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| **Company** | Accsys Technologies PLC |
| **TIDM** | AXS |
| **Headline** | Interim results for the six months ended 30 September 2021 |
| **Released** | 23 November 2021 |
| **Number** | 1970T |

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**23 November 2021**

**Accsys Technologies PLC**
("Accsys", the "Group" or the "Company")

**Interim Results for the six months ended 30 September 2021**

# Strong revenue growth – delivering on expansion strategy

Accsys, the fast-growing and eco-friendly company that combines chemistry and technology to create high performance, sustainable wood building products, announces its interim results for the six months ended 30 September 2021 ("H1 FY 22").

| | **H1 FY 22** | H1 FY 21 | Change |
|---|---|---|---|
| **Total Group revenue** | €56.2m | **€42.9m** | 31% |
| **Underlying gross profit** | €17.2m | **€14.3m** | 20% |
| **Accoya® Manufacturing margin[1]** | 31.0**%** | **33.5%** | (250bps) |
| **Underlying EBITDA[2]** | €4.5m | **€4.3m** | 5% |
| **Underlying EBIT[3]** | €1.5m | **€1.6m** | (6%) |
| **Underlying (loss) before tax** | (€0.3m) | **(€0.1m)** | |
| **(Loss)/profit before tax** | (€0.2m) | **€1.0m** | |
| **Period end net cash/ (debt)[4]** | €2.4m | **(€16.3m)** | |
| **Accoya® sales volume** | **29,555m$^3$** | **26,422m$^3$** | 12% |

**Key highlights:**

- Group revenue and Accoya® sales volumes up 31% and 12% respectively versus the prior year comparative period, which was impacted by COVID-19.
- Maintaining good profitability with underlying gross profit up 20%:
  - Improvement in gross profit supported by Accoya® sales price increases substantially offsetting higher raw material costs.
  - 31% Accoya® manufacturing margin with 250bps decline due to changes in product sales mix.
- 5% growth in underlying EBITDA[2] with planned investment in group organisation capability to support growth and the expected production capacity increases in 2022.
- Strategic growth projects under our '5x' production capacity expansion target by 2025 are progressing well:
  - World-first Tricoya® (Hull) plant – on track to commence operations by July 2022.
  - Accoya® (Arnhem) plant – addition of a fourth reactor (+33% new capacity to 80,000m$^3$) on track to be complete by around the end of Q1 calendar year 2022.
  - Accoya® USA JV - further project work progressing; final investment expected in coming months upon completion of financing workstream.

- 4% increase in operating cash flow[5] with continuing good cash generation from Accoya® segment; Net cash of €2.4m includes cash of €60.9m at period-end to fund expansion projects including planned US JV investment; Recent Group debt refinance improving debt cost and structure.

Notes

[1] Accoya® Manufacturing margin is defined as Accoya® segmental underlying gross profit (excluding Licence income and marketing services) divided by Accoya® segmental revenue (excluding Licence income and marketing services) (See note 2 to the financial statements)

[2] Underlying EBITDA is defined as Operating profit/(loss) before Exceptional items and other adjustments, depreciation and amortisation, and includes the Group's attributable share of our USA joint venture's underlying EBITDA. (See note 2 to the financial statements).

[3] Underlying EBIT is defined as Operating profit/(loss) before Exceptional items and other adjustments, and includes the Group's attributable share of our USA joint venture's underlying EBIT. (See note 2 to the financial statements).

[4] Net cash/(debt) is defined as short term and long-term borrowings (including lease obligations) less cash and cash equivalents. (See note 12 to the financial statements).

[5] Group operating cashflow is Cash inflows from operating activities before changes in working capital and exceptional items.

**Robert Harris, CEO, commented**:

"We are pleased to report our first half results, delivering strong growth in both revenue and gross profits. This performance demonstrates further progress on our strategy and the hard work of our employees to deliver for our customers.

There is continuing high demand for our Accoya® and Tricoya® products as customers focus on higher performance materials as well as on sustainability. It is this demand, which continues to exceed supply, that has enabled us to substantially offset the wider market pressures from raw materials costs and supply chain disruption through price increases.

We are progressing our strategic growth projects to increase production capacity five-fold by 2025. The construction of a fourth Accoya® reactor in Arnhem is progressing well and our US Accoya® JV with Eastman is approaching its final investment decision. With Accsys now directly project-managing the completion of our Hull Tricoya® facility, we have made good progress towards the plant being commercially operational by July 2022. Our expansion at Arnhem and the new Hull plant will together see Accsys double its present operating production capacity of 60,000m$^3$ to 120,000m$^3$ by July 2022.

Looking ahead we remain confident in delivering on market expectations. Longer term we believe there will be significant further demand for Accsys' higher performance, lower maintenance and more sustainable products as the world focuses on decarbonisation."

**Analyst presentation**

There will be a presentation relating to these results for analysts at 10:00am UK time (11:00am CET) today. The presentation will take the form of a webcast and conference call, details of which are below:

**Webcast link** (for audio and visual presentation):
Click on the link below or copy and paste ALL of the following text into your browser:
https://edge.media-server.com/mmc/p/nbrgpb82

**Conference call details** (audio only – not recommended for use in conjunction with the webcast link):
**Event Passcode**: **3673829**

Local - United Kingdom: +44 (0) 2071 928338
National free phone - United Kingdom: 0800 279 6619
Local - Amsterdam, Netherlands: +31 (0) 207 956 614
National free phone - Netherlands: 0800 023 5015
Local - USA: +1 6467 413 167
National free phone - USA: 18 778 709 135

**Ends**

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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.

## Introduction

Accsys has delivered strong revenue growth in the first half of the 2022 financial year, reflecting the continuing significant demand for our products while also investing in our manufacturing and organisational capability to deliver the growth opportunity ahead of us.

In the period we have made good strategic progress under our long-term plan to increase production capacity five-fold to 200,000 $m^3$ per annum in 2025. Work to expand our Arnhem plant capacity by 33% continued, and we successfully completed the equity funding and made key preparations for our planned JV to build an Accoya® production facility in North America. Despite challenges in the completion of the Hull Tricoya® plant, we have successfully taken control of the site, and are now directly managing the final completion ourselves towards commercial operations by July 2022.

This has also been an important period of investing in our business and people. New colleagues have joined bringing expertise in functional areas to help lead and deliver our growth ambitions and we have begun to increase our operating teams ready to operate our new facilities. In H1 FY22 we have continued to develop our safety culture and processes and were free of lost-time incidents in the period.

Despite wider market pressures around raw materials and supply chains across many industries in this period, Accsys has delivered a robust performance and delivered further growth in underlying EBITDA. While we have seen increases in raw material costs, we have been able to substantially offset this through increased sales prices. This resilience has been supported by the strength of our supply contracts and nature of our raw materials with a partial natural hedge created by the conversion back into acetic anhydride or sale of valuable acetyl by-product.

## Summary of results

The Group has delivered strong revenue and sales volume growth while remaining capacity constrained at our Arnhem plant. Total revenue for the 6 months ended 30 September 2021 increased by 31% to €56.2m (H1 FY21: €42.9m). Accoya® sales volumes of 29,555 cubic metres represent a 12% increase compared to the equivalent period last year which was impacted by COVID-19. We also grew revenues through an increase in average selling prices for our high-performance wood products.

In the period manufacturing margin was 31%, just above our target 30% level, with good cash generation. Higher average sales prices were the result of product price increases that took effect during the period and in H2 FY21, which helped to substantially offset increased raw material prices and reflect the continuing strong demand in the market for our products. A change in the mix of products sold year on year also impacted the percentage margin, where sales of lower priced Accoya® for Tricoya® and tolling (where we process the wood but are not responsible for the raw wood purchase and as a result are lower priced) were higher in the prior year due to the supply chain dislocation experienced in the early stages of the pandemic.

Group underlying EBITDA increased 5% against the prior year to €4.5m, despite higher Group operating costs in the period through planned investment in Group organisational capabilities and people with increased headcount to support our future growth. We have closed the period with a robust balance sheet with €2.4m net cash, with cash of €60.9m including the funds raised ready for investment in our US Accoya® JV.

## COVID-19

During the first 6 months of the 2022 financial year, we have not seen the same level of direct impact from COVID-19 on our revenue and sales as we did in the prior year. However, as with many businesses, the pandemic continues to affect the business indirectly. It has also contributed to the additional delay and challenges in completing construction and bringing production online at our Hull plant where the EPC lead contractor's agreement was terminated as previously announced.

We are continuing to operate in a more COVID-safe way to protect our people and those who we do business with. We continue to manage some supply chain effects which have impacted industries more broadly, which we detail later in these reports.

Last year during the 2021 financial year we received some government support in the Netherlands and the UK for our operations in the initial stages of the pandemic. At that time, Directors and other senior staff accepted a 20% reduction in their pre-tax salary for four months as part of our mitigation measures. Relative to many other organisations around the world, the effects of the pandemic on Accsys' financial performance has been limited by virtue of the strong underlying demand for our products and the rapid recovery in sales volumes. In H1 FY 22, after the scope of impacts and resilience became clear, we paid back in full the government grants received. In May 2021 while the Board and senior management team retained the 20% salary reduction, we paid back the salary difference to all employees below the senior-management team level, reflecting their hard work throughout that challenging period.

**Accoya® – Global performance**

| **Accoya® segment – summary of results** | **Six months ended 30 September 2021** | **Six months ended 30 September 2020** | **Change** |
|---|---|---|---|
| Accoya® sales volume – cubic metres | **29,555** | 26,422 | 12% |
| Underlying Accoya® segmental revenue | **€55.4m** | €41.8m | 33% |
| Accoya® wood revenue | **€48.5m** | €38.7m | 25% |
| Licence income | **€nil** | €0.4m | -100% |
| Acetic acid sales | **€6.8m** | €2.6m | 162% |
| Manufacturing margin – % | **31.0%** | 33.5% | -2.5% pts |
| Underlying EBITDA | **€10.3m** | €9.2m | 12% |
| Underlying EBIT | **€8.0m** | €7.0m | 14% |

The Accoya® business delivered good growth in volumes in the first half of FY22, despite remaining at capacity production levels and with customer demand for our product continuing to exceed supply. A 12% increase in sales volumes was the combined result of our ongoing efficiency programme to improve productivity, lower production volumes in the prior year in Q1 due to the initial stronger effects of the COVID-19 pandemic, and the deferral of our scheduled maintenance stop at Arnhem into the second half of FY22 to coincide with planned tie-ins for the fourth reactor project.

Accoya® revenue growth of 33% reflects these same factors driving the sales volume growth, and further supported by increased average sales prices in the period. These price increases reflect both the continuing strong demand from customers and higher raw material and logistics costs in our supply chain in the period. Price rises were implemented in the last financial year for all customers and have continued to benefit the first half of the 2022 financial year. In addition, we have put through further price increases in the period in June 2021 and September 2021. Average prices were also higher than the prior year period due to changes to the product mix, which included a lower proportion of material sold to Tricoya® customers and lower tolling sales.

Overall, we have continued to see strong underlying demand for Accoya® across our regions and with our Tricoya® panel manufacturing partners.

Our H1 FY22 regional sales trend on a period-on-period basis, primarily reflects the impact of the early stages of the pandemic on prior year sales in our different regions in H1 FY21. The strong growth in H1 FY22 sales to the UK & Ireland compares against the significant negative decline in H1 FY21 sales volume to UK & Ireland which was more acutely impacted by supply chain dislocation in the early stages of the pandemic. By comparison H1 FY21 sales volumes were stronger in Europe as we redirected volume around the UK disruption, and in this period's results this appears as a negative movement in Rest of Europe. Excluding the one-off nature of COVID-19 comparative impacts from the 2021 financial year, over-all we believe that the regional demand and sales volumes flow in our geographic markets is steady period-on-period. The exception to this is the Americas, where we are actively increasing our allocation of product volumes available to customers as we develop this market ahead of our planned US capacity expansion.

| Sales volume by end-market | H1 FY22 | H1 FY21 | Increase |
|---|---|---|---|
| | m3 | m3 | % |
| UK & Ireland | 8,373 | 5,878 | 42% |
| Rest of Europe | 5,780 | 7,102 | (19%) |
| Tricoya® | 7,092 | 7,275 | (3%) |
| Americas | 3,909 | 2,231 | 75% |
| Benelux | 2,091 | 2,461 | (15%) |
| Asia-Pacific | 2,010 | 1,316 | 53% |
| RoW | 300 | 159 | 89% |
| | 29,555 | 26,422 | 12% |

Accoya® manufacturing gross margin was 31.0% (H1 FY21: 33.5%). Whilst this is 2.5% lower than the prior year, it remains above our target range of 30% or higher. While the higher average selling price in the period more than offset the effect from the higher raw material costs, the margin also reflects a shift in the mix of types of products sold within Accoya® against the prior year period as explained above. In H1 FY21 we increased sales of material for Tricoya® and of tolling sales due to the initial supply chain disruption impacting certain geographies at the time from COVID-19 effects. In H1 FY22 these sales reverted to a normal level.

*Accoya® strategic progress*

In the period we made good progress in projects to expand our Accoya® production capacity and business development projects in the Netherlands, the USA, and the UK. Work continued to expand the capacity of our existing Accoya® plant in Arnhem by adding a fourth reactor, through which we expect to increase the site capacity by 33% to an annual production capacity of 80,000 cubic metres. Having ‘broken ground’ for the construction in February 2021, we received the new reactor on site in May 2021. The civil works have now been completed and the main steel structure is erected, with equipment and piping in the process of being installed.

