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Abcam plc

Interim Report 2012/13

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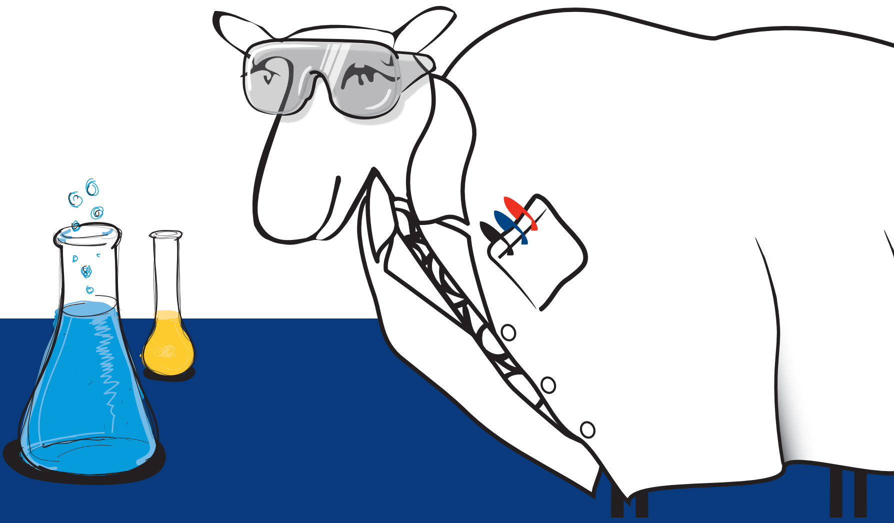

Our vision is to create the world's leading life science reagents company.

Abcam was established in 1998 as a global web-based antibody company providing high-quality reagents. Today, we're more than just antibodies. We've added further dimensions to our product range and extended our operational excellence and scientific expertise through the acquisition of three companies that share our quality values: MitoSciences (now known as Abcam Eugene), Ascent Scientific (now known as Abcam Bristol) and Epitomics (now known as Abcam Burlingame).

We produce and distribute more than 100,000 high-quality protein research tools. This includes a growing range of non-antibody products such as proteins, peptides, lysates, assays and other kits and biochemicals.

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Revenue

+28.3%
to £57.3m
(2012: £44.7m)

Adjusted operating profit

+25.8%
to £21.8m
(2012: £17.3m)

Adjusted diluted earnings per share

+15.1%
to 8.21p
(2012: 7.13p)

Highlights of our half year

- Revenues in the half year increased 28.3% to £57.3m (H1 2012: £44.7m), representing underlying growth of 12.0%[1] on a constant currency basis
- Adjusted operating profit[2] increased by 25.8% to £21.8m (H1 2012: £17.3m)
- Adjusted diluted EPS[2] increased by 15.1% to 8.21p (H1 2012: 7.13p)
- Net cash and short-term deposits at 31 December 2012 were £24.4m (31 December 2011: £56.1m) after total net cash outflow in connection with the acquisition of Epitomics International Inc (Epitomics) of £48.3m
- Abcam's catalogue expanded by 25.0% to 102,288 products at 31 December 2012 (31 December 2011: 81,818) including over 4,100 rabbit monoclonal antibodies (RabMAbs®)
- Interim dividend increased by 14.8% to 1.94p per share (H1 2012: 1.69p)
- The integration of the Epitomics business is proceeding well and by the end of the period almost two-thirds of all RabMAb® catalogue sales were being fulfilled through the Abcam platform

1 Taking into account the unaudited revenues of Ascent Scientific Ltd (Ascent) which was acquired in September 2011 and Epitomics which was acquired in April 2012.
2 Excluding acquisition-related intangible amortisation, costs of acquisition and one-off charges incurred in the integration of acquired businesses into the Group.

Our focus is on continuing to develop and invest in our products and pipelines, and ensuring that we have the appropriate capabilities in place to play a major role in enabling research scientists to continue to discover more.

In summary

> We continue to be successful in identifying ways to improve service levels and reach more customers.

> Our largest European markets in Germany, UK and France have shown good resilience in the face of fiscal pressures.

> In the twelve months ended 31 December 2012, the number of products in our catalogue had grown by 25.0% to 102,288.

> By the end of the period almost two-thirds of all RabMAb® catalogue sales were being fulfilled through the Abcam platform.

Overview

Our business performed well in the six months ended 31 December 2012, during which time revenues increased by 28.3% to £57.3m (H1 2012: £44.7m). There was a small negative contribution from the relative strength of Sterling over the corresponding period last year, without which underlying growth was 12.0% (taking into account the unaudited revenues of Ascent and Epitomics for their respective pre-acquisition periods in the six months to December 2011).

