



## **PLANT HEALTH CARE PLC**

**(“Plant Health Care” or “the Company”)**

### **Interim results for the six months ended 30 June 2009**

Plant Health Care, (AIM: PHC.L), a leading provider of natural products for plants and soil, announces interim results for the six months ended 30 June 2009.

#### **Highlights**

- Large orders from Monsanto for Harpin as a seed treatment component on their 2010 North American roll-out of Roundup Ready 2 Yield™ soybeans
- £10.5 million raised before expenses (US\$15.2 million) in a placing of 7 million new shares in May 2009
- Continued development of the “next generation” of Harpin proteins
- Extensive field trials for foliar Harpin applications in combination with other seed treatments
- Large-scale evaluation programmes in place for Myconate with several of the largest seed and agrichemical companies
- Market drivers continue to favour environmentally sustainable products

#### **Commenting on the results, Chief Executive John Brady said:**

“Despite the current global recession, we are confident that the dominant trends affecting agriculture and our business will accelerate in the future. Our current opportunities for partnering arrangements have never been stronger. As a result, we are very optimistic that our recent commercial success with Monsanto is only one important milestone along a future path of larger successes for our naturally derived technologies.”

#### **Plant Health Care plc**

John Brady, Chief Executive  
14 -18 September  
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## **PLANT HEALTH CARE PLC**

**("Plant Health Care" or "the Company")**

### **Interim results for the six months ended 30 June 2009**

#### **Chairman and Chief Executive's statement**

#### **INTRODUCTION**

We are pleased to announce the financial results of Plant Health Care plc for the six months ended 30 June 2009 and to update our shareholders on the exciting developments in our business.

Our primary strategy is to develop and prove naturally derived IP-protected products which promote plant growth, yield and health, and exploit them commercially by partnering with the largest seed and agrichemical companies in order to enhance the efficacy of existing and future agricultural products. The success of this strategy is best measured by the growth in demand for the company's products as well as the quality of opportunities for future growth. By both measures, the first half of 2009 was highly successful. During this period Monsanto placed large orders for Harpin as a seed treatment component on their 2010 North American roll-out of Roundup Ready 2 Yield™ soybeans. These commercial scale orders far exceed the top of the range of expectations for the first year of our long-term agreement with Monsanto. These orders are being fulfilled during the second half of 2009 and it is expected that they will contribute significantly to the second half and full year results.

As noted in our 2008 statement, we expect an ongoing seasonal pattern of stronger second half sales as large shipments to Monsanto replace direct sales to growers spread throughout the year. This timing effect, combined with the global economic slowdown, led to a decline in product sales for the first half period. Our product sales were impacted by the residential housing and commercial real estate recession in the United States and by the reduced credit available to many of our customers throughout the world. We expect the second half sales to recover as sales to Monsanto offset these factors.

The Harpin commercialisation agreement signed in December 2008 provides Monsanto with the exclusive use of our second generation Harpin alpha beta as a seed treatment on cotton, corn, canola, soybeans and certain vegetables. We are optimistic that the initial success of Harpin as a seed treatment on soybeans will position Harpin for a key role in similar programmes as they are initiated with cotton, corn, canola and certain vegetables. Additionally, the commercial success achieved with Harpin in the first half of 2009 has led us to refocus our development efforts on the "next generation" of Harpin proteins. The objective of this development effort is a crop and effect-specific activity which we believe has significant untapped potential across the agricultural sector.

In May 2009, the Board took the opportunity to significantly strengthen the Company's balance sheet by raising proceeds of £10 million before expenses (US\$15.2 million) in a placing of 7 million new shares. These funds will finance the increase in working capital as we continue our development programmes for foliar Harpin applications and Myconate, as well as the next generation Harpin proteins.

We, along with prospective agrichemical partners are currently conducting extensive field trials for foliar Harpin applications in combination with other seed treatments, such as herbicides and fungicides, with results due later this year. Myconate testing is on a similar path and positive trial results are expected to lead to new partnership agreements in 2010. We are especially encouraged that our strategy is advancing despite a difficult economic environment for the agricultural sector and the economy as a whole.

