PLANT HEALTH CARE plc

INTERIM REPORT

for the six months ended 30 June 2010

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Chairman's statement

Introduction

In this my first statement to shareholders as Chairman, I am happy to report that in the six months ended 30 June 2010, notwithstanding lower than expected Harpin sales for 2010, we have continued to make good progress in getting our technologies adopted by major industry players, who will exploit them across worldwide agriculture markets in years to come. I believe that we have an excellent team who will enable us to fully realise the potential of our suite of 'best in class' products.

I have chosen to use this statement as an opportunity not only to report on the performance of Plant Health Care during the period but also to update you, in the Strategy and Partnering sections of this report, as to where we see our future and how we plan to maximise our opportunities.

Agreements signed this year, most notably with Syngenta, post the period end, (for Harpin to be used in conjunction with glyphosate) and with Legacy Seeds (for Myconate and Harpin on alfalfa), complement our earlier deal with Monsanto (Harpin seed treatment for corn, soybean, cotton and canola) and are significant steps in pursuing our goal of having our technologies widely adopted by major players for targeted crops and applications where our partners have presence and ambition.

Our discussions with agrichemical and seed companies are progressing well. Reaching agreements which will maximise shareholder value takes time and the nature of the industry is such that products are developed over a number of years before being launched commercially. But interest in our natural technologies continues to grow and our talks with large industrial players, some at early stages and others more advanced, are very promising.

We announced, in May 2010, the sale of the business assets and liabilities relating to our subsidiary, PHC Reclamation, Inc., as we continue to move our focus towards the agriculture industry where there are some very substantial opportunities to commercialise our technologies.

Our development activities, involving the trialling of our products for use on various crops and by various application methods and the identification of further variations on our core technologies to broaden our markets and protect our present position, are showing encouraging results. Additionally, the government of Brazil is sponsoring extensive trials and research work with Myconate with the objective of using this product on the large acreage of corn and soybean crops grown in Brazil.

Chairman's statement *continued*

Summary of financial results

Financial results for the six months ended 30 June 2010, with comparatives for the six months ended 30 June 2009, are set out below:

	2010 ***US$'000***	*2009** *US$'000*
Revenue	**5,641**	4,946
Gross profit	**2,425**	2,042
Operating loss (from continuing operations)	**(4,711)**	(4,974)
Loss before tax (from continuing operations)	**(4,675)**	(3,872)

*2009 restated to eliminate PHC Reclamation

Sales increased by 14% in the first half of 2010 compared to the prior year due to a broad rebound in product sales demand. Most of this increase was attributable to the professional landscaping markets in the USA, although Europe and Mexico experienced increases as well.

Gross margins were stable in most markets although Europe experienced a higher margin product mix in the first half of 2010 which helped increase consolidated gross margins from 41% to 43%.

Total administrative expenses increased by less than 2% or $0.1 million in the first half of 2010. This small overall increase masks a substantial increase in product development spending of 69% to $1.3 million, an increase of 7% to $2.4 million in distribution costs and a decrease in corporate overhead costs of 14% to $3.5 million.

The increase in margins more than offset the small administrative expense increase and the Company's operating loss improved by 5% in the first half of 2010 compared to the first half of 2009.

In the absence of the $1.1 million foreign exchange gain that the Company benefitted from during 2009, finance income decreased by $1 million.

Cash and short-term liquid investments on hand at 30 June 2010 were $13.5 million compared to $15.9 million at 31 December 2009. The decrease in cash was primarily due to the operating loss.

Strategy

Our strategy remains clear: to develop and prove naturally-derived technologies for the worldwide agricultural market, to be exploited commercially through partnerships established with major industry players who have the presence, ambition and resources to maximise the penetration of our technologies across all relevant crops, applications and territories.

The efficacy of our Myconate and Harpin natural technologies is well established; both are demonstrably yield-enhancing components of plant health treatments. We have a development pipeline which will bring forward further applications of the current form of these technologies, and, for Harpin in particular, we have a programme to create further variants which will open up new market opportunities and defend those we are currently establishing. Moreover, the goal of establishing major partnerships has been validated in particular by the agreements we have reached with two of the largest players in the agricultural chemical market, Monsanto Company and Syngenta Crop Protection, and discussions with others continue. These deals demonstrate our ability to work productively with multiple partners in order to fully harvest the potential of our technology.

We remain very confident in the strategy we have established as the best means for shareholders to derive value from Plant Health Care's assets and opportunities.

