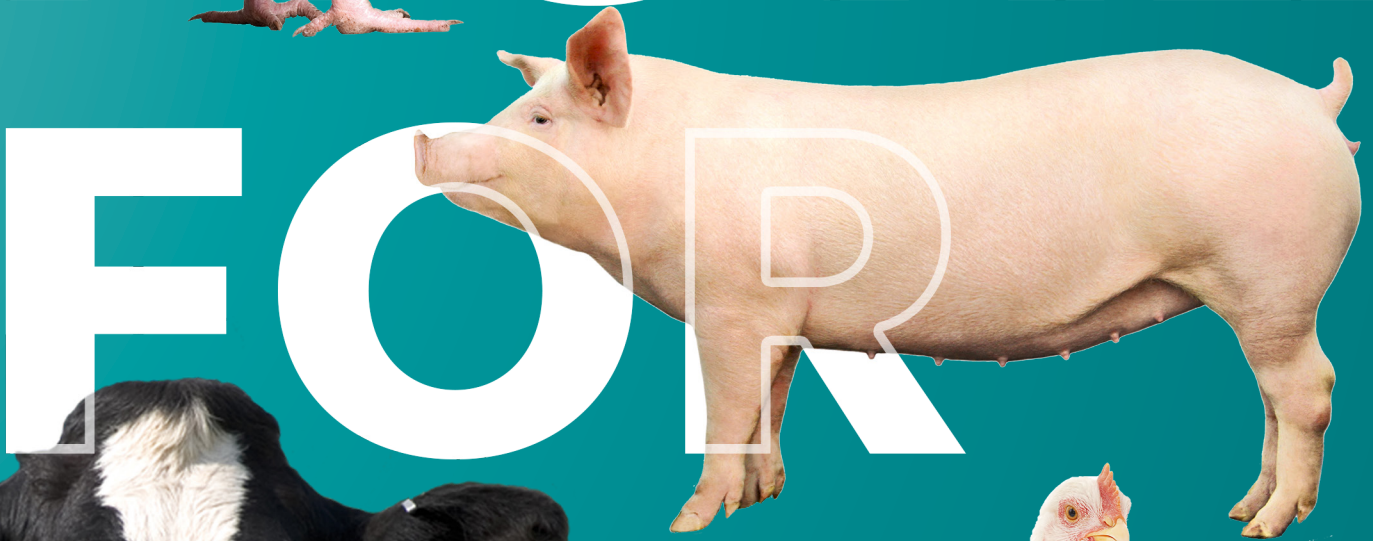




Anpario plc  
Interim Report  
2023



**Anpario plc**  
("Anpario", the "Group"  
or the "Company")

## Interim results

Anpario plc (AIM:ANP), the independent manufacturer of natural sustainable animal feed additives for animal health, nutrition and biosecurity is pleased to announce its unaudited interim results for the six months to 30 June 2023 ("H1 2023").

## Highlights

### Financial highlights

- 7% decrease in sales to £15.3m (H1 2022: £16.5m) as sales growth in the United States and Australasia was offset by declines across Asia Pacific, Europe and Latin America.
- Gross profits fell by a lower amount of 3% due to an increase in gross margins to 43.9% (H1 2022: 41.9%)
- 37% decrease in adjusted EBITDA<sup>1</sup> to £1.9m (H1 2022: £3.0m)
- 42% decrease in profit before tax to £1.4m (H1 2022: £2.4m)
- Diluted adjusted earnings per share down 42% to 5.66p (H1 2022: 9.81p)
- 2% increase in interim dividend to 3.20p (H1 2022: 3.15p) per share
- Cash balances, including short-term investments, of £7.3m at 30 Jun 2023 (31 Dec 2022: £13.6m), after £9.1m transferred to an escrow account ahead of the completion of the tender offer in July.

### Operational highlights

- Sales price increases helped soften the reduction in volumes and recovered gross margins previously impacted by raw material price inflation.
- Sales growth of Orego-Stim® and pHorce® benefiting from the trend to reduce antibiotic use and demand for anti-viral feed mitigants.
- Strong growth of sustainably sourced omega 3 supplement brand Optomega® Algae.
- Received first ever King's Award for Enterprise for Sustainable Development.

### Outlook

- Further improvement of gross margin expected in H2 2023 through an anticipated further reduction in the cost of raw materials and recovery in sales volumes.
- Benefits of mitigating cost reductions and efficiency improvements implemented in H1 2023 expected to feed into the latter part of H2 2023 and more fully realised in 2024.
- Some signs of the recent challenges faced across the global agriculture industry are beginning to alleviate.
- Regulatory environment continues to move towards natural and sustainable feed additive solutions giving the Board confidence in the long-term profitable development of the company.

Matthew Robinson, Chairman, commented:

"In my first statement as Chairman, I would like to thank my predecessor, Kate Allum, for her two years of service to Anpario and the significant contribution she made in her leadership and guidance of the Board.

The Board reports the Group's performance during what has been a difficult and challenging first half of the year for the global agricultural industry. Group sales declined by 7% to £15.3m compared to the prior year period of £16.5m, as meat protein producers came under significant margin pressure due to high feed and overhead costs, weak consumption as consumers reacted to the effects of increased cost of living and in some regions an oversupply of poultry, pork and shrimp. These difficulties inevitably led to a reduction in the use of speciality feed additives as producers scaled back production and looked to reduce input costs. Our biggest region, Asia, suffered the most, further affected by disease outbreaks of avian influenza and African swine fever (ASF).

The actions taken to recover raw material price inflation helped to increase gross margins by 2.0% to 43.9% compared to the same period last year, which would have been higher but for an under recovery of production overhead costs due to lower volumes. Our weighted average selling price increased by 25% driven by necessary price increases and a higher value-add product mix.

Adjusted EBITDA<sup>1</sup> declined by 37% to £1.9m compared to the same period last year of £3.0m. Action has already been taken to reduce overhead costs and the automation investment in the production facility has improved efficiency at lower volume levels. The benefit of these actions will be partially felt in the final quarter and more fully in 2024. The difficult decisions taken would not have been possible without the efforts and support of our staff across the globe who have remained resolute throughout difficult trading conditions and remain focused on implementing our strategy.