## SUMMARY OF FINANCIAL RESULTS

Financial results for the six months ended 30 June 2009, with comparatives for the six months ended 30 June 2008, are set out below:

	2009	2008
Revenue (\$'000's)	5,508	7,872
Gross profit (\$'000's)	2,199	3,761
Gross profit margin (%)	40%	48%
Operating loss (\$'000's)	(4,966)	(3,326)
Loss before taxes (\$'000's)	(3,864)	(3,335)

As noted in the introduction, we signed a Harpin commercialisation agreement with Monsanto in December 2007. On a six month comparison basis, this has resulted in a negative impact to the interim results as direct sales of higher profit Harpin products to growers were eliminated and expected large Harpin product shipments to Monsanto will not occur until the second half of the year. Gross margins decreased by 8% as a result of the absence of Harpin product sales.

We continued strong spending on product development and field trials during the first half of 2009 but held other administrative expenses essentially unchanged when compared to the first half of 2008. This was achieved as a result of cost savings initiatives across all areas of our products business.

Cash on hand at 30 June 2009 was US\$19.2 million, compared to US\$7.6 million at 30 June 2008. The increased cash was primarily due to the May 2009 fundraising. Subsequent to the fundraising, a further US\$1.1 million was realised on foreign exchange conversion as the Company benefitted from the strengthening pound sterling versus the US dollar.

## OUR TECHNOLOGIES

Commercial success and continued investing in product development and field testing have produced the expected benefits of improved visibility and an extended range of applications and crops for discussion and negotiation with prospective partners and customers.

### Harpin

Following the initial agreement with Monsanto in 2007 to evaluate, develop and eventually commercialise seed treatment applications using Harpin on soybeans, corn, cotton and canola, Monsanto has been conducting its own rigorous and extensive global testing programme. The full commercial agreement in December 2008 and commercial orders during the first half of 2009 have confirmed their interest and confidence in Harpin as part of their Acceleron seed treatment for their Roundup Ready 2 Yield soybeans. We believe a successful first year with this application may lead to significantly increased orders in 2010 and beyond. Further, numerous test results on cotton, corn, canola and vegetables will be compiled and evaluated during the second half of 2009, which may lead to further orders from Monsanto for Harpin in 2010 and beyond.

Harpin is also effective as a foliar application and a number of leading agrichemical companies are evaluating Harpin in combination with herbicides and fungicides in order to combine the delivery systems and achieve the plant health benefits from Harpin simultaneously with the benefit of the co-delivered materials.

Additionally, Harpin's plant health benefits are now recognised for their ability to extend shelf life and prevent cracking in many types of fruit. As a result, direct sales are growing and the list of potential partners has expanded.

In June 2009, our IP portfolio surrounding Harpin was expanded when the European Patent Office granted a new patent entitled "HR Elicitor-Induced Stress Resistance", which includes claims supporting Harpin's abilities to boost a plant's resistance to environmental stress.

## **Myconate®**

Interest in Myconate has developed rapidly and large-scale evaluation programmes are now in place with several of the largest seed and agrichemical companies. Several of the world's major row crops and cereals are under test and positive trial results are expected to lead to new partnering agreements in 2010.

In addition, due to the broad spectrum of crops that are known to respond to Myconate applications, several crop-specific testing arrangements have been put in place with potential commercial partners for beans, alfalfa, carrots and other crops. Over the course of the past six months, positive indications have been seen with all these crops, as well as with further wheat trials in Mexico.

During the same time period, the company has finalised new commercial production arrangements and new formulations for Myconate all of which, together with advancements in registrations, will facilitate the transfer of the technology to commercial partners.

We are in the final stages of resolving the open issues surrounding the termination of the Myconate agreement with Bayer CropScience. Discussions are currently in process for the transfer of certain patent filings. We anticipate these issues will successfully be resolved in the near future.

## **OPERATIONAL REVIEW**

### **Technology partnerships**

The seed treatment agreement on major row crops with Monsanto is now in the commercial phase with orders received and delivery of product scheduled throughout the latter part of 2009. This positions us well for further expansion of Harpin sales in the numerous areas we are exploring with potential partners as previously described.

