

PLANT HEALTH CARE plc



INTERIM REPORT

for the six months ended 30 June 2012



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Trademarks:

Myconate and *Harpin* are trademarks or trade names which Plant Health Care owns or which others own and license to Plant Health Care for use.

Introduction

I am delighted to have been appointed Plant Health Care's Chairman at what I believe is an inflexion point in the development of the Company.

Plant Health Care's products increase crop yields by enhancing natural processes within the plant. The need for these products has never been greater. With world population now at more than seven billion and increasing prosperity leading to demand for more and better food, agriculture is facing ever greater challenges to produce enough food in ways which are sustainable, especially when resources such as water are becoming scarcer and the climate less predictable. Farmers need new technologies to help them to achieve sustainably higher yields. Years of trials and now farmers' practical experience in the field have demonstrated that Plant Health Care's products offer significant yield enhancement in many important crops, in both traditional and green farming systems. This presents a significant commercial opportunity for the Company.

After 30 years in the agrochemical industry, I have a good understanding of the market and a clear view of the future for biological products. The traditional agrochemical industry is now looking to biological products as important complements to their product offering, due to faster track registrations and the ability to bring these products to market quickly without sacrificing efficacy or ease of use. Plant Health Care has already formed partnerships with a number of the leading agrochemical companies as they seek to respond to these trends. We expect to build these into successful commercial partnerships, in order to leverage their distribution strength globally. At the same time, Plant Health Care will continue to validate the current technology independently, through field trials and product sales to distributors and in selected crops and countries around the world.

Plant Health Care also benefits from a pipeline of products beyond Harpin and Myconate, which build on the same technology platform. We will continue to invest in this research, to bring new products and formulations to market over the coming years.

I am thrilled to be joining Plant Health Care and pleased to be working with such a capable management team. Our goal now is to accelerate the drive of the Company's intellectual property into commercialisation, while continuing to invest in research and development, and thereby to create a new stage in Plant Health Care's life cycle.

The market

Plant Health Care's Harpin and Myconate products use natural processes to enhance crop yields and to strengthen a plant's immunity to disease and resistance to nematodes. For example, field trials have shown that applying Harpin as a seed treatment to soya can increase yields by 6% per hectare; this represents a return of well over 10 times the investment in the product.

A key measure of progress is the area of crops treated with our products. In our largest current market, the USA, our partnership with Monsanto and Direct Enterprises Inc. (DEI) showed excellent results in the field this season. An estimated 3.5 million acres, mainly of

soya, were planted with seed treated with Harpin in the first half of 2012; this compared with 633,000 acres planted in 2011. In addition, 290,000 acres received foliar sprays of Harpin in the same period, compared with 180,000 acres in 2011; the crop treated was mainly corn and largely in combination with fungicide treatments. We are particularly pleased with this development considering the corn crop suffered a serious drought and farmers significantly reduced the acres treated with fungicides. Taken together, in the USA, usage of Harpin for the 2012 crop season is estimated to exceed the total for 2011 by more than 180%. These increases in use clearly demonstrate that farmers are obtaining good results from the use of Harpin and that they see it as good value for money.

With strong results now coming through in the field from a range of biological products, it is not surprising that the agrochemical industry is showing increased interest in the biologicals sector. This has led to the first substantial investments by the agrochemical majors, buying in to specialised companies with proven products and a strong research and development pipeline. The attraction of Plant Health Care's technology has been recognised by the agreements announced during the first half with Arysta LifeScience, Makhteshim Agan Industries and Agrium.

The intellectual property pipeline

While Harpin and Myconate are already commercially available, we also have an exciting pipeline of new products based on the Harpin platform. The current Harpin based product – Harpin alpha beta – is one in a series of potential products. Trial data will be collected at harvest and, if encouraging, will move the next generation of the Harpin technology closer to reality, affording the Company the potential for a more targeted array of grower solutions, segmented to add increased value in a variety of key crop sectors of the global marketplace.

