Plant Health Care plc

Interim Report

30 June 2013

Contents

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.

Chairman's statement

Introduction

I am pleased to report the interim results for the six months to 30 June 2013. Over the past six months, we have made substantial progress in developing and implementing a new strategy for Plant Health Care. We are creating a business focused on the development and commercialisation of products based on Harpin and Myconate. This will be achieved by our focus on three areas:

"Investment in momentum'' – generating profitable revenues by driving the sales of the current, second generation Harpin αβ and of Myconate;

"Developing the Harpin platform" – investing in the research and development of new third generation and future products from the Harpin family; and

"Building our business development capabilities" – to commercialise these products through licensing and distribution agreements with major agriculture companies.

To ensure that the business remains focussed on these areas, we also plan to divest non-core business operations over time, when appropriate opportunities arise.

In April, we completed a placing and subscription which raised £12.9 million (US$ 19.8 million) of net proceeds in support of this strategy. Related placement expenses were netted against total proceeds and applied to the Plant Health Care balance sheet capital accounts. Also in April, Paul Schmidt joined as the new CEO; Paul has moved rapidly both to implement the new strategy and to put in place the team which will accelerate results.

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 nutrition, 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. We aim to provide products to meet that need.

Investment in momentum

Several years of field trials and of sales to farmers have shown the value of Harpin αβ, representing the second generation of Harpin products. The bulk of Harpin αβ sales to date have been made in the USA, initially through an exclusive relationship with Monsanto, and, more recently, through Direct Enterprises Inc. (DEI). In recent years we have sought to provide an indication to shareholders of the interest in Harpin αβ by reporting "on-ground" treated acres as estimated by DEI. However, whilst there has been no impact on the Company's revenues, it has become apparent that "on-ground" sales by DEI, while substantial, have been lower than those reported to Plant Health Care and its shareholders. Following an intensive review of all the available data, we now conclude that, in addition to just over 0.2 million acres of foliar treatment, on-ground seed treatment sales were approximately 0.7 million acres in 2011, 1.3 million acres in 2012 and 1.4 million acres in 2013. While it is disappointing that seed treatment sales were lower than previously reported, there has been no revenue impact to the Company and it does not detract from the fact that a large number of farmers have used Harpin αβ on an increasing number of acres and found it to be of great value in improving crop yields. We have now made changes to improve the accuracy of on-ground sales data and to widen our distribution channels, so that we are more fully exploiting the commercial potential of Harpin αβ.

For the time being, we will limit the reports we provide to shareholders to sales directly managed by Plant Health Care, to ensure that we report only those data on which we can confidently rely.

Revenue from Harpin and Myconate in the first half of 2013, including a milestone payment by Arysta LifeScience, amount to $2.1 million, compared with $0.9 million in the same period in 2012. The two products represented 43% of total sales and 58% of total gross margin in the first half of 2013, compared with 27% and 38% in the first half of 2012.

In July 2013, we signed an agreement with Monsanto to discontinue the 2008 Harpin αβ agreement, which granted Monsanto certain exclusive rights to develop and commercialise Harpin αβ as a seed treatment in most of the commercially useful crops on a global basis. When this agreement was originally signed in 2008, the Company had very high expectations for the collaboration with Monsanto. However, circumstances and strategy changed, resulting in Plant Health Care’s ability to commercialise Harpin αβ outside of the Monsanto agreement to be substantially constrained. The discontinuation of the agreement with Monsanto has permitted us to pursue discussions with other potential partners and we are confident that these discussions will lead to additional commercial agreements in the near future.

In April 2013, we signed an important agreement with Arysta LifeScience, under which it will develop and commercialise Harpin αβ in several crops in combination with a number of Arysta-brand foliar agrochemical products. Included in our first half results is an up-front payment associated with this agreement.

Myconate also continues to demonstrate commercial potential. We are currently in discussion with several companies with a view to reaching development and commercial agreements.

Developing the Harpin platform

Promising results were obtained in the field in 2012 with several new candidate peptide products developed from the Harpin family. Based on that success, we are progressively ramping up expenditure on research and development; spend was $1.0 million in the first six months of 2012 and increased to $1.6 million in the same period in 2013. This investment has allowed us to set up an accelerated screen of candidate products, aimed at early evaluation against specific profiles. We expect that, over time, this will allow us to select and optimise products with enhanced efficacy against specific crops and performance targets. In this way, we aim to exploit fully our Harpin technology platform, world class competency and capability in this area, to develop a wide range of products within this family of proteins.