The period saw further pressure on centrally funded research budgets, most notably in the USA, but against this backdrop our core strategy of offering an ever broader range of high quality, well-characterised products to the global research community continues to serve us well. A particular focus for the period has been the integration of the Epitomics business into the Group, which is on track, and we continue to look for opportunities to drive further growth both organically and through external investment.

The increase in profit before tax, after adding back one-off acquisition and integration related costs and intangible amortisation was 23.8% to £21.7m (H1 2012: £17.6m) and the increase in diluted earnings per share on the same basis was 15.1%.

Operational and financial review

In The Americas underlying product revenues grew by 6.0% to a Sterling equivalent of £22.8m. The USA is our largest market and the continued postponement of a federal decision on future levels of central research expenditure through the National Institutes of Health (NIH) meant that many researchers have had to deal with funding uncertainties or even cuts during the period, which has restricted our growth.

The deadline to prevent sequestration of funding passed on 1 March 2013, meaning that an anticipated 5.1% cut in the $30.9bn NIH budget is scheduled to result this year. With over 80 per cent of our revenues coming from central funding, unless this reduction is reversed, it will make market conditions in the USA more challenging.

The following table outlines the underlying growth rates in each region and the revenues coming from each as reported in Sterling.

	Revenue as reported in Sterling		Underlying Growth
	H1 2012/13	H2 2011/12	**H1 2012/13***
Reagents			
The Americas	**£22.8m**	£19.3m	**6.0%**
EMEA	**£17.4m**	£16.0m	**10.6%**
Japan	**£6.0m**	£5.1m	**17.5%**
Asia Pacific	**£5.9m**	£4.3m	**27.3%**
Other			
Custom service	**£3.1m**	—	**32.9%**
Royalties and licence income	**£1.6m**	—	**3.8%**
IVD/IHC	**£0.5m**	—	**145.5%**
Total	**£57.3m**	£44.7m	**12.0%**

* Includes the unaudited pre-acquisition revenues of Ascent which was acquired in September 2011 and Epitomics which was acquired in April 2012.

We continue to be successful in identifying ways to improve service levels and reach more customers. Successful initiatives in the region include the introduction of pricing in local currency for Canadian customers and the appointment of a new distributor in Brazil, a market which has good growth potential for us.

In Europe, Middle East and Africa (EMEA) underlying growth in product revenues was 10.6%, with reported revenues of £17.4m. Initiatives supporting growth in the period include the transfer of various distributor relationships previously put in place by Epitomics, meaning that almost all revenues in EMEA are now fulfilled through the Abcam platform. Our largest European markets in Germany, UK and France have shown good resilience in the face of fiscal pressures and as is usually the case there was a mix of growth rates across the smaller economies, with those in Southern Europe performing least well in the period.

In Japan underlying revenues were 17.5% higher than the corresponding period last year and contributed £6.0m. This is another excellent performance from a very accomplished team. The increases in central research funding which were recently announced, together with the transfer of the Epitomics business from a distributor to the Abcam platform in December 2012, bode well for the rest of the financial year.

It is pleasing to report that underlying revenue growth in China increased to 37.2%, driven in part by improved customer service made possible by the bonded warehouse in Beijing and the strong performance of what was previously Epitomics' Chinese business. Good revenue growth was also achieved in the rest of the Asia Pacific, resulting in combined underlying product revenue growth of 27.3%.

At the product level, underlying growth in primary antibody sales was 8.5%, boosted by the expansion and development of the RabMAbs® range, whilst revenues from the non-primary antibody product range grew on the same basis by 30.4%. The custom service and in vitro diagnostics immunohistochemistry (IVD/IHC) business areas also reported strong growth of 32.9% and 145.5% respectively, albeit the latter from a small base. It is not part of our strategy to develop the income from Royalties and Licences at this time and hence growth was a more modest 3.8%.

Reported gross margins for the period were strong at 70.2% against 68.8% for the same period last year. There was an increase of 0.8 percentage points coming from the combined reagents business and a further 0.7 percentage points from the other business areas which joined the Group with the Epitomics acquisition. Relative exchange rates gave rise to a small 0.1% reduction in gross margin.

The increase in adjusted administration and management expenses from £11.8m to £15.7m reflects the inclusion of costs for the full six month period from the companies acquired during the last financial year. Adjusted operating margins before foreign exchange gains or losses for the period reduced from 38.9% to 36.9% as expenditure on research and development (R&D) increased as a percentage of revenue to 5.9% from 3.6% in the corresponding period last year.

Operational and financial review continued

The following table shows adjusted revenues, costs and expenses reconciled to the reported IFRS figures.