Myconate opportunities are also being pursued aggressively with trials ongoing and completion of a transaction expected during the coming year.

### **Agriculture division**

Sales in the US Agriculture division were \$0.4 million (2008: \$1.5 million). As described above, we ceased a substantial amount of Harpin product sales related to seed treatment during the period due to the Harpin commercialisation agreement with Monsanto, and this accounted for much of the revenue fall. Sales in Europe decreased by 18% to \$1.4 million (2008: \$1.7 million) as a result of slower economic conditions, reduced credit availability and resulting decreased customer inventory levels. Harpin foliar sales remained relatively strong during the period. Sales in Mexico decreased by 39% to \$1.0 million (2008: \$1.6 million) as a result of much slower economic activity in Mexico associated with a number of events. Additionally, the prior year included a large non-recurring sale.

### **Horticulture and Turf division**

Sales within this division were \$2.2 million (2008: \$2.6 million). The decreased sales level resulted primarily from slower economic conditions and a resulting reduction in the level of inventory that customers were willing to maintain. During the second half of the year, growth will be aided by this division's ability to introduce its products to the home user via the retail market through a new supply agreement with The Scotts Company, the largest supplier of retail products to the home gardening industry in the United States. Under this agreement, we are expanding the naturally derived product offerings we supply to Scotts for inclusion in their line of retail lawn and garden products.

### **Outlook**

Despite the current global recession, we are confident that the dominant trends affecting agriculture and our business will accelerate in the future. Global middle-class populations are increasing, driving immediate demand for higher protein diets and, eventually, biofuels. The need for naturally derived,

environmentally-sustainable alternatives to traditional crop protection products is also positively affecting us as the public and governments worldwide assess the longer-term environmental impact of current agricultural practices. Our current opportunities for partnering arrangements for foliar applications of Harpin, Myconate as a seed treatment and further generations of Harpin proteins have never been stronger. As a result, we are very optimistic that our recent commercial success with Monsanto is only one important milestone along a future path of larger successes for our naturally derived technologies.

As a final note, our recent success and the Company's impact on sustainable agriculture have been recognised by the addition of Plant Health Care to the 2009 Sustainable Business 20 list. This top 20 list was published by [sustainablebusiness.com](http://sustainablebusiness.com), which globally tracks and analyses green stocks based on sustainability and financial criteria. This award was especially appreciated by the Board as it recognises our employees for their commitment and achievements and our shareholders for their ongoing support.

Dr Albert Fischer  
*Chairman*

John Brady  
*Chief Executive*

11 September 2009

**Unaudited consolidated statement of comprehensive income**  
**For the six months ended 30 June 2009**  
(US Dollars in thousands except per share data)

	Note	Six months to 30 June 2009	Six months to 30 June 2008	Year ended 31 December 2008
<b>Revenue</b>	2	<b>5,508</b>	7,872	19,851
Cost of sales		<b>(3,309)</b>	(4,111)	(9,220)
<b>Gross profit</b>		<b>2,199</b>	3,761	10,631
Administrative expenses		<b>(7,165)</b>	(7,087)	(14,728)
<b>Operating loss</b>	3	<b>(4,966)</b>	(3,326)	(4,097)
Finance income	4	<b>1,141</b>	112	184
Finance expense		<b>(39)</b>	(121)	(306)
<b>Loss before tax</b>		<b>(3,864)</b>	(3,335)	(4,219)
Income tax expense		-	(8)	(62)
<b>Loss for the period</b>		<b>(3,864)</b>	(3,343)	(4,281)
<b>Other comprehensive income:</b>				
Exchange difference on translation of foreign operations		<b>(4)</b>	198	(657)
<b>Total comprehensive loss for the period</b>		<b>(3,868)</b>	(3,145)	(4,938)
Loss attributable to:				
Equity holders of the parent		<b>(3,816)</b>	(3,343)	(4,219)
Minority interest		<b>(48)</b>	-	(62)
		<b>(3,864)</b>	(3,343)	(4,281)
Total comprehensive loss attributable to:				
Equity holders of the parent		<b>(3,824)</b>	(3,145)	(4,875)
Minority interest		<b>(44)</b>	-	(63)
		<b>(3,868)</b>	(3,145)	(4,938)
Basic and diluted loss per share (US\$)	5	<b>(0.08)</b>	(0.07)	(0.09)

All amounts relate to continuing activities.

