

Biome Technologies Interim Results 2011

1st September 2011



Introduction



- Biome Technologies is building a leading bioplastics business
- Biome's bioplastics are **made from natural materials** such as potato starch and cellulose (they are not oil based and often not from food crops)
- Biome's bioplastics **biodegrade and compost** at the end of their useful lives (creating energy or soil enhancement)
- The bioplastics market started in short life disposable items but is now expanding to include more durable goods
- Growth is being driven by both legislation on waste and brand/consumer requirements for sustainable products



Compostable
EN13432:2000

DIN CERTCO

H1 Financial Highlights

| | H1 2011 £m | H1 2010 £m | Comment |
|----------------|---------------------------|---------------------------|--|
| Revenue | 10.4 | 6.7 | Group revenues increases by 55% with growth in both divisions |
| Gross Profit | 1.9 | 1.2 | Gross profit increases in line with sales as margins remain comparable |
| Gross Profit % | 18.5% | 18.5% | |
| Operating Loss | (0.4) | (1.2) | Loss reduces by £0.8m |
| PBT | 0.1 | (1.7) | PBT positive assisted by exchange gain and VAT reclaim |

See Interim Results 1 September 2011 for further details

Divisional Revenue Growth

| | H1 2011 £m | H1 2010 £m | Growth | Comment |
|--------------------------|---------------------------|---------------------------|---------------|---|
| Group Revenue | 10.4 | 6.7 | 55% | Group revenues increased by 55% on both H1 and H2 2010 |
| Bioplastics Division | 8.6 | 5.8 | 49% | Step change in Bioplastics |
| Biome Bioplastics | 3.6 | 1.5 | 131% | Wholly owned unit is up 131% on H1 2010 and 94% on H2 2010 |
| Biotec 3rd Party | 4.9 | 4.2 | 19% | H1 revenue limited by raw material bottlenecks |
| Stanelco RF Technologies | 1.9 | 1.0 | 92% | RF business posts an excellent half as export led furnace sales surge |

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Divisional Profit

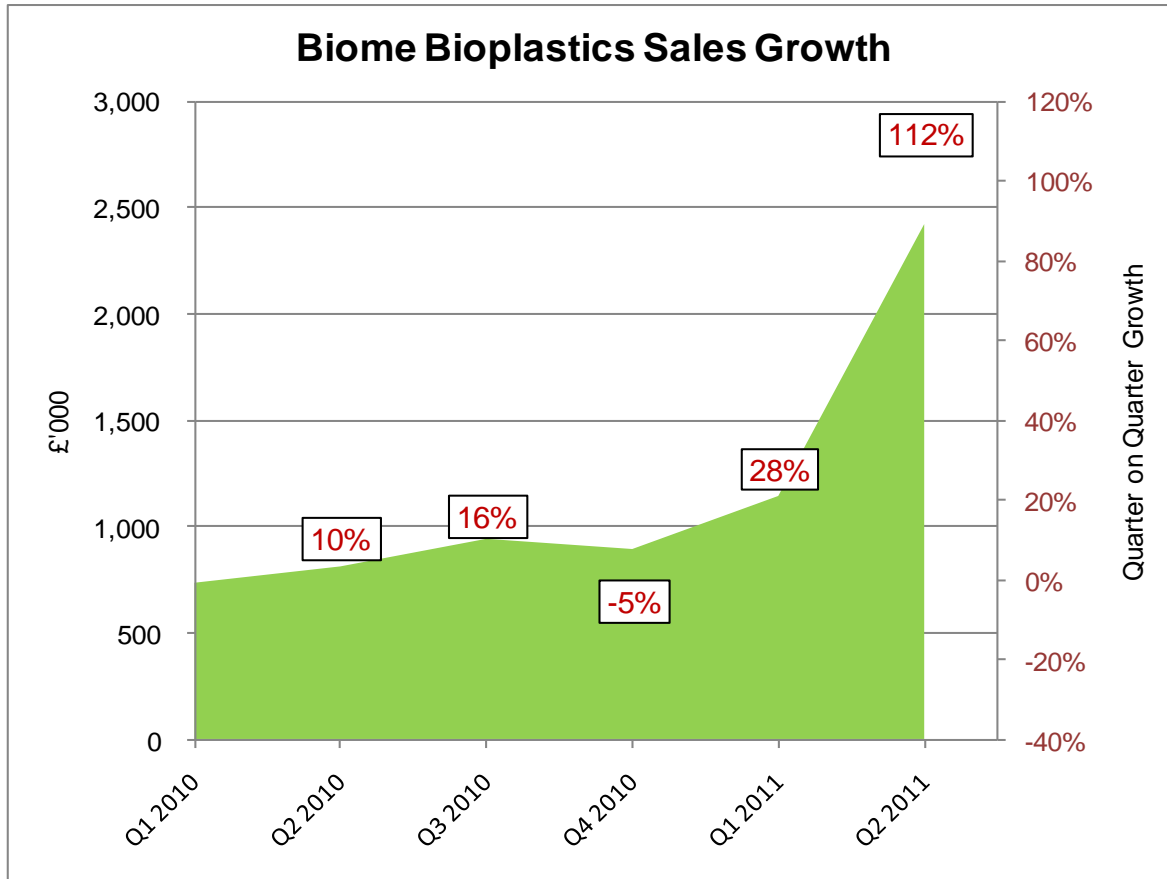
| | H1 2011 £m | H1 2010 £m | Comment |
|--------------------------|---------------------------|---------------------------|--|
| Bioplastics Division | 0.1 | (0.5) | Bioplastics Division moves into profitability for the first time as sales grow |
| Stanelco RF Technologies | 0.5 | 0.2 | Strong export sales & margins |
| Central Costs | (0.9) | (0.8) | Loss of building tenant gives small impact on central costs |
| Group Operating Loss | (0.4) | (1.2) | Loss substantially reduced |

