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16 April 2020

Biome Technologies plc

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

Final Results 2019

Biome Technologies plc announces its audited Final Results for the year ended 31 December 2019.

Highlights:

Final Results

- A strong year for the Bioplastics division with reported revenue growth of 81% over 2018 and enters 2020 with its strongest pipeline of customer positions and prospects
- Stanelco RF division revenues, as expected, returned to a more normalised revenue level after the exceptional demand levels experienced in 2018
- Reported Group EBITDA loss of £0.5m (2018: EBITDA profit of £0.6m), in line with expectations, with Group operating loss of £1.0m (2018: profit of £0.1m)
- Group cash position at 31 December 2019 was £2.1m (31 December 2018: £2.6m)

Covid-19 Update

- The Group has been monitoring the impact of Covid-19 since the outbreak began and is caring for its staff and customers and adjusting its continuing commercial and manufacturing activities accordingly
- Bioplastics division is in a strong growth phase, with the many market opportunities expected to grow this year in the food and beverage sector, particularly in the USA and with new opportunities continuing to emerge
 - The Group is focussed on taking best advantage of these opportunities although there may be supply chain disruption as well as potential impact in demand for these products in the near future
- Stanelco RF division will be more adversely impacted than the Bioplastics division. The large Stanelco RF customers are based in China and India and there is an economic slowdown in these territories in addition to pre-existing overcapacity in the optical fibre market
 - The Board believes Covid-19 will further delay any upturn in orders for Stanelco RF's furnaces
- The Board is implementing a number of measures to reduce the Group's costs and manage its cash-flow. These include:
 - A voluntary 20% reduction in base salary for the Executive Directors and Non-Executive Directors for a period of three months from 1 May 2020
 - Use of the UK Government's "furlough scheme"
 - Curtailment of any discretionary operational and capital expenditure

- Impact of Covid-19 on Biome during the first quarter of 2020 was limited, with trading in the quarter in line with management's expectations at the time of the Group's trading update on 30 January 2020
- As at 14 April 2020 the Group had a cash balance of £1.7m and no debt

Paul Mines, Chief Executive Officer said: *"2019 saw an encouraging performance from the Group's Bioplastics division in terms of revenue growth and a broadening of its customer and product base. The demand for bioplastic packaging from the coffee sector that underpins the division's revenues is showing resilience in the current crisis. We will continue to work our cash resources to maximise our ability to overcome the challenges posed by Covid-19 and deliver good medium-term growth for shareholders"*

- Ends -

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About Biome

Biome Technologies plc is an AIM listed, growth-orientated, commercially driven technology group. Our strategy is founded on building market-leading positions based on patented technology and serving international customers in valuable market sectors. We have chosen to do this by developing products in application areas where the value-added pricing can be justified and that are not reliant on government legislation. These products are driven by customer requirements and are compatible with existing manufacturing processes. They are market rather than technology-led.

The Group comprises two divisions, Biome Bioplastics Limited and Stanelco RF Technologies Limited. Biome Bioplastics is a leading developer of highly-functional, bio-based and biodegradable plastics. The company's mission is to produce bioplastics that challenge the dominance of oil-based polymers. Stanelco RF Technologies designs, builds and services advanced radio frequency (RF) systems. Dielectric and induction heating products are at the core of a product offering that ranges from portable sealing devices to large furnaces for the fibre optics markets

www.biometechnologiesplc.com

www.biomebioplastics.com and www.thinkbioplastic.com

www.stanelcorftechnologies.com

Chairman's Statement

The Group's encouraging performance in 2019 was notable for the improvement in the prospects and performance of the Bioplastics division and the raising of £1.2m, net of costs, in new equity funds in October to support its anticipated further growth.

The Bioplastics division, driven by a variety of new product launches with both existing and new customers, increased reported revenues substantially. Encouragingly, the trajectory of demand for bioplastics in a number of markets inflected upwards significantly during the year. The underlying drivers of this change in demand are fundamental, being the development of a low carbon economy (in response to climate change) and the better management of plastic waste. Consumers and brands are changing their purchasing practices with regard to plastics and there are early signs of legislative response. The division entered 2020 with its strongest pipeline of customer positions and prospects and continues to move towards being the principal revenue generator within the Group.

As anticipated the Stanelco RF division returned to a more normalised revenue level after the exceptional demand levels experienced in 2018. The division's main source of income remains the supply of furnaces to the fibre optic cable market. Whilst it is clear that the medium-term prospects for this market are strong, driven by the demand for 5G telecoms and internet connectivity, in the short-term the Board believes that there will be over-capacity and subdued demand for the capital goods that the division manufactures.

The Group has been monitoring the impact of Covid-19 since the outbreak began and is caring for its staff and customers and adjusting its activities accordingly. Both divisions continue their operations with staff working from home wherever possible. The Stanelco RF division continues its manufacturing on a limited basis and, in particular, is providing service support to medical and energy sector customers in the UK. Manufacturing for the Bioplastics division continues in line with customer demand in both the USA and Europe with associated commercial and technical support provided remotely from the UK.

Demand in early 2020 for both divisions was as expected with a strong demand-pull from the bioplastics market. However, travel and operating constraints are having an increasing effect. At this time it is too early to predict with any confidence the likely overall impact that there may be on the business from Covid-19. Biome Technologies is a resilient business, bolstered by the additional cash raised in October 2019 to support its growth plan. The Group has a strong management team in place and has consistently demonstrated that it can adapt and respond quickly to changing market conditions.

The Board remains confident in its strategy and believes that the Group is well positioned to benefit from the growth of the global bioplastics market. Clearly, current conditions are evolving fast and the Group will provide further updates as the situation develops.

