

SYMPHONY PLASTIC TECHNOLOGIES PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

Symphony Plastic Technologies plc, the degradable plastics company, is pleased to announce its preliminary results for the year ended 31 December 2004.

HIGHLIGHTS

- Turnover up 16% to £8.86m (2003: £7.63m)
- Operating loss after exceptional costs down 80% to £0.60m (2003: £2.92m)
- Operating loss before exceptional costs down 59% to £0.50m (2003: £1.22m)
- Gross profits increased by 55% to £1.84m (2003: £1.19m)
- Loss per share decreased to 1.31 pence from 7.09 pence
- Success in the High Court

Commenting on the results, Nirj Deva, Chairman of Symphony, said:

"I am pleased to report good turnover growth and a material reduction in the operating loss of the Group during a year that was overshadowed by litigation in the High Court. The second half of the year was also affected by global increases in energy and raw material costs.

Environmental and public pressure on governments and corporations around the world continues to increase, raising awareness of the problems of plastic waste and therefore the importance of the introduction of degradable plastics. Symphony is well positioned internationally and technologically to capitalise on these opportunities as they arise."

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Further information on Symphony Plastic Technologies plc

Symphony develops and markets environmentally responsible plastic packaging products and additives, which are distributed primarily to the retail, local authority and health related sectors. The Group's main technology, d₂w[®], allows plastic to degrade, leaving only water, a minimal amount of carbon dioxide and trace amounts of non-toxic biomass over a controlled time period. The current d₂w[®] product range now includes degradable additives, carrier bags, refuse and waste sacks, mailing wrap, stretch film, aprons, and packaging films. Further information on Symphony can be found at www.degradable.net.

CHIEF EXECUTIVE'S REVIEW

The year under review has been particularly challenging as raw material costs nearly doubled and a large part of management time in the second half of the year was occupied with defending litigation which was aimed at affecting our core technology and business. I am pleased to report that despite these distractions we have continued to increase sales and have significantly reduced losses from the previous year.

Symphony has continued to expand its international distribution network for its finished polythene products and additives. To date we have 8 distributors and our d₂w[®] products can be found in more than 20 countries.

TRADING RESULTS

Total group sales increased by 16% to £8.86m. Group gross profits increased by 55% from £1.19m to £1.84m. The Group continued to allocate most of its marketing and sales efforts to the further development of d₂w[®] product sales, whilst also maintaining and increasing the level of non-degradable business.

The operating loss in 2004 was reduced significantly to £0.6m from £2.92m in 2003. In 2003, £1.7m was written off due to the termination of our licence with EPI Environmental Products Inc ("EPI") and the estimated cost of the case in the High Court. As the case is going to appeal, a further £100,000 provision has been made in 2004 in respect of anticipated non-recoverable legal fees.

Research and development tax credits totalling £105,000 were received during 2004 and these are included in tax on loss on ordinary activities in the profit and loss account.

The operating loss before exceptional costs was £0.5m, having reduced significantly from £1.22m in 2003. Administrative expenses before exceptional costs were £2.05m, which is 12% down from last year, as a result of tight cost control. Gross profits increased by 33% before exceptional costs, from £1.39m to £1.84m.

The loss per share decreased significantly to 1.31 pence from 7.09 pence.

Dispute between Symphony and EPI

As announced on 21 December 2004, Symphony was successful in the High Court on the major points of the action taken by EPI. In January 2005, EPI completed payment of a total of £670,000 into Court and was subsequently granted permission to Appeal. The costs will remain in Court until the Appeal process has been exhausted. We remain confident that the action is unmeritorious and that the Appeal Court will reaffirm the judgment that was made in our favour last December.

International Markets

Symphony has continued to expand its international sales activities with a growing product range. The d₂w[®] degradable products and additives are being distributed in Brazil, the Caribbean, Middle East, New Zealand and South Africa. In addition other new overseas markets have started to buy our products and additives. The Group has completed significant distribution agreements for North America, Saudi Arabia and Columbia in 2005, which further extends the geographic reach of the d₂w[®] range of products and additives.

Sales prospects are being encouraged by changes in legislation and increasing environmental concerns over plastic pollution.

UK Sales

Symphony continued to target viable sectors where d₂w[®] products will strategically fit.

In particular the retail sector consumes large volumes of plastic and last year we supplied over 1 billion d₂w[®] carrier bags.

We also supplied products into the private health, local government and industrial films sectors, but most of the work achieved last year was in product trials and developing further relationships.

Financing

During the year £0.6m was raised by way of share issues in July and November. Since the year end, and subject to an extraordinary general meeting on 31 March 2005, £1.7m has been placed. This new funding places Symphony in a strong financial position with a strengthened balance sheet and the working capital required to take full advantage of the opportunities in our markets.

Legislation

Increasingly legislators and officials around the world are realising that they will never be able to collect and process all their plastic waste, and policies are needed to encourage a move to degradability. They are also realising that oxo-biodegradable plastic can be recycled and can itself be made from recycled plastics. Oxo-biodegradable plastics also have a lower cost base than starch-based biodegradable materials and have a wider range of applications.

Legislation that has been passed in countries such as Barbados, Malta, Mauritius, Bangladesh, India and Taiwan, includes: use of non-biodegradable plastic bags being a punishable offence; having lower taxation charges on bags made from degradable plastic; split import duty levels for degradable and non-degradable bags, with higher levels on the latter; and the banning of plastics completely. These actions have all encouraged interest in degradable materials.