Partnering

We believe that the best way to access the full range of opportunities available to us in the vast worldwide agriculture market is by partnering with large, established players. Myconate and Harpin are made available to them under licence and are used as components for inclusion in their products, which already have brand presence and very significant sales amongst growers. Our partners have established distribution channels that provide us with the fastest and most efficient route to market, thereby maximising penetration in our target segments.

In the case of Monsanto, our exclusive agreement covers seed treatment for soybeans, corn, cotton and canola worldwide. Monsanto is an excellent partner with substantial market share and, by entering into an exclusive agreement with it for Harpin to become a technology component of its Roundup Ready soybeans, we are able to access a large segment of a huge market with one tie-up. For the 2011 season, Monsanto has embarked on a new strategy of offering farmers the ability to use Harpin as a stand alone product, as well as in conjunction with its Acceleron Seed Treatment product, across all of its soybean seeds. This has dramatically increased the size of the potential market to approximately 35-40 million acres from 2010 when only approximately six million acres were planted with Roundup Ready 2 Yield beans treated with Acceleron (incorporating Harpin).

Our agreement with Syngenta relates to Harpin's application as a foliar spray on glyphosate-resistant crops. It is a non-exclusive agreement, reflecting the nature of that market where, since the expiry of the patents that protected this molecule, we have seen multiple players enter and establish themselves in this market. Syngenta is a leading participant in the glyphosate market, and we believe it will be a powerful partner for us. However, by entering into a non-exclusive agreement, we are able to seek partnerships with other companies in order to address the largest possible proportion of the approximately 200 million acre glyphosate-resistant crop market.

The agreement with Legacy Seeds for alfalfa is indicative of the form of arrangements we will seek on more specialised crops with specialised participants or in territories where the major global brands may not have traction. Legacy Seeds, although less substantial and well-known than Monsanto and Syngenta, is a leader in this particular market.

Chairman's statement *continued*

The Board is confident that working with partners is the best way of commercialising our technologies and creating shareholder value. The potential returns are high. We recognise that in pursuing this route we are relying upon the performance of our partners, particularly in the short term, as combination treatments are brought to market for the first time. Our strategy is to mitigate this risk by entering into multiple partnerships for different crops, applications and territories, where appropriate, and by maintaining a development pipeline to continue to bring forward products of interest to the market.

Partnering opportunities and pipeline

The partnering opportunities for our natural technologies are broad and the structure of agreements will vary. There are many different partnership opportunities for the commercial development and roll-out of both our Harpin and Myconate technologies. These take time to conclude and it is therefore difficult to predict with accuracy when specific partnership agreements will be signed.

For each of our technologies, we are seeking agreements covering different geographies, applications, crops and combinations. In geographical terms, our agreements are likely to be either worldwide or restricted to a specific territory, such as the United States, South America or Europe. The applications we offer are primarily the use of our technologies as a seed treatment, side dressing or as a foliar spray. We will also seek to strike deals on specific crops or groups of crops, as well as for the use of our technologies in combination with established chemical treatments, as in the case of our glyphosate agreement with Syngenta. There are clearly many permutations of these criteria which will allow us to enter into a number of agreements. These will give Plant Health Care a strong presence across the market through partnerships with some of the largest agrichemical and crop protection companies in the world, as well as with certain speciality crop companies and product formulation companies with strong market positions in specific areas.

Harpin technology update

Glyphosate is the most widely applied chemical in agriculture, used on over 200 million acres of glyphosate-resistant crops each year across the world. An agreement for Harpin's use in combination with glyphosate has been one of our key goals. In July 2010, Plant Health Care entered into a non-exclusive agreement with Syngenta Crop Protection Inc. This is a very important agreement and it is a major step forward in the process of commercialising Harpin.

Our next priority is to sign an agreement for Harpin's commercialisation as a component in a leading fungicide treatment. Discussions are underway with a number of leading market participants and we expect to provide an update to the market on our plans in this area by the year end.

In April, Plant Health Care signed an agreement with Plant Foods Inc., a large regional manufacturer of water soluble fertilisers, for the exclusive manufacture and marketing of our Harp-N-Tek® foliar fertiliser products. Plant Foods will sell Harp-N-Tek® into the fruit and vegetable markets in the south-eastern United States. In 2009, tomatoes alone were planted on over 440,000 acres in the United States, which underlines the substantial opportunities available to us in the fruit and vegetable markets.

Outlined in more detail below, a significant agreement was entered into with Legacy Seeds which will see Harpin used in combination with Myconate and applied to alfalfa.

Myconate® technology update

Our work to commercialise our Myconate technology delivered strong progress during the period.

