

23 May 2013

Biome Technologies plc
(**"Biome"** or the **"Company"**)

Capital Reduction
Consolidation and Sub-Division of Existing Ordinary Shares

Introduction

The Board of Biome has articulated previously a strategy focussed on commercialising a number of bioplastics opportunities of significant potential whilst developing the medium-term technology platform and growing the Stanelco Radio Frequency business. This has been set in the context of continuing to challenge the Company's cost base and examining the corporate structure to allow flexibility for the future.

As outlined previously, the Board has been assessing the potential scope for returning funds to Shareholders that may be in excess of those required in the medium term. In order to undertake any such distribution a Court-sanctioned reduction of capital would be necessary. This is because of the Group's large accumulated losses and consequent lack of distributable reserves. However, the Group has a substantial share premium account on the Company's balance sheet which could be set against the accumulated losses with Court and creditor consent. As at 31 December 2012, the accumulated losses amounted to £33,719,000 and the share premium account £37,895,000, the latter amount having built up over the last ten years as a result of share issues. As a result of entering into the Settlement announced today in relation to leases on two of the three buildings in Southampton, the Company is now able to undertake such a reorganisation of capital (the "Capital Reduction"), subject to the approval of Shareholders at the General Meeting and the subsequent approval of the Court. If the Capital Reduction is approved by Shareholders, the Directors believe that the Company's future accounts will provide investors and market participants a clearer view of the Company's financial position, untrammelled by historic matters.

The Company will also be seeking Shareholder consent to a proposed Consolidation and Sub-Division of Existing Ordinary Shares. The purpose of the proposed Consolidation and Sub-Division is to rationalise the unusually large Shareholder base of the Company, thereby reducing the costs to the Company of administering the Shareholder base and also providing an exit for Shareholders with very small holdings and little economic interest in the Company.

Those Shareholders with shareholdings having an aggregate value of less than £280 (based upon the closing mid-market share price of an Ordinary Share on 20 May 2013 (being the latest practicable date prior to the publication of this announcement)) will not be entitled to receive any New Ordinary Shares following the Capital Reorganisation. Instead, their fractional entitlements will be aggregated with those of other Shareholders and sold on their behalf. The Company will (except where prohibited under law or applicable regulation) use its cash resources to buy these shares immediately following the Capital Reduction becoming effective at the average mid-market closing price over the five days prior to such date (as adjusted to reflect the Consolidation and Sub-Division). Based on the mid-market closing price of £0.00065 per Existing Ordinary Share as at 20 May 2013, it is anticipated that the cost of buying back those shares will cost approximately £170,000. The cost of buying back these shares may increase if the market price increases before the date of the buy back, however, the Company will not buy back all of the shares if to do so would cost more than £325,000. In this way the Company is effectively returning funds to Shareholders at market value and free of dealing costs.

The Board considers that the cash expenditure on the Settlement and Capital Reorganisation totalling approximately £1,300,000 (including costs) utilises a significant proportion of the Group's current cash resources. Accordingly, the Directors will re-assess the potential for any further distributions, taking into account the investment needs of the Group going forward.

Background to the Capital Reorganisation

As at 20 May 2013 (being the latest practicable date prior to this announcement), the Company had 5,897,666,333 Existing Ordinary Shares in issue, having a mid-market price per Existing Ordinary Share at the close of business on such date of £0.00065. As at that date, the Company had 4,252 Shareholders, of which 3,878 Shareholders represented in aggregate approximately 91 per cent. of the total number of Shareholders but only approximately 3.2 per cent. of the total issued share capital of the Company. Each of these 3,878 Shareholders held fewer than 430,000 Ordinary Shares having a maximum value of approximately £280 (based upon the closing mid-market share price of an Ordinary Share on 22 May 2013), and the average holding of these Shareholders was approximately 49,116 Ordinary Shares with an average value of approximately £31.93.

The current size of the Shareholder register places a financial and administrative burden on the Company which is disproportionate to its size. Although the Company has taken advantage of the provisions of the Act which enable it to communicate with its Shareholders by electronic means (including by way of website), the Act requires Shareholders to be notified in writing when any notice or other documents, such as the Company's annual report, is posted on the website. The Board believes that the cost of administering the Company's Shareholder register and communicating with such a large number of Shareholders (many of whom have a small interest in the Company) is to the detriment of the Company and its current Shareholders taken as a whole.

In addition, the purpose of the Capital Reorganisation is to create a share capital base which is more consistent with that of companies of a similar size and may encourage greater investor appetite for, and accordingly liquidity in, the New Ordinary Shares.

Accordingly, the Board is of the view that it would benefit the Company and Shareholders to reduce the number of Existing Ordinary Shares in issue with a resulting adjustment in the market price of such shares, by consolidating and sub-dividing the Company's share capital.

