

30 March 2015

Revolymmer plc Preliminary Results for the 12 month period to 31 December 2014

Business Highlights

In its three core business areas of Household Products, Personal Care and Nicotine Gum, the Group is pleased to have delivered during 2014 a number of commercial milestones:

- *Household Products* - On 25 September 2014, Revolymmer announced that it had signed a licence with the international chemicals group Solvay. Under the terms of the deal, Solvay has exclusive rights to apply Revolymmer's encapsulation technology to expand the market for its proprietary cleaning and disinfecting active ingredient 6-phthalimido-peroxyhexanoic acid, known as PAP and commercialised currently by Solvay under the trade mark Eureco™. The geographic territory of the licence is global, and Solvay intends to target industry segments including laundry detergents and additives and dish wash agents, in the consumer, domestic, industrial and institutional markets. Solvay will make royalty payments to Revolymmer on net sales of PAP products incorporating Revolymmer technology;
- *Personal Care* - Revolymmer's amphiphilic moisture management polymer technology has been shown to provide tangible benefits in skincare, haircare, and colour cosmetics. We are currently actively engaging the market and supplying samples for customer evaluation. As a result of these efforts, Revolymmer is starting to make progress with supply agreements of products and ingredients based on this technology to personal care companies and recent developments have given the Board confidence about the future potential of this business area;
- *Nicotine Gum* - There was a significant increase in sales in the period of Revolymmer's proprietary nicotine gum in Canada (net sales of £1,007k, up 103% compared to £495k in 2013). In addition, on 9 June 2014, a supply and distribution agreement was announced in respect of Revolymmer's nicotine chewing gum products for the United States of America with PL Developments LLC (PLD), a leading US manufacturer and supplier of over-the-counter (OTC) products. Under the terms of the agreement, PLD will be responsible for marketing, sales and distribution of Revolymmer's nicotine gum products within this territory, which is the single largest nicotine gum market in the world. The agreement is subject to regulatory approval of Revolymmer's products and the preparation of an application for marketing approval is currently under discussion with the United States Food and Drug Administration (FDA).

Business model: The commercialisation model pursued by Revolymmer has been refined during the year. Recognising that Revolymmer operates in both high volume Fast Moving Consumer Goods (FMCG) markets (e.g. Household Products) as well as relatively lower volume but higher unit value specialty markets (e.g. Personal Care, Nicotine Gum), we are now pursuing supply agreements as well as licences. We currently expect to outsource all manufacture under our supply agreements.

Substantial funding position: The funds available at 31 December 2014 were £13.2 million (2013: £17.7 million), continuing to provide a significant funded "runway" for the business.

Management: Following the departure of Dr Roger Pettman, who resigned from his post as Chief Executive Officer (CEO) effective 31 January 2014 to pursue other commercial interests, the Board ran a search for a new CEO. This process culminated in the appointment of Dr Kevin Matthews on 29 September 2014. Dr Matthews has extensive experience in the development of material and chemical application markets based on innovative technology. The Board also thanks Rob Cridland for performing the role of Acting CEO, as well as Chief Financial Officer (CFO) and Company Secretary, in the intervening period. Mr Cridland has resumed his role of CFO and Company Secretary.

Fertin Pharma A/S and Gumlink A/S litigation: In respect of the alleged patent infringement action brought by Fertin Pharma A/S and Gumlink A/S against the Company relating to the sale of its nicotine gum products in Canada, Revolymmer announced on 10 November 2014 that the action, and the counterclaim forming part of Revolymmer's defence, had been settled and discontinued.

Financial Highlights

- Revenue for the period up 94% at £1,022k (2013: £528k), the largest constituent being sales of nicotine gum in Canada;
- A gross profit made for the first time of £119k (2013: gross loss £343k);
- Other operating income for the period of £32k (2013: £194k), reflecting the Group's focus on value generation through strategic commercialisation deals rather than short term revenue generation;
- Reported loss for the year reduced to £4.3 million (2013: £5.3 million);
- £13.2 million of current cash investments, cash and cash equivalents on hand at the year end (2013: £17.7 million);
- Net cash outflow from operating activities of £4.7 million (2013: £4.3 million), and net cash consumed by the overall business of £4.5 million (2013: £4.2 million).

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Chairman's Statement

I present below my third report as Chairman of Revolymer plc. In summary, the Board of Directors is pleased to note that 2014 was a year of significant commercial and organisational progress for Revolymer.

