

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 2016.

Financial and operational highlights

Financial highlights

- 9% increase in adjusted profit before tax from continuing operations¹ to £1.7m (2015: £1.6m)
- 5% rise in adjusted EBITDA² to £2.0m (2015: £1.9m)
- 3% improvement in gross profit to £5.1m (2015: £5.0m)
- Cash balances of £10.9m at 30 June 2016 (30 June 2015: £7.9m)

Operational highlights

- Successful launch of Ultrabond in the United States shows potential in the dairy sector
- New regional commercial directors appointed
- Regional office established in Dubai
- Supply of Orego-Stim to a major US integrator for antibiotic free chicken
- Distribution of Orego-Stim in China transferred to Anpario subsidiary

Richard S Rose, Chairman, commented:

"In the first half, the resilience and positioning of Anpario delivered both a modest profit growth and an improved cash position and we are building on that. We are still in a transition phase of building stronger commercial relationships with end users but we remain confident that the Group will continue to make steady progress growing the business. Our strong balance sheet gives Anpario a sound platform from which to implement change and build earnings growth organically while also seeking acquisition opportunities."

¹ Adjusted profit before tax from continuing operations represents profit before income tax from continuing operations £1.514m (2015: £1.610m) adjusted for closure and restructuring costs £0.235m (2015: £nil)

² Adjusted EBITDA represents operating profit £1.480m (2015: £1.583m) adjusted for: share based payments £0.047m (2015: £0.135m); depreciation, amortisation and impairment charges of £0.254m (2015: £0.195m) and closure and restructuring costs £0.235m (2015: £nil).

Chairman's Statement

Anpario delivered a resilient profit performance for the six months to 30 June 2016. The Group's policy to focus on value added natural feed additives and efficiency improvements in our manufacturing plant, together with favourable foreign exchange movements, have helped to maintain profitability.

The recent appointment of regional commercial directors is enabling the company to better understand local markets and to begin to build closer relationships with major end users. The sales process to these larger customers is demanding but by capitalising on the experience of our own local teams we are able to demonstrate the merits of our product portfolio in partnership with our key distributors.

Financial Review

In the six months to 30 June 2016 adjusted profit before tax increased by 9% to £1.7m (2015: £1.6m). Adjusted EBITDA for the period rose by 5% to £2.0m (2015: £1.9m).

Revenues for the period were £10.7m (2015: £11.1m); this sterling reduction of 4% was equivalent to a 9% fall at constant exchange rates. The principal negative factors were lower sales of Orego-stim in China as a result of a legal dispute in addition to ongoing challenging economic and political factors in Middle East markets.

Gross profit has continued to increase, advancing 3% to £5.1m (2015: £5.0m). This further improvement represents an uplift in gross margin percentage to 48% (2015: 45%), mainly as a result of product mix and foreign exchange gains.

Operating expenses increased from £3.4m to £3.6m after including £0.3m of costs in connection with internal restructuring and the set-up of new operations. We continue to invest in plant automation with expenditure this year to date of £0.4m and further expenditure of £0.6m committed in the second half of the year. On completion all production and packaging lines will be fully automated. Development costs include £0.2m from product pipeline costs including university trials and £0.2m in respect of product and trademark registrations.

The balance sheet is strong and debt free with further positive cash generation. The Group's cash position remains stable with a cash balance of £10.9m (30 June 2015: £7.9m).

Underlying diluted earnings per share increased by 1% to 7.35 pence per share (2015: 7.31 pence).

Operations

Sales to continental Europe rose 9% with strong performances from Germany, the Netherlands and Spain. In Northern Europe, Anpario is building sales to the dairy sector, which is a new market area for the Group. The UK and Irish markets experienced a decline in sales due to challenging market conditions in the dairy sector.

Asia, excluding China, experienced modest sales growth with good performances in Indonesia, the Philippines, Thailand, and Vietnam. Over stocking by some distributors at the beginning of the year took a few months to work through. Our China subsidiary made further steady progress building on its established position in the pig sector by targeting the poultry and feed mills segments. However, in China, we are in a dispute with a local distributor regarding ownership of the Orego-Stim trademark, consequently our China subsidiary has now registered a new brand name - Meriden-Stim. Anpario will be the only supplier of Orego-Stim in China but marketed under the Meriden-Stim brand. Our Chinese team is also launching a marketing communication campaign to support these changes and the relaunch of our leading natural oregano product. We are confident of regaining Orego-Stim's leading position in China.

Latin America achieved a 10% sales growth with notable strong performances from Bolivia and Ecuador. The region has been affected by rising corn prices, particularly in poultry production, where margins are

small. The rising costs have led to a reduction in meat consumption in some markets but we see further opportunities for growth in the region while, as ever, paying close attention to credit management.