The broader expansion project also includes increased chemical storage and an upgrade of our wood handling equipment, which will benefit the entire Arnhem plant. The expansion remains on track to be complete by around the end of Q1 calendar year 2022.

North America represents the largest potential regional market for our product, with an achievable market for Accoya® there of up to 948,500 cubic metres per annum within a wider addressable market of up to approximately 9.6 million cubic metres. North America is a market that Accoya® is already sold into, but in which we are also significantly constrained by the volume of product we can produce from our Arnhem facility. We have strong foundations for growth in the region with a number of key distributor customers in place and have rolled out our Approved Manufacturers Programme for our distributors’ customers, which has been highly successful in Europe.

Under the joint venture with Eastman Chemical Company (NYSE: EMN), a world leader in the production of acetyls, we are planning to construct an Accoya® plant in USA with an initial approximately 40,000 cubic metres capacity at Eastman’s Kingsport, Tennessee site, and replicate our existing Accoya® technology at Arnhem. Under the JV, Accsys holds a 60% interest and Eastman a 40% interest.

In the first half of the 2022 financial year, we have completed a number of workstreams in the planning for the plant. The detailed front-end engineering design (‘FEED’) of the plant has been completed. The initial plant designs will target a two-reactor 40,000 cubic metres capacity plant, while the plans and site also allow for further efficient expansion (subject to market conditions) of up to eight reactors in total. Key commercial agreements between the JV parties in relation to operational support and supply agreements, for example in relation to raw materials supply, support services, land and utilities have been well advanced and are expected to be entered into on completion of the financing work stream.

The project will be funded through a combination of equity contributions from the JV partners, and project debt finance. In May 2021, Accsys successfully completed the issuance of new shares to fund Accsys’ equity share of the project, through a placing and open offer. Further details on this can be found in the Financial Review. The workstream to complete the project debt finance is continuing and we expect to finalise terms in the coming months in line with our anticipated returns.

We expect that the plant will take approximately two years to construct from the point of the final investment decision. Following construction, sales are expected to ramp up over a further two years to the plant's full production capacity. The planning to date confirms the strong financial returns from the plant itself, with a leveraged pre-tax IRR of over 20% targeted. In addition, Accsys will licence its technology to the Accoya® USA JV, with sales and marketing support also expected to be provided by Accsys under a separate fee bearing agreement with the Accoya® USA JV.

Accoya® Color combines the benefits of Accoya® wood with colour all the way through the wood from surface to core, achieved through a patented process. Since launching Accoya® Color in the DACH region (Germany, Austria, and Switzerland) in Europe last year, we have seen very strong demand from our customers, with a present focus on the decking product category.

On 29 July 2021 we announced plans to expand our ability to produce Accoya® Color, through the acquisition of assets of the former Lignia Wood Company business in Wales, UK for consideration of €1.2m. Through the acquisition, which included equipment, raw wood inventory, and technology at the 50,000 square foot (4,650 square metre) manufacturing plant in Barry, Wales, Accsys has increased its ability to convert Accoya® wood into its new Accoya® Color product. The integration of the acquisition is progressing well, we successfully repurposed the site for Accoya® Color production and produced our first batch of Accoya® Color at the site in the period.

The purchased assets will allow us to accelerate our plans to grow Accoya® Color both in its current markets and into more geographic markets and for more product applications as part of our ongoing global growth strategy. Once integrated, the site will be expected to be able to produce up to 12,500 cubic metres of Accoya® Color per annum with expansion in future being possible. We therefore expect increased Accoya® Color sales in the medium term with its unique proposition proving attractive to customers in our target markets. This will be supported by increased sales and marketing activity overall to drive end consumer awareness and demand.

**Tricoya®**

*Strategic progress*

Accsys and its consortium partners in Tricoya UK Limited ('TUK') are building the world's first Tricoya® plant at Hull. During the period and despite ongoing challenges in progressing the plant, further progress has been made towards its completion. The plant, which is in its final stages of construction, is due to become operational by July 2022.

In April 2021 we updated our guidance and at that time we expected a three-to-six month delay to the lead contractor's schedule in completing the construction. Subsequently in early June 2021, we received a notice from the lead contractor responsible for the delivery of the plant, purporting to terminate the engineering, procurement, and construction ('EPC') agreement for the project by reason of force majeure arising out of the COVID-19 pandemic. In June 2021 Accsys took over the project to complete the final stages of plant construction and conducted an extensive gap analysis to review and validate the remaining works, costs, timeline, and people required to complete the project.

On 23 August 2021 we provided an updated outlook for the completion of the project. This included an updated timeline where the plant is now anticipated to be commercially operational by July 2022. The remaining final stages of the works are being directly project managed by TUK with experienced internal and recently-added people and resources, without requiring the appointment of another lead EPC contractor. Third-party expertise and support are being brought in as and when required to complete works safely and quickly. Since 23 August various workstreams have safely re-commenced on the site with a significant increase in our own project team, improvements to project governance, and the engagement and remobilisation of key mechanical, electrical, and civil contractors.

We also announced in August 2021 that TUK and the former lead EPC contractor had entered into a settlement agreement where the parties settled and released each other from liability for claims against each other under the EPC contract, including any claims in respect of COVID-19 and outstanding contractual payments.

At that time we also reported that the total project capital cost is expected to be an additional €9m to €15m more than previously anticipated. The additional costs are largely due to the extended project duration, including the previously reported engineering changes, delays due to COVID-19, and time and recovery actions resulting from past management of, and demobilisation from, the site. The costs also reflect the settlement agreement with the former lead contractor. As a result, the total cumulative project capital cost for the plant is anticipated to be €90m to €96m.

In the process of taking over control of the site and establishing the remaining works required for completion, TUK has used third party experts to review the overall integrity of the plant. These reports have not indicated any material issues with the plant.

Recently on 8 November, after the end of the reported period, Accsys agreed funding arrangements with our TUK consortium partners relating to the anticipated costs to complete the plant. Accsys has entered into a new loan agreement with TUK under which Accsys will lend up to €17m to TUK to be used towards the Hull plant construction project alongside existing funding in place for TUK. The supply and offtake agreements with TUK partners Medite (sale and purchase of Tricoya® wood elements) and INEOS (acetic anhydride supply) have also been updated and reflect the partners' ongoing commitment to the project.

Recently in November we successfully ran our first batch of wood chips through the first stage of the front of plant, as we begin to test and commission parts of the plant once they are completed. The introduction of wood chips is the first time that we have run the equipment in this zone of the plant in combination with our raw material wood chips, and we are looking forward to bringing more zones into commissioning as we work through the remaining works to completion.

Our planning for the plant continues to allow for the ramp-up of production to full capacity over approximately three years following start-up. This reflects that this is the first plant of its type and that various modifications and operating improvements may be identified once the plant is initially operational. Once at capacity, we continue to expect that a gross margin of approximately 40% should be achievable. Accsys remains committed to the safe completion and operation of the plant to realise the potential of the Tricoya® product with a large market opportunity, and ongoing high demand.

Once the Hull plant is operational, we plan to expand Tricoya® production in Malaysia. We have an on-going feasibility study with PETRONAS Chemicals Group Berhad for the construction of a Tricoya® plant in Malaysia. The full decision to progress with the plant will only follow after the Hull Tricoya® plant has been operational for a sufficient period to ensure that any engineering learnings can be factored into the Malaysian plant design.

**Group Strategic Development**

*Technology & IP*

Accsys continues to invest in growing, researching, developing and protecting its valuable portfolio of intellectual property and confidential information. Our technology covers not only the physical equipment and engineering that underpins our manufacturing and production, but also the processes and methodology we follow in our entire supply and production chain, from the way we prepare our wood to the way we market and sell Accoya® and Tricoya® in the market.

We continue to carry out research and development projects on all aspects of our technology, including our process technology where we continually aim for the best efficiency and best quality for our products and production.

We have reviewed and implemented new improved procedures seeking to safeguard as much as possible our proprietary information and are working with teams across the Group to ensure better understanding of, and training on, our confidentiality protocols. In addition, enhanced procedures have been incorporated into our project management process to capture protectable technology as early as possible.

Accsys' patent portfolio totals 399 patent family members, covering 27 distinct inventions in 45 countries with over 60% of the patent family members now granted. The core technologies associated with our current and future plants for the production of Accoya® and Tricoya® wood products continue to be protected by using a combination of patenting and trade secrets to maintain our differentiation in the marketplace.

Our principal trademark portfolio covers our brands Accoya®, Tricoya®, the Trimarque device and Accsys®, protected by registrations in over 60 countries, with continued activity focused on increasing the strength of those brands.

Accsys continues to maintain an active watch on the commercial and IP activity of third parties to ensure its IP rights are not infringed, and to identify any IP which could potentially hinder our commercial activity.

*Building organisational capability*

In the period we have made good progress in developing our people and organisational capabilities to manage our growth, with Accsys' average headcount increasing from 190 to 241 people. Key hires in place include new heads of departments hired last year, whom now are developing platforms for supporting our growth and ensuring that the Group can expand effectively including into new locations. The areas in which we have added these senior leaders include HSE, Technology, Engineering, IT, and Acetyls management.

We have also increased our headcount through the recruitment of new operating roles for our teams who will operate our expanded capacity at Arnhem and new capacity at Hull as these become operational and expanded our project management team at Hull in the period to oversee the project construction as previously mentioned.

In addition, we are increasing our focus on training and development and have established leadership training programmes and talent mapping, which is an ongoing but important process to ensure we have the right skills and talent in place and a pipeline to maintain this, during our growth journey.

**Environment, Social and Governance**

Accsys remains committed to growing and operating its business in a sustainable way. In H1 FY22 we have continued to build on the foundations we laid in November 2020 when we launched our first sustainability report and new ESG strategy. In that report we identified our 10 key material issues and impact areas and created an ESG framework that aligns with our purpose, values, and strategy, while also setting out how we contribute to five main UN Sustainable Development goals, with additional impacts on seven more.

Since November 2020, we have completed stage one of our sustainability strategy roadmap. This has included reviewing and developing our data and assessments, establishing baseline metrics, and identifying initial actions for improvement in each of our material issues. We are now working on stage two which is to set the direction of ESG development we want to make in each of our key areas.

In H1 FY22 we have made good progress in four key ESG material issue areas.

*Safety*

Health & Safety (HSE) remains an absolute priority for the Group and we are aiming to ensure zero harm in our operations and increase our monitoring and awareness of our safety policies and strategy as well as developing a safety-first culture across our organisation. We are monitoring a number of metrics in FY 22 as we implement this, which include increased safety observation reporting, increased safety inspections and audits, increased safety communication and awareness.

In H1 FY22 we have increased our focus on leading indicator reporting, for example increasing our rate of safety inspection tours made by our senior leadership teams on our sites and our safety observation card (SOC) reporting. SOCs are also an important tool in embedding a safety-focussed culture by increasing safety awareness. Each month we also now communicate a HSE scorecard to all staff, sharing our HSE performance and where we are against our ambition to achieve zero lost time accidents, zero major injuries whilst improving our leading HSE performance indicators. In the 2021 financial year we reported three lost time incidents (LTIs), a lagging safety indicator. In the H1 FY 22 period we have had no lost time incidents, which is a positive development, and our goal remains zero LTIs.

Accsys has also established a Board HSE committee to provide dedicated governance oversight of HSE at a Board level. Accsys considers that good HSE performance is good for business and with the continued support of our people we aim to continue to develop our safety practices and zero-harm commitment.

*Energy & Climate change*

We are in the process of developing our specific Energy & Climate change policy. This has included both developing the way that we assess the impact of our operations on the environment, which will lead to a robust approach and policy to reduce our impacts.

Our approach to Energy & Climate includes a focus on energy efficiency and process optimisation, assessing the carbon impact of our products and integrated climate considerations and activities (e.g. risks and opportunities) across multi-functions across the business.

*Society and Communities*

In the period we have begun to implement our new Society and Communities strategy, under which we have developed a more structured approach to social and environmental impact through tools such as charitable giving and employee engagement. We began working with our official charity partners and to engage our employees in our chosen charities' missions.

In September we completed a charitable employee initiative called 'Step out, to help out!'. This saw colleagues across our organisation collectively walk over 16,000km over two months in the summer to promote wellbeing throughout Accsys and in our wider society. The challenge was set up to boost employee wellbeing particularly during the pandemic which has affected daily life over the past year.

Recording their walks online and sharing photos and anecdotes along the way, the Accsys team walked a distance to cover the journey between Accsys' global office locations: from Arnhem in the Netherlands, to Hull in the UK, via our Head Office in London and on to our North American Sales Office in Dallas, USA - and then back again. As colleagues passed each milestone stage of the journey, this also triggered Accsys to pledge donations to three charities which were chosen due to their focus on improving wellbeing in Accsys' communities, with a total of €10,000 donated.

*Sustainable & Quality products*

In the period we achieved a renewal of our Cradle to Cradle (C2C) gold certification for Accoya®, where C2C certified® is the global standard for products that are safe, circular and responsibly made. Accoya® wood is one of the very few building products to have acquired C2C certification on the stringent Gold level. C2C assesses the safety, circularity and responsibility of materials and products across five categories of sustainability performance, including material health where Accoya® achieves a platinum rating.

**Outlook**

In summary, we are pleased to report our first half results, delivering strong growth in both revenue and gross profits. This continued strong performance demonstrates further progress on our strategy and the hard work of our employees to deliver for our customers.

There is continuing high demand for our Accoya® and Tricoya® products as customers focus on higher performance materials as well as on sustainability. It is this demand, which continues to exceed supply, that has enabled us to substantially offset the wider market pressures from raw materials costs and supply chain disruption through price increases.

