs in 2012 and the associated accounts charge for amortisation of goodwill. The increase in administrative expenses reflects the Meriden operations and the Group's investment in key technical and sales resources.

Underlying earnings per share[2] increased by 32% to 6.94 pence per share from 5.25 pence per share.

The balance sheet remains strong and debt free with good cash generation. The Group ended the period with a cash balance of £5.6m (Dec 2012: £3.7m).

Operations – International Agriculture

The Division made good progress with its three trading brands, Kiotechagil, Meriden and Optivite, delivering growth. Within our geographic portfolio, the Asia Pacific operations continued to perform strongly with sales and gross profit growth of 20% and it is now the largest contributor in terms of sales revenue and profitability.

In the second quarter, the Group received approval from the Malaysian authorities to establish a regional office in Kuala Lumpur. This new business unit will support the process of establishing local sales and technical support for our customers in the Asia Pacific region. Resources are currently being strengthened in the region and will allow the Group to be closer to its markets and work more effectively with its customers. Increased emphasis in the region is already demonstrating its value with encouraging sales growth of Anpario products in China, Indonesia, South Korea, Malaysia, Thailand, and Vietnam.

Anpario's wholly owned subsidiary in China has continued its impressive progress, achieving sales growth of 72% compared to the same period last year. The performance is significant considering recent events in China including the outbreak of avian influenza and pork prices reaching their lowest levels in recent years.

In Brazil, the Group is confident of achieving further progress having recently received approval to establish a wholly owned subsidiary in Sao Paulo. Product trials in Brazil have demonstrated the efficacy of a number of our products including Bactacid, pHorce, Prefect and Salkil, giving customers a high return on investment for all life stages of pigs and poultry. These results have proved beneficial in supporting our leading acidifier brands not only within the local market but also to the region and contributing to raising the awareness and capability of Anpario's trading brands.

The economic challenges in Europe remain. Financial prudence has been exercised by continuing to restrict credit lines and payment terms to customers where the economic situation warrants particular caution. Accordingly, resource is being concentrated on those countries with the greatest profit potential, and this has resulted in an overall double digit growth in profitability for the region. The Group will continue to utilise a similar strategy across all trading brands and regions. This financial strategy has been implemented in the Middle East which remains difficult although conditions are improving in some countries, which are re-opening their markets for trade. Anpario has achieved a 41% increase in sales in the area compared to the same period last year.

The integration of Meriden is continuing with the Division contributing notably to our half year figures. A particularly pleasing element of this has been the growth in sales from customers in Africa, albeit from a low base. Significant sales progress in Algeria, Kenya and Nigeria has opened up further geographic opportunities for the Group as we have previously not had a presence in these territories.

Operations - UK Agriculture

This division has made excellent progress with double-digit growth in gross profit highlighting the advance made by a strategic re-positioning of the business to focus on value-added products. The division has utilised the launch of a new toxin binder, Ultrabond, as a vehicle to penetrate a variety of sectors including the ruminant and home-mix markets with great effect. This strategy will continue to remain a focus for the division as it strives to increase market share for the remaining products in its portfolio.

Economic pressures within the UK organic animal feed market continue to challenge the commitment of suppliers and farmers. Following an exceptional performance in 2012, the progress of Vitrition, our Organic Division, has slowed as it continues to manage the uncertainty within the customer base. However, the Division remains committed to supplying the organic meat production industry and through strong operational management remains in a prime position to consolidate its share further as the challenges in the market continue.

Central Operations

The re-structuring of the technical team is now complete and its profile has been raised with the majority of new staff holding appropriate veterinary or science qualifications. This team will enhance the level of scientific support for our sales teams and end users, and accelerate our product development programme. The benefits in our product development programme are already being demonstrated with, for example, our new toxin binder range delivering year on year growth of 38% in sales revenue.

The Group has completed the appointment of brand managers for each of its trading brands. The quality and effectiveness of the product range has enabled the Group to attain its current position. Now, with the introduction of a broader marketing focus, our trading brands will be able to leverage these benefits to greater effect, ensuring an increased awareness of the Group around the world whilst transforming our products into stronger brands.