The United States continues to grow its customer base particularly with Orego-Stim, our leading phyto-genics product for animal health, and Ultrabond, a product targeted at the dairy sector. The natural antioxidant and health properties of our oregano oil help to boost the natural immunity of birds, thereby enabling them to present a robust response to the environment. Orego-Stim is now additionally being used in the organic market where it has been certified for use by a number of specialist producers and also supports antibiotic free poultry production. Sales of Ultrabond to the US dairy sector continue to advance with the product maintaining animal health, thereby delivering measurable benefits in performance and hence improved profitability for producers.

We continue to expand our specialist sales team in the US to drive growth in the region. Anpario has reached an understanding with Pharmgate Animal Health to represent and introduce Anpario products to identified prospects predominantly in the swine market. Pharmgate Animal Health is a joint operation between Pharmgate LLC of Wilmington, North Carolina and Eco Animal Health Group plc.

The Middle East and Africa remain difficult territories as a result of ongoing geopolitical events, especially in Turkey and Egypt which have been traditionally strong markets. During the period we began supplying our poultry products to Kuwait. The establishment of a new regional office in Dubai and recruitment of a regional head in May 2016 will help us better serve existing local markets and facilitate expansion.

Innovation and development

Anpario's unique carrier technology enhances animals' natural gut microbiota processes helping to boost immunity. Pressure on farmers to reduce the use of antibiotics in animal production will require more than one simple solution; Anpario's natural additive technology addresses this issue by supporting the animal's ability to present a robust response to the environment and the threat of infection.

Outlook

In the first half, the resilience and positioning of Anpario delivered both a modest profit growth and an improved cash position and we are building on that. We are still in a transition phase of building stronger commercial relationships with end users but we remain confident that the Group will continue to make steady progress growing the business. Our strong balance sheet gives Anpario a sound platform from which to implement change and build earnings growth organically while also seeking acquisition opportunities.

Richard S Rose

Chairman

14 September 2016

Unaudited consolidated income statement

for the six months ended 30 June 2016

	Notes	six months to 30/06/2016 £000	six months to 30/06/2015 £000	year ended 31/12/2015 £000
Continuing operations				
Revenue	3	10,687	11,143	23,322
Cost of sales		(5,561)	(6,164)	(12,852)
Gross profit		5,126	4,979	10,470
Administrative expenses		(3,411)	(3,396)	(6,916)
Closure and restructuring costs		(235)	-	-
Operating profit		1,480	1,583	3,554
Finance income		34	27	62
Profit before income tax		1,514	1,610	3,616
Income tax expense		(203)	(151)	(367)
Profit for the period from continuing operations		1,311	1,459	3,249
Discontinued operations				
Profit for the period from discontinued operations (attributable to owners of the parent)		-	368	487
Profit for the period		1,311	1,827	3,736
Profit attributable to:				
Owners of the parent		1,311	1,827	3,736
Profit for the period		1,311	1,827	3,736
Basic earnings per share from continuing operations	4	6.55p	7.53p	16.52p
Diluted earnings per share from continuing operations	4	6.42p	7.31p	15.97p
Basic earnings per share	4	6.55p	9.43p	18.99p
Diluted earnings per share	4	6.42p	9.16p	18.37p

Unaudited consolidated statement of comprehensive income

for the six months ended 30 June 2016

	six months to 30/06/2016 £000	six months to 30/06/2015 £000	year ended 31/12/2015 £000
Profit for the period	1,311	1,827	3,736
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translating foreign operations	(19)	(39)	(88)
Total comprehensive income for the period	1,292	1,788	3,648
Attributable to the owners of the parent:	1,292	1,788	3,648
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations	1,292	1,420	3,161
Discontinued operations	-	368	487
Total comprehensive income for the period	1,292	1,788	3,648

Unaudited consolidated balance sheet

as at 30 June 2016

	Notes	as at 30/06/2016 £000	as at 30/06/2015 £000	as at 31/12/2015 £000
Intangible assets	5	10,390	10,014	10,168
Property, plant and equipment	6	3,289	3,083	3,069
Deferred tax assets		307	179	306
Non-current assets		13,986	13,276	13,543
Inventories		2,014	1,646	1,815
Trade and other receivables		6,379	6,975	6,791
Cash and cash equivalents		10,870	7,938	9,337
Current assets		19,263	16,559	17,943
Total assets		33,249	29,835	31,486
Called up share capital		5,095	5,040	5,058
Share premium		7,796	7,528	7,613
Other reserves		(3,331)	(3,807)	(3,374)
Retained earnings		18,598	16,289	17,287
Total equity		28,158	25,050	26,584
Deferred tax liabilities		1,176	1,044	1,176
Non-current liabilities		1,176	1,044	1,176
Trade and other payables		3,759	3,474	3,681
Current income tax liabilities		156	267	45
Current liabilities		3,915	3,741	3,726
Total liabilities		5,091	4,785	4,902
Total equity and liabilities		33,249	29,835	31,486