We are progressing our strategic growth projects to increase production capacity five-fold by 2025. The construction of a fourth Accoya® reactor in Arnhem is progressing well and our US Accoya® JV with Eastman is approaching final investment decision. With Accsys now directly project-managing the completion of our Hull Tricoya® facility, we have made good progress towards having the plant commercially operational by July 2022. Our expansion at Arnhem and the new Hull plant will together see Accsys double its present operating production capacity of 60,000 cubic metres to 120,000 cubic metres by July 2022.

Looking ahead we remain confident in delivering on market expectations. Longer term we believe there will be significant further demand for Accsys' higher performance, lower maintenance and more sustainable products as the world focuses on decarbonisation.

We remain confident in the significant long-term growth opportunities ahead and in our ability to execute our strategy in pursuit of sustainable growth.

**Rob Harris**
**Chief Executive**
**22 November 2021**

## Introduction

Accsys has delivered a good financial performance in the first half of the 2022 financial year. As our business grows, we are seeing further growth in profit, while investing in capital projects that will see us double our production capacity by July 2022. We have also increased our investment in our people and organisation to be ready to effectively manage this growth as we shift to have multi-site, global operations.

In the period we have not seen the same level of financial or trading impact from COVID-19 as we did in the first quarter of FY21, but we continue to take actions to remain defensive to wider market conditions which are partial consequences of the pandemic.

This includes, maintaining a close focus on working capital management and debtor days, ensuring we remain less impacted by energy and wood market volatility through good supply contracts and leveraging our natural hedge from reselling our Acetic Acid by-product. We are also rebuilding our inventory levels to maintain a buffer against supply chain and shipping disruptions. Despite wider market pressures in these areas in H1 FY22, Accsys has continued to grow revenue, profit, and volumes, whilst remaining at capacity-levels of production.

In H1 FY22 Accoya® sales volumes grew by 12%, with a 31% increase in Revenue and 20% increase in underlying Gross Profit which reflects an increase in the average sales price and a stronger year-on-year performance against a COVID-impacted prior year period. Group underlying EBITDA increased 5% to €4.5m with planned increased investment in organisational capability and the recruitment of operational teams ahead of the commercial start-up of the Accoya® Reactor 4 expansion project in Arnhem and the Tricoya® plant in Hull.

The Accoya® business continued to perform strongly, with Accoya® underlying EBITDA increasing 12% to €10.3m, delivering Group operating cashflow before working capital changes and exceptional items of €5.0m (H1 FY21: €4.8m).

Net debt decreased €14.6m in the period to a Net cash position of €2.4m, following the May 2021 equity capital raise with net proceeds of €34.6m partially offset by investment in additional production capacity in Hull and Arnhem.

## Statement of comprehensive income

Group revenue increased by 31% to €56.2m for the six months ended 30 September 2021 (H1 FY21: €42.9m).
Accoya® sales volumes were 12% higher, with the prior year period impacted by COVID-19, particularly in the first quarter (Accoya® sales volumes in H1 FY21 were 6% lower than in H1 FY20). To optimise timing for the Reactor 4 expansion project in Arnhem, the usual H1 annual maintenance stop has been moved to the second half of the financial year. An increase in the average sales price was driven by planned price increases in the period and prior year, which together with the increase in sales volumes resulted in revenue from Accoya® wood increasing by 25% to €48.5m.

Included within Accoya® wood revenue, in the Accoya® segment, are sales for the manufacture of Tricoya® panels, which increased to €8.5m (H1 FY21: €8.3m). These sales represent 24% of Accoya® sales volumes (HY1 FY21: 28%), and are used to develop the market for Tricoya® products ahead of the start-up of the Tricoya® plant.
Tricoya® wood revenue of €0.9m (H1 FY21: €1.1m), in the Tricoya® segment, represented sales of Tricoya® panels, purchased from our Tricoya® licensees, to sell into other geographies in order to provide initial market seeding material for the global Tricoya® market.

Licence revenue of €9k was reflected in our Tricoya® segment in the period. In the prior year period, €0.4m was reflected in the Accoya® segment, principally attributable to the licence agreement entered into with Accoya USA LLC, a company formed together with Eastman Chemical Company (and accounted for as a joint venture), with the intention to construct and operate an Accoya® wood production plant to serve the North American market.

Other revenue increased to €6.9m (H1 FY21: €2.7m) driven by higher sales prices for the sale of our acetic acid by-product.

Higher input costs were also experienced during the first half, with Anhydride pricing increasing on H1 FY21 average pricing due to higher energy commodities pricing in the market. The sale of acetic acid continued to act as a partial hedge, in the first half, to the increase in Anhydride pricing, covering over half the financial effect from the increase in Anhydride pricing. When considered as a Net Acetyls cost, the net cost increased 26% compared to H1 FY21.

Raw wood input costs were also moderately higher, however overall our pricing trend on this raw material remains more stable than the wider lumber market as we purchase appearance-grade wood under long term supply contracts with many of our partners.

Underlying Gross margin decreased from 33% to 31% compared to the prior year period, with the Accoya® manufacturing gross margin also decreasing by 2.5% to 31%. The decreases were principally due to the sales mix in the period, with the effect of the sales price increases, substantially offsetting the effect from the higher raw material costs, mentioned above.

Underlying other operating costs excluding depreciation and amortisation, increased from €10.0m to €12.6m. This increase was due to an increase in staff costs with average Group headcount increasing by 51 to 241 for the current year period and temporary salary decreases implemented in the prior year period. This increase in headcount includes the remainder of the Hull operating team joining towards the end of H2 FY21, an increase in the Arnhem operating team ahead of the 4th reactor starting up, the Group investing in its Organisational capability with the hiring of several heads of department and other related hires in the second half of FY21, and the addition of 11 former Lignia employees who joined Accsys following the purchase of assets in Wales, to grow production of Accoya® Color.
Sales and marketing costs (excluding staff costs) also increased by €0.5m compared to the prior year period.

Depreciation and amortisation charges and underlying finance expenses were largely in line with the prior year.

Exceptional items include €0.1m for redundancy payments related to the purchase of assets to be utilised to manufacture Accoya® Color in Wales. In the prior year period, exceptional items included COVID-19 related staff support funding from the Netherlands and UK governments totalling €0.6m, which was reversed in H2 FY21 and repaid earlier this year.

Other adjustments for the period include a foreign exchange gain of €0.2m (H1 FY21: €0.5m) on loans held in pounds sterling with BGF and Volantis and foreign exchange differences on cash held in pounds sterling, which is used primarily to act as a cash flow hedge against future sterling project expenditure on the new plant being constructed in Hull and to a lesser extent, as a cashflow hedge against future sterling corporate costs. The effective portions of the cash flow hedges are recognised in other comprehensive income.

Underlying loss before tax increased €0.2m to €0.3m. After taking into account exceptional items and other adjustments, loss before tax increased by €1.2m to €0.2m (H1 FY21: profit of €1.0m).

The tax charge of €0.6m was in-line with the prior year period (H1 FY21: €0.6m).

**Cash flow**

Cash flows generated from operating activities before changes in working capital and exceptional items increased by 4% to €5.0m compared to €4.8m in the prior year period reflecting the strong operational cash flow being generated by the Group.

Inventory levels increased by €5.8m during the period from a lower than optimal level at the start of the year, and are expected to increase in the second half ahead of the Arnhem Reactor 4 and Hull Tricoya® plant start-up.

In May 2021, Accsys completed a successful Placing and open offer for an issue of shares in the Company, raising net proceeds of approximately €34.6 million. The net proceeds are to be used primarily to fund the Group's investment in expanding its Accoya® business into North America through the construction of a new Accoya® USA plant, through its joint venture with Eastman Chemical Company ('Eastman'), as well as to provide additional capital to support the Group's continued growth and ongoing development.

At 30 September 2021, the Group held cash balances of €60.9m, representing a €13.3m increase in the period from 31 March 2021. The cash increase in the period is attributable to the successful Placing and Open offer and cash flow generated from operating activities referred to above, partially offset by investments in tangible fixed assets of €17.2m, primarily reflecting the construction progress made on the Arnhem plant expansion project (€12.1m) and our Tricoya® plant construction in Hull (€3.7m) and the increase in inventory referred to above.

In July 2021, Accsys entered into a sale and purchase agreement with Lignia Wood Company Limited ('Lignia') and its administrators, to acquire certain assets, equipment and technology for €1.2m, including €0.5m for raw wood inventory. The purchased assets will enable Accsys to grow production and availability of Accoya® Color more rapidly, accelerating the launch of the product into more geographic markets and for more product applications. The acquired raw wood will be used for production of Accoya® at our plant in the Netherlands.

Loan repayments and interest payments were €3.3m during the period (H1 FY21: €1.9m), with the increase due to prior period repayments of €0.5m relating to the ABN AMRO €14m term loan being deferred to the end of the loan term, as a COVID-19 action taken by ABN AMRO and the beginning of contractual principal repayments on the Bruil loan from June 2021.

### Financial position

Plant and machinery additions of €7.5m (H1 FY21: €9.9m) in the period largely consisted of the construction of the 4th Reactor expansion project in Arnhem (€12.1m), the purchase of certain assets and equipment to be utilised to grow production of manufacture Accoya® Color in Wales (€0.7m), and the Tricoya® plant's net reversal of €6m following the reversal of construction milestone related accruals (€11.1m) previously accounted for, following the settlement agreement entered into between Tricoya UK and Engie Fabricom UK Limited, Tricoya UK's former EPC contractor, which is partially offset by further progress costs on the project. The prior year period primarily related to construction on the Tricoya® plant build in Hull and initial costs related to the 4th Reactor expansion project in Arnhem.

Trade and other receivables increased to €12.5m (H1 FY21: €10.6m), primarily due to a €1.3m increase in VAT receivables.

Total Inventory increased to €18.1m (H1 FY21: €15.7m) from a lower than optimal level at the start of the year. Levels of Accoya® inventory remain low, with the finished goods balance representing approximately three weeks of sales.

The decrease in trade and other payables to €21.8m (H1 FY21: €24.8m) is primarily due to the reversal of accruals associated with the construction of the Tricoya® Hull plant following the settlement agreement entered into between Tricoya UK and Engie Fabricom UK Limited, offset by an increase in trade payables, primarily related to the timing of construction contract related payments.

Amounts payable under loan agreements decreased to €52.8m (H1 FY21: €54.5m) in line with contractual principal repayments.

Net debt decreased by €14.6m in the period to Net cash of €2.4m (FY21: Net debt of €12.2m) due to the successful Placing and Open offer (net proceeds of €34.6m) partially offset by Capex investments of €17.2m.

In October 2021 (post period-end), Accsys completed the refinance of its Group debt facilities through a new bilateral agreement with ABN AMRO, one of Accsys' existing relationship banks. The new €60m 3-year bilateral facilities agreement with ABN AMRO comprises a €45m Term Loan Facility and a €15m Revolving Credit Facility ('RCF'). The €45m Term Loan has been (post period-end) fully utilised to repay all of the Group's existing debt, with the exception of the NatWest facility held by the Tricoya® consortium which remains in place. The new facility significantly simplifies Accsys' debt structure, which previously included five different debt providers and commercial partners. The Term Loan is partially amortising, with 5% of the principal repayable per annum after 18 months. This, together with the RCF, will provide Accsys with greater liquidity to support the Group's growth plans. The applicable interest rate for the Term Loan will vary between an all-in cost of 1.75% and 3.25% depending on net leverage, resulting in a significant improvement compared to the previous facilities which had a weighted average cost of approximately 6%. The RCF interest rate will similarly vary, but between 2.0% and 3.5% above EURIBOR. The new facilities are secured against the assets of the Group which are 100% owned by the Company and include customary covenants such as net leverage and interest cover.

### Risks and uncertainties

As described on page 37 to 45 of the 2021 Annual report, the business, financial condition or results of operations of the Group could be adversely affected by a number of risks. The Group's systems of control and protection are designed to help manage and control risks to an appropriate level rather than to eliminate them.
These specific principal risks and related mitigations (as described in the 2021 Annual report) as currently identified by Accsys' risk management process, have not changed significantly since the publication of the last Annual Report.

These risks relate to the following areas:
Health, Safety & Environment; Hull plant; Supply of Raw Materials; Sale of Products; Environmental, Social & Governance (ESG) and Sustainability; Manufacturing; Expansion; IT; Licensing/Partnering; Finance; Litigation & disputes; Protection of Intellectual Property & trade secrets; Personnel; Governance, Compliance & Law; and Investor & Public relations.

### Going concern

These condensed consolidated financial statements are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, and at least 12 months from the date these financial statements are approved.

As part of the Group's going concern review, the Directors have assessed the Group's trading forecasts and working capital requirements for the foreseeable future under a base scenario taking into account the Group's financial resources including the current cash position and banking and finance facilities which are currently in place, including the refinance of debt facilities shortly after the balance sheet date (See Notes 12 & 16 for details of these facilities) and the possible further impact of COVID-19.

The Directors have also assessed a severe but plausible downside scenario with reduced sales volumes and lower gross margin. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on achieving certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of on-going working capital items in line with internally agreed budgets.

The Directors' have also considered the possible amount and timing of capital expenditure required to complete the further expansion of the Arnhem Accoya® plant and in particular the Tricoya® plant in Hull, noting that should additional funding be required beyond what has been committed by the Tricoya® consortium partners to date, further consent would be required by the Tricoya® consortium partners for funding to be contributed. This has been considered together with the intended investment in the USA, noting that the full forecast project costs have not yet been committed to. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to ensure on-going liquidity including reducing/deferring costs in some discretionary areas as well as larger capital projects if necessary.