Outlook

The second half of the year has started well, continuing the performance of the first half and we expect this growth to be maintained. The Group's focus continues to be on building a stronger local sales and technical presence in the key meat producing regions around the world.

The healthy cash balance and continuing cash generative nature of the business leaves Anpario well positioned to finance further organic growth and also to make selective investments and earnings enhancing acquisitions, should suitable opportunities arise, which will drive progress and continue to enhance the value of Anpario for its shareholders.

Richard S Rose
Chairman
19 September 2013

Unaudited consolidated income statement

for the six months ended 30 June 2013

	Notes	six months to 30/06/13 £000	six months to 30/06/12 £000	year ended 31/12/12 £000
Revenue	3	**12,952**	10,818	23,509
Cost of sales		**(8,404)**	(7,250)	(15,849)
Gross profit		**4,548**	3,568	7,660
Administrative expenses		**(3,016)**	(2,366)	(4,910)
Exceptional items		**-**	(321)	(1,157)
Operating profit		**1,532**	881	1,593
Finance income		**22**	15	39
Finance cost of contingent consideration		**(48)**	-	(110)
Profit before income tax		**1,506**	896	1,522
Income tax credit/(expense)		**(289)**	(249)	582
Profit for the period from continuing operations		**1,217**	647	2,104
Profit attributable to:				
Owners of the parent		**1,217**	647	2,104
Profit for the period		**1,217**	647	2,104

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

	Notes	six months to 30/06/13	six months to 30/06/12	year ended 31/12/12
Basic earnings per share	4	6.67p	3.31p	11.62p
Diluted earnings per share	4	6.26p	3.28p	11.11p
Underlying earnings per share	4	6.94p	5.25p	13.32p
Diluted underlying earnings per share	4	6.50p	5.21p	12.73p

Unaudited consolidated statement of comprehensive income

for the six months ended 30 June 2013

	six months to 30/06/13 £000	six months to 30/06/12 £000	year ended 31/12/12 £000
Profit for the period	**1,217**	647	2,104
Exchange difference on translating foreign operations	**(8)**	28	24
Total comprehensive income for the period	**1,209**	675	2,128
Attributable to the owners of the parent:	**1,209**	676	2,128
Non-controlling interests	**-**	(1)	-
Total comprehensive income for the period	**1,209**	675	2,128

Unaudited consolidated balance sheet
as at 30 June 2013

	Notes	as at 30/06/13 £000	as at 30/06/12 £000	as at 31/12/12 £000
Intangible assets	6	**9,132**	9,778	9,076
Property, plant and equipment	7	**2,926**	2,797	2,784
Deferred tax assets		**228**	318	228
Non-current assets		**12,286**	12,893	12,088
Inventories		**1,773**	1,304	1,632
Trade and other receivables		**6,064**	6,980	6,993
Cash and cash equivalents		**5,645**	2,831	3,694
Current assets		**13,482**	11,115	12,319
Total assets		**25,768**	24,008	24,407
Called up share capital		**4,565**	4,555	4,555
Share premium		**3,904**	3,828	3,884
Other reserves		**(472)**	(638)	(496)
Retained earnings		**11,159**	8,911	9,942
Equity attributable to owners of the parent company		**19,156**	16,656	17,885
Non-controlling interest		**-**	49	-
Total equity		**19,156**	16,705	17,885
Trade and other payables		**-**	373	425
Deferred tax liabilities		**1,034**	1,290	1,044
Non-current liabilities		**1,034**	1,663	1,469
Trade and other payables		**5,082**	5,243	4,912
Current income tax liabilities		**496**	397	141
Current liabilities		**5,578**	5,640	5,053
Total liabilities		**6,612**	7,303	6,522
Total equity and liabilities		**25,768**	24,008	24,407

