27th March 2014

Velocys plc
(“Velocys” or “the Company”)
(Formerly known as Oxford Catalysts Group PLC)

Final results for the year ended 31 December 2013

Velocys plc (VLS.L), the technology innovator for smaller scale gas-to-liquids (GTL), is pleased to announce its final audited results for the year ended 31 December 2013.

Highlights

- Entered GTL joint venture with Waste Management, NRG Energy and Ventech (post year end)
- Velocys technology selected for further projects
  - Red Rock Biofuels
  - Pinto Energy
  - Waste Management (post year end)
- Ventech order of reactors for 1,400 bpd of capacity received; production underway
- PTT began FEED study for 1,000 bpd GTL plant using Velocys technology
- Sale of 175 bpd reactor (post year end) to a CIS customer
- Cemented manufacturing partnership with Shiloh Industries; strategic investment in Velocys (post year end)
- Cash* at period end of £26.4 million (FY 2012: £9.5 million)

Pierre Jungels, CBE, Chairman of Velocys, said:

“2013 was a strong year for Velocys. Our leadership position in smaller scale GTL is firmly established and market opportunities continue to advance. We enter 2014 confident and ready for commercial success.”

* Defined as cash, cash equivalents and short term investments.

There will be a meeting for analysts at 9:30 am today; details can be obtained from Lionsgate Communications (see below).

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Notes to editors

Velocys (formerly Oxford Catalysts) enables modular gas-to-liquids (GTL) plants to convert unconventional, remote and problem gas into valuable liquid fuels. Systems based on the Company's technology are significantly smaller than those using conventional technology, enabling modular plants that can be deployed cost effectively in remote locations and on smaller fields than is possible with competing systems. Together with world-class partners, Velocys provides complete modular GTL solutions that address an untapped market of up to 25 million barrels of fuel a day.

Velocys plc is listed on the AIM market of the London Stock Exchange (LSE: VLS). The Company has approx. 100 employees with facilities in Houston, Texas, USA and near Oxford, UK and Columbus, Ohio, USA.

www.velocys.com

CHAIRMAN'S STATEMENT
Pierre Jungels, CBE

We are at a remarkable time in the history of the fuels industry. On the supply side, the abundance of natural gas, especially from shale and other unconventional resources, is ever more apparent. This gas is widely distributed, creating the possibility of energy independence for many more nations – but it is often hard to bring to market, where the quantities or distances do not justify a pipeline. On the demand side, liquids (diesel and jet fuel) continue to grow, driven by sectors where substitution of these fuels is very difficult. At the same time, environmental needs promote the search for lower-emission products and for sustainable supply chains, including decentralised production.

These conditions create a strong, stable market for the distributed, smaller scale gas-to-liquids (GTL) plants that Velocys technology is enabling. In North America, the shale gas revolution has opened up a future where cheap gas can power a newly competitive US through a wide range of downstream industries. Meanwhile, in other regions such as Central Asia and Russia, GTL is an attractive route to market for many stranded gas fields and for associated gas that is currently flared. Beyond GTL, there are also attractive opportunities to produce renewable fuels from biomass and waste, using the Company's Fischer-Tropsch (FT) process.

Velocys is perfectly positioned to capture these markets. During 2013, we fully established our commercial supply chains for both reactors and catalyst, as well as field service. An important milestone was the order from one of our partners, Ventech Engineers International, LLC (Ventech) for reactors totalling 1,400 barrels per day (bpd) of capacity. After the period end, we cemented another key partnership with our reactor core manufacturer, Shiloh Industries, Inc. (Shiloh). We see such partnerships as an important part of our strategy for building a strong business and addressing the complete needs of a GTL plant.

Velocys has grown its team to around 100 people, particularly strengthening the commercial and process engineering functions. It is a testament to both Velocys and the opportunities for smaller scale GTL that we continue to attract and retain world-class talent. I thank our staff for the enormous efforts they are making to secure the Company's future success.

Also in 2013, the Company consolidated its two brands (Velocys and Oxford Catalysts) to help it speak with one clear voice. Additionally, we opened a new office in Houston, placing Velocys at the heart of the oil and gas industry. Roy Lipski, our CEO, is heading up this effort, and I am grateful to him and his family for making this move which is already proving highly beneficial.

