24 February 2016

TRISTEL plc
(“Tristel”, the “Company” or the “Group”)

Half Yearly Report
Unaudited Interim Results for the six months ended 31 December 2015

Tristel plc (AIM: TSTL), the manufacturer of infection prevention, contamination control and hygiene products, announces its interim results for the six months ended 31 December 2015, which are better than expected at the AGM.

Tristel’s lead technology is a proprietary chlorine dioxide formulation and the Company addresses three distinct markets:

- The Human Healthcare market (hospital infection prevention – via the Tristel brand)
- The Contamination Control market (control of contamination in critical environments – via the Crystel brand)
- The Animal Healthcare market (veterinary practice infection prevention – via the Anistel brand)

Financial highlights

- Revenue up 8% to **£8m** (2014: £7.4m)
- Overseas sales up 20% to **£2.9m** (2014: £2.4m), representing 36% of total sales
- EBITDA before share based payments up 27% to **£1.9m** (2014: £1.5m)
- Pre-tax profit before share based payments up 36% to **£1.5m** (2014: £1.1m)
- EPS before share based payments up 40% to **2.89p** (2014: 2.07p)
- Interim dividend of **1.14p** per share (2014: 0.585p), an increase of 95%
- Significant increase in operational cash flow, with net cash at period end of **£4.3m** (2014: £2.9m)

Operational highlights

- Company continues to invest for future growth
- Focus on margins and cost control
- 510(K) pre-submission meeting request made to the United States Food and Drug Administration (FDA)
- Successful implementation of Enterprise Resource Planning system throughout the Group

Commenting on current trading, Paul Swinney, Chief Executive of Tristel, said:
“We are pleased to report strong half-on-half profits growth, which has translated into an increase in cash and a substantial increase in the interim dividend. Overseas sales accounted for 36% of total revenue and increased by 20% during the period. Our international expansion continues with many regulatory approvals awaited, not only in healthcare markets in which we already sell, but also in countries in which we have no presence. This includes the United States.

“Two products have been selected for our approach to the US market, and we are in dialogue with the FDA in preparation for a full regulatory approval submission during 2016.”

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Chairman's statement

Results

The Company has made excellent progress during the first half, with sales increasing to £8m, up 8% on the comparable period last year. We increased the gross margin to 71% from 69%, kept very tight control on costs and, as a result, profit before tax and share-based payments rose by 36% to £1.5m.

The contribution to Group sales from overseas markets once again rose, up 20% to £2.9m, and overseas sales represented 36% of worldwide sales. Our clearest challenge at this point in our development is to counteract the anticipated slowing of sales growth in the United Kingdom. We will achieve this through a combination of targeting more rapid growth in overseas markets and a steady pipeline of new product launches. Slowing growth in the United Kingdom is due to the very high levels of market penetration that we have achieved in the clinical areas of the hospital that we target. We have also started a programme to cull lower margin products which do not incorporate our chlorine dioxide chemistry.

The growth dynamics within the business are clear: sales in the UK were £5.1m compared to £5m in the first half (and £4.8m in the second half) of last financial year. Sales in overseas markets were £2.9m compared to £2.4m in the first half (and £3.1m in the second half) of last financial year. Over the years we have observed a clear seasonal trend in our overseas markets with second half sales performing more strongly than the first.

The development of our overseas business has been broadly based as can be seen from the table below.

Overseas sales	First half 2015-16 £	First half 2014-15 £	Period-on-period growth %	Period-on-period growth % at constant currency
Overseas distributors (managed by UK)	1,122,000	960,000	17%	17%
Germany (subsidiary)	794,000	665,000	19%	31%
Australasia (managed by New Zealand subsidiary)	491,000	495,000	-	12%
China & Hong Kong (subsidiary)	486,000	286,000	70%	52%
Total	2,893,000	2,406,000	20%	22%

These trends are very encouraging as we expect international markets to maintain the Group's momentum over the course of the next couple of years as we wait for new product developments to gain traction and for new market territories to open up, for example North and South America.

Progress of our investments for future growth and efficiencies

At this time last year I talked of our intention to upscale and upskill the business. We have made good progress in both over the past twelve months. We have invested in new manufacturing equipment for our burstable sachet of which we produced 1.4 million units in 2015; we are currently midway through an investment programme to automate our product assembly lines; we have completed the implementation of an Enterprise Resource Planning system and rolled it out across our UK operation and our overseas subsidiaries; we have converted our German branch operation into a subsidiary with the plan being for our Berlin based team to expand our activities throughout Central Europe, and we have embarked on an FDA regulatory programme in order to enter the US market. During the half we spent £40,000 on fees and testing costs in the pursuit of this programme and have presented a preliminary dossier to the FDA to seek their guidance on our approach to data generation for a 510(K) submission. Once we have the FDA's feedback, we will be committing to a substantial investment that is still to be made if we are to attain an FDA approval. This additional spend will be material and will be incurred in the second half and also next year.