There has also been good progress in developing further uses of Myconate. Field trials with several major companies have shown that the product can enhance drought resistance in field crops. Company data indicates that use of Myconate can provide a tenfold return on investment and increase income per acre by nearly \$60. With much of the North American corn belt having suffered its worst drought in more than 20 years, these results have attracted considerable attention.

Summary of financial results

Financial highlights for the six months ended 30 June 2012, with comparatives for the six months ended 30 June 2011, are set out below:

Revenues during the first half of 2012 were flat compared to the prior year at \$3.5 million (2011: \$3.5 million). On-ground use of Harpin in field crops in the USA through Monsanto and DEI were not reflected in sales by Plant Health Care; Monsanto continues to deplete inventory which they bought in 2009. However, direct sales by the Company of Harpin and Myconate were up 50%, in part due to increased use in fruit and vegetable crops by both existing and new distributors. Harpin and Myconate now represent 27% of Group revenue. These increased sales were off-set by reduced sales of third party products outside the USA.

Gross profit margin from continuing operations was flat at 51% (2011: 52%).

Operating expenses from continuing operations reduced by 4% to \$5.4 million (2011: \$5.6 million), primarily due to reductions in compensation and related corporate expenses. Product development investment was maintained, focused on the development of the next generation Harpin products, formulation enhancements and greenhouse and field trials. The resulting operating loss from continuing operations was \$3.6 million (2011: loss of \$3.7 million).

A small amount of finance income was earned on our cash and investments, resulting in an overall net loss of \$3.6 million (2011: loss of \$1.7 million). The first half of 2011 included income from the sale of the Group's US retail and landscape business, which resulted in a gain of \$2.1 million.

The Company continues to have no debt and held cash and investments of \$10.2 million at 30 June 2012.

Board changes

During the period, Dr. Dominik Koechlin announced that, for personal reasons, he had decided to retire from his position as Chairman and to step down from the Board. Sam Wauchope, the Company's Senior Independent Director, very kindly took over as Chairman at this juncture on an interim basis. I joined the Company as Chairman on 1 August 2012, at which point Sam resumed his role as Senior Independent Director. I would like to take this opportunity to thank Dominik for his important contribution over two years as Chairman and to thank Sam for stepping forward in the interim.

Current trading and outlook

Trading at the beginning of the second half has started positively. We plan to build on the solid progress of the first half with Harpin and Myconate and continue to implement the established strategy.

In closing, I am very excited to have joined Plant Health Care. This is a high growth business with a significant pipeline of opportunities that is addressing the challenge of sustainable intensification of agriculture, to help feed the world. I expect great things from this business. As I get to know the Company better, I will be working with management to find ways to enhance growth and to deliver improved shareholder returns. I look forward to providing further updates over the coming months.

Dr. Christopher Richards

Chairman

17 August 2012

Unaudited consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 30 JUNE 2012



		<i>Six months to</i> 30 June <i>2012</i> \$'000	<i>Six months to</i> <i>30 June</i> <i>2011</i> <i>\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>\$'000</i>
Revenue		3,490	3,517	7,853
Cost of sales		(1,715)	(1,675)	(3,739)
Gross profit		1,775	1,842	4,114
Administrative expenses		(5,366)	(5,582)	(11,167)
Operating loss	3	(3,591)	(3,740)	(7,053)
Finance income		38	79	82
Finance expense		—	(5)	(7)
Loss before tax		(3,553)	(3,666)	(6,978)
Income tax expense		—	—	(157)
Net loss from continuing operations		(3,553)	(3,666)	(7,135)
Profit of discontinued operations, net of tax	6	—	1,925	2,036
Loss for the period		(3,553)	(1,741)	(5,099)
Other comprehensive (loss)/income:				
Exchange difference on translation of foreign operations		(1)	190	(127)
Total comprehensive loss for the period		(3,554)	(1,551)	(5,226)
Net loss attributable to:				
Owners of the parent		(3,563)	(1,755)	(5,141)
Non-controlling interest		10	14	42
		(3,553)	(1,741)	(5,099)
Total comprehensive loss attributable to:				
Owners of the parent		(3,564)	(1,565)	(5,268)
Non-controlling interest		10	14	42
		(3,554)	(1,551)	(5,226)
Basic and diluted loss per share	2	\$(0.07)	\$(0.03)	\$(0.10)
Basic and diluted loss per share from continuing operations	2	\$(0.07)	\$(0.07)	\$(0.13)