	2012/13				2011/12			
	Adjusted income statement £000	Acquisition-related intangible amortisation £000	One-off acquisition & integration costs £000	Reported IFRS income statement £000	Adjusted income statement £000	Acquisition-related intangible amortisation £000	One-off acquisition & integration costs £000	Reported IFRS income statement £000
Revenue	**57,330**			**57,330**	44,679			44,679
Cost of sales	**(17,105)**			**(17,105)**	(13,928)			(13,928)
Gross profit	**40,225**			**40,225**	30,751			30,751
Administration and management expenses	**(15,680)**	**(831)**	**(122)**	**(16,633)**	(11,782)	(208)	(173)	(12,163)
R&D expenses	**(3,400)**	**(878)**		**(4,278)**	(1,589)			(1,589)
Foreign exchange gain/(loss)	**610**			**610**	(88)			(88)
Operating profit	**21,755**	**(1,709)**	**(122)**	**19,924**	17,292	(208)	(173)	(16,911)
Investment income	**59**			**59**	272			272
Finance costs	**(65)**			**(65)**	—			—
Profit before tax	**21,749**	**(1,709)**	**(122)**	**19,918**	17,564	(208)	(173)	17,183
Tax	**(5,315)**	**665**	**(108)**	**(4,758)**	(4,356)	74		(4,282)
Profit after tax	**16,434**	**(1,044)**	**(230)**	**15,160**	13,208	(134)	(173)	12,901
Basic EPS	**8.32p**	**(0.53)p**	**(0.11)p**	**7.68p**	7.26p	(0.07)p	(0.10)p	7.09p
Diluted EPS	**8.21p**	**(0.53)p**	**(0.11)p**	**7.57p**	7.13p	(0.07)p	(0.09)p	6.97p

The additional R&D came mostly from extending the breadth and characterisation of the RabMAbs® range.

The net effect on the income statement of the retranslation of foreign currency denominated assets and liabilities and the impact of contracts for the forward selling of currency was a gain of £0.6m in the period (H1 2012: £0.1m loss), which is included within administration and management expenses in the IFRS reported income statement.

Management's best estimate of the average annual effective tax rate expected for the full year is 24.4% for the adjusted profit (2011/12: 24.8%) and 23.9% for the reported IFRS profit (2011/12: 24.9%). This reflects the reduction in the UK corporation tax rate which is partially offset by a higher tax charge from overseas subsidiaries and the reduction in R&D tax credit available to the Group as it no longer falls within the Small and Medium Sized Enterprise classification for these purposes.

In the twelve months ended 31 December 2012, the number of products in our catalogue had grown by 25.0% to 102,288, the most notable increases being in RabMAbs®, of which there were over 4,100 in the catalogue, and in some of the non-primary antibody ranges, which are showing good revenue growth.

The integration of the Epitomics business has been a major focus during the period and we are grateful for the huge amount of work undertaken by teams across the Group to put this into effect. By the end of the period almost two-thirds of all RabMAb® catalogue sales were being fulfilled through the Abcam platform. Going direct to market rather than through Epitomics' distributors provides us with a number of benefits, including a closer link to the end user and an increase in revenue and margins. The custom service and IVD/IHC business units have also performed well and we are exploring the opportunities these new areas bring to the Group.

The programme to enable us to deliver more rapid enhancements to our strong logistics, eCommerce and product management platforms has continued with further investment in our IT infrastructure. We have made significant progress in the period in what we expect will be a two to three year programme followed by regular but lower level investment thereafter. The programme is not only based around software delivery but also covers re-training our software developers around an Agile development model, which we believe is the best methodology for the kind of iterative incremental software delivery the business needs for the future. Much of the work so far has been behind the scenes with developments on our non-antibody product management systems, but we also have publicly facing developments that are both released and in the pipeline. We have recently launched a completely revamped search facility on our website, as well as micro-sites to support secondary and flow antibodies, and we have some exciting developments coming to further enhance the level of interaction we have with researchers on the website.

The Group's cash flow continues to be strong, with cash generated by operations of £23.0m (H1 2012: £16.9m) after investing £2.0m in the period on tangible assets, mostly RabMAb® cell lines and laboratory equipment, and £1.2m on intangible assets, predominantly the website development programme. Closing cash, cash equivalents and short-term deposits were £24.4m (31 December 2011: £56.1m).

Adjusted diluted earnings per share (EPS), after adding back costs of acquisition, amortisation of associated intangibles and one-off integration costs, increased by 15.1% to 8.21p per share (H1 2012: 7.13p). Basic EPS adjusted on the same basis was 8.32p (H1 2012: 7.26p). The basic EPS calculation for H1 2012 uses the weighted average of 197.5m shares (H1 2012: 181.9m) and the diluted uses 200.2m shares (H1 2012: 185.1m).

Currency exposure

The weighted average exchange rates applied to revenue and cost of sales in the year are shown in note 12 to the interim financial information.

