

RNS Number : 4649E  
Biome Technologies PLC  
31 May 2012

Biome Technologies plc ("Biome", "the Company" or "the Group")

## Trading Update

In the trading statement released by Biome on 25 April, it was stated that revenues were slower to achieve than expected in the first quarter, particularly in the Bioplastics Division. Unfortunately, sales within this division have been markedly below our expectation during April and May. The Board now believes that this will have a significant adverse impact on the Group results for the full year; this will be particularly felt in the first half. The RF Division is trading in line with the Board's expectations and its order pipeline remains strong.

Customers of the Group's Bioplastics Division are reporting subdued demand for their own bioplastic end products, particularly in the markets of southern Europe. During 2011, the Italian market for bioplastics became one of the largest in Europe following the implementation of regulations (first introduced in early 2011 and reaffirmed in early 2012) mandating the use of biodegradable products for shopping bags. However, in the early part of May this year Biome became aware that the financial penalty for non-compliance with these regulations would now be deferred until the end of 2013. This has resulted in the recent and significant change in the adoption rate in the Italian market and a broader disruption to the supply and demand balance of bioplastics in Europe. In the current year the Board expects its joint venture company, Biotec, to be the most adversely affected part of the Group.

The impact of these changes to the dynamics of the bioplastics' market will result in it taking longer than previously anticipated for the Group to reach profitability. The Group's cash balance as at the end of April was £1.4m. However, this would have reduced significantly as the year progressed unless action is taken to reduce costs. As a result, the Board is taking steps to reduce cash costs by approximately £600k per year. This will better preserve Biome's ability to reach profitability and protect its business model.

Whilst the above developments, which affect the fast development of Biome's bio-plastics market, are disappointing, the Board believes firmly that they constitute a pause in a fast-developing market rather than an indication of anything more fundamental.

Biome continues to progress successfully with new products and technologies to improve its future prospects and develop new markets. The RF Division is performing well and remains a cash generator for the group as a whole. The Durapipe project remains on track and is successfully passing agreed milestones with our partner. The new technology for heat and cold resistant bio-plastic materials continues to gain positive reaction from product tests with prospective customers. The Board expects these new developments to make contributions to turnover in 2013.

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