

15 May 2018

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### **Trading and Operations Update**

("Symphony" "Group" or the "Company")

Symphony Environmental Technologies Plc (AIM: SYM), a global specialist in products and technologies that "make plastic smarter", is pleased to announce an update on its current operations and outlook.

#### Financial Highlights

- Revenue (unaudited) of £2.67 million during the 4 months ended 30 April 2018 up 17% against the comparable period in 2017
- Management optimistic that post Ramadan, further increased orders will be placed, particularly in Saudi Arabia and Pakistan, compared with prior year
- Media, political and commercial opportunities, mean Symphony has taken the strategic decision to increase marketing expenditure by approximately £375,000 in 2018

#### Market and Operational Highlights

- d2w – oxo-biodegradable plastic. Increasing regulatory support with 11 governments globally now having mandated that certain plastic products contain oxo-biodegradable additives
- Growing range of d2p products for health, hygiene, food protection and other applications
- Collaboration agreement and strategic investment in Eranova, a developer of bioplastic material using algae. The Board consider bioplastics to be a complementary technology to d2w, in recognition that governments will likely favour a suite of technologies to address the issue of plastic leaking into the open environment. The investment would be funded from existing resources
- Entered into a memorandum of understanding to acquire one of Symphony's existing European distributors. Whilst there can be no guarantee that the acquisition will happen, if it did proceed it would provide Symphony with €2.5 million of revenues primarily into the French major retail market. This investment would also be funded from existing resources

## Introduction

The Group's revenues to date have principally been derived from d2w oxo-biodegradable plastic technology which is targeted to treat short-life plastics which include, but are not limited to, shopping bags, bin liners, diapers, coffee capsules, drinking straws, agricultural and food packaging films.

However, our d2p suite of technologies are also gaining commercial traction and the collaboration and strategic investment in Eranova will provide another complementary technology, in the form of bioplastics.

### d2w technology - Oxo-biodegradable plastic

Protecting the environment is one of the most important everyday issues at the present time. Affecting nearly everyone is the leakage of plastic into the open environment which can be harmful, as reported by programmes like Blue Planet. This is caused by plastics that escape the normal collection systems for reuse or recycling. Symphony's d2w oxo-biodegradable additive technology is a non-disruptive, low cost solution (which we market as an "insurance policy") to pre-treat plastics with a small addition of d2w during the production process. Simply put, this drop-in pre-treatment modifies the plastic so that if it escapes collection for re-use, recycling, incineration or landfill, then it will rapidly degrade in the open environment into a non-plastic material, with similar natural properties to a leaf. The biodegradation process will then follow, so as to recycle the material back into nature.

Shopping bags and bread bags made with d2w technology have the best life cycle analysis

[http://www.biodeg.org/New%20LCA%20by%20Intertek%20%20-%20Final%20Report%2015.5.12\(1\)%20\(1\).pdf](http://www.biodeg.org/New%20LCA%20by%20Intertek%20%20-%20Final%20Report%2015.5.12(1)%20(1).pdf) and can safely be recycled  
<http://www.biodeg.org/recycling.html>

## Governments

World governments are increasingly taking action to resolve the urgent issue of plastic pollution. Some governments have banned certain types of plastics, others have legislated for different types of biodegradable plastics.

Eleven countries have now legislated in favour of oxo-biodegradable plastic technology such as d2w. As previously announced, enforcement processes are difficult to predict and are often slow, but usually progressive.

### UK government

In his Spring Statement 2018, the Chancellor of the Exchequer launched a call for evidence on how the tax system and other charges on single-use plastics can be used to reduce waste. The call for evidence looks at the whole life cycle of plastic products in order to identify what tax incentives or charges could be placed to change behaviour.

The Government is open minded on oxo-biodegradable plastics and has said they want to be a leading proponent of innovative technologies for resolving the problem of plastic pollution. Symphony continues to actively engage with and provide evidence to MP's, Ministers and Government experts and hopes that oxo-biodegradable technologies will form part of the suite of effective innovative solutions which they will adopt to deal with the plastic issue.

