

INTERIM RESULTS PRESENTATION

For the six months ended 31 January 2017



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It should be noted that past performance cannot be relied on as a guide to future performance. This presentation contains forward-looking statements with respect to Nanoco’s plans and objectives regarding its financial conditions, results of operations and businesses.

The financial information referenced in this presentation does not contain sufficient detail to allow a full understanding of Nanoco’s results. For more detailed information, the entire text of the interim results announcement for the six months ended 31 January 2017, can be found on the Investor Relations section of the Nanoco website (www.nanocogroup.com).

First commercial
sales expected in H2

Successful debut at
CES

14 active TV and
monitor
programmes with 9
major OEMs

Created a robust
global supply chain
for display and
lighting OEMs

10x increase in
manufacturing
capacity at Runcorn

On track technology
transfer to Merck

Dow is progressing
well with initial
commercialisation

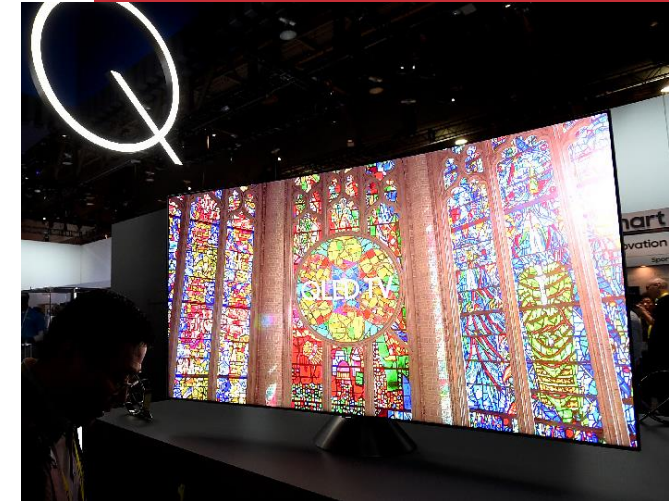
Intellectual property
portfolio expanded

Sufficient headroom
under expected
timeframe for
commercial sales to
develop

COMPANY OVERVIEW

A PIONEER AND A WORLD LEADER

- A pioneer and world leader in the development and production of **CFQD®** **cadmium-free quantum dots**
- Scalable "platform technology" with multiple markets and product applications
- Large addressable markets, principally focusing on:
 - Display** **Lighting**
 - Solar** **Bio-medical imaging**
- Greatest progress to date in **display**; supply & licensing agreements with:
 - Dow** **Merck** **Wah Hong**
- LCD TV market starting to ramp usage of cadmium-free quantum dots with market leader Samsung leading the way with its QLED TV range:
 - **QD benefits: better colour gamut, energy efficiency, minimal process**
- Extensive and growing patent portfolio
- c. 100 employees with the majority located at the Manchester HQ and Runcorn manufacturing facility