The geographic and product diversity of the Group continues to serve us well but the synchronised challenges currently impacting global agriculture and most species are highly unusual. Our strategy to offer sustainable and environmentally friendly products which help customers transition away from using antibiotics and some of the harsher chemical treatments positions Anpario to take advantage of current and future trends.

The recovery in our markets is taking longer than we anticipated at the beginning of the year and is also exacerbated by high inventory levels throughout the industry. However, our sales teams are focused on offering high value differentiated solutions which deliver significant benefits to the producer across the four main species groups of poultry, swine, ruminant and aquaculture. There are signs that some of these challenges are alleviating for our customers, not least, the expectation of further falls in animal feed prices in the second half of this year. The second half has started at a similar level as the first, but we anticipate that as conditions in the industry improve and our business development initiatives prove successful, sales growth will return as the year progresses and into 2024.

We were pleased to return £9m in cash to shareholders by way of the tender offer. After this corporate action the Group retains a strong balance sheet and healthy cash balance with which to deliver on its growth objectives.”

**Matthew Robinson, Chairman**

<sup>1</sup> Adjusted EBITDA represents operating profit for the period of £1.195m (H1 2022: £2.313m) adjusted for: share based payments and associated costs £0.120m (H1 2022: £0.091m); and depreciation and amortisation charges of £0.590m (H1 2022: £0.604m)

# Chief Executive Officer's statement

## Overview

Group sales for the six months to 30 June 2023 declined by 7% to £15.3m (H1 2022: £16.5m), impacted by the numerous challenges affecting the global agricultural industry. Brazil and the United States (US) delivered strong sales growth of 18% and 27% respectively, reflecting the strength of their home agricultural and energy markets which enable them to be competitive exporters of meat protein to the other regions of the world. However, Asia, our biggest region, accounting for more than a third of Group sales during the period, experienced sales and volume declines of 18% and 29% respectively.

Our higher value differentiated product brands Orego-Stim®, pHorce® and Optomega® Algae delivered sales growth of 4%, 42% and 117% respectively, but these performances were offset by declines of more competitive product areas in organic acids, mycotoxin binders and antioxidants. Group product volumes declined by 26% with the biggest impact being in these lower value-added price sensitive products. Volume declines, however, were tempered by an increase in weighted average selling price of 25% compared to the same period last year, which illustrates the extent to which raw material price inflation has been passed on in selling prices and the strength of our leading product brands.

Gross profit decreased by 3% to £6.7m (H1 2022: £6.9m) for the six months to 30 June 2023, reflecting lower volumes sold. Encouragingly, gross margins increased from 41.9% to 43.9%, primarily due to passing on raw material price inflation in prices, combined with declining raw material and logistics costs during the period. Historically high inventory levels, which we are now reducing, means that some of the cost reductions will continue to work their way through to benefit cost of goods sold, which is also dependent on production volumes through the factory reflecting the Company's high operational gearing.

pHorce® continues to perform well in the North American swine market not only as an anti-viral feed mitigant but also improving the performance and productivity of the animal. In addition, pHorce® is undergoing trials with a significant poultry integrator where it has already proven to be effective at controlling salmonella in antibiotic free formulations. Our new Orego-Stim Forte® product for aquaculture, which contains several natural phytogenic compounds, has proved to be highly effective at preventing and controlling necrotic enteritis when administered through the drinking lines for poultry in an easy-to-use water-soluble form. We have developed a number of product extensions for Orego-Stim® to customise the product for specific applications tailored to market requirements.

The first half of the year has undoubtedly been the toughest to navigate where industry specific and geopolitical challenges have coalesced to make the trading environment very difficult. The 37% decline in EBITDA<sup>1</sup> to £1.9m compared to the same period last year (H1 2022: £3.0m) is disappointing and reflects market challenging conditions. However, the team's priorities remain on profitable sales growth but equally it has been necessary to reduce our overheads to match current trading levels. There are some positive signs in our markets and with our customers but these are volatile times and so we remain cautious but optimistic that our markets are beginning to improve from what was a very testing first half.

## Operational review

### Americas

Overall, the segment grew sales by 7% due to increased sales in Brazil and the United States delivering growth of 18% and 27% respectively compared to the same period last year. Brazil's poultry industry was a big beneficiary of export trade, with a 17% increase in the first quarter of 2023. Whether this level of export activity continues will depend on how successful the industry is at limiting the impact of high pathogenicity avian influenza (HPAI) which has now reached some poultry producing southern states although it appears to be limited to wild birds and smaller farms.

The US delivered strong sales and volume growth from both Orego-Stim® and pHorce®. Orego-Stim® had a successful launch to the young cattle market for inclusion in calf milk delivering healthier better performing calves, reduced medication costs and reducing antimicrobial resistance as proven by our research with the University of Reading and the granting of the UK patent for this specific claim. We have also combined Orego-Stim® and our mycotoxin binder product to produce a 2-in-1 solution for the US dairy market and are working with a distributor to the poultry industry on a water-soluble combination product for preventing and controlling necrotic enteritis as demonstrated in trial work undertaken in the US last year.

Historically Argentina has been a consistent market for Anpario but in recent times the economy has been under increasing strain with a weak currency, high inflation and central bank currency controls which have impacted our sales to the country with a decline of 22% compared to the same period last year.

Sales to the Latin America region declined by 9% and, although Colombia and Mexico delivered good sales growth with products including Optomega® Algae and pHorce®, the overall performance of the region was impacted by a drop in pellet binder sales to Ecuador.

## **Asia**

The segment, which includes Australasia, China and South-East Asia accounts for just over one third of Group sales. Sales declined by 18% in this segment compared to the same period last year with volumes 29% lower of which two thirds can be attributed to the Philippines, which has been badly affected by African swine fever such that pork production is still 23% lower than in the first quarter of 2021. In addition, producer profit margins have been squeezed by high feed and overhead costs. The decline in volumes tended to come from more price sensitive and lower margin products such as antioxidants where the price of a key raw material ingredient increased exponentially across Europe due to supply constraints following Russia's invasion of Ukraine.