### Europe

As reported on 14 March 2018 in our Preliminary Results, the EU Commission has requested the European Chemicals Agency (ECHA) to review the evidence on oxo-degradable plastics

and to prepare a report to the Commission on whether any restrictions should be applied to this type of plastic. Our d2w plastic is not oxo-degradable, but oxo-biodegradable, as defined by the European Standards authority “CEN”, but we are nevertheless providing substantial evidence to ECHA. We understand one key focus of their report will be on plastic fragments. Symphony can prove that oxo-biodegradable treated plastics does not cause persistent fragments but instead converts the plastic through a continuance process much more quickly into non-plastic biodegradable materials that naturally biodegrade in a similar way as a leaf in the open environment on land and in the oceans.

### Middle East governments

The Middle East is one of Symphony’s main markets and also one of the world’s largest producer of oil and plastics. It is therefore a natural market for d2w technology, as plastic bans would not be considered an acceptable solution.

Many of these governments are acting to make oxo-biodegradable technology mandatory. The approval requirements are strict, and plastic suppliers need to prove that their products will perform in accordance with international and local standards such as ASTM D 6954. Symphony offers free compliance testing services to all users and manufacturers who use d2w technology, as well as other advisory and support services.

The UAE passed legislation in 2009 that effectively required all short-life plastics to be treated with oxo-biodegradable technology, but enforcement has to date applied only to carrier bags. The authorities have indicated that this will be extended to 15 more plastic products and we are hopeful that they will act on this soon.

Saudi Arabia is one of the region’s largest markets for plastics with consumption higher than the UK and nearly 4 times greater than the UAE. The regulations as previously reported required all short-term plastic materials to be made with a SASO (Saudi Standards, Metrology and Quality Organization) approved oxo-biodegradable additive.

d2w was the first oxo-biodegradable additive to be approved in Saudi Arabia, and sales have exceeded the UAE volumes in less than 1 year, albeit the monthly demands are variable.

The recent government information campaign, enforcement actions together with new importation restrictions are expected to increase d2w volumes after the Ramadan and Eid periods from July 2018.

### Other governments

In Pakistan the recent Order of the Supreme Court in Sindh Province has resulted in sales nearly doubling in the last two months, and our distributor expects sales to continue increasing after Ramadan albeit the volumes are still relatively small. Africa, China, India and Latin America are markets that are looking to address the issue of plastic pollution and our distributors are active with our support. We expect to see positive changes and increasing sales from the second half of this year.

### Elevating the Group’s profile

To capitalise on the global attention to plastics and elevate Symphony’s profile during this pivotal period, the Board has decided it is right to increase its investment into communications and marketing and these are budgeted at £375,000 higher than in 2017, with £225,000 of the increase expected in the first half of this year.

Symphony’s public profile has been increasing and recent events of note include: Sky News interviews about oxo-biodegradable technology; a short video introducing d2w oxo-

biodegradable technology was released on the Storyworks website of the BBC World Service; Mr Bob Wigley, director, referred to oxo-biodegradable technology at the 2018 Economic and Social Council Partnership Forum at the United Nations headquarters in New York; a YouGov survey showing the UK public were supportive of oxo-biodegradable technology, and these findings were presented at a seminar in London together with a presentation on plastic and wild-life by environmentalist and broadcaster Chris Packham; and Michael Laurier presented at the Commonwealth Business Forum. Chris Packham also spoke on the BBC's One Show about how oxo-biodegradable plastic was in his opinion, a valuable asset in the fight against plastic litter in the open environment as it was impossible to collect it all. The Secretary of State for the Environment, Michael Gove MP was on the same show and replied that oxo-biodegradable technology was potentially very exciting and confirmed that he was in dialogue with the oxo-biodegradable industry and that his Chief Scientist was evaluating the technology. Various other activities were held in New York and Washington DC for Earth Day on 22 April 2018.

Going forward, Symphony are sponsors of the "Plastics Strategy and Circular Economy Roundtable" at the European Business Summit event in Brussels on 23 and 24 May 2018.