Legacy Seeds, one of the major alfalfa companies in the United States, began work with us in May on the development of a Myconate and Harpin combination for use on alfalfa. This animal feed crop is currently grown on over 30 million acres in the USA. Under the terms of the four year deal, we will receive milestone payments which are linked to the success of the project.

In February, a major regional soybean seed company placed an order for Myconate, which it used for a commercial scale launch in the 2010 season. The order came after several years of extensive testing and reinforces our view that conducting field trials in partnership with industry players is a key element in reaching valuable, long-term agreements.

In May, the Federal Government of Brazil granted funding to the Federal University of Lavras to support extensive field trials to evaluate the efficacy and economic feasibility of Myconate in Brazilian agriculture. Brazil is the world's second largest producer of soybeans with around 35% global market share, and in corn ranks third. South America represents a very real opportunity for us and we will continue to seek commercialisation channels for both our technologies there. This grant programme will help us to achieve our goal. A spread of projects across the northern and southern hemispheres will smooth our revenue as we access their respective growing seasons throughout our financial year.

In April, we acquired from Bayer CropScience the remaining intellectual property rights for Myconate which had been developed during our work together. This concludes all matters relating to our previous agreement with Bayer.

Product development

Investment in field trials and product development increased by 69% in the first half of 2010. The increased spending was focused on Harpin and Myconate development with partners and potential partners, often in combination with traditional crop protection products. We have also increased spending on the next generation of Harpin proteins.

Direct product sales

Direct product sales (that is, through channels other than our major partnerships) increased by 14% to $5.6 million during the first half of 2010 (2009: $4.9 million) as economic conditions in the USA improved. Horticulture and Turf sales increased by 18% to $3.1 million; sales in Europe and Mexico increased by 10% and 9% to $1.1 million and

$1.5 million, respectively. During the period, a new multi-year supply agreement with John Deere Landscapes (JDL) was completed, which contributed to the increased Horticulture and Turf revenues. Under the agreement, Plant Health Care supplies naturally-based products for nationwide distribution by JDL to the professional landscaping and horticulture industry.

Consolidated gross margins improved from 41% to 43% as Europe saw improving margins during the first half. Additionally, sales of Harpin-based products continued to increase and gain acceptance from customers throughout Europe, the Middle East and Africa.

PHC Reclamation, Inc.

PHC Reclamation has for some time been a non-core business for Plant Health Care. The operation is subscale and, whilst it made a modest contribution at the operating level, the Board was willing to consider offers in order to focus all of our efforts on our core business. In May, an agreement was reached with RE/SPEC Inc. for the sale of those assets and liabilities relating to PHC Reclamation for a total consideration of $0.385 million, which included the repayment of a $0.160 million intercompany note. The business incurred a loss of $7,000 for the first four months of the period.

Outlook

This statement sets out our progress during the period, the opportunities available to us in a high value, addressable market and our plans to commercialise our technologies. The directors believe the prospects for your company to be very strong.

Whilst the financial performance for the half year is in line with expectations, our full-year results are likely to be behind original expectations and we updated the market to this effect in June. This is disappointing but we are not discouraged. The roll-out of a new product with a key partner had a difficult first year, in a tough economic climate, resulting in an unexpected carryover of inventory. The result will be lower revenue than previously anticipated in the second half of 2010. The problems we encountered in the first growing season with this partner, however, are not insurmountable and steps are being taken to address them. The economic outlook is also improving and we expect a stronger performance in the second growing season. Our outlook with this key partner, who has taken significant steps to address the unexpectedly low first season take-up, remains positive and the opportunities available in the markets we are targeting together are significant.

Plant Health Care is gaining recognition for its natural and sustainable technologies and the agriculture industry sees real value in our yield-enhancing products. Used in combination with established treatments, Harpin and Myconate address the needs of a market under mounting pressure as a result of food shortages, water shortages and finite acreage, and of potential partners seeking product differentiation. We are extremely well positioned and will continue our work to deliver strong returns for our shareholders by entering into only the most commercially attractive partnering opportunities.

Chairman's statement *continued*

In concluding my first statement as Chairman, I would like to thank all of the Plant Health Care team for their determination and commitment to our shared goals and our shareholders for their continued support as we work to build a significant company in the natural and sustainable agriculture industry of the twenty-first century.