The other notable decline in sales performance was Malaysia, which suffered from high feed prices and a number of outbreaks of avian influenza. The expectation is that lower feed cost levels, albeit still historically high, in the second half will support producers in improving their margins.

Australasia and Indonesia delivered strong sales performances of 18% and 49% respectively compared to the same period last year. The tough markets in South-East Asia have also been exacerbated by high inventory levels throughout the supply chain following the rapid opening up of economies post pandemic; this placed increased pressure on global logistics prompting feed additive suppliers, distributors and feed mills to build up inventory only to be confronted shortly afterwards by a drop in meat protein production as consumption waned. The unwinding of this situation is taking longer than expected but is and will continue to improve with time.

China which accounts for just under 13% of Group sales declined by 9% due to the difficulties experienced in the swine market driven by weaker than expected pork consumption, while continuous herd liquidation added more supply resulting in lower pork prices. Furthermore, outbreaks of African swine fever in some provinces have seen short-term disruptions and this uncertainty and months of losses is forcing smaller producers to exit production. Pork prices have improved in recent weeks, but it remains to be seen whether this is sustainable given the weak economy. Our China business is redirecting its efforts towards the dairy and aquaculture sectors, with success, which we believe have better growth opportunities in the medium term and will reduce our dependency on the swine market.

## **The Middle East, Africa and India**

Despite sales and volumes declining by 4% and 37% respectively compared to the same period last year, we are encouraged by the progress the sales team has made in selling our higher value add products such that the weighted average selling price improved by a hugely significant 52%. Most of the drop in volumes are attributed to lower margin mycotoxin and pellet binders, which are often subject to tender bidding processes leaving little opportunity to differentiate. In contrast, Optomega® Algae has been well received by customers looking to improve dairy cow fertility. There was also good growth in Turkey with Genex® Poultry which is an acid-based eubiotic and phyto-genic combination.

Sales of Orego-Stim® to India increased by 28% as our long-term partner expanded the market opportunities for the product. We consider India to be a good opportunity for Anpario's product range and will be working more closely with our local partner in the future.

## **Europe**

Overall sales and volumes declined by 8% and 20% respectively compared to the same period last year. However, the first quarter of last year had some residual sales from the UK feed hygiene customer lost due to significant cost inflation in organic acids; excluding this customer loss, the sales across the segment would have grown by 3% with volumes declining by a lesser 9%. The weighted average selling price across the segment increased by 15% reflecting actions taken to recover raw material cost inflation.

Pork production across Europe has been in decline over the past year with a year-on-year decline of 10% in the first four months of 2023 with the UK and Spain, the latter being Europe's largest pig meat producer, experiencing declines of 17% and 7% respectively. The contraction in supply has helped to increase pork prices and with feed prices dropping more efficient producers have returned to profitability. The improvement in market conditions for producers means they are more receptive to using speciality feed additives which is borne out by our improved performance in Spain, Poland and the Baltic States.

The European poultry market is performing relatively well with a drop in feed prices helping producer profitability and strong market conditions for poultry as its value compares favourably with competing animal proteins such as pork where prices have increased by 25% since the start of the year. Poultry imports to Europe were up 10%, mainly from Brazil and Ukraine. Certain countries were affected by avian influenza outbreaks during the period, but cases continue to drop in commercial farms. Sales of our leading product brands are expected to benefit as producer profitability improves and regulatory tailwinds such as zinc oxide removal from piglet diets and the trend to reduce antibiotic use continue to take effect.

## **Innovation and development**

More recently our innovation and development activities have been undertaken in conjunction with major commercial companies who are looking for specific solutions to their problems or who want to remove some of the harsher chemical treatments used in production and who are also looking for more sustainable and environmentally friendly approaches.

One example is Orego-Stim® Forte recently developed for the aquaculture market, which combines a number of plant extracts with our 100% natural oregano essential oil (OEO) to produce a water-soluble version for use in aquafeed or direct to fish farms. We are now trialling Orego-Stim® Forte with a commercial partner for use in poultry shed drinking lines to prevent and control necrotic enteritis. We also have several shrimp trials underway to support the sales and marketing of the product in the Asia Pacific and Latin America regions.

In an initiative to reduce packaging, wastage and improve efficiency in logistics and warehousing we have developed higher concentrations of our products including Orego-Stim® in liquid form which is available in a number of concentrations to suit the customer. pHorce® is another example being a high strength acid-based eubiotic, which is only possible due to its unique mineral carrier system and production process such that it is very effective in eliminating harmful pathogens and why it is successful in controlling bacteria such as salmonella infections in the absence of antibiotics.

In another stride to enhance factory efficiency and manage demand volatility, we installed a state-of-the-art fully automated palletiser, representing £0.2m capital investment in our production facility. Automation has been a crucial part of our strategy and fundamental to responding to growing customer demands and the continual drive towards sustainable and efficient operations. This recent investment has improved output capacity and also halved the level of manual handling in the factory.

## **Outlook**

It is evident that Asia being the largest segment has had an outsized effect on our performance during the period under review. However, the reduction in volumes has tended to be in products characterised as lower value add and more price sensitive. It is encouraging, therefore, that our higher value differentiated products exhibited some growth even in difficult markets. The combination of passing on raw material cost inflation through selling prices and the recent softening of these input prices has helped to increase gross margins with further improvement expected as cheaper raw materials work their way through the system and as our sales volumes recover. We have taken action to reduce overheads given the drop in sales; the benefits of which will be partially felt in the final quarter of this year and more fully in 2024.

Although the second half has started in a similar vein as the first, there are some positive signs that challenges across the global agriculture industry are beginning to alleviate although it is geography dependent. Producer farm margins have begun to improve as excess supply due to reduced meat protein consumption is tightening, leading to increased pricing for farmers. In addition, the cost of animal feed is expected to fall further albeit still at relatively high levels. The ideal scenario for Anpario is a balanced supply of meat protein such that producers are profitable, and the price is affordable for consumers to increase consumption of meat products. We anticipate markets to be volatile but are optimistic that the direction of travel will support our business development initiatives which are gaining traction.