Total revenues for the period were £4.8 million (2012: £7.6 million) due to the expected fall-off in development revenue during this transition phase to commercialisation. Cash* at period end stood at £26.4 million (2012: £9.5 million), while cash outflow** was £12.5 million (2012: £8.9 million).

Outlook
Velocys enters 2014 with its commercial readiness established, a strong pipeline of projects moving through engineering stages, and a powerful market pull. I look forward with excitement to seeing us reap the benefits through 2014 and beyond.

* Defined as cash, cash equivalents and short term investments.
** Defined as cash movement excluding monies from fund raising and issuance of shares.

CHIEF EXECUTIVE'S REPORT
Roy Lipski

Introduction

In 2013, Velocys firmly consolidated its leading position and is poised to capture the exciting opportunity that has opened up for distributed fuels production. The Company has readied itself for sales in all aspects of the business, including engineering, supply chain and marketing. Velocys continues to be selected for commercial projects based on the performance and favourable economics of its technology, and is taking the initiative in helping those projects progress. A number are now close to fruition, and we look forward not only to securing those sales, but to the acceleration of this whole market.

Market conditions

Throughout 2013, long-term market conditions continued to favour smaller scale GTL. Agencies such as the US Government's Energy Information Administration support a consensus view that the spread between oil and gas prices in North America is likely to remain high for decades to come. Furthermore, abundant gas is now recognised as a global phenomenon with still increasing recoverable reserves – but many of them without an economic route to market. GTL provides the means to convert this gas into inherently more valuable liquid hydrocarbons – high quality distillate fuels and speciality products such as lubricants and waxes.

The profile of the GTL industry, and of Velocys in particular, has risen significantly in 2013 as evidenced by a string of publications, such as a strong analyst's report in December from Bernstein entitled 'What if "Small Scale Gas To Liquids" Was the Next "Shale Gas"?', and an article in the Natural Gas Daily headed "The future will be micro for GTL technology". Altogether over 600 press articles mentioned Velocys. In addition, Velocys is increasingly being invited to comment on industry matters.

Commercialisation

Sales and prospects

The Company's pipeline of prospects continues to grow in value, as new projects are added and existing ones progress to more advanced engineering stages. Furthermore, most customers see their immediate project as the first of many, and have identified additional sites to bring on projects in succession to their first one.

After period end, Velocys entered a joint venture with Waste Management, NRG Energy (NRG), and Ventech to develop GTL plants in the US and other selected geographies using a combination of renewable gas (biogas and landfill gas) and natural gas. Waste Management is North America's leading provider of comprehensive waste management services and the 200th largest company on the Fortune list; NRG is a Fortune 500 company with the largest and most diverse competitive power generation portfolio in the US, and; Ventech is a global leader in the design and construction of modular refineries. The joint venture is currently completing detailed engineering for its first proposed project to be located at Waste Management's East Oak landfill site in Oklahoma, USA. A final decision to proceed is expected later in the year. Development activities for additional facilities are planned to begin shortly.

In September 2013, Velocys was selected to supply FT technology for a 2,800 bpd GTL plant in the US being developed by Pinto Energy, LLC ("Pinto") at an 80-acre industrial site that it owns in the Port of Ashtabula, Ohio. Pinto will convert abundant low-cost natural gas from the Utica and Marcellus shale region into high value speciality products (solvents, lubricants and waxes), as well as ultra-clean transportation fuels. Pinto is working towards issuing the final notice to proceed in the third quarter of 2014. Start-up of the plant is expected in 2016. Pinto recently completed another important milestone and secured the air and storm water permits for this facility.

During the period, Calumet Specialty Product Partners, L.P. (Calumet), who in September 2012 selected the Velocys FT technology for a proposed GTL plant at their Karns City, Pennsylvania, USA refinery, completed initial engineering with Ventech and partook in a successful visit to the Company's demonstration facility in Brazil. Calumet is currently focused on a number of significant existing commitments, including the construction of a new refinery in North Dakota, and has not yet initiated more detailed engineering for the proposed GTL plant. Further updates will be provided as the project progresses.

In October, Velocys executed a commercial agreement with PTT Public Company Limited (PTT), the national energy company of Thailand and a Fortune Global 100 firm, to proceed with the commercial deployment of the Company's GTL technology in Thailand and other regions. Velocys and PTT have been collaborating since late 2009. In this next phase, PTT has commissioned Toyo Engineering Corporation (Toyo) to prepare a detailed front end engineering design (FEED) for a 1,000 bpd GTL plant. The engineering study is expected to be completed in the second half of 2014.

