

SYMPHONY PLASTIC TECHNOLOGIES PLC
INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2006
NEW WASTE-TO-ENERGY BUSINESS LAUNCHED

Symphony Plastic Technologies plc (“Symphony” or “the Group”), the degradable plastics company, announces its interim results for the six months ended 30 June 2006. The Group also announces diversification into waste-to-energy with the formation of Symphony Energy Resources Limited (“SER”).

HIGHLIGHTS

- Sales £2.35 million (2005 H1: £4.95 million including Somerfield £2.73m)
- Gross profit margins increase to 22% (2005 H1: 20%)
- Loss before tax of £0.87m (2005 H1: loss £0.33m)
- Exceptional cost provisions of £0.30m (2005 H1: £nil)
- **d₂w**[®] sales in export markets increase 89% to £0.53m (2005 H1: £0.28m)

After period end

- Matthew Turner appointed as Managing Director
- New waste-to-energy business formed to focus on energy reprocessing technology systems
- New Structure in Caribbean and US\$1 million licence fee

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

“Symphony is recognised for its global leadership in oxo-biodegradable plastic technology and I am pleased to report that the Group has entered into a high number of agreements with customers across a broad spectrum of markets and products. The growth of the market for environmentally responsible solutions for plastic waste management, propelled by developments in legislation, provides the Group with many significant opportunities and we are actively investing in new personnel, systems and resources to take advantage of these.

We are excited to be entering a new phase for the Group with the launch of our waste-to-energy business which offers many opportunities to accelerate revenues in the medium to longer term.

Based on the levels of current interest, orders, agreements and projects, the Board believes that the Group will move forward positively and we look forward to the future with confidence.”

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Notes to Editors

Symphony develops and supplies environmentally responsible pro-degradant additives as well as plastic packaging products. The Group's main technology, marketed under the **d₂w**[®] registered trademark, causes plastic to degrade, leaving only water, a minimal amount of carbon dioxide and trace amounts of non-toxic biomass over a short time period. The **d₂w**[®] product range includes pro-degradant additives developed for an increasing variety of applications as well as a range of finished flexible plastic products.

Symphony has a diverse and growing customer base in the UK and has successfully established itself as an international business after signing distribution agreements with companies in Argentina, Brazil, Canada & USA, Chile, Colombia, India, Mexico, New Zealand, Peru, Portugal, South Africa, the Caribbean, Saudi Arabia, and Qatar. **d₂w**[®] products can already be found in more than 40 countries.

Symphony is now marketing and developing innovative waste-to-energy technology processing plants and is exploring various opportunities where there is a demand to increase recycling of waste plastics, tyres and other waste streams by cost effective processes.

Further information on Symphony can be found at www.symphonyplastics.com and www.degradable.net.

CHIEF EXECUTIVE'S REVIEW

The six month period under review showed the financial effects of the transition from a high volume low margin commodity business to a much leaner higher margin environmental technology business. The process of change has led to a review of all our direct costs with a particular emphasis of expanding the **d₂w[®]** brand into new product areas and a greater focus on developing the larger overseas markets. This new strategic direction was first announced in September 2005 and further reported on at the Preliminary Results of 27 April 2006.

I am able to report that for the first half of this year gross margins have improved from 20% to 22% and export sales for our **d₂w[®]** products and additives increasing by 89% to £0.53m. Some operating costs have been reduced such as warehousing by closing fixed overhead facilities in favour of outsourced and more flexible arrangements.

A provision of £300K has been made for the Caribbean restructure program as detailed later in this report.

The Group has therefore spent the first six months of this year consolidating its new position.

During the period and because of continuing demand for a wider additive product range the Group continued to invest in research and development, legislative support and the development of our international sales team.

Trading Results

Sales reduced by 53% to £2.35 million (2005 H1 £4.95m). Somerfield sales for the first half of 2005 were £2.73m. Like for like sales excluding Somerfield increased to £2.35m (2005 H1 £2.22m)

Gross profits revenues decreased to £0.53 million (2005 H1: £1 million). Gross margins have increased to 22% reflecting the gradual change in sales mix away from commodity products to technology. Administrative expenses before exceptional costs decreased by 13% to £1.00 million from £1.15 million reducing in areas such as staff costs and finance charges.

New Accounting Standard

Included in administrative charges is a charge of £26,000 (2005 H1: £25,000) made under Financial Reporting Standard 20 (being adopted in 2006) in respect of share options granted by the Company. The Standard has also had an impact on the 2005 results and a prior year adjustment of £50,000 has been made. The attached profit and loss account and balance sheet has been restated to reflect this charge. The charge has been credited to Other Reserves.