Results

Group reported revenues totalled £7.4m (which includes government grant income of £0.4m (2018: £0.4m) recorded as other operating income) compared with £8.9m in 2018, which was in line with market expectations and reflects the significant increase in the Bioplastics division revenues and subdued demand in the Stanelco RF division. Gross margins at Group level (including government grant income) were 47% (2018: 54%), largely as a result of the change in mix of Group revenues towards the Bioplastics division.

The Group's loss before interest, taxation, depreciation, amortisation, and share option scheme charges ("EBITDA") was £0.5m (2018: EBITDA profit of £0.6m), which is in line with market expectations, with the Group also recording an operating loss of £1.0m (2018: operating profit of £0.1m). The loss after taxation was £0.9m (2018: profit after tax of £0.1m). The basic loss per share in 2019 was 35 pence (2018: earnings per share of 6 pence).

The Bioplastics division's reported revenues, inclusive of government grant income, increased substantially in the year to £3.4m (2018: £1.9m) as a result of strong demand for its existing products as well as sales of its newly launched products in the year. The division recorded a reduced EBITDA loss for the year of £0.3m (2018: EBITDA loss of £0.5m) as a result of the increased revenue levels with some of this benefit being

offset by increased spend on research and development on novel biotechnology-based materials (supported by government grants). The resultant operating loss also reduced to £0.6m (2018: loss of £0.8m).

The Stanelco RF division's revenues were £4.0m (2018: £7.0m) as revenues reduced from the exceptionally high level of demand for fibre optic furnaces in 2018. This division recorded an EBITDA profit for the year of £1.2m (2018: £2.7m). Operating profit also reduced, reflecting the lower revenue levels, to £1.1m (2018: £2.6m).

The Group's cash balances at 31 December 2019 were £2.1m (31 December 2018: £2.6m). Working capital levels increased year on year as the Bioplastics division's revenues increased requiring additional stocks as well as increased receivables balances. Within the Stanelco RF division there was a working capital outflow as a result of the unwinding of customer deposits from the previous year during the first quarter of 2019.

The Group successfully raised £1.2m of equity, net of costs, during the year to support the growth, and increased working capital requirements, in the Bioplastics division. Capitalised investment in product development was £0.3m (2018: £0.3m).

Markets

The Bioplastics division continues to see increasing demand, predominantly in overseas markets, in the conversion of end products from traditional petro-chemical based persistent materials to bio-based and biodegradable alternatives. Whilst the price differential between the two options remains, adoption will continue to be driven by markets which have the clearest consumer focus, such as single use packaging. It should be noted that the division is seeing the greatest adoption of its products in the US although increasing demand is also appearing across Europe and the UK. As such markets grow, metrics to better dimension them are emerging with indications that a number of the main markets have doubled over the last 12-18 months. The division continues to focus its efforts on supplying solutions to specific customer requirements rather than the larger, but lower margin, volume market. Varied short-term impacts from the Covid-19 crisis are emerging. Enhanced demand is being seen from the division's long standing customers serving the on-line food and drink market (particularly coffee). Reduced demand is apparent from those serving the restaurant sector and those in the early stages of new product deployment. Robust revenue growth is anticipated to continue in this division in the medium term.

The Stanelco RF division's principal products and revenues are derived from the production and maintenance of furnaces for the manufacture of fibre optical cable. During 2018 there was an exceptional level of capacity expansion by the division's customers resulting in the previously announced exceptional revenue levels in that year. 2019 saw a return to a more normalised level of furnaces delivered. Market intelligence currently indicates that there is over capacity in the fibre optic cable market and therefore it is anticipated that the number of fibre optic furnaces sold in 2020 will reduce further. Whilst an upturn in fibre optic cable demand had been envisaged for the end of 2020 into 2021, this is likely to be delayed given current global circumstances. The division is also continuing to explore other markets which can utilise its expertise in induction heating.

The Group is also monitoring the potential downside associated with the UK not concluding a trade arrangement with the European Union at the end of this year. However, this is not deemed to be a significant risk for the Group as the majority of the Bioplastics products that are sourced within the European Union are either sold locally into the continental European market or exported directly to the North American market. Within the Stanelco RF division, its products are generally bespoke with a lead time of over a month and therefore tariffs or customs delays can be incorporated into the sales contract.

Strategy

The Group's strategy is to build a leading position in its chosen markets. Products have been developed in both divisions which are focussed closely on customer requirements and where the Group feels it has commercial and technical edge. Development work is focussed on areas where it is believed that there is the potential for us to be the supplier of choice and where the Group can achieve satisfactory returns.

The Group has just completed its second year of the three covered by high-level Key Performance Indicators (KPIs) that the Board adopted for the period 2018 to the end of 2020. These KPIs were set with attainment at the end of a three-year horizon being as important as year by year performance.

The KPI's status as at the end of year two is:

- KPI: Compound Group reported revenue growth (including government grant income) of 25% per annum across the Group and 40% compound reported revenue growth in the Bioplastics division.

In 2019 neither the Group or the Bioplastics division met this target although the Bioplastics division exceeded this level of growth within the year.

- KPI: Diversify the Group's reported revenues by product and market to ensure that no one product or end customer contributes more than 15% of revenues by the end of 2020.

Good progress towards achieving this KPI has been made. In 2019 only two customers had more than 15% of Group reported revenues, one in each of the Bioplastics and Stanelco RF divisions, with each accounting for approximately 17% of Group revenues.

- KPI: Increase investment in the Group's next generation of products by spending significantly more per annum on average than the £0.3m per annum average spend over the previous strategic objective cycle.

The Group met this target in 2019 with £1.0m spent in the year of which £0.4m was spent on developing its near-term product pipeline plus an additional £0.6m on its medium-term Industrial Biotechnology programme (funded in part by £0.4m of government grants).

Given the impact of the Covid-19 virus, the Board will reset the KPI time horizon to a four-year period (rather than the current three years) which will cover the period to the end of 2021. Future reporting will be adjusted accordingly.

