

## Regulatory Announcement

**Company** Accsys Technologies PLC  
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**7 May 2014**

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

#### **Trading Update**

Accsys, the environmental science and technology company whose primary focus is on the production and technology licensing of Acccoya<sup>®</sup> wood and Tricoya<sup>®</sup> wood elements, today issues a trading update for the full financial year ended 31 March 2014 (based on unaudited figures). Key highlights include:

- Strong performance with total revenue increasing by 78% to €33.5m (2013: 25% growth to €18.8m);
- Cash balance increased to €15.2m (December 2013: €14.4m) due to a combination of revenue growth, licence income and improvements in working capital;
- Continuing growth in Acccoya<sup>®</sup> wood revenue of 77% to €29.3m (2013: 22% growth to €16.6m). Excluding sales to Medite, Acccoya<sup>®</sup> revenue increased by 61% to €26.4m (2013: 45% growth to €16.4m);
- Total Acccoya<sup>®</sup> volume sold increased by 88% to 25,391m<sup>3</sup> (2013: 9% growth to 13,471m<sup>3</sup>);
- Arnhem plant profitability continues to improve, recording a positive EBITDA in the year;
- The decision concerning Solvay's plant and its location is expected in the next few months;
- Total of 59 Acccoya<sup>®</sup> distributor and agency agreements now in place, an increase from 42 in 2013 and 35 in 2012; and
- Tricoya Technologies Limited ('TTL'), our JV with INEOS, continues to make progress:
  - Significant work carried out in developing the Process Design Package for Medite;
  - Strong increase in demand for Medite Tricoya;
  - Medite Tricoya project has been awarded Life+ subsidy from the EC, worth up to €2.1m.

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

Total revenue for the year ended 31 March 2014 increased by 78% to €33.5m (2013: €18.8m). In the same period, excluding sales to Medite for the manufacture of Tricoya, Acccoya<sup>®</sup> revenue increased by 61% to €26.4m (2013: €16.4m). Sales to Medite increased significantly compared to the previous year, during which Medite had been utilising their earlier initial build-up of stock. Total revenue also included €1.1m of licence income (2013: €0.6m).

Net cash balance as at 31 March 2014 of €15.2m represents an increase of €0.8m since 31 December 2013. The increase is due to the receipt of licence income and the positive effects of changes in our working capital, which included the utilisation of inventory which had been built up in advance of expected higher sales in the final quarter of the year. Cash outflow from operating activities before

changes in working capital decreased significantly in the year ended 31 March 2014 compared to the prior year and this trend is expected to continue.

The overall loss for the year has reduced as expected, due to the higher revenue and resultant improvement in profitability. However, other operating costs have also increased, in part due to legal costs associated with the on-going Diamond Wood arbitration.

### **Accoya sales and production**

Revenue from Accoya® customers increased by 61% in the year to 31 March 2014 compared to last year reflecting continuing strong growth in demand in all regions. Growth has been driven by both existing and new customers and, while the improving economic climate has helped, the growth continues to be driven by the ever increasing awareness of Accoya® in the global market place and its acceptance as the world's leading, high-technology, long-life wood.

We implemented Accoya® price increases in all regions during the last quarter of the year ended 31 March 2014. While the price increase was in part attributable to increasing raw material costs, taken together with increased sales volumes, we expect profitability to continue to improve in the new financial year.

We now have a total of 59 Accoya® distributor and agency agreements in place (an increase of two since February) covering most of Europe, Australia, Canada, Chile, China, India, Israel, Mexico, Morocco, New Zealand, South Africa, parts of South-East Asia and the USA.

Production of Accoya® from our Arnhem plant has increased significantly in order to meet customer demand. The significant ramp up in output has been achieved without significant investment in capital expenditure and the resulting improvements to our productivity have also contributed to our profitability.

We continue to invest in research and development focussing on productivity, capacity, new species and product development in order to meet our customer demands.

### **Licensing**

In December 2013 we announced that our Accoya® licence agreement ('the licence agreement') with Belgian chemical group Solvay was approved by both parties and is fully effective, resulting in a new level of cooperation between the two companies.

