

5 December 2008

ECO Animal Health Group plc

Interim Results for the six months ended 30 September 2008

Key features

- Turnover on continuing operations rises over 24 per cent to £8.03 million (2007: £6.46 million).
- EBITDA on continuing operations doubles to £1.47 million (2007: £0.73 million).
- Aivlosin sales (in US dollars) 35 per cent ahead of same period last year
- Net cash at period end of £3.8 million
- Unchanged Interim dividend of 1.7 pence (net) per share; scrip dividend alternative will again be offered to shareholders
- Sale of Aquarium Products completed

Peter Lawrence, Chairman of ECO Animal Health Group plc, commented:

“The strength of the first half performance should continue and it is encouraging that the very significant investment that we have made over a number of years in the development of our product ranges is beginning to show results. Our balance sheet is debt free and while our markets will remain tough as the major economies adjust to slower growth rates, we look forward with confidence and optimism to delivering further value to our shareholders”

Contacts:

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ECO Animal Health Group plc is a leader in the development, registration and marketing of pharmaceutical products for animals. Our products for these global growth markets promote well-being. Our financial goals are achieved through the careful and responsible application of science to generate value for our shareholders.

CHAIRMAN'S STATEMENT

I am pleased to report that we have maintained the good progress reported in the previous trading year. ECO has built on last year and delivered a strong performance for the six months to 30 September 2008 with good advances in sales and profit.

Turnover for the six months to 30 September 2008 on continuing operations rose over 24 per cent to £8.03 million (2007: £6.46 million) while EBITDA (earnings before interest, tax, depreciation, amortisation and share based payments) doubled to £1.47 million (2007: £0.73 million).

On October 1, the day following the period under review, we completed the sale of the business and assets of Interpet LLC, our US based operation, which trades as Aquarium Products, to Sergeant's Pet Care Products, Inc. of Omaha, Nebraska. The consideration is a cash payment of \$500,000 that will be followed by an earn out based on a rising percentage of net sales over the next five years. The Board believes that this will achieve the best and fairest price for the business. Sergeant's has very strong distribution and the Aquarium Products range will benefit from being part of this much larger organisation. The past few years has been a difficult period for Aquarium Products and the efforts of its management team are much appreciated. This sale concludes our programme of disposing of non-core operations and finally leaves us totally focused on animal health.

The Board is declaring an unchanged Interim dividend of 1.7 pence (net) per share, which will be paid on 19 May 2009 to shareholders on the register on 17 April 2009. In addition, the Board will again offer a scrip dividend alternative and a circular will be sent to shareholders in due course.

In June 2008 we left the London Stock Exchange's Electronic Trading Service (SETS) and reverted to the market maker led system. The Company also agreed to its shares being traded on PLUS Markets in addition to AIM. As a further step to lower volatility in its share price, the Company is today issuing Notice of an Extraordinary General Meeting to be held on 21 January 2009 to seek shareholder approval for the Company to buy back up to one per cent of its issued share capital to be held in Treasury for later reissue. The liquidity of smaller companies remains low and in many cases small trades can cause disproportionate fluctuations in the share price. I believe that the ability to buy back shares when there is an over supply and hold them in Treasury for reissue later to satisfy demand, should help smooth our share price performance.

Operations

ECO Animal Health's sales were 24 per cent ahead of the level achieved during the first six months of last year. The global sales value of Aivlosin® in US dollars was over 35 per cent higher and the Ecomectin® range was up some 50 per cent compared with the same period last year. Overall margins continue to improve as the product mix benefits from higher weightings of the Aivlosin® and Ecomectin® ranges. In July I reported on our new distribution strategy for Aivlosin® in Europe. We have now appointed a number of national and regional distributors, selected for their local knowledge of the poultry industry. Candidates for the distribution rights for Aivlosin® for pigs have been identified and we expect that multiple contracts will be signed shortly. ECO will be responsible for selling Aivlosin® for both pigs and poultry in the UK and just for poultry in France.