The pre-tax profit margin before share-based payments was 19% in the first half, which compares to 15% in the same period last year. One of our key financial goals is to maintain the pre-tax margin at 15% or above throughout the period of heavy investment in the FDA programme that has now commenced. We continue to believe that this can be achieved.

Regulatory environment in Europe
In my interim report last year I drew your attention to the Biocidal Products Regulation (BPR) which is intended to harmonise the European market for biocidal active substances and products containing them. To conform to this European legislation, manufacturers of disinfectant products will have to make substantial investments.

The legislation imposes on us the discipline to examine carefully the returns we make on our entire product portfolio, not all of which is based on our proprietary chlorine dioxide chemistry. During the half we stopped manufacturing and supplying a number of lower margin non-chlorine dioxide products. As we roll-out this review, we may eliminate further products from our portfolio, but this is expected to increase gross margins, as was achieved during the first half. This will act to dampen top-line growth, but will make Tristel a more efficient and higher margin business.

Dividend
Our conversion of profit to cash remained strong during the half, with cash at 30 June 2015 of £4.0m increasing to £4.3m at 31 December 2015. During this period the special dividend of £1.2m (3p per share) and the final dividend of £0.9m (2.135p per share) were paid. During the period the exercise of staff share options generated £0.5m of cash.

In accordance with our dividend policy, the Board is declaring an interim dividend of 1.14 pence, payable on 1 April 2016 to shareholders on the register at 18 March 2016. Accordingly the ex-dividend date will be 17 March 2016. The policy is to cover the full-year dividend two times and to pay 25% as an interim dividend. However, given the increase in dividend tax effective from 6 April 2016, we will pay 40% as an interim this year as an exception to the policy.

Share-based payment charge
During the period an unusually large share-based payment charge of £1m was incurred, which is worthy of explanation. This non-cash expense is calculated on the fair value of share options granted in the period and is higher if the options have vested. The Company has run an all-inclusive staff option scheme for many years and with the increase in the Company's share price since its low point of 20 pence in February 2013, the majority of staff scheme options have vested. During the half 35 employees exercised in aggregate 793,000 options.

In addition to the staff share option scheme, a senior management scheme was agreed by the Board in April 2015. This scheme was based on certain profit and share price performance conditions over a three-year period. On the date the scheme was approved the share price was 70 pence (23 April 2015) and on the date the scheme had been documented and announced the share price was 96 pence (4 August 2015). An overriding vesting condition of the scheme was the share price reaching and staying at or above £1.34 for a period of thirty consecutive dealing days. On 31 December 2015 the condition relating to the thirty day period had almost been met; and was fulfilled on 6 January 2016. The calculation used for share based payments, arrived at the expense of £1m reported in these interim results.

Outlook
Whilst revenue growth in the period was solid at 8%, it was below our ten year long trend of 18% per annum. However, we have many irons in the fire – both in terms of geographical expansion and new products – which will generate further revenue growth in the years ahead.

Margins, costs and cash are all being managed with strict discipline, and growth in profits and earnings per share are satisfyingly on target. Whilst the second half of the year is typically more profitable than the first, with the increased investment in new products and the 510(K) submission we expect a more equal split this year.

The outlook for the Company continues to be very promising and we remain confident for the full year.

Finally, I reported this time last year that I would remain in post as Interim Chairman until a successor is found. The Board is delighted to have been joined by David Orr as an independent Non-Executive Director, and we will continue the search for my replacement, but will do so in a deliberate and considered manner.