Operating losses increased to £0.87m from £0.33 million. Exceptional items of £0.30m (2005 H1: £nil) are included in this figure.

The loss per share increased to 1.36 pence (2005 H1: loss per share of 0.56 pence).

Management Changes

As part of the new strategic direction of the Company and to ensure that we kept pace with the evolution of the industry, we felt that it was important to evolve our management team to meet the developing needs of the business, customers and shareholders alike. We were pleased to announce the significant strengthening of our Board with the appointment of Matthew Turner as Managing Director on 29 August. Matthew brings Symphony extensive commercial and leadership skills and has considerable experience operating in an environmental technology sector.

In addition to this, we have strengthened the senior management team further with the appointment of John James as Head of International Sales. John's specific role will be to develop and expand the established overseas distribution network for the **d₂w**[®] range of products and additives which can now be found in more than 40 countries.

As part of this management reorganisation, we announced that Allan Blacher left his position of Chief Operating Officer and the Company. We also announce today that Keith Frener, Operations Director, has stepped down from the Board to focus on the development of other areas within Symphony.

Diversification of Business

In line with our new business model, Symphony is pleased to announce a diversification to its core business into waste-to-energy technology. A new wholly owned subsidiary, Symphony Energy Resources Limited ("SER"), has been formed to focus on the development of Symphony's waste-to-energy business.

Robert Nash, 56, has been appointed Managing Director of SER and heads a specialised team of experts in the field of Thermal and Microwave Pyrolysis technology. Symphony has been investigating the development and marketing of waste energy for the past two years and has in the last year increased its investment in this area.

SER is working with two unique waste-to-energy reprocessing technology systems.

Thermal Pyrolysis System

Thermal Pyrolysis is a process that applies heat to plastics in the absence of oxygen to break the chemical bonds. The thermal Pyrolysis system converts waste plastics into Plastic Derived Oil ("PDO"). It is designed to recycle mixed plastic waste streams into valuable and easily marketable products. The process provides an alternative route to conventional and more costly recycling systems and can use most types of plastic/rubber waste that currently go to landfill. The system itself uses very little energy and is self-propelling with virtually zero waste generated from the process. PDO output per operating unit is in the region of 18,000 tonnes per annum which represents a revenue value on today's oil prices of approximately US \$9 million.

In 2005 Symphony signed a Memorandum of Understanding with a US corporation which allows exclusive marketing rights in most territories excluding the USA and is also subject to certain performance conditions. This agreement has been extended in part and is valid until the end of 2007 with further extension provisions. Symphony is

currently in advance negotiations in one territory in relation to the use of a Thermal Pyrolysis System and is also in discussions with other interested parties. It is anticipated that revenue for Symphony will be generated from management fees, licence fees and royalties.

Microwave Pyrolysis System

In July 2006 Symphony acquired the intellectual property and future patent rights to a British innovative Microwave Pyrolysis process. A 16 week design study to examine and prove the commerciality of the project by a reputable UK based global engineering company has been commissioned. The Company has actively started developing new areas to apply this waste-to-energy technology. In particular operations that are looking for sustainable solutions to reduce energy cost have shown an interest in the Technology.

Main Market Review

United Kingdom

Sales of additives are increasing in line with the new business focus of replacing finished products which are now gradually reducing. An example of this was first referred to in the Preliminary results issued on 27 April 2006 where we announced that Co-op had confirmed that it will be using **d₂w[®]** additives in all its degradable plastic bags. The supply of these degradable finished products using **d₂w[®]** additives has commenced through their incumbent supplier.

Much of the work in the UK and indeed in other markets remains commercially sensitive and therefore no specific information can be provided in this review other than in general terms.

We are actively developing the market and are in discussions, negotiations and trials with some of UK's highest profile companies and specific references to some of these were made in our earlier update to the Market of 15 June 2006. The need for a cost effective, credible solution to plastic packaging waste is gaining momentum with recent announcements in the press and broadcast on national television and radio. Further, some large retail groups are now actively campaigning for biodegradable packaging creating increased levels of interest for products made with **d₂w[®]** additives.

Europe (France)

Most of our European effort is being focused in France as a result of the impending 2010 legislation in connection with plastic carrier bags and also the defensive actions by the plastics industry to protect their position by supporting a move to create a new standard for oxo-biodegradable technology. The new standard could become effective before the end of the year and thereafter is expected to harmonise throughout Europe and internationally thereafter.

Our focus has been to work with the French plastic producers in arguing the case for oxo-biodegradable packaging as the alternative could result in a ban for the traditional polymer based alternative thus causing financial harm for the industry.