Our leading products consistently demonstrate their resilience precisely because they deliver the expected return on investment in our customers' operations. The growth drivers across the meat protein industry remain intact and the regulatory environment is continually moving towards natural and sustainable feed additive solutions, which gives us confidence in the long-term profitable development of the company.

## **Richard Edwards**

Chief Executive Officer  
13 September 2023

# Key performance indicators

## Financial

	Note	H1 2023 £000	H1 2022 £000	change	% change
Revenue	3	15,273	16,471	-1,198	-7%
Gross profit		6,699	6,900	-201	-3%
Gross margin		43.9%	41.9%	+2.0%	
Adjusted EBITDA	4	1,905	3,008	-1,103	-37%
Profit before tax		1,364	2,361	-997	-42%
Diluted adjusted earnings per share	6	5.66p	9.81p	-4.15p	-42%
Interim dividend		3.20p	3.15p	+0.05p	+2%
Cash and cash equivalents		7,298	13,320	-6,022	-45%
Net assets		43,059	41,973	+1,086	+3%

## Financial review

### Revenue and gross profits

Revenue for the period fell by 7% to £15.3m (H1 2022: £16.5m), on a constant exchange rate basis the fall is similar at 8%. Performance through the second quarter has been stronger in both sales and gross margin terms. Volumes overall were 26% lower than the prior year. The more competitive product segments such as Antioxidants, Binders and some of our Acid-based range contributing to almost all of this volume decline, and more than all of the revenue reduction. This is due to a combination of lower demand due to reduced levels of meat production and price pressures leading some producers to switch to lower quality and cheaper alternatives. As animal protein production increases and producers return to profitability then we expect to see this volume reduction reverse as our products in this segment are more efficacious, longer lasting and of a higher quality than the more commoditised alternatives.

Excluding these more competitive product segments, sales across other products grew by 11% over the same period last year. These products including our market leading phytogenic Orego-Stim™ alongside Optomega™ Algae and pHorce were able to grow despite the difficult market context due to their more novel applications, the result of continuing research and development efforts, and their higher and more differentiated value add to producers. As a result of this change in sales mix, and a whole period contribution of sales price rises previously implemented to offset input cost inflation, then the average selling price per tonne increased by 25%.

Sales performance was strong in the USA, with revenue up 27% over the prior period, contributing to an overall geographic segment increase for the Americas of 7%. This offset a slight reduction in revenue across MEA and Europe, down 4% and 8% respectively. However, the largest factor in the overall sales decline was in Asia, with revenue down £1.2m for the region, the same as the overall Group reduction. Sales in South-East Asia were down 28% and a smaller decline in sales in China of 9% was almost fully offset by revenue growth in Australasia, which was up by 18%. Detailed commentary on the performance of the operating segments is available in the Chief Executive Officer's Statement.

During the period there was a 3% decrease in gross profit to £6.7m (H1 2022: £6.9m), this was lower in percentage terms to the revenue decline due to a welcome increase in gross margins 43.9% (H1 2022: 41.9%). Whilst some of the factors that have been negatively impacting our margins have stabilised or improved, there are still several others limiting the recovery of our gross margins to their previous levels. Input costs are stabilising and falling slightly across some raw materials, but they are still at very high levels compared to where they were historically. Sales price rises have been implemented fully, but we are still absorbing some margin pressures to try to mitigate against any further decline in volumes. We are anticipating that input costs will continue to gradually fall, which will enable margins to return to more normalised levels across those product ranges most affected, such as Acid-based Eubiotics.

The change in sales mix towards products such as Orego-Stim® alongside Optomega® Algae and pHorce, away from the higher volume and comparatively lower contribution products, has meant that the gross profit per tonne has increased by 31% over the prior period. Whilst this mix change is helping to increase margins through higher profitability per tonne, the related reduction in sales volumes is also reducing margins through the under-recovery of production costs. The highly automated and low staffing levels required in production means that we can scale up volumes very efficiently,

however, when volumes are lower there is a largely fixed operating cost base spread across a reduced level of output. We have implemented a number of cost reduction measures, including a reduction in operating hours and other efficiency improvements. However, the key to reversing the margin reduction impact of this under-recovery will be through an increase in sales volumes.

### **Administrative expenses**

Administrative expenses were 20% higher at £5.5m (H1 2022: £4.6m). This comparative difference is almost fully accounted for by favourable amounts in the prior year's first half period related to foreign exchange gains, a release of doubtful debt provisions that were no longer required and higher than typical levels of staff capitalisation for research and development. In the first half of the current year those same items cumulatively represent expenses of just £26,000, but in H1 2022 they represented a net gain/reduction of administrative costs of £0.8m.

Excluding the items mentioned above, core administrative costs for the first half of last year were £5.4m. Against a backdrop of materially high inflation across the board, most notably in travel expenditure, then these core administrative costs rose only slightly in the period by 2% (£0.1m) to £5.5m. This also represents a reduction of 4% (£0.2m) when compared to the second half of 2022.

The inflationary pressures and reduced profitability have led to a greater focus and emphasis on optimising expenditure and operating more efficiently and the hard work and efforts by staff in this regard have been greatly appreciated. However, despite these efforts it has been necessary to implement a restructuring and redundancy process and we have regrettably needed to reduce headcount and external resource in several areas of the business to right-size the operations for the current reduced volumes and levels of profitability. This process has now concluded and the related reduction in costs, felt to a small degree through the first half, should contribute to a decline in comparable administrative expenses for the second half and give a full year contribution in 2024.

### **Foreign exchange**

As previously mentioned, hedging contracts are in place to mitigate the downside-risks related to adverse GBP/USD exchange rate movements, which represents the principal foreign exchange risk to the Group. The weighted average forward rate of these contracts was higher than the spot rate at 30 June 2023 (1.271) and as such their net fair value represented a liability of £0.4m, a significant decrease from a liability £1.3m at 31 December 2022 when the spot rate was lower at 1.210. The majority of this amount and the movement thereof is deferred in equity in accordance with cash-flow hedge accounting.