Biome Bioplastics

The Bioplastics division had a very encouraging year with a mixture of strong demand for its existing product line plus new product launches resulting in reported revenues increasing by 81% year on year (including government grant income).

The increase in reported revenues has come from a number of new market opportunities mainly in the US market. The projects commercialising in the year have included the rigid ring to complete the coffee pod offering plus a biodegradable pod for the nutrition market. Revenues have also increased within both the UK and Europe although this is relatively minor compared to the increase in revenues to the US.

The division's medium-term research activities in Industrial Biotechnology continued in the year focussing on the development of a new range of performance polymers with properties which are expected to improve the existing generation of products. This work, which is supported by government grants, is based on the use of advanced Industrial Biotechnology techniques to form polymers from waste bi-products. Two of the government grant-backed projects successfully concluded in the year and further grants are being sought to continue this work. These polymers are subject to patent applications.

Stanelco RF Technology

The Stanelco RF division saw a predicted lower level of activity from the exceptional year it had in 2018. The excess capacity in the fibre optic cable market is taking longer than anticipated to unwind as growth has faltered, and therefore a lower level of demand for the division's fibre optic furnaces is expected to continue into 2020. It should be noted, however, that the division still remained cash positive.

The Stanelco RF division remains committed to a strategy to sell products that complement its expertise outside the furnace market and a number of other end use markets are being explored to diversify away from the cyclical fibre optic furnace market.

Board and Personnel Changes

As announced in January 2020, Declan Brown, Group Finance Director, has decided to step down from the Board and leave the Company at the end of April to pursue a new challenge. He has helped the Company enormously over the last six years, particularly in setting in place the foundations for the Bioplastics business. The Board wishes him well.

David Hughes will join the business as a non-main Board Interim Finance Director in mid-April. David is a chartered accountant who qualified with KPMG. He spent his early career as a CFO in large corporates such as Simon Engineering, ABB, Calor Gas both in the UK and internationally. He has spent the last 15 years as CFO/COO in a variety of PE-backed businesses including specific experience in both the engineering and biotechnology sectors. The Board looks forward to his contribution.

Also, during the year, Sally Morley, previously Commercial Director for the Bioplastics division, was promoted to Managing Director of the division. This promotion has been combined with the strengthening of the Bioplastics team as it looks to service the current, and anticipated growth curve of the business.

Outlook

It is apparent to the Board that Covid-19, with the resultant restrictive social and travel practices and associated economic impact is having an impact on the operations of the Group. It is too early at this stage to be confident in trying to make any accurate overall forecasts of the impact that Covid-19 will have, for example, on employees, customers or growth. However, we will do our utmost to keep shareholders abreast of developments and any unanticipated further impact on the Group.

We are implementing a number of measures to reduce the Group's costs and manage its cash-flow in this period. These include a voluntary 20% reduction in base salary for the Executive Directors and Non-Executive Directors for a period of three months from 1 May 2020, use of the UK Government's "furlough scheme" and curtailment of any discretionary operational and capital expenditure. These and other potential actions are being reviewed on a regular basis. Consideration is also being given to other relevant UK Government business support schemes.

We believe that the Bioplastics division is in a strong growth phase, with the many market opportunities we have already forecast to grow this year in the food and beverage sector, and with new opportunities continuing to emerge. We are focussed on taking best advantage of these opportunities although there may be supply chain disruption as well as potential impact in demand for these products in the forthcoming period. In contrast, the Stanelco RF division will be more adversely impacted than the Bioplastics division. The large Stanelco RF customers are based in China and India and reference has already been made to the slowdown in these territories and the overcapacity in the optical fibre market. We believe Covid-19 will further delay any upturn in orders for Stanelco RF's furnaces. We have adjusted our expectations for the Group accordingly.

Given the lead times to which the Company's divisions operate, the impact of Covid-19 on Biome during the first quarter of the financial year was limited, with trading in the quarter in line with management's expectations at the time of the Group's trading update on 30 January 2020. A full trading update for the first quarter will be made on 22 April 2020, in line with Company's usual reporting timetable.

We will continue to work our cash resources to maximise our ability to overcome the challenges posed by Covid-19 and deliver good medium-term growth for shareholders.

John Standen
Chairman

Strategic Report

Biome Technologies plc is a growth orientated, commercially driven technology group. Its strategy is founded on building market-leading positions based on patented technology and serving international customers in the biodegradable plastics and radio frequency heating sectors. We have chosen to do this by developing products in application areas where value-added pricing can be justified and that are not reliant on government legislation. These products are driven by customer requirements and are compatible with existing manufacturing processes. They are market rather than technology led.

The directors consider its shareholders, employees, customers and suppliers as its key stakeholders and the divisional analysis below outlines the strategies that have been adopted to promote the success of the Group and to meet its objectives.

Biome Bioplastics Division

Reported revenues in the Bioplastics division (inclusive of government grant income of £0.4m (2018: £0.4m) recorded as within other operating income) increased to £3.4m (2018: £1.9m). This increase in reported revenues, relating to existing products as well as new product launches, reflects the increased activity and enquiry levels that currently exist both in the Bioplastics division and also the wider market. Staffing levels were adjusted accordingly to accommodate this increased activity, which is anticipated to maintain its upward trajectory over the coming years. The net effect of the increase in revenues was to decrease the division's operating loss to £0.6m (2018: loss of £0.8m).

Markets

Plastic waste has remained a key topic for the environment both in the UK and overseas. Whilst public opinion in the UK has continued to focus on this area there is still a continuing debate as to how to combat this problem. As such the UK market remains a smaller part of the Bioplastics division's short-term focus with the more immediate sales opportunities and growth being in the US market.