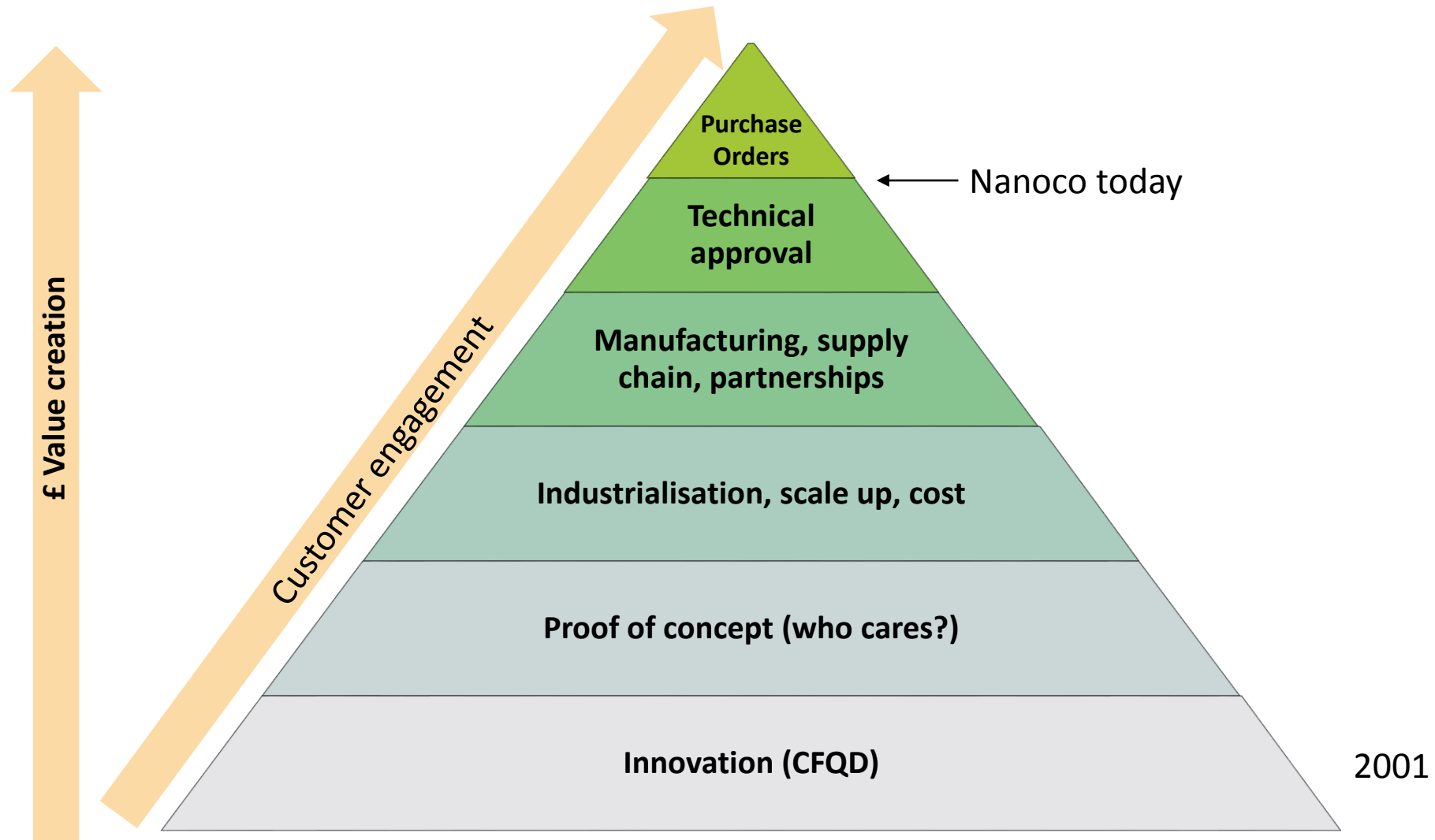


**Samsung trailblazing
the way with its QLED
TV range**



DISPLAY BUSINESS H1 Progress





DOW CHEMICAL (USA)

- January 2013; modified March 2016 (exclusive to non exclusive in April 2016)
- Royalty on Dow sales
- South Korean factory running and new green process successfully transferred
- Commercialisation progressing well



WAH HONG (Taiwan)

- July 2016, 7 year non-exclusive material supply and licence agreement with upfront licence fee, payment for delivery of QD resin and royalties on sales
- Active customer engagement across greater China
- 2nd film coating line coming on stream May 17 with ability to supply 100 inch TVs
- Will purchase CFQD resin produced by Nanoco's Runcorn facility



MERCK KGaA (Germany)

- July 2016, non-exclusive material supply and licence
- Agreement with upfront licence fee, royalties on sales of Merck produced product
- Ability for Merck to purchase Nanoco manufactured product to accelerate their market entry
- Technology transfer on track, successful pilot scale manufacture at Merck
- Merck evaluating large scale production options



