

Regulatory Announcement

Company Accsys Technologies PLC
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ACCSYS TECHNOLOGIES PLC
Environmental science & technology group
Continued progress with strategic milestones

Interim Management Statement

Accsys Technologies PLC ("Accsys") has made advances towards delivering on its strategy of seeding the market and developing licensing and strategic opportunities with its market leading acetylated timber products Acccoya[®] and Tricoya[®] wood elements used within the new Medite Tricoya[®] MDF, as well as maintaining a focus on working capital management.

Highlights include:

- Increased the supply of acetylated material to Medite for the production of Medite Tricoya[®] which is now being sold in the market;
- Continued progress with contract negotiations with a major multinational corporation following comprehensive heads of terms being signed in November 2011;
- Revenue from Acccoya[®] increased by 40% compared to the same quarter last year and increased by 24% compared to the second quarter of the current year;
- Other operating costs have decreased by 14% for the financial year to December 2011, compared to the same period in the prior year;
- Cash of €25.5m at 31 December 2011 compared to €27.1m at 30 September 2011; and
- 46% reduction in finished goods inventory and 37% reduction in raw material inventory from peak levels.

Supply agreement with Medite Europe accelerates Medite Tricoya[®] market entry

The supply of acetylated material to Medite Europe Limited ("Medite"), which commenced in September 2011, for the production of Medite Tricoya[®] panels has increased and Medite Tricoya[®] orders have now been delivered to customers in Ireland, UK and the Netherlands.

Medite Tricoya[®] was officially launched, 2 years earlier than expected, at the Material Experience in the Netherlands following the earlier launch at Timber Expo in the UK. We have worked closely with Medite to provide marketing support through the development of Tricoya[®] brochures and the launch of the new www.meditetricoya.com website in English and Dutch.

We look forward to continuing to work with Medite and have plans in place to launch CPD educational programs for architects and a campaign of advertising in Ireland, UK and the Netherlands in the coming months.

Licensing update

In November 2011 we signed a comprehensive heads of terms with a major multinational corporation concerning a licence for the manufacture, distribution and sale of Accoya® in Europe. Since then, detailed contract negotiations and drafting have continued and we continue to make positive progress towards what we hope will be a full licence agreement. The intensive discussions, involving weekly meetings or calls, cover all matters required to agree the licence contract including detailed technical, sales and marketing matters together with terms setting out future growth plans.

In addition, we continue to make progress with several other potential licensing opportunities for both Accoya® and Tricoya®.

While we note that the above discussions are likely to take time and that there is no guarantee of success, we remain confident that these will lead to Accsys achieving its long term objectives.

Diamond Wood published their draft prospectus for public comment on the Malaysian securities commission website in December 2011. We understand Diamond Wood intends to complete their fundraising during the first calendar quarter of 2012; however this is still subject to regulatory review and successful completion of their IPO.

Accoya® wood - expanding distribution network and ongoing brand development

Revenue from the sale of Accoya® increased by 40% compared to the same quarter in the prior year and by 24% compared to the previous quarter of the current year, which we previously announced had been slower than expected.

Month on month sales have been variable, as they have been in the wider timber industry which continues to face challenging economic conditions, however we are confident that sales of Accoya® will continue to grow in the longer term.

As part of our stated strategy, we have continued to expand our Accoya® distribution network with three new distribution and supply agreements signed during the period covering Italy, South Korea, Lebanon and the United Arab Emirates. We now have global coverage with a total of 34 distribution and supply agreements in place which also cover most of Europe, Australia, Canada, Chile, India, Morocco, New Zealand, China, parts of South-East Asia and the USA.

The Accoya® brand continues to be developed globally and we have successfully exhibited at a number of key architectural and timber related trade shows in many countries including UK, USA, the Netherlands, Belgium, France, Spain, Norway and Japan.

We have commenced an aggressive targeted multimedia campaign to educate the key architectural and specification audiences about the features and benefits of Accoya® across many western European countries. Media coverage increased over the last 12 months with Accoya® featured in 299 articles in the UK and Europe and 102 articles in the USA. The "Moses Bridge" case study in particular has generated significant internet coverage and has resulted in an increase in website traffic during the period.

The "Accoya® Website" template for distributors has been widely accepted and has now been implemented by 25 distributors around the world, helping market Accoya® in a clear and consistent manner.

In addition we recently announced that the Accsys product range will expand this year with the introduction of Accoya® Alder. Alder has a tradition of use as an attractive hardwood for internal joinery and doors, and particularly in North America. Accsys' proprietary process provides alder the performance required for a long, low maintenance service life in exterior and other challenging environments.