Cost and functionality will remain key hurdles over the wide spread adoption of bioplastics over petrochemical plastics. Current adoption is therefore driven by consumer pull, and their willingness to pay a premium for biodegradability/compostability, or government legislation. To overcome these hurdles the Bioplastics division focuses on areas of the market where there is a high technical performance requirement, the cost of the biomaterial is a small fraction of the end product price, and where there is a consumer willingness to convert to a biodegradable material.

Research and development within the Bioplastics division is therefore focussed on these three areas and in particular targeted towards customer requirements for a biodegradable solution. The commercial lifecycle of our products can be categorised in the following stages of the product lifecycle:

- Research phase – technology and product development occurring within Biome's own laboratories or at external support facilities
- Development phase – the product is being developed and tested with small scale supplies to customers for end use testing
- Initial manufacturing phase – the product is signed off by the customer as suitable for its requirements and is now undergoing significant long-term testing to ensure the end product can be run in commercial quantities across the supply chain
- Commercial phase – the product has been through the above phases with the customer and is now achieving regular and significant sales with the end product being purchased and used by the final consumer

Technical Development

Biome Bioplastic's development work remains focussed on innovative developments where there is a customer requirement for the product and a willingness to pay a premium for the environmental attributes. During 2019, the development team commercialised three new products, including the rigid ring for the coffee pod offering and also a pod for the nutritional supplements market. Initial sales of these products commenced during 2019 and it is anticipated that sales in these products will grow throughout 2020.

The Bioplastics division also continued its work in medium term Industrial Biotechnology research into the transformation of lignocellulose (often sourced from agricultural waste) into low cost bioplastics using microbial and enzymatic routes. If successful, it is anticipated that this work will result in bioplastics at a cost comparable to current petro-based plastics which has the potential to transform the demand for bioplastics. This development work is supported by a number of research grants with research expenditure, both in terms of headcount and other sub-contracting and materials costs, increased in the year as two of the projects reach their conclusion and work is transferred from the universities. Patent applications have been made to support the materials and technology under development.

Stanelco RF Technologies Division

The Stanelco RF division is a specialist engineering business focused on the design and manufacture of electrical/electronic systems based on advanced radio frequency technology.

The division's core offering is the supply of fibre optic furnaces, although the business is also exploring other markets where its expertise in induction heating can be utilised. Total revenues in 2019 of £4.0m were lower than the prior year (2018: £7.0m) due to the previously reported exceptional demand experienced in the prior year. Operating profit for the period was £1.1m (2018: £2.6m).

The business currently focuses on four key revenue streams:

Optical Fibre Furnace Systems

The Stanelco RF division is a world leader in the design and manufacture of induction furnace systems used in the manufacture and processing of silica glass "preforms" to produce optical fibre. Each system is bespoke to customers' exact requirements. There is currently a reported imbalance in the global demand for optical fibre compared to the installed capacity base. Whilst this overcapacity is expected to reverse in the medium term the Group anticipates that there will be a lower level of demand for fibre optic furnaces in 2020.

Plastic Welding Equipment

These units are used in a multitude of end-user applications including the nuclear, medical and industrial sectors. The equipment is provided in either hand-held, mobile or fully automated static solutions, dependent on customers' requirements.

Induction Heating Equipment

The division sells bespoke induction heating equipment into other market sectors. Whilst this is a small part of the division's sales it is a strategic aim to increase the equipment offering of the division into other markets.

Service and Spares

The business continues to support its large installed equipment base through the provision of maintenance support, system upgrades and specialist spares across the globe.

Principal risks and uncertainties

The business is subject to a number of risks. The Directors have set out below the principal risks facing the business. The Directors continually review the risks identified below and, where possible, processes are in place to monitor or mitigate all of these risks.

Covid-19

The potential impact of this virus is evolving. The Group operates on a global level and is exposed to potential restrictions in the supply of raw materials, lower customer demand, and production ceasing due to

either travel restrictions or employees being infected by the virus. This would have consequential implications to the Group results and its cash balances.

Whilst it is impossible to plan for every possible scenario the Group has looked to protect the effectiveness of its workforce by minimising, where possible, the interaction of members of teams performing similar tasks, remote working and restricting travel.

The Group also has a flexible overhead base which will enable it to adapt and flex operations as this highly uncertain event across the globe unfolds.

Brexit

There still remains a risk that the UK will leave the European Union without a 'deal' or with less than optimal arrangements in place, which could lead to short term turmoil and uncertainty in the ability to import and export goods between the UK and European Union and uncertainty as to the rights of employees within the Group who originate from the European Union.

The majority of the Bioplastics products that are produced in the European Union are sold either locally into the continental European market or exported directly to the US market. Deliveries of these goods are not therefore transported through the UK and therefore import and export delays are not considered a significant risk for the division.

The Stanelco RF division focusses on bespoke equipment which is designed to the customers' specification. These items have a lead time of over a month and therefore there is the ability to incorporate increased time required to export to the European Union if required.

The Group employs a number of European Union nationals and is providing assistance to them in applying to the EU Settlement Scheme in order to secure their employment eligibility and rights post the UK's exit from the European Union.

Political, economic and regulatory environment

The Group is subject to political, economic and regulatory factors in the various countries in which it operates. There may be a change in government regulation or policies which materially and/or adversely affect the Group's ability to successfully implement its strategy. The Directors aim to focus their product range on areas where demand is not reliant on government regulation.

The Group exports the majority of its products and therefore fluctuations in exchange rates may affect product demand in different regions and may adversely affect the profitability of products provided by the Group in foreign markets where payment is made for the Group's products in local currency.

The Directors are informed regularly of the potential impact of exchange rate movements on the business and act to mitigate any adverse movements wherever possible. In order to mitigate the medium term impact of any adverse exchange rate movements, the Group will look to move production and match the currency of its input costs with those of the contractual selling price thereby reducing the currency movement risk to the gross margin of the product.

