

11 September 2008

KIOTECH INTERNATIONAL plc  
Interim Results for 6 months to 30 June 2008

Kiotech International plc supplies high-performance natural feed additives to enhance health, growth and sustainability in aquaculture and agriculture.

Key points: Financial

- Profit before tax and share-based payments of £227,301 (2007: £266,057).
- Sales of £2,688,387 (2007: £2,806,470).
- Gross margin held, countering significant raw material price inflation.
- Cash balance of £1,390,513 at 30 June 2008.

Key points: Operations

- Acceptance and early sales growth of new acidifier products encouraging.
- New distributors appointed in Belarus, Brazil, Egypt, Indonesia and Vietnam.
- Successful Aquatice® trials in Southern Thailand on catfish.
- Aquatice® trials commenced in Europe and Latin America, with commercial farmers, who are significant producers in their respective markets.

Richard Rose, Chairman, commented:

"We have made a steady start to the second half and are benefiting from management's strong action to counter the impact of raw material price increases. There are some signs that the upward pressure on input costs may be abating but we remain cautious. New product development and a further broadening of our geographical sales base will be the growth drivers in our agriculture and aquaculture divisions."

Enquiries:

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Chairman's statement

In the six months to 30 June 2008 we achieved sales of £2,688,387 (2007: £2,806,470) and pre-tax profit before share-based payments of £227,301 (2007: £266,057). This performance reflects the comments made in our Annual General Meeting statement of 1 July 2008, which referred to significantly tougher market conditions, rising raw material prices and the impact of the weak dollar in the first half of the year. Management acted quickly to protect the gross margin, which ended the period little changed and reflected the focus on controlling costs and rapid action on pricing to counter the significant increase in raw material and energy prices. Holding margins has had some short-term effect on sales which we are confident will be reversed as the inflationary pressures subside.

Operations - Agriculture

## Untitled

The majority of sales in this division are generated overseas from our distributors in over fifty countries. This broad customer spread helps to smooth local market fluctuations. Sales in twenty four countries increased compared with the same period last year and nineteen countries saw double-digit percentage rises. The largest percentage increases were achieved in Australia, Chile, Korea, Spain and the United Arab Emirates.

The Company experienced significant, and in some cases unprecedented, raw material price increases during the first half of the year. Management acted immediately to protect gross margins through pricing action although this had some short term effect on sales as meat producers remove feed additives to counter rising input costs. Our acid product range was affected significantly as suppliers were impacted by high oil and energy prices and a major European producer taking its plant offline at a time of peak demand. Encouragingly, the rate of price rise seems to have slowed in recent weeks and we expect the second half to be more settled.

Management is constantly reviewing the sales performance and during the period identified suitable distributors for a number of new territories including Belarus and Vietnam. Significant improvements in sales should result from the recent change in distribution arrangements in Brazil, Egypt and Indonesia. Achieving registrations and training new distributors takes time but these new appointments will drive organic growth in the future.

Farmers, already affected by the animal feed price increases, sought to reduce costs by removing certain feed additives. The reduction in sales of our acid range was partly offset by an increase in 'Mastercube', our pellet binder product. As feed producers switch to lower quality grains to counter rising prices this has adversely affected pellet quality. Mastercube counters this through its chemical binding action and also helps to lower energy consumed in pellet production.

Our new acidifier product, targeted at the early growth stage for pigs and poultry, continues to prove its efficacy in farm trials. We now have growing sales in the UK and Ireland with farmers and feed mills and have started trials and the registration process in other countries.

Operations - Aquaculture

Our Aquatice® commercialisation programme continues apace as we work to establish the product with potential customers and distributors in a number of key territories. The results of Aquatice® trials for catfish in Thailand, reported in our June trading update, are most encouraging and demonstrate the potential of Aquatice® in a new and important species for Kiotech. Catfish is also very significant in Vietnam, where one million tonnes are farmed annually and we are working with Bayer HealthCare to bring the technology to this market.

Kiotech continues to develop relationships with potential major partners in key territories around the world. The trials programme is progressing well with some notable successes. The company is carrying out trials on a range of species and as a result is building substantial interest in its Aquatice® feed attractant from fish farming enterprises.

While individual EU members recognise the legitimacy of the Manufacture and Free Sale Certificate for Aquatice®, which DEFRA granted in January 2008, they have requested additional authorisations. These requests have been made because of the unique application of Aquatice® as a water additive and the member states require additional environmental certification. We are working with our partner, CEFAS, to provide what is required.

Registration of Aquatice® in each national market is an essential component of the product development process before sales can commence. This takes time and the timetable is governed by each national authority. The environmental safety aspects are of significant importance to government bodies wishing to ensure that aquaculture products are both safe for consumption and export and that intensive fish farming is sustainable in the surrounding environment.

## Outlook

We have made a steady start to the second half and are benefiting from

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management's strong action to counter the impact of raw material price increases. There are some signs that the upward pressure on input costs may be abating although we remain cautious. New product development and a further broadening of our geographical sales base will be the growth drivers in our agriculture division, and the registration timetable will govern performance in our aquaculture division.

