

Company Accsys Technologies PLC
TIDM AXS
Headline Update on Tricoya – Consortium Restructure
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Accsys Technologies PLC
("Accsys", the "Group" or the "Company")

Update on Tricoya – Consortium restructure

Accsys, the fast-growing and eco-friendly company that combines chemistry and technology to create high performance, sustainable wood building products, provides an update on the options for the world's first Tricoya plant in Hull, UK (the "**Tricoya Hull Project**") and an update on construction of the Tricoya Hull plant.

On 12 September 2022 the Company announced ongoing discussions with the consortium partners regarding the Tricoya Hull Project and funding options given rising plant costs following construction delays including the impact of COVID-19 and the continuing volatility in energy and acetyls prices impacting on the plant's short-term profitability.

Today the Company is pleased to announce the resolution of these discussions resulting in Accsys agreeing to acquire 100% ownership of the Tricoya group entities, being Tricoya Technologies Limited ("**TTL**") and Tricoya UK Limited ("**TUK**") (together with TTL the "**Tricoya Entities**"), along with the refinancing and reduction of debt associated with TUK.

Key points:

- Agreement has now been reached between the consortium being Accsys, INEOS Acetyls Investments Limited ("**INEOS**"), Medite, BGF and Volantis (together the "**Consortium Partners**") for Accsys to gain 100% ownership of the Tricoya Entities including the construction project at Hull and the Tricoya intellectual property and associated technology licences:
 - The Consortium Partners will transfer their Tricoya Entity shares to Accsys in return for 11.9m new Accsys shares (the "Share Issuance"), which represents 5.74% of Accsys' current issued share capital.
 - INEOS and Medite will retain their existing supply and offtake agreements respectively to the Tricoya Hull Project as committed commercial partners.
 - NatWest has agreed to restructure its TUK debt facility, lowering the principal amount by approximately €9m to total €6m, under a new 7-year term.
 - The agreement gives Accsys the option to take the Tricoya Hull Project forward on its own terms and to benefit from 100% of the long-term returns from Tricoya® wood including any future licencing in respect of the global Tricoya market opportunity.
- Updated Hull construction project outlook:
 - Accsys will stop current site activity for at least six months (the "**Hold Period**"), to mitigate the risk of weaker economics on start-up due to current high and volatile acetyls raw material prices in Europe.
 - Third party reports have been concluded confirming up to around €35m for the remaining project capital costs to bring the plant into commercial operation, with further reviews ongoing. This would bring the expected total capital costs for the project to up to around €138m vs the previously announced maximum of €103m reported in June 2022.

- Final total project costs will remain subject to the timeline that the project is completed over and exclude up to €0.5m monthly costs anticipated during the Hold Period.
- At normalised acetyls prices the Company expects that gross margins for the Hull plant of up to 40% continue to be achievable once operating at target capacity.
- In the immediate term, Accsys will focus on increasing Accoya® production at the Arnhem facility and resulting cash generation, which will also support future financing options for the Tricoya Hull Project.
- Accsys' Board is pleased to reach this solvent solution with the Consortium Partners and create optionality over completing the Hull plant.

Commenting on the restructure, Rob Harris, CEO of Accsys said:

"Accsys is pleased to take over 100% of the Tricoya project. This provides us certainty over the project, gives us full control and the ability to complete the construction on our terms, at the right time. Whilst that time is not right now, the validation work undertaken has demonstrated that the opportunity to produce Tricoya® at attractive margins in the future remains strong. We are also pleased to move ahead with the continued support of INEOS and Medite as supply and offtake partners.

As we look ahead, with full ownership of the Tricoya Entities, Accsys can now benefit from the full upside of the Hull plant and from any future facilities or licences created globally where Accsys continues to see a compelling global market opportunity for Tricoya®. The Tricoya project remains synergistic with the Accoya® market proposition which is building positive momentum following the successful commissioning of the fourth reactor in Arnhem and with the advancing construction of our facility in the USA."

Tricoya consortium restructure

Accsys has reached agreement to acquire full ownership of TUK and TTL, from its Consortium Partners. The consideration for this will be satisfied by the issue of 11.9 million new ordinary Accsys shares to the other Tricoya Consortium Partners (the "**Restructure**"). The Share Issuance represents 5.74% of the current issued share capital of Accsys and based on the Accsys share price at close of trading on 1 November 2022 it represents a value of €9.8m (based on the Euronext closing price) or £8.4m (based on the London Stock Exchange closing price).

Under the agreement Accsys will acquire the remaining 38.2% holding in TUK that TTL does not already own and the 23.5% holding in TTL that it does not already own. The Restructure is expected to complete on or around 7 November 2022 once 11.6 million shares to be issued through the Share Issuance are admitted to trading on the London Stock Exchange's AIM and Euronext Amsterdam markets, with a further 0.3 million shares to be admitted in the days following.

INEOS and Medite's respective supply and offtake agreements for the Hull plant will continue on their current terms.

NatWest has agreed to restructure its TUK debt facility, reducing the principal amount by approximately €9m to total €6m, under a new 7-year term. The NatWest facility remains ringfenced from the Accsys Group, the Accoya® plant at Arnhem and other joint ventures. No repayments are due until the facility maturity date.