The Group continues to generate significant amounts of US Dollars, Euros and Japanese Yen in excess of payments in these currencies and has arrangements in place to reduce its exposure to currency fluctuations by selling forward a proportion of these excess currencies. Details of the outstanding contracts entered into are also set out in note 12.

Dividend

The Company's Directors are pleased to announce a 14.8% increase in the interim dividend to 1.94p per share (H1 2012: 1.69p), which is in line with the increase in the adjusted diluted EPS. It is our policy to distribute as dividend 40% of the full year's post-tax profit.

The dividend is payable on 19 April 2013 to shareholders whose names are on the register at close of business on 22 March 2013.

Auditors

Following a recommendation from the Audit Committee, it has been decided that at the end of the current financial year the contract to provide external audit services for the Group will be put out to tender. This will be the first such tender process since the Company floated in 2005 and will enable the Committee to compare the quality and effectiveness of the services provided by our current auditor Deloitte LLP, with those of other firms. It is anticipated that the tender process will be completed such that the appropriate resolution will be put to shareholders in relation to the auditor's appointment at the next AGM.

Outlook

Constraints and uncertainty in central research funding have been a feature of our markets in the West in recent years and it looks as if this will continue for some time yet. Despite this, Abcam has performed well, demonstrating great resilience and being adept at identifying new opportunities. Most notable of these are the launch of particular non-primary antibody ranges and the acquisition of RabMAb® technology, both of which are very exciting.

Our focus is on continuing to develop and invest in our products and pipelines, and ensuring that we have the appropriate capabilities in place to play a major role in enabling research scientists to continue to discover more.

We would like to take this opportunity to thank all our customers, suppliers and investors for their support, and our passionate and hardworking staff for their commitment to our cause.

Mike Redmond
Chairman
4 March 2013

Jonathan Milner
Chief Executive Officer

Responsibility statement

We confirm to the best of our knowledge:

> the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;

> the Interim Management Report includes a fair review of the information required by DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

> the Interim Management Report includes a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period and also any changes in the related party transactions described in the last Annual Report that could do so.

By order of the Board

Jonathan Milner
Chief Executive Officer
4 March 2013

Jeff Iliffe
Chief Financial Officer

Independent review report
for the six months ended 31 December 2012

We have been engaged by Abcam plc ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2012 which comprises the Condensed Consolidated Income Statement, the Reconciliation of Adjusted Financial Measures, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in the notes, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge
United Kingdom
4 March 2013

Condensed consolidated income statement
for the six months ended 31 December 2012

	Notes	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Continuing operations				
Revenue		**57,330**	44,679	97,839
Cost of sales		**(17,105)**	(13,928)	(30,282)
Gross profit		**40,225**	30,751	67,557
Administration and management expenses excluding share-based payments charge		**(15,427)**	(11,605)	(27,738)
Share-based payments charge		**(596)**	(646)	(1,370)
Total administration and management expenses		**(16,023)**	(12,251)	(29,108)
Research and development expenses excluding share-based payments charge		**(4,216)**	(1,494)	(4,028)
Share-based payments charge		**(62)**	(95)	(186)
Total research and development expenses		**(4,278)**	(1,589)	(4,214)
Operating profit		**19,924**	16,911	34,235
Investment revenue		**59**	272	500
Finance costs		**(65)**	—	(73)
Profit before tax		**19,918**	17,183	34,662
Tax	4	**(4,758)**	(4,282)	(9,256)
Profit for the period attributable to shareholders		**15,160**	12,901	25,406
Earnings per share from continuing operations				
Basic	5	**7.68p**	7.09p	13.72p
Diluted	5	**7.57p**	6.97p	13.48p
Adjusted diluted	5	**8.21p**	7.13p	15.59p

Reconciliation of adjusted financial measures
for the six months ended 31 December 2012

	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Operating profit	**19,924**	16,911	34,235
Acquisition and integration costs	**122**	173	3,397
Amortisation of acquisition-related intangible assets	**1,709**	208	964
Operating profit (adjusted)	**21,755**	17,292	38,596

Condensed consolidated statement of comprehensive income
for the six months ended 31 December 2012

	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Profit for the period	**15,160**	12,901	25,406
Movements on cash flow hedges	**76**	626	1,528
Exchange differences on translation of foreign operations	**(792)**	86	507
Tax relating to components of other comprehensive income	**(273)**	(804)	(611)
Other comprehensive income for the period	**(989)**	(92)	1,424
Total comprehensive income for the period	**14,171**	12,809	26,830

