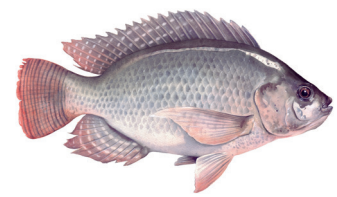
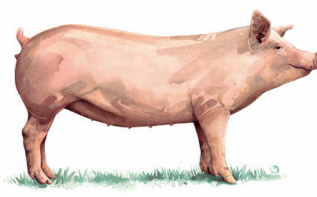


Anpario

Nature's Answer

Anpario plc
Interim Report 2018



5 September 2018

Anpario plc (AIM: ANP)
("Anpario" or "the Company")

Anpario plc, the international producer and distributor of natural animal feed additives for animal health, nutrition and biosecurity announces its interim results for the six months to 30 June 2018.

Financial highlights

Sales of £14.8m (2017: £14.8m), excluding currency movements increased by 5%¹
19% advance in profit before tax to £2.2m (2017: £1.9m)
14% uplift in diluted earnings per share to 8.7p (2017: 7.6p)
2% improvement in adjusted ebitda² to £2.7m (2017: £2.6m)
10% increase in interim dividend of 2.2p per share (2017: 2.0p)
Cash balances of £12.6m at 30 June 2018 (31 December 2017: £13.6m)

Operational highlights

Strong sales growth in UK, Europe, China and US markets.

In line with business development strategy:

- Continued investment in routes to market and product development
- New range of feed security products and Omega 3 supplement launched.
- Renewed focus on Latin American aquaculture market delivering benefits.

Peter Lawrence, Chairman, commented:

"Our business development strategy will progressively improve sales and distribution, while control of costs will ensure that they do not move ahead of the growth we achieve. Our strong balance sheet and consistent cash generation provide Anpario with a sound platform from which to make selective earnings enhancing acquisitions and to further invest in new product development for the future. With a favourable foreign exchange environment more likely in the second half year, I look forward to reporting good progress from the above initiatives early next year."

Chairman's statement

Anpario has delivered another sound performance in the six months to 30 June 2018 and made further good progress in its main markets.

The focus on end users and working closely with major partner distributors has helped to increase the proportion of direct business and this has contributed to a further increase in underlying¹ gross margins. The transformation of our sales and distribution channels is still the key focus, with continued investment in regional commercial teams and product development, while managing costs in line with profit growth.

Anpario's consistent cash generation means the Board is pleased to increase the interim dividend by 10% to 2.2p per ordinary share payable on 30 November 2018 to shareholders on the register at close of business on 16 November 2018.

Financial review

Anpario trades in international markets and currency fluctuations are a normal part of its business. We hedge our currency risk as effectively as we can without taking speculative positions. Compared with the prior year, the period under review saw sterling strengthening against the US dollar and that has impacted our reported results but not our underlying performance which has improved.

Sales in the first half were unchanged at £14.8m (2017: £14.8m) and gross profit was lower at £7.0m (2017: £7.3m). If foreign exchange movements are stripped out, sales and gross profit growth would have been 5% and 6% respectively. The gross margin was 47.3% (2017: 49.1%), however the underlying¹ result was an increase to 50.0%. This underlying¹ increase reflects the continuation of the margin growth seen in recent years through higher sales volumes directly to end users.

Despite the strategic enhancements made in sales and product development, administrative expenses fell in the period by 7% to £4.8m (2017: £5.1m). Foreign exchange gains, included in administrative expenses, were £0.2m in the period compared to losses of £0.4m in 2017.

Adjusted EBITDA² was ahead by 2% at £2.7m (2017: £2.6m). Profit after tax grew by 18% to £1.9m (2017: £1.6m), there were no exceptional costs during the period (2017: £0.3m).

Basic earnings per share increased by 17% to 9.16p (2017: 7.80p) and diluted earnings per share grew by 14% to 8.66p (2017: 7.62p).

Investment in stock levels at subsidiary locations to support direct sales has increased working capital requirements, the balance sheet remains strong and debt free, cash at the period end was £12.6m (31 December 2017: £13.6m).