The **d₂w**[®] business in France as a result of these efforts has converted some 1500 tonnes of normal finished products to **d₂w**[®] oxo-degradable ones as against virtually zero sales last year. Our expectations, based on current negotiations, and trials for France alone, and in the coming year are to achieve sales of several times this volume in a plastics market that is larger than the UK.

Like in other markets and through our Distributor, Alternative Plastics (<http://www.symphonyplastics.fr/>) we are working with some of the highest profile companies in virtually all the main market sectors.

USA

In line with the earlier announcement of 27 April 2006, our US distributor Degradable Polymer Products Inc continues to make satisfactory progress toward completing the arrangements for payment to Symphony under the Distribution Agreement of US\$550,000. A commencement fee of US\$100,000 was paid to Symphony within the period under review.

As part of the consideration for the Agreement, Degradable Polymer Products Inc has issued to Symphony five million, six hundred thousand (5,600,000) fully paid common shares from its treasury at a price of US0.15 per share. The value of these shares has not been recognised in our accounts as Degradable Polymer Products Inc fund raising program is not due to be completed until the end of this financial year.

We are advised that sales and marketing are progressing in a satisfactory way with several new trial orders secured.

The sales arrangement between Symphony, DePoly and Rand International, as announced on 21 August 2006, incentivises the parties to secure some significant sales objectives and developments. Taking into account current activities we are confident that the parties are making positive progress towards achieving their objectives.

Caribbean Business

On 27 April 2006 we announced that an investment of around £800,000 had been made to date in this region and that orders in the territory exceeded US\$3 million subject to local bank approval. On 22 May 2006 we announced that initial banking facilities had been approved and that orders for the region were expected to exceed US\$4 million in the full financial year. Subsequent to that orders and payments started to flow albeit at a rate far lower than anticipated.

Following a recent visit to the region by Matthew Turner, it was decided to restructure the current arrangements. We believe the new structure offers better security and sales prospects for **d₂w**[®] than the previous arrangement. Therefore we have terminated the license agreement with our distributor (CEPI) Caribbean Environmental Protection Inc., and Loramark Marketing Inc. As a result of this termination a provision of £300K is being made while we go through a process of recovering our investment and ensuring improved returns.

The restructure of the business albeit at an initial financial cost, opens the opportunity to expand at a much faster and more profitable rate than previous. Moreover, the restructure will strengthened cash-flows in the short to medium term.

Symphony is very pleased to announce that it has appointed A S Bryden (an investment grade company) as distributor for Barbados with immediate effect. A US\$1 million license fee has been agreed for payment against future sales.

Sales for the region based on current order levels, commitments and negotiations are expected to exceed earlier projections which were announced to the Market on the 22 May 2006.

Middle East

In line with our new business strategy the joint venture product manufacturing arrangement with Bin Hilal Enterprises of Abu Dhabi has been brought to an end. The remaining equipment will either be paid for by Bin Hilal or sold to another facility in due course. We continue to hold our investment in the Company which is actively trading.

Through our distributor, Interplast of Dubai, a substantial amount of marketing work for **d₂w**[®] additives has been ongoing in the region and recent reports indicate a substantial increase in business over the coming months. Products made with **d₂w**[®] additives can be found in Dubai, Jordan and Qatar with new applications beyond refuse and carrier bags being developed.

Outlook

Symphony is recognised for its global leadership of oxo-biodegradable plastic technology and is visible by the **d₂w**[®] droplet brand. The plastics market is rapidly changing in terms of a growing demand for cost effective environmentally responsible solutions to the problem of plastic waste management. This momentum is further propelled by many new developments in legislation that are focused on making compulsory changes to packaging, waste and recycling.

The group has entered into a large number of agreements for the evaluation, development and marketing of its range of **d₂w**[®] pro-degradant additives. These agreements cover a broad spectrum of markets and products and if ultimately successful will deliver substantial value for the Group.

To maximise these exciting opportunities and as part of the ongoing management review process we are investing actively in new personnel, systems and resources to help implement this next phase.

The launch of the new waste-to-energy business offers many opportunities to accelerate revenues in the medium to longer term.

As a result of recent events that have been referred to in this review the Group continues to operate in a cash-flow neutral position. The Board is considering further investments as referred to in the earlier paragraphs although timing and values have yet to be determined.

Based on the levels of current interest, orders, agreements and projects, we believe that the Group will move forward positively over the ensuing period.

We look forward to the future with confidence.