Condensed consolidated balance sheet
at 31 December 2012

	Notes	(Unaudited) As at 31 Dec 2012 £000	(Unaudited) As at 31 Dec 2011 £000	(Audited) As at 30 Jun 2012 £000
Non-current assets				
Goodwill	6	**82,425**	9,651	82,356
Intangible assets		**33,723**	4,167	34,297
Property, plant and equipment		**6,403**	2,703	5,763
Deferred tax asset		**3,820**	2,554	4,401
Derivative financial instruments		**387**	93	204
		126,758	19,168	127,021
Current assets				
Inventories		**15,896**	12,653	15,414
Trade and other receivables		**13,504**	9,854	14,286
Cash and cash equivalents		**21,821**	25,502	14,037
Short-term deposits		**2,592**	30,558	3,443
Derivative financial instruments		**980**	383	883
Available-for-sale asset		**656**	—	679
		55,449	78,950	48,742
Total assets		**182,207**	98,118	175,763
Current liabilities				
Trade and other payables		**(10,614)**	(7,646)	(10,726)
Current tax liabilities		**(4,590)**	(3,970)	(3,791)
Deferred tax liabilities		**—**	(140)	—
Derivative financial instruments		**—**	(591)	(86)
		(15,204)	(12,347)	(14,603)
Net current assets		**40,245**	66,603	34,139
Non-current liabilities				
Deferred tax liability		**(12,271)**	(781)	(12,937)
Derivative financial instruments		**(7)**	(62)	(10)
		(12,278)	(843)	(12,947)
Total liabilities		**(27,482)**	(13,190)	(27,550)
Net assets		**154,725**	84,928	148,213
Equity				
Share capital	7	**397**	367	397
Share premium account		**72,527**	20,291	71,813
Own shares		**(1,967)**	(1,643)	(1,586)
Translation reserve		**(8)**	316	746
Share-based payments reserve		**5,069**	3,643	4,449
Hedging reserve		**729**	(14)	671
Deferred tax reserve		**1,502**	1,516	2,017
Retained earnings		**76,476**	60,452	69,706
Total equity attributable to shareholders		**154,725**	84,928	148,213

Condensed consolidated statement of changes in equity
for the six months ended 31 December 2012

	Share capital £000	Share premium £000	Own shares £000	Translation reserve[1] £000	Share-based payments reserve[2] £000	Hedging reserve[3] £000	Deferred tax reserve[4] £000	Retained earnings £000	Total £000
Balance as at 1 July 2012	**397**	**71,813**	**(1,586)**	**746**	**4,449**	**671**	**2,017**	**69,706**	**148,213**
Profit for the period	—	—	—	—	—	—	—	**15,160**	**15,160**
Exchange differences on translation of foreign operations	—	—	—	**(754)**	**(38)**	—	—	—	**(792)**
Movements on cash flow hedges	—	—	—	—	—	**76**	—	—	**76**
Tax relating to components of other comprehensive income	—	—	—	—	—	**(18)**	**(515)**	**260**	**(273)**
Total comprehensive income for the period	—	—	—	**(754)**	**(38)**	**58**	**(515)**	**15,420**	**14,171**
Issue of share capital	—	**714**	**(381)**	—	—	—	—	—	**333**
Share-based payments charge	—	—	—	—	**658**	—	—	—	**658**
Payment of dividends	—	—	—	—	—	—	—	**(8,650)**	**(8,650)**
Balance as at 31 December 2012	**397**	**72,527**	**(1,967)**	**(8)**	**5,069**	**729**	**1,502**	**76,476**	**154,725**

	Share capital £000	Share premium £000	Own shares £000	Translation reserve[1] £000	Share-based payments reserve[2] £000	Hedging reserve[3] £000	Deferred tax reserve[4] £000	Retained earnings £000	Total £000
Balance as at 1 July 2011	364	15,400	(1,165)	251	2,881	(477)	2,636	54,030	73,920
Profit for the period	—	—	—	—	—	—	—	12,901	12,901
Exchange differences on translation of foreign operations	—	—	—	65	21	—	—	—	86
Movements on cash flow hedges	—	—	—	—	—	626	—	—	626
Tax relating to components of other comprehensive income	—	—	—	—	—	(163)	(1,120)	479	(804)
Total comprehensive income for the period	—	—	—	65	21	463	(1,120)	13,380	12,809
Issue of share capital	3	4,891	(478)	—	—	—	—	—	4,416
Share-based payments charge	—	—	—	—	741	—	—	—	741
Payment of dividends	—	—	—	—	—	—	—	(6,958)	(6,958)
Balance as at 31 December 2011	367	20,291	(1,643)	316	3,643	(14)	1,516	60,452	84,928

1 Exchange differences on translation of overseas operations.
2 IFRS 2 charge for fair value of share options.
3 Gains and losses recognised on cash flow hedges.
4 Portion of deferred tax asset arising on outstanding share options and share options exercised and not taken to profit and loss in accordance with IAS 12.

