

## Regulatory Announcement

**Company** Accsys Technologies PLC  
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**Headline** Trading update  
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**2 May 2013**

### **ACCSYS TECHNOLOGIES PLC** **("Accsys" or the "Company")**

#### **Trading update**

Accsys today issues a trading update for the year to 31 March 2013 (based on unaudited figures). Key highlights include:

- Total revenue increased by 25% to €18.8m for the year ended 31 March 2013 (2012: €15.0m);
- Revenue from sales to Accoya® customers increased by 45% for the year ended 31 March 2013 to €16.4m (2012: €11.3m);
- Positive gross margin achieved at the group level for the year ended 31 March 2013;
- Continue to expect our Arnhem manufacturing plant to reach at least 50% capacity utilisation and hence be EBITDA positive in the current financial year;
- Continuing progress with Solvay-Rhodia towards a fully effective licence agreement which we expect to become unconditional later in 2013;
- New Accoya® decking product retail trial launched by Solvay-Rhodia in over 40 outlets in Europe;
- Total of 42 Accoya® distributor and agency agreements now in place (an increase of three since February) covering most of Europe, Australia, Canada, Chile, China, India, Mexico, Morocco, New Zealand, parts of South-East Asia and the USA;
- Tricoya Technologies Limited ('TTL'), the joint venture with Ineos, continues to make progress, developing both new and existing Tricoya® licence opportunities including the signing of a Heads of Terms in December 2012 for a conditional licence agreement with Medite;
- Further industry recognition:
  - Medite Tricoya® won Product of the Year at the Sustain Magazine Awards for Sustainability, Business and the Built Environment; and
  - Accoya® window frames have been found to be carbon negative over their lifetime; and
- Net cash balance of €20.5m at 31 March 2013 (December 2012: €21.2m).

#### **Financial results (unaudited)**

Total revenue for the year ended 31 March 2013 increased by 25% to €18.8m (2012: €15.0). In the same period, Accoya® revenue increased by 45%, excluding sales to Medite for the manufacture of Tricoya, to €16.4m (2012: €11.3m), noting a substantial volume was sold to Medite in the second half of the previous financial year to enable them to build up initial stocks of Medite Tricoya. Total revenue also included €0.6m of licence income which had been recorded in the first half of the year.

We expect revenue to continue to grow however this rate of growth is likely to remain difficult to predict from one period to another.

Net cash balance as at 31 March 2013 of €20.5m represents a decrease of €0.7m since 31 December 2012. The decrease is after taking account of €1.7m received in February 2013 following the completion of the second part of the sale and leaseback of the land in Arnhem and also reflects the operating loss in the period, the first cash investment into TTL, capital expenditure (including development costs) and changes to other working capital balances. Cash out-flow from operating activities before changes in working capital has decreased significantly in the year ended March 2013 compared to the prior year and this trend is expected to continue.

## **Trading update**

Accsys continues to make progress towards achieving its longer term objective of achieving profitability.

Following the delivery of the first stages of the engineering Process Design Package to Solvay-Rhodia in November 2012, Accsys and Solvay-Rhodia continue to work towards completing the full Process Design Package which will enable the detailed engineering to be completed. Our respective sales teams continue to develop the market and we have been very pleased that Solvay-Rhodia has launched a trial of a new Accoya<sup>®</sup> decking product in over 40 retail outlets in Europe. We expect this collaboration to increase and we continue to expect the licence agreement to become unconditional following the approval of Solvay-Rhodia's board of directors later in 2013.

Revenue from Accoya<sup>®</sup> customers increased by 45% in the year to 31 March 2013 compared to last year reflecting continuing strong growth in demand. We expect growth to continue and have been pleased to sign a number of new distributors or sales agents over the last few months including in Germany, Austria, Czech Republic, Italy, Denmark and Iceland.

We have recently announced Accoya<sup>®</sup> price increases in all regions which will become effective over the first quarter of 2013/14 financial year. While the price increase is in part attributable to increasing raw material costs, taken together with increased sales volumes, we expect profitability to improve such that we continue to expect the Arnhem manufacturing facility to achieve an EBITDA positive level at 50% of its current capacity in the current year; a level which also indicates the potential returns a prospective licensee may be able to generate.

Accoya<sup>®</sup> and Tricoya<sup>®</sup> continue to receive industry recognition of their superior qualities: An updated analysis by leading climate change consultancy Verco, has shown that Accoya's carbon footprint significantly outperforms most other building materials, including a wide range of sustainably sourced hardwoods. Further analysis by the Delft University of Technology revealed that Accoya<sup>®</sup> window frames are now classified as carbon negative over their lifetime cycle. Medite Tricoya<sup>®</sup> won Product of the Year at the Sustain Magazine Awards for Sustainability, Business and the Built Environment based on its combined innovation and transparent sustainability.

TTL continues to make progress and is working towards agreeing a full conditional licence agreement with Medite for the manufacture of Tricoya, following the signing of a Heads of Terms in December 2012.

Accsys and TTL continue to develop a number of new and existing potential Accoya<sup>®</sup> and Tricoya<sup>®</sup> licence opportunities respectively, with counterparties whose combined existing total wood product manufacturing or processing capacity is in excess of 10 million m<sup>3</sup> per annum. While these discussions remain ongoing, the complex nature and investment required by a licensee, means that the timing and certainty of their completion remains difficult to predict.

The date of the full preliminary announcement of the financial results for the year ended 31 March 2013 and the related webcast is expected to be announced in June.

Commenting on the trading update released today, Paul Clegg, CEO of Accsys Technologies PLC said: "We are pleased by the growth in our underlying Accoya<sup>®</sup> sales and generation of positive gross margin which we have achieved despite continuing difficult economic conditions impacting the construction industry. The on-going recognition of the many superior benefits of our products, combined with increased sales recorded by both existing as well as new distributors, give us confidence that growth will continue. The progress with the Solvay-Rhodia licence agreement is encouraging and the on-going development of both new and existing licensing opportunities continues to provide confidence concerning our longer term objective of achieving profitability."

## Ends

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### Notes to editors:

**Accsys Technologies PLC** ([www.accsysplc.com](http://www.accsysplc.com)) is an environmental science and technology company whose primary focus is on the production of Accoya<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> wood and Tricoya<sup>®</sup> wood elements across the globe.

**Accoya<sup>®</sup> wood** ([www.accoya.com](http://www.accoya.com)) is produced using Accsys' proprietary patented acetylation technology, 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<sup>®</sup> wood is particularly suited to exterior applications where performance and appearance are valued. Unlike most tropical and European hardwoods, its colour does not degrade when exposed to ultraviolet light. Moreover, the Accoya<sup>®</sup> 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<sup>®</sup> wood offers a wealth of new opportunities to architects, designers and specifiers. For marine uses where weight is also important, Accoya<sup>®</sup> 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<sup>®</sup> news, visit [www.accoya.com/news.asp](http://www.accoya.com/news.asp).

**Tricoya® Wood Elements** ([www.tricoya.com](http://www.tricoya.com)) are produced using Accsys' proprietary technology for the acetylation of wood chips, and particles for use 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. Exploitation of Accsys' proprietary technology relating to Tricoya® Wood Elements is carried out through Tricoya Technologies Limited, a joint venture between Accsys and INEOS Industries Holdings Limited. Tricoya® Wood Elements are lauded as the first major innovation in the wood composites industry in more than 30 years.

**Wood Acetylation** is a process which increases the amount of 'acetyl' molecules in wood, thereby changing its physical properties. When carried out to a sufficient level throughout the wood, this 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.

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