Manufacture
CFQD & Resin
based on
Nanoco's
technology



Component

Multiple component
manufacturers



Component
manufacturers



Potential
Display OEM

OEMs

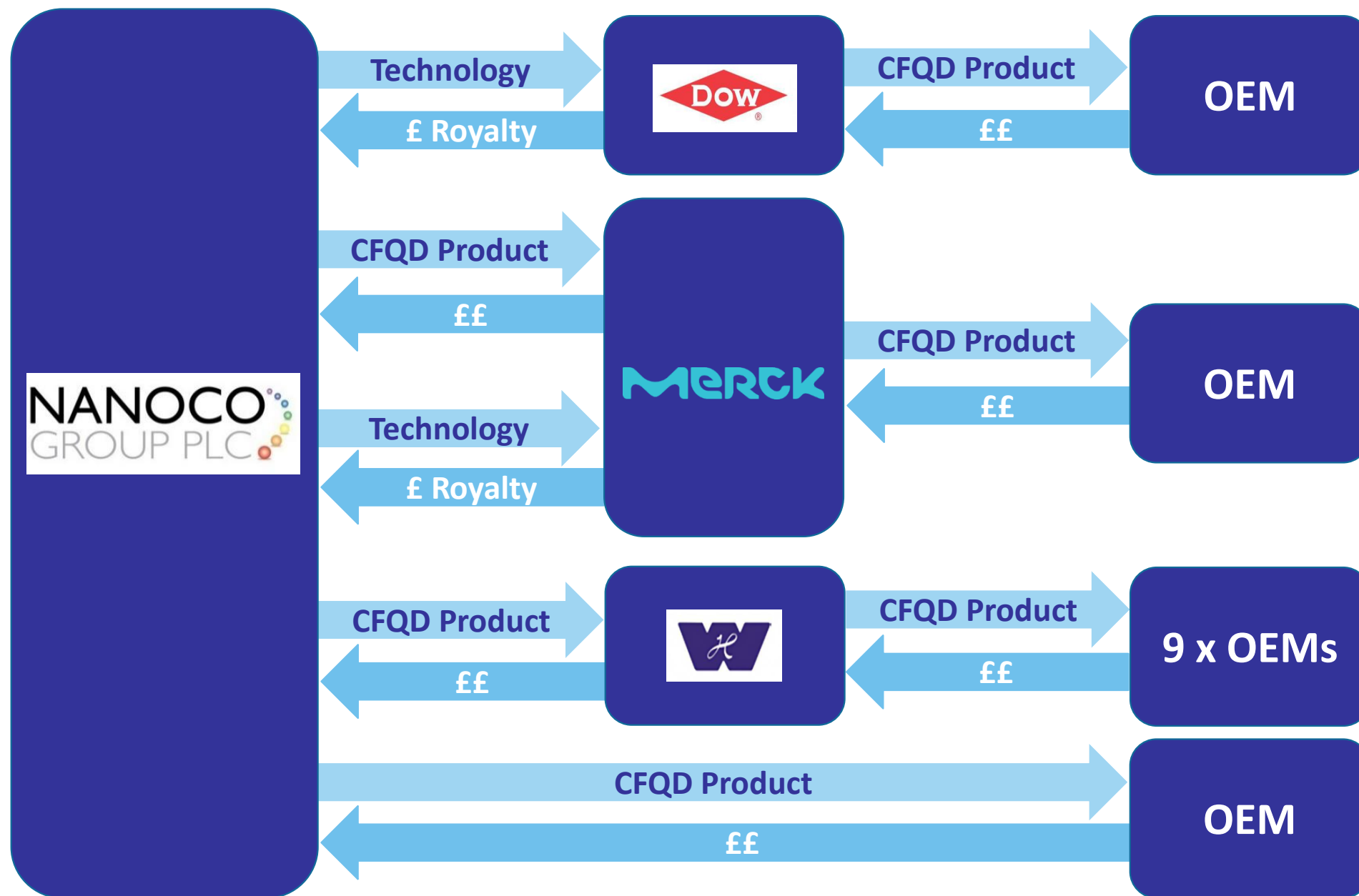
TPVISION



Hisense

6 other OEMs

OEMs





Hisense TPVISION

- Nanoco's first appearance at CES 2017 was successful
- TCL, Hisense and TPV-Philips exhibited large screen, ultra high definition, wide color gamut prototype LCD TVs at Nanoco's suite
- All three use CFQD® Fine Color Film™ produced by Wah Hong
- Increasing interest from the OEMs to expand QD range from high end TVs into monitors