Condensed consolidated cash flow statement
for the six months ended 31 December 2012

	Notes	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Net cash inflow from operating activities	8	**18,278**	13,706	24,464
Investing activities				
Investment income		**47**	218	584
Purchase of property, plant and equipment		**(2,020)**	(746)	(1,890)
Purchase of intangible assets		**(1,235)**	(55)	(941)
Acquisition of subsidiary, net of cash and borrowings acquired	9	**42**	(5,901)	(50,961)
Net cash used in investing activities		**(3,166)**	(6,484)	(53,208)
Financing activities				
Dividends paid	11	**(8,650)**	(6,958)	(10,061)
Proceeds on issue of shares		**334**	417	533
Decrease/(increase) in short-term deposits		**781**	(6,921)	20,194
Net cash (used in)/from financing activities		**(7,535)**	(13,462)	10,666
Net increase/(decrease) in cash and cash equivalents		**7,577**	(6,240)	(18,078)
Cash and cash equivalents at beginning of period		**14,037**	31,932	31,932
Effect of foreign exchange rates		**207**	(190)	183
Cash and cash equivalents at end of period		**21,821**	25,502	14,037

Notes to the interim financial information
for the six months ended 31 December 2012

1. General information

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 30 June 2012 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The auditor reported on those accounts; his report was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

This consolidated interim financial information has been reviewed, not audited.

2. Accounting policies

Basis of preparation

The annual financial statements of Abcam plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The accounting policies adopted in the preparation of the condensed consolidated interim information are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2012.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group was described in the 2012 financial statements, including the level of grant funding by central governments, cross-border trade regulations and exposure to foreign exchange rate fluctuation, in particular the strength of Sterling relative to the US Dollar, Euro and Japanese Yen. It is anticipated that the risk profile will not significantly change for the remainder of the year. Risk is an inherent part of doing business and the strong cash position of the Group along with the underlying profitability of the core business leads the Directors to believe that the Group is well placed to manage business risks successfully.

Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, the going concern basis has been adopted in preparing the half-yearly financial statements.

3. Operating segments

The Group has only one reportable segment, which is 'sales of antibodies and related products'. There has been no change in the basis of segmentation or the basis of measurement of segment profit or loss since the last annual financial statements. The Group's revenue and assets for its one reportable segment can be determined by reference to the Group's income statement and balance sheet.

The Group has no individual product or customer which comprises more than 10% of its revenues. Sales of antibodies are traditionally more heavily weighted towards the second half of the year.

4. Income tax

The major components of income tax expense in the income statement are as follows:

	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Current tax	**5,251**	4,704	9,741
Deferred tax	**(493)**	(422)	(485)
	4,758	4,282	9,256

Corporation tax for the six month period is charged at 23.9% (six months ended 31 December 2011: 24.9%; year ended 30 June 2012: 25.5%), representing management's best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period. This effective tax rate reflects the receipt of R&D tax credits that result in a tax deduction for the Company.

The UK government announced a reduction in the standard rate of the UK corporation tax to 23% effective 1 April 2013, which was substantively enacted in July 2012, and has proposed a further reduction of 2% to 21% by 1 April 2014. This further tax rate reduction has not been substantively enacted at the balance sheet date and therefore has not been reflected in this interim financial information.

5. Earnings per share

The calculation of basic and diluted EPS is based upon the following data:

	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Earnings			
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**15,160**	12,901	25,406
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS	**197,464,382**	181,857,330	185,131,455
Effect of dilutive potential ordinary shares:			
– share options	**2,717,046**	3,278,842	3,383,068
Weighted average number of ordinary shares for the purposes of diluted EPS	**200,181,428**	185,136,172	188,514,523

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the period. Own shares held by the Abcam Employee Share Benefit Trust are eliminated from the weighted average number of ordinary shares.

Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment to the weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

5. Earnings per share continued

Adjusted earnings per share

The calculation of adjusted EPS excluding acquisition costs and amortisation of associated intangible assets is based on earnings of:

	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**15,160**	12,901	25,406
Acquisition and integration costs	**259**	173	3,397
Amortisation of associated intangible assets	**1,709**	208	964
Tax effect of adjusting items	**(694)**	(74)	(374)
Profit after tax excluding acquisition costs and amortisation of associated intangible assets	**16,434**	13,208	29,393

The denominators used are the same as those detailed above for both basic and diluted EPS.

Adjusted EPS after adding back acquisition costs and amortisation of associated intangible assets and integration costs:

	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Adjusted basic EPS	**8.32p**	7.26p	15.88p
Adjusted diluted EPS	**8.21p**	7.13p	15.59p

The adjusted EPS information is considered to provide a fairer representation of the Group's trading performance.