Michael Laurier
Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2006

	Six months to 30 June 2006		Year ended 31 December 2005 Restated		Six months to 30 June 2005 Restated	
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover		2,347		9,109		4,946
Cost of sales		<u>(1,821)</u>		<u>(7,342)</u>		<u>(3,949)</u>
Gross profit		526		1,767		997
Distribution costs		(68)		(272)		(130)
Administrative expenses - other	(1,002)		(2,602)		(1,153)	
Administrative expenses - exceptional items	<u>(300)</u>		<u>(191)</u>		<u>-</u>	
Administrative expenses		<u>(1,302)</u>		<u>(2,793)</u>		<u>(1,153)</u>
Operating loss		(844)		(1,298)		(286)
Net interest		<u>(24)</u>		<u>(166)</u>		<u>(39)</u>
Loss on ordinary activities before taxation		(868)		(1,464)		(325)
Tax on loss on ordinary activities		<u>-</u>		<u>40</u>		<u>-</u>
Loss for the financial year transferred from reserves		<u>(868)</u>		<u>(1,424)</u>		<u>(325)</u>
Basic and diluted earnings per share in pence		(1.36)p		(2.36)p		(0.56)p

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	30 June 2006	31 December 2005 Restated	30 June 2005 Restated
	£'000	£'000	£'000
Fixed assets			
Intangible assets	17	18	20
Tangible assets	227	247	258
Investments	16	16	16
	<u>260</u>	<u>281</u>	<u>294</u>
Current assets			
Stock	169	304	616
Debtors	2,061	2,773	3,886
Cash at bank and in hand	91	1	453
	<u>2,321</u>	<u>3,078</u>	<u>4,955</u>
Creditors: amounts falling due within one year	<u>(1,689)</u>	<u>(1,607)</u>	<u>(2,444)</u>
Net current assets	<u>632</u>	<u>1,471</u>	<u>2,511</u>
Total assets less current liabilities	892	1,752	2,805
Creditors: amounts falling due after more than one year	<u>(71)</u>	<u>(89)</u>	<u>(83)</u>
	<u>821</u>	<u>1,663</u>	<u>2,722</u>
Capital and reserves			
Called up share capital	634	634	634
Share premium account	10,824	10,824	10,809
Other reserves	898	872	848
Profit and loss account	<u>(11,535)</u>	<u>(10,667)</u>	<u>(9,569)</u>
	<u>821</u>	<u>1,663</u>	<u>2,722</u>

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months to 30 June 2006 £'000	Year ended 31 December 2005 Restated £'000	Six months to 30 June 2005 Restated £'000
Net cash inflow/(outflow) from operating activities	9	(1,547)	(1,083)
Returns on investments and servicing of finance			
Interest received	-	2	1
Interest paid	(20)	(157)	(37)
Finance lease interest paid	(5)	(11)	(3)
Net cash outflow from returns on investments and servicing of finance	(25)	(166)	(39)
Taxation	-	40	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets	3	(6)	(85)
Purchase of intangible fixed assets	-	(26)	(6)
Receipts from sale of fixed assets	-	44	11
Net cash outflow from capital expenditure and financial investment	3	12	(80)
Financing			
Issues of equity share capital	-	121	121
Share premium on issue of equity share capital	-	1,718	1,718
Share issue expenses	-	(10)	(25)
Capital element of finance lease rentals	(17)	(61)	(13)
Inception of finance leases	-	-	61
Net cash (outflow)/inflow from financing	(17)	1,768	1,862
(Decrease)/increase in cash	(30)	108	660
Net cash outflow from operating activities	£'000	£'000	£'000
Operating loss	(844)	(1,298)	(286)
Non cash item – FRS20	26	50	25
Depreciation and amortisation	24	50	20
Loss on disposal of fixed assets	-	8	(1)
Decrease/(increase) in stocks	135	76	(236)
Decrease/(increase) in debtors	712	624	(488)
(Decrease)/increase in creditors	(44)	(1058)	(117)
Net cash outflow from operating activities	9	(1,547)	(1,083)

NOTES TO THE INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The interim financial statements have been prepared on the basis of the accounting policies set out on pages 8 and 9 of the 2005 Annual Report, and are unaudited. The accounting policies have been amended for this interim statement to include Financial Reporting Standard 20, share based payments. This change in accounting policy has resulted in a prior year adjustment charge to the profit and loss account of £50,000 (£25,000 H1 2005). The comparative figures for the year ended 31 December 2005, which have been amended by the prior year adjustment, have been extracted from the group's latest published accounts which contain an unqualified audit report and which have been filed with the Registrar of Companies.

2. LOSS PER SHARE

The calculation of basic loss per share is based on a loss for the period divided by the weighted average number of shares in issue during the period of 63,379,547 (2005 FY 60,327,090; 2005 H1: 57,481,867).