Richard S Rose  
Chairman  
11 September 2008

KIOTECH INTERNATIONAL PLC CONSOLIDATED  
INCOME STATEMENT FOR THE SIX MONTHS TO 30  
JUNE 2008

	Six months ended 30.06.08 (unaudited) £	Six months ended 30.06.07 (unaudited) £	Year ended 31.12.07 (audited) £
REVENUE	2,688,387	2,806,470	5,352,224
Cost of sales	(1,833,390)	(1,918,263)	(3,598,425)
GROSS PROFIT	854,997	888,207	1,753,799
Administrative expenses	(700,844)	(661,053)	(1,347,840)
Other operating income	19,986	-	10,327
OPERATING PROFIT	174,139	227,154	416,286
Interest receivable	34,037	24,448	48,119
PROFIT FOR THE PERIOD BEFORE TAXATION	208,176	251,602	464,405
Taxation	(67,400)	(82,008)	(128,553)
PROFIT FOR THE PERIOD AFTER TAXATION	140,776	169,594	335,852
BASIC EARNINGS PER SHARE (pence)	0.06	0.07	0.13
FULLY DILUTED EARNINGS PER SHARE (pence)	0.06	0.07	0.13

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX  
MONTHS TO 30 JUNE 2008

Attributable to equity holders of the company:

Total	Share Capital £	Share Premi um £	Other Reserves £	Retai ned Earni ngs £
Equity				
£				
Balance at 1 January 2007	4,351,862	9,844,198	147,317	(7,580,682)
6,762,695				
Share based payments	-	-	29,786	-

29,786	Unaudited			
Profit for the year 335,852	-	-	-	335,852
Balance at 1 January 2008 7,128,333	4,351,862	9,844,198	177,103	(7,244,830)
Share based payments 19,125	-	-	19,125	-
Profit for the period 140,776	-	-	-	140,776
Balance at 30 June 2008 7,288,234	4,351,862	9,844,198	196,228	(7,104,054)

KIOTECH INTERNATIONAL PLC BALANCE SHEET  
AS AT 30 JUNE 2008

	Asat 30.06.08 (unaudited) £	Asat 30.06.07 (unaudited) £	Asat 31.12.07 (audited) £
<b>ASSETS</b>			
Non current assets			
Property, Plant and Equipment	361,403	366,247	362,464
Goodwill and other intangibles	4,173,849	3,873,666	4,076,591
	4,535,252	4,239,913	4,439,055
Current assets			
Inventories	539,990	381,794	394,045
Trade and other receivables	2,340,651	2,630,855	2,311,778
Other taxes and social security	22,710	137,576	135,737
Cash and cash equivalents	1,390,513	934,919	1,665,709
	4,293,864	4,085,152	4,507,269
Total Assets	8,829,116	8,325,065	8,946,324
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the company			
Called up share capital	4,351,862	4,351,824	4,351,862
Share premium account	9,844,198	9,844,198	9,844,198
Other reserves	196,228	161,772	177,103
Retained earnings	(7,104,054)	(7,411,088)	(7,244,830)
Total Equity	7,288,234	6,946,744	7,128,333
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	1,328,393	1,278,873	1,654,317
Corporation tax	193,976	82,008	126,576
Other taxes and social security	18,513	17,440	37,098
Total Equity and Liabilities	8,829,116	8,325,065	8,946,324

KIOTECH INTERNATIONAL PLC CONSOLIDATED  
CASH FLOW STATEMENT FOR THE SIX MONTHS TO  
30 JUNE 2008

	Six months to 30.06.08 (unaudited)	Six months to 30.06.07 (unaudited)	Year ended 31.12.07 (audited)
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	Unaudited		
	£	£	£
Profit from operations	174,139	227,154	416,286
Adjustment for:			
Depreciation of plant and equipment	5,054	4,504	15,698
Amortisation of intangible assets	31,768	13,340	35,733
Share based payments	19,125	14,455	29,786
	230,086	259,453	497,503
Operating cash flow before movement in working capital			
(Increase)/decrease in inventories	(145,945)	62,447	50,196
Decrease/(increase) in receivables	84,154	(190,290)	128,658
(Decrease) in payables	(344,509)	(420,463)	(25,362)
Cash (absorbed by)/generated from operations	(176,214)	(288,853)	650,995
Cash flows from investing activities			
Interest received	34,037	24,448	48,119
Purchase of goodwill and research and development	(129,026)	(144,587)	(369,905)
Purchase of plant and equipment	(3,993)	(2,847)	(10,258)
Net cash (used in) investing activities	(98,982)	(122,986)	(332,044)
Net (decrease)/increase in cash and cash equivalents	(275,196)	(411,839)	318,951
Cash and cash equivalents at the beginning of the period	1,665,709	1,346,758	1,346,758
Cash and cash equivalents at the end of the period	1,390,513	934,919	1,665,709

#### NOTES TO THE PRELIMINARY RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

##### 1 Basis of preparation

The unaudited interim results for the six months ended 30 June 2008 and 30 June 2007 have been prepared by the Group in accordance with International Financial Reporting Standards. The financial information for the six months ended 30 June 2008 does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

2. Revenue is derived from the Group's biochemical attractant and animal feed additive business.

##### 3. Earnings per share:

		June 2008
June 2007	December	
unaudited	2007	unaudited
	Audited	
Weighted average number of share in issue (000' s)	251,079	251,079
Fully diluted weighted average number of shares in issue (000' s)	257,356	257,356
Profit attributable to equity holders of the company (£' s)	169,594	335,852
Basic earnings per share (pence)		0.06

Untitled

0.07	0.13	
Fully diluted earnings per share (pence)		0.06
0.07	0.13	

4. This financial information was approved by the Board on 11th September 2008.

5. Copies of this interim report are being sent to all of the Company's shareholders. Further copies can be obtained from the Company's registered office at 78 Coombe Road, New Malden, Surrey, KT3 4QS.

DIRECTORS & OFFICERS	Richard Rose	(Chairman)
	Richard Edwards	(Chief Executive)
	Peter Lawrence	(Director)
	Mark Nicholls	(Director)
	Julia Rosu	(Company Secretary)

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COMPANY NUMBER	03345857
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