Technology development

We have continued to seek further process improvements at our Arnhem plant including reductions in process cycle times and increases in production efficiencies. In order to continue to secure the intellectual property which we are developing, as is the normal course of business within licensing models, we have continued to make patent filings where possible.

Working capital management

A cash balance of €25.5m at 31 December 2011, compared to €27.1m at 30 September 2011, demonstrates the focus the management team has given and succeeded in achieving a significant improvement in control over working capital compared to last year when the cash balance decreased by €4.5m during the equivalent period.

Strong focus on inventory management has seen a 46% reduction in finished goods inventory and 37% reduction in raw material inventory from peak levels.

The focus on reducing costs has continued, with other operating costs reducing by 14% in the nine months to December 2011 compared to the same period last year.

Commenting on the Interim Management Statement released today, Paul Clegg, CEO of Accsys Technologies PLC said: "We are continuing to make progress against strategic milestones and are focusing on securing licence agreements, distribution channels and new business opportunities, with the aim of delivering increased value to our stakeholders."

Ends

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Notes to Editors:

Accsys Technologies PLC (www.accsysplc.com) is an environmental science and technology company whose primary focus is on the production of Accoya® wood and technology licensing via its subsidiary, Titan Wood Limited, which has manufacturing operations in Arnhem, the Netherlands (through its subsidiary Titan Wood B.V.), a European office in Windsor, United Kingdom, and an American office in Dallas, Texas (via its subsidiary Titan Wood, Inc). All group subsidiaries are ultimately 100% owned by Accsys and trade as Accsys Technologies. Any references in this announcement to agreements with Accsys shall mean agreements with either Accsys or its subsidiary entities unless otherwise specified. Accsys Technologies PLC is listed on the London Stock Exchange AIM market and on Euronext Amsterdam by NYSE Euronext, under the symbols 'AXS'. Accsys' operations comprise three principal business units: (i) Accoya® wood production; (ii) technology development, focused on a programme of continuous development of and improvements to the process engineering and operating protocols for the acetylation of solid wood and the development of technology for the acetylation of wood elements; and (iii) the licensing of technology for the production of Accoya® wood and Tricoya® wood elements across the globe.

Wood Acetylation is a process which increases the amount of 'acetyl' molecules in wood, thereby changing its physical properties. The process protects wood from rot by making it "inedible" to most micro-organisms and fungi, without - unlike conventional treatments - making it toxic. It also greatly reduces the wood's tendency to swell and shrink, making it less prone to cracking and ensuring that, when painted, it requires dramatically reduced maintenance.

Accoya® wood (www.accoya.com) is produced using Accsys' proprietary patented process, that effectively converts sustainably grown softwoods and non-durable hardwoods into what is best described as a "high technology wood". Distinguished by its durability, dimensional stability and, perhaps most importantly of all, its reliability (in terms of consistency of both supply and quality), Accoya® wood is particularly suited to exterior applications where performance and appearance are valued. Unlike most tropical and temperate hardwoods, its colour does not degrade when exposed to ultraviolet light. Moreover, the Accoya® wood production process does not compromise the wood's strength or machinability. The combination of UV resistance, dimensional stability, durability and retained strength means that Accoya® wood offers a wealth of new opportunities to architects, designers and specifiers. For marine uses where weight is also important, Accoya® wood for the first time provides boat builders with a wood that is strong, lightweight, durable and retains its natural beauty for far longer. For a full archive of Accoya® news, visit www.accoya.com/news.asp.

Tricoya® Wood Elements (www.tricoya.com) are produced using Accsys' proprietary technology for the acetylation of wood chips and particles and are used in the fabrication of wood based composites, including panel products. These composites demonstrate enhanced durability and dimensional stability which allow them to be used in a variety of applications that were once limited to solid wood or man-made products. Tricoya® Wood Elements are lauded as the first major innovation in the wood composites industry in more than 30 years.

Medite Europe Ltd. (www.medite-europe.com) is part of Coillte Panel Products and owned by Coillte, the Irish forestry and forest products company. Medite products are recognised as the benchmark for quality, consistency and performance in MDF, as well as being Forest Stewardship Council (FSC) certified. Medite has led the market in technical innovation, introducing such advances as moisture resistant, flame retardant, exterior grade, zero-added formaldehyde and flooring quality MDF varieties, and their programme of innovation is continuous.

Coillte Panel Products (www.coillte.ie) is a significant and powerful player in Europe's composite board marketplace. Its brands Medite MDF and SmartPly OSB are FSC certified which differentiates them from many competitor and substitute products, and enables them to meet environmental standards which are becoming increasingly important to designers, specifiers, architects and clients for both public and private projects.

For an archive of news, visit www.accoya.com/news or www.accsysplc.com/news

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