Operations

Our operations in the UK and Europe delivered an excellent result with sales growth of 14% compared with the same period

last year. The recovery in milk prices helped strengthen demand for Ultrabond and we achieved good sales growth of Optomega Plus, which is our sustainable Omega 3 supplement and helps improve fertility in dairy cows and is also used for enrichment of eggs. Optomega Plus will play an increasingly important role for both these applications in the UK and elsewhere.

Orego-Stim® continued to grow its share of the UK market with a number of veterinary organisations recommending it and leading poultry integrators incorporating its use in their production processes. We are working with industry specialists, offering turnkey solutions for the egg laying industry, and have delivered significant benefits to farmers, who are keen to maximise the profitability of their egg laying stock.

The United States increased sales by 8%, an encouraging result as we continue to penetrate this major market. Orego-Stim® is now being used by a number of poultry integrators for various applications, including anti-biotic free bird production. It is being evaluated by more poultry and swine customers and veterinary organisations. Our product ranges continue to make progress in the US and we launched Anpro Advance, a superior next generation toxin binder, at the World Pork Exhibition in Des Moines, Iowa in June.

China achieved a 7% increase in sales and continued to focus on Meriden-Stim and our toxin binder range. This result is particularly commendable as pig prices dropped significantly in the first half of the year, partly as a result of over rapid expansion by producers. While progress in China will be affected in the short term by this market contraction, we are already seeing encouraging signs of improvement. In March China's Appeal Court ruled that Anpario is the rightful owner of the Orego-Stim® trademark in China. This is a very important and pleasing conclusion to a lengthy legal battle with a competitor and will help build sales of Orego-Stim®

A strong performance in Australia helped that region increase sales by 84%. There are a number of local initiatives underway to expand our market share across all species including the pet sector.

In Asia, sales declined by £0.5m, this was mainly attributable to our decision to terminate non-core and low margin product sales to the Philippines. Malaysia and South Korea continue to perform strongly and we expect more progress later this year in Thailand, Indonesia and the Philippines. Our local sales teams are working with some large end users in the region where, having overcome some product registrations issues, we are encouraged by the opportunities.

Latin America experienced a disappointing first half. Sales were affected by the economic situation and the strengthening of the US dollar against local currencies, particularly in Brazil, Mexico and Argentina. Despite these challenges, sales of Orego-Stim® have been increasing in both the poultry and dairy markets in Brazil. We also achieved our first sales, and started trials with a number of our products, in the aquaculture markets of Ecuador and Brazil. We appointed new distributors in Chile and Peru last year and this has temporarily affected sales as a consequence we have had to re-register a number of products. Business has now started to move ahead with recent orders received and shipped.

Despite continued geopolitical events in the region and an outbreak of avian influenza, our Middle East sales declined by a modest 2%. There were successes selling Salkil, our salmonella inhibitor, direct to end users in Turkey. The introduction of more products from our range should help drive growth in this volatile region.

Innovation and development

As anti-biotic free meat production grows, vaccines and natural feed additives will play an increasingly important role in supporting the effort to reduce drug use. Through extensive trial work, Orego-Stim® has already proved its value in coccidial immunity in poultry following vaccination. Further research has started to demonstrate its compatibility with salmonella vaccination in poultry.

Feedback from UK dairy farmers using Optomega Plus, our new Omega 3 product, for fertility, has been very positive. It is also used as a supplement in the egg laying industry to enrich eggs in Omega 3 for human consumption.

This research and development programme is just a small part of the work our technical team is undertaking in order to support the intellectual property inherent in our products.

Outlook

Our business development strategy will progressively improve sales and distribution, while control of costs will ensure that they do not move ahead of the growth we achieve. Our strong balance sheet and consistent cash generation provide Anpario with a sound platform from which to make selective earnings enhancing acquisitions and to further invest in new product development for the future. With a favourable foreign exchange environment more likely in the second half year, I look forward to reporting good progress from the above initiatives early next year.