The licence agreement grants Solvay exclusive rights for a minimum 15 year period, renewable at agreed terms, to produce and to sell Accoya® within the Council of Europe from this initial plant. The licenced territory includes 47 states in the Council of Europe, but excludes Belgium, Ireland, Luxembourg, the Netherlands and the United Kingdom which are reserved to Accsys. The licence agreement also grants Solvay the option to build additional Accoya® production plants in Europe, with the first plant (the 'plant') having a total capacity of c.63,000 m<sup>3</sup> of finished Accoya® output, expected to be operational in the course of 2016.

In return, Accsys will receive a series of licence payments, which have already commenced and will be made during the phased construction of the plant, and with royalty payments per volume of Accoya® produced thereafter.

The two companies also signed an amendment to the licence agreement which includes the possibility of Solvay constructing the plant in Arnhem on land Accsys currently owns, adjacent to the Company's existing manufacturing facility and in a phased manner. Solvay is now reviewing the two options for the optimal plant location, being either Arnhem, the Netherlands or Freiburg, Germany.

The decision on the plant and its location will be made by Solvay in the next few months.

In addition the two companies agreed to examine the best ways to provide coordinated operational and maintenance services to both plants, and to review the best form of cooperation between the two companies going forward.

Further to the licence agreement becoming unconditional in December 2013, Accsys and Solvay entered a transitional phase in which Accsys will continue to sell to Accoya distributors in Solvay's region while working to transfer the relationships to Solvay.

Solvay's Accoya® decking product retail trial is now in its second year and is expected to be in up to 70 outlets in Europe compared to 40 last year.

Tricoya Technologies Ltd ('TTL'), the INEOS and Accsys joint venture, continues to make progress in all areas including engineering, product development, marketing and business development.

The market evaluation of Medite Tricoya® continues to be positive with increasing acceptance of the product leading to a significant increase in demand from customers. TTL signed its first Tricoya® licence agreement with Medite in July 2013 which is conditional upon Medite obtaining approval from its Board of Directors later in 2014. Subsequent to then, TTL has carried out significant work in respect of the Process Design Package which will enable Medite to complete the necessary detailed design of the overall plant. In addition, the EC recently awarded the Medite Tricoya project a subsidy under its Life+ programme worth up to €2.1m and which is expected to benefit Medite and TTL over a three year period.

TTL continues to develop its relationship with the licence option holder in Latin America including in respect of market evaluation and preliminary production planning.

Accsys and TTL continue to develop a number of new and existing potential Accoya® and Tricoya® 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.

## **Diamond Wood**

In August 2013, we took the decision to terminate our licence agreement with Diamond Wood as a result of Diamond Wood's failure to comply with their contractual obligations. Diamond Wood subsequently served a notice of arbitration challenging our position. The arbitration is on-going. As has been previously stated, we welcome the opportunity to confirm the validity of our termination and remain extremely confident that it will be resolved in our favour. Whilst further details of the arbitration are subject to confidentiality, Accsys will provide a further update once the matter has been concluded.

Preliminary results for the year ended 31 March 2014 are expected to be announced before the end of June 2014.

Commenting, Paul Clegg, CEO of Accsys said:

*"The year has seen a step change in the scale of our business. The extensive efforts we have put into marketing and promoting our world leading products is now being borne out by our sales volume growth as our products gain wider market acceptance."*

*"While the global market opportunity for our products remains vast, I am conscious that Accsys remains at an early stage of its long-term journey, with much still to be achieved. However, the progress we have made during the past financial year, in sales, licensing and the significant increase in our production levels, provides me with increased confidence that we are on the right path and will achieve our objective of profitability in the near-term.*

*"It is with great sadness that we recently announced that our Chairman, Gordon Campbell CBE, had passed away. Gordon joined our board in 2005 and was instrumental in turning the Company around during a very difficult period. Gordon will be greatly missed by us all together with the immense support he gave to both me and Accsys."*

## Ends

### For further information, please contact:

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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® 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.

**Accoya® 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® 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® 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. These benefits result in lower maintenance and total cost of ownership while using a higher sustainable and environmental responsible building material. For a full archive of Accoya® 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.

Accsys Technologies is the trading name of Titan Wood Limited. ACCOYA®, TRICOYA® and the Trimarque Device are registered trademarks owned by Titan Wood Limited ("TWL"), a wholly owned subsidiary of Accsys Technologies PLC, and may not be used or reproduced without written permission from TWL, or in the case of the Tricoya® registered trademark, from Tricoya Technologies Limited, a joint venture between TWL and INEOS Industries Holdings Limited with exclusive rights to exploit the Tricoya® brand.