The European Business Summit ([www.ebsummit.eu](http://www.ebsummit.eu)) is the leading annual platform where business leaders, policy-makers, civil society and academia meet together to discuss the current trends and challenges in the EU and the world. With 200+ high-level speakers, 50 interactive debates and unique networking opportunities, EBS has become a landmark event in Brussels, attracting 2000 delegates each year.

Two further high-profile events have been arranged in Mexico City on 5 June 2018 for World Environmental Day and are being supported by the British Embassy and some of the world's top academics. Symphony are founding members of the OPA (The Oxo-biodegradable Plastics Association). Their "Rethinking the Future of Plastics" paper (which carries the endorsements of some of the world's top plastic scientists, environmentalists and corporates) will be made available for everyone to see. This important document can be viewed at <http://www.symphonyenvironmental.com/rethinking-future-plastics/>

### Biobased plastic – new technology & opportunity

As announced on 1 May 2018, Symphony entered into a collaboration agreement (the "Agreement"), for a strategic investment in Eranova SAS ("Eranova") a French company developing bio-sourced materials from algae. This first investment will give Symphony an interest in bio-sourced materials and technology.

Biobased plastics, or bioplastics are plastics derived from renewable biomass sources usually from agricultural products. Not all bioplastics though are biodegradable. Common plastics, are derived from petroleum or natural gas.

Eranova's technology, using algae, does not require arable land or freshwater resources. Algae is a beach pollutant which can generate starch at a significantly higher rate per hectare when compared to potato or corn, the more traditional base materials for the production of bioplastics. This new technology will help businesses improve their sustainability commitments to use non-fossil materials.

Completion of the Agreement and Symphony's investment of €0.5 million remains subject to due diligence and only becomes payable when the pre-industrial development phase funding of €4.8 million is fully committed. The Agreement does not pose any future funding obligations on the Group although Symphony has the option to increase its shareholding over the next three years to 51%.

The Agreement provides exclusivity to sell Eranova's compounds in the Middle East and North Africa (the "Territory"), covering a region of nearly 400 million people. It also confers non-exclusive rights to sell the compound or finished products made in the Territory worldwide, except in a small number of countries.

The pre-industrial development phase is expected to be completed during the first half of 2019. If successful the development phase of the project would be ready for commercial-scale plants to be built.

Eranova and Symphony already have substantial interest from customers and potential customers to buy this new biobased product as soon as it becomes available.

The use of bioplastics can help companies meet current EU and USA standards or help achieve their sustainability goals, and we see significant growth potential for Symphony with Eranova products. In addition, there are many synergies with our current technologies, customers and markets which we believe should maximise the potential for both companies.

#### d2p technology – "Designed to protect"

As previously reported, Symphony has continued to invest into a range of speciality products that would be synergistic with its customer base so as to expand the product-offering.

The development of the d2p range of additives and finished products is progressing well. Having launched the world's first d2p antimicrobial water pipe in Pakistan last year, repeat orders have been placed, and our aim is to expand the product into other territories in due course.

The Group has received repeat container orders for its d2p household gloves which are now listed in many of the main retail outlets in Italy, and the first order has been received and shipped to the UAE. Our d2p gloves continue to be sold in Wilko stores in the UK

Symphony is also pleased to report the first container-load sale of d2p antimicrobial plastic gloves to a newly established distribution outlet in the USA.

Earlier this month, Symphony held a launch in London for the Health & Hygiene Protector range of d2p anti-microbial examination gloves in collaboration with Health & Hygiene Ltd, and Biomax Rubber Industries of Malaysia. The launch was attended by representatives of the Pakistan and Malaysian High Commissioners. The Group intend to launch further Health & Hygiene Protector d2p treated consumer products during 2018.

In addition, trials continue within our global distribution network for many different applications using our anti-microbial, odour-adsorber, anti-insect, flame retardants and other d2p technologies.

All the above markets and products either separately or together have exciting potential should they be commercially accepted.