Sales from the new poultry market distributors look promising. Further market penetration in Europe is expected during 2009 when we plan selling a new formulation, with a more cost effective dose rate, for the treatment of ileitis, an enteric disease of pigs. In addition, we have recently been granted a further marketing authorisation for a new swine premix formulation, an 'all in one granule' with superior handling properties, which should be well received by pork producers.

In Japan we are appointing a new distributor and have added an ileitis claim to our Aivlosin® premix formulations for pigs. This should have a significant and positive effect on sales of our patented macrolide antibiotic. Another important Aivlosin® registration was obtained in Chile. Trading in both Brazil and China continues to develop encouragingly with sales in China more than double the level of last year boosted by a significant increase in exports.

The global programme to gain marketing authorisations for Aivlosin® continues apace and we still anticipate receiving our first registrations for the important North American markets in 2010. With these new approvals and the submission of our registration applications for the balance of our antiparasitic range, our portfolio of marketing authorisations worldwide has increased in both number and value.

Meanwhile, research and development of Aivlosin® for the treatment of more indications and in different species, is progressing well. Development studies for our planned new range of pet medications have continued along our projected time lines. We expect to add a new range of products to our existing Ecoheart dog heartworm tablet and our Ecomectin® horse paste, during 2010/11.

The supply chain cost saving project, which we commenced last year, has begun to deliver tangible benefits with our contracted manufacturers of key products, which includes an ambitious cost reduction programme associated with the supply of Aivlosin®. We have consolidated our UK regulatory departments into ECO's London office in order to shorten lines of communication and enhance efficiency.

Board membership

On 18 September 2008 we announced the appointment of David Danson as a non-executive director following the retirement of Gavin Casey. David is a veterinary surgeon who has spent many years in company management. He brings invaluable experience in the animal health sector and also significant public company expertise. This will be of enormous benefit to us particularly in our dealings with the various regulatory bodies.

Outlook

The strength of the first half performance should continue and it is encouraging that the very significant investment that we have made over a number of years in the development of our product ranges is beginning to show results. Our balance sheet is debt free and while our markets will remain tough as the major economies adjust to slower growth rates, we look forward with confidence and optimism to delivering further value to our shareholders.

Peter Lawrence

Executive chairman

5 December 2008

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS TO 30 SEPTEMBER 2008

	Six months ended 30.09.08 (unaudited) £000	Six months ended 30.09.07 (unaudited) £000	Year ended 31.03.08 (audited) £000
REVENUE			
Continuing operations	8,027	6,457	16,481
Discontinued activities	<u>395</u>	<u>453</u>	<u>-</u>
	8,422	6,910	16,481
Cost of sales	<u>(5,376)</u>	<u>(4,786)</u>	<u>(10,803)</u>
GROSS PROFIT	3,046	2,124	5,678
Administrative expenses	(2,005)	(1,643)	(3,702)
Currency gains/(losses)	73	(87)	(23)
Amortisation of marketing authorisations	(1,210)	(1,014)	(2,169)
Share based payments	(59)	(131)	(257)
Other operating income	<u>80</u>	<u>210</u>	<u>152</u>
OPERATING PROFIT/(LOSS)			
Continuing operations	159	(430)	(321)
Discontinued activities	<u>(234)</u>	<u>(111)</u>	<u>-</u>
Loss on sale of division	(591)	-	(315)
(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST	(666)	(541)	(636)
Net interest receivable/(payable)	<u>43</u>	<u>(195)</u>	<u>(374)</u>
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	(623)	(736)	(1,010)
Taxation	<u>190</u>	<u>-</u>	<u>314</u>
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	<u>(433)</u>	<u>(736)</u>	<u>(696)</u>
ATTRIBUTABLE TO:			
Equity holders of the parent	(564)	(753)	(784)
Minority interest	<u>131</u>	<u>17</u>	<u>88</u>
	<u>(433)</u>	<u>(736)</u>	<u>(696)</u>
BASIC (LOSS) PER SHARE	(1.24)p	(2.363)p	(2.36)p
FULLY DILUTED (LOSS) PER SHARE	(1.24)p	(2.360)p	(2.36)p