Unaudited consolidated statement of changes in equity

for the six months ended 30 June 2016

	Called up share capital	Share premium	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2015	4,622	4,051	(389)	14,462	22,746
Profit for the period	-	-	-	1,827	1,827
Currency translation differences	-	-	(39)	-	(39)
Total comprehensive income for the period	-	-	(39)	1,827	1,788
Issue of share capital	418	3,477	-	-	3,895
Joint-share ownership plan	-	-	(3,415)	-	(3,415)
Share-based payment adjustments	-	-	36	-	36
Transactions with owners	418	3,477	(3,379)	-	516
Balance at 30 June 2015	5,040	7,528	(3,807)	16,289	25,050
Profit for the period	-	-	-	1,909	1,909
Currency translation differences	-	-	(49)	-	(49)
Total comprehensive income for the period	-	-	(49)	1,909	1,860
Issue of share capital	18	85	-	-	103
Deferred tax regarding share-based payments	-	-	455	-	455
Cash flow hedge reserve	-	-	(23)	-	(23)
Share-based payment adjustments	-	-	50	-	50
Dividends relating to 2014	-	-	-	(911)	(911)
Transactions with owners	18	85	482	(911)	(326)
Balance at 31 December 2015	5,058	7,613	(3,374)	17,287	26,584
Profit for the period	-	-	-	1,311	1,311
Currency translation differences	-	-	(19)	-	(19)
Total comprehensive income for the period	-	-	(19)	1,311	1,292
Issue of share capital	37	183	-	-	220
Share-based payment adjustments	-	-	62	-	62
Transactions with owners	37	183	62	-	282
Balance at 30 June 2016	5,095	7,796	(3,331)	18,598	28,158

Unaudited consolidated statements of cash flows

for the six months ended 30 June 2016

	six months to 30/06/2016 £000	six months to 30/06/2015 £000	year ended 31/12/2015 £000
Cash generated from operating activities	1,943	1,074	3,599
Income tax paid	(13)	(123)	(205)
Net cash generated from operating activities	1,930	951	3,394
Purchases of property, plant and equipment	(367)	(198)	(301)
Net proceeds from disposal of discontinued operations	-	344	623
Payments to acquire intangible assets	(354)	(275)	(690)
Interest received	34	27	62
Net cash used in investing activities	(687)	(102)	(306)
Acquisition of shares by JSOP	-	(3,415)	(3,415)
Proceeds from issuance of shares	220	3,895	3,998
Dividend paid to Company's shareholders	-	-	(911)
Net cash used in financing activities	220	480	(328)
Net increase in cash and cash equivalents	1,463	1,329	2,760
Effect of exchange rate changes	70	(22)	(54)
Cash and cash equivalents at the beginning of the period	9,337	6,631	6,631
Cash and cash equivalents at the end of the period	10,870	7,938	9,337

	six months to 30/06/2016 £000	six months to 30/06/2015 £000	year ended 31/12/2015 £000
Cash generated from operating activities			
Profit before income tax including discontinued operations	1,514	1,623	4,227
Net finance income	(34)	(27)	(62)
Net proceeds on disposal of discontinued operations	-	-	(623)
Depreciation, amortisation and impairment	254	195	573
Profit on disposal of property, plant and equipment	-	-	24
Share-based payments	62	36	86
Fair value of contingent consideration	-	130	-
Changes in working capital:			
Inventories	28	60	(141)
Trade and other receivables	430	673	907
Trade and other payables	(311)	(1,616)	(1,392)
Net cash generated from operating activities	1,943	1,074	3,599

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 2016.

The Group has presented its financial statements in accordance with International Reporting Standards ("IFRSs"), as endorsed by the European Union, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. Full details on the basis of the accounting policies used are set out in the Group's financial statements for the year ended 31 December 2015, which are available on the Company's web site at www.anpario.com.

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 2015 were approved by the Board of Directors on 8 March 2016 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 2016 is neither audited nor reviewed.

3. Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from a geographic perspective. Following recent changes, including the appointment of Regional directors and the opening of additional regional offices, Anpario has made adjustments to its segmental reporting structure. All previous values have been restated in line with the new structure.

