

## Lawrence plc

1 December 2003

### Interim Results for the six months to 30 September 2003

#### Highlights

- **Operating profit rises 14.6% to £2.2 million (2002: £1.9 million)**
- **Sales grow 4.6% to £18.2 million (2002:£17.4 million)**
- **Interim dividend up 10% to 1.275 pence (net) per share (2002:1.15 pence per share)**
- **Important new Ecomectin registrations in Europe**

Peter Lawrence, Chairman of Lawrence plc, commented:

“Substantial progress has been made over the last six months with the receipt of several important new Eco drug registrations and I’m encouraged by the continued development across the Group’s range of businesses. I am pleased that we have delivered another solid performance and that the second half has started well and am confident that we will continue to deliver value to our shareholders”.

The Company is pleased to appoint Durlacher Limited as joint broker alongside Charles Stanley.

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Lawrence plc is a leader in the development, manufacture and distribution of principally specialist chemical and pharmaceutical products for the animal health, farming, fish and domestic pet markets worldwide. Our products for these growth markets incorporate natural ingredients to promote well-being and sustainability. We achieve our financial goals through the careful and responsible application of science to generate value for our shareholders.

## CHAIRMAN'S STATEMENT

### Overview

I am pleased to report that in the six months to 30<sup>th</sup> September 2003 the Group increased its operating profit to £2.21 million, 14.6 per cent above the level of 12 months ago. Earnings per share prior to goodwill amortisation were 4.64 pence. The Board has declared an interim dividend of 1.275 pence (net) per share, some 10 per cent above the same period last year to be paid on 7<sup>th</sup> April 2004 to shareholders on the register on 19<sup>th</sup> March 2004. Cash generation remains a key element of our business model and I am encouraged that we have maintained a sound cash flow in the first half even after spending close to £1.6 million on further drug registrations for our fast growing ECO business. This essential expense leads to a higher level of amortisation which is taken against profit, but represents an investment for the future.

The worldwide economic climate has been difficult; the effects of the war in Iraq, terrorism and the Sars virus influenced peoples' travel plans and therefore the demand for meat products. This impacted our business initially towards the end of the last financial year and then into the current one, but I am now pleased to report that trading has returned to the higher levels that we previously expected. The weakness of the US dollar against Sterling continues to understate principally the performance and growth of ECO Group, while Interpet, which sources many of its products in the Far East and America, enjoys the benefit of the stronger pound. Currency movements and their impact on trading results cannot be predicted; we will continue to take these fluctuations in our stride as part of the cost and benefit of being an international business. I realise that each year we have to tolerate some unforeseen circumstances, which can affect our businesses, but happily, we have learned to live with these elements and the diversity of our markets stands us in good stead.

Discussions with interested parties about the demerger of Interpet continue; in the meantime it is trading well and we are still expanding this excellent business. I am encouraged by the initial responses from the licensing authorities for our Aivlosin registration in Europe and remain optimistic that its granting s will be soon.

**ECO GROUP:** ECO Animal Health made substantial further progress over the last six months with the receipt of several important new registrations, including Ecomectin injections for a further 11 European countries. Distribution agreements are already in place for this range and sales are expected to start in all these countries in the first quarter of the next calendar year and should contribute progressively to our earnings.

Our submission to the European Medicines Agency (EMA) in July for Aivlosin registrations has resulted in Day 90 assessment letters which contained solely clarification questions, suggesting that a Europe wide (including the new Central and Eastern European members of the EU) registration may be granted within the next few months.

As far as sales distribution for Aivlosin in Europe is concerned, several multi-national animal health companies have made excellent presentations to ECO regarding their confidence in gaining market shares and the final contracts in all these areas are now being concluded. Additionally, registration work on new product forms of Aivlosin and extended indications (diseases), to include more animal species is continuing vigorously and as these further new registrations are received over the coming months, they will increase the sales of Aivlosin.

Sales in the USA of Ecomectin and Coopermec Cattle Pour-On (distributed by Schering Plough) are accelerating and ECO now has the second largest share of this important antiparasitic market.

Business in Latin America has been disappointing over the last year and as a result we have replaced our distributor with our own sales team and are optimistic about the recovery of substantial sales in that area later next year. Worldwide there is much work still to do and the strengthening of our management team over the last months will accelerate our progress towards our increased market shares.

**AGIL:** Agil's markets have recovered strongly following the setbacks mentioned earlier and there has been a significant upturn in sales since June with consecutive months showing the return of volumes to budgeted levels. Margins have held up well and the prognosis for the future is good.

As we had hoped, we became the first feed additive manufacturer to receive full approval under the UKASTA Feed Assurance Scheme last August. This confirms that all stages of our manufacture and distribution are conducted to the highest international standards.