**Unaudited consolidated statement of financial position**  
**At 30 June 2009**  
**(US Dollars in thousands)**

	Note	30 June 2009	30 June 2008	31 December 2008
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		4,059	4,226	4,086
Property, plant and equipment		627	1,011	708
Trade receivables		1,107	-	1,260
Total non-current assets		<u>5,793</u>	<u>5,237</u>	<u>6,054</u>
<b>Current assets</b>				
Inventories		2,383	3,176	2,499
Trade and other receivables		5,418	6,729	6,790
Investments		-	286	-
Cash and cash equivalents		19,226	7,583	7,252
Total current assets		<u>27,027</u>	<u>17,774</u>	<u>16,541</u>
<b>Total assets</b>		<u>32,820</u>	<u>23,011</u>	<u>22,595</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		3,642	4,196	5,347
Borrowings		224	209	218
Provisions		398	336	431
Total current liabilities		<u>4,264</u>	<u>4,741</u>	<u>5,996</u>
<b>Non-current liabilities</b>				
Long-term borrowings		51	297	103
Provisions		94	133	70
Total non-current liabilities		<u>145</u>	<u>430</u>	<u>173</u>
<b>Total liabilities</b>		<u>4,409</u>	<u>5,171</u>	<u>6,169</u>
<b>Total net assets</b>		<u>28,411</u>	<u>17,840</u>	<u>16,426</u>
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital		934	821	821
Share premium		49,524	34,071	34,102
Reverse acquisition reserve		10,548	10,548	10,548
Share-based payment reserve		1,540	873	1,220
Foreign exchange reserve		(540)	319	(536)
Retained earnings		(33,716)	(29,023)	(29,898)
	6	<u>28,290</u>	<u>17,609</u>	<u>16,257</u>
<b>Minority interest</b>		<u>121</u>	<u>231</u>	<u>169</u>
<b>Total equity</b>		<u>28,411</u>	<u>17,840</u>	<u>16,426</u>

**Unaudited consolidated statement of cash flows**  
**For the six months ended 30 June 2009**  
**(US Dollars in thousands)**

	<b>Six months to 30 June 2009</b>	Six months to 30 June 2008	Year ended 31 December 2008
<b>Net cash flows used in operating activities</b>	<b>(4,254)</b>	(2,858)	(3,202)
<b>Investing Activities</b>			
Purchase of property, plant and equipment	(53)	(173)	(97)
Expenditure on internally-developed intangible assets	(94)	(61)	(55)
Sale of investments	-	273	559
Proceeds on sale of property, plant and equipment	-	19	27
Finance income received	<b>1,141</b>	106	184
<b>Net cash generated from investing activities</b>	<b>994</b>	164	618
<b>Financing activities</b>			
Issuing of ordinary share capital	<b>15,222</b>	-	591
Exercise of options and warrants	<b>248</b>	73	72
Issue of new borrowings	<b>29</b>	-	-
Repayment of borrowings	<b>(75)</b>	(36)	(162)
Repurchase of minority interest's shares by subsidiary	-	-	(468)
<b>Net cash generated from financing activities</b>	<b>15,424</b>	37	33
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>(190)</b>	(14)	(451)
<b>Net increase/(decrease) in cash</b>	<b>11,974</b>	(2,671)	(3,002)
<b>Cash and cash equivalents at beginning of period</b>	<b>7,252</b>	10,254	10,254
<b>Cash and cash equivalents at end of period</b>	<b>19,226</b>	7,583	7,252

## **Notes to unaudited financial information**

### **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 as adopted for use in the EU (IFRSs). 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 2008 and which will form the basis of the 2009 financial statements, except as described below.