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control, under both the base scenario and severe but plausible downside scenario (both scenarios include the commitment of funding for the intended investment in the USA), there is sufficient liquidity and covenant headroom such that there is no material uncertainty with respect to going concern.

Therefore the Directors believe that the going concern basis is the most appropriate on which to prepare the financial statements.

**William Rudge**
**Finance Director**
**22 November 2021**

## Directors responsibility statement

The Directors confirm to the best of their knowledge that:

• the condensed set of financial statements has been prepared in accordance with the AIM Rules for Companies and IAS 34 Interim Financial Reporting as endorsed by the European Union and as adopted for use in the United Kingdom and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and its subsidiaries;

• the interim management report for the six months ended 30 September 2021 gives a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act.

**By order of the Board**

**Angus Dodwell**
**Company Secretary**
**22 November 2021**

**Accsys Technologies PLC**

## Condensed consolidated statement of comprehensive income for the six months ended 30 September 2021

| | Note | Unaudited 6 months ended 30 Sept 2021 €'000 Underlying | Unaudited 6 months ended 30 Sept 2021 €'000 Exceptional items & other adjustments* | **Unaudited 6 months ended 30 Sept 2021 €'000 Total** | Unaudited 6 months ended 30 Sept 2020 €'000 Underlying | Unaudited 6 months ended 30 Sept 2020 €'000 Exceptional items & other adjustments* | **Unaudited 6 months ended 30 Sept 2020 €'000 Total** | Audited Year ended 31 March 2021 €'000 Underlying | Audited Year ended 31 March 2021 €'000 Exceptional items & other adjustments* | **Audited Year ended 31 March 2021 €'000 Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| Accoya® wood revenue | | 48,465 | - | **48,465** | 38,676 | - | **38,676** | 91,095 | - | **91,095** |
| Tricoya® panel revenue | | 860 | - | **860** | 1,110 | - | **1,110** | 2,091 | - | **2,091** |
| Licence revenue | | 9 | - | **9** | 402 | - | **402** | 419 | - | **419** |
| Other revenue | | 6,901 | - | **6,901** | 2,745 | - | **2,745** | 6,198 | - | **6,198** |
| **Total revenue** | 2 | 56,235 | - | **56,235** | 42,933 | - | **42,933** | 99,803 | - | **99,803** |
| **Cost of sales** | | (39,032) | - | **(39,032)** | (28,609) | 230 | **(28,379)** | (66,714) | - | **(66,714)** |
| **Gross profit** | | 17,203 | - | **17,203** | 14,324 | 230 | **14,554** | 33,089 | - | **33,089** |
| Other operating costs | 3 | (15,655) | (151) | **(15,806)** | (12,769) | 347 | **(12,422)** | (28,559) | 103 | **(28,456)** |
| **Operating profit/(loss)** | | **1,548** | **(151)** | **1,397** | **1,555** | **577** | **2,132** | 4,530 | 103 | **4,633** |
| Finance income | | - | - | **-** | 1 | - | **1** | 1 | - | **1** |
| Finance expense | | (1,722) | 231 | **(1,491)** | (1,657) | 485 | **(1,172)** | (3,250) | (900) | **(4,150)** |
| Share of net loss of joint ventures accounted for using the equity method | 14 | (91) | - | **(91)** | - | - | **-** | (144) | - | **(144)** |
| **Profit/(loss) before taxation** | | (265) | 80 | **(185)** | (101) | 1,062 | **961** | 1,137 | (797) | **340** |
| Tax expense | 5 | (622) | - | **(622)** | (587) | - | **(587)** | (1,251) | - | (1,251) |
| **Profit/(loss) for the period** | | (887) | 80 | **(807)** | (688) | 1,062 | **374** | (114) | (797) | **(911)** |
| *Items that may be reclassified to profit or loss* | | | | | | | | | | |
| Gain/(loss) arising on translation of foreign operations | | 213 | - | **213** | (153) | - | **(153)** | 5 | - | **5** |
| Gain/(loss) arising on foreign currency cash flow hedges | | - | 579 | **579** | - | (428) | **(428)** | - | 192 | **192** |
| Total other comprehensive income/(loss) | | 213 | 579 | **792** | (153) | (428) | **(581)** | 5 | 192 | **197** |
| **Total comprehensive (loss)/gain for the period** | | (674) | 659 | **(15)** | (841) | 634 | **(207)** | (109) | (605) | **(714)** |
| **Total comprehensive loss for the year is attributable to:** | | | | | | | | | | |
| Owners of Accsys Technologies PLC | | 219 | 692 | **911** | (266) | 763 | **497** | 1,279 | (605) | 674 |
| Non-controlling interests | | (893) | (33) | **(926)** | (575) | (129) | **(704)** | (1,388) | - | **(1,388)** |
| **Total comprehensive (loss)/gain for the period** | | (674) | 659 | **(15)** | (841) | 634 | **(207)** | (109) | (605) | **(714)** |
| **Basic and diluted profit/(loss) per ordinary share** | 6 | €0.00 | | €0.00 | €(0.00) | | €0.01 | €0.01 | | €0.00 |

The notes set out on pages 20 to 39 form an integral part of these condensed financial statements.

* See note 4 for details of exceptional items and other adjustments.

**Accsys Technologies PLC**

**Condensed consolidated statement of financial position at 30 September 2021**

| | Note | Unaudited 6 months ended 30 Sept 2021 €'000 | Unaudited 6 months ended 30 Sept 2020 €'000 | Audited Year ended 31 March 2021 €'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 8 | 10,962 | 10,882 | 10,865 |
| Investment accounted for using the equity method | 14 | 1,421 | 470 | 326 |
| Property, plant and equipment | 9 | 145,206 | 130,273 | 139,557 |
| Right of use assets | | 5,120 | 4,273 | 4,859 |
| Financial asset at fair value through profit or loss | | - | - | - |
| | | 162,709 | 145,898 | 155,607 |
| **Current assets** | | | | |
| Inventories | | 18,105 | 15,678 | 12,262 |
| Trade and other receivables | | 12,540 | 10,560 | 12,314 |
| Cash and cash equivalents | | 60,921 | 42,967 | 47,598 |
| Corporation tax receivable | | 153 | 252 | 183 |
| Derivative financial instrument | | 106 | - | 134 |
| | | 91,825 | 69,457 | 72,491 |
| **Current liabilities** | | | | |
| Trade and other payables | | (21,767) | (24,803) | (29,810) |
| Obligation under lease liabilities | | (1,108) | (857) | (948) |
| Short term borrowings | 12 | (16,269) | (6,201) | (9,664) |
| Corporation tax payable | | (2,514) | (1,271) | (1,863) |
| Derivative financial instrument | | - | (129) | - |
| | | (41,658) | (33,261) | (42,285) |
| **Net current assets** | | 50,167 | 36,196 | 30,206 |
| **Non-current liabilities** | | | | |
| Obligation under lease liabilities | | (4,630) | (3,913) | (4,584) |
| Other long term borrowing | 12 | (36,535) | (48,298) | (44,626) |
| | | (41,165) | (52,211) | (49,210) |
| **Total net assets** | | 171,711 | 129,883 | 136,603 |
| **Equity** | | | | |
| Share capital | 10 | 9,619 | 8,213 | 8,466 |
| Share premium account | | 223,035 | 186,383 | 189,598 |
| Other reserves | 11 | 115,214 | 112,928 | 114,635 |
| Accumulated loss | | (212,642) | (212,969) | (213,263) |
| Own shares | | (5) | (36) | (36) |
| Foreign currency translation reserve | | 250 | (121) | 37 |
| **Capital value attributable to owners of Accsys Technologies PLC** | | 135,471 | 94,398 | 99,437 |
| Non-controlling interest in subsidiaries | | 36,240 | 35,485 | 37,166 |
| **Total equity** | | 171,711 | 129,883 | 136,603 |

The notes set out on pages 20 to 39 form an integral part of these condensed financial statements.

**Accsys Technologies PLC**

## Condensed consolidated statement of changes in equity for the six months ended 30 September 2021

| | Share capital Ordinary | Share premium | Other reserves | Own Shares | Foreign currency trans-lation reserve | Accumulated loss | Total equity attributable to equity shareholders of the company | Non-Controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Balance at 31 March 2020** | 8,114 | 186,390 | 112,551 | - | 32 | (214,394) | 92,693 | 34,442 | 127,135 |
| Total comprehensive (expense)/gain for the period | - | - | (428) | - | (153) | 1,078 | 497 | (704) | (207) |
| Share based payments | - | - | - | - | - | 410 | 410 | - | 410 |
| Shares issued | 99 | - | - | (36) | - | (63) | - | - | - |
| Premium on shares issued | - | - | - | - | - | - | - | - | - |
| Share issue costs | - | (7) | - | - | - | - | (7) | - | (7) |
| Issue of subsidiary shares to non-controlling interests | - | - | 805 | - | - | - | 805 | 1,747 | 2,552 |
| **Balance at 30 Sept 2020 (unaudited)** | 8,213 | 186,383 | 112,928 | (36) | (121) | (212,969) | 94,398 | 35,485 | 129,883 |
| Total comprehensive (expense)/gain for the period | - | - | 620 | - | 158 | (601) | 177 | (684) | (507) |
| Share based payments | - | - | - | - | - | 307 | 307 | - | 307 |
| Shares issued | 253 | - | - | - | - | - | 253 | - | 253 |
| Premium on shares issued | - | 3,215 | - | - | - | - | 3,215 | - | 3,215 |
| Share issue costs | - | - | - | - | - | - | - | - | - |
| Issue of subsidiary shares to non-controlling interests | - | - | 1,087 | - | - | - | 1,087 | 2,365 | 3,452 |
| **Balance at 31 March 2021** | 8,466 | 189,598 | 114,635 | (36) | 37 | (213,263) | 99,437 | 37,166 | 136,603 |
| Total comprehensive (expense)/gain for the period | - | - | 579 | - | 213 | 119 | 911 | (926) | (15) |
| Share based payments | - | - | - | - | - | 533 | 533 | - | 533 |
| Shares issued | 1,153 | - | - | 31 | - | (31) | 1,153 | - | 1,153 |
| Premium on shares issued | - | 35,531 | - | - | - | - | 35,531 | - | 35,531 |
| Share issue costs | - | (2,094) | - | - | - | - | (2,094) | - | (2,094) |
| Issue of subsidiary shares to non-controlling interests | - | - | - | - | - | - | - | - | - |
| **Balance at 30 Sept 2021 (unaudited)** | 9,619 | 223,035 | 115,214 | (5) | 250 | (212,642) | 135,471 | 36,240 | 171,711 |

Share capital is the amount subscribed for shares at nominal value (note 10).

Share premium account represents the excess of the amount subscribed for share capital over the nominal value of these shares, net of share issue expenses. Share issue expenses comprise the costs in respect of the issue by the Company of new shares.

See note 11 for details concerning other reserves.

Non-controlling interests relates to the investment of various parties into Tricoya Technologies Limited and Tricoya UK Limited (note 7).

Foreign currency translation reserve arises on the re-translation of the Group's USA subsidiary's net assets which are denominated in a different functional currency, being US dollars.

Accumulated losses represent the cumulative loss of the Group attributable to the owners of the parent.

The notes set out on pages 20 to 39 form an integral part of these condensed financial statements.

## Accsys Technologies PLC

## Condensed consolidated statement of cash flow for the six months ended 30 September 2021

| | Unaudited 6 months ended 30 Sept 2021 €'000 | Unaudited 6 months ended 30 Sept 2020 €'000 | Audited Year ended 31 March 2021 €'000 |
|---|---|---|---|
| **(Loss)/profit before taxation before exceptional items and other adjustments** | (265) | (101) | 1,137 |
| *Adjustments for:* | | | |
| Amortisation of intangible assets | 366 | 393 | 803 |
| Depreciation of property, plant and equipment and right of use assets | 2,643 | 2,372 | 4,934 |
| Net finance expense | 1,722 | 1,656 | 3,352 |
| Equity-settled share-based payment expenses | 533 | 410 | 717 |
| Accsys portion of Licence fee received from joint venture | - | - | 600 |
| Share of net loss of joint venture | 91 | - | 144 |
| Currency translation (loss)/gain | (93) | 60 | 110 |
| **Cash inflows from operating activities before changes in working capital and exceptional items** | 4,997 | 4,790 | 11,797 |
| Exceptional Items in operating activities (see note 4) | (133) | 595 | - |
| **Cash inflows from operating activities before changes in working capital** | 4,864 | 5,385 | 11,797 |
| Decrease/(increase) in trade and other receivables | 255 | 2,154 | (159) |
| (Decrease) in deferred income | - | - | (42) |
| (Increase)/decrease in inventories | (5,843) | 1,254 | 4,670 |
| Increase in trade and other payables | 1,186 | 809 | 3,864 |
| **Net cash from operating activities before tax** | 462 | 9,602 | 20,130 |
| **Tax received** | 59 | 76 | 71 |
| **Net cash from operating activities** | 521 | 9,678 | 20,201 |
| **Cash flows from investing activities** | | | |
| Interest received | - | 2 | 5 |
| Investment in property, plant and equipment | (17,196) | (3,700) | (11,674) |
| Foreign exchange deal settlement related to hedging of Hull capex | - | (392) | (258) |
| Investment in intangible assets | (463) | (289) | (682) |
| Investment in joint venture | (1,186) | - | (1,070) |
| **Net cash used in investing activities** | (18,845) | (4,379) | (13,679) |
| **Cash flows from financing activities** | | | |
| Other finance costs | (36) | (32) | (80) |
| Proceeds from trade facility draw down | - | 827 | - |
| Interest Paid | (1,251) | (1,058) | (1,831) |
| Repayment of lease liabilities | (504) | (443) | (1,308) |
| Repayment of loans/rolled up interest | (2,097) | (888) | (2,474) |
| Proceeds from issue of share capital | 36,684 | - | 3,468 |
| Proceeds from issue of subsidiary shares to non-controlling interests | - | 2,552 | 6,004 |
| Share issue costs | (2,094) | (7) | (7) |
| **Net cash from financing activities** | 30,702 | 951 | 3,772 |
| **Net increase in cash and cash equivalents** | 12,378 | 6,250 | 10,294 |
| Effect of exchange gain/(loss) on cash and cash equivalents | 945 | (521) | 66 |
| **Opening cash and cash equivalents** | 47,598 | 37,238 | 37,238 |
| **Closing cash and cash equivalents** | 60,921 | 42,967 | 47,598 |

The notes set out on pages 20 to 39 form an integral part of these interim financial statements.