Peter Lawrence

Chairman

5 September 2018

1. *Underlying growth represents the results for the period adjusted for CER and excluding foreign exchange variances. Constant exchange rates ("CER") growth is calculated by applying the applicable prior period average exchange rates to the Company's actual performance in the respective period.*
2. *Adjusted EBITDA represents operating profit £2.206m (2017: £1.860m) adjusted for: share based payments £0.112m (2017: £0.161m); depreciation, amortisation and impairment charges of £0.378m (2017: £0.347m) and closure and restructuring costs £nil (2017: £0.269m).*

Unaudited consolidated income statement
for the six months ended 30 June 2018

	Notes	six months to 30/06/2018 £000	six months to 30/06/2017 £000	year ended 31/12/2017 £000
Revenue	3	14,773	14,803	29,241
Cost of sales		(7,779)	(7,528)	(14,895)
Gross profit		6,994	7,275	14,346
Administrative expenses		(4,788)	(5,146)	(10,358)
Exceptional items		-	(269)	(627)
Operating profit		2,206	1,860	3,361
Finance income		35	17	42
Profit before income tax		2,241	1,877	3,403
Income tax expense		(366)	(292)	(418)
Profit for the period		1,875	1,585	2,985
Profit attributable to:				
Owners of the parent		1,874	1,584	2,985
Non-controlling interests		1	1	-
Profit for the period		1,875	1,585	2,985
Basic earnings per share	4	9.16p	7.80p	14.66p
Diluted earnings per share	4	8.66p	7.62p	14.17p
Adjusted earnings per share	4	9.16p	9.13p	16.74p
Diluted adjusted earnings per share	4	8.66p	8.92p	16.17p

Unaudited consolidated statement of comprehensive income
for the six months ended 30 June 2018

	six months to 30/06/2018 £000	six months to 30/06/2017 £000	year ended 31/12/2017 £000
Profit for the period	1,875	1,585	2,985
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translating foreign operations	76	54	109
Cashflow hedge movements (net of deferred tax)	(107)		162
Total comprehensive income for the period	1,844	1,639	3,256
Attributable to the owners of the parent:	1,843	1,638	3,256
Non-controlling interests	1	1	-
Total comprehensive income for the period	1,844	1,639	3,256

Unaudited consolidated statement of financial position
as at 30 June 2018

	Notes	as at 30/06/2018 £000	as at 30/06/2017 £000	as at 31/12/2017 £000
Intangible assets	5	10,954	10,851	10,820
Property, plant and equipment	6	3,319	3,442	3,347
Deferred tax assets		451	338	447
Non-current assets		14,724	14,631	14,614
Inventories		3,852	2,315	3,088
Trade and other receivables		6,821	6,921	5,720
Derivative financial instruments		76	-	220
Cash and cash equivalents		12,647	12,611	13,559
Current assets		23,396	21,847	22,587
Total assets		38,120	36,478	37,201
Called up share capital		5,357	5,292	5,350
Share premium		10,397	9,518	10,330
Other reserves		(5,346)	(4,801)	(5,406)
Retained earnings		22,123	20,428	20,248
Equity attributable to owners of the parent company		32,531	30,437	30,522
Non-controlling interest		(1)	(1)	-
Total equity		32,530	30,436	30,522
Deferred tax liabilities		1,045	974	1,044
Non-current liabilities		1,045	974	1,044
Trade and other payables		4,149	4,602	5,348
Current income tax liabilities		396	466	287
Current liabilities		4,545	5,068	5,635
Total liabilities		5,590	6,042	6,679
Total equity and liabilities		38,120	36,478	37,201

Unaudited consolidated statement of changes in equity
for the six months ended 30 June 2018