In November a major international conference was held in Brussels at which scientists acknowledged the benefits of oxo-biodegradable plastic and recognised that a European Standard was needed for plastics which degrade by a process of oxidation. This conference was attended by Symphony's technical team, and Symphony is at the forefront of discussions with the EU Commission and the European Standard Organization.

In the UK, farmers and growers can burn or bury plastic waste on farm, but this will have to stop in June 2005 when the draft Waste Management Regulations are expected to come into force. This could potentially open up further markets for our range of d₂w[®] films and additives.

Outlook

We have continued to make progress in passing on raw material price increases to our customers and have succeeded in recovering most of the additional costs. Recent price increases are being implemented at a much faster pace as the markets are more prepared to accept these changes than before.

The 2005 year has started well with new orders and distribution agreements being confirmed. In recent months deliveries of d₂w[®] products have been made to some large international companies in the leisure sector, which will allow our brand to have further exposure to a large retail consumer base.

Symphony's d₂w[®] products can be found in more than 20 countries throughout the World. Our strategy is to expand the international distribution network and our established partners are reporting good levels of activity in terms of product enquiry, trials and order negotiation.

The UK sales activities are focussed on developing closer relationships with "key" customers and to expand the reach of d₂w[®] into new sectors and products. The health care, local authority, supermarket and mailing film sectors are expected to expand as we negotiate for product extensions within the current supply arrangements.

Legislation is moving at a steady pace and the focus is on changing the habits of governments and consumers of all types of plastic packaging products. Our view is that Symphony is well placed to supply the solutions to the problems that governments are now starting to tackle, and with d₂w[®] products available at either zero or little "on-cost", there is no commercial reason not to make the change to degradable plastics.

Michael Laurier
Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Year ended 31 December 2004		Year ended 31 December 2003	
	£'000	£'000	£'000	£'000
Turnover		8,855		7,628
Cost of sales - other	(7,013)		(6,243)	
Cost of sales - exceptional item	<u>-</u>		<u>(196)</u>	
Cost of sales		<u>(7,013)</u>		<u>(6,439)</u>
Gross profit		1,842		1,189
Distribution costs		(283)		(281)
Administrative expenses - other	(2,054)		(2,325)	
Administrative expenses - exceptional item	<u>(100)</u>		<u>(1,501)</u>	
Administrative expenses		<u>(2,154)</u>		<u>(3,826)</u>
Operating loss		(595)		(2,918)
Net interest		<u>(132)</u>		<u>(91)</u>
Loss on ordinary activities before taxation		(727)		(3,009)
Tax on loss on ordinary activities		<u>105</u>		<u>-</u>
Loss for the financial year transferred from reserves		<u><u>(622)</u></u>		<u><u>(3,009)</u></u>
Basic and diluted loss per share in pence		(1.31)p		(7.09)p

There were no recognised gains or losses other than the loss for the financial year.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2004

	2004 £'000	2003 £'000
Fixed assets		
Intangible assets	15	1
Tangible assets	203	209
Investments	<u>16</u>	<u>16</u>
	234	226
Current assets		
Stocks	380	593
Debtors	3,397	2,111
Cash at bank and in hand	<u>1</u>	<u>170</u>
	3,778	2,874
Creditors: amounts falling due within one year	<u>(2,763)</u>	<u>(1,828)</u>
Net current assets	<u>1,015</u>	<u>1,046</u>
Total assets less current liabilities	1,249	1,272
Creditors: amounts falling due after more than one year	<u>(41)</u>	<u>(25)</u>
	<u><u>1,208</u></u>	<u><u>1,247</u></u>
Capital and reserves		
Called up share capital	513	453
Share premium account	9,116	8,593
Other reserves	822	822
Profit and loss account	<u>(9,243)</u>	<u>(8,621)</u>
Shareholders' funds	<u><u>1,208</u></u>	<u><u>1,247</u></u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	2004 £'000	2003 £'000
Net cash outflow from operating activities	(1,049)	(1,435)
Returns on investments and servicing of finance		
Interest received	-	4
Interest paid	(128)	(91)
Interest element of finance leases and hire purchase	(5)	(4)
Net cash outflow from returns on investments and servicing of finance	(133)	(91)
Taxation	105	-
Capital expenditure and financial investment		
Payments to acquire intangible fixed assets	(15)	-
Payments to acquire tangible fixed assets	(8)	(57)
Receipts from sale of fixed assets	4	18
Net cash outflow from capital expenditure and financial investment	(19)	(39)
Cash outflow before financing	(1,096)	(1,565)
Financing		
Issue of equity share capital	60	111
Share premium on issue of equity share capital	565	1,889
Share issue expenses	(42)	(192)
Capital element of finance leases and hire purchase	(22)	(58)
Net cash inflow from financing	561	1,750
(Decrease)/increase in cash	(535)	185

NOTES TO THE PRELIMINARY STATEMENT

Preliminary Results for year ended 31 December 2004

1 BASIS OF PREPARATION

The preliminary announcement has been prepared on the basis of accounting policies consistent with the audited financial statements for the year ended 31 December 2004.

2 LOSS PER SHARE

The calculation of basic loss per share is based on a loss for the year of £622,000 (2003: £3,009,000) divided by the weighted average number of shares in issue during the year of 47,526,432 (2003: 42,421,388).

3 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The balance sheet at 31 December 2004 and the profit and loss account for the year then ended have been extracted from the Group's financial statements upon which the auditors opinion is unqualified.

The 2003 financial statements have been filed with the Registrar of Companies, but the 2004 financial statements are not yet filed.