After a successful showing at VIV (International animal production exhibition) in Utrecht in October, we experienced an increasing interest from several potential new countries including Russia, and training seminars have also been held in Hungary in preparation of its impending EU membership. Agil has recently presented papers at International Feed Congresses in Mexico and the Philippines and continues to maintain a high technical credibility status. Existing business in Latin America is once again being heavily supported and an expansion of sales is expected on this continent.

Our stored grain natural pesticide, Demeter, has received the approval of Brewing Research International in the UK and this coincides with the withdrawal of the widely used organophosphate products. It is hoped that the British Beer and Pubs Association will soon include our product in their list of Agrochemicals Accepted for use in Brewing Raw Materials. This would lead to a completely new business for Agil.

New formulations are under evaluation that provide enhanced immune responses for young animals and should soon spearhead our sales effort into the breeding of piglets and chicks. Development of a new product range for calves is now underway and this offers us the opportunity to target the ruminant market for the first time.

**INTERPET:** Interpet maintained progress in the first half of the year; consolidation of our Ringpress book publishing acquisition is now complete. The fine summer weather assisted sales of pond treatments in a sector where we are the market leader. Elsewhere, we are continuing to benefit from a full programme of new product launches with nine major book titles and over 50 pond, aquatic and pet products including an exciting range of aquarium fish foods which have been well received by our customers. In September at GLEE, the main UK trade show for the pet and garden industry, we were extremely busy with a record number of customers and enquiries. At the Frankfurt Book Fair, Europe's largest book exhibition, our publishing division received a record number of enquiries and visits from new and existing customers. Sales of books in the UK are increasing as we penetrate further this market sector.

In the USA we maintained overall sales at last year's level despite the very poor summer weather, which impacted consumer demand for pond products. The new Mikki range of grooming products was successfully launched in the spring and our Red Rum horse products were introduced in the summer. The American market for the horse hobbyist is very large and we anticipate significant listings in national retail outlets quite soon.

**BLACKFAST CHEMICALS:** Blackfast's sales increased by 6 per cent over the level of 12 months before, this advance again reflected the strength of our export business. Eastern Europe has started to accept Blackfast's unique niche product, which is used exclusively by the precision engineering and manufacturing sectors. It has therefore been a natural progression for our sales to shadow these industrial sectors as they migrate from Western Europe to the lower cost manufacturing areas of the world. Our Koldfos industrial paint pre treatment system, launched earlier this year, is being used by an increasing number of customers and because of the eco-friendly nature of our chemicals, they will continue to replace our competitors' products, many of which are environmentally unacceptable.

**OUTLOOK:** The second half has started encouragingly. The recent grant of our Ecomectin registrations in Europe and the approaching possibility of Aivlosin registrations enable me to look forward with renewed optimism and confidence that our growth rate will accelerate and we will continue to deliver value to our shareholders.

Peter A Lawrence  
Chairman  
1 December 2003

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	Six months ended 30.09.03 (unaudited) £000	Six months ended 30.09.02 (unaudited) £000	Year ended 31.03.03 (audited) £000
<b>TURNOVER</b>			
Continuing operations	18,251	17,455	36,264
Cost of sales	<u>(10,866)</u>	<u>(10,948)</u>	<u>(21,397)</u>
<b>GROSS PROFIT</b>	7,385	6,507	14,867
Administrative expenses	(5,096)	(4,509)	(10,042)
Goodwill amortisation	<u>(78)</u>	<u>(68)</u>	<u>(137)</u>
<b>OPERATING PROFIT</b>	2,211	1,930	4,688
Share of profits of associate Income from investments	11 - <u>-</u>	- - <u>-</u>	- 64 <u>64</u>
	2,222	1,930	4,752
<b>EXCEPTIONAL ITEM</b>			
Provision for diminution in value of investments	-	146	-
Interest payable	<u>(98)</u>	<u>(113)</u>	<u>(205)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2,124	1,963	4,547
Taxation	<u>(682)</u>	<u>(561)</u>	<u>(1,170)</u>
<b>PROFIT AFTER TAX</b>	1,442	1,402	3,377
Minority interest	<u>(304)</u>	<u>(200)</u>	<u>(460)</u>
<b>PROFIT FOR PERIOD</b>	1,138	1,202	2,917
Dividends	(335)	(296)	(1,414)
<b>RETAINED PROFIT TRANSFERRED TO RESERVES</b>	<u>803</u>	<u>906</u>	<u>1,503</u>
<b>EARNINGS PER SHARE PRIOR TO GOODWILL AMORTISATION AND EXCEPTIONAL ITEM</b>	4.64p	4.63p	11.86p
<b>BASIC EARNINGS PER SHARE</b>	4.34p	4.66p	11.33p
<b>FULLY DILUTED EARNINGS PER SHARE</b>	4.24p	4.36p	11.17p