These demonstrator TVs reflect the high level of interest in our CFQD® Fine Color Film™ produced with our commercial partner Wah Hong



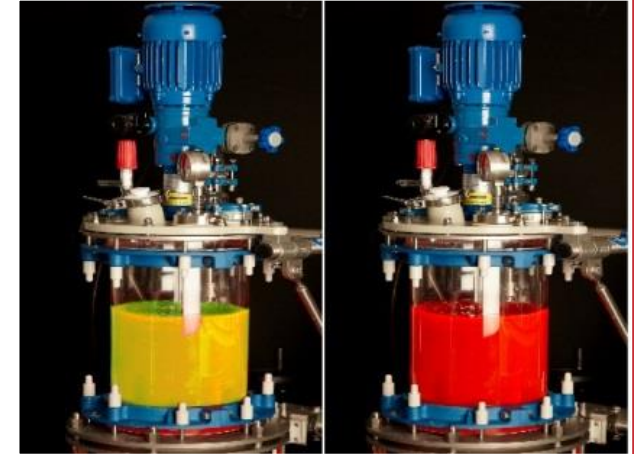
Samsung has trail blazed the way, previously with its SUHD TV range, and now with its QLED TV and monitor range

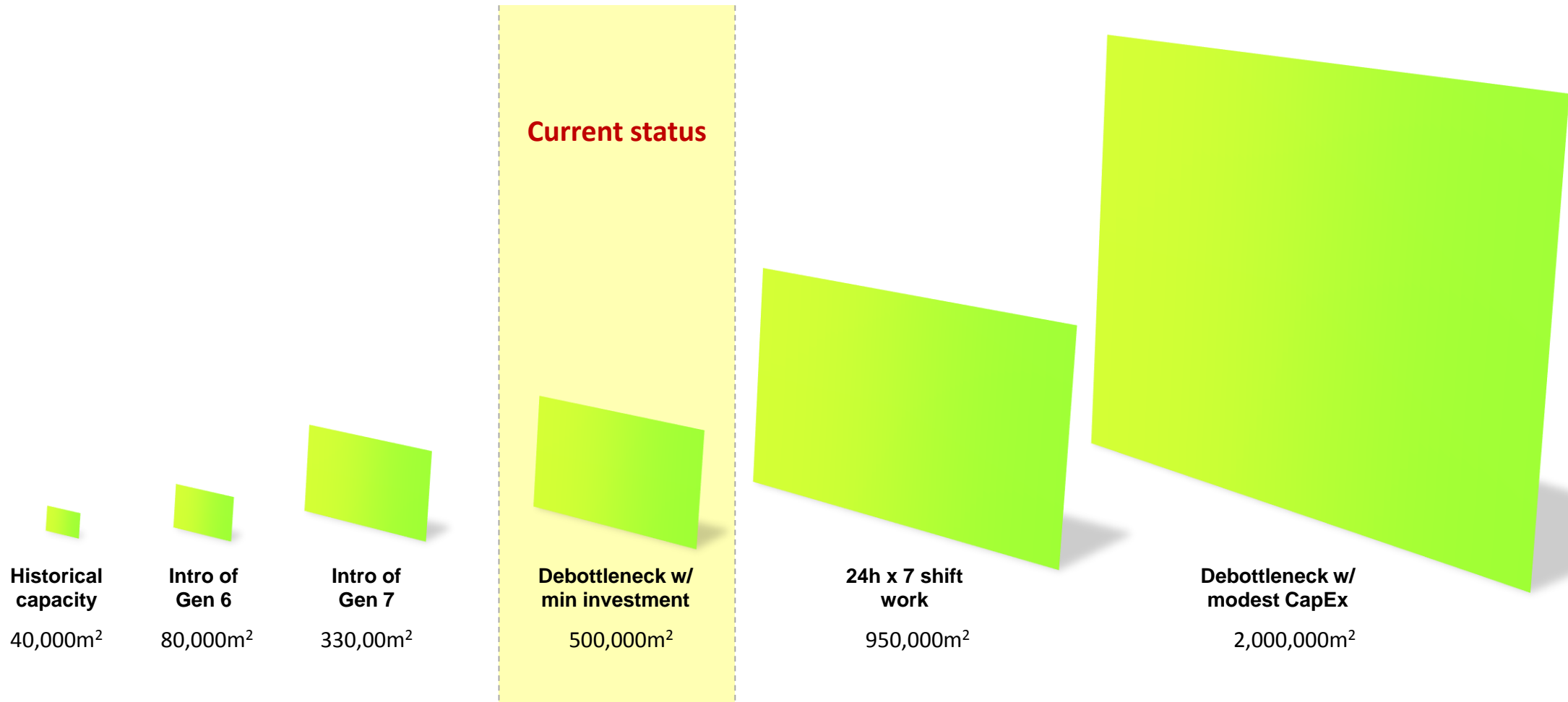


MANUFACTURING & SUPPLY

RUNCORN READY TO FULFIL COMMERCIAL ORDERS

- 10x increase in capacity through process improvements
- Enhanced to meet expected demand from Wah Hong and Merck
- Current capacity of the plant is c. 500 Kgs per annum
- Additional capacity will be brought on as demand dictates with minimal capital
- ISO 9001:2015 certification for production and supply processes awarded in December 2016