The Group's products and manufacturing processes utilise a number of raw materials and other commodities. In particular the Bioplastics division requires a few, key raw materials to manufacture its biodegradable polymer resins. There are very few suppliers of these key raw materials and with the current increased demand for biodegradable products there is a risk that the division may not be able to purchase the required volumes of materials to meet customer demand or that prices may be increased at short notice. To try and mitigate this risk the division is seeking to validate new materials coming onto the market which may be used in substitution.

Some of the Group's products are employed in the food and pharmaceutical industries, both of which are highly regulated. There is a risk that the Group may lose contracts or be subject to fines or penalties for any non-compliance with the relevant industry regulations. The Group ensures its staff are well versed in the

regulatory environment of its end-use industries and regularly reviews its product portfolio to ensure compliance with relevant regulations.

Intellectual property

Although the Group attempts to protect its intellectual property, there is a risk that patents will not be issued with respect to applications now pending. Furthermore, there is a risk that patents granted or licensed to Group companies may not be sufficiently broad in their scope to provide protection against other third party technologies. The Group takes professional advice from experienced patent attorneys and works hard to win patents applied for and to ensure that the scope is sufficiently broad.

Other companies are actively engaged in the development of bioplastics. There is a risk that these companies may have applied for (or been granted) patents which impinge on the areas of activity of the Group. This could prevent the Group from carrying out certain activities or, if the Group manufactures products which breach (or may appear to breach) such patents there is a risk that the Group could become involved in litigation which could be costly and protracted and ultimately be liable for damages if the breach is proven.

The Group keeps up-to-date with its competitors' product developments and patent portfolios and aims to ensure that no infringements occur. Professional advice is sought from experienced patent attorneys if there are any concerns.

Competition

There is a risk that competitors may be able to develop products and services that are more attractive to customers, either through price or technical performance, than the Group's products and services.

The Group aims to be ahead of the competition through working closely with customers to produce products that meet their exact requirements rather than offering "off the shelf" solutions.

Commercialisation of new products

There is a risk that the Group will not be successful in the commercialisation of its products from early-stage research and development to full-scale commercial sales. The Group develops a number of products and some may not prove to be successful. Specifically, the risks associated with the product life cycle are as follows:

- Research and Development phase – the development of the products may prove not to be technically feasible or do not exactly match the perceived customer need
- Initial manufacturing phase – whilst the product matches the customer needs it may not be able to be produced at the required commercial speeds and/or at the required efficiency and quality
- Commercialisation phase – the product may be superseded either through price or a competitor product being more advanced

The Directors ensure that regular reviews of product development are undertaken so that unsuccessful developments can be terminated early in their life cycle. Impairment testing of the capitalised costs is performed twice a year with any impaired capitalised costs written off.

Customers

The Group's ability to generate revenues for a number of its products is reliant on a small number of customers. If one of these customers was to significantly reduce its orders, then this could have a significant impact on the Group's results.

The Group works closely with its customers with the aim of ensuring that its products evolve in line with their requirements. In addition, the Group is continually seeking to add to its customer base and, as its revenues grow, seeks to become less dependent on any single customer.

Suppliers and Raw Materials

The Group is reliant on a few key suppliers to manufacture its products. If one of these was to cease supplying the market or demand for these key products exceeding supply then this could have a significant impact on the Group's ability to fulfil its orders and achieve its strategic aims.

The Group is constantly testing and seeking alternative suppliers of raw materials to reduce its reliance on a small number of key suppliers.

Financial review

The KPIs which the Board uses to assess the performance of the Group are detailed in the Chairman's Statement. The Chairman's statement forms part of the Strategic Report.

The summary results for the Group are shown below.

	2019 £'m	2018 £'m	Growth
LIKE-FOR-LIKE COMPARISONS			
Revenues			
Biome Bioplastics			
- Revenues	3.0	1.5	
- Grant income (Other operating income)	0.4	0.4	
	<u>3.4</u>	<u>1.9</u>	81%
Stanelco RF	4.0	7.0	(43%)
Reported Group revenues	<u>7.4</u>	<u>8.9</u>	(16%)
EBITDA			
Biome Bioplastics	(0.3)	(0.5)	
Stanelco RF	1.2	2.7	
Central costs	<u>(1.4)</u>	<u>(1.6)</u>	
Reported EBITDA	<u>(0.5)</u>	<u>0.6</u>	
Less depreciation, amortisation and equity share option charges:			
Biome Bioplastics	(0.3)	(0.3)	
Stanelco RF	(0.1)	(0.1)	
Central costs	<u>(0.1)</u>	<u>(0.1)</u>	
	(0.5)	(0.5)	
(Loss)/profit from Operations			
Biome Bioplastics	(0.6)	(0.8)	
RF Technologies	1.1	2.6	
Central Costs	<u>(1.5)</u>	<u>(1.7)</u>	
Like for Like Operating Profit/(loss)	<u>(1.0)</u>	<u>0.1</u>	
Non-current assets			
Non-current assets	1.5	1.1	
Inventories			
Inventories	0.6	1.0	
Trade and other receivables			
Trade and other receivables	1.9	0.9	
Cash			
Cash	2.1	2.6	
Trade and other payables			
Trade and other payables	(1.5)	(1.8)	
Long term lease commitments			
Long term lease commitments	(0.4)	-	

Net assets	4.2	3.8
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Revenues

Reported Group revenues, including grant income included as other operating income, decreased in the year to £7.4m from £8.9m due to the return to a more normalised level of Stanelco RF revenues which have almost been offset by significant increases in revenues within the Bioplastics division.

A reclassification has been made to both 2019 and the 2018 prior year comparative in the consolidated income statement to move government grant income from revenues to other operating income. This is purely to present the classification of this income in accordance with the requirements of IAS 20 (Accounting for Government Grants).

EBITDA

Reported EBITDA for the year was a loss of £0.5m (2018: profit of £0.6m). This reduction in EBITDA is a direct result of the lower revenues in the Stanelco RF division. This has been slightly offset by increases in revenues in the Bioplastics division as well as reduced overhead costs.