As explained further below, Shareholders holding fewer than 430,000 Existing Ordinary Shares at the Record Date will receive cash in lieu of their Existing Ordinary Shares. The Board is conscious that the ancillary dealing costs which would be incurred by Shareholders in individually realising investments of this size through market sales, coupled with the current limited liquidity of the Existing Ordinary Shares, would be prohibitive in many circumstances. Accordingly, the Capital Reorganisation provides a realisation event for such Shareholders at a significantly reduced cost.

The Consolidation and Sub-Division

The Consolidation

Upon implementation of the Consolidation, Shareholders on the register of members of the Company on the Record Date of the Consolidation and Sub-Division (which is 6 pm on 15 July 2013), will exchange every 430,000 Existing Ordinary Shares that they hold for one Consolidated Ordinary Share.

As all existing ordinary shareholdings in the Company are proposed to be consolidated, the proportion of the issued ordinary share capital of the Company held by each Shareholder immediately before and after the Consolidation will, save for fractional entitlements, remain unchanged.

No Shareholder will be entitled to a fraction of a Consolidated Ordinary Share and where, as a result of the Consolidation, any Shareholder would otherwise be entitled to a fraction only of a Consolidated Ordinary Share in respect of their holding of Existing Ordinary Shares on the Record Date (a "Fractional Shareholder"), such fractions will be aggregated with the fractions

of Consolidated Ordinary Shares to which other Fractional Shareholders of the Company may be entitled so as to form full Consolidated Ordinary Shares (“Fractional Entitlement Shares”) and, following the Sub-Division, the resulting New Ordinary Shares will be sold, as explained below.

This means that any such Fractional Shareholders will not have a resultant proportionate shareholding of Consolidated Ordinary Shares exactly equal to their proportionate holding of Existing Ordinary Shares, and as noted above, Shareholders with only a fractional entitlement to a Consolidated Ordinary Share (i.e. those Shareholders holding fewer than 430,000 Existing Ordinary Shares at the Record Date) will cease to be Shareholders of the Company and will receive cash in lieu of their fractional entitlements.

The Sub-Division

Immediately following the Consolidation, each Consolidated Ordinary Share will be subdivided into 177 New Ordinary Shares and 177 Deferred Shares.

As a result of the Sub-Division, the New Ordinary Shares will have a nominal value of £0.05 each, and the Deferred Ordinary Shares will have a nominal value of approximately £2.379 each. The Sub-Division has been structured in this way to ensure that the nominal value of each New Ordinary Share is less than the anticipated market value of those shares following the Capital Reorganisation.

The New Ordinary Shares arising from the Fractional Entitlement Shares following the Sub-Division will be sold on behalf of the relevant Fractional Shareholders. Subject to the Capital Reduction becoming effective, the Company will (unless prohibited by law or applicable regulations) use its cash resources to buy the shares immediately following the Capital Reduction becoming effective, at the average mid-market closing price over the five days prior to such date (as adjusted to reflect the Consolidation and Sub-Division). In the event that the net proceeds of purchase are three pounds (£3.00) or more per any entitled Fractional Shareholder, then such proceeds of purchase will be paid to the relevant Fractional Shareholder. However, if such net proceeds of purchase amount to less than three pounds (£3.00) per any entitled Fractional Shareholder, the costs, including the associated professional fees and expenses, that would be incurred in distributing such proceeds are likely to exceed the total net proceeds distributable to such Fractional Shareholders. The Board is therefore of the view that, as a result of the disproportionate costs in such circumstances, it would not be in the Company’s best interests to distribute such proceeds of purchase and the proceeds will instead be retained for the benefit of the Company in accordance with the Company’s articles of association and Resolution 1(i)(b).

Resulting share capital

The issued share capital of the Company on Admission immediately following the Consolidation and Sub-Division (assuming 213,667 Ordinary Shares are issued between the date of this announcement and the Record Date) is expected to comprise 2,427,732 New Ordinary Shares.

Rights attaching to the New Ordinary Shares and New Deferred Shares

Apart from the change in nominal value of the shares caused by the Capital Reorganisation, the New Ordinary Shares arising on implementation of the Consolidation and Sub-Division will have the same rights as the Existing Ordinary Shares, including voting, dividend and other rights.

The Deferred Shares have no dividend or voting rights and limited capital rights, and will be cancelled as part of the Capital Reduction.

The Court process in relation to the Capital Reduction

In order to enable the Company to purchase the New Ordinary Shares arising from the Fractional Entitlement Shares and to support the Company's ability to pay future dividends (should circumstances in the future make it desirable to do so), the Company is proposing to increase its distributable reserves by the cancellation of the Company's share premium account and the Deferred Shares.

As at 31 December 2012, the Company had a profit and loss account deficit of £33,719,000 and the balance standing to the credit of the Company's share premium account was £37,895,000. The Company is therefore seeking the approval of the Shareholders to cancel its share premium account and the Deferred Shares, which will increase the Company's distributable reserves, subject to the discharge of any undertakings required by the Court as explained below. If approved by the Shareholders, the Capital Reduction will require subsequent approval by the Court.

