

Lawrence plc

Interim Results for the six months to 30 September 2004

Highlights

- Operating profit from continuing operations up 30% to £1.4m (2003:£1.0m)
- Interim dividend up 10% to 1.4 pence per share (2003:1.275 pence per share)
- Cash position robust - £11.5mnet (2003:£0.8m)
- Acquisition of the 50 per cent not already owned of ECO Animal Health after end of period

Peter Lawrence, Chairman of Lawrence plc, commented:

" The period under review was one of transition following the disposal of Interpet, our pet accessory business. Another important event was the recent purchase of the 50% of ECO Animal Health not already owned by the Group. I believe these are significant steps for Lawrence plc and demonstrate our confidence in ECO. I look forward to the future and expect our strong growth to continue."

Contacts:

Lawrence plc
Peter Lawrence 020 8336 2900

Charles Stanley & Co Ltd
Philip Davies 020 7739 8200

Spiro Financial
Anthony Spiro 020 8949 0428

Lawrence plc is a leader in the development, manufacture and distribution of principally specialist chemical and pharmaceutical products for the animal health and farming 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

I am pleased to report that in the six months to 30 September 2004 the Group made profit before tax of £1.3 million on sales of £8.4 million. These results are in line with our expectations. Earnings per share before minorities were 3.6 pence and the Board has declared an interim dividend of 1.4 pence (net) per share, 10 per cent above the level of last year. The dividend will be paid on 7 April 2005 to shareholders on the register on 18 March 2005. The current year is one of transition for the Group following the sale of Interpet, our pet accessory business, at the end of the last financial year and before the benefits arise from sales of Aivlosin in Europe.

At the end of October, after the close of the period under review, we completed the purchase of the 50 per cent of ECO Animal Health that we did not already own. The consideration was £8 million in cash plus 3.3 million new Lawrence ordinary shares with up to a further one million shares to be issued dependent on ECO's performance over the period up to March 2009. This transaction is a significant step in the development of our company and demonstrates our confidence in ECO, an exciting and fast expanding business. It also reallocates part of the cash proceeds from the Interpet sale to our animal health business and also eliminates the minority element from our future Group results.

I am delighted to welcome Michael Sanders, President of ECO Animal Health, to the Board of Lawrence plc where his knowledge, wealth of experience and vision of the animal health industry will be invaluable.

As highlighted in my statement in last July's annual report, Lawrence is now focused on the animal health and animal feed markets worldwide. In April we announced the grant of our first European marketing authorisation for Aivlosin, initially for swine pneumonia. We have been very active co-ordinating the launch of this product across the 25 member countries of the EU, principally through Schering Plough's distribution network. Sales commenced in October, a few weeks later than originally planned; nevertheless we anticipate follow-on orders early in 2005 which should contribute to the results for the second half of the year.

The disposal of Aquarium Products, our US based pet accessories business, has yet to be completed. Whilst this is frustrating, the business is trading well and significantly ahead of the same period last year. We remain confident that negotiations will conclude in due course.

ECO Animal Health

The business made good progress in the first half of the year with sales ahead of the same period last year. A feature of this performance is the recovery in our sales to South America from the depressed level of 12 months ago, which reflects our investment in strengthened management and distributor arrangements.

In order to capitalise on selling Aivlosin in Europe, we have further added to our sales and marketing teams as well as our registration departments. Additional applications for the registration of Aivlosin for other indications in pigs, including ileitis and swine dysentery, were submitted in November and we hope to receive marketing authorisations during 2005. Concurrently, we have also expanded our North American registration team in order to accelerate our applications for drug licences in the USA through the US Federal Drug Administration. Unlike the EMEA in Europe, the FDA allows a modular approach; two modules relating to safety and toxicology have already been approved.

The new Aivlosin manufacturing plant in China is working well and delivering product. The facility came on stream in October and has received Chinese GMP (Good Manufacturing Practice) accreditation. This enables us to apply for the plant to be included as a supplier of Aivlosin for Europe. In addition Aivlosin from this plant is now undergoing the final field trial modules as part of the FDA approval process.