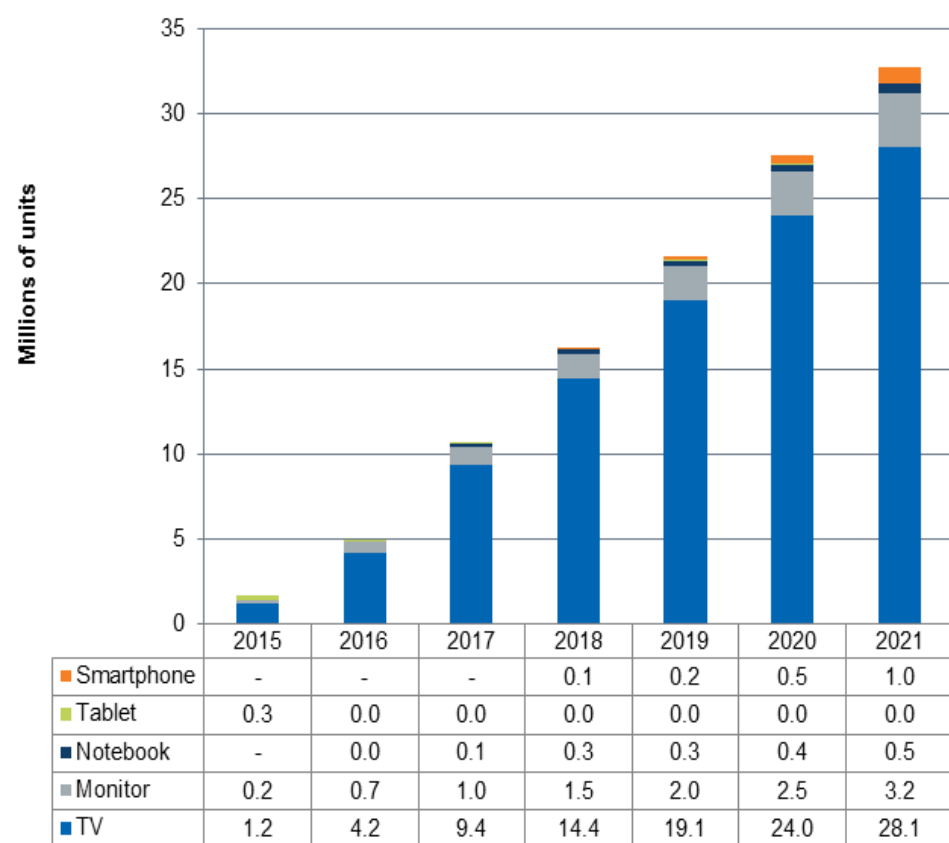




DISPLAY MARKET OPPORTUNITY

GROWING ADDRESSABLE MARKET FOR QD TVS

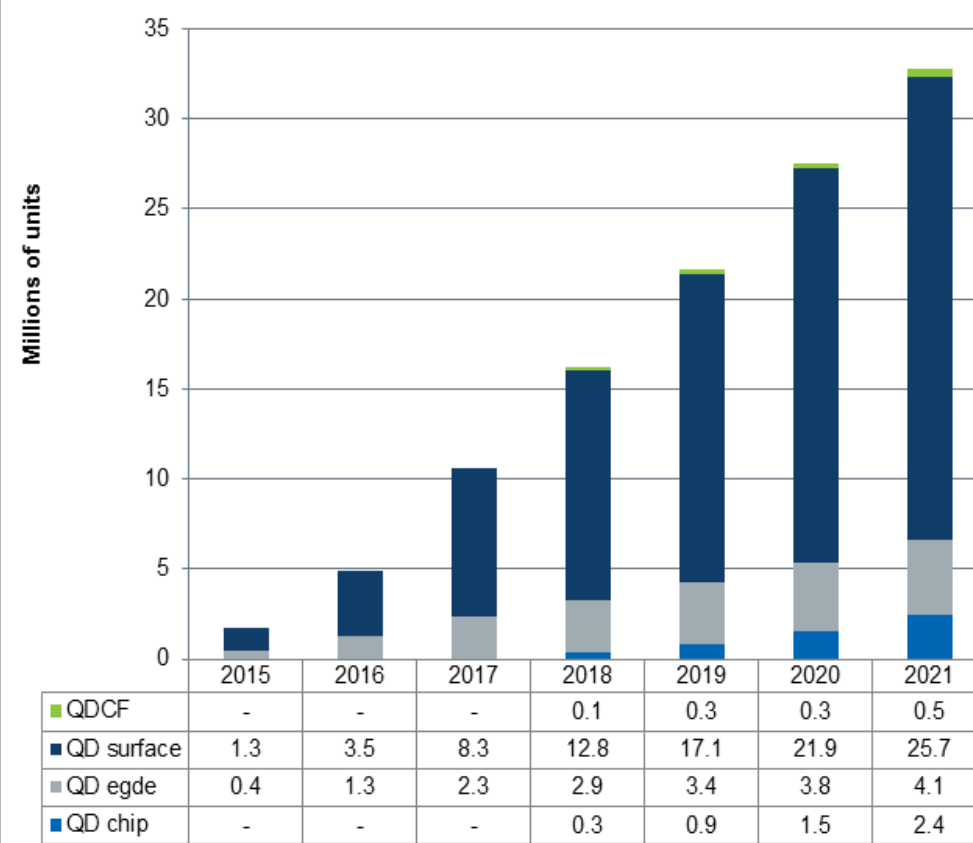
QD display market forecast by application (volume)