Organisation

Following the departure of Dr Roger Pettman on 31 January 2014, our CFO Rob Cridland acted as CEO until 29 September 2014, when Dr Kevin Matthews joined the business as CEO. Under the leadership of these Executive Directors the commercial strategy of Revolymer has been further focused on three core strategic areas; Household Products, Personal Care and Nicotine Gum. This exercise included, towards the end of the year, a critical review of resources that resulted in a slight rationalisation of the staff in the business, with a headcount at the year end reduced by 5 to 25 employees. I would like to thank all of our staff for their hard work during the year and look forward to their continued commitment to the business as we move through the commercialisation phases that began during the year.

Commercial Development

During the year commercial milestones were achieved in each of the three key business areas. In Household Products a licence of our encapsulation technology to Solvay in the field of PAP-based products was announced on 25 September 2014. On 9 June 2014, we announced a supply and distribution agreement for our nicotine gum in the US with PL Developments, and, also in the nicotine gum business area, we settled and discontinued the patent dispute with Fertin Pharma A/S and Gumlink A/S (as announced on 10 November 2014). In Personal Care we have made progress with framework supply agreements of products and ingredients based on our moisture management technology to players in this market, and these recent developments have given the Board confidence about the future potential of this business area.

The commercialisation model pursued by Revolymer has also been refined during the year. Recognising that Revolymer operates in both high volume FMCG markets (e.g. Household Products) as well as relatively lower volume but higher unit value specialty markets (e.g. Personal Care, Nicotine Gum), we are now pursuing supply agreements as well as licences. This development is covered in the Chief Executive Officer's review below.

Our financial performance has also improved slightly over 2013, with revenues (primarily from nicotine gum sales in Canada) growing for the first time to just over £1 million (2013: £0.5 million) and annual losses reducing to £4.3 million (2013: £5.3 million). Our objectives remain to move the business to ultimate profitability through further contracts in our targeted market segments.

Shareholder Engagement

We continue to place great importance on building and maintaining relationships with institutional and private investors, and we recognise that this is fundamental to achieving our goals. We aim to achieve this through face-to-face meetings and a range of other communication channels immediately following the achievement and announcement of significant milestones and financial results. We also aim to be highly receptive to shareholder interactions, either received directly or through our broker. The Notice of Annual General Meeting (AGM) that accompanies this Annual Report sets out the business for our third AGM and we encourage all our shareholders, large or small, to attend and participate.

Corporate governance

The Board continues to monitor and, where appropriate, amend governance and control structures, including a comprehensive business risk assessment and mitigation process, and a medium term strategic planning cycle.

Although full compliance with the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council is not compulsory for AIM companies, the Board has chosen to apply those principles of the Code considered appropriate, taking into consideration Revolymer's size and the recommendations contained in the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 (QCA guidelines). We intend to move towards full compliance over time, as the business grows and matures.

Last year we undertook to review the performance of the Board of Directors in the last quarter of 2014. However, with the arrival of our new CEO at the end of September 2014, the Board decided that it would be more appropriate to defer this review until the CEO had familiarised himself fully with the business. The Board performance review was accordingly conducted in the first quarter of 2015 and will be reported on in the 2015 Annual Report.

Conclusion

Based on the progress made in 2014 and the continuing significant market potential for our technologies, I believe that the business has now progressed into its commercialisation phase and look forward to further commercial deals as well as the ensuing revenue streams from them.

John (“Jack”) Keenan

Chairman

Chief Executive Officer’s Review

Overview

I am delighted to have joined the Revolymer Board in September 2014 and I am excited by the business potential I see and the quality of the employees. 2014 was a pivotal year in Revolymer’s progression from a technology development company into a commercial business, with revenue increasing by 94% to exceed £1 million for the first time, and a number of deals being executed in key target markets.

Revolymer’s markets for specialty materials have certain key characteristics. Typically the materials provided by Revolymer represent a small percentage of the final product, and, as such, customers are usually very cautious with regards to switching due to the perceived risk of poor performance of their own products and subsequent brand damage. Therefore, qualification processes are extensive and time consuming. These same characteristics are also of significant benefit in that substitution rates are low and customers generally have limited price sensitivity if real performance advantages are delivered. Therefore, securing approvals and subsequently revenues takes time. Conversely, when these occur they tend to be stable and also represent real validation of the capability of the Revolymer technology to meet customer needs and deliver differentiated product performance.

Recognising the time frames involved in developing products, gaining approvals and growing revenue, management took action in the last quarter of 2014 to focus the cost base and extend the cash runway of the business at least into 2017. This will allow time to secure greater clarity on revenue growth, market opportunity and technology adoption, and therefore the extent to which additional funding will be required before breakeven is achieved.