6. Goodwill

	£000
Cost	
At 1 July 2012	82,356
Fair value adjustments during measurement period (see note 9)	69
At 31 December 2012	**82,425**
Accumulated impairment losses	
At 1 July 2012 and 31 December 2012	—
Carrying amount	
At 30 June 2012	82,356
At 31 December 2012	**82,425**

Notes to the interim financial information continued

6. Goodwill continued

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill is allocated as follows:

	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
MitoSciences Inc (a single CGU)	**2,289**	2,062	2,289
Ascent Scientific Ltd (a single CGU) (see note 9)	**7,658**	7,589	7,589
Epitomics Inc (a single CGU)	**72,478**	—	72,478
	82,425	9,651	82,356

The Group performs an annual test for impairment or more frequently if there are any indications that goodwill might be impaired. No indications that goodwill might be impaired were noted at the date of these interim financial statements.

7. Share capital

Share capital as at 31 December 2012 amounted to £397,190. During the period, the Group issued 383,847 shares as a result of the exercise of share options. This increased the number of shares in issue from 198,211,177 to 198,595,024.

8. Note to the cash flow statement

	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Operating profit for the period	**19,924**	16,911	34,235
Adjustments for:			
Depreciation of property, plant and equipment	**821**	741	1,474
Loss on disposal of property, plant and equipment	**—**	4	—
Amortisation of intangible assets	**1,905**	311	1,244
Increase in provisions	**—**	2	5
Change in fair value of derivatives outstanding at year end	**(294)**	56	(210)
Share-based payments charge	**658**	741	1,556
Operating cash flows before movements in working capital	**23,014**	18,766	38,304
Increase in inventories	**(466)**	(1,435)	(2,048)
Decrease/(increase) in receivables	**351**	686	(736)
Increase/(decrease) in payables	**103**	(1,095)	(2,966)
Cash generated by operations	**23,002**	16,922	32,554
Income taxes paid	**(4,658)**	(3,216)	(8,017)
Finance costs paid	**(66)**	—	(73)
Net cash inflow from operating activities	**18,278**	13,706	24,464

9. Acquisition of subsidiary

On 12 September 2011, the Company acquired 100% of the issued share capital of Ascent Scientific Limited (Ascent) for total consideration of £10m. Total consideration comprised £6m cash and 1,157,481 Abcam plc ordinary shares of 0.2p each with a fair value of £4m being derived from the rolling 25 day average price of 345.58p per share terminating three trading days prior to completion.

Ascent, a UK-based company, focuses on building a range of high quality biochemicals for use by scientific researchers for modulating the function of proteins. The acquisition further extends the Group's product portfolio and is in line with the strategy of becoming the world's leading supplier of protein research tools.

The table below summarises the consideration paid for Ascent as well as the amounts recognised at the acquisition date of the assets acquired and liabilities assumed. In accordance with IFRS 3 (revised), the Company has considered all pertinent factors in relation to information obtained after the acquisition date which would affect the provisional values reported. During the permitted measurement period of one year from the acquisition date, adjustments have been made to the provisional values and these are summarised in the table below:

	Provisional values reported £000	Fair value adjustments £000	Final values £000
Recognised amounts of identifiable assets acquired and liabilities assumed			
Non-current assets			
Intangible assets	2,241	—	2,241
Property, plant and equipment	136	—	136
Current assets			
Inventories	511	(50)	461
Trade and other receivables	263	—	263
Cash and cash equivalents	199	—	199
Current liabilities			
Trade and other payables	(189)	(83)	(272)
Current tax liabilities	(67)	22	(45)
Borrowings	(14)	—	(14)
Non-current liabilities			
Borrowings	(86)	—	(86)
Deferred tax liability	(583)	—	(583)
Total identifiable net assets	**2,411**	**(111)**	**2,300**
Goodwill	7,589	69	7,658
Total consideration	**10,000**	**(42)**	**9,958**
Settled by:			
Cash	6,000	(42)	5,958
Equity instruments (1,157,481 ordinary shares of Abcam plc)	4,000	—	4,000
Total consideration transferred	**10,000**	**(42)**	**9,958**
Net cash outflow arising on acquisition			
Cash consideration	6,000	(42)	5,958
Less: cash and cash equivalent balances acquired, net of borrowings	(99)	—	(99)
	5,901	**(42)**	**5,859**

Notes to the interim financial information continued

9. Acquisition of subsidiary continued

The goodwill of £7,658,000 arising from the acquisition represents the acquired product pipeline opportunities, expanded customer base and a highly knowledgeable workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs totalling £146,000 are included within administrative expenses in the consolidated income statement for the year ended 30 June 2012. No further acquisition-related costs have been incurred in the period to 31 December 2012.