Francisco Soler
Chairman
24 February 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

		6 months ended 31-Dec-15 (unaudited) £'000	6 months ended 31-Dec-14 (unaudited) £'000	Year ended 30-Jun-15 (audited) £'000
Revenue	Note 3	**8,010**	7,412	15,334
Cost of sales		**(2,289)**	(2,301)	(4,673)
Gross profit		**5,721**	5,111	10,661
Administrative expenses – share based payments		**(1,015)**	(67)	(35)
Administrative expenses – depreciation & amortisation		**(401)**	(422)	(844)
Administrative expenses – other		**(3,850)**	(3,600)	(7,241)
Total administrative expenses		**(5,266)**	(4,089)	(8,120)
Operating profit		**455**	1,022	2,541
Finance income		**4**	7	12
Finance costs		**-**	(4)	(9)
Results from equity accounted associate		**6**	8	8
Profit before taxation		**465**	1,033	2,552
Taxation		**(273)**	(260)	(337)
Profit for the period		**192**	773	2,215
Attributable to:				
Equity holders of the parent		**192**	773	2,215
		192	773	2,215
Earnings per share from continuing operations attributable to equity holders of the parent	Note 4			
Basic (pence)		**0.46**	1.91	5.44
Diluted (pence)		**0.45**	1.82	5.23

All amounts relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	6 months ended	6 months ended	Year ended
	31-Dec-15	31-Dec-14	30-Jun-15
	(unaudited)	(unaudited)	(audited)
	£'000	£'000	£'000
Profit for the period	**192**	773	2,215
Items that will be reclassified subsequently to Profit and loss			
Exchange differences on translation of foreign operations	**13**	(11)	(57)
Other comprehensive income for the period	**13**	(11)	(57)
Total comprehensive income for the period	**205**	762	2,158
Attributable to:			
Equity holders of the parent	**205**	762	2,158
	205	762	2,158

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Share capital	Share premium account	Merger reserve	Foreign exchange reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
30 June 2014	402	9,284	478	(93)	2,167	12,238	(162)	12,076
Transactions with owners								
Dividends paid	-	-	-	-	(512)	(512)	-	(512)
Shares issued	5	233	-	-	-	238	-	238
Adjustment for change of controlling interests	-	-	-	3	(172)	(169)	169	-
Share-based payments	-	-	-	-	67	67	-	67
Total transactions with owners	5	233	-	3	(617)	(376)	169	(207)
Profit for the period ended 31 Dec 2014	-	-	-	-	773	773	-	773
Other comprehensive income:- Exchange differences on translation of foreign operations	-	-	-	(11)	-	(11)	-	(11)
Total comprehensive income	-	-	-	(11)	773	762	-	762
31 December 2014	407	9,517	478	(101)	2,323	12,624	7	12,631
Transactions with owners								
Dividends paid	-	-	-	-	(240)	(240)	-	(240)
Shares issued	7	403	-	-	-	410	-	410
Share-based payments	-	-	-	-	(32)	(32)	-	(32)
Total transactions with owners	7	403	-	-	(272)	138	-	138
Profit for the period ended 30 Jun 2015	-	-	-	-	1,442	1,442	-	1,442
Other comprehensive income:- Exchange differences on translation of foreign operations	-	-	-	(46)	-	(46)	-	(46)
Total comprehensive income	-	-	-	(46)	1,442	1,396	-	1,396
30 Jun 2015	414	9,920	478	(147)	3,493	14,158	7	14,165
Transactions with owners								
Dividends paid	**-**	**-**	**-**	**-**	**(2,141)**	**(2,141)**	**-**	**(2,141)**
Shares issued	**7**	**535**	**-**	**-**	**-**	**542**	**-**	**542**
Share-based payments	**-**	**-**	**-**	**-**	**1,015**	**1,015**	**-**	**1,015**
Total transactions with owners	**7**	**535**	**-**	**-**	**(1,126)**	**(584)**	**-**	**(584)**
Profit for the period ended 31 Dec 2015	**-**	**-**	**-**	**-**	**192**	**192**	**-**	**192**
Other comprehensive income:- Exchange differences on translation of foreign operations	-	**-**	**-**	**13**	**-**	**13**	**-**	**13**
Total comprehensive income	**-**	**-**	**-**	**13**	**192**	**205**	**-**	**205**
31 Dec 2015	**421**	**10,455**	**478**	**(134)**	**2,559**	**13,779**	**7**	**13,786**