While the primary focus of the Company's commercial development efforts remains on GTL projects in North America, the portfolio of project opportunities is also growing in other regions. For example, Velocys now has more than a dozen active prospects in former Soviet Union countries. This interest is driven by the need to capture the world's largest volume of flared gas and to monetise substantial stranded gas reserves. After the reporting period, Velocys announced the sale of a full-scale commercial reactor (175 bpd nominal capacity) to a customer in the region, underlining the suitability of Velocys technology for the opportunities there. The Company has been monitoring recent events in Russia and does not believe that presently its portfolio of opportunities is significantly impacted.

As well as GTL, Velocys also advanced several biomass-to-liquids (BTL) projects in 2013. In July, the Company was selected as the FT technology provider for the design and possible construction of a commercial BTL plant in Oregon, USA for Red Rock Biofuels, which is a subsidiary of IR1 Group LLC (IR1), an experienced biofuels project developer. This project was awarded a $4.1 million grant from the US Department of Defense, to help fund detailed engineering for a 1,100 bpd facility. The proposed facility will convert some 170,000 tons per year of forestry derived biomass into liquid transportation fuels. IR1 expects to apply later this year for the additional grant funding of $70 million available to support construction.

As previously reported, in 2012 Velocys was selected by project developer Solena Fuels Corporation (Solena) to provide its FT technology for GreenSky London, Europe's first commercial scale sustainable jet fuel facility being developed in partnership with British Airways, as well as for similar plants planned by Solena for other cities. Engineering work has continued on the project and further news is expected in due course.

As well as the announced projects, Velocys is working on a number of others prospects that remain confidential. Many opportunities are coming to the Company, and capital for plants is available. On projects which are at an advanced stage, Velocys is exploring how it can further align with its customers and partners to accelerate market adoption. The JV with Waste Management, NRG and Ventech is an example of this.

Demonstration and pilot plants

The Company's demonstration plant in Fortaleza, Brazil, which includes both its FT and Steam Methane Reforming (SMR) reactors and which is targeted at offshore GTL, continued to operate during 2013 in collaboration with the Brazilian national oil company, Petrobras. At the end of the year, Velocys received the fifth and final demonstration success payment from its partners Toyo and MODEC. Referring to the Company's technology, Toyo has now publicly stated that it "has been successfully demonstrated in Brazil". Velocys expects that alongside its partners, it will be invited to bid for the first floating GTL installation when Petrobras issues a formal tender. It will update the market further at that time.

In addition, during 2013, Velocys commissioned and began operation of its own fully integrated pilot plant at its technology centre in Columbus, Ohio. This facility is a showcase of the Velocys technology for customers, provides samples of liquid products, helps train plant operators, and enables validation of future technology improvements.

<u>Manufacturing and supply capability</u>
Over the course of 2013, Velocys continued to make excellent progress implementing its strategy of attracting and qualifying world-class partners from various industries. The Company has created a high-quality, cost-effective reactor supply chain that can scale rapidly in order to meet customer demand.

Following year end, Velocys cemented a partnership with Shiloh, with whom it has been working since 2012, and who have set up the first mass-manufacturing cell for Velocys reactor cores. Shiloh is one of North America's leading suppliers of engineered metal products and light weighting solutions to the automotive industry. Initial capability supports annual sales of up to 10,000 bpd of capacity, and plans are in place to enable ramp up to 40,000 bpd in line with demand. Under the partnership agreement, both companies will work to continuously improve manufacturing of the Velocys FT reactor, and over time to enhance the effectiveness of the whole GTL plant. Concurrently, Shiloh purchased 601,326 shares of Velocys at 200p per share, representing a 32% premium to market price at the time. Shiloh is additionally investing several million dollars in manufacturing resources for Velocys, and is making available to the partnership a dedicated team of engineers.

Velocys has also fully qualified its catalyst supply chain, and continues to develop partnerships that will keep it at the forefront of catalyst development, manufacturing, and servicing. The Company's catalyst handling partner, Mourik International BV, has deemed that all the relevant processes, materials, and test methods for the Velocys FT reactors are fit and ready for commercial use.