Unaudited consolidated statement of changes in equity

for the six months ended 30 June 2013

	Called up share capital	Share premium	Other reserves	Retained earnings	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1st January 2012	**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**
Profit for the period	-	-	-	1,457	-	1,457
Currency translation differences	-	-	(5)	-	1	(4)
Total comprehensive income for the period	-	-	(5)	1,457	1	1,453
Sale of treasury shares	-	56	97	-	-	153
Share-based payment adjustments	-	-	50	-	-	50
Dividends relating to 2011	-	-	-	(436)	-	(436)
Acquisition of interest in subsidiary from non-controlling interest	-	-	-	10	(50)	(40)
Transactions with owners	-	56	147	(426)	(50)	(273)
Balance at 31 December 2012	**4,555**	**3,884**	**(496)**	**9,942**	**-**	**17,885**
Profit for the period	-	-	-	1,217	-	**1,217**
Currency translation differences	-	-	(8)	-	-	**(8)**
Total comprehensive income for the period	-	-	(8)	1,217	-	**1,209**
Issue of share capital	10	20	-	-	-	**30**
Share-based payment adjustments	-	-	32	-	-	**32**
Transactions with owners	10	20	32	-	-	**62**
Balance at 30 June 2013	**4,565**	**3,904**	**(472)**	**11,159**	**-**	**19,156**

Unaudited consolidated statements of cash flows

for the six months ended 30 June 2013

	six months to 30/06/13 £000	six months to 30/06/12 £000	year ended 31/12/12 £000
Cash generated from operating activities	**2,200**	73	1,740
Income tax refunded	**57**	606	430
Net cash generated from operating activities	**2,257**	679	2,170
Acquisition of subsidiary, net of cash acquired	**-**	(2,126)	(2,276)
Purchases of property, plant and equipment	**(238)**	(37)	(117)
Proceeds from disposal of property, plant and equipment	**-**	12	18
Payments to acquire intangible fixed assets	**(113)**	(65)	(166)
Interest received	**22**	15	39
Net cash used by investing activities	**(329)**	(2,201)	(2,502)
Sale of treasury shares	**-**	-	153
Proceeds from issuance of shares	**30**	-	-
Dividend paid to company's shareholders	**-**	-	(436)
Acquisition of interest in subsidiary from non-controlling interest	**-**	-	(40)
Net cash used in financing activities	**30**	-	(323)
Net increase/(decrease) in cash & cash equivalents	**1,958**	(1,522)	(655)
Effect of exchange rate changes	**(7)**	(4)	(8)
Cash and cash equivalents at the beginning of the period	**3,694**	4,357	4,357
Cash and cash equivalents at the end of the period	**5,645**	2,831	3,694

Cash generated from operating activities	**six months to 30/06/13 £000**	six months to 30/06/12 £000	year ended 31/12/12 £000
Profit before income tax	**1,506**	896	1,522
Net finance cost/(income)	**26**	(15)	71
Depreciation, amortisation and impairment	**152**	118	1,005
Loss on disposal of property, plant and equipment	**-**	1	2
Share-based payments	**32**	28	78
Changes in working capital:			
Inventories	**(131)**	(1)	(330)
Trade and other receivables	**926**	(2,080)	(1,192)
Trade and other payables	**(311)**	1,126	584
Net cash generated from operating activities	**2,200**	73	1,740

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 the agricultural market 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 2013.

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 2012, 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 2013, 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 2012 were approved by the Board of Directors on 17 April 2013 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 2013 is neither audited nor reviewed.

3. Segment information

	UK and Eire	International	Total
	£000	£000	£000
for the six months ended 30 June 2013			
Total segmental revenue	2,950	10,271	**13,221**
Inter-segment revenue	-	(269)	**(269)**
Revenue from external customers	2,950	10,002	**12,952**
Adjusted EBITDA	200	1,524	**1,724**
Depreciation, amortisation and impairment charges	(19)	(133)	**(152)**
Income tax	(21)	(268)	**(289)**
Total assets	8,882	16,886	**25,768**
Total liabilities	(2,373)	(4,239)	**(6,612)**
for the six months ended 30 June 2012			
Total segmental 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 year ended 31 December 2012			
Total segmental revenue	6,874	17,114	23,988
Inter-segment revenue	-	(479)	(479)
Revenue from external customers	6,874	16,635	23,509
Adjusted EBITDA	305	2,804	3,109
Depreciation, amortisation and impairment charges	(26)	(979)	(1,005)
Income tax expense	97	485	582
Total assets	7,352	17,055	24,407
Total liabilities	(1,529)	(4,993)	(6,522)