Operating profits/(losses)

The Group recorded an operating loss for the year of £1.0m compared to an operating profit of £0.1m in the prior year.

Administrative costs across the Group in 2019 were £4.5m (2018: £4.7m). When the non-cash effects of depreciation, amortisation and equity settled share option charges are removed, the cash administrative expenses in 2019 decreased to £4.0m compared to prior year (2018: £4.2m). This decrease in expenses is mainly attributable to a decrease within the Stanelco RF division, as costs were scaled back as a result of the lower activity levels, and also lower incentive scheme costs within central costs. These cost savings were partially offset by an increase in spend in the grant backed Industrial Biotechnology research work.

The Group also adopted IFRS 16, the new accounting standard for leases using the modified retrospective approach. After a review of the lease obligations the Group concluded that only two car leases required opening adjustments. No other opening adjustments were required as all the other leases had either less than twelve months to expiry or were of low value. The Group has, however, signed a new property lease on 11 March 2020 which has been back dated to the expiry of the old lease on 11 October 2019 and this lease has been brought onto the statement of financial position as at the year end as a right-of-use asset. The total value of right-of-use assets brought onto the statement of financial position in the year amounted to £0.5m with a corresponding lease liability recorded also.

Investment in product research and development was £1.1m in the year (2018: £0.9m), which includes the research work in the grant backed Industrial Biotechnology, of which £0.3m (2018: £0.3m) was capitalised in the year. Tax R&D claims resulted in a credit being received in the year of £0.1m (2018: credit of £0.1m).

The Group recorded a loss after tax for the year of £0.9m (2018: profit after tax of £0.1m), giving a basic loss per share of 35p (2018: earnings per share of 6p).

Statement of financial position

The carrying value of intangible assets relate to capitalised development costs predominantly within the Biome Bioplastics division for development of the Group's own intellectual property and product range.

As at 31 December 2019, there was £0.9m of capitalised development costs (2018: £0.9m) within the Group's statement of financial position, of which £0.5m relates to BiomeMesh. An assessment is made at least annually which assumes future potential market take up of the products and the margins achievable.

Cashflow

	2019 £'m	2018 £'m
Cashflow		
(Loss)/profit from operations	(1.0)	0.1
Adjustment for non-cash items	0.5	0.6
Movement in working capital	(1.1)	-
Cash (utilised)/generated by operations	(1.6)	0.7
Investment activities	(0.3)	(0.4)
R&D Tax credit	0.2	-
Financing activities	1.2	-
Net (decrease)/increase in cash	(0.5)	0.3
Opening cash balance	2.6	2.3
Closing cash balance	2.1	2.6

The cash utilised from operations, before working capital movements, was £0.5m (2018: cash generation of £0.7m) mainly reflecting the decrease in performance within the Stanelco RF division compared to the prior year. Working capital movements reflected the increases in working capital required in the Bioplastics division as its revenues increased significantly as well as the unwind of customer deposits in place for the Stanelco RF division at the beginning of the year. As a result, the cash utilised by operations during 2019 was £1.6m (2018: cash generated £0.7m).

Investment in the year in capitalised product development and capex (excluding the effect of IFRS 16) was £0.3m (2018: £0.4m). The effect of the adoption of IFRS 16 (Leases) resulted in the new property lease for the main building being brought onto the statement of financial position as at 31 December 2019. This also had the effect of increasing capex and the resultant liability in financing activities by £0.5m. Also included in financing activities for 2019 was the placement of new shares in the Company raising £1.2m net of costs. R&D tax credits received in 2019 and were £0.2m (2018: nil).

The resultant closing cash position was £2.1m (2018: £2.6m).

Going concern

The Directors have prepared forecasts for the period of 12 months following the approval of the accounts, which have been drawn up with appropriate regard for the current macroeconomic environment, including the current Covid-19 situation, the impact of Brexit at the end of the year, and the circumstances in which the Group operates. These were prepared with reference to the forward order book, prospects and repeat business within the Stanelco RF division, and the existing base business and anticipated increased volume from new products within the Bioplastics division. In particular the directors have put considerable focus on the potential impacts that the evolving Covid-19 situation may have on the Group's operations and performance, including potential delays to projected orders, product development, supply chain, operational capacity, and access to further development capital.

As mentioned in the Chairman's Statement the Board believes that the Covid-19 situation will have a more severe impact on the Stanelco RF division than that of the Bioplastics division. A number of scenarios have been modelled which assume limited sales for a three-month and six-month period as well as reverse stress testing using a worse case scenario where there are no sales for a protracted period running into quarter one of 2021. Our use of three months as one of the scenarios uses the experience of China, now experiencing a return to near normality following a twelve week period and also six months based on a continuation of the current situation, the Group's exposure to international markets and a longer timeframe before a return to normality. These scenarios have been combined with various cost cutting measures, including use of the government furlough scheme, to mitigate some of these downsides. Whilst there are multiple uncertainties associated with the evolving Covid-19 situation in determining the appropriateness of

the going concern assumption the directors believe that, given the flexibility in the overhead base, the Group's cash resources should be sufficient to operate for a period of twelve months from the date of approval of the accounts. The Group successfully raised £1.2m net of expenses in October 2019 and as at 14 April 2020 has cash balances of £1.7m.

As a result of this process, at the time of approving the financial statements, the Directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

By order of the Board.