Intellectual property
Velocys has continued to grow and protect its intellectual property (IP) portfolio which now includes 894 patents granted and pending, and an even larger number of invention records. During the period, the Company filed 5 new patent applications, while 74 patents were granted in jurisdictions including the US, Australia, Canada, China, Japan, Russia, Taiwan, and various European countries.

Where it sees infringement by others, the Company has taken action to protect its IP. In March 2013, Velocys filed a case against CompactGTL in the UK, alleging infringement of two patents. In January 2014, the case was suspended while CompactGTL went into administration. It is now progressing again through the courts, with a trial expected in the third quarter of 2014.

Rebranding
The parent company's name was changed from Oxford Catalysts Group PLC to Velocys plc on 25th September 2013, and a new brand identity rolled out. This enables Velocys to present a single front to its customers and investors, and completes the integration of the two companies, Oxford Catalysts and Velocys, that joined forces in 2008.

Resources
The Company continues to develop its commercial capability and has recruited additional staff in business development, marketing, engineering and operations. This brings the total number of employees to approximately 100, with about three-quarters in the US and the remainder in the UK. In particular, the process engineering team was significantly bolstered in readiness for supporting early projects. We have been delighted to see how the Company's reputation in the industry is enabling it to attract the very best people. In addition to recruiting new talent, we have worked hard to develop and grow the skills of the very capable existing workforce at Velocys, ensuring that we keep harnessing the passion and innovation of everyone in the organisation.

Recognising the importance of Houston as a centre for activity and talent in the oil and gas industry, Velocys established a new office there for commercial and engineering activities. This presence is already proving to be a valuable asset, placing Velocys at the heart of the world's oil and gas market.

Financial review
2013 was the first year in the Company's history where it had no revenue from development projects. This is an anticipated stage in the transition to commerciality, as activities become focused on commercial readiness. As a consequence, revenues during the period were £4.8 million (2012: £7.6 million), derived from success payments on the Petrobras demonstration, income recognised on the sale of reactors to Ventech, and engineering revenues from customers.

Unfunded research and development costs and other administrative expenses increased to £16.8 million (2012: £12.5 million) as commercial activities ramp up. Adjusted losses* for the period were £13.0 million (2012: £7.9 million). Cash outflow** in the period was £12.5 million (2012: £8.9 million).

Velocys is well capitalised having successfully closed an equity funding on 3 January 2013 which raised £30.6 million (before expenses). At period end, the Company had £26.4 million of cash*** (FY 2012: £9.5 million).

* Adjusted losses exclude the impact of foreign exchange losses: (2013: £0.3 million, 2012: £nil million) and noncash items (depreciation, amortisation and share-based payments: (£3.7 million, 2012: £2.5 million).

** Defined as cash movement excluding monies from fund raising and issuance of shares.

*** Defined as cash, cash equivalents and short term investments.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** £'000	2012 £'000
Revenue	2	4,753	7,632
Cost of sales		(3,300)	(4,769)
Gross profit		1,453	2,863
Unfunded research and development costs		(10,477)	(7,088)
Share-based payments		(2,782)	(1,341)
Other administrative expenses		(6,339)	(5,369)
Total administrative expenses		(19,598)	(13,798)
Operating loss		(18,145)	(10,935)
Finance income		419	152
Finance costs		(364)	(53)
Other income		58	-
Finance income, net		113	99
Loss before income tax		(18,032)	(10,836)
Income tax credit		1,111	437
Loss for the financial year attributable to the owners of Velocys plc		(16,921)	(10,399)
Loss per share attributable to the owners of Velocys plc			
Basic and diluted loss per share (pence)	3	(14.60)	(11.47)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £'000	2012 £'000
Loss for the year	(16,921)	(10,399)
Other comprehensive expense		
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Foreign currency translation differences	(269)	(1,269)
Total comprehensive expense for the year	(17,190)	(11,668)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	**2013** £'000	2012 £'000
Non-current assets			
Intangible assets		24,971	25,205
Property, plant and equipment		2,084	1,896
		27,055	27,101
Current assets			
Trade and other receivables		1,112	1,592
Current income tax asset		1,750	600
Inventory		263	330
Short term investments – funds held on deposit	4	11,875	-
Cash and cash equivalents	4	14,475	9,451
		29,475	11,973
Total assets		56,530	39,074
Current liabilities			
Trade and other payables		(6,284)	(3,927)
Borrowings		(104)	(74)
		(6,388)	(4,001)
Non-current liabilities			
Trade and other payables		(232)	(147)
Borrowings		(1,192)	(1,181)
		(1,424)	(1,328)
Total liabilities		(7,812)	(5,329)
Net assets		48,718	33,745
Capital and reserves attributable to owners of Velocys plc			
Called up share capital		1,164	914
Share premium account		95,793	66,662
Merger reserve		369	369
Share-based payment reserve		9,813	7,031
Accumulated losses		(58,421)	(41,231)
Total equity		48,718	33,745