The development pipeline has progressed in 2014, with milestones achieved in all three target markets (Household Products, Personal Care and Nicotine Gum).

In addition to the commercial transactions already entered into by the Company, Revolymer continues to develop other potential licence and product supply deals, including three under contract negotiation, three having proved technical success and seven key development projects.

Household Products

Revolymer has been actively developing its responsive encapsulation technology for use in the laundry and automatic dishwasher (ADW) market segments. The technology acts to protect the sensitive active in the concentrated formulation but rapidly dissolves to release the active when required during the wash cycle.

Progress in this area was validated by the licence agreement with the international chemicals group Solvay, announced on 25 September 2014. Under the terms of the agreement, Solvay has exclusive rights to apply Revolymer’s encapsulation technology to its proprietary cleaning and disinfecting bleach active ingredient known as PAP and commercialised currently by Solvay under the trade mark Eureco™. It is intended that the resultant formulations of PAP will be more stable than existing PAP formats marketed by Solvay, thereby expanding the market for this active into a broad range of fields including cleaning, disinfection and deodorisation in both solid, gel and liquid product formats. The geographic territory of the licence is global, and Solvay intends to target industry segments including laundry detergents and additives and dish wash agents, in the consumer, domestic, industrial and institutional markets. Veterinary, pharmaceutical and other health care applications are also included in the deal. As consideration for the licence, Solvay will make royalty payments to Revolymer on net sales of PAP products incorporating Revolymer technology.

Similar polymer encapsulation technology is also being developed for a number of other laundry and ADW actives, including the industry standard laundry bleach sodium percarbonate (SPC), with a significant opportunity existing if this bleach can be stabilised to the extent that it can then be used in liquid ADW and liquid laundry for the first time.

Personal Care

In personal care, Revolymer has been principally focused on developing its amphiphilic polymer systems to provide a range of benefits including:

- Moisture management;
- Substantivity (maintaining a key ingredient at a surface or interface);
- Film forming (improving longevity);
- Sensorial feel (improving texture).

The technology has been shown in internal and customer evaluation to provide tangible benefits in fields such as skincare, haircare, and colour cosmetics. Revolymer is currently actively engaging the market and is continuing to supply samples for customer evaluation. As a result of these efforts, Revolymer is beginning to execute framework supply agreements to allow it to supply materials once customer application testing is complete.

Revolymmer has also developed a novel, 100% natural, polymer system for application as a hair styling additive and has begun to sample the market.

Nicotine Gum

We continue to report significant progress in the commercialisation, through the private label channel, of our proprietary nicotine gum products that have a more confectionery-like chew and taste compared to other marketed nicotine gums.

In Canada, the first country to provide regulatory approval for our product, our nicotine gum appears to be popular among consumers with sales growing significantly during the year by 103% to £1,007k (2013: £495k).

On 10 November 2014, Revolymer announced that the alleged patent infringement action brought by Fertin Pharma A/S and Gumlink A/S against the Company relating to the sale of its nicotine gum products in Canada, and the counterclaim forming part of Revolymer's defence, had been settled and discontinued.

On 9 June 2014, Revolymer announced that it had signed a supply and distribution agreement for its nicotine chewing gum products for the United States of America with PL Developments LLC (PLD), a leading US manufacturer and supplier of over-the-counter (OTC) products.

The US represents the single largest nicotine gum market, with a single regulatory authority, the Food and Drug Administration (FDA). According to market estimates agreed between PLD and Revolymer, the US nicotine gum market has a current retail value of nearly \$500 million per annum, of which more than half is private label, and the balance branded products. Under the agreement, PLD plans to market and sell private label formats of Revolymer's nicotine chewing gum products to its broad customer base including all major mass merchandiser, drug, food, dollar channel, and club store retailers.

The agreement is subject to regulatory approval of Revolymer's products by the US FDA, with whom management is actively engaged and focused on the preparation of an application for marketing approval.

Financial review

Cash flow

Net cash outflow from operating activities was £4.7 million (2013: £4.3 million). Excluding existing funds withdrawn from or placed on term deposits, investing activity cash flows were limited to interest actually received of £98k (2013: £193k) and purchase of capital (property, plant and equipment) of £121k (2013: £183k). Net cash inflow from financing activities was £224k (2013: £84k), reflecting the proceeds of vested share options exercised during the year, primarily from the departing CEO Roger Pettman. As a result, the balances on hand at the year end were cash and cash equivalents of £1.7 million (2013: £2.2 million) and short term deposits of £11.5 million (2013: £15.5 million); in total £13.2 million (2013 £17.7 million).