### **Taxation**

Effective from April 2023 UK corporation tax rates increased to 25% from 19%, despite this, the effective tax rate for the period was similar to last year at 10.6% (H1 2022: 10.5%). Anpario benefits from R&D tax allowances due to the development work related to new products and applications. In addition to this, Anpario benefits from a reduction in the tax charged on the profits generated by our market leading phytogetic product Orego-Stim® due to the application of the Patent Box scheme which allows companies to apply a lower rate of corporation tax to profits attributable to qualifying patents.

### **Profitability and earnings per share**

Resulting from the £0.2m reduction in gross profits and combined with the £0.9m increase in administrative costs, of which £0.8m was a credit in the prior period, then adjusted EBITDA for the period decreased by £1.1m to £1.9m (H1 2022: £3.0m). Profit before tax decreased by 42% to £1.4m (H1 2022: £2.4m). Basic earnings per share decreased 43% to 5.91p (H1 2022: 10.33p) and diluted adjusted earnings per share decreased by a similar amount of 42% to 5.66p (H1 2022: 9.81p).

### **Tender offer**

As announced in June 2023, Anpario launched a £9.0m tender offer to purchase its own shares at a price of 225p per ordinary share. Valid tenders were received in respect of 107 per cent of the total number of share subject to the tender offer and as such the company purchased the full 4,000,000 ordinary shares. The actual repurchase and settlement of the transaction occurred in early July 2023 and as such is not reflected in these financial statements, other than to show the £9.1m held in escrow with a third-party as a separate line item of the statement of financial position.

Following the conclusion of the Tender Offer, the 4,000,000 shares repurchased, together a further 440,388 shares that were already held in Treasury were subsequently cancelled. As this took place after 30 Jun 2023, the earnings per share calculation in note 6 does not reflect any impact of this transaction. There will be a partial benefit to FY 2023 as the transaction occurred half-way through the year, by a way of a reduction in the number of weighted average shares in issue, however the full year impact will only be felt through 2024.



## Cash flow

Cash generated by operations during the period was £2.6m, this compares to an outflow of cash during the same period last year of £1.1m. Operating cash flows before changes in working capital were lower as a result of the reduced levels of profitability at £1.6m (H1 2022: £3.4m). However, this was more than offset by a release of working capital of £0.9m compared to an absorption of £4.5m over the same prior period.

Included in the release of working capital was a decrease in inventories of £2.1m, with finished goods and raw materials levels both down equally from the year end as we continued to reduce the level of raw materials held as part of supply chain contingencies and also lowering the level of safety stock held in our subsidiaries to cover logistics concerns. There was a slight increase in trade receivables of £0.2m and a reduction in trade payables of £1.0m, which relates to the payment of raw materials strategically purchased at the end of the prior year.

The corporation tax debtor at the year end relating to overpayments and the application of the Patent Box scheme tax deductions was repaid in the period and as such there was a net income tax refund of £0.7m. This further helped to generate net cash from operating activities of £3.2m during the period (H1 2022: £1.5m outflow).

Capital expenditure in the period was £0.5m (H1 2022: £1.1m), with only a small investment in an automated palletiser of £0.2m and a reduced level of expenditure on development projects. The automated palletiser represents the last stage of a wider programme of CAPEX projects to increase efficiency and throughput of the production facilities that started in 2016.

Net cash used in financing activities of £9.1m primarily relates to the tender offer, as at 30 June 2023 these amounts were held in escrow with a third-party ahead of the conclusion of the tender offer in early July 2023.

As at the year end, cash and cash equivalents as shown on the statement of financial position and on the cash flow statement exclude short-term investments which represent cash held in notice accounts for more than 90 days in order to maximise interest received. Including these amounts, cash, cash equivalents and short-term investments declined by £6.3m to £7.3m (31 December 2022: £13.6m). However, this includes the £9.1m outflow for the tender offer, excluding which cash would have increased by £2.9m.

## Dividend

The Board has approved an interim dividend of 3.20 pence per share (H1 2022: 3.15 pence per share), an increase of 2%. This dividend, payable on 24 November 2023 to shareholders on the register on 10 November 2023, reflects the Board's continued confidence in the Group and its ability to generate cash.

Anpario has increased the dividend per share for 16 years since its maiden dividend in 2007. Despite the current reduced level of profitability, it is the current intention of the Board to continue to demonstrate an increase in the dividend per share year on year.

## Marc Wilson

Group Finance Director  
13 September 2023

# Consolidated statement of comprehensive income

for the six months ended 30 June 2023

	Note	six months to 30 June 2023 £000	six months to 30 June 2022 £000	year ended 31 December 2022 £000
<b>Revenue</b>	3	<b>15,273</b>	<b>16,471</b>	<b>33,103</b>
Cost of sales		(8,574)	(9,571)	(18,967)
<b>Gross profit</b>		<b>6,699</b>	<b>6,900</b>	<b>14,136</b>
Administrative expenses		(5,504)	(4,587)	(10,576)
<b>Operating profit</b>		<b>1,195</b>	<b>2,313</b>	<b>3,560</b>
Depreciation and amortisation		590	604	1,225
Adjusting items	4	120	91	423
<b>Adjusted EBITDA</b>	4	<b>1,905</b>	<b>3,008</b>	<b>5,208</b>
Net finance income	5	169	48	121
<b>Profit before tax</b>		<b>1,364</b>	<b>2,361</b>	<b>3,681</b>
Income tax		(144)	(249)	(378)
<b>Profit for the period</b>		<b>1,220</b>	<b>2,112</b>	<b>3,303</b>
Items that may be subsequently reclassified to profit or loss:				
Exchange difference on translating foreign operations		(185)	423	387
Cashflow hedge movements (net of deferred tax)		477	(967)	(902)
<b>Total comprehensive income for the period</b>		<b>1,512</b>	<b>1,568</b>	<b>2,788</b>
Basic earnings per share	6	5.91p	10.33p	16.13p
Diluted earnings per share	6	5.88p	9.60p	15.10p
Adjusted earnings per share	6	5.68p	10.56p	17.81p
Diluted adjusted earnings per share	6	5.66p	9.81p	16.67p