Over the last six months, the team under our Chief Science Officer, Dr Zhongmin Wei, has been expanded and strengthened with the hiring of a number of additional scientists and technicians. Collaboration agreements have also been concluded with certain universities and other entities, with a view to accelerating product discovery and development.

Building our business development capabilities

The third critical element of our strategy is to build the capability to engage more extensively and effectively with major agriculture players, so that we can develop and commercialise our products and make them available to farmers around the globe. At our new corporate headquarters in Raleigh, North Carolina, we have started to make new hires, including the appointment of a Vice President of Business Development, who will complement and strengthen our development efforts.

Summary of financial results

Financial highlights for the six months ended 30 June 2013, with comparatives for the six months ended 30 June 2012, are set out below:

	2013	*2012*
	$'000	*$'000*
Revenue	4,833	*3,490*
Gross profit	3,215	*1,775*
Distribution	1,698	*1,524*
Research and development	1,637	*1,048*
Business development	1,091	*1,283*
Corporate	1,440	*1,511*
Restructuring costs	2,191	-
Total administrative expenses	8,057	*5,366*
Operating loss	(4,842)	*(3,591)*
Net finance(expense)/income	(22)	*38*
Net loss for period	(4,864)	*(3,553)*
Cash and investments at end of period	23,662	*10,228*

Revenues during the first half of 2013 were $4.8 million (2012: $3.5 million), the increase being primarily due to fees recognised during the period for licensing Harpin. Product sales were flat in the first half of 2013 compared to the prior year. Revenues associated with Harpin and Myconate as a percentage of total revenue increased from 27% in 2012 to 43% in the current period.

Gross profit margin from continuing operations was 67% (2012: 51%), as higher margin licensing fees made up a larger share of revenues during the period.

Operating expenses from continuing operations increased to $5.9 million (2012: $5.4 million), due to higher spending on research and development. Restructuring costs of $2.2 million were expensed during the period to reflect severance and associated costs related to personnel terminations and moving the corporate office from Pittsburgh PA to Raleigh NC. Measures have been taken during the first half to reduce administrative costs, the benefit of which will be felt in the second half. The resulting operating loss from continuing operations (after restructuring charges) was $4.8 million (2012: loss of $3.6 million).

In April, we completed the buyback of the former 20% minority interest in Plant Health Care de Mexico. Plant Health Care de Mexico is now a wholly-owned subsidiary of the Company.

The Company continues to have no debt and held cash and investments of $23.7 million at 30 June 2013.

Board changes

As mentioned above, Paul Schmidt was appointed CEO of Plant Health Care in April 2013. Paul has an outstanding track record in the agrochemical and biologicals industry. In particular, he was responsible for the turn-around at EMD Biosciences, which was subsequently sold to Novozymes in 2010.

During the period, Sam Wauchope stepped down as a non-executive director in April 2013 and Michael Higgins and James Ede-Golightly were appointed as non-executive directors in May and June 2013, respectively. Dr David Buckeridge, having served almost five years as a non-executive director of Plant Health Care, will step down on 16 September. I would like to take this opportunity to thank Sam and David for their contributions to Plant Health Care.

I am delighted to say that Dr Richard Webb has agreed to join the Board of Plant Health Care with effect from 16 September; Richard brings many years of strategic and innovation consulting experience to the Company and will specifically reinforce the science discussions at the Board.

In addition, John Brady, who has been a non-executive director since he stood down as Chief Executive in April this year, is standing down from the Board with effect from 16 September.

Steve Weaver, the group’s finance director since 2007 is also stepping down from the Board on 16 September, but will be remaining with the Group until the end of the year playing a key role in the management of the transition of the Head Office from Pittsburgh to Raleigh and in the handover of his responsibilities to his successor. We expect to announce the appointment of a new Chief Financial Officer shortly.

I would like to thank both John and Steve for their contributions to Plant Health Care.

Channel Island Stock Exchange Delisting

The Company announced on 5 July 2013 that, following a review of the Company's central costs, the Company intends to seek shareholders' approval at the 2014 AGM to delist its shares from the Channel Island Stock Exchange ("CISX"). This decision follows changes to the coverage of AIM-quoted companies by the UK Takeover Code, which will result in Plant Health Care benefiting from this coverage irrespective of the CISX listing.