See Interim Results 1 September 2011 for further details

Cash Position

- Cash utilised by operations just £0.3m in the first half.
- Group cash balance £3.6m at 30 June, up from £3.5m at 31 March 2011.
- The business put in place a secured debt facility of up to £2.0m with Fortis Commercial Finance during the period
- Facility provides access to additional working capital funding for Biome Bioplastics. This may be useful if the business continues to grow at this accelerated rate.

Biome Bioplastics



- Biome Bioplastics is the wholly owned, UK based sales, marketing and R&D unit
- Revenue growth has accelerated into 2011 as it develops into a substantive business
- Biome has launched a number of innovative products and entered several new markets in the last 12 months

The Market Opportunity

- Market growth appears to be both accelerating and broadening
- Recent market surveys estimate that global revenue growth will be 14% - 20% per annum, exceeding \$1bn by 2012;
- Europe at the forefront of adoption of bioplastics with c.73% of market
- Market adoption starting with large consumer product companies e.g. Coca Cola, Danone & Heinz - promoting bioplastic products

Addressing the growing market

- Biome Bioplastics continuing to increase its innovative product offering
- Wider range of applications to address new market opportunities
- Product development often undertaken in collaboration with end customers

| New Product Family 2010-11 | Features | Key Customers | Example |
|----------------------------|--|---|---|
| BiomeHT | <ul style="list-style-type: none"> • High Temp capability with a range with softening points from 70-90 degree and includes a clear product HTC • 20-30c above competitor products | <ul style="list-style-type: none"> • Designed for food service & electronics | <ul style="list-style-type: none"> • Coffee cup lids • Electronic cases |
| BiomeEP | <ul style="list-style-type: none"> • Flexible film market • Improved printing performance | <ul style="list-style-type: none"> • 2 or 3 lead customers | <ul style="list-style-type: none"> • Food packaging |
| BiomeCord | <ul style="list-style-type: none"> • Fine fibres, yarns & cords | <ul style="list-style-type: none"> • Several lead customers | <ul style="list-style-type: none"> • Strimmer cord |
| BiomeClear | <ul style="list-style-type: none"> • high clarity, low noise film | <ul style="list-style-type: none"> • Variety of customers | <ul style="list-style-type: none"> • Horticulture, product packaging, mailing, window |
| BiomeEasyFlow | <ul style="list-style-type: none"> • Extrusion coating & lamination | <ul style="list-style-type: none"> • Several lead customers | <ul style="list-style-type: none"> • Packaging, food service • High quality coated papers |