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	six months to 30/06/13 £000	six months to 30/06/12 £000	year ended 31/12/12 £000
Adjusted EBITDA for reportable segments	**1,724**	1,348	3,109
Depreciation, amortisation and impairment charges	**(152)**	(118)	(1,005)
Share-based payment charges	**(40)**	(28)	(99)
Finance income	**22**	15	39
Finance cost of contingent consideration	**(48)**	-	(110)
Closure and restructuring costs	**-**	-	(55)
Acquisition costs	**-**	(321)	(357)
Profit before tax	**1,506**	896	1,522

4. Earnings per share

	six months to 30/06/13	six months to 30/06/12	year ended 31/12/12
Weighted average number of shares in issue (000's)	**18,236**	19,570	18,110
Adjusted for effects of dilutive potential ordinary shares (000's)	**1,217**	143	832
Weighted average number for diluted earnings per share (000's)	**19,453**	19,713	18,942
Profit attributable to owners of the Parent (£000's)	**1,217**	647	2,104
Basic earnings per share	**6.67p**	3.31p	11.62p
Diluted earnings per share	**6.26p**	3.28p	11.11p

	six months to 30/06/13 £000	six months to 30/06/12 £000	year ended 31/12/12 £000
Underlying profit attributable to owners of the parent			
Profit attributable to owners of the parent	**1,217**	647	2,104
Exceptional items	**-**	321	1,157
Amortisation of acquisition intangibles	**-**	31	-
Share based payment charges	**-**	28	-
Unwinding of discount on contingent consideration	**48**	-	110
Prior year tax adjustments	**-**	-	(959)
Underlying profit	**1,265**	1,027	2,412
Underlying earnings per share	**6.94p**	5.25p	13.32p
Diluted underlying earnings per share	**6.50p**	5.21p	12.73p

5. Exceptional items

	six months to 30/06/13 £000	six months to 30/06/12 £000	year ended 31/12/12 £000
Closure and restructuring costs	-	-	55
Acquisition costs	-	321	357
Impairment provision	-	-	745
	-	321	1,157

6. Intangible assets

Group	Goodwill	Brands	Customer relationships	Patents, trademarks and registrations	Development costs	Total
	£000	£000	£000	£000	£000	£000
Cost						
As at 1 January 2013	5,490	2,210	686	116	1,622	10,124
Additions	-	-	-	17	96	113
As at 30 June 2013	**5,490**	**2,210**	**686**	**133**	**1,718**	**10,237**
Accumulated amortisation/impairment						
As at 1 January 2013	-	27	91	26	904	1,048
Charge for the period	-	17	34	6	-	57
As at 30 June 2013	**-**	**44**	**125**	**32**	**904**	**1,105**
Net book value						
As at 30 June 2013	**5,490**	**2,166**	**561**	**101**	**814**	**9,132**
As at 1 January 2013	5,490	2,183	595	90	718	9,076

7. Property, plant and equipment

Group	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000
Cost				
As at 1 January 2013	2,034	900	387	3,321
Additions	3	207	27	237
Disposals	-	(53)	(1)	(54)
As at 30 June 2013	**2,037**	**1,054**	**413**	**3,504**
Accumulated depreciation/impairment				
As at 1 January 2013	162	246	129	537
Charge for the period	14	55	26	95
Disposals	-	(53)	(1)	(54)
As at 30 June 2013	**176**	**248**	**154**	**578**
Net book value				
As at 30 June 2013	**1,861**	**806**	**259**	**2,926**
As at 1 January 2013	1,872	654	258	2,784