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	31-Dec-15 (unaudited) £'000	31-Dec-14 (unaudited) £'000	30-Jun-15 (audited) £'000
Non-current assets			
Goodwill	667	667	667
Intangible assets	5,586	5,593	5,631
Property, plant and equipment	1,330	1,319	1,347
Deferred tax	37	44	68
	7,620	7,623	7,713
Current assets			
Inventories	1,589	1,997	2,061
Trade and other receivables	3,319	2,764	3,194
Cash and cash equivalents	4,264	2,945	4,045
	9,172	7,706	9,300
Total assets	**16,792**	15,329	17,013
Capital and reserves attributable to the Company's equity holders			
Called up share capital	421	407	414
Share premium account	10,455	9,517	9,920
Merger reserve	478	478	478
Foreign exchange reserves	(134)	(101)	(147)
Retained earnings	2,559	2,323	3,493
Equity attributable to equity holders of parent	**13,779**	12,624	14,158
Minority interest	**7**	7	7
Total Equity	**13,786**	12,631	14,165
Current liabilities			
Trade and other payables	2,444	2,109	2,434
Interest bearing loans and borrowings	-	27	-
Current tax liabilities	403	329	247
Total current liabilities	**2,847**	2,465	2,681
Non-current liabilities			
Deferred tax	159	233	167
Total liabilities	**3,006**	2,698	2,848
Total equity and liabilities	**16,792**	15,329	17,013

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

		6 months ended 31-Dec-15 (unaudited) £'000	6 months ended 31-Dec-14 (unaudited) £'000	Year ended 30-Jun-15 (audited) £'000
Cash flows generated from operating activities				
Cash generated from operating activities	Note 6	**2,231**	1,070	2,936
Corporation tax		**(96)**	(70)	(324)
		2,135	1,000	2,612
Cash flows used in investing activities				
Interest received		**4**	7	12
Purchase of intangible assets		**(147)**	(181)	(567)
Purchase of property, plant and equipment		**(203)**	(244)	(496)
Proceeds on sale of property, plant and equipment		**16**	8	18
		(330)	(410)	(1,033)
Cash flows used in financing activities				
Loans repaid		**-**	(25)	(52)
Interest paid		**-**	-	(9)
Share issues		**542**	238	648
Equity dividends paid		**(2,141)**	(512)	(752)
		(1,599)	(299)	(165)
Increase in cash and cash equivalents		**206**	291	1,414
Cash and cash equivalents at the beginning of the period		**4,045**	2,664	2,664
Exchange difference on cash and cash equivalents		**13**	(10)	(33)
Cash and cash equivalents at the end of the period		**4,264**	2,945	4,045

1 PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

For the year ended 30 June 2015, the Group prepared consolidated financial statements under International Financial Reporting Standards ('IFRS') as adopted by the European Commission. These will be those International Accounting Standards, International Financial Reporting Standards and related interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the IASB that have been endorsed by the European Commission. This process is ongoing and the Commission has yet to endorse certain standards issued by the IASB.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared under the historical cost convention. They are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and which are, or are expected to be, effective at 30 June 2016. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2015. The interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2015. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

Accounting Policies

The interim report is unaudited and has been prepared on the basis of IFRS accounting policies.

The accounting policies adopted in the preparation of this unaudited interim financial report are consistent with the most recent annual financial statements being those for the year ended 30 June 2015.

2 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information for the six months ended 31 December 2015 and 31 December 2014 has not been audited and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The financial information relating to the year ended 30 June 2015 does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. This information is based on the Group's statutory accounts for that period. The statutory accounts were prepared in accordance with International Financial Reporting Standards ("IFRS") and received an unqualified audit report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006. These financial statements have been filed with the Registrar of Companies.

3 SEGMENTAL ANALYSIS

The Board considers the Group's revenue lines to be split into three operating segments, which span the different Group entities. The operating segments consider the nature of the product sold, the nature of production, the class of customer and the method of distribution. The Group's operating segments are identified from the information which is reported to the chief operating decision maker.

The first segment concerns the manufacture, development and sale of infection control and hygiene products which incorporate the Company's chlorine dioxide chemistry, and are used primarily for infection control in hospitals ("Human Health"). This segment generates approximately 84% of Group revenues.

The second segment, which constitutes 6% of the business activity, relates to manufacture and sale of disinfection and cleaning products, principally into veterinary and animal welfare sectors ("Animal Health").

The third segment addresses the pharmaceutical and personal care manufacturing industries ("Contamination Control"). This activity has generated 10% of the Group's revenue for the period.

The operation is monitored and measured on the basis of the key performance indicators of each segment, these being revenue and gross profit; strategic decisions are made on the basis of revenue and gross profit generating from each segment.

The Group's centrally incurred administrative expenses and operating income are not attributable to individual segments.