Unaudited consolidated statement of financial position

AT 30 JUNE 2012

	30 June 2012 \$'000	30 June 2011 \$'000	31 December 2011 \$'000
Note			
Assets			
Non-current assets			
Intangible assets	3,383	3,620	3,505
Property, plant and equipment	242	382	280
Trade and other receivables	458	375	602
Total non-current assets	4,083	4,377	4,387
Current assets			
Inventories	2,132	1,868	1,674
Trade and other receivables	2,867	3,494	3,364
Investments	4,922	4,972	4,892
Cash and cash equivalents	5,306	11,808	8,906
Total current assets	15,227	22,142	18,836
Total assets	19,310	26,519	23,223
Liabilities			
Current liabilities			
Trade and other payables	2,197	2,626	2,748
Borrowings	3	14	10
Provisions	153	165	154
Total current liabilities	2,353	2,805	2,912
Non-current liabilities			
Borrowings	—	3	—
Provisions	175	141	175
Total non-current liabilities	175	144	175
Total liabilities	2,528	2,949	3,087
Total net assets	16,782	23,570	20,136
Capital and reserves attributable to owners of the Company			
Share capital	950	946	949
Share premium	50,531	50,362	50,476
Reverse acquisition reserve	10,548	10,548	10,548
Share-based payment reserve	2,754	2,486	2,610
Foreign exchange reserve	(721)	(403)	(720)
Retained earnings	(47,492)	(40,543)	(43,929)
Total equity	16,570	23,396	19,934
Non-controlling interests	212	174	202
Total equity	16,782	23,570	20,136

Unaudited consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 30 JUNE 2012



	<i>Six months to 30 June 2012 \$'000</i>	<i>Six months to 30 June 2011 \$'000</i>	<i>Year ended 31 December 2011 \$'000</i>
Net cash flows used in operating activities	(3,664)	(581)	(3,633)
Investing activities			
Purchase of property, plant and equipment	(67)	(4)	(19)
Expenditure on externally-acquired intangible assets	(12)	(177)	(193)
Disposal of discontinued operations, net of cash	100	4,330	4,330
Purchase of investments	(1,363)	(1,675)	(3,243)
Sale of investments	1,333	1,685	3,333
Finance income	38	79	82
Net cash provided by investing activities	29	4,238	4,290
Financing activities			
Interest paid	—	(5)	(7)
Issuing of ordinary share capital	56	71	144
Exercise of options	—	23	66
Repayment of borrowings	(7)	(35)	(43)
Net cash provided by financing activities	49	54	160
Effects of exchange rate changes on cash and cash equivalents	(14)	43	35
Net (decrease)/increase in cash	(3,600)	3,754	852
Cash and cash equivalents at the beginning of the period	8,906	8,054	8,054
Cash and cash equivalents at the end of the period	5,306	11,808	8,906

1 Accounting policies

Basis of preparation

The financial information in these interim results is that of the holding company and all of its subsidiaries (“the Group”). It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (“IFRSs”) as adopted for use in the EU. The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2011 and which will form the basis of the 2012 financial statements.

A number of new and amended standards have become effective since the beginning of the previous financial year. None of the new standards and amendments are expected to materially affect the Group.

The comparative financial information presented herein for the year ended 31 December 2011 does not constitute full statutory accounts for that period. The Group’s annual report for the year ended 31 December 2011 has been delivered to the Registrar of Companies. The Group’s independent auditor’s report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the half years ended 30 June 2012 and 30 June 2011 is unaudited.