## 1. Accounting policies

### General Information

The principal activity of the Group is the production and sale of Accoya® solid wood and exploitation of technology for the production and sale of Accoya® wood and Tricoya® wood chips. Manufactured through the Group's proprietary acetylation processes, these products exhibit superior dimensional stability and durability compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials.

The Company is a public limited company, which is listed on AIM in the United Kingdom and Euronext in the Netherlands, and is domiciled in the United Kingdom. The registered office is Brettenham House, 19 Lancaster Place, London, WC2E 7EN.

The condensed consolidated financial statements were approved on 22 November 2021. These condensed consolidated financial statements have been reviewed, not audited.

### Basis of accounting

The Group's condensed consolidated financial statements in these interim results have been prepared in accordance with IFRS issued by the International Accounting Standards Board as endorsed by the European Union and as adopted for use in the United Kingdom, in particular International Accounting Standard (IAS) 34 "interim financial reporting" and the AIM Rules for Companies and the Dutch Financial Markets Supervision Act.

On 31 December 2020, IFRS as adopted by the European Union at that date, was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial information for the six months ended 30 September 2021 and the six months ended 30 September 2020 is unaudited. The comparative financial information for the full year ended 31 March 2021 does not constitute the Group's statutory financial statements for that period although it has been derived from the statutory financial statements for the year then ended. A copy of those statutory financial statements has been delivered to the Registrar of Companies and which were approved by the Board of Directors on 21 June 2021. The auditors' report on those accounts was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. This financial information is to be read in conjunction with the annual report for the year ended 31 March 2021, which has been prepared in accordance with both International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2021.

### Accounting policies

No new accounting standards, amendments or interpretations have been adopted in the period which have any impact on these condensed financial statements, or are expected to affect the Group's 2022 Annual Report. The accounting policies applied for preparation of condensed consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 March 2021, as described in those financial statements.

## 1. Accounting policies (continued)

### Going concern

These condensed consolidated financial statements are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, and at least 12 months from the date these financial statements are approved.

As part of the Group's going concern review, the Directors have assessed the Group's trading forecasts and working capital requirements for the foreseeable future under a base scenario taking into account the Group's financial resources including the current cash position and banking and finance facilities which are currently in place, including the refinance of debt facilities shortly after the balance sheet date (See Notes 12 & 16 for details of these facilities) and the possible further impact of COVID-19.

The Directors have also assessed a severe but plausible downside scenario with reduced sales volumes and lower gross margin. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on achieving certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem with the collection of on-going working capital items in line with internally agreed budgets.

The Directors' have also considered the possible amount and timing of capital expenditure required to complete the further expansion of the Arnhem Accoya® plant and in particular the Tricoya® plant in Hull, noting that should additional funding be required beyond what has been committed by the Tricoya® consortium partners to date, further consent would be required by the Tricoya® consortium partners for funding to be contributed. This has been considered together with the intended investment in the USA, noting that the full forecast project costs have not yet been committed to. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to ensure on-going liquidity including reducing/deferring costs in some discretionary areas as well as larger capital projects if necessary.

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control, under both the base scenario and severe but plausible downside scenario (both scenarios include the commitment of funding for the intended investment in the USA), there is sufficient liquidity and covenant headroom such that there is no material uncertainty with respect to going concern.

Therefore the Directors believe that the going concern basis is the most appropriate on which to prepare the financial statements.

## 2. Segmental reporting

The Group's business is the manufacturing of and development, commercialisation and licensing of the associated proprietary technology for the manufacture of Accoya® wood, Tricoya® wood chips and related acetylation technologies. Segmental reporting is divided between corporate activities, activities directly attributable to Accoya®, to Tricoya® or research and development activities. The Group's operating segments are reported in a manner consistent with the internal reporting provided to the executive committee, the chief operating decision-making body.

**Accoya®**

| | **Accoya® Segment** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 6 months ended 30 September 2021 | 6 months ended 30 September 2021 | **6 months ended 30 September 2021** | 6 months ended 30 September 2020 | 6 months ended 30 September 2020 | **6 months ended 30 September 2020** | 12 months ended 31 March 2021 | 12 months ended 31 March 2021 | **12 months ended 31 March 2021** |
| | Underlying | Exceptional items & Other Adjustments | **TOTAL** | Underlying | Exceptional items & Other Adjustments | **TOTAL** | Underlying | Exceptional items & Other Adjustments | **TOTAL** |
| | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** |
| Accoya® wood revenue | 48,465 | - | 48,465 | 38,676 | - | 38,676 | 91,095 | - | **91,095** |
| Licence revenue | - | - | - | 400 | - | 400 | 400 | - | **400** |
| Other revenue | 6,895 | | 6,895 | 2,739 | | 2,739 | 6,142 | - | **6,142** |
| **Total Revenue** | 55,360 | - | **55,360** | 41,815 | - | **41,815** | 97,637 | - | **97,637** |
| **Cost of sales** | (38,184) | - | **(38,184)** | (27,550) | 230 | **(27,320)** | (64,713) | - | **(64,713)** |
| **Gross profit** | 17,176 | - | **17,176** | 14,265 | 230 | **14,495** | 32,924 | - | **32,924** |
| Other operating costs | (9,097) | (133) | **(9,230)** | (7,233) | 249 | **(6,983)** | (15,725) | - | (15,725) |
| **Profit from operations** | 8,079 | (133) | **7,946** | 7,032 | 479 | **7,512** | 17,199 | - | **17,199** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Profit from operations** | 8,079 | (133) | **7,946** | 7,032 | 479 | **7,512** | 17,199 | - | **17,199** |
| Share of Accoya® USA EBITDA | (91) | - | **-** | - | - | **-** | (144) | - | **-** |
| **EBIT** | 7,988 | (133) | **7,946** | 7,032 | 479 | **7,512** | 17,055 | - | **17,199** |
| Depreciation and amortisation | 2,297 | - | **2,297** | 2,132 | - | **2,132** | 4,371 | - | **4,371** |
| **EBITDA** | 10,285 | (133) | **10,243** | 9,164 | 479 | **9,644** | 21,426 | - | **21,570** |

Revenue includes the sale of Accoya®, licence income and other revenue, principally relating to the sale of acetic acid and other licensing related income.

All costs of sales are allocated against manufacturing activities in Arnhem and in Barry (Wales) unless they can be directly attributable to a licensee. Other operating costs include depreciation of the Arnhem and Barry property, plant and equipment together with all other costs associated with the operation of the Arnhem and Barry manufacturing site, including directly attributable administration, sales and marketing costs.

See note 4 for explanation of Exceptional Items and other adjustments.

Average headcount = 159 (H1 FY21: 138)

The below table shows details of reconciling items to show both Accoya® EBITDA and Accoya® Manufacturing gross profit, both including and excluding licence and licensing related income, which has been presented given the inclusion of items which can be more variable or one-off.

| | **6 months ended 30 September 2021 €'000** | **6 months ended 30 September 2020 €'000** | **Year ended 31 March 2021 €'000** |
|---|---|---|---|
| Accoya® segmental underlying EBITDA | 10,285 | 9,164 | 21,426 |
| Accoya® underlying Licence Income | - | (400) | (400) |
| Accoya® segmental manufacturing EBITDA (excluding licence income) | 10,285 | 8,764 | 21,026 |
| Accoya® segmental gross profit | 17,176 | 14,265 | 32,924 |
| Accoya® Licence Income | - | (400) | (400) |
| Accoya® Manufacturing gross profit | 17,176 | 13,865 | 32,524 |
| Gross Accoya® Manufacturing Margin | 31.0% | 33.5% | 33.4% |

## 2. Segmental reporting (continued)

| | 6 months ended 30 September 2021 € | 6 months ended 30 September 2020 € | Year ended 31 March 2021 € |
|---|---|---|---|
| Accoya® Manufacturing gross profit - €'000 | 17,176 | 13,865 | 32,524 |
| Accoya® sales volume - $m^3$ | 29,555 | 26,422 | 60,466 |
| Accoya® manufacturing gross profit per $m^3$ | 581 | 525 | 538 |

**Tricoya®**

| | Tricoya® Segment | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 6 months ended 30 September 2021 | 6 months ended 30 September 2021 | **6 months ended 30 September 2021** | 6 months ended 30 September 2020 | 6 months ended 30 September 2020 | **6 months ended 30 September 2020** | 12 months ended 31 March 2021 | 12 months ended 31 March 2021 | **12 months ended 31 March 2021** |
| | Underlying €'000 | Exceptional items & Other Adjustments €'000 | **TOTAL €'000** | Underlying €'000 | Exceptional items & Other Adjustments €'000 | **TOTAL €'000** | Underlying €'000 | Exceptional items & Other Adjustments €'000 | **TOTAL €'000** |
| Tricoya® panel revenue | 860 | - | 860 | 1,110 | - | 1,110 | 2,091 | - | 2,091 |
| Licence revenue | 9 | - | 9 | 2 | - | 2 | 19 | - | 19 |
| Other revenue | 6 | - | 6 | 6 | - | 6 | 56 | - | 56 |
| **Total Revenue** | 875 | - | **875** | 1,118 | - | **1,118** | 2,166 | - | **2,166** |
| **Cost of sales** | (848) | - | **(848)** | (1,059) | - | **(1,059)** | (2,001) | - | **(2,001)** |
| **Gross profit** | 27 | - | **27** | 59 | - | **59** | 165 | - | **165** |
| Other operating costs | (2,028) | (18) | **(2,046)** | (1,490) | 72 | **(1,418)** | (3,668) | 103 | (3,565) |
| **Loss from operations** | (2,001) | (18) | **(2,019)** | (1,431) | 72 | **(1,359)** | (3,503) | 103 | **(3,400)** |
| **Loss from operations** | (2,001) | (18) | **(2,019)** | (1,431) | 72 | **(1,359)** | (3,503) | 103 | **(3,400)** |
| Depreciation and amortisation | 262 | - | **262** | 247 | - | **247** | 563 | - | **563** |
| **EBITDA** | (1,739) | (18) | **(1,757)** | (1,184) | 72 | **(1,112)** | (2,940) | 103 | **(2,837)** |

Revenue and costs are those attributable to the business development of the Tricoya® process and establishment of Tricoya® Hull Plant.

See note 4 for explanation of Exceptional Items and other adjustments.

Average headcount = 36 (H1 FY21: 18), noting a substantial proportion of the costs to date have been incurred via recharges from other parts of the Group or have resulted from contractors.

## 2. Segmental reporting (continued)

### Corporate

| | Corporate Segment | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 6 months ended 30 September 2021 | 6 months ended 30 September 2021 | **6 months ended 30 September 2021** | 6 months ended 30 September 2020 | 6 months ended 30 September 2020 | **6 months ended 30 September 2020** | 12 months ended 31 March 2021 | 12 months ended 31 March 2021 | **12 months ended 31 March 2021** |
| | Underlying | Exceptional items & Other Adjustments | **TOTAL** | Underlying | Exceptional items & Other Adjustments | **TOTAL** | Underlying | Exceptional items & Other Adjustments | **TOTAL** |
| | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** |
| **Total Revenue** | - | - | **-** | - | - | **-** | - | - | **-** |
| **Cost of sales** | - | - | **-** | - | - | **-** | - | - | **-** |
| **Gross result** | - | - | **-** | - | - | **-** | - | - | **-** |
| Other operating costs | (3,908) | - | **(3,908)** | (3,548) | 16 | **(3,532)** | (8,048) | - | (8,048) |
| **Loss from operations** | (3,908) | - | **(3,908)** | (3,548) | 16 | **(3,532)** | (8,048) | - | **(8,048)** |
| **Profit/(Loss) from operations** | (3,908) | - | **(3,908)** | (3,548) | 16 | **(3,532)** | (8,048) | - | **(8,048)** |
| Depreciation and amortisation | 416 | - | **416** | 345 | - | **345** | 715 | - | **715** |
| **EBITDA** | (3,492) | - | **(3,492)** | (3,203) | 16 | **(3,187)** | (7,333) | - | **(7,333)** |

Corporate costs are those costs not directly attributable to Accoya®, Tricoya® or Research and Development activities. This includes management and the Group's corporate and general administration costs including the head office in London.

See note 4 for explanation of Exceptional Items and other adjustments.

Average headcount = 36 (H1 FY21: 26).