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
for the six months ended 30 June 2016						
Total segmental revenue	1,832	4,177	3,975	1,465	-	11,449
Inter-segment revenue	-	-	(762)	-	-	(762)
Revenue from external customers	1,832	4,177	3,213	1,465	-	10,687
Adjusted EBITDA	655	1,397	1,243	681	(1,960)	2,016
Depreciation and amortisation	(4)	(1)	(2)	-	(247)	(254)
Net finance income	-	-	-	-	34	34
Share-based payments	-	-	-	-	(47)	(47)
Exceptional items	(21)	(6)	-	(25)	(183)	(235)
Income tax	-	1	-	-	(204)	(203)
Profit for the period	630	1,391	1,241	656	(2,607)	1,311
Total assets					33,249	33,249
Total liabilities					(5,091)	(5,091)

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
for the six months ended 30 June 2015						
Total segmental revenue	1,555	4,382	3,974	1,938	-	11,849
Inter-segment revenue	-	-	(706)	-	-	(706)
Revenue from external customers	1,555	4,382	3,268	1,938	-	11,143
Adjusted EBITDA	636	1,294	1,194	815	(2,026)	1,913
Depreciation and amortisation	(3)	(2)	(2)	-	(188)	(195)
Net finance income	-	-	-	1	26	27
Share-based payments	-	-	-	-	(135)	(135)
Income tax	-	-	-	-	(151)	(151)
Profit on disposal of continued operations	-	-	-	-	368	368
Profit for the period	633	1,292	1,192	816	(2,106)	1,827
Total assets					29,835	29,835
Total liabilities					(4,785)	(4,785)

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
for the year ended 31 Dec 2015						
Total segmental revenue	3,417	9,614	5,251	3,545	-	21,827
Inter-segment revenue	-	-	1,495	-	-	1,495
Revenue from external customers	3,417	9,614	6,746	3,545	-	23,322
Adjusted EBITDA	1,340	3,134	2,522	1,581	(4,188)	4,389
Depreciation and amortisation	(7)	(3)	(4)	-	(559)	(573)
Net finance (income)/expense	-	-	-	1	61	62
Share-based payments	-	-	-	-	(262)	(262)
Income tax	(2)	(12)	-	-	(353)	(367)
Profit on disposal of continued operations	-	-	-	-	487	487
Profit for the year	1,331	3,119	2,518	1,582	(4,814)	3,736
Total assets					31,486	31,486
Total liabilities					(4,902)	(4,902)

4. Earnings per share

	six months to 30/06/2016	six months to 30/06/2015	year ended 31/12/2015
Weighted average number of shares in Issue (000's)	20,024	19,366	19,669
Adjusted for effects of dilutive potential Ordinary shares (000's)	381	585	673
Weighted average number for diluted earnings per share (000's)	20,405	19,951	20,342
Profit attributable to owners of the Parent from continuing operations (£000's)	1,311	1,459	3,249
Result of discontinued operations	-	368	487
Profit attributable to owners of the Parent (£000's)	1,311	1,827	3,736
Basic earnings per share from continuing operations	6.55p	7.53p	16.52p
Diluted earnings per share from continuing operations	6.42p	7.31p	15.97p
Basic earnings per share	6.55p	9.43p	18.99p
Diluted earnings per share	6.42p	9.16p	18.37p

	six months to 30/06/2016 £000	six months to 30/06/2015 £000	year ended 31/12/2015 £000
Underlying profit attributable to owners of the Parent			
Profit attributable to owners of the Parent	1,311	1,459	3,249
Exceptional items	188	-	-
Prior year tax adjustments	-	-	(157)
Underlying profit from continuing operations	1,499	1,459	3,092
Result of discontinued operations	-	368	487
Underlying profit attributable to owners of the Parent	1,499	1,827	3,579
Underlying earnings per share from continuing operations	7.49p	7.53p	15.72p
Diluted underlying earnings per share from continuing operations	7.35p	7.31p	15.20p
Underlying earnings per share	7.49p	9.43p	18.20p
Diluted underlying earnings per share	7.35p	9.16p	17.59p

5. 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 2016	5,490	2,210	686	688	2,817	11,891
Additions	-	-	-	109	245	354
As at 30 June 2016	5,490	2,210	686	797	3,062	12,245
Accumulated amortisation/impairment						
As at 1 January 2016	-	134	297	138	1,154	1,723
Charge for the period	-	17	34	23	58	132
As at 30 June 2016	-	151	331	161	1,212	1,855
Net book value						
As at 30 June 2016	5,490	2,059	355	636	1,850	10,390
As at 1 January 2016	5,490	2,076	389	550	1,663	10,168

6. Property, plant and equipment

Group	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
As at 1 January 2016	2,171	1,357	522	-	4,050
Additions	9	48	7	303	367
Disposals	-	(44)	-	-	(44)
As at 30 June 2016	2,180	1,361	529	303	4,373
Accumulated depreciation					
As at 1 January 2016	245	456	280	-	981
Charge for the period	15	71	36	-	122
Disposals	-	(19)	-	-	(19)
As at 30 June 2016	260	508	316	-	1,084
Net book value					
As at 30 June 2016	1,920	853	213	303	3,289
As at 1 January 2016	1,926	901	242	-	3,069