2 Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss for the period of \$3,553,000 (loss for the six months ended 30 June 2011: \$1,741,000, and loss for the year ended 31 December 2011: \$5,099,000) and the weighted average number of shares in issue during the period of 53,223,217 (six months ended 30 June 2011: 52,953,652, and year ended 31 December 2011: 53,063,707). Basic loss per share from continuing operations has been calculated with a numerator of \$3,553,000 (loss for the six months ended 30 June 2011: \$3,666,000, and for the year ended 31 December 2011: \$7,135,000). The weighted average number of shares used in the above calculation is the same as for total basic loss per ordinary share. Instruments that could potentially dilute basic earnings per share in the future have been considered, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. This is due to the Group incurring losses on continuing operations for the period.

3 Operating loss

	Six months to 30 June 2012 \$'000	<i>Six months to 30 June 2011 \$'000</i>	<i>Year ended 31 December 2011 \$'000</i>
Operating loss is stated after charging:			
Depreciation	77	90	171
Amortisation	134	121	252
Share-based payment expense	144	212	450

4 Changes in equity

	Six months to 30 June 2012 \$'000	<i>Six months to 30 June 2011 \$'000</i>	<i>Year ended 31 December 2011 \$'000</i>
Net loss attributable to owners of the parent	(3,563)	(1,755)	(5,141)
Exercise of options	—	23	67
Share-based payments	144	157	281
Shares issued or exchanged	56	71	144
Exchange difference on translation of foreign operations	(1)	190	(127)
	(3,364)	(1,314)	(4,776)
Capital and reserves attributable to owners of the Company at the beginning of the period	19,934	24,710	24,710
Capital and reserves attributable to owners of the Company at the end of the period	16,570	23,396	19,934

5 Investments

Investments comprise short-term investments in notes and bonds having investment grade ratings. These assets are actively managed and evaluated by key management personnel on a fair value basis in accordance with a documented investment strategy. They are carried at fair value as determined by quoted prices on active markets, with changes in fair values recognised through profit and loss.

6 Discontinued operations

In January 2011, the Group sold the trade and certain assets and liabilities of its US landscape and retail business, which represents the only operation presented as discontinued operations for the six months ended 30 June 2011 and the year ended 31 December 2011.

(a) US landscape and retail: profit on disposal

The post-tax profit on disposal of discontinued operations was determined as follows:

	<i>Six months to 30 June 2011 \$'000</i>
Cash received	4,250
Deferred consideration receivable	400
	<hr/> 4,650
Net assets disposed of (other than cash):	
Property, plant and equipment	(64)
Trade and other receivables	(1,135)
Inventory	(555)
Intangible assets	(140)
Trade and other payables	563
	<hr/> (1,331)
Reorganisation expenses	(1,209)
Profit on disposal of discontinued operations	<hr/> 2,110 <hr/>

(b) The profit on discontinued operations, net of tax, was determined as follows:

	<i>Six months to 30 June 2011 \$'000</i>	<i>Year ended 31 December 2011 \$'000</i>
Revenue	24	24
Expense other than finance costs	(209)	(98)
Gain on disposal of discontinued operation	2,110	2,110
	<hr/> 1,925	<hr/> 2,036 <hr/>

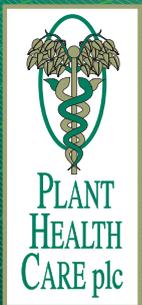
6 Discontinued operations *continued*

(c) Cash flows on discontinued operations

Cash flows attributable to operating, investing and financing activities of the above discontinued operations equal:

	<i>Six months to</i> 30 June <i>2012</i> \$'000	<i>Six months to</i> <i>30 June</i> <i>2011</i> <i>\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2011</i> <i>\$'000</i>
Operating inflows	—	98	(1,370)
Investing inflows	100	—	4,330
Financing inflows	—	—	—

Copies of this report and all other announcements made by Plant Health Care plc are available on the Company's website at www.planthealthcare.com/investor-relations



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