

Regulatory Announcement

Company Accsys Technologies PLC
TIDM AXS
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ACCSYS TECHNOLOGIES PLC **("Accsys" or the "Company")**

Interim Management Statement

Accsys, the environmental science and technology company whose primary focus is on the production and technology licensing of Accoya[®] wood and Tricoya[®] wood elements, today issues its Interim Management Statement. Key highlights include:

- Strong performance, in line with market expectations, with total revenue increasing by 71% to €23.0m for the nine months ended December 2013 (2012: €13.4m);
- Continuing growth in demand with Accoya[®] wood revenue increasing by 74% to €20.2m for the nine months ended December 2013 (2012: €11.6m). Excluding sales to Medite, Accoya[®] revenue increased by 58% to €18.4m (2012: €11.6m);
- Total Accoya[®] volume sold in the nine months to December 2013 increased by 89% compared to the same period in the previous year;
- Arnhem plant profitability continues to improve and further price increases are being implemented;
- Accoya licence agreement with Solvay has been formally approved;
- Significant milestone met with Accsys delivering the Process Design Package to Solvay;
- Total of 57 Accoya[®] distributor and agency agreements now in place covering most of Europe, Australia, Canada, Chile, China, India, Mexico, Morocco, New Zealand, parts of South-East Asia and the USA; and
- Strong balance sheet with cash balance of €14.4m at 31 December 2013 (September 2013: €16.9m).

Trading update

During the period Accsys has made significant progress towards delivering on objectives:

Accoya Licence Agreement with Solvay Formally Approved

In December last year Accsys announced that its 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 of 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 excluding 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 m³ 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 have also signed an amendment to the licence agreement which now 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 have 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, Accsys and Solvay have 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.

Accoya sales and production

Revenue from sales of Accoya[®] increased by 74% to €20.2m in the nine months to December 2013 compared to the same nine month period in the previous year. Within this, sales to Accoya[®] customers (excluding sales to Medite) increased by 58% to €18.4m. Sales of Accoya to Medite resumed at the end of the previous financial year following a period in which Medite had built up initial stock levels, resulting in revenue of €1.9m (2012: nil).

This increasing demand for Accoya[®] continues to be seen across all regions and is attributable to both old and new distributors. We continue to see the benefit from our significant investment in sales and marketing over the last few years, for example the targeting of architectural audiences. In this respect we are pleased that the new calendar year has started very positively and we expect the trend of revenue growth to continue.

In November last year we reported that the Arnhem manufacturing plant was profitable at an EBITDA level. This has continued and gross margins are expected to improve further as we benefit from the economies of scale together with price increases which are being implemented in the first part of 2014.

Tricoya Technologies Limited

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. TTL signed its first Tricoya[®] licence agreement with Medite in July 2013 which is conditional upon Medite obtaining approval from its Board of Directors.

Intellectual Property

During the period an Accoya[®] process patent was granted in Australia. Accsys' world-wide patent portfolio is expected to continue to grow as international patent applications enter their national and regional phases, and further applications are filed in both core and acetylation enabling technologies. The number of patent families is therefore anticipated to increase, adding to the depth and scope of the company's IP.

TTL is expected to continue to develop significant intellectual property that will reinforce the protection its business currently enjoys through a combination of registered and unregistered rights, further consolidating its patent holdings for products and processes.

Financial results

Total revenue for the nine months ended 31 December 2013 increased by 71% to €23.0m (2012: €13.4m). Total revenue included €1.9m of sales of Accoya to Medite to enable them to produce Medite Tricoya® and licence income of €0.5m.

The cash balance as at 31 December 2013 of €14.4m represents a decrease of €2.5m since 30 September 2013 and a decrease of €6.1m since 31 March 2013. The reduction included a cash outflow from operating activities (before changes in working capital) of €3.1m for the nine months ended 31 December 2013, which represents a 47% decrease compared to the corresponding nine month period in the previous year. An increase in working capital in the quarter ended 31 December 2013, largely attributable to the timing of raw material shipments, is expected to partially reverse over the next few months such that the cash balance at the financial year end is anticipated to be approximately €13m.

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. We welcome the opportunity to confirm the validity of our termination and are extremely confident that the arbitration 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.

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.

Accoya® wood (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.

Tricoya® Wood Elements (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.