Current trading and outlook

Trading at the beginning of the second half of the year has started positively. We plan to build on the solid progress of the first half and continue to implement our new strategy of investment in momentum, development of the Harpin platform and building our business development capabilities.

Dr Christopher Richards
Chairman

16 September 2013

Unaudited consolidated statement of comprehensive income
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	**Six months to 30 June 2013 $'000**	*Six months to 30 June 2012 $'000*	*Year ended 31 December 2012 $'000*
Revenue		**4,833**	*3,490*	*7,752*
Cost of sales		**(1,618)**	*(1,715)*	*(3,482)*
Gross profit		**3,215**	*1,775*	*4,270*
Administrative expenses before restructuring costs		**(5,866)**	*(5,366)*	*(10,800)*
Restructuring costs	6	**(2,191)**	-	-
Total administrative expenses		**(8,057)**	*(5,366)*	*(10,800)*
Operating loss	3	**(4,842)**	*(3,591)*	*(6,530)*
Finance income		**2**	*38*	*84*
Finance expense		**(24)**	-	*(4)*
Loss before tax		**(4,864)**	*(3,553)*	*(6,450)*
Income tax expense		**-**	-	*(55)*
Loss for the period		**(4,864)**	*(3,553)*	*(6,505)*
Other comprehensive (loss)/income:				
Exchange difference on translation of foreign operations		**(92)**	*(1)*	*140*
Total comprehensive loss for the period		**(4,956)**	*(3,554)*	*(6,365)*
Net loss attributable to:				
Owners of the parent		**(4,883)**	*(3,563)*	*(6,573)*
Non-controlling interest		**19**	*10*	*68*
		(4,864)	*(3,553)*	*(6,505)*
Total comprehensive loss attributable to:				
Owners of the parent		**(4,975)**	*(3,564)*	*(6,433)*
Non-controlling interest		**19**	*10*	*68*
		(4,956)	*(3,554)*	*(6,365)*
Basic and diluted loss per share	2	**$(0.08)**	*$(0.07)*	*$(0.12)*
Basic and diluted loss per share from continuing operations	2	**$(0.08)**	*$(0.07)*	*$(0.12)*

Unaudited consolidated statement of financial position
AT 30 JUNE 2013

	Note	**30 June 2013 $'000**	*30 June 2012 $'000*	*31 December 2012 $'000*
Assets				
Non-current assets				
Intangible assets		**3,125**	*3,383*	*3,252*
Property, plant and equipment		**213**	*242*	*235*
Trade and other receivables		**100**	*458*	*156*
Total non-current assets		**3,438**	*4,083*	*3,643*
Current assets				
Inventories		**1,539**	*2,132*	*1,729*
Trade and other receivables		**3,878**	*2,867*	*3,477*
Investments	5	**9,979**	*4,922*	*4,204*
Cash and cash equivalents		**13,683**	*5,306*	*3,501*
Total current assets		**29,079**	*15,227*	*12,911*
Total assets		**32,517**	*19,310*	*16,554*
Liabilities				
Current liabilities				
Trade and other payables		**3,695**	*2,197*	*2,327*
Borrowings		**-**	*3*	*12*
Provisions		**-**	*153*	*-*
Total current liabilities		**3,695**	*2,353*	*2,339*
Non-current liabilities				
Borrowings		**53**	*-*	*48*
Provisions		**-**	*175*	*75*
Total non-current liabilities		**53**	*175*	*123*
Total liabilities		**3,748**	*2,528*	*2,462*
Total net assets		**28,769**	*16,782*	*14,092*
Capital and reserves attributable to owners of the Company				
Share capital		**1,214**	*950*	*952*
Share premium		**70,142**	*50,531*	*50,624*
Reverse acquisition reserve		**10,548**	*10,548*	*10,548*
Share-based payment reserve		**2,890**	*2,754*	*2,780*
Foreign exchange reserve		**(672)**	*(721)*	*(580)*
Retained earnings		**(55,353)**	*(47,492)*	*(50,502)*
	4	**28,769**	*16,570*	*13,822*
Non-controlling interests		**-**	*212*	*270*
Total equity		**28,769**	*16,782*	*14,092*