Source: IHS

© 2016 IHS

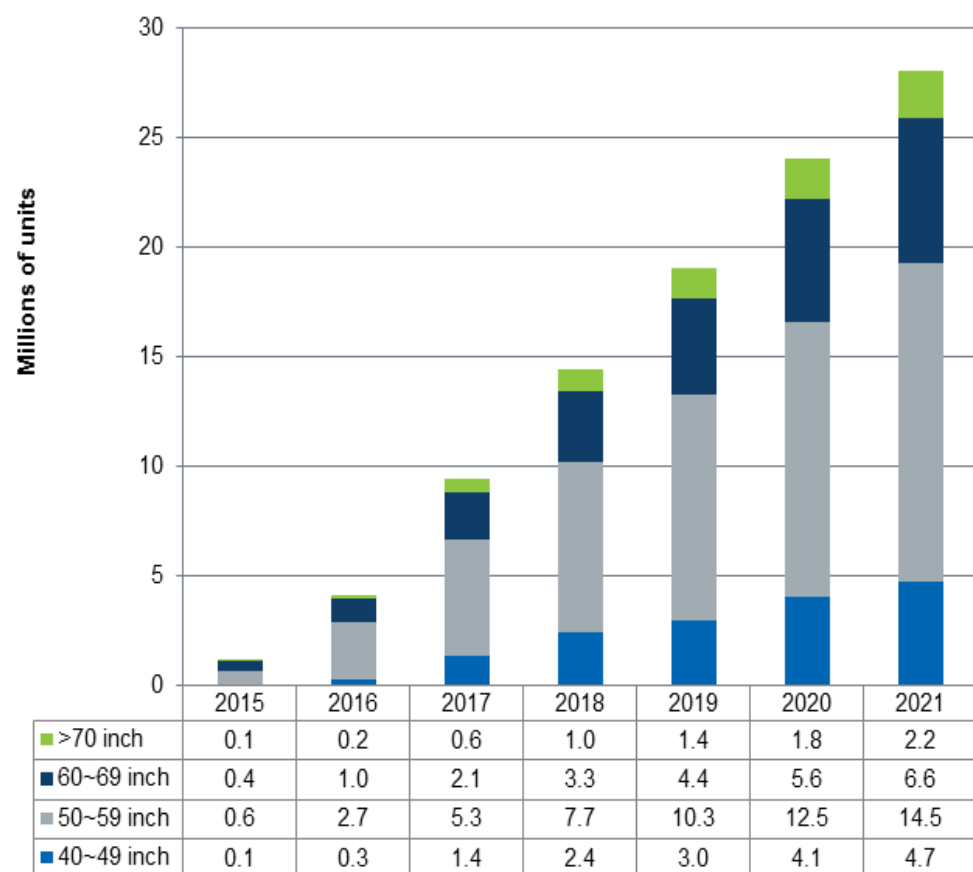
QD display market forecast by type (volume)



Source: IHS