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Called up share capital £'000	Share premium £'000	Share-based payments reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 January 2012	902	65,270	5,690	369	(29,563)	42,668
Comprehensive income						
Loss for the year	-	-	-	-	(10,399)	(10,399)
Other comprehensive income						
Foreign currency translation differences	-	-	-	-	(1,269)	(1,269)
Total comprehensive expense	-	-	-	-	(11,668)	(11,668)
Transactions with owners						
Share-based payments – value of employee services	-	-	1,341	-	-	1,341
Proceeds from share issues	12	1,392	-	-	-	1,404
Total transactions with owners	12	1,392	1,341	-	-	2,745
Balance at 1 January 2013	914	66,662	7,031	369	(41,231)	33,745
Comprehensive income						
Loss for the year	-	-	-	-	(16,921)	(16,921)
Other comprehensive income						
Foreign currency translation differences	-	-	-	-	(269)	(269)
Total comprehensive expense	-	-	-	-	(17,190)	(17,190)
Transactions with owners						
Share-based payments – value of employee services	-	-	2,782	-	-	2,782
Proceeds from share issues	250	29,131	-	-	-	29,381
Total transactions with owners	250	29,131	2,782	-	-	32,163
Balance at 31 December 2013	1,164	95,793	9,813	369	(58,421)	48,718

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £'000	2012 £'000
Cash flows from operating activities		
Operating loss before taxation	(18,145)	(10,935)
Depreciation and amortisation	878	1,170
Share-based payments	2,782	1,341
Changes in working capital (excluding the effects of exchange differences on consolidation)		
-Trade and other receivables	702	(234)
-Trade and other payables	2,594	441
-Inventory	62	(34)
Taxes (paid) credit received	(39)	387
Other	6	-
Net cash used in operating activities	(11,160)	(7,864)
Cash flows from investing activities		
Purchases of property, plant and equipment	(971)	(696)
Purchase of intangible fixed assets	(418)	(358)
Interest received	197	225
Interest paid	(38)	(53)
Proceeds of sale of fixed assets	52	-
(Increase) decrease in funds placed on deposit	(11,875)	6,459
Net cash (used in) from investing activities	(13,053)	5,577
Cash flows from financing activities		
Proceeds of issuance of ordinary shares	29,381	1,404
Increase (decrease) in borrowing	70	(63)
Net cash from financing activities	29,451	1,341
Net increase (decrease) in cash and cash equivalents	5,238	(946)
Cash and cash equivalents at beginning of year	9,451	10,579
Exchange losses on cash and cash equivalents	(214)	(182)
Cash and cash equivalents at end of year	14,475	9,451

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial information presented by the Directors in this statement is derived from the Company's financial statements for the year ended 31 December 2013 that have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified for fair value under IFRS 13 “Fair value measurement”.

The accounting policies adopted are consistent with those disclosed in the Company's statutory accounts for the year ended 31 December 2013.

These accounts have been audited and the audit report is unqualified and does not contain a statement under section 237 of the Companies Act. The accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 10th June 2014.

Functional currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in UK sterling (£), which is the parent company's functional and the Company's presentation currency.

2. SEGMENTAL REPORTING

The chief operating decision-maker has been identified as the Senior Management Team (“SMT”). This committee reviews the Company's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The SMT considers that the business comprises a single activity which is the design and development of technology for synthetic fuels production. The SMT reviews the Company's profit or loss and its cash flows, assets and liabilities on a company-wide basis. In carrying out these reviews, the SMT considers all material items of income and expenditure that are directly attributable to individual programmes. The internal management reports do not allocate assets and liabilities or shared overheads to individual products or projects.

Based on the above, there is considered to be one reportable segment, synthetic fuels. The business is segmented on the basis that the key end use market is that of synthetic fuels production. At this stage, the synthetic fuels segment represents over 90% of the business and is therefore the only material segment.