Unaudited consolidated statement of cash flows
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months to 30 June 2013	*Six months to 30 June 2012*	*Year ended 31 December 2012*
	$'000	*$'000*	*$'000*
Net cash flows used in operating activities	**(3,397)**	*(3,664)*	*(6,707)*
Investing activities			
Purchase of property, plant and equipment	**(28)**	*(67)*	*(156)*
Expenditure on externally-acquired intangible assets	**(8)**	*(12)*	*(22)*
Disposal of discontinued operations, net of cash	**-**	*100*	*400*
Purchase of investments	**(7,599)**	*(1,363)*	*(1,980)*
Sale of investments	**1,824**	*1,333*	*2,656*
Finance income	**2**	*38*	*84*
Net cash (used in)/provided by investing activities	**(5,809)**	*29*	*982*
Financing activities			
Interest paid	**(24)**	-	*(4)*
Issuing of ordinary share capital	**20,421**	*56*	*89*
Expenses related to issuance of ordinary share capital	**(641)**	-	-
Exercise of options	**-**	-	*62*
Repurchase of minority interest	**(238)**	-	-
Net borrowings	**(7)**	*(7)*	*50*
Net cash provided by financing activities	**19,511**	*49*	*197*
Effects of exchange rate changes on cash and cash equivalents	**(123)**	*(14)*	*123*
Net increase/(decrease) in cash	**10,182**	*(3,600)*	*(5,405)*
Cash and cash equivalents at beginning of period	**3,501**	*8,906*	*8,906*
Cash and cash equivalents at end of period	**13,683**	*5,306*	*3,501*

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 ("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 2012 and which will form the basis of the 2013 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.

Going Concern
In consideration of the Group's current resources and review of financial forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors. Accordingly, the directors continue to adopt the going concern basis in preparing the interim results.

The comparative financial information presented herein for the year ended 31 December 2012 does not constitute full statutory accounts for that period. The Group's annual report for the year ended 31 December 2012 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 2013 and 30 June 2012 is unaudited.

2 Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss for the period of $4,864,000 (loss for the six months ended 30 June 2012: $3,553,000, and loss for the year ended 31 December 2012: $6,505,000) and the weighted average number of shares in issue during the period of 60,527,269 (six months ended 30 June 2012: 53,223,217, and year ended 31 December 2012: 53,261,442). Basic loss per share from continuing operations has been calculated with a numerator of $4,864,000 (loss for the six months ended 30 June 2012: $3,553,000, and for the year ended 31 December 2012: $6,505,000). 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 2013 $'000	*Six months to 30 June 2012 $'000*	*Year ended 31 December 2012 $'000*
Operating loss is stated after charging:			
Depreciation	**51**	*77*	*152*
Amortisation	**134**	*134*	*275*
Share-based payment expense	**110**	*144*	*170*

4 Changes in equity

	Six months to 30 June 2013 $'000	*Six months to 30 June 2012 $'000*	*Year ended 31 December 2012 $'000*
Net loss attributable to owners of the parent	**(4,902)**	*(3,563)*	*(6,573)*
Exercise of options	**-**	-	*62*
Share-based payments	**110**	*144*	*170*
Shares issued or exchanged	**19,780**	*56*	*89*
Gain on minority interest purchase	**51**	-	-
Exchange difference on translation of foreign operations	**(92)**	*(1)*	*140*
	14,947	*(3,364)*	*(6,112)*
Capital and reserves attributable to owners of the Company at the beginning of the period	**13,822**	*19,934*	*19,934*
Capital and reserves attributable to owners of the Company at the end of the period	**28,769**	*16,570*	*13,822*

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 Restructuring expenses

	Six months to 30 June 2013 $'000	*Six months to 30 June 2012 $'000*	*Year ended 31 December 2012 $'000*
CEO salary/benefit-related expenses	1,010	-	-
Executive search expenses	180	-	-
Office relocation expenses	1,001	-	-
Total	2,191	-	-

Restructuring expenses comprise three items which were announced in the first half of the year:

- Severance expenses related to the step down of the former CEO on 2 April 2013;
- Search expenses related to the hire of new executives; and
- Expenses related to the relocation of the Group's headquarters from Pittsburgh, PA to Raleigh, NC, including severance expenses for Pittsburgh staff, as well as future Pittsburgh lease obligations.

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