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## **Plant Health Care plc Trading Statement**

Plant Health Care plc (“PHC” or the “Company”), the leading supplier of natural products for plants and soil, provides an update on current trading.

Sales for the year ended 31 December 2004 for the US, PHC Mexico, PHC Netherlands and PHC Reclamation were in line with expectations. We had expected the UK operation to be achieving further sales into the Spanish market, which was already penetrated through sales of PHC’s Liquid Organic Plant Food, and the opening of a Spanish office. However, the UK division was unable to accelerate its Spanish sales due to the slow response of the Spanish government in issuing the business registration permit. Additionally, a key supplier was late on delivery of products because of labeling issues during the key part of the season and sales were missed. As a consequence, sales for this business unit will be below target. The Spanish company has now been formed and awarded its tax number and labeling issues have been resolved.

We also accelerated our distributor early order programme from the first quarter of 2005 into the fourth quarter of 2004. This change, which aligned the company with standard industry practices in the US landscape market, nevertheless contributed to a deterioration of percentage margins because of the pricing on large orders. It is anticipated that margins in 2005 will return to previous levels due to already implemented price increases combined with the operating efficiencies that will be realized by the new manufacturing plant.

The Company has been evaluating the prospect of relocating its Pittsburgh manufacturing plant for some time. The Directors recently received notification that a potential tenant is willing to lease a significant portion of the space which would allow PHC an economical exit from the property. The proceeds received from the AIM IPO allow PHC to sublet the current plant and take a one time charge in 2004. Accordingly, the Board has decided to take advantage of this opportunity and relocate the Pittsburgh manufacturing plant to a new significantly lower cost site. Whilst there will be a one off restructuring and relocation charge, the new manufacturing facility is expected to reduce rental costs by approximately 50% and realise operating efficiencies through better machinery layout and more advanced equipment. We estimate that payback on the investment by way of cost savings will be achieved in less than 2 years.

The Company has decided to accelerate the entry of its Myconate seed coating

product, acquired from VAMTech in October 2004, into the European market and as a consequence incurred costs that were originally budgeted for 2005. On the strength of the Myconate test results announced in early December, and the interest for the product by some key European distributors, management elected to commission a study of key European corn and wheat growing regions to target the markets which will provide optimal entry points for the product's European launch. This combined with the earlier than expected recruitment costs for a seed coating General Manager moved expenses into the fourth quarter of 2004 rather than in 2005 as anticipated.

The management also decided to accelerate the hiring of several other key individuals to drive the growth of the Company. A General Manager for the US operation was added along with several sales people to extend coverage more uniformly across the US.

Whilst the Directors believe the relocation of the manufacturing facility and the acceleration of the move of the seed coating business into Europe will greatly benefit the business these moves, together with the other matters referred to above, will cause the losses in 2004 to be some \$1,100,000 greater than previously expected.

The underlying trends for the business are stronger than ever and, coupled with the added coverage by the new sales hires, the Directors expect current growth to continue in the coming months and into the future.

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## **Notes to Editors**

### **About PHC**

Plant Health Care plc (“PHC”) is a leading provider of natural products for plants and soil. Established in 1995 in Pittsburgh (Pennsylvania) in the United States, PHC currently has approximately 60 employees and has operations in the US, Mexico, UK and the Netherlands with technical support in Austria. The Group has two principal operating subsidiaries in the US - PHC Inc (PA) and PHC Reclamation. The Company listed on the AIM market of the London Stock Exchange in July 2004.

PHC’s products are aimed at the horticulture, agriculture, turf grass, commercial landscaping, forestry and land reclamation industries and are both environmentally beneficial and on the whole more cost effective than synthetic chemical alternatives. Through the commercialisation of these products, PHC is capitalising on current long-term trends toward natural systems and biological products for plant care and soil and water management uses.

PHC Reclamation is an environmental and reclamation engineering consulting firm providing cost effective, biologically based solutions for the reclamation and restoration of lands disturbed by mining, construction and other activities. PHC Reclamation was established in 1997 to exploit PHC’s products and technology.