Operations

Revenue for the period increased by 94% to £1,022k (2013: £528k), the majority of which was accounted for by net sales of nicotine gum in Canada of £1,007k (2013: £495k). The net sales of nicotine gum of £1,007k (2013: £495k) are stated after a deferral of £50k (2013: £252k) relating to our Canadian customer's contractual right to return product if it is unsold at its time expiry, provided this relates to sales in excess of minimum customer purchase obligations; such arrangements being customary in distribution agreements of this type. The deferral has been significantly reduced from 2013 as a result of there being no such returns in 2014.

For the first time a gross profit of £119k was achieved (2013: gross loss £343k), after charging cost of sales of £903k (2013: £871k). Cost of sales included non-cash provisions relating to the write-down of inventory totalling £30k (2013: £263k).

Other operating income for the period was £32k (2013: £194k), mainly comprising receipts from potential licensing partners in the Consumer Specialties business areas. The lower income compared to the prior period reflects Revolymer's deliberate strategy of focusing on delivery of significant licences and other partnership deals, rather than short term collaborative income.

Reduced administrative expenses of £4.6 million were incurred in the year (2013: £5.3 million). Within administrative expenses, non cash provisions were reduced significantly compared to 2013, reflecting lower costs of defending the alleged Canadian patent infringement, following the settlement with Fertin Pharma A/S and Gumlink A/S announced on 10 November 2014 (2013: £486k). Research and development expenditure on Revolymer's product pipeline increased to £1.9 million (2013: £1.5 million).

Finance income

Interest receivable on bank deposits and investments was £110k (2013: £193k).

Loss for the year

Overall the loss for the year reduced to £4.3 million (2013: £5.3 million), and the basic and diluted loss per share was 7.7p (2013: 9.8p).

Outlook

Financial performance during the year has improved over 2013 and the business remains well funded, with £13.2 million of current cash investments, cash and cash equivalents on hand at the year end (2013: £17.7 million). Management will deploy these resources carefully to maximise the funded runway and allow time to provide clarity on future revenue streams and, consequently, refinancing needs.

Consolidated income statement

For the year ended December 2014

	Notes	2014 £'000	2013 £'000
Revenue	2	1,022	528
Cost of sales		(903)	(871)
Gross profit / (loss)		119	(343)
Other operating income		32	194
Administrative expenses		(4,556)	(5,328)
Group operating loss		(4,405)	(5,477)
Finance income		110	193
Loss for the year before tax		(4,295)	(5,284)
Taxation expense		–	–
Loss for the year		(4,295)	(5,284)
Basic loss per share	3	7.7p	9.8p
Diluted loss per share	3	7.7p	9.8p

All results relate wholly to continuing activities.

There were no recognised income and expenses other than the loss for the year and the previous year. Accordingly a separate consolidated statement of comprehensive income has not been presented.

Consolidated balance sheet

At 31 December 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Property, plant and equipment		314	364
		314	364
Current assets			
Inventories	4	208	168
Trade and other receivables		496	534
Investments	5	11,500	15,500
Cash and cash equivalents		1,686	2,182
		13,889	18,384
Total assets		14,203	18,748
Financed by			
Equity shareholders' funds			
Equity share capital	6	566	542
Equity share premium		23,203	22,987
Own shares reserve		(5)	(7)
Merger reserve		17,626	17,626
Share based payment reserve		6,374	5,999
Retained earnings		(35,376)	(31,063)
Total equity		12,388	16,084
Current liabilities			
Trade and other payables		1,815	2,314
Non-current liabilities			
Finance lease obligations and other payables		–	350
Total liabilities		1,815	2,664
Total equity and liabilities		14,203	18,748

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Equity share capital £'000	Equity share premium £'000	Own shares reserve £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2013	538	22,908	(8)	17,626	5,807	(25,779)	21,092
Retained loss for the year	–	–	–	–	–	(5,284)	(5,284)
Exercise of share options	4	79	1	–	–	–	84
Share based payments	–	–	–	–	192	–	192
At 1 January 2014	542	22,987	(7)	17,626	5,999	(31,063)	16,084
Retained loss for the year	–	–	–	–	–	(4,295)	(4,295)
Exercise of share options	24	216	2	–	–	(18)	224
Share based payments	–	–	–	–	375	–	375
At 31 December 2014	566	23,203	(5)	17,626	6,374	(35,376)	12,388

The reserves described above have the purposes described below:

Own shares reserve

The reserve records the nominal value of shares purchased and held by the Employee Benefit Trust to satisfy the future exercise of options under the Group's share option schemes.