# Consolidated statement of financial position

As at 30 June 2023

	Note	as at 30 June 2023 £000	as at 30 June 2022 £000	as at 31 December 2022 £000
Intangible assets	7	11,390	11,360	11,375
Property, plant and equipment	8	4,827	5,066	4,864
Right of use assets	9	107	52	50
Deferred tax assets		736	1,622	859
Derivative financial instruments		233	26	153
<b>Non-current assets</b>		<b>17,293</b>	<b>18,126</b>	<b>17,301</b>
Inventories	10	7,535	10,426	9,867
Trade and other receivables		7,042	7,323	7,003
Tender offer funds held in escrow		9,144	-	-
Derivative financial instruments		5	17	21
Current income tax assets		-	120	774
Short-term investments		143	1,809	1,828
Cash and cash equivalents		7,155	11,511	11,739
Cash, cash equivalents and short-term investments		7,298	13,320	13,567
<b>Current assets</b>		<b>31,024</b>	<b>31,206</b>	<b>31,232</b>
<b>Total assets</b>		<b>48,317</b>	<b>49,332</b>	<b>48,533</b>
Lease liabilities		(75)	(23)	(17)
Derivative financial instruments		(562)	(1,249)	(825)
Deferred tax liabilities		(1,701)	(2,063)	(1,724)
<b>Non-current liabilities</b>		<b>(2,338)</b>	<b>(3,335)</b>	<b>(2,566)</b>
Trade and other payables		(2,683)	(3,868)	(3,983)
Lease liabilities		(34)	(32)	(35)
Derivative financial instruments		(102)	(124)	(638)
Current income tax liabilities		(101)	-	-
<b>Current liabilities</b>		<b>(2,920)</b>	<b>(4,024)</b>	<b>(4,656)</b>
<b>Total liabilities</b>		<b>(5,258)</b>	<b>(7,359)</b>	<b>(7,222)</b>
<b>Net assets</b>		<b>43,059</b>	<b>41,973</b>	<b>41,311</b>
Called up share capital		5,636	5,448	5,624
Share premium		15,040	11,577	14,934
Other reserves		(10,051)	(7,261)	(10,461)
Retained earnings		32,434	32,209	31,214
<b>Total equity</b>		<b>43,059</b>	<b>41,973</b>	<b>41,311</b>

# Consolidated statement of changes in equity

for the six months ended 30 June 2023

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
<b>Balance at 1 Jan 2022</b>	<b>5,446</b>	<b>11,547</b>	<b>(6,788)</b>	<b>30,097</b>	<b>40,302</b>
Profit for the period	-	-	-	2,112	2,112
Currency translation differences	-	-	423	-	423
Cash flow hedge reserve	-	-	(967)	-	(967)
Total comprehensive income for the period	-	-	(544)	2,112	1,568
Issue of share capital	2	30	-	-	32
Share-based payment adjustments	-	-	71	-	71
Transactions with owners	2	30	71	-	103
<b>Balance at 30 Jun 2022</b>	<b>5,448</b>	<b>11,577</b>	<b>(7,261)</b>	<b>32,209</b>	<b>41,973</b>
Profit for the period	-	-	-	1,191	1,191
Currency translation differences	-	-	(36)	-	(36)
Cash flow hedge reserve	-	-	65	-	65
Total comprehensive income for the period	-	-	29	1,191	1,220
Issue of share capital	176	3,357	-	-	3,533
Joint-share ownership plan	-	-	(3,270)	-	(3,270)
Share-based payment adjustments	-	-	112	-	112
Deferred tax regarding share-based payments	-	-	(71)	-	(71)
Final dividend relating to 2021	-	-	-	(1,512)	(1,512)
Interim dividend relating to 2022	-	-	-	(674)	(674)
Transactions with owners	176	3,357	(3,229)	(2,186)	(1,882)
<b>Balance at 31 Dec 2022</b>	<b>5,624</b>	<b>14,934</b>	<b>(10,461)</b>	<b>31,214</b>	<b>41,311</b>
Profit for the period	-	-	-	1,220	1,220
Currency translation differences	-	-	(185)	-	(185)
Cash flow hedge reserve	-	-	477	-	477
Total comprehensive income for the year	-	-	292	1,220	1,512
Issue of share capital	12	106	-	-	118
Share-based payment adjustments	-	-	110	-	110
Deferred tax regarding share-based payments	-	-	8	-	8
Transactions with owners	12	106	118	-	236
<b>Balance at 30 Jun 2023</b>	<b>5,636</b>	<b>15,040</b>	<b>(10,051)</b>	<b>32,434</b>	<b>43,059</b>

# Consolidated statement of cash flows

for the six months ended 30 June 2023

	Note	six months to 30 June 2023 £000	six months to 30 June 2022 £000	year ended 31 December 2022 £000
Operating profit for the period		1,195	2,313	3,560
Depreciation, amortisation and impairment	4	590	604	1,225
Loss on disposal of intangible assets	7	-	-	45
Loss on disposal of property, plant and equipment	8	-	-	1
Share-based payments		110	71	183
Fair value adjustment to derivatives		(246)	419	395
<b>Operating cash flows before changes in working capital</b>		<b>1,649</b>	<b>3,407</b>	<b>5,409</b>
Decrease/(increase) in inventories		2,098	(2,137)	(1,661)
(Increase)/decrease in trade and other receivables		(193)	(249)	254
Decrease in trade and other payables		(969)	(2,125)	(2,171)
<b>Changes in working capital</b>		<b>936</b>	<b>(4,511)</b>	<b>(3,578)</b>
<b>Cash generated by operations</b>		<b>2,585</b>	<b>(1,104)</b>	<b>1,831</b>
Income tax refunded/(paid)		688	(361)	(744)
<b>Net cash from operating activities</b>		<b>3,273</b>	<b>(1,465)</b>	<b>1,087</b>
Purchases of property, plant and equipment	8	(220)	(701)	(809)
Payments to acquire intangible assets	7	(313)	(395)	(731)
Interest received	5	172	49	124
Movement in short-term investments		1,685	(6)	(25)
<b>Net cash used in investing activities</b>		<b>1,324</b>	<b>(1,053)</b>	<b>(1,441)</b>
Funds placed in escrow for tender offer		(9,144)	-	-
Joint share ownership plan		-	-	(3,270)
Proceeds from issuance of shares		118	32	3,565
Cash payments in relation to lease liabilities		(35)	(32)	(70)
Operating lease interest paid	5	(3)	(1)	(3)
Dividend paid to Company's shareholders		-	-	(2,186)
<b>Net cash from financing activities</b>		<b>(9,064)</b>	<b>(1)</b>	<b>(1,964)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,467)</b>	<b>(2,519)</b>	<b>(2,318)</b>
Effect of exchange rate changes		(117)	288	315
Cash and cash equivalents at the beginning of the period		11,739	13,742	13,742
<b>Cash and cash equivalents at the end of the period</b>		<b>7,155</b>	<b>11,511</b>	<b>11,739</b>