The fair value of trade and other receivables is £263,000 which includes trade receivables with a fair value of £131,000 and a gross contractual value of £168,000, of which £37,000 is expected to be uncollectable.

During the period from the date of acquisition to the 30 June 2012, Ascent contributed £1,373,000 to the Group's revenue from sales to third parties and a profit of £18,000 to the Group's profit before tax, after amortisation of intangibles of £360,000.

If Ascent had been consolidated from 1 July 2011, Group revenues for the year ended 30 June 2012 would have been £98,127,000 and Group profit before tax would have been £34,573,000, after amortisation of intangibles of £1,047,000.

10. Related party transactions

Under a new product development agreement with a laboratory associated with Tony Kouzarides (a Non-Executive Director of the Company who retired 22 October 2012), Abcam provided products from its catalogue free of charge, with a resale value of £13,370 (six months ended 31 December 2011: £18,566; year ended 30 June 2012: £30,363) and paid £38,664 in royalties (six months ended 31 December 2011: £35,354; year ended 30 June 2012: £77,455). A total of £21,013 relating to these royalties was outstanding at the period end (31 December 2011: £12,785; 30 June 2012: £14,074).

11. Dividends

	(Unaudited) Six months ended 31 Dec 2012 £000	(Unaudited) Six months ended 31 Dec 2011 £000	(Audited) Year ended 30 Jun 2012 £000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 30 June 2012 of 4.36p (2011: 3.80p) per share	**8,650**	6,958	6,958
Interim dividend for the year ended 30 June 2012 of 1.69p per share	**—**	—	3,103
Total distributions to equity holders in the period	**8,650**	6,958	10,061
Proposed interim dividend for the year ended 30 June 2013 of 1.94p (2012: 1.69p) per share	**3,861**	3,102	—
Proposed final dividend for the year ended 30 June 2012 of 4.36p per share	**—**	—	8,642

The proposed interim dividend of 1.94p per share was approved by the Board on 4 March 2013 and has not been recognised as a liability as at 31 December 2012. It will be recognised in shareholders' equity in the year ended 30 June 2013.

12. Foreign currency exchange rates

The Group continues to generate significant amounts of US Dollars, Euros and Japanese Yen in excess of payments in these currencies and has arrangements in place to reduce its exposure to currency fluctuations.

The following table details the forward exchange contracts outstanding as at the period end:

	US Dollars		Euros		Japanese Yen	
	Sell $000	Average rate	Sell €000	Average rate	Sell ¥000	Average rate
Six months ending 30 June 2013	**12,400**	1.56	**11,175**	1.21	**448,700**	121.38
Year ending 30 June 2014	**6,350**	1.56	**16,145**	1.22	**233,575**	120.88
Year ending 30 June 2015	**—**	—	**3,590**	1.23	**—**	—

An analysis of the foreign currency components of revenue and cost of sales together with average exchange rates used in the period is given in the table below:

	Average exchange rates used for revenue		Average exchange rates used for cost of sales		Percentage currency contribution	
	H1 2013 £	H1 2012 £	**H1 2013 £**	H1 2012 £	**H1 2013 Revenue %**	**H1 2013 Cost of sales %**
US Dollar	**1.591**	1.604	**1.593**	1.603	**60.6**	**71.3**
Euro	**1.249**	1.145	**1.250**	1.144	**21.0**	**6.8**
Japanese Yen	**126.542**	124.574	**126.373**	124.515	**10.3**	**2.2**
Hong Kong Dollar	**12.325**	12.446	**12.352**	12.453	**0.3**	**0.8**
Canadian Dollar	**1.590**	—	**—**	—	**1.4**	**—**
Sterling	**—**	—	**—**	—	**6.4**	**18.9**
					100.0	**100.0**

The exchange rates reported for sales in the second half of last year were £1:$1.580, €1.210, ¥124.145.

13. Date of approval of interim financial statements

The interim financial statements cover the period 1 July 2012 to 31 December 2012 and were approved by the Board on 4 March 2013.

Further copies of the interim financial statements are available from the Company's registered office, 330 Cambridge Science Park, Cambridge CB4 0FL, and can be accessed on the Abcam plc investor relations website, www.abcamplc.com.

Board of Directors

Mike Redmond, MA
Chairman

Jonathan Milner, PhD
Chief Executive Officer

Jeff Iliffe, ACA
Chief Financial Officer

Jim Warwick, MA
Chief Operating Officer

Murray Hennessy, MBA
Non-Executive Director

Peter Keen, ACA
Non-Executive and Senior Independent Director

Anthony Martin, PhD
Non-Executive Director

Michael Ross, MA
Non-Executive Director

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Once again, we would like to thank our employees, who are essential to our continued success.

Their skill and dedication has been invaluable in making the Company what it is today.

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