	£000	£000	£000
Earnings on continuing operations before interest taxation, depreciation, amortisation, share based payments and exceptional items	1,471	730	2,503
: on a per share basis	3.24p	2.29p	7.54p

ECO ANIMAL HEALTH GROUP PLC (FORMERLY LAWRENCE PLC)
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS TO 30 SEPTEMBER 2008

	Six months ended 30.09.08 (unaudited) £000	Six months ended 30.09.07 (unaudited) £000	Year ended 31.03.08 (audited) £000
(Loss) from operations	(666)	(541)	(321)
Adjustment for:			
Depreciation of plant and equipment	61	70	217
Amortisation of intangible assets	1,797	1,014	2,169
Actuarial pension losses	-	-	(80)
(Decrease) in pension provision	-	-	(110)
Share based payments	59	131	257
Foreign exchange differences	28	(618)	(444)
	<hr/>	<hr/>	<hr/>
Operating cash flow before movement in working capital	1,279	56	1,688
(Increase) in inventories	(67)	(985)	(97)
Decrease in receivables	234	688	526
(Decrease) in payables	(880)	(898)	(2,292)
Cash generated from/(absorbed by) operations	566	(1,139)	(175)
Interest paid	(76)	(197)	(414)
Taxation	(134)	-	(2)
Net cash inflow/(outflow) from operating activities	356	(1,336)	(591)
Cash flows from investing activities			
Acquisition of ECO Biok	-	(61)	-
(Less cash acquired with ECO Biok)	-	276	276
Investment in Brazilian Office	-	(62)	-
Purchase of property plant and equipment	(25)	(10)	(142)
Disposal of property plant and equipment	85	-	-
Costs of acquiring drug registrations	(1,860)	(2,419)	(4,552)
Interest received	119	2	40
Net cash (used in) investing activities	(1,681)	(2,274)	(4,378)
Cash flows from financing activities			
Issue of shares	380	5,273	16,425
(Repayment of) bank borrowings	(186)	(709)	(444)
Dividends paid	(586)	(530)	(2,368)
Net cash (used in)/received from financing activities	(392)	4,034	13,613
Net (decrease)/increase in cash and cash equivalents	(1,717)	424	8,644
Cash and cash equivalents at the beginning of the period	5,506	936	(3,138)
Cash and cash equivalents at the end of the period	3,789	1,360	5,506

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2008

	As at 30.09.08 (unaudited)	As at 30.09.07 (unaudited)	As at 31.03.08 (audited)
	£000	£000	£000
ASSETS			
Non Current Assets			
Property, Plant & Equipment	1,224	1,367	1,349
Goodwill & Other Intangibles	34,862	33,783	34,798
Investments	284	342	281
	<u>38,370</u>	<u>35,492</u>	<u>36,428</u>
CURRENT ASSETS			
Inventories	3,893	4,782	3,826
Trade and other receivables	8,021	8,337	8,354
Deferred tax	228	185	228
Other taxes and social security	225	320	151
Cash and cash equivalents	4,640	1,360	6,143
	<u>17,007</u>	<u>14,984</u>	<u>18,702</u>
Total Assets	<u>53,377</u>	<u>50,476</u>	<u>55,130</u>
Current Liabilities			
Trade and other payables	(2,522)	(4,880)	(3,523)
Short term borrowings	(650)	(3,155)	(79)
Current portion of long term borrowings	(201)	(210)	(558)
Corporation tax	(33)	(630)	(358)
Other taxes and social security	(179)	(119)	(83)
Dividends	(2,494)	(1,850)	(600)
	<u>(6,079)</u>	<u>(10,844)</u>	<u>(5,201)</u>
Total Assets Less Current Liabilities	47,298	39,632	49,929
Non Current Liabilities			
Long term borrowings	-	(630)	(186)
Long term provisions	-	(111)	-
	<u>47,298</u>	<u>38,891</u>	<u>49,743</u>
Equity			
Capital and reserves			
Called up share capital	2,275	1,695	2,256
Share premium	37,457	26,504	37,095
Revaluation reserve	253	256	253
Other reserves	865	679	806
Retained earnings	5,616	9,255	8,686
	<u>46,466</u>	<u>38,389</u>	<u>49,096</u>
Minority interest	832	502	647
Total Equity	<u>47,298</u>	<u>38,891</u>	<u>49,743</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE PERIOD TO 30 SEPTEMBER 2008