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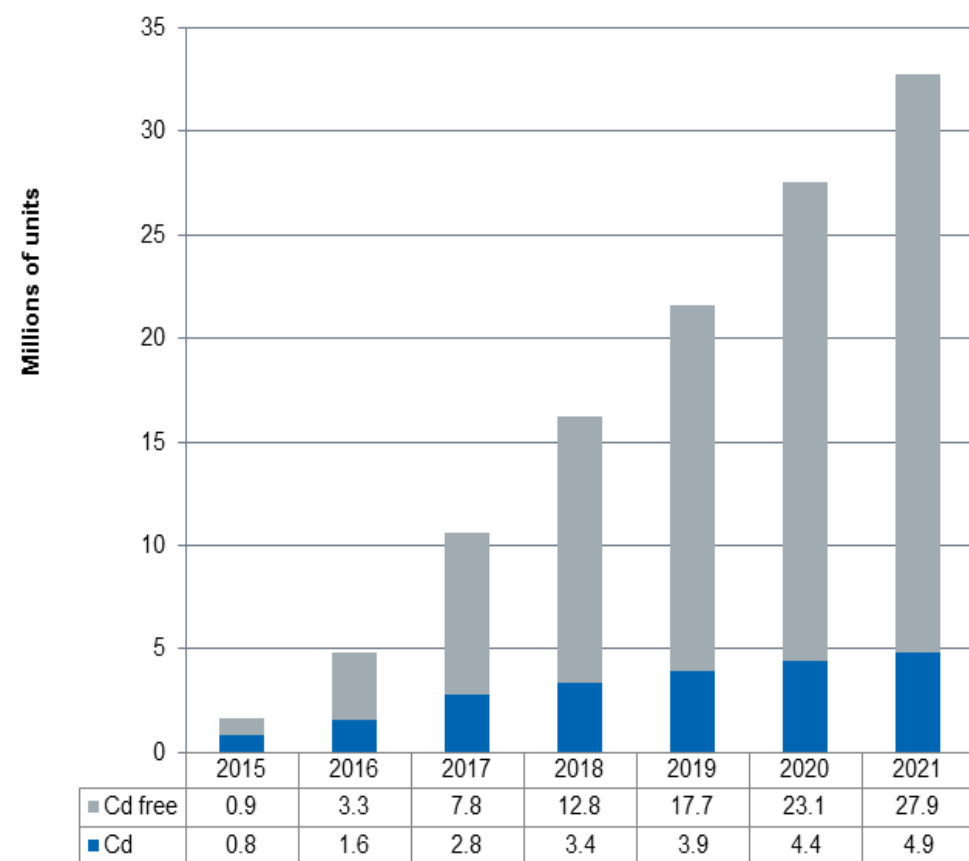
QD TV display market forecast by size (volume)