Further details are set out in the Notes below.

Benefits of the Restructure

Accsys' Board believes the Restructure is in the best interests of Accsys shareholders and provides greater certainty and full control of the Hull plant and Tricoya overall, with benefits to Accsys including:

- Control and optionality over the completion of the Hull plant, including the timing, cost, and basis of funding for the Tricoya Hull Project plant.
- Discretion over future development of the Tricoya proposition including licencing.
- No commitment to invest further capital now and time to assess options in regard to funding any future capital requirements.
- Simplifies the Group's structure and will streamline internal governance.

- Avoids a more uncertain insolvency risk for the Tricoya Entities due to the lack of agreement of further funding into the Hull Tricoya Project under the consortium structure.

Tricoya Hull Project outlook

Accsys intends to freeze current plant activity on construction and commissioning for an anticipated period of at least six months. This will significantly reduce the FY23 cash impact from Hull on a monthly cost run rate basis from approximately €4m earlier in CY 2022 to around €0.5m going forward. During the Hold Period the Accsys Board will continue to assess the further work needed to finalise construction and commissioning of the Tricoya Hull Project and the forecasting of the remaining costs. The length of the Hold Period will be determined by the Board based on measurable parameters and will not be for an indefinite period.

Two separate specialist firms were engaged to validate the capital costs for the remaining construction and commissioning work required to bring the Tricoya Hull Project into operation. Noting that the plant is the first of its kind, the specialists suggest that the additional capital cost to complete and commission the plant is expected to be up to around €35m. This would take total project capital cost to up to around €138m, from the previously announced expected maximum of €103m on 30 June 2022.

The monthly costs of the plant during the Hold Period will be up to approximately €0.5m (on an average basis) for the ongoing security, maintenance and care of the site. The length of the Hold Period, and the speed over which the completion works are delivered, will impact the total cost of the plant to bring it into commercial operation.

The Hold Period will have the strategic benefit of delaying and preventing the Hull plant from coming into operation during volatile and historically high gas and acetic anhydride prices:

- The Tricoya® production process requires proportionately more acetic anhydride per unit value of wood chip produced than the Accoya® production process.
- While Accsys' acetylation process continues to benefit from a partial natural hedge through the sale of acetic acid by-product, commencing the operation of the Hull plant during historically high and volatile prices for acetic anhydride would further lower the initial profitability of the plant during its early phases of ramp-up.
- Therefore, delaying start-up of the Hull plant may improve the profitability of the operational ramp up period and reduce funding requirements for the project.

At the end of the Hold Period, Accsys will only commit capital to complete the Hull plant if it is satisfied that Accsys can expect to receive an appropriate return on further investment. Factors that the Board will evaluate in this regard include:

- Greater clarity on costs to complete and commission the facility;
- Acetyls pricing, volatility and achievable margins;
- Project delivery capability, organisation and structure in place to give certainty, visibility and assurance of the project completion; and
- Full exploration of funding options by Accsys, including consideration of trade and financial co-investors, debt, new equity and contributions from Accsys' cash resources.

Accsys' financial position

The Group remains adequately capitalised and the Restructuring will not impact the cash resources of the Group given that it is being conducted by way of the Share Issuance.

As at 30 September 2022, Accsys Group held adjusted net debt of approximately €62m (31 March 2022: €55m). The Group's net debt figure is expected to decrease by around €9.5m as a result of the Restructure given the reduction of the NatWest facility from approximately €15m to €6m.

Following the successful completion of the fourth Accoya® reactor expansion project, production and resulting sales volumes are now increasing. As a result, and with reduced site activity at the Tricoya Hull Project as set out above, the Group expects a good increase in cash generation progressively over the remainder of the financial year.

The Tricoya Entities are currently loss making given that the plant is not yet operational (FY 2022 operating loss of €4.1m). The Tricoya Entities are currently fully consolidated into Group figures,

therefore there will be limited impact of the Restructuring on the presentation of the Accsys Group's financial statements.

However, given the additional capital costs identified to complete the Tricoya Hull Project, and the uncertainty over the investment and completion timing, Accsys will likely record a material exceptional non-cash impairment of a proportion of the tangible fixed assets associated with the Hull plant in its upcoming half year results. As at 31 March 2022 (FY22), Accsys reported plant and machinery assets under construction at Hull with a net book value of €93.6m on a fully consolidated basis.

Accsys will publish its financial results for H1 of the 2023 financial year on 22 November 2022, covering the six months to 30 September 2022.

Notes:

Tricoya entities

In relation to the development, manufacture and sale of acetylated wood chips for the use in MDF ("Tricoya®"), Accsys has been part of a consortium principally with INEOS Acetyls Investments Ltd ("INEOS") and MEDITE Europe DAC ("Medite") as key commercial partners. The Tricoya consortium has been funded historically through a mixture of equity from the consortium members and debt from NatWest Bank PLC ("Natwest") and Accsys. There are two elements to the consortium:

- Tricoya Technologies Limited ("TTL") – the company owning and licencing Tricoya® related intellectual property. The shareholders of TTL are: Medite, INEOS, Accsys, BGF (an investment firm) and Volantis (an investment fund managed by Lombard Odier investment firm).
- Tricoya UK Limited ("TUK") – the company established to build, own and operate the world's first Tricoya® plant in Hull, UK. The shareholders of TUK are: Medite, INEOS and TTL.