Aivlosin is particularly cost effective when compared with other available treatments for respiratory and dysentery type diseases in pigs and poultry. It has been sold in parts of the world outside Europe and the USA for some 12 years. It has a proven track record and we are confident that once the approvals have been granted for all the indications in both Europe and America, which should be within three years, we will be in an excellent position to more than recoup our very significant investment in drug registrations. Further information about Aivlosin is available on our new web site www.aivlosin.com.

Aivlosin is one of the first new molecules to undergo registration through the EMEA (Pan European Registration). As we all become more familiar with the new system, ECO is optimistic that the whole process will move forward faster.

Further registrations in Europe and North America for our Ecomectin range continue to be submitted, along with a pipeline of new products for farm and companion animals, which will assure the profitable growth of ECO Animal Health in the years ahead.

Agil

Agil has traded well, growing sales by 10 per cent compared with the same period last year. This performance reflects steadily improving market conditions, free of the external factors which affected last year's result. The introduction of our new drinking water purification system, Credence, together with the successful testing of some innovative new products, should ensure a continuing steady performance from this division, which supplies bio-security systems for fresh and safe animal feed.

In December 2005 the use of antibiotics as growth promoters will be banned in Europe. Agil is poised to take advantage of this legislation and expects a significant increase in the sale of Prefect, Salkil and Bactacid, its antibiotic-free range of products, which promote well-being in farm animals.

Blackfast

Blackfast Chemicals continues to enjoy buoyant export sales from its metal surface treatment chemicals and continues to contribute usefully to the Group.

Outlook

Lawrence is going through a very positive transition following the sale of Interpet and the purchase of the ECO minority. The timing of the grant of drug registrations is outside our control and consequently our financial results will be influenced by the dates of these registrations. Notwithstanding this, the Board believe that following the purchase of the outstanding shareholding in ECO, together with the other recent positive developments, the Group is well positioned for continued growth.

Peter A Lawrence
Chairman

6 December 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Six months ended 30.09.04 (unaudited) £'000	Six months Ended 30.09.03 (unaudited) £'000	Six months ended 30.09.03 (unaudited) £'000	Year ended 31.03.04 (audited) £'000
TURNOVER				
Continuing operations	8,399	7,978		16,128
Discontinued operations	-	<u>10,273</u>	18,251	<u>17,203</u>
Cost of sales	<u>(5,352)</u>		<u>(10,866)</u>	
GROSS PROFIT	3,047		7,385	
Administrative expenses	(1,678)		(5,096)	
Goodwill amortisation			<u>(78)</u>	
OPERATING PROFIT				
Continuing operations	1,369	1,054		771
Discontinued operations		<u>1,157</u>	2,211	<u>1,896</u>
Share of profits of associate	-		11	
Income from investments	<u>-</u>		<u>-</u>	
	1,369		2,222	
Exceptional items	-			
Interest payable	<u>(106)</u>		<u>(98)</u>	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,263		2,124	
Taxation	<u>(310)</u>		<u>(682)</u>	
PROFIT AFTER TAX	953		1,442	
Minority interest	<u>(151)</u>		<u>(304)</u>	
PROFIT FOR PERIOD	802		1,138	
Dividends	(375)		(335)	
RETAINED PROFIT TRANSFERRED TO RESERVES	<u>427</u>		<u>803</u>	
BASIC EARNINGS PER SHARE	3.00p		4.34p	
FULLY DILUTED EARNINGS				

PER SHARE

2.96p

4.24p

BALANCE SHEET

	Six months ended 30.09.04 (unaudited) £000	Six months ended 30.09.03 (unaudited) £000	Year ended 31.03.04 (audited) £000
FIXED ASSETS			
Intangible assets	6,312	8,385	5,661
Tangible assets	873	1,414	865
Investments	<u>1,252</u>	<u>816</u>	<u>713</u>
	8,437	10,615	7,239
CURRENT ASSETS			
Stock	3,284	9,039	2,316
Debtors	8,236	10,106	23,925
Cash at bank and in hand	<u>11,530</u>	<u>831</u>	<u>524</u>
	23,050	19,976	26,765
CREDITORS			
Amounts falling due within one year	<u>(7,485)</u>	<u>(9,072)</u>	<u>(10,596)</u>
NET CURRENT ASSETS	15,565	10,904	16,169
TOTAL ASSETS LESS CURRENT LIABILITIES	24,002	21,519	23,408
CREDITORS			
Amounts falling due after more than one year	(1,292)	(1,560)	(1,292)
NET ASSETS	<u>22,710</u>	<u>19,959</u>	<u>22,116</u>
CAPITAL AND RESERVES			
Called up share capital	1,341	1,315	1,337
Share premium	7,987	7,516	7,936
Capital redemption reserve	106	106	106
Profit and loss account	11,915	9,830	11,519
Minority interest	1,361	1,192	1,218
SHAREHOLDERS' FUNDS	<u>22,710</u>	<u>19,959</u>	<u>22,116</u>