Paul Mines
Chief Executive Officer

**CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME**
For the year ended 31 December 2019

		2019	2018
		Total	Total
	Note	£'000	Restated*
		£'000	£'000
REVENUE	4a – 4c	6,957	8,459
Cost of sales		(3,933)	(4,042)
GROSS PROFIT		3,024	4,417
Other operating income		436	391
Administrative expenses		(4,480)	(4,745)
PROFIT/(LOSS) FROM OPERATIONS	4a – 4c, 5	(1,020)	63
Investment revenue		6	4
Finance charges		(9)	-
Foreign exchange (loss)/gain		-	17
PROFIT/(LOSS) BEFORE TAXATION		(1,023)	84
Taxation/	6	146	59
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(877)	143
Basic earnings/(loss) per share – pence	7	(35)	6
Diluted earnings/(loss) per share – pence	7	(35)	5

* See note 4a

**CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
As at 31 December 2019**

	2019	2018
	£'000	Restated* £'000
Note		
NON-CURRENT ASSETS		
Other intangible assets	8	883
Property, plant and equipment	9	653
		<u>1,536</u>
		<u>1,103</u>
CURRENT ASSETS		
Inventories	10	555
Trade and other receivables		1,885
Cash and cash equivalents		2,126
		<u>4,566</u>
		<u>4,442</u>
TOTAL ASSETS		<u><u>6,102</u></u>
		<u><u>5,545</u></u>
CURRENT LIABILITIES		
Trade and other payables	11	1,381
Lease liabilities	12	76
		<u>1,457</u>
		<u>1,792</u>
NON-CURRENT LIABILITIES		
Lease liabilities	12	438
		<u>438</u>
		<u>-</u>
TOTAL LIABILITIES		<u><u>1,895</u></u>
		<u><u>1,792</u></u>
NET ASSETS		<u><u>4,207</u></u>
		<u><u>3,753</u></u>
EQUITY		
Share capital		140
Share premium account		1,250
Capital redemption reserve		4
Share options reserve		377
Translation reserve		(85)
Retained profits/(losses)		2,521
		<u>118</u>
		<u>77</u>
		<u>4</u>
		<u>316</u>
		<u>(85)</u>
		<u>3,323</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND TOTAL EQUITY		<u><u>4,207</u></u>
		<u><u>3,753</u></u>

* See note 4a

The financial statements were approved by the Board on 15 April 2020.

Signed on behalf of the Board of Directors

Paul Mines (Chief Executive)
Declan Brown (Group Finance Director)
15 April 2020

**CONOLIDATED STATEMENT
OF CHANGES IN EQUITY**
As at 31 December 2019

	Share capital £'000	Share premium account £'000	Capital Redemption Reserve £'000	Share options reserve £'000	Translation reserves £'000	Retained earnings £'000	TOTAL EQUITY £'000
Balance at 1 January 2019	118	77	4	316	(85)	3,323	3,753
Share options charges in year	-	-	-	136	-	-	136
Issue of share capital	22	1,173	-	-	-	-	1,195
Cancellation of expired share options	-	-	-	(75)	-	75	-
Transactions with owners	22	1,173	-	61	-	75	1,331
Loss for the year	-	-	-	-	-	(877)	(877)
Total comprehensive income for the year	-	-	-	-	-	(877)	(877)
Balance 31 December 2019	140	1,250	4	377	(85)	2,521	4,207
Balance at 1 January 2018*	117	12	4	219	(85)	3,070	3,337
Share options charges in year	-	-	-	218	-	-	218
Issue of share capital	1	54	-	-	-	-	55
Exercise of share options	-	11	-	(11)	-	-	-
Cancellation of expired share options	-	-	-	(110)	-	110	-
Transactions with owners	1	65	-	97	-	110	273
Profit for the year	-	-	-	-	-	143	143
Total comprehensive income for the year	-	-	-	-	-	143	143
Balance 31 December 2018*	118	77	4	316	(85)	3,323	3,753

* See note 4a

**CONSOLIDATED STATEMENT
OF CASH FLOWS
For the year ended 31 December 2019**

	2019 £'000	2018 £'000
(Loss)/profit from operations	(1,020)	63
Adjustment for:		
Amortisation and impairment of intangible assets	317	290
Depreciation of property, plant and equipment	77	57
Share based payments	136	218
Foreign exchange	9	16
Cash generated before movement in working capital	(481)	644
Decrease/(increase) in inventories	400	(158)
(Increase)/decrease in receivables	(1,087)	521
(Decrease)/increase in payables	(405)	(277)
Cash utilised by operations	(1,573)	730
Corporation tax received	205	-
Interest paid	(2)	-
Net cash inflow from operating activities	(1,370)	730
Cash flows from investing activities		
Interest received	6	4
Investment in intangible assets	(282)	(293)
Purchase of property, plant and equipment	(27)	(120)
Net cash used in investing activities	(303)	(409)
Financing activities		
Proceeds of issue of ordinary share capital	1,300	-
Costs of issue of ordinary share capital	(104)	-
Repayment of obligations under leasing activities	(11)	-
	1,185	-
Net increase/(decrease) in cash and cash equivalents	(488)	321
Cash and cash equivalents at beginning of year	2,614	2,293
Effect of foreign exchange rate changes	-	-
Cash and cash equivalents at end of year	2,126	2,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. NON-STATUTORY FINANCIAL STATEMENTS

The financial information set out in this preliminary results announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2019 or 2018 but is derived from those financial statements. Statutory financial statements for 2018 have been delivered to the Registrar of Companies. Those for 2019 will be delivered following the Company's Annual General Meeting, which, due to Covid-19, will be arranged for a date in June 2020. The auditors have reported on those accounts: their reports on those financial statements were unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The financial statements, and this preliminary statement, of the Group for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 15 April 2020 and the statement of financial position was signed on behalf of the Board by Paul Mines and Declan Brown.

2. BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

3. BASIS OF CONSOLIDATION

The Group financial statements consolidate the results of the Company and all of its subsidiary undertakings drawn up to 31 December 2019. Subsidiaries are entities over which the Group has control. Control comprises an investor having power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power. At 31 December 2019 the subsidiary undertakings were Biome Bioplastics Limited, Stanelco RF Technologies Limited, Aquasol Limited, and InGel Technologies Limited (dormant).