Dr Dominik Koechlin
Chairman

13 August 2010

Unaudited consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	***Six months to 30 June 2010 US$'000***	*Six months to 30 June 2009 As restated US$'000*	*Year ended 31 December 2009 As restated US$'000*
Revenue	2	**5,641**	4,946	21,908
Cost of sales		**(3,216)**	(2,904)	(9,664)
Gross profit		**2,425**	2,042	12,244
Administrative expenses		**(7,136)**	(7,016)	(14,761)
Operating loss	4	**(4,711)**	(4,974)	(2,517)
Finance income		**151**	1,141	1,203
Finance expense		**(115)**	(39)	(58)
Loss before tax		**(4,675)**	(3,872)	(1,372)
Income tax expense		**—**	—	(85)
Net loss from continuing operations		**(4,675)**	(3,872)	(1,457)
(Loss)/profit of discontinued operations, net of tax		**(7)**	8	111
Loss for the period		**(4,682)**	(3,864)	(1,346)
Other comprehensive income:				
Exchange difference on translation of foreign operations		**(275)**	(4)	95
Total comprehensive loss for the period		**(4,957)**	(3,868)	(1,251)
Net loss attributable to:				
Owners of the parent		**(4,672)**	(3,816)	(1,331)
Non-controlling interest		**(10)**	(48)	(15)
		(4,682)	(3,864)	(1,346)
Total comprehensive loss attributable to:				
Owners of the parent		**(4,947)**	(3,824)	(1,236)
Non-controlling interest		**(10)**	(44)	(15)
		(4,957)	(3,868)	(1,251)
Basic and diluted loss per share ($)	3	**(0.09)**	(0.08)	(0.03)

Unaudited consolidated statement of financial position

AT 30 JUNE 2010

	Note	***30 June 2010 US$'000***	*30 June 2009 US$'000*	*31 December 2009 US$'000*
Assets				
Non-current assets				
Intangible assets		**4,019**	4,059	4,045
Property, plant and equipment		**584**	627	688
Trade receivables		**431**	1,107	949
Total non-current assets		**5,034**	5,793	5,682
Current assets				
Inventories		**1,676**	2,383	1,599
Trade and other receivables		**11,644**	5,418	13,576
Investments		**4,867**	—	3,729
Cash and cash equivalents		**8,659**	19,226	12,171
Total current assets		**26,846**	27,027	31,075
Total assets		**31,880**	32,820	36,757
Liabilities				
Current liabilities				
Trade and other payables		**4,224**	3,642	4,493
Borrowings		**13**	224	62
Provisions		**210**	398	278
Total current liabilities		**4,447**	4,264	4,833
Non-current liabilities				
Long-term borrowings		**50**	51	59
Provisions		**141**	94	117
Total non-current liabilities		**191**	145	176
Total liabilities		**4,638**	4,409	5,009
Total net assets		**27,242**	28,411	31,748
Capital and reserves attributable to owners of the Company				
Share capital		**942**	934	940
Share premium		**50,096**	49,524	49,934
Reverse acquisition reserve		**10,548**	10,548	10,548
Share-based payment reserve		**2,130**	1,540	1,842
Foreign exchange reserve		**(716)**	(540)	(441)
Retained earnings		**(35,901)**	(33,716)	(31,229)
	5	**27,099**	28,290	31,594
Non-controlling interests		**143**	121	154
Total equity		**27,242**	28,411	31,748

Unaudited consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months to 30 June 2010 US$'000	*Six months to 30 June 2009 US$'000*	*Year ended 31 December 2009 US$'000*
Net cash flows used in operating activities	**(2,130)**	(4,254)	(7,394)
Investing activities			
Purchase of property, plant and equipment	**(59)**	(53)	(268)
Proceeds on sale of property, plant and equipment	**72**	—	—
Expenditure on internally-developed intangible assets	**(162)**	(94)	(469)
Purchase of investments	**(2,033)**	—	(7,499)
Sale of investments	**905**	—	3,770
Finance income	**151**	1,141	1,203
Net cash provided by investing activities	**(1,126)**	994	(3,263)
Financing activities			
Finance expense	**(115)**	—	(58)
Issuing of ordinary share capital	**—**	15,222	15,441
Exercise of options and warrants	**82**	248	510
Issue of new borrowings	**—**	29	—
Repayment of borrowings	**(19)**	(75)	(200)
Repurchase of non-controlling interest shares by subsidiary	**(11)**	—	—
Net cash (used in)/provided by financing activities	**(63)**	15,424	15,693
Effects of exchange rate changes on cash and cash equivalents	**(193)**	(190)	(117)
Net (decrease)/increase in cash	**(3,512)**	11,974	4,919
Cash and cash equivalents at beginning of period	**12,171**	7,252	7,252
Cash and cash equivalents at end of period	**8,659**	19,226	12,171

Notes to the 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 2009 and which will form the basis of the 2010 financial statements, except as described below.