## **1. General information**

Anpario plc (“the Company”) and its Subsidiaries (together “the Group”) produce and distribute natural feed additives for animal health, hygiene and nutrition. Anpario plc is a public company traded on the Alternative Investment Market (“AIM”) of the London Stock Exchange and is incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS. The presentation currency of the Group is pounds sterling.

## **2. Basis of preparation**

The unaudited consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 30 June 2023.

The Group has presented its financial statements in accordance with UK adopted International Financial Reporting Standards (“IFRSs”).

Full details on the basis of the accounting policies used are set out in the Group’s financial statements for the year ended 31 December 2022, which are available on the Company’s website at [www.anpario.com](http://www.anpario.com). There are not expected to be any changes to the accounting policies and the same policies are expected to be applicable for the year ended 31 December 2023.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 22 March 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated interim financial information for the period ended 30 June 2023 is neither audited nor reviewed.

### 3. Operating segments

Management has determined the operating segments based on the information that is reported internally to the Chief Operating Decision Maker, the Board of Directors, to make strategic decisions. The Board considers the business from a geographic perspective and is organised into four geographical operating divisions: Americas, Asia, Europe, Middle-East and Africa (MEA) and Head Office.

All revenues from external customers are derived from the sale of goods and services in the ordinary course of business to the agricultural markets and are measured in a manner consistent with that in the income statement. Inter-segment revenue is charged at prevailing market prices or in accordance with local transfer pricing regulations.

<b>for the six months ended 30 Jun 2023</b>	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	4,709	5,356	7,126	1,713	-	18,904
Inter-segment revenue	-	-	(3,631)	-	-	(3,631)
<b>Revenue from external customers</b>	<b>4,709</b>	<b>5,356</b>	<b>3,495</b>	<b>1,713</b>	<b>-</b>	<b>15,273</b>
Depreciation and amortisation	(2)	(25)	(7)	(2)	(554)	(590)
Net finance income	-	-	-	-	169	169
Exceptional items	-	-	-	-	-	-
<b>Profit before tax</b>	<b>1,226</b>	<b>1,323</b>	<b>1,136</b>	<b>514</b>	<b>(2,835)</b>	<b>1,364</b>

<b>for the six months ended 30 Jun 2022</b>	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	4,390	6,568	8,967	1,792	-	21,717
Inter-segment revenue	-	-	(5,246)	-	-	(5,246)
<b>Revenue from external customers</b>	<b>4,390</b>	<b>6,568</b>	<b>3,721</b>	<b>1,792</b>	<b>-</b>	<b>16,471</b>
Depreciation and amortisation	(2)	(27)	(6)	(2)	(567)	(604)
Net finance income	-	-	-	-	48	48
Exceptional items	-	-	-	-	-	-
<b>Profit before tax</b>	<b>2,162</b>	<b>1,763</b>	<b>1,274</b>	<b>384</b>	<b>(3,222)</b>	<b>2,361</b>

<b>for the year ended 31 Dec 2022</b>	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	9,149	12,617	16,071	3,848	-	41,685
Inter-segment revenue	-	-	(8,582)	-	-	(8,582)
<b>Revenue from external customers</b>	<b>9,149</b>	<b>12,617</b>	<b>7,489</b>	<b>3,848</b>	<b>-</b>	<b>33,103</b>
Depreciation and amortisation	(3)	(55)	(13)	(4)	(1,150)	(1,225)
Net finance income	-	1	-	-	120	121
<b>Profit before tax</b>	<b>3,301</b>	<b>3,530</b>	<b>2,641</b>	<b>972</b>	<b>(6,763)</b>	<b>3,681</b>

#### 4. Alternative performance measures

In reporting financial information, the Group presents alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide depth and understanding to the users of the financial statements to allow for further assessment of the underlying performance of the Group.

The Board considers that adjusted EBITDA is the most appropriate profit measure by which users of the financial statements can assess the ongoing performance of the Group. EBITDA is a commonly used measure in which earnings are stated before net finance income, amortisation and depreciation. The Group makes further adjustments to remove items that are non-recurring or are not reflective of the underlying operational performance either due to their nature or the level of volatility.

	six months to 30 June 2023 £000	six months to 30 June 2022 £000	year ended 31 December 2022 £000
<b>Operating profit</b>	<b>1,195</b>	<b>2,313</b>	<b>3,560</b>
Non-recurring acquisition costs	-	-	210
Share-based payments	120	91	213
<b>Total adjustments</b>	<b>120</b>	<b>91</b>	<b>423</b>
<b>Adjusted operating profit</b>	<b>1,315</b>	<b>2,404</b>	<b>3,983</b>
Depreciation and amortisation	590	604	1,225
<b>Adjusted EBITDA</b>	<b>1,905</b>	<b>3,008</b>	<b>5,208</b>

	six months to 30 June 2023 £000	six months to 30 June 2022 £000	year ended 31 December 2022 £000
<b>Adjusted operating profit</b>	<b>1,315</b>	<b>2,404</b>	<b>3,983</b>
Income tax expense	(144)	(249)	(378)
Income tax impact of adjustments	2	4	42
<b>Adjusted profit after tax</b>	<b>1,173</b>	<b>2,159</b>	<b>3,647</b>