3 SEGMENTAL ANALYSIS - continued

	6 months ended 31 December 2015 (unaudited)				**6 months ended 31 December 2014 (unaudited)**				**Year ended 30 June 2015 (audited)**			
	Human Health	**Animal Health**	**Cont'n Control**	**Total**	**Human Health**	**Animal Health**	**Cont'n Control**	**Total**	**Human Health**	**Animal Health**	**Cont'n Control**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	**6,740**	**500**	**770**	**8,010**	6,322	397	693	7,412	13,089	871	1,374	15,334
Cost of material	**(1,762)**	**(156)**	**(371)**	**(2,289)**	(1,798)	(153)	(350)	(2,301)	(3,663)	(314)	(696)	(4,673)
Gross profit	**4,978**	**344**	**399**	**5,721**	4,524	244	343	5,111	9,426	557	678	10,661
Centrally incurred income and expenditure not attributable to individual segments:-												
Dep'n & amort'n of non- financial assets				**(401)**				(422)				(844)
Other administrative expenses				**(3,850)**				(3,600)				(7,241)
Share based payments				**(1,015)**				(67)				(35)
Segment operating profit				**455**				1,022				2,541
Segment operating profit can be reconciled to Group profit before tax as follows:-												
Segment operating profit				**455**				1,022				2,541
Results from equity accounted associate				**6**				8				8
Finance income				**4**				7				12
Finance costs				**-**				(4)				(9)
Group profit				**465**				1,033				2,552

The Group's revenues from external customers are divided into the following geographical areas:

	6 months ended 31 December 2015 (unaudited)				**6 months ended 31 December 2014 (unaudited)**				**Year ended 30 June 2015 (audited)**			
	Human healthcare	**Animal healthcare**	**Cont'n control**	**Total**	**Human healthcare**	**Animal healthcare**	**Cont'n control**	**Total**	**Human healthcare**	**Animal healthcare**	**Cont'n Control**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	**4,155**	**373**	**589**	**5,117**	4,230	258	518	5,006	8,232	614	987	9,833
Rest of the World	**2,585**	**127**	**181**	**2,893**	2,092	139	175	2,406	4,857	257	387	5,501
Group Revenues	**6,740**	**500**	**770**	**8,010**	6,322	397	693	7,412	13,089	871	1,374	15,334

4 EARNINGS PER SHARE

The calculations of earnings per share are based on the following profits and number of shares:

	6 months ended 31 December 2015 (unaudited)	6 months ended 31 December 2014 (unaudited)	Year ended 30 June 2015 (audited)
Retained profit for the period attributable to equity holders of the parent	**192**	773	2,215
Retained profit for the period attributable to equity holders of the parent adjusted for share based payments	**1,207**	840	2,250
	Shares '000 Number	**Shares '000 Number**	**Shares '000 Number**
Weighted average number of ordinary shares for the purpose of basic earnings per share	**41,753**	40,523	40,705
Share options	**1,040**	2,127	1,614
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**42,792**	42,650	42,319
Earnings per ordinary share			
Basic (pence)	**0.46**	1.91	5.44
Diluted (pence)	**0.45**	1.82	5.23
Before share based payments (pence)	**2.89**	2.07	5.53

5 DIVIDENDS

Amounts recognised as distributions to equity holders in the period:	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
Ordinary shares of 1p each			
Special dividend for the year ended 30 June 2015 of 3.00p per share (2014: Nil)	**1,242**	-	-
Final dividend for the year ended 30 June 2015 of 2.135p (2014: 1.26p) per share	**899**	512	513
Interim dividend for the year ended 30 June 2015 of 0.585p (2014: 0.36p) per share	**-**	-	239
	2,141	512	752
Proposed interim dividend for the year ending 30 June 2016 of 1.14p (2014: 0.585p) per share	**-**	-	884

The proposed interim dividend has not been included as a liability in the financial statements.

6 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	6 months ended 31-Dec-15 (unaudited) £'000	6 months ended 31-Dec-14 (unaudited) £'000	Year ended 30-Jun-15 (audited) £'000
Profit before taxation	**465**	1,033	2,552
Adjustments for:			
Depreciation	**208**	198	397
Amortisation of intangibles	**193**	224	447
Results from associates	**(6)**	(8)	(8)
Share based payments expense (IFRS2)	**1,015**	67	35
Loss on disposal of property plant and equipment	**3**	(4)	(3)
Loss on disposal of intangible asset	**-**	-	125
Finance costs	**-**	4	9
Finance income	**(4)**	(7)	(12)
Operating cash flows before movement in working capital	**1,874**	1,507	3,542
Decrease in inventories	**472**	66	2
Increase in trade and other receivables	**(125)**	(74)	(504)
Increase/(decrease) in trade and other payables	**10**	(429)	(104)
Cash generated from operating activities	**2,231**	1,070	2,936