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non- controlling interest £000	Total equity £000
Balance at 1 January 2017	5,291	9,515	(5,112)	18,843	-	28,537
Profit for the period	-	-	-	1,585	(1)	1,584
Currency translation differences	-	-	54	-	-	54
Cash flow hedge reserve	-	-	123	-	-	123
Total comprehensive income for the period	-	-	177	1,585	(1)	1,761
Issue of share capital	1	3	-	-	-	4
Share-based payment adjustments	-	-	134	-	-	134
Transactions with owners	1	3	134	-	-	138
Balance at 30 June 2017	5,292	9,518	(4,801)	20,428	(1)	30,436
Profit for the period	-	-	-	1,400	1	1,401
Currency translation differences	-	-	55	-	-	55
Cash flow hedge reserve	-	-	39	-	-	39
Total comprehensive income for the period	-	-	94	1,400	1	1,495
Issue of share capital	58	812	-	-	-	870
Deferred tax regarding share-based payments	-	-	71	-	-	71
Joint share ownership plan	-	-	(825)	-	-	(825)
Share-based payment adjustments	-	-	55	-	-	55
Dividends relating to 2016	-	-	-	(1,580)	-	(1,580)
Transactions with owners	58	812	(699)	(1,580)	-	(1,409)
Balance at 31 December 2017	5,350	10,330	(5,406)	20,248	-	30,522
Profit for the period	-	-	-	1,875	(1)	1,874
Currency translation differences	-	-	76	-	-	76
Cash flow hedge reserve	-	-	(107)	-	-	(107)
Total comprehensive income for the period	-	-	(31)	1,875	(1)	1,843
Issue of share capital	7	67	-	-	-	74
Share-based payment adjustments	-	-	91	-	-	91
Transactions with owners	7	67	91	-	-	165
Balance at 30 June 2018	5,357	10,397	(5,346)	22,123	(1)	32,530

Unaudited consolidated statement of cash flows
for the six months ended 30 June 2018

	six months to 30/06/2018 £000	six months to 30/06/2017 £000	year ended 31/12/2017 £000
Cash generated from operating activities	(229)	2,448	5,583
Income tax paid	(257)	(73)	(349)
Net cash generated from operating activities	(486)	2,375	5,234
Investment in subsidiary	-	(514)	(514)
Purchases of property, plant and equipment	(130)	(69)	(151)
Proceeds from disposal of property, plant and equipment	-	1	44
Payments to acquire intangible assets	(354)	(298)	(624)
Interest received	35	17	42
Net cash used in investing activities	(449)	(863)	(1,203)
Joint share ownership plan	-	-	(825)
Proceeds from issuance of shares	74	4	874
Dividend paid to Company's shareholders	-	-	(1,580)
Net cash used in financing activities	74	4	(1,531)
Net increase in cash and cash equivalents	(861)	1,516	2,500
Effect of exchange rate changes	(51)	(17)	(53)
Cash and cash equivalents at the beginning of the period	13,559	11,112	11,112
Cash and cash equivalents at the end of the period	12,647	12,611	13,559

	six months to 30/06/2018 £000	six months to 30/06/2017 £000	year ended 31/12/2017 £000
Cash generated from operating activities			
Profit before income tax	2,241	1,877	3,403
Net finance income	(35)	(17)	(42)
Depreciation, amortisation and impairment	378	348	825
(Profit)/Loss on disposal of property, plant and equipment	-	7	19
Share-based payments	91	134	189
Fair value adjustment to derivatives	37	-	(44)
Changes in working capital:			
Inventories	(783)	(38)	(855)
Trade and other receivables	(1,130)	(212)	965
Trade and other payables	(1,028)	349	1,123
Net cash generated from operating activities	(229)	2,448	5,583

Notes to the financial statements
for the six months ended 30 June 2018

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 2018.

The Group has presented its financial statements in accordance with International Reporting Standards (“IFRS’s”), 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 2017, which are available on the Company’s website 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 2017 were approved by the Board of Directors on 7 March 2018 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 2018 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. Management considers adjusted EBITDA to assess the performance of the operating segments, which comprises profit before interest, tax, depreciation and amortisation adjusted for share-based payments and exceptional items.

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
for the six months ended 30 June 2018						
Total segmental revenue	2,678	6,401	6,366	2,068	-	17,513
Inter-segment revenue	-	-	(2,740)	-	-	(2,740)
Revenue from external customers	2,678	6,401	3,626	2,068	-	14,773
Adjusted EBITDA	568	2,118	1,410	645	(2,045)	2,696
Depreciation and amortisation	(4)	(6)	-	-	(368)	(378)
Net finance income	-	-	-	1	34	35
Share-based payments	-	-	-	-	(112)	(112)
Profit before income tax	564	2,112	1,410	646	(2,491)	2,241
Income tax	-	-	-	-	(366)	(366)
Profit for the period	564	2,112	1,410	646	(2,857)	1,875
Total assets					38,120	38,120
Total liabilities					(5,590)	(5,590)