Merger reserve

This reserve arose as a result of a common control business combination on the formation of the Group.

Share based payment reserve

This reserve records the credit to equity in respect of the share based payment cost.

Consolidated statement of cash flow

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow / (outflow) from operating activities	7	(4,697)	(4,311)
Cash flows from investing activities			
Interest received		98	193
Purchase of property, plant and equipment		(121)	(183)
Funds withdrawn from / (placed on) term deposits		4,000	1,500
Net cash inflow / (outflow) from investing activities		3,977	1,510
Cash received from issue of shares		224	84
Net cash inflow / (outflow) from financing activities		224	84
Net inflow / (outflow) in cash and cash equivalents		(496)	(2,717)
Cash and cash equivalents at beginning of year		2,182	4,899
Cash and cash equivalents at end of year		1,686	2,182

Notes to preliminary results

For the year ended 31 December 2014

1. Basis of preparation

European law requires that the Group's consolidated financial statements for the year ended 31 December 2014 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 31 December 2013 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2013 and 2014.

2. Revenue

Revenue recognised in the Group income statement is analysed as follows:

	2014 £'000	2013 £'000
Sale of goods	820	780
Release / (deferral) for sales returns*	202	(252)
Revenue	1,022	528

Geographical information

	2014 £'000	2013 £'000
United Kingdom	–	–
Germany	1	–
Canada	1,007	495
Italy	14	17
United States	–	16
	1,022	528

The revenue information is based on the location of the customer.

Segmental information

The revenue information is derived from one segment (i.e. gum, both confectionery and nicotine) and net assets are attributable solely to the UK.

*: The company estimates potential sales returns based on its actual experience of returns from customers. In those cases where it has no such history it makes estimates by reference to minimum sales commitments in the relevant contract or reference, where available, to customer retail sales data or customer inventory levels at the financial year end.

3. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2014	2013
	£'000	£'000
Loss		
Loss for the purposes of basic and diluted loss per share (£'000)	4,295	5,284
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	56,092	53,996
Basic and diluted loss per share	7.7p	9.8p

The loss for the period and the weighted average number of ordinary shares for calculating the diluted earnings per share for the period to 31 December 2014 are identical to those used for the basic earnings per share. This is because the outstanding share options and warrants (note 24) would have the effect of reducing the loss per ordinary share and would therefore not be dilutive.

4. Inventories

	2014	2013
Group	£'000	£'000
Raw materials	29	31
Work in progress	45	11
Finished goods	127	117
Goods in transit	37	9
Provisions	(30)	–
	208	168

5. Investments

	2014 £'000	2013 £'000
Term deposits maturing within one year	11,500	15,500

6. Share capital

	£'000
At 1 January 2013 (53,778,700 shares in issue)	538
Issued as a result of an exercise of options	
25/01/13 – 60,000, 04/07/13 – 3,000 and 10/10/13 – 324,480	4
At 31 December 2013 (54,166,180 shares in issue)	542
Issued as a result of an exercise of options	
29/01/14-22,500, 25/02/14-417,120, 15/04/14- 1,535,160	24
30/06/14-70,000, 09/10/14-326,180, 19/12/14-24,000	
At 31 December 2014 (56,561,140 shares in issue)	566

Revolymer plc was incorporated on 10 April 2012 and 2 subscription shares were issued with a nominal value of 0.008p each. On 2 July 2012 a further 248 shares were issued and the resultant 250 shares were then consolidated into 2 ordinary shares with a nominal value of 1p each. The remaining issues are as noted above.

In addition, at 31 December 2014 there were outstanding warrants in respect of the ordinary shares as follows:

Holder	No. of shares	Exercise Price	Expiry date
XCAP Securities plc	316,290	£0.92	31 May 2016

7. Notes to the cash flow statement

	2014 £'000	2013 £'000
Operating loss	(4,405)	(5,477)
Depreciation of property, plant and equipment	171	364
Share based payments charge	375	192
Operating cash flows before movements in working capital	(3,859)	(4,921)
Cash (repaid by) / loaned to subsidiary undertaking	–	–
(Increase) / decrease in inventories	(40)	87
(Increase) / decrease in receivables	51	(234)
(Decrease) / increase in payables	(849)	757
Net cash (outflow) / inflow from operating activities	(4,697)	(4,311)

8. Post balance sheet events

There were no reportable post balance sheet events.