A number of new and amended standards become effective for periods beginning on or after 1 January 2009. The principal changes that are relevant to the Group are:

- IFRS 8 – Operating Segments

IFRS 8 is a disclosure standard only; there has been no effect on the reported results or previous financial position of the Group. The Group's reportable segments as reported under IAS 14 have remained unchanged following the adoption of this standard.

- IAS 1 (revised 2007) – Presentation of Financial Statements

The revised standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. There has been no effect on the reported results or previous financial position of the Group.

None of the other new standards and amendments are expected to materially effect the Group.

The comparative financial information presented herein for the year ended 31 December 2008 does not constitute full statutory accounts for that period. The Group's Annual Report for the year ended 31 December 2008 has been delivered to the Registrar of Companies. The Group's Independent Auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985. The financial information for the half years ended 30 June 2009 and 30 June 2008 have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board..

## 2 Segmental analysis

	<b>Six months to 30 June 2009 US\$'000s</b>	Six months to 30 June 2008 US\$'000s	Year ended 31 Dec 2008 US\$'000s
<b>Revenue</b>			
USA	<b>3,731</b>	5,264	14,118
Mexico	<b>993</b>	1,623	3,278
Europe	<b>1,360</b>	1,659	4,171
Elimination	<b>(576)</b>	(674)	(1,716)
Consolidated revenue	<u><b>5,508</b></u>	<u>7,872</u>	<u>19,851</u>
<b>Segment operating (loss) profit</b>			
USA	<b>(2,994)</b>	(1,590)	(1,229)
Mexico	<b>(257)</b>	41	(189)
Europe	<b>(103)</b>	24	166
Elimination	<b>(48)</b>	-	342
	<u><b>(3,402)</b></u>	<u>(1,525)</u>	<u>(910)</u>
Unallocated corporate expenses	<u><b>(1,564)</b></u>	<u>(1,801)</u>	<u>(3,187)</u>
<b>Consolidated operating loss</b>	<u><b>(4,966)</b></u>	<u>(3,326)</u>	<u>(4,097)</u>

## 3 Operating loss

	<b>Six months to 30 June 2009 US\$'000</b>	Six months to 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
Operating loss is arrived at after charging:			
Depreciation	<b>134</b>	133	215
Amortisation	<b>121</b>	117	251
Share-based payment expense	<b>318</b>	292	640

## 4 Finance income

Finance income includes US\$1.1 million of foreign exchange gain recognised as a result of converting the proceeds from the May fundraising from pounds sterling to US dollars and is not expected to be re-occurring.

## 5 Basic and diluted loss per share

Basic loss per ordinary share has been calculated on the basis of the loss attributable to equity holders of the parent of US\$3,816,000 (loss for the six months ended 30 June 2008 - US\$3,343,000, and loss for the year ended 31 December 2008 - US\$4,219,000) and the weighted average number of shares in issue during the period of 46,958,849 (six months ended 30 June 2008 – 44,639,682, and year ended 31 December 2008 – 44,748,407). 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.

## 6 Changes in shareholders' equity

	<b>Six months to 30 June 2009 US\$'000</b>	Six months to 30 June 2008 US\$'000	Year ended 31 December 2008 US\$'000
Total recognised income and expense attributable to equity holders of the parent	<b>(3,816)</b>	(3,343)	(4,219)
Exercise of options and warrants	<b>248</b>	73	75
Repurchase of minority interest's shares by subsidiary	-	51	(468)
Share-based payments	<b>318</b>	292	640
Shares issued or exchanged	<b>64</b>	40	588
Share placement	<b>15,910</b>	-	-
Placement costs	<b>(687)</b>	-	-
Movement in exchange rates	<b>(4)</b>	198	(657)
	<b>12,033</b>	(2,689)	(4,041)
Capital and reserves attributable to equity holders of the parent at the beginning of the period	<b>16,257</b>	20,298	20,298
Capital and reserves attributable to equity holders of the parent at the end of the period	<b>28,290</b>	17,609	16,257

7. Copies of this report and all other announcements made by the Company are available on the Company's website at [www.planthealthcare.com/investor](http://www.planthealthcare.com/investor).