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
for the six months ended 30 June 2017						
Total segmental revenue	2,859	6,588	5,124	2,136	-	16,707
Inter-segment revenue	-	-	(1,904)	-	-	(1,904)
Revenue from external customers	2,859	6,588	3,220	2,136	-	14,803
Adjusted EBITDA	994	2,057	1,217	833	(2,464)	2,637
Depreciation and amortisation	(7)	(4)	-	-	(336)	(347)
Net finance income	1	-	-	1	15	17
Share-based payments	-	-	-	-	(161)	(161)
Exceptional items	-	(165)	-	(19)	(85)	(269)
Profit before income tax	988	1,888	1,217	815	(3,031)	1,877
Income tax	31	8	-	(1)	(330)	(292)
Profit for the period	1,019	1,896	1,217	814	(3,361)	1,585
Total assets					36,478	36,478
Total liabilities					(6,042)	(6,042)

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
for the year ended 31 Dec 2017						
Total segmental revenue	6,013	12,461	10,967	3,984	-	33,425
Inter-segment revenue	-	-	(4,184)	-	-	(4,184)
Revenue from external customers	6,013	12,461	6,783	3,984	-	29,241
Adjusted EBITDA	1,818	3,775	2,641	1,528	(4,690)	5,072
Depreciation and amortisation	(13)	(10)	-	-	(802)	(825)
Net finance (income)/expense	1	1	-	2	38	42
Share-based payments	-	-	-	-	(259)	(259)
Exceptional items	(36)	(254)	(3)	(42)	(292)	(627)
Profit before income tax	1,770	3,512	2,638	1,488	(6,005)	3,403
Income tax	17	(31)	-	(1)	(403)	(418)
Profit for the year	1,787	3,481	2,638	1,487	(6,408)	2,985
Total assets					37,201	37,201
Total liabilities					(6,679)	(6,679)

4. Earnings per share

	six months to 30/06/2018	six months to 30/06/2017	year ended 31/12/2017
Weighted average number of shares in Issue (000's)	20,472	20,313	20,361
Adjusted for effects of dilutive potential Ordinary shares (000's)	1,183	473	709
Weighted average number for diluted earnings per share (000's)	21,655	20,786	21,070
Profit attributable to owners of the Parent (£000's)	1,875	1,585	2,985
Basic earnings per share	9.16p	7.80p	14.66p
Diluted earnings per share	8.66p	7.62p	14.17p
	six months to 30/06/2018	six months to 30/06/2017	year ended 31/12/2017
	£000	£000	£000
Adjusted profit attributable to owners of the Parent			
Profit attributable to owners of the Parent	1,875	1,585	2,985
Exceptional items (net of tax)	-	269	544
Prior year tax adjustments	-	-	(121)
Adjusted profit attributable to owners of the Parent	1,875	1,854	3,408
Adjusted earnings per share	9.16p	9.13p	16.74p
Diluted adjusted earnings per share	8.66p	8.92p	16.17p

5. Intangible assets

	Goodwill £000	Brands £000	Customer relationships £000	Patents, trademarks and registrations £000	Development costs £000	Software and Licences £000	Total £000
Cost							
As at 1 January 2018	5,960	2,768	786	1,346	2,447	589	13,896
Additions	-	-	-	159	158	37	354
Foreign exchange	-	-	-	(1)	-	-	(1)
As at 30 June 2018	5,960	2,768	786	1,504	2,605	626	14,249
Accumulated amortisation/impairment							
As at 1 January 2018	-	310	443	395	1,758	170	3,076
Charge for the period	-	42	40	100	-	37	219
As at 30 June 2018	-	352	483	495	1,758	207	3,295
Net book value							
As at 30 June 2018	5,960	2,416	303	1,009	847	419	10,954
As at 1 January 2018	5,960	2,458	343	951	689	419	10,820

6. Tangible assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost				
As at 1 January 2018	2,181	2,088	430	4,699
Additions	-	97	33	130
Foreign exchange	-	1	-	1
As at 30 June 2018	2,181	2,186	463	4,830
Accumulated depreciation				
As at 1 January 2018	308	776	268	1,352
Charge for the period	16	108	35	159
As at 30 June 2018	324	884	303	1,511
Net book value				
As at 30 June 2018	1,857	1,302	160	3,319
As at 1 January 2018	1,873	1,312	162	3,347

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