CASH FLOW STATEMENT

	Six months ended 30.09.04 (unaudited) £000	Year ended 31.03.04 (audited) £000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	<u>(94)</u>	<u>3,381</u>
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest received	234	95
Interest paid	(106)	(254)
Dividends received	-	64
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	<u>128</u>	<u>(95)</u>
TAXATION	(581)	(802)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of intangible fixed assets	(2,003)	(2,871)
Purchase of tangible fixed assets	(28)	(247)
Sale of investments	-	86
Sale of tangible fixed assets	-	21
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	<u>(2,031)</u>	<u>(3,011)</u>
ACQUISITIONS AND DISPOSALS	16,595	(59)
EQUITY DIVIDENDS PAID	(341)	(1,334)
FINANCING		
Issue of shares	54	773
Repayment of borrowing (net)	(2,723)	(17)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	<u>(2,669)</u>	<u>756</u>
INCREASE/(DECREASE) IN CASH	<u>11,007</u>	<u>(1,164)</u>

Notes

(1) RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES (OUTFLOW)/INFLOW

30.09.04	31.03.04	31.03.04
£	Continued £	Discontinued £

Operating profit	1,135	771	1896
Exchange losses	(38)	(66)	-
Depreciation charge	21	137	171
Amortisation charge	398	567	355
Increase in stocks	(967)	(473)	(995)
(Increase)/Decrease in debtors	(492)	82	1032
Decrease in creditors	(151)	693	(789)
Net Cash (Outflow)/Inflow from operating activities	<u>(94)</u>	<u>1711</u>	<u>1670</u>

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

Increase/Decrease in cash in the period	11,007	(1,164)
Decrease in debt	<u>2,723</u>	<u>17</u>
Change in net debt resulting from cash flows	13,730	(1,147)
Effect of foreign exchange (losses)		<u>(104)</u>
Movement of net debt in the period	<u>13,730</u>	<u>(1,251)</u>
Net Debt at 1st April 2004	<u>(3,750)</u>	<u>(2,500)</u>
Net Debt at 30th September 2004	<u>9,980</u>	<u>(3,750)</u>

(3) RECONCILIATION ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.04 £000	Cash flow £000	At 30.9.04 £000	At 30.9.03 £000
Cash at bank and in hand	524	11,530	11,530	831
Overdrafts	<u>(2,982)</u>	<u>-</u>	<u>-</u>	<u>(493)</u>
	(2,458)	11,530	11,530	338
Debt	<u>(1,292)</u>	<u>(1,550)</u>	<u>(1,550)</u>	<u>(1,560)</u>
	<u>(3,750)</u>	<u>9,980</u>	<u>9,980</u>	<u>(1,222)</u>

NOTES TO THE INTERIM REPORT

The summarised results of the half year to 30 September 2004, which are unaudited, have been prepared in accordance with the accounting policies in the Accounts for the period ended 31 March 2004.

The summary of results for the year ended 31 March 2004 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 1.40p per share (2003: 1.275p), payable on 7 April 2005 to shareholders on the register on 18 March 2005.

The calculation of basic earnings per ordinary share is based on the profit for the period and 26,785,450 ordinary shares (2003: 26,245,963) 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 March 2004 was 26,420,744. There currently 30,387,407 shares in issue.

The interim report was issued to the Stock Exchange and the press on 6 December 2004 and will be posted to shareholders.

Further copies of the interim report are available at the Company's Registered Office.