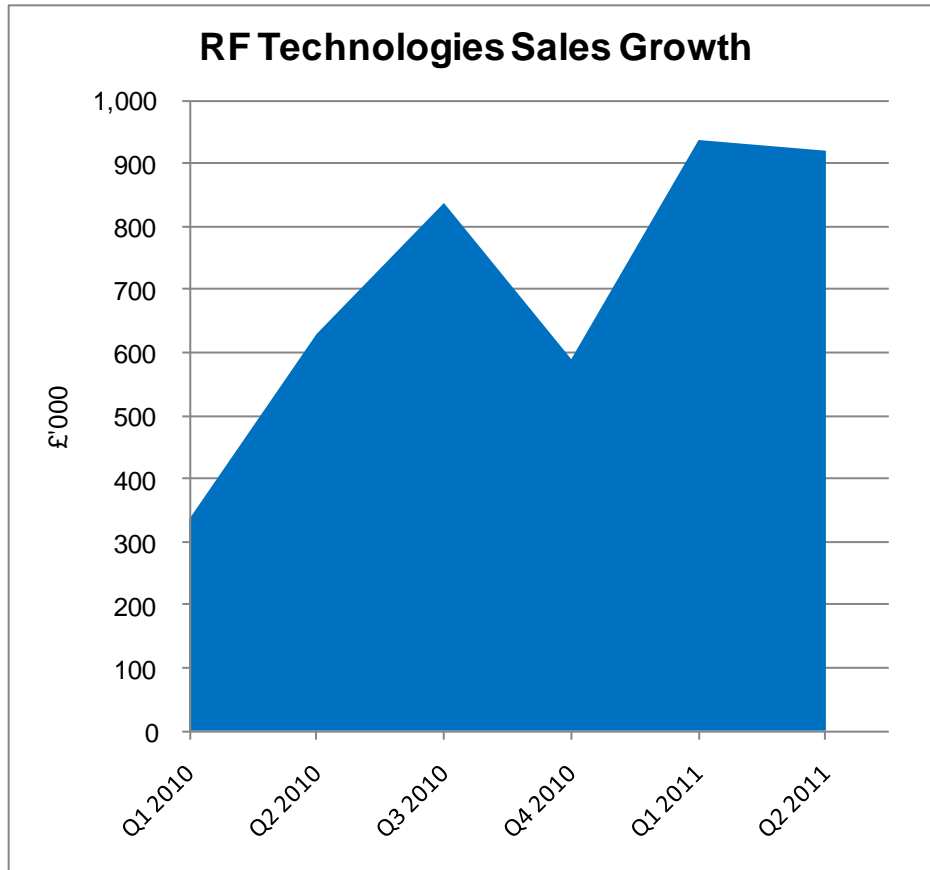
Biotec – Advanced Manufacturing Facility



- Based in Germany – is a **highly capable** manufacturing and product industrialisation facility (50% Joint Venture).
- With 20kt capacity, this is one of the few dedicated bioplastics facilities in the world; **scalable to meet our ambitious growth trajectory** (currently operating at <60% utilisation).
- This scale gives us what we believe to be one of the **lowest cost bases** in the industry to supply European market.



Stanelco RF Technologies



- This Division has grown rapidly and is profitable (£0.5m contribution in H1 2011)
- Sales order flow can be uneven as large capital items are manufactured and shipped
- The business has seen a resurgence of its position as a leading manufacturer of optical fibre furnaces as well as a broadening of its general industrial business.
- Some interesting opportunities are now developing in new industrial markets

Summary

- In H1 2011 the Group's performance was strong:
 - ✓ Group revenues well ahead of the same period in 2010 (up 55%)
 - ✓ Biome Bioplastics revenues increased by 131%
- Bioplastics is a fast expanding marketplace with a range of positive drivers providing continuing growth prospects.
- The Board is confident of meeting its expectations for the full year
- The Board feels confident that we can continue delivering on our strategy and build the business successfully.