### Research and Development

| | Research & Development Segment | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 6 months ended 30 September 2021 | 6 months ended 30 September 2021 | **6 months ended 30 September 2021** | 6 months ended 30 September 2020 | 6 months ended 30 September 2020 | **6 months ended 30 September 2020** | 12 months ended 31 March 2021 | 12 months ended 31 March 2021 | **12 months ended 31 March 2021** |
| | Underlying | Exceptional items & Other Adjustments | **TOTAL** | Underlying | Exceptional items & Other Adjustments | **TOTAL** | Underlying | Exceptional items & Other Adjustments | **TOTAL** |
| | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** |
| **Total Revenue** | - | - | **-** | - | - | **-** | - | - | **-** |
| **Cost of sales** | - | - | **-** | - | - | **-** | - | - | **-** |
| **Gross result** | - | - | **-** | - | - | **-** | - | - | **-** |
| Other operating costs | (621) | - | **(621)** | (499) | 10 | **(489)** | (1,118) | - | (1,118) |
| **Loss from operations** | (621) | - | **(621)** | (499) | 10 | **(489)** | (1,118) | - | **(1,118)** |
| **Loss from operations** | (621) | - | **(621)** | (499) | 10 | **(489)** | (1,118) | - | **(1,118)** |
| Depreciation and amortisation | 34 | - | **34** | 41 | - | **41** | 88 | - | **88** |
| **EBITDA** | (587) | - | **(587)** | (458) | 10 | **(448)** | (1,030) | - | **(1,030)** |

Research and Development costs are those associated with the Accoya® and Tricoya® processes. Costs exclude those which have been capitalised in accordance with IAS 38. (see note 8).

See note 4 for explanation of Exceptional Items and other adjustments.

Average headcount = 9 (H1 FY21: 8).

## 2. Segmental reporting (continued)

**Total**

| | 6 months ended 30 September 2021 Underlying | 6 months ended 30 September 2021 Exceptional items & Other Adjustments | **6 months ended 30 September 2021 TOTAL** | 6 months ended 30 September 2020 Underlying | 6 months ended 30 September 2020 Exceptional items & Other Adjustments | **6 months ended 30 September 2020 TOTAL** | 12 months ended 31 March 2021 Underlying | 12 months ended 31 March 2021 Exceptional items & Other Adjustments | **12 months ended 31 March 2021 TOTAL** |
|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** |
| Accoya® wood revenue | 48,465 | - | **48,465** | 38,676 | - | **38,676** | 91,095 | - | 91,095 |
| Tricoya® panel revenue | 860 | - | **860** | 1,110 | - | **1,110** | 2,091 | - | 2,091 |
| Licence revenue | 9 | - | **9** | 402 | - | **402** | 419 | - | 419 |
| Other revenue | 6,901 | - | **6,901** | 2,745 | - | **2,745** | 6,198 | - | 6,198 |
| **Total Revenue** | 56,235 | - | **56,235** | 42,933 | - | **42,933** | 99,803 | - | **99,803** |
| **Cost of sales** | (39,032) | - | **(39,032)** | (28,609) | 230 | **(28,379)** | (66,714) | - | **(66,714)** |
| **Gross profit** | 17,203 | - | **17,203** | 14,324 | 230 | **14,554** | 33,089 | - | **33,089** |
| Other operating costs | (15,655) | (151) | **(15,806)** | (12,769) | 347 | **(12,422)** | (28,559) | 103 | **(28,456)** |
| **Profit from operations** | 1,548 | (151) | **1,397** | 1,555 | 577 | **2,132** | 4,530 | 103 | **4,633** |
| Finance income | - | - | **-** | 1 | - | **1** | 1 | - | **1** |
| Finance expense | (1,722) | 231 | **(1,491)** | (1,657) | 485 | **(1,172)** | (3,250) | (900) | **(4,150)** |
| Investment in joint venture | (91) | - | **(91)** | - | - | **-** | (144) | - | **(144)** |
| **Profit/(Loss) before taxation** | (265) | 80 | **(185)** | (101) | 1,062 | **961** | 1,137 | (797) | **340** |

See note 4 for explanation of Exceptional Items and other adjustments.

**Reconciliation of underlying earnings**

| | 6 months ended 30 September 2021 Underlying | 6 months ended 30 September 2021 Exceptional items & Other Adjustments | **6 months ended 30 September 2021 TOTAL** | 6 months ended 30 September 2020 Underlying | 6 months ended 30 September 2020 Exceptional items & Other Adjustments | **6 months ended 30 September 2020 TOTAL** | 12 months ended 31 March 2021 Underlying | 12 months ended 31 March 2021 Exceptional items & Other Adjustments | **12 months ended 31 March 2021 TOTAL** |
|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** | €'000 | €'000 | **€'000** |
| Profit from operations | 1,548 | (151) | 1,397 | 1,555 | 577 | 2,132 | 4,530 | 103 | 4,633 |
| Share of Accoya® USA EBITDA | (91) | - | **-** | - | - | **-** | (144) | - | - |
| **EBIT** | 1,457 | (151) | **1,397** | 1,555 | 577 | **2,132** | 4,386 | 103 | **4,633** |
| **Depreciation and amortisation** | 3,009 | - | 3,009 | 2,765 | - | 2,765 | 5,737 | - | 5,737 |
| **EBITDA** | 4,466 | (151) | **4,406** | 4,320 | 577 | **4,897** | 10,123 | 103 | **10,370** |

## 2. Segmental reporting (continued)

**Segmental reporting continued**

Assets and liabilities on a segmental basis:

| | Accoya® Sept 2021 €'000 | Tricoya® Sept 2021 €'000 | Corporate Sept 2021 €'000 | R&D Sept 2021 €'000 | TOTAL Sept 2021 €'000 |
|---|---|---|---|---|---|
| **Non-current assets** | 78,153 | 79,895 | 4,399 | 262 | **162,709** |
| **Current assets** | 44,766 | 9,425 | 34,194 | 3,440 | **91,825** |
| **Current liabilities** | (19,198) | (10,766) | (11,599) | (95) | **(41,658)** |
| **Net current assets** | 25,568 | (1,341) | 22,595 | 3,345 | **50,167** |
| **Non-current liabilities** | (20,006) | (10,188) | (10,836) | (135) | **(41,165)** |
| **Net assets** | 83,715 | 68,366 | 16,158 | 3,472 | **171,711** |

| | Accoya® Sept 2020 €'000 | Tricoya® Sept 2020 €'000 | Corporate Sept 2020 €'000 | R&D Sept 2020 €'000 | TOTAL Sept 2020 €'000 |
|---|---|---|---|---|---|
| **Non-current assets** | 61,915 | 79,278 | 4,634 | 71 | **145,898** |
| **Current assets** | 26,982 | 10,325 | 26,637 | 5,513 | **69,457** |
| **Current liabilities** | (8,604) | (16,684) | (7,941) | (32) | **(33,261)** |
| **Net current assets** | 18,378 | (6,359) | 18,696 | 5,481 | **36,196** |
| **Non-current liabilities** | (23,730) | (8,956) | (19,525) | - | **(52,211)** |
| **Net assets** | 56,563 | 63,963 | 3,805 | 5,552 | **129,883** |

| | Accoya® March 2021 €'000 | Tricoya® March 2021 €'000 | Corporate March 2021 €'000 | R&D March 2021 €'000 | TOTAL March 2021 €'000 |
|---|---|---|---|---|---|
| **Non-current assets** | 64,994 | 85,696 | 4,620 | 297 | **155,607** |
| **Current assets** | 34,752 | 13,134 | 19,567 | 5,038 | **72,491** |
| **Current liabilities** | (16,706) | (18,933) | (6,576) | (70) | **(42,285)** |
| **Net current assets** | 18,046 | (5,799) | 12,991 | 4,968 | **30,206** |
| **Non-current liabilities** | (21,798) | (9,990) | (17,262) | (160) | **(49,210)** |
| **Net assets** | 61,242 | 69,907 | 349 | 5,105 | **136,603** |

The segmental assets in the current year were predominantly held in the UK and mainland Europe (Prior Year UK and mainland Europe). Additions to property, plant, equipment and intangible assets in the current year were predominantly incurred in the UK and mainland Europe (Prior Year UK and mainland Europe). There are no significant intersegment revenues.

## 2. Segmental reporting (continued)

**Segmental reporting continued**

Analysis of revenue by geographical destination:

| | Unaudited 6 months ended 30 Sept 2021 €'000 | Unaudited 6 months ended 30 Sept 2020 €'000 | Audited Year ended 31 March 2021 €'000 |
|---|---|---|---|
| UK & Ireland | 21,484 | 17,495 | 41,890 |
| Rest of Europe | 17,184 | 13,136 | 27,187 |
| Benelux | 5,372 | 4,458 | 13,170 |
| Americas | 7,940 | 4,926 | 9,701 |
| Asia-Pacific | 4,192 | 2,858 | 7,360 |
| Rest of World | 63 | 60 | 495 |
| | 56,235 | 42,933 | 99,803 |

Sales to UK and Ireland include the sales to MEDITE.

## 3. Other operating costs

Other operating costs consist of the operating costs, other than the cost of sales, associated with the operation of the plant in Arnhem, the site in Barry, the offices in Dallas and London and certain pre-operating costs associated with the plant in Hull:

| | Unaudited 6 months ended 30 Sept 2021 €'000 | Unaudited 6 months ended 30 Sept 2020 €'000 | Audited Year ended 31 March 2021 €'000 |
|---|---|---|---|
| Sales and marketing | 2,483 | 1,476 | 3,847 |
| Research and development | 587 | 448 | 1,030 |
| Other operating costs | 3,907 | 2,743 | 6,013 |
| Administration costs | 5,669 | 5,567 | 11,932 |
| Exceptional Items and other adjustments | 151 | (577) | (103) |
| Other operating costs excluding depreciation and amortisation | 12,797 | 9,657 | 22,719 |
| Depreciation and amortisation | 3,009 | 2,765 | 5,737 |
| **Total other operating costs** | 15,806 | 12,422 | 28,456 |

Administrative costs include costs associated with Business Development and Legal departments, Intellectual Property as well as Human Resources, IT, Finance, Management and General Office and include the costs of the Group's head office costs in London and the US office in Dallas.

The total cost of €15.8m in the current period includes €2.0m in respect of Tricoya® segment (H1 FY21: €1.4m).

Group average employee headcount increased to 241 in the period to 30 September 2021, from 190 in the period to 30 September 2020.

During the period, €408,000 (H1 FY21: €289,000) of internal development & patent related costs were capitalised and included in intangible fixed assets, including €301,000 (H1 FY21: €218,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition, €187,000 of internal costs have been capitalised in relation to our Arnhem Accoya® plant expansion project (H1 FY21: €102,000) and €349,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (H1 FY21: €18,000). Both are included within tangible fixed assets.

## 4. Exceptional Items and Other Adjustments

| | Unaudited 6 months ended 30 Sept 2021 €'000 | Unaudited 6 months ended 30 Sept 2020 €'000 | Audited Year ended 31 March 2021 €'000 |
|---|---|---|---|
| Government grant income | - | 595 | - |
| Redundancy costs in relation to purchase of assets to grow Accoya® Color production | (133) | - | - |
| Total exceptional items | (133) | 595 | - |
| Foreign exchange differences arising on Tricoya® cash held - Operating costs (loss)/profit | (18) | (18) | 103 |
| Foreign exchange differences arising on Loan Notes - incl. in Finance expense profit/(loss) | 231 | 485 | (900) |
| Foreign exchange differences on cash held - Other comprehensive profit/(loss) | 607 | (237) | 18 |
| Revaluation of FX forwards used for cash-flow hedging - Other comprehensive (loss)/profit | (28) | (191) | 174 |
| Total other adjustments | 792 | 39 | (605) |
| Tax on exceptional items and other adjustments | - | - | - |
| Total exceptional items and other adjustments | 659 | 634 | (605) |

**Exceptional Items**

In July 2021, Accsys entered into a sale and purchase agreement with Lignia Wood Company Limited and its administrators, to acquire certain assets, equipment and technology along with its manufacturing plant in Barry, Wales for a consideration of €1.2m, including €0.5m for raw wood inventory (see note 15). The purchased assets will enable Accsys to grow production and availability of Accoya® Color more rapidly, accelerating the launch of the product into more geographic markets and for more product applications. As part of this purchase, redundancy costs of €133,000 were incurred in relation to staff at the Barry site.

In the previous year, the Group received government grants relating to the COVID-19 response, of which €460,000 was received in the Netherlands (Netherlands NOW scheme), and €135,000 in the UK (UK Coronavirus Job Retention Scheme). In the interim results, these amounts were recognised as Exceptional income. It was decided before the March 21 reporting date, given the overall performance of the Group in the year, to repay both of the government grants received, with the exceptional income reversed in the second half of the financial year ended 31 March 2021 and repaid earlier this year.

**Other Adjustments**

Foreign exchange differences in the Tricoya® segment have occurred due to pounds sterling held within the consortium for the ongoing Hull plant build, US dollars held within the Corporate segment for the equity investment into Accoya USA for the USA plant build and to a lesser extent, pounds sterling held within the Corporate segment for future sterling corporate costs.
The Group has mitigated these currency exchange risks by adopting hedge accounting under IFRS 9, Financial Instruments. The effective portion of the foreign exchange movement is recognised in other comprehensive income, with the ineffective portion recognised in Operating costs. Foreign exchange differences also arise on the pounds sterling denominated loan notes, entered into in a prior period. These exchange rate differences are included as finance expenses.