## BALANCE SHEET

	Six months ended 30.09.03 (unaudited) £000	Six months ended 30.09.02 (unaudited) £000	Year ended 31.03.03 (audited) £000
<b>FIXED ASSETS</b>			
Intangible assets	8,385	6,169	7,314
Tangible assets	1,414	1,505	1,456
Investments	816	864	805
	<u>10,615</u>	<u>8,538</u>	<u>9,575</u>
<b>CURRENT ASSETS</b>			
Stock	9,039	7,711	7,830
Debtors	10,106	10,169	12,762
Cash at bank and in hand	831	1,419	581
	<u>19,976</u>	<u>19,299</u>	<u>21,173</u>
<b>CREDITORS</b>			
Amounts falling due within one year	<u>(9,072)</u>	<u>(8,563)</u>	<u>(10,955)</u>
<b>NET CURRENT ASSETS</b>	10,904	10,736	10,218
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	21,519	19,274	19,794
<b>CREDITORS</b>			
Amounts falling due after more than one year	(1,560)	(1,092)	(1,205)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	-	(571)	-
<b>NET ASSETS</b>	<u>19,959</u>	<u>17,611</u>	<u>18,589</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	1,315	859	1301
Share premium	7,516	7,333	7199
Capital redemption reserve	106	106	106
Profit and loss account	9,830	8,854	9141
Minority interest	1,192	459	842
<b>SHAREHOLDERS' FUNDS</b>	<u>19,959</u>	<u>17,611</u>	<u>18,589</u>

## CASH FLOW STATEMENT

	Note	Six months ended 30.09.03 (unaudited) £000	Year ended 31.03.03 (audited) £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	(1)	<u>3,392</u>	<u>5,168</u>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest received		45	59
Interest paid		(143)	(264)
Dividends received		-	64
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		<u>(98)</u>	<u>(141)</u>
<b>TAXATION</b>		(233)	(1,546)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of intangible fixed assets		(1,590)	(2,462)
Purchase of tangible fixed assets		(121)	(211)
Sale of investments		-	244
Sale of tangible fixed assets		11	18
<b>NET CASH (OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		<u>(1,700)</u>	<u>(2,411)</u>
<b>EQUITY DIVIDENDS PAID</b>		(299)	(1,145)
<b>FINANCING</b>			
Issue of shares		331	394
(Repayment) of borrowing		-	(200)
<b>NET CASH INFLOW FROM FINANCING</b>		<u>331</u>	<u>194</u>
<b>INCREASE IN CASH</b>	(2)	<u>1,393</u>	<u>119</u>

### (1) RECONCILIATION OF OPERATING PROFIT TO NET

CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	£000	£000
Operating profit	2,211	4,688
Exchange gains	45	140
Depreciation charge	152	303
Amortisation charge	519	784
Profit on disposal of fixed assets	-	58
(Increase) in stocks	(1,209)	(239)
Decrease/(increase) in debtors	2,657	(337)
(Decrease) in creditors	(983)	(229)
Net cash Inflow from operating activities	<u>3,392</u>	<u>5,168</u>

### (2) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

£000    £000

Increase in cash in the period	1,393	119
Decrease in debt	-	200
Change in net debt resulting from cash flows	1,393	319
Effect of foreign exchange (losses)	(114)	(336)
Movement of net debt in the period	1,279	(17)
Net debt at 1st April 2003	(2,501)	(2,484)
Net debt at 30th September 2003	(1,222)	(2,501)

(3)RECONCILIATION ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.03	Cash flow	Exchange movements	At 30.9.03	At 30.9.02
	£000	£000	£000	£000	£000
Cash at bank and in hand	581	250	-	831	1,419
Overdrafts	(1,636)	1,143	-	(493)	-
	(1,055)	1,393	-	338	1,419
Debt	(1,446)	-	(114)	(1,560)	(1,092)
	(2,501)	1,393	(114)	(1,222)	327

## NOTES TO THE INTERIM REPORT

The summarised results of the half year to 30<sup>th</sup> September 2003, which are unaudited, have been prepared in accordance with the accounting policies in the Accounts for the period ended 31<sup>st</sup> March 2003.

The results for the first half of the 2003/4 financial year have not been audited. The summary of results for the year ended 31<sup>st</sup> March 2003 does not constitute full financial statements within the meaning of Section 240 of the Companies Act 1985. The full financial statements for that year have been reported on by the company's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under Section 237 (2) or Section 237 (3) of the Companies Act 1985.

The directors have declared an interim dividend of 1.275p per share (2002: 1.15p), payable on 7<sup>th</sup> April 2004 to shareholders on the register on 19<sup>th</sup> March 2004.

The calculation of basic earnings per ordinary share is based on the profit for the period and 26,245,963 ordinary shares (2002: 25,683,630) being the weighted average number of shares in issue during the half year. The weighted average number of shares in issue during the year ended 31<sup>st</sup> March 2003 was 25,748,900.

The interim report was issued to the Stock Exchange on 1<sup>st</sup> December 2003 and will be posted to shareholders. Further copies of the interim report are available from the Company's Registered Office.