Source: IHS

© 2016 IHS

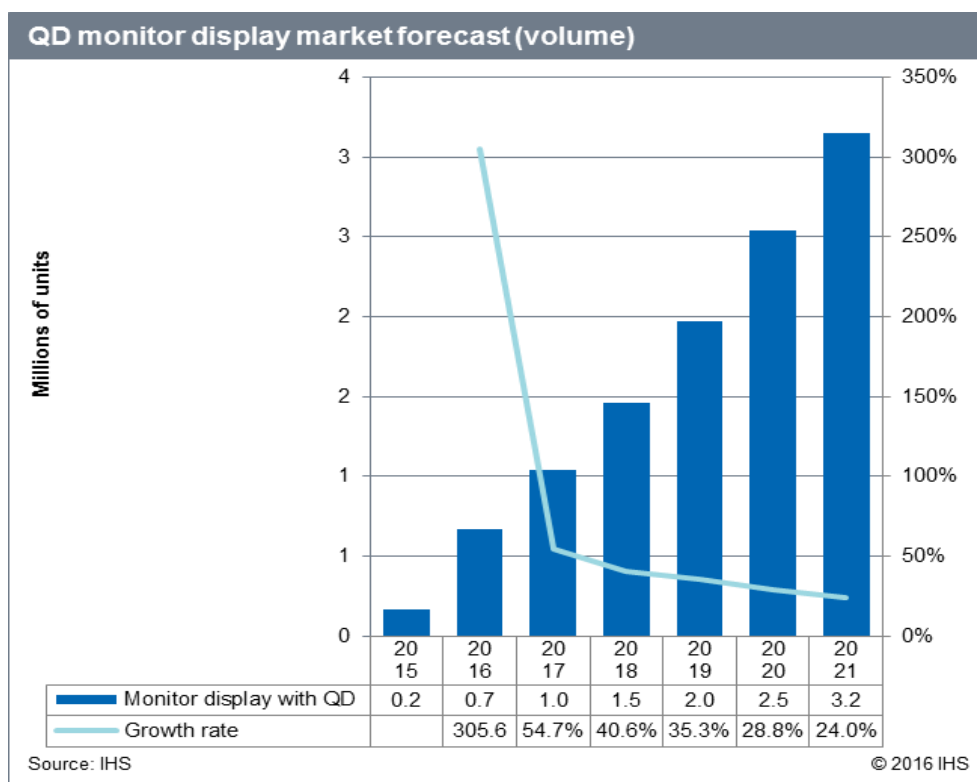
QD display market forecast by Cd and Cd-free (volume)



Source: IHS

© 2016 IHS

- QD displays are beginning to penetrate the monitor market starting in the higher priced models
- Demand is growing for graphic and medical use monitors that require wide colour gamut and special image quality
- Gaming monitors incorporating CFQDs were launched at CES in January 2017
- Leading monitor players include Dell, HP, Lenovo, Samsung, LG and AOC
- Each square metre of CFQD film = 4 x 27 inch monitors



Samsung CF791 34" 21:9 Curve monitor

- 1800R curvature
- Quantum dot display (sRGB 125%)
- 4 ms response time
- AMD FreeSync