## 5. Tax expense

| | Unaudited 6 months ended 30 Sept 2021 €'000 | Unaudited 6 months ended 30 Sept 2020 €'000 | Audited Year ended 31 March 2021 €'000 |
|---|---|---|---|
| **(a)** Tax recognised in the statement of comprehensive income comprises: | | | |
| **Current tax expense/(credit)** | | | |
| UK Corporation tax on losses for the period | - | - | - |
| Research and development tax (credit)/expense in respect of current period | (31) | (45) | 24 |
| | (31) | (45) | 24 |
| Overseas tax at rate of 15% | 9 | 4 | 11 |
| Overseas tax at rate of 25% | 644 | 628 | 1,216 |
| **Deferred Tax** | | | |
| Utilisation of deferred tax asset | - | - | - |
| Total tax expense reported in the statement of comprehensive income | 622 | 587 | 1,251 |

## 6. Basic and diluted profit/ (loss) per ordinary share

| | Unaudited 6 months ended 30 Sept 2021 | **Unaudited 6 months ended 30 Sept 2021** | Unaudited 6 months ended 30 Sept 2020 | **Unaudited 6 months ended 30 Sept 2020** | Audited Year ended 31 March 2021 | **Audited Year ended 31 March 2021** |
|---|---|---|---|---|---|---|
| Basic earnings per share | Underlying | **Total** | Underlying | **Total** | Underlying | **Total** |
| Weighted average number of Ordinary shares in issue ('000) | 188,322 | 188,322 | 163,823 | 163,823 | 164,890 | 164,890 |
| Profit/(Loss) for the period attributable to owners of Accsys Technologies PLC (€'000) | 6 | 119 | (113) | 1,078 | 1,274 | 477 |
| Basic profit/(loss) per share | € 0.00 | € 0.00 | € (0.00) | € 0.01 | € 0.01 | € 0.00 |
| Diluted earnings per share | | | | | | |
| Weighted average number of Ordinary shares in issue ('000) | 188,322 | 188,322 | 163,823 | 163,823 | 164,890 | 164,890 |
| Equity options attributable to Volantis | - | - | 4,656 | 4,656 | - | - |
| Equity options attributable to BGF | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 | 8,449 |
| Weighted average number of Ordinary shares in issue and potential ordinary shares ('000) | 196,771 | 196,771 | 176,927 | 176,927 | 173,339 | 173,339 |
| Profit/(Loss) for the year attributable to owners of Accsys Technologies PLC (€'000) | 6 | 119 | (113) | 1,078 | 1,274 | 477 |
| Diluted profit/(loss) per share | € 0.00 | € 0.00 | € (0.00) | € 0.01 | € 0.01 | € 0.00 |

## 7. Tricoya Technologies Limited

Tricoya Technologies Limited ("TTL") was incorporated in order to develop and exploit the Group's Tricoya® technology for use within the worldwide panel products market, which is estimated to be worth more than €60 billion annually.

On 29 March 2017 the Group announced the entry into and successful completion of its agreements for the financing, construction and operation of the world's first Tricoya® wood elements acetylation plant in Hull with its TTL consortium investors, being INEOS (previously BP), MEDITE, BGF and Volantis.

The Hull plant will have a targeted production capacity of 30,000 metric tonnes per annum (sufficient to manufacture 40,000 cubic metres of panels) and scope to expand.

Structurally, Accsys, INEOS (previously BP Ventures), MEDITE, BGF and Volantis have invested into TTL. TTL has then invested, alongside INEOS (previously BP Chemicals) and MEDITE, in Tricoya UK Limited ("Tricoya UK"), a special purpose subsidiary of TTL that will construct, own and operate the Hull Plant.

INEOS Acetyls Investments Limited ("INEOS") acquired BP Ventures' share capital of TTL and BP Chemicals share capital of Tricoya UK on 31 December 2020.

INEOS (through acquiring BP's share of TTL & Tricoya UK) have invested €31.8 million in the Tricoya® Project, including €23.3 million as equity in Tricoya UK and €8.5 million as equity in TTL. All funding was received by 31 March 2021.

MEDITE have invested €15.0 million in the Tricoya® Project, including €8.4 million as equity in TTL and €6.6 million as equity in Tricoya UK. All funding was received by 31 March 2021.

In the period to 30 September 2021, the group's shareholding in TTL remained unchanged at 76.5%.

In the year ended 31 March 2017, BGF and Volantis invested an aggregate of £19.0 million as financial investors into both the Group and TTL. BGF and Volantis invested on similar terms but are investing separately, with BGF accounting for 65% of the £19.0 million total. Both of these loans have been repaid in October 2021 following the Group debt refinance (see note 16).

In the year ended 31 March 2017, Tricoya UK entered a six-year €17.2 million finance facility agreement with Natwest Bank PLC in respect of the construction and operation of the Hull Plant. As at 30 September 2021, the Group have utilised €9.6m (FY21: €9.3m) of the facility.

The Group has consolidated the results of TTL and Tricoya UK as subsidiaries, as it exercises the power to govern the entities in accordance with IFRS 10. The non-controlling interests in both entities have been recognised in these Group financial statements.

## 7. Tricoya Technologies Limited (continued)

The "TTL Group" income statement and balance sheet, consisting of TTL and its subsidiary Tricoya UK Ltd, are set out below:

**TTL Group income statement:**

| | Unaudited 6 months ended 30 Sept 2021 €'000 | Unaudited 6 months ended 30 Sept 2020 €'000 | Audited Year ended 31 March 2021 €'000 |
|---|---|---|---|
| Revenue | 875 | 1,118 | 2,178 |
| Cost of Sales Tricoya® panel | (848) | (1,059) | (1,999) |
| Gross profit | 27 | 59 | 179 |
| Costs: | | | |
| Staff costs | (1,440) | (902) | (2,582) |
| Research & development (excluding staff costs) | (115) | (108) | (217) |
| Intellectual Property | (106) | (77) | (255) |
| Other Operating costs | (256) | (131) | (122) |
| Depreciation & Amortisation | (262) | (247) | (563) |
| EBIT | (2,152) | (1,406) | (3,560) |
| EBIT attributable to Accsys shareholders | (1,226) | (704) | (2,172) |

Tricoya® panel revenue represents panels purchased by Tricoya Technologies Ltd from MEDITE, sold to customers in other regions as market seeding.

## 7. Tricoya Technologies Limited (continued)

**TTL Group balance sheet at 30 September 2021:**

| | Unaudited 6 months ended 30 Sept 2021 €'000 | Unaudited 6 months ended 30 Sept 2020 €'000 | Audited Year ended 31 March 2021 €'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 4,517 | 4,263 | 4,376 |
| Property, Plant and Equipment | 74,106 | 74,187 | 79,999 |
| Right of use assets | 1,271 | 829 | 1,321 |
| | 79,894 | 79,279 | 85,696 |
| **Current assets** | | | |
| Trade and other receivables | 687 | 772 | 1,232 |
| Inventories | - | 151 | - |
| Cash and cash equivalents | 7,900 | 9,561 | 11,464 |
| Derivative financial instrument | 106 | - | 134 |
| | 8,693 | 10,484 | 12,830 |
| **Current liabilities** | | | |
| Trade and other payables | (12,208) | (17,094) | (20,159) |
| Derivative financial instrument | - | (129) | - |
| | (12,208) | (17,223) | (20,159) |
| **Non-current liabilities** | | | |
| Other long term borrowing | (9,306) | (8,586) | (8,955) |
| | (9,306) | (8,586) | (8,955) |
| **Net assets** | 67,073 | 63,954 | 69,412 |
| Value attributable to Accsys Technologies | 30,832 | 28,469 | 32,246 |
| Value attributable to Non-controlling interest | 36,241 | 35,485 | 37,166 |

**TTL Group cash flows at 30 September 2021:**

| | Unaudited 6 months ended 30 Sept 2021 €'000 | Unaudited 6 months ended 30 Sept 2020 €'000 | Audited Year ended 31 March 2021 €'000 |
|---|---|---|---|
| Cash flows (used in)/ from operating activities | 863 | 755 | (841) |
| Cash flows (used in)/ from investing activities | (4,299) | (2,621) | (6,400) |
| Cash flows (used in)/ from financing activities | (127) | 3,028 | 10,306 |
| **Net (decrease)/increase in cash and cash equivalents** | (3,563) | 1,162 | 3,065 |

## 8. Intangible assets

| | Internal Development costs €'000 | Intellectual property rights €'000 | Goodwill €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 March 2020 | 7,187 | 74,051 | 4,231 | 85,469 |
| Additions | 95 | 194 | - | 289 |
| At 30 September 2020 | 7,282 | 74,245 | 4,231 | 85,758 |
| Additions | 182 | 211 | - | 393 |
| At 31 March 2021 | 7,464 | 74,456 | 4,231 | 86,151 |
| Additions | 118 | 345 | - | 463 |
| At 30 September 2021 | 7,582 | 74,801 | 4,231 | 86,614 |
| **Accumulated amortisation** | | | | |
| At 31 March 2020 | 2,146 | 72,337 | - | 74,483 |
| Amortisation | 180 | 213 | - | 393 |
| At 30 September 2020 | 2,326 | 72,550 | - | 74,876 |
| Amortisation | 184 | 226 | - | 410 |
| At 31 March 2021 | 2,510 | 72,776 | - | 75,286 |
| Amortisation | 321 | 45 | - | 366 |
| At 30 September 2021 | 2,831 | 72,821 | - | 75,652 |
| **Net book value** | | | | |
| At 31 March 2020 | 5,041 | 1,714 | 4,231 | 10,986 |
| At 30 September 2020 | 4,956 | 1,695 | 4,231 | 10,882 |
| At 31 March 2021 | 4,954 | 1,680 | 4,231 | 10,865 |
| At 30 September 2021 | 4,751 | 1,980 | 4,231 | 10,962 |

Refer to note 9 for the recoverability assessment of these intangible assets.

## 9. Property, plant and equipment

| | Land and buildings €'000 | Plant and machinery €'000 | Office equipment €'000 | Total €'000 |
|---|---|---|---|---|
| *Cost or valuation* | | | | |
| Opening balance at 31 March 2020 | 17,976 | 125,691 | 3,243 | 146,910 |
| Additions | - | 9,904 | 198 | 10,102 |
| Foreign currency translation (loss) | - | - | (9) | (9) |
| At 30 September 2020 | 17,976 | 135,595 | 3,432 | 157,003 |
| Additions | - | 10,838 | 453 | 11,291 |
| Foreign currency translation (loss) | - | - | - | - |
| At 31 March 2021 | 17,976 | 146,433 | 3,885 | 168,294 |
| Additions | - | 7,491 | 324 | 7,815 |
| Foreign currency translation (loss) | - | - | 2 | 2 |
| At 30 September 2021 | 17,976 | 153,924 | 4,211 | 176,111 |
| *Depreciation* | | | | |
| Opening balance at 31 March 2020 | 637 | 22,696 | 1,454 | 24,787 |
| Charge for the period | 179 | 1,604 | 168 | 1,951 |
| Foreign currency translation gain | - | - | (8) | (8) |
| At 30 September 2020 | 816 | 24,300 | 1,614 | 26,730 |
| Charge for the period | 179 | 1,645 | 183 | 2,007 |
| Foreign currency translation (loss) | - | - | - | - |
| At 31 March 2021 | 995 | 25,945 | 1,797 | 28,737 |
| Charge for the period | 179 | 1,730 | 257 | 2,166 |
| Foreign currency translation gain | - | - | 2 | 2 |
| At 30 September 2021 | 1,174 | 27,675 | 2,056 | 30,905 |
| *Net book value* | | | | |
| At 31 March 2020 | 17,339 | 102,995 | 1,789 | 122,123 |
| At 30 September 2020 | 17,160 | 111,295 | 1,818 | 130,273 |
| At 31 March 2021 | 16,981 | 120,488 | 2,088 | 139,557 |
| At 30 September 2021 | 16,802 | 126,249 | 2,155 | 145,206 |

Plant and machinery assets with a net book value of €75,068,000 relating to the Hull Plant and €17,910,000 relating to the further expansion of the Arnhem Plant are held as assets under construction and are not depreciated, (31 March 2021: €80,853,000 relating to the Hull Plant and €5,716,000 relating to the further expansion of the Arnhem Plant).

In July 2021, Accsys entered into a sale and purchase agreement with Lignia Wood Company Limited and its administrators to acquire certain assets, equipment and technology along with its manufacturing plant in Barry, Wales for a consideration of €1.2m. See note 15 for further details. This purchase included equipment of €695,000 which is reflected in the additions line above.

## 9. Property, plant and equipment (continued)

The carrying value of the property, plant and equipment, internal development costs and intellectual property rights are split between two cash generating units (CGUs), representing the Accoya® and Tricoya® segments and the carrying value of Goodwill is allocated to the Accoya® segment. The recoverable amount of these CGUs are determined based on a value-in-use calculations which uses cash flow projections based on latest financial budgets and discounted at a pre-tax discount rate of 10.5% (31 March 2021: 10.5%) to determine their present value.

The key assumptions used in the value in use calculations are:
• the manufacturing revenues, operating margins and future licence fees estimated by management;
• the completion of construction of additional facilities on time (and associated output);
• the long term growth rate; and
• the discount rate.

The Directors have determined that there has been no impairment to either CGU. The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. The CGU most susceptible to an impairment given a change in assumptions is the Tricoya® CGU. Key assumptions applied to this CGU were as follows:
• a discount rate of 10.5%;
• a long-term sales growth rate of 1.8%; and
• Gross margin of approximately 40%.

The headroom in the value-in-use model for this CGU would be reduced to nil if the following adverse changes to those key assumptions were made in isolation:
• a 2.5% increase to the discount rate;
• a 1.7% reduction in the long-term sales growth rate;
• a 6% decrease to Gross margin; and
• an increase of 150% above assumed remaining costs to complete the plant.

## 10. Share capital

<u>In the period ended 30 September 2020:</u>

1,259,449 Shares were issued on 12 May 2020 following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ("LTIP").

727,250 shares were issued to an Employee Benefit Trust (EBT) on 29 June 2020 at nominal value, in lieu of cash bonuses for the year ended 31 March 2020. These shares will vest on 1 July 2021, subject to the employees continuing employment within the Group.