#### Potential acquisition

Symphony signed an MOU with its French distributor to acquire their business which supplies d2w additives into French-speaking markets together with some finished products with d2w and d2p technologies into some of Europe's largest retailers. The distributor's unaudited revenues for the year ended 31 December 2017 were approximately €2.5 million. The Board envisage that the transaction would be earnings enhancing and financed from existing resources. The acquisition remains subject to satisfactory completion of due diligence and

terms of the acquisition. Accordingly, there can be no guarantee as to the timing of the acquisition or indeed, whether the acquisition will take place.

### Summary

As described above the demand for our many different technologies has never been better as the concerns for products that can help to protect the environment, reduce food waste and protect health have growing demand.

Our main products have the following benefits.

- All products have “Drop in Technology” that is low in cost and non-disruptive
- d2w will help eliminate plastic litter which escapes normal collection
- d2p antimicrobial protection for water pipes, latex and plastic gloves
- d2p products for health, hygiene, food, fire, infestation protection
- Biobased investment will help reduce the dependence on fossil-based products

All our products, technologies, and customers have synergy with each other and the expansion of our range of technologies will diversify our offering and create new markets for our distribution network. All of these product developments will continue to add value to the businesses of our customers and potential customers.

The Board is encouraged by all the activities reported above, and also the positive start to trading during the year.

The Company will also provide a separate statement at today’s Annual General Meeting.

### **Enquiries**

#### **Symphony Environmental Technologies Plc**

Michael Laurier, CEO

Ian Bristow, CFO

[www.symphonyenvironmental.com](http://www.symphonyenvironmental.com)

**Tel: +44 (0) 20 8207 5900**

#### **Cantor Fitzgerald Europe**

David Foreman/Richard Salmond (Corporate Finance)

Alex Pollen (Sales)

**Tel: +44 (0) 20 7894 7000**

### NOTES TO EDITORS:

#### **About Symphony Environmental Technologies plc**

Symphony has developed and continues to develop, controlled-life plastic technology which helps tackle the problem of microplastics by turning ordinary plastic at the end of its service-life into biodegradable materials. It is then no longer a plastic and can be bioassimilated in the open environment in the same way as a leaf. The technology is branded d<sub>2</sub>w® and appears as a droplet logo on many thousands of tonnes of plastic packaging and other plastic products around the world. In some countries, most recently Saudi Arabia, oxo-biodegradable plastic is mandatory.

To view a short BBC World Service film introducing d2w oxo-biodegradable (controlled-life) plastic technology please click on one of the following links:

From within the UK- <http://www.symphonyenvironmental.com/d2w/d2w-brochure-5/>

From outside of the UK - <http://www.bbc.com/storyworks/the-british-bid/symphony>

In addition, Symphony has developed a range of additives, concentrates and master-batches marketed under its d2p® brand, which can be incorporated in a wide variety of plastic and non-plastic products so as to give them protection against many different types of bacteria, fungi, algae, and insects, and against fire. d2p products also include odour, moisture and ethylene adsorbers as well as other types of food-preserving technologies. We have also launched d2p anti-microbial household gloves and are developing a range of other d2p finished products for retail sale.

Symphony has also developed the d<sub>2</sub>Detector®, a portable device which analyses plastics and detects counterfeit products. This is useful to government officials tasked with enforcing legislation, and Symphony's d<sub>2</sub>t tagging and tracer technology is available for further security.

Symphony has a diverse and growing customer-base and has established itself as an international business with 74 distributors around the world. Products made with Symphony's plastic technologies are now available in nearly 100 countries and in many different product applications. Symphony itself is accredited to ISO9001 and ISO14001.

Symphony is a member of The Oxo-biodegradable Plastics Association ([www.biodeg.org](http://www.biodeg.org)) (OPA), the Society for the Chemical Industry (UK), and the Pacific Basin Environmental Council. Symphony is also a strategic partner of the Commonwealth business initiative, and actively participates in the Committee work of the British Standards Institute (BSI), the American Standards Organisation (ASTM), the European Standards Organisation (CEN), and the International Standards Organisation (ISO).

Further information on the Symphony Group can be found at [www.symphonyenvironmental.com](http://www.symphonyenvironmental.com) and twitter @SymphonyEnv See also Symphony on Instagram A Symphony App is available for downloading to smartphones.