The assets and liabilities of the Biome Technologies plc Employee Benefit Trust ("EBT") are included within the consolidated statement of financial position on the basis that the Group has the ability to exercise control over the EBT.

4a. PRIOR YEAR ADJUSTMENTS

A prior year adjustment has been made, relating to the reclassification of £0.4m of grant income from revenue to other operating income in the consolidated income statement. This is purely to correct the classification of this income in accordance with the requirements of IAS 20 (Accounting for Government Grants). This reclassification has no impact on the consolidated profit of the Group for the year end 31 December 2018.

In addition, a further reclassification has been made in the consolidated statement of financial position to resolve a historical difference with the subsidiary InGel Technologies Limited's share premium account of £0.7m being included within the Group's share premium figure. This balance is being reclassified to retained profits within the consolidated statement of financial position. Again, this adjustment has no impact on the profit of the Group for the year ended 31 December 2018.

Consolidated income statement for the year ended 31 December 2018

	As reported	Reclassification of grant income and share premium	Restated
	£'000	£'000	£'000
Revenue	8,850	(391)	8,459
Gross profit	4,808	(391)	4,417
Other operating income	-	391	391
Profit from operations	63	-	63
Loss before taxation	84	-	84
Loss after taxation	143	-	143

Consolidated statement of financial position as at 31 December 2018

	As reported £'000	Reclassification of grant income and share premium £'000	Restated £'000
Equity			
Share capital	118	-	118
Share premium account	805	(728)	77
Capital redemption reserve	4	-	4
Share options reserve	316	-	316
Translations reserve	(85)	-	(85)
Retained profits	2,595	728	3,323
Equity attributable to equity holders of the parent and total equity	3,753	-	3,753

There is no change to the previously reported consolidated statement of cash flows.

4b. SEGMENTAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2019

	Bioplastics 2019 £'000	RF Technologies 2019 £'000	Central Costs 2019 £'000	Total 2019 £'000
Revenue from external customers	2,991	3,966	-	6,957
(LOSS)/PROFIT FROM OPERATIONS	(597)	1,081	(1,504)	(1,020)
Investment revenue				6
Finance charges				(9)
LOSS BEFORE TAXATION				<u>(1,023)</u>
TOTAL ASSETS	<u>2,292</u>	<u>1,073</u>	<u>2,737</u>	<u>6,102</u>

4c. SEGMENTAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2018 RESTATED

	Bioplastics	RF Technologies	Central Costs	Total
	2018	2018	2018	2018
	£'000	£'000	£'000	£'000
Revenue from external customers	1,499	6,960	-	8,459
(LOSS)/PROFIT FROM OPERATIONS	(792)	2,601	(1,746)	63
Investment revenue				4
Foreign exchange gain				17
PROFIT BEFORE TAXATION				84
TOTAL ASSETS	1,846	945	2,754	5,545

The Bioplastics division comprises of Biome Bioplastics Limited and Aquasol Limited.

5. EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AND AMORTISATION

The Group, and divisions, define earnings before interest, taxation, depreciation and amortisation ("EBITDA") as the operating profit or loss adjusted for share option charges, depreciation, and amortisation. The Group EBITDA is reconciled as follows:

	2019	2018
	£'000	£'000
Operating (loss)/profit	(1,020)	63
Amortisation	317	290
Depreciation	77	57
Share option scheme charges	136	218
EBITDA	<u>(490)</u>	<u>628</u>

6. TAXATION

The Group's policy is to recognise tax credits resulting from tax R&D claims on a cash received basis. The claim in respect of the year ended 31 December 2018 has now been settled with the cash received in during 2019. A tax credit has, therefore, been recognised in the Group's financial statements in respect of that claim.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the loss attributable to the equity holders of the parent for the year of £877,000 (2018: profit of £143,000) and a weighted average of 2,472,038 (2018: 2,357,986) ordinary shares in issue for basic earnings per share and a weighted average of 2,472,038 (2018: 2,782,194) ordinary shares in issue for diluted earnings per share.

8. OTHER INTANGIBLE ASSETS

During the year there was a capitalisation of £282,000 of product development costs (2018: £293,000). The amortisation charge for the year was £317,000 (2018: £290,000).

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of £545,000 were acquired in the year (2018: £120,000). Included in the additions were £518,000 of right-of-use assets under the adoption of IFRS 16 Leases. The depreciation charge for the year was £77,000 (2018: £57,000).

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables increased in the year due to increased levels of trade debtors due to the timing of equipment sales shipments within the Stanelco RF division at the year end and also the increased activity levels within the Bioplastics division.

11. TRADE AND OTHER PAYABLES

Trade and other payables decreased in the year due mainly to levels of deposits within the Stanelco RF division compared to the prior year.

12. LEASE LIABILITIES

The Group leases its main building with the previous lease expiring on 11 October 2019 and a new lease coming into effect on 12 October 2020. The Group has applied the exemption for the previous lease, as its expiry was less than twelve months from the adoption date of IFRS 16, and not reflected this on the statement of financial position as a right-of-use asset. In addition, the Group has applied the modified retrospective approach for car leases and not restated the prior year. The leases have been reflected on the statement of financial position under property, plant and equipment as right-of-use assets as follows:

	Opening Book Value £'000	Additions £'000	Depreciation Charge £'000	Closing Book Value £'000
Office buildings	-	493	(10)	483
Motor Vehicles	-	25	(12)	13
Total	-	518	(22)	496

Lease liabilities are presented in the statement of financial position as follow:

	As at 1 January 2019 £'000	Lease Obligations Incurred £'000	Interest Charged £'000	Payments Made £'000	As at 31 December 2019 £'000
Current	-	80	9	13	76
Non-current	-	438	-	-	438
	-	518	9	13	514