In seeking this approval, the Company will be required to give such undertakings or other form of creditor protection as the Court may require for the benefit of the Company's creditors at the date on which the cancellation of the share premium account becomes effective. These may include seeking the consent of the creditors to the cancellation or the provision by the Company to the Court of an undertaking to deposit a sum of money into a blocked account created for the purpose of discharging creditors of the Company. The consent of the Company's main creditor, being the landlord of the Company's remaining leasehold property following the Settlement, has been obtained. It is anticipated that the initial directions hearing in relation to the cancellation will take place on 4 July 2013, with the final hearing taking place on 17 July 2013 and the Capital Reduction becoming effective, following the necessary registration of the Court order at Companies House.

Circular and Notice of General Meeting

A circular setting out the background to Capital Reduction, the Consolidation and the Sub-Division and a notice convening the General Meeting for 10:30 am on 20 June 2013 is being sent to Shareholders today.

Application to trading on AIM

Conditional upon the Consolidation and Sub-Division becoming effective, application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM and it is expected that Admission will be effective and trading will commence at 8 am on 16 July 2013.

Immediately following Admission, the Company will have 2,427,732 New Ordinary Shares in issue (assuming 213,667 new Ordinary Shares are allotted before the Record Date). Since the Company holds no shares in treasury, the total number of voting rights in the Company will therefore be 2,427,732 and this figure may therefore be used by Shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the DTRs.

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APPENDIX 1

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	10:30 am on 18 June 2013
General Meeting	10:30 am on 20 June 2013
Record Date for the Consolidation and Sub-Division	6 pm on 15 July 2013
Effective time of the Consolidation and Sub-Division	8 am on 16 July 2013
Cancellation of admission of the Existing Ordinary Shares and Admission and dealings in New Ordinary Shares expected to commence on AIM	8 am on 16 July 2013
CREST accounts credited with New Ordinary Shares	16 July 2013
Court hearing to confirm the Capital Reduction	17 July 2013
Certificates in respect of the New Ordinary Shares despatched	by 31 July 2013

If any details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.

APPENDIX 2

TRANSACTION STATISTICS

Existing Ordinary Shares	5,897,666,333
New Ordinary Shares in issue immediately following the Capital Reorganisation	2,427,732 ^(*)
Nominal share value post Capital Reorganisation	5p
Proposed New ISIN	GB00B9Z1M820

(*) Note: Assumes no further Ordinary Shares are issued prior to the Record Date

APPENDIX 3

DEFINITIONS

The following definitions apply throughout this announcement, unless the context otherwise requires:

"Act"	the Companies Act 2006 (as amended)
"Admission"	the admission of the New Ordinary Shares to trading on AIM becoming effective
"AIM"	the AIM market of the London Stock Exchange
"Capital Reduction"	the cancellation of the Company's share premium account and the Deferred Shares
"Capital Reorganisation"	the reorganisation of the Company's share capital comprising the Capital Reduction, the Consolidation and the Sub-Division
"Circular"	the circular to Shareholders to be posted shortly
"Consolidated Ordinary Shares"	the shares created by the Consolidation
"Consolidation"	the consolidation of 430,000 Existing Ordinary Shares into one Consolidated Ordinary Share of £430 each
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK and Ireland Limited is the Operator (as defined in CREST Regulations)
"CREST Regulations"	the Uncertified Securities Regulations 2001 (SI 2001/3775) as amended and any applicable rules made thereunder
"Deferred Shares"	the deferred shares in the capital of the Company arising on completion of the Capital Reorganisation
"Directors" or "the Board"	the directors of Biome
"DTRs"	the Disclosure Rules and Transparency Rules published by the Financial Conduct Authority from time to time
"Existing Ordinary Shares"	the 5,897,666,333 Ordinary Shares of £0.001 each in issue as at the date of this announcement
"GM" or "General Meeting"	the general meeting of the Company convened for 10:30 am on 20 June 2013 by the Notice set out in the Circular, to be held at the offices of FTI Consulting, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB to consider the Resolutions
"Group"	the Company and its subsidiary undertakings
"London Stock Exchange"	London Stock Exchange plc
"New Ordinary Shares"	the ordinary shares of £0.05 each in the capital of the Company arising on the completion of the Sub-Division
"Notice"	the notice convening the General Meeting
"Ordinary Shares"	the ordinary shares of £0.001 each in the capital of the Company
"Proposals"	the Capital Reorganisation and the Resolutions
"Record Date"	close of business on 15 July 2013
"Resolutions"	the resolutions to be proposed at the General Meeting as set out in the Notice
"Settlement"	the termination of the lease agreement between the Company and Oceanic Estates Ltd pertaining to two industrial buildings on the Marchwood Industrial Estate, Southampton

“Shareholders”

person(s) who is/are registered as holder(s) of Ordinary Shares from time to time

“Sub-Division”

the sub-division of each Consolidated Ordinary Share into 177 New Ordinary Shares and 177 Deferred Shares