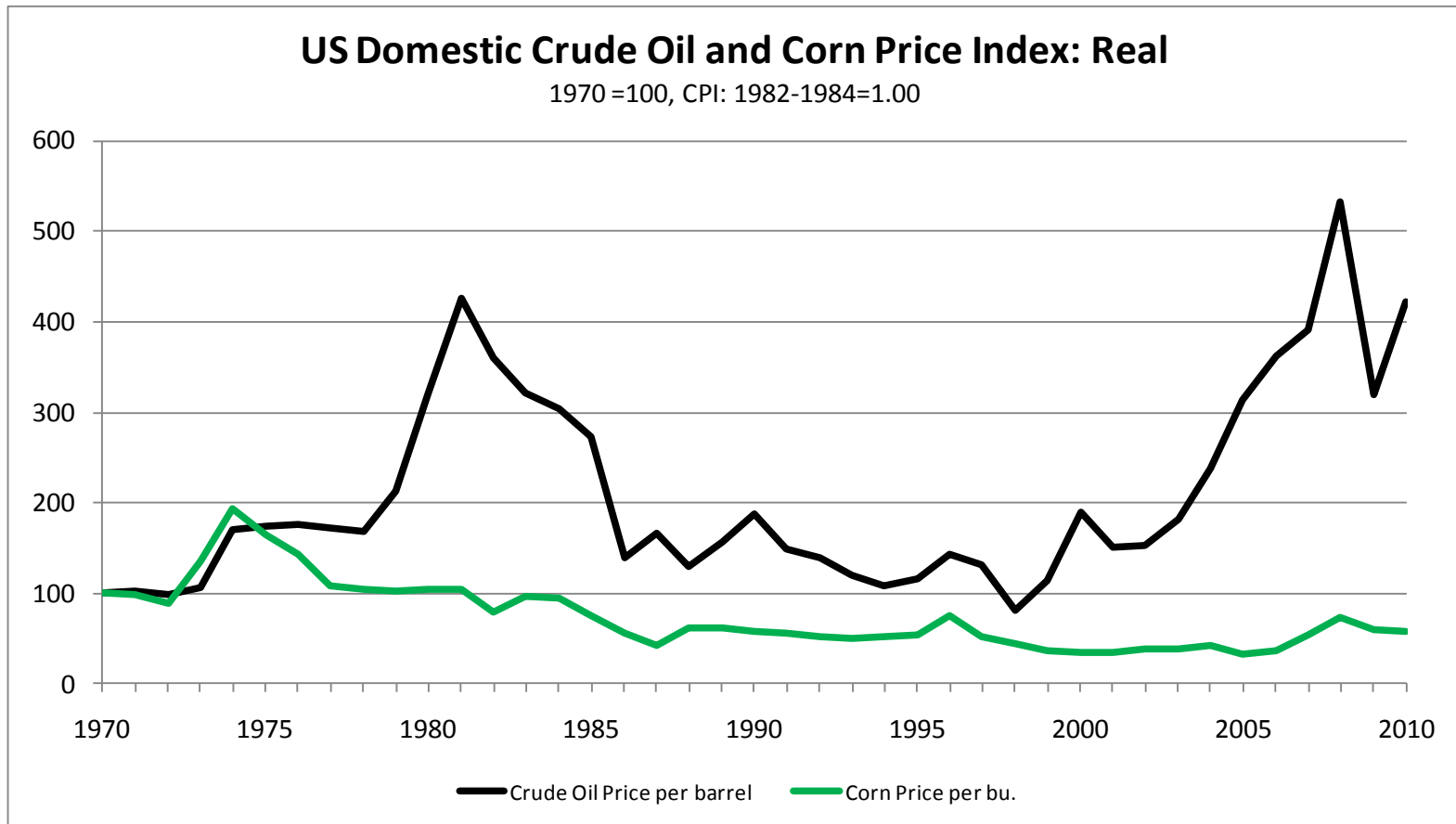
Appendix

Bioplastic Market - Growth Drivers

- Market growth appears to be both accelerating and broadening (a number of reports cite 20%+)
- Key Market Drivers
 - ✓ Legislation
 - ❖ Europe first, Americas & Asia initiating
 - ❖ Bio waste segregation
 - ❖ Plastic bag bans (latest in Italy/Houston USA/Brazil)
 - ✓ Oil Pricing & Volatility
 - ✓ Sustainability agenda for corporates & consumers
- Supplementary Market Drivers
 - ✓ Disposal path availability improving
 - ❖ Growing infrastructure of industrial composting and anaerobic digestion in Europe & USA
 - ✓ Bioplastics functionality increasing
 - ❖ Products becoming more capable for broader end-uses



Growth Driver: Long Run Oil Price Rise



- Bioplastic growth favoured by relative stability of biomass sources versus oil prices

Group Strategic Intent

- build a leading position in its chosen markets based on patented technology;
- develop a range of new functional application areas where premiums can be obtained from its existing bioplastics IP base;
- create and build new bioplastic applications by working intimately with consumer facing international businesses; development will be application led rather than technology led; and
- drive the businesses' differentiation by developing and retaining a team that is recognised as head and shoulders above the competition in application and product engineering.

Group Divisional Structure