<u>In the period ended 31 March 2021:</u>

In February 2021, following the subscription by employees in the prior year for shares under the Employee Share Participation Plan (the 'Plan'), 198,219 shares were issued as 'Matching Shares' at nominal value under the Plan.

In addition, various employees newly subscribed under the Plan for 195,524 shares at an acquisition price of €1.43 per share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

On 26 March 2021, the Company announced that Lombard Odier Asset Management (USA) Corp on behalf of 1798 Volantis Catalyst Fund II Ltd ('Volantis') exercised options over a total of 4,655,667 ordinary shares in the Company for a total consideration of £2,779,899 (exercise price of £0.5971 per ordinary share)

<u>In the period ended 30 September 2021:</u>

In May 2021, 20,005,325 Placing Shares and 2,418,918 Open Offer Shares were issued as part of the capital raise to fund the Company's investment in expanding its Accoya® business into North America through the construction of a new Accoya® plant in the USA through its joint venture, Accoya USA LLC, with Eastman Chemical Company (see note 14), as well as to provide additional capital to support the Company's continued growth. The Shares were issued at a price of €1.65 (£1.40) per ordinary share, raising gross proceeds of €36.7 million (before expenses).

629,460 Shares were issued between June to September 2021 for the benefit of current and former employees following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ("LTIP").

## 11. Other Reserves

| | Capital redemp-tion reserve €000 | Merger reserve €000 | Hedge Effective-ness reserve €000 | Other reserve €000 | Total Other reserves €000 |
|---|---|---|---|---|---|
| Balance at 30 September 2020 | 148 | 106,707 | (391) | 6,464 | 112,928 |
| Issue of subsidiary shares to non-controlling interests | - | - | - | 1,087 | 1,087 |
| Total Comprehensive income for the period | - | - | 620 | - | 620 |
| Balance at 31 March 2021 | 148 | 106,707 | 229 | 7,551 | 114,635 |
| Issue of subsidiary shares to non-controlling interests | - | - | - | - | - |
| Total Comprehensive (expense) for the period | - | - | 579 | - | 579 |
| Balance at 30 September 2021 | 148 | 106,707 | 808 | 7,551 | 115,214 |

The closing balance of the capital redemption reserve represents the amounts transferred from share capital on redemption of deferred shares in a prior period.

The merger reserve arose prior to transition to IFRS when merger accounting was adopted.

The hedge effectiveness reserve reflects the total accounted for under IFRS 9 in relation to the Tricoya® and Corporate segments.

The other reserve represents the amounts received for subsidiary share capital from non-controlling interests net with the carrying amount of non-controlling interests issued.

## 12. Commitments under loan agreements

| | Unaudited 6 months ended 30 Sept 2021 | Unaudited 6 months ended 30 Sept 2020 | Audited Year ended 31 March 2021 |
|---|---|---|---|
| **Amounts payable under loan agreements:** | | | |
| Within one year | 17,358 | 6,703 | 12,012 |
| In the second to fifth years inclusive | 40,726 | 56,336 | 49,714 |
| In greater than five years | - | 223 | - |
| Less future finance charges | (5,280) | (8,763) | (7,436) |
| Present value of loan obligations | 52,804 | 54,499 | 54,290 |

The decrease in total borrowings in the period since 31 March 2021 of €1.5m consisted of scheduled repayments on the ABN (€0.5m), Bruil (€0.5m) & Cerdia loans (€0.4m), repayment on the ABN lease loan (€0.7m) and €0.2m foreign exchange gain arising on the loan notes with BGF & Volantis, offset by €0.8m of accrued finance charges.

Facilities relating to purchase of Arnhem land and buildings*:

On 1 August 2018 the Group entered into a package of facilities to fully finance the purchase of the land and buildings in Arnhem. The partially amortising package of loans includes the following:

- €14.0m loan with ABN Amro Bank. The loan is partially repayable over a five year term with a final payment of €9.25m. Interest is fixed at 3% and the loan is secured on the land and buildings. During the prior year, repayments totalling €0.5m were deferred by ABN Amro Bank, as a COVID-19 action, to the end of the loan term.
- €5.0m lease loan with ABN Asset Based Finance is repayable over a five year term with an implied interest rate of approximately 3%. The loan is secured on the first two Accoya® reactors.
- €4.0m loan with Bruil, the seller and previous landlord. The balance is repayable from July 2021 to July 2023 with interest fixed at 5%. The loan is unsecured.

## 12. Commitments under loan agreements (continued)

Loan Notes*:

On 29 March 2017 the Group issued £16.3 million (€18.4 million) of unsecured fixed rate loan notes. £10.5 million of Loan Notes in principal were issued to Business Growth Fund ('BGF'), with £5.8 million in principal issued to Volantis. The BGF loan notes are subject to a 7% fixed interest rate for the duration of their term and the Volantis loan notes are subject to a 7% fixed interest rate until 31 December 2018, with the interest rate fixed at 9% thereafter. Interest is rolled up until 31 December 2018 on both loans, with further roll up of interest on the Volantis loan until six-monthly redemption payments of both loans commence on 31 December 2021 and end on 30 June 2023.

BGF is an investment company that provides long-term equity funding to growing UK companies to enable them to execute their strategic plans. Volantis is a global asset management firm specialising in alternative investment strategies and is owned by Lombard Odier.

Cerdia Production Facility*:

The €9.5 million term loan facility with Cerdia Production GmBH was used to design, procure and build the Arnhem plant's third reactor. This facility is secured against the third reactor of the Arnhem chemical plant and associated assets and is subject to interest at 7.5% per annum. At 30 September 2021, the Group had €3.8m (31 March 2021: €4.2m) borrowed under this facility. Quarterly repayments of the loan commenced on 21 December 2018 and continue until November 2025.

Tricoya® facility:

On 29 March 2017 the Company's subsidiary, Tricoya UK Limited entered into a six-year €17.2 million finance facility agreement with the Natwest Bank plc in respect of the construction and operation of the Hull Plant. The facility is secured by fixed and floating charges over all assets of Tricoya UK Limited. At 30 September 2021, the Group had €9.6m (31 March 2021: €9.3m) borrowed under the facility. The facility is to be drawn down as required, and facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

Trade receivable and inventory facilities*:

<u>Working capital facility*</u>
The facility is a €6.0m credit facility with ABN Commercial Finance secured upon the receivables and inventory of the Accoya® manufacturing business committed for a period of 5 years. At 30 September 2021, the facility was undrawn (31 March 2021: undrawn).

<u>Bank guarantee facility*</u>
The €1.5m bank guarantee facility is held with ABN AMRO Bank N.V. enabling the Group to issue bank guarantees in order to support the working capital and other operational commitments of the Group.

Both facilities are subject to interest at 2% above the ABN AMRO base rate.

* In October 2021, Accsys completed the refinance of its Group debt facilities through a new bilateral agreement with ABN AMRO, one of Accsys' existing relationship banks. The loans in place at 30 September 2021 held with ABN Amro, Cerdia, Bruil, BGF and Volantis reflected above were fully repaid in October 2021. See note 16.

**Reconciliation to net (debt)/cash:**

| | **Unaudited 6 months ended 30 Sept 2021** | **Unaudited 6 months ended 30 Sept 2020** | **Audited Year ended 31 March 2021** |
|---|---|---|---|
| Cash and cash equivalents | 60,921 | 42,967 | 47,598 |
| Less: | | | |
| Amounts payable under loan agreements | (52,804) | (54,499) | (54,290) |
| Amounts payable under lease liabilities | (5,738) | (4,770) | (5,532) |
| Net (debt)/cash | 2,379 | (16,302) | (12,224) |

## 13. Transactions with non-controlling interests

In the period ended 30 September 2020:

TTL issued 372,875 shares to Titan Wood Limited for a consideration of €0.7m. 484,774 shares were issued to non-controlling interests for a consideration of €0.9m and an additional 495,311 shares were issued to MEDITE in consideration for continuing to seed the market with Tricoya® panels ensuring continued market development ahead of the completion of the Hull Plant. As a result the non-controlling interests' shareholdings were amended to:

BP Ventures (8.5%), MEDITE (11.4%), BGF (2.6%), Volantis (1.2%).

Tricoya UK Ltd issued 486,572 Ordinary shares to Tricoya Technologies Ltd for a consideration of €1.0m. 1,600,530 shares were issued to non-controlling interests for consideration of €1.6 million. As a result the non-controlling interests' shareholdings were amended to:

BP Chemicals (30.0%, MEDITE 8.2%).

In the period ended 31 March 2021:

On 29 October 2020, TTL issued 1,862,356 shares to Titan Wood Limited for a consideration of €3.7m. An additional 498,987 shares were issued to non-controlling interests for a consideration of €1.0m. On 31 December 2020, BP Ventures' share capital of TTL was acquired by INEOS Acetyls Investments Limited ("INEOS"). As a result the non-controlling interests' shareholdings were amended to:

INEOS (8.5%), MEDITE (11.3%), BGF (2.6%), Volantis (1.1%)

On 29 October 2020, Tricoya UK issued 3,972,686 Ordinary shares to Tricoya Technologies Ltd for a consideration of €4.0m. An additional 2,452,798 shares were issued to non-controlling interests for consideration of €2.5m. On 31 December 2020, BP Chemicals' share capital of Tricoya UK was acquired by INEOS. As a result the non-controlling interests' shareholdings were amended to:

INEOS (30.0%, MEDITE 8.2%)

In the period ended 30 September 2021:

No shares were issued in the period to 30 September 2021.

The total carrying amount of the non-controlling interests in TTL and Tricoya UK at 30 September 2021 was €36.24m (2020: €34.42m).

| **Transactions with non-controlling interests** | **Unaudited 6 months ended 30 Sept 2021 €'000** | **Unaudited 6 months ended 30 Sept 2020 €'000** | **Audited Year ended 31 March 2021 €'000** |
|---|---|---|---|
| Opening balance | 8,127 | 6,235 | 6,235 |
| Carrying amount of non-controlling interests issued | - | (1,747) | (4,112) |
| Consideration paid by non-controlling interests | - | 2,552 | 6,004 |
| Excess of consideration paid recognised in Group's equity | 8,127 | 7,040 | 8,127 |

## 14. Investment in Joint Venture

On 11 August 2020, Accsys together with Eastman Chemical Company formed a company, Accoya USA LLC, with the intention to construct and operate an Accoya® wood production plant to serve the North American market.

The plant is being designed to initially produce approximately 40,000 cubic metres (~17 million board feet) of Accoya® per annum and to allow for cost-effective expansion.

The carrying amount of the equity-accounted investment is as follows:

| | **Unaudited 6 months ended 30 Sept 2021 €'000** | **Unaudited 6 months ended 30 Sept 2020 €'000** | **Audited Year ended 31 March 2021 €'000** |
|---|---|---|---|
| Opening balance | 326 | - | - |
| Investment in Accoya® USA | 1,186 | 1,070 | 1,070 |
| Less: Accsys proportion (60%) of Licence fee received | - | (600) | (600) |
| Loss for the year | (91) | - | (144) |
| Closing balance | 1,421 | 470 | 326 |

## 15. Purchase of assets to grow Accoya® Color production

In July 2021, Accsys entered into a sale and purchase agreement with Lignia Wood Company Limited and its administrators, to acquire certain assets, equipment and technology along with its manufacturing plant in Barry, Wales. The purchased assets will enable Accsys to grow production and availability of Accoya® Color more rapidly, accelerating the launch of the product into more geographic markets and for more product applications. The following assets were purchased:

| | **Unaudited 6 months ended 30 Sept 2021 €'000** |
|---|---|
| Intellectual property | 55 |
| Equipment | 695 |
| Inventory | 486 |
| | 1,236 |

## 16. Post Balance Sheet Events

In October 2021, Accsys completed the refinance of its Group debt facilities through a new bilateral agreement with ABN AMRO, one of Accsys' existing relationship banks. The new €60m 3-year bilateral facilities agreement with ABN AMRO comprises a €45m Term Loan Facility and a €15m Revolving Credit Facility ('RCF'). The €45m Term Loan has been (post period-end) fully utilised to repay all of the Group's existing debt, with the exception of the NatWest facility held by the Tricoya® consortium which remains in place. The new facility significantly simplifies Accsys' debt structure, which previously included five different debt providers and commercial partners. The Term Loan is partially amortising, with 5% of the principal repayable per annum after 18 months. This, together with the RCF, will provide Accsys with greater liquidity to support the Group's growth plans. The applicable interest rate for the Term Loan will vary between an all in cost of 1.75% and 3.25% depending on net leverage, resulting in a significant improvement compared to the previous facilities which had a weighted average cost of approximately 6%. The RCF interest rate will similarly vary, but between 2.0% and 3.5% above EURIBOR. The new facilities are secured against the assets of the Group which are 100% owned by the Company and include customary covenants such as net leverage and interest cover.

In November 2021, Accsys agreed new funding arrangements with our Tricoya UK Limited ('Tricoya UK') consortium partners relating to the anticipated costs to complete the plant. Under the arrangements:

• Accsys has entered into a new loan agreement with Tricoya UK under which Accsys will lend up to €17m to Tricoya UK to be used towards the Hull plant construction project alongside existing funding in place for Tricoya UK.

• The loan will accrue interest and be rolled up at a rate which is expected to be between 5.25 and 6.75% above EURIBOR. The loan is secured and is repayable by 30 September 2023. The supply and offtake agreements with consortia partners Medite (sale and purchase of Tricoya® wood elements) and INEOS (acetic anhydride supply) have been updated and reflect the partners' ongoing commitment to the project.