A number of new and amended standards have become effective since the beginning of the previous financial year. The principal changes that are relevant to the Group are:

➢ IAS 27 revised – This Amendment affects in particular the acquisition of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether or not control is obtained as a result of the transaction, or where a transaction results only in a change in the percentage of controlling interest. There has been no effect on the reported results or previous financial position of the Group.

None of the other new standards and amendments is expected to materially affect the Group.

The comparative financial information presented herein for the year ended 31 December 2009 does not constitute full statutory accounts for that period. The Group's annual report for the year ended 31 December 2009 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 2010 and 30 June 2009 is unaudited.

2. Segmental analysis

The segregation shown within the segment analysis below has been re-aligned to provide greater consistency with the manner in which management internally monitors and reports on the Group's performance. The product segment includes the revenue and costs associated with the sale of all inventory items produced and sold by the Group. The partnering segment includes the revenue and costs associated with all technology agreements pursued and entered into by the Group.

Notes to the unaudited financial information *continued*

2. Segmental analysis *continued*

	Six months to 30 June 2010 US$'000	Six months to 30 June 2009 US$'000	Year ended 31 December 2009 US$'000
Revenue			
Products			
Continuing operations	**6,202**	5,523	13,870
Discontinued operations	**414**	561	1,306
Partnering	**—**	—	9,112
	6,616	6,084	24,288
Elimination	**(561)**	(577)	(1,074)
Consolidation	**6,055**	5,507	23,214
Segment operating loss			
Products			
Continuing operations	**13**	(997)	(184)
Discontinued operations	**(7)**	8	111
Partnering	**(2,155)**	(1,500)	3,405
	(2,149)	(2,489)	3,332
Elimination	**—**	(80)	(80)
	(2,149)	(2,569)	3,252
Unallocated corporate expenses	**(2,569)**	(2,397)	(5,658)
Consolidated operating loss	**(4,718)**	(4,966)	(2,406)

3. 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 $4,672,000 (loss for the six months ended 30 June 2009: $3,816,000, and loss for the year ended 31 December 2009: $1,331,000) and the weighted average number of shares in issue during the period of 52,739,753 (six months ended 30 June 2009: 46,958,849, and year ended 31 December 2009: 49,731,214). 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.

Notes to the unaudited financial information *continued*

4. Operating loss

	Six months to 30 June 2010 US$'000	*Six months to 30 June 2009 US$'000*	*Year ended 31 December 2009 US$'000*
Operating loss is stated after charging:			
Depreciation	**91**	134	222
Amortisation	**188**	121	510
Share-based payment expense	**288**	318	622

5. Changes in equity

	Six months to 30 June 2010 US$'000	*Six months to 30 June 2009 US$'000*	*Year ended 31 December 2009 US$'000*
Net loss attributable to owners of the parent	**(4,672)**	(3,816)	(1,331)
Exercise of options and warrants	**82**	248	521
Share-based payments	**288**	318	622
Shares issued or exchanged	**82**	15,974	16,126
Placement costs	**—**	(687)	(696)
Exchange difference on translation of foreign operations	**(275)**	(4)	95
	(4,495)	12,033	15,337
Capital and reserves attributable to owners of the Company at beginning of period	**31,594**	16,257	16,257
Capital and reserves attributable to owners of the Company at end of period	**27,099**	28,290	31,594

6. 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.

7. Discontinued operations

In May 2010, the Group sold the trade and those assets and liabilities relating to its subsidiary, PHC Reclamation, Inc., which represents the only operations presented as discontinued operations. In accordance with IFRS 5, the comparatives for the six months ended 30 June 2009 and year ended 31 December 2009 were restated for income generated and expenses incurred by PHC Reclamation, Inc. since these were included in arriving at the line item "(loss)/profit on discontinued operations".

Notes to the unaudited financial information *continued*

7. Discontinued operations *continued*

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

	Six months to 30 June 2010 US$'000
Cash received	**225**
Cash disposed of	**(82)**
Net assets disposed (other than cash):	
Property, plant and equipment	**(72)**
Trade and other receivables	**(299)**
Trade and other payables and other financial liabilities	**228**
Pre-tax loss on disposal of discontinued operations	**—**
Related tax expense	**—**
The net cash inflows comprise:	
Cash received	**225**
Less cash disposed of	**(82)**
	143

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

	Six months to 30 June 2010 US$'000	*Six months to 30 June 2009 US$'000*	*Year ended 31 December 2009 US$'000*
Operating inflows	**71**	66	103
Investing inflows	**72**	30	30
Financing inflows	**—**	—	—

Copies of this report and all other announcements made by the Company are available on the Company's website at **www.planthealthcare.com/investor**

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