Accsys share issuance

- Under the Restructuring, Consortium Partners will each receive Accsys shares in return for transferring their full shareholdings in TTL and TUK to Accsys. Application will be made today in respect of the Share Issuance for 11,608,259 ordinary shares, which will rank pari passu in all respects with the existing ordinary shares of the Company, to be admitted to the regulated market operated by Euronext Amsterdam N.V. ("Euronext Amsterdam") and to the London Stock Exchange's AIM market, which is expected to occur on or around 8.00 am UK time on 7 November 2022 ("Admission"). A separate application for the remaining 267,542 ordinary shares is expected to be made shortly following Admission.
- Upon Admission, the total number of issued shares and the total number of voting rights in the Company will be 218,504,968. This figure should be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.
- The Accsys shares to be issued to consortium parties are subject to lock up restrictions on the disposal of these shares, for up to 9 months following completion (with partial release of tranches during the lock-up period), subject to customary exceptions and orderly market provisions during the 9 month period.
- Under the Restructuring INEOS and Medite will receive 7,500,000 and 3,500,000 Accsys shares respectively.
- INEOS and Medite are related parties to Accsys under the AIM Rules for Companies. The arrangements with INEOS and Medite as part of the Restructure are related party transactions under the AIM Rules for Companies. The Directors consider, having consulted with Numis as Nominated Advisor, that the terms of the arrangements with INEOS and Medite as part of the Restructure are fair and reasonable insofar as shareholders of the Company are concerned.

Tricoya restructure

- The amended NatWest loan of €6m will accrue interest which will be rolled up until the Hull plant is operational. The floating interest rate remains in line with the previous loan terms. The loan has no financial covenants.
- Separate to, and in addition to the amended €6m loan, NatWest will be entitled to obtain recovery of up to approximately €9.5m, on a contingent basis, depending on profitability of the Tricoya Hull

plant once operational. The contingent payments to NatWest are based upon free cash-flow generated by the Hull plant.

- Accsys' recent bridging loan to TUK of €8m issued in August 2022 will now be committed and rank joint first with the NatWest Senior Loan. Accsys' second ranked loan facility to TUK of €17m issued in 2021 will remain and rank behind the other two loans.

Ends

This Announcement contains inside information for the purposes of EU MAR and UK MAR (together, "MAR"). The person responsible for making this announcement is Nick Hartigan, General Counsel and Company Secretary, Accsys Technologies PLC.

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Notes to editors:

Accsys (Accsys Technologies PLC) is a fast-growing business with a purpose: changing wood to change the world. The company combines chemistry, technology and ingenuity to make Accoya® wood and Tricoya® wood elements: high performance wood products that are extremely durable and stable, opening new opportunities for the built environment and giving the world a choice to build sustainably. Accsys transforms fast-growing, certified sustainable wood into building materials with an up to 50-year warranty, locking carbon stored in the wood into useful products for decades, with performance characteristics that match or better those of non-renewable, resource-depleting and polluting alternatives. Accsys is listed on the London Stock Exchange AIM market and on Euronext Amsterdam, under the symbols 'AXS'. Visit www.accsysplc.com

Accoya® solid wood is sustainable, durable, and stable with exceptional performance, finish and sustainability. Accsys' proprietary acetylation process makes the wood more dimensionally stable and because it is no longer easily digestible, extremely durable. It is one of very few building materials to be Cradle to Cradle Certified™ at the Gold level, with a Platinum rating for Material Health, confirming that no harmful or toxic additives or chemicals are present to leach out into the environment. Primary applications for Accoya® wood include windows, doors, cladding and decking, where the combination of performance and sustainability benefits compete favorably against hardwoods, plastics, metals and concrete. Visit www.accoya.com

Tricoya® acetylated wood elements are produced for use in the fabrication of panel products such as medium density fibreboard (MDF). Panel products made with Tricoya® wood elements are truly durable and stable enough for use outdoors and in wet environments, unlocking new possibilities for design and construction. They have been lauded as the first major innovation in the wood composites industry in more than 30 years and bring the flexibility of traditional panel products and sustainability benefits of wood to a whole new range of applications. Visit www.tricoya.com

Any references in this announcement to agreements with Accsys shall mean agreements with either Accsys or its subsidiary entities unless otherwise specified. 'Accsys' and 'Accsys Technologies' are trading names of Titan Wood Limited ("TWL"), a wholly-owned subsidiary of Accsys Technologies PLC. Accoya®, Tricoya® and the Trimarque Device are registered trademarks owned by TWL, and may not be used or reproduced without written permission from TWL, or in the case of the Tricoya® registered brand trademark, from Tricoya Technologies Limited, a subsidiary of TWL with exclusive rights to exploit the Tricoya® brand.