Internal and external reporting is on a consolidated basis, with purchases and sales between subsidiaries eliminated on consolidation. Therefore, the segment and financial information is the same as that set out in the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity.

The SMT assesses the performance of the operating segment based on a measure of operating loss.

The Company's operating segment operates in three main geographical areas. Revenue is allocated based on the country in which the customer is located.

	2013			2012		
	Europe £'000	Americas £'000	Asia Pacific £'000	Europe £'000	Americas £'000	Asia Pacific £'000
Total revenue	45	1,924	2,784	194	3,329	4,109

All revenues during the year are generated in the United States.

Non-current assets, consisting primarily of goodwill, other intangible assets and property, plant and equipment, totalling £26,039,000 (2012: £26,045,000) were located in the United States of America. All other non-current assets are held in the United Kingdom.

3. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to owners of Velocys plc by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Loss attributable to owners of Velocys plc (£'000s)	(16,921)	(10,399)
Weighted average number of ordinary shares in issue	115,929,849	90,659,989
Basic and diluted loss per share (pence)	(14.60)	(11.47)

4. SHORT TERM INVESTMENTS, CASH AND CASH EQUIVALENTS

	2013 £'000	2012 £'000
Short term investments – funds held on deposit	11,875	-
Cash and cash equivalents	14,475	9,451
Total	26,350	9,451

Under IFRS 7, cash held on long-term deposits greater than three months has been classified as a short term investment.

All short term investments are in UK sterling denominated accounts. Cash and cash equivalents are held in both US dollars and UK sterling denominated accounts as follows.

	2013 £'000	2012 £'000
UK Sterling denominated:		
Short term investments – funds held on deposit	11,875	-
Cash and cash equivalents	8,813	6,596
Total	20,688	6,596

	2013	2012

	£'000	£'000
US Dollar denominated:		
Cash and cash equivalents	5,662	2,855
Total	5,662	2,855

5. CONTINGENT LIABILITIES

In April 2010, Velocys Inc, a subsidiary of Velocys plc, filed a lawsuit in the US against Catacel Corp. ("Catacel"), a supplier of catalysts to CompactGTL plc ("CompactGTL"), claiming infringement of several of the Company's United States patents. In October 2011, the judge in this case, found in favour of a sanctions motion against the other side. A ruling on damages to be awarded to Velocys in relation to this is still pending at the date of these financial statements.

In response to this case, CompactGTL challenged the validity of eight patents in the US, one of which is included in the infringement claim. As at the date of these financial statements, seven of these patents have already successfully passed re-examination (including the one which is included in the infringement claim) and one is still pending. In addition, CompactGTL filed a case in the UK courts challenging the validity of seven UK patents but did not progress this case further.

In March 2013, Velocys, Inc. filed a case against CompactGTL in the UK courts alleging infringement of two of the patents, which are among the seven UK patents previously challenged by CompactGTL. These patents are the UK equivalent of three of the US patents referred to above that successfully passed re-examination in the US. It has been agreed with the courts that the validity claims by CompactGTL for these two patents will be incorporated into this case.

Whilst the outcome of these cases is not certain, the Directors are confident of the Company's infringement cases against Catacel and CompactGTL, and as well of the validity of those of its patents that are being challenged, particularly in light of the successful re-examination record to-date. Furthermore, the Directors consider that even in the unlikely event of a successful challenge to the few remaining patents in question, this would have no material detrimental impact on the Company's business or the overall strength of its patent portfolio.

Costs incurred to date relating to these cases have been expensed. However, given the nature of UK patent challenges, should its case be unsuccessful, the Company may be liable for some of CompactGTL's UK legal costs (and vice versa). On this basis, no provision has been recognised in respect of this action.

6. STATUTORY INFORMATION

Copies of the 2013 Annual Report will be posted to shareholders at least 21 days before the Company's annual general meeting and may be obtained from the date of posting for one month free of charge from the registered office of Velocys plc, 115e Olympic Avenue, Milton Park, Abingdon, OX14 4SA, as well as from the Company's web site www.velocys.com.

7. ANNUAL GENERAL MEETING

The annual general meeting ("AGM") is to be held on 10th June 2014. Notice of the AGM will be dispatched to shareholders with the Company's report and accounts.