#### 5. Net finance income

	six months to 30 June 2023 £000	six months to 30 June 2022 £000	year ended 31 December 2022 £000
Interest receivable on short-term bank deposits	172	49	124
<b>Finance income</b>	<b>172</b>	<b>49</b>	<b>124</b>
Lease interest paid	(3)	(1)	(3)
<b>Finance costs</b>	<b>(3)</b>	<b>(1)</b>	<b>(3)</b>
<b>Net finance income</b>	<b>169</b>	<b>48</b>	<b>121</b>

#### 6.



## 7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	six months to 30 June 2023	six months to 30 June 2022	year ended 31 December 2022
Profit for the year (£000's)	1,220	2,112	3,303
Weighted average number of shares in issue	20,648,766	20,445,907	20,481,713
Number of dilutive shares	90,890	1,553,198	1,392,327
Weighted average number for diluted earnings per share	20,739,656	21,999,105	21,874,040
<b>Basic earnings per share</b>	<b>5.91p</b>	<b>10.33p</b>	<b>16.13p</b>
<b>Diluted earnings per share</b>	<b>5.88p</b>	<b>9.60p</b>	<b>15.10p</b>

The calculation of the adjusted and diluted adjusted earnings per share is based on the following data:

	Note	six months to 30 June 2023	six months to 30 June 2022	year ended 31 December 2022
Adjusted profit attributable to owners of the Parent (£000's)	4	1,173	2,159	3,647
Weighted average number of shares in issue		20,648,766	20,445,907	20,481,713
Number of dilutive shares		90,890	1,553,198	1,392,327
Weighted average number for diluted earnings per share		20,739,656	21,999,105	21,874,040
<b>Adjusted earnings per share</b>		<b>5.68p</b>	<b>10.56p</b>	<b>17.81p</b>
<b>Diluted adjusted earnings per share</b>		<b>5.66p</b>	<b>9.81p</b>	<b>16.67p</b>

## 8. Intangible assets

	Goodwill £000	Brands and developed products £000	Customer relationships £000	Patents, trademarks and registrations £000	Development costs £000	Software and Licenses £000	Total £000
<b>Cost</b>							
As at 1 January 2023	5,960	4,766	786	1,924	1,154	943	15,533
Additions	-	30	-	103	177	3	313
Reclassifications	-	365	-	-	(365)	-	-
Disposals	-	-	-	-	-	(2)	(2)
<b>As at 30 June 2023</b>	<b>5,960</b>	<b>5,161</b>	<b>786</b>	<b>2,027</b>	<b>966</b>	<b>944</b>	<b>15,844</b>
<b>Accumulated amortisation</b>							
As at 1 January 2023	-	1,318	745	1,263	-	832	4,158
Charge for the year	-	171	4	89	-	34	298
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(2)	(2)
<b>As at 30 June 2023</b>	<b>-</b>	<b>1,489</b>	<b>749</b>	<b>1,352</b>	<b>-</b>	<b>864</b>	<b>4,454</b>
<b>Net book value</b>							
As at 1 January 2023	5,960	3,448	41	661	1,154	111	11,375
<b>As at 30 June 2023</b>	<b>5,960</b>	<b>3,672</b>	<b>37</b>	<b>675</b>	<b>966</b>	<b>80</b>	<b>11,390</b>

## 9. Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
<b>Cost</b>					
As at 1 January 2023	2,251	5,017	395	48	7,711
Additions	-	-	5	215	220
Transfer of assets in construction	-	-	9	(9)	-
Disposals	-	(1)	(21)	-	(22)
Foreign exchange	-	-	(4)	-	(4)
<b>As at 30 June 2023</b>	<b>2,251</b>	<b>5,016</b>	<b>384</b>	<b>254</b>	<b>7,905</b>
<b>Accumulated depreciation</b>					
As at 1 January 2023	350	2,187	310	-	2,847
Charge for the year	25	211	21	-	257
Disposals	-	(1)	(21)	-	(22)
Foreign exchange	-	-	(4)	-	(4)
<b>As at 30 June 2023</b>	<b>375</b>	<b>2,397</b>	<b>306</b>	<b>-</b>	<b>3,078</b>
<b>Net book value</b>					
As at 1 January 2023	1,901	2,830	85	48	4,864
<b>As at 30 June 2023</b>	<b>1,876</b>	<b>2,619</b>	<b>78</b>	<b>254</b>	<b>4,827</b>

## 10. Right-of-use assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>				
As at 1 January 2023	296	23	3	322
Additions	-	11	-	11
Modification to lease terms	85	-	-	85
Foreign exchange	(23)	-	-	(23)
<b>As at 30 June 2023</b>	<b>358</b>	<b>34</b>	<b>3</b>	<b>395</b>
<b>Accumulated depreciation</b>				
As at 1 January 2023	269	1	2	272
Charge for the year	32	3	-	35
Foreign exchange	(19)	-	-	(19)
<b>As at 30 June 2023</b>	<b>282</b>	<b>4</b>	<b>2</b>	<b>288</b>
<b>Net book value</b>				
As at 1 January 2023	27	22	1	50
<b>As at 30 June 2023</b>	<b>76</b>	<b>30</b>	<b>1</b>	<b>107</b>

## 11. Inventories

	six months to 30 June 2023 £000	six months to 30 June 2022 £000	year ended 31 December 2022 £000
Raw materials and consumables	3,476	3,562	4,664
Finished goods and goods for resale	4,059	6,864	5,203
<b>Inventory</b>	<b>7,535</b>	<b>10,426</b>	<b>9,867</b>

## 12. Post balance sheet event

In a circular dated 7 June 2023, the Company proposed a tender offer to shareholders. This exercise was completed on 7 July 2023 and had the effect of reducing cash reserves by approximately £9.1m. All 4,000,000 Ordinary Shares purchased, together with treasury shares already held of 440,388, were cancelled on 7 July 2023.

There are no other post balance sheet events.

## 13. Interim results

Copies of this notice are available to the public from the registered office at Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, and on the Company's website at [www.anpario.com](http://www.anpario.com).