	Share Capital Account £000	Share Premium Account £000	Other Reserves £000	Revaluation Reserves £000	Retained Earnings £000	Total £000	Minority Interest £000	Total Equity £000
At 1 April 2007	1,559	21,367	548	256	12,474	36,204	2	36,206
Arising on consolidation of ECO-Biok	-	-	-	-	-	-	512	512
Loss for the period	-	-	-	-	(784)	(784)	88	(696)
Foreign currency translation differences	-	-	-	-	(488)	(488)	45	(443)
Arising on issue of shares in the period	697	15,728	-	-	-	16,425	-	16,425
Dividends	-	-	-	-	(2,436)	(2,436)	-	(2,436)
Depreciation written back	-	-	-	(3)	-	(3)	-	(3)
Share based payments	-	-	258	-	-	258	-	258
Actuarial losses on pension scheme	-	-	-	-	(80)	(80)	-	(80)
At 31 March 2008	2,256	37,095	806	253	8,686	49,096	647	49,743
Loss for the period	-	-	-	-	(564)	(564)	131	(433)
Foreign currency translation differences	-	-	-	-	(26)	(26)	54	28
Arising on issue of shares in the period	19	362	-	-	-	381	-	381
Dividends	-	-	-	-	(2,480)	(2,480)	-	(2,480)
Share based payments	-	-	59	-	-	59	-	59
At 30 September 2008	2,275	37,457	865	253	5,616	46,466	832	47,298
Prior interim period								
At 1 April 2007	1,559	21,367	548	256	12,474	36,204	2	36,206
Arising on consolidation of ECO-Biok	-	-	-	-	-	-	483	483
Loss for the period	-	-	-	-	(753)	(753)	17	(736)
Foreign currency translation differences	-	-	-	-	(619)	(619)	-	(619)
Arising on issue of shares in the period	136	5,137	-	-	-	5,273	-	5,273
Dividends	-	-	-	-	(1,847)	(1,847)	-	(1,847)
Share based payments	-	-	131	-	-	131	-	131
At 30 September 2007	1,695	26,504	679	256	9,255	38,389	502	38,891

ECO ANIMAL HEALTH GROUP PLC (FORMERLY LAWRENCE PLC)

NOTES TO THE PRELIMINARY RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

1. Basis of preparation- The unaudited interim results for the six months ended 30 September 2008 have been prepared by the Group in accordance with IFRS and the accounting policies that were applied when the Group prepared its financial statements for the year ending 31 March 2008.
2. The summary of results for the year ended 31 March 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The full financial statements for that year were filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985.
3. Revenue is derived from the Group's animal pharmaceutical business.
4. Earnings per share

	September 2008 Unaudited	September 2007 Unaudited	March 2008 Audited
Weighted average number of share in issue (000's)	45,424	31,864	33,199
Fully diluted weighted average number of shares in issue (000's)	45,425	31,901	33,223
(Loss) attributable to equity holders of the company (£000's)	(564)	(753)	(784)
Basic (loss) per share (pence)	(1.242)	(2.363)	(2.362)
Fully diluted (loss) per share (pence)	(1.242)	(2.360)	(2.360)

5. This financial information was approved by the Board on 4th December 2008

6. Copies of this interim report are being sent to all of the Company's shareholders. Further copies can be obtained from the Company's registered office at 78 Coombe Road, New Malden, Surrey, KT3 4QS.

DIRECTORS AND OFFICERS: Peter Lawrence (Chairman)
Marc Loomes (Director)
Julia Trowse (Director)
Kevin Stockdale (Finance Director)
David Danson (Non-Executive Director) (appointed 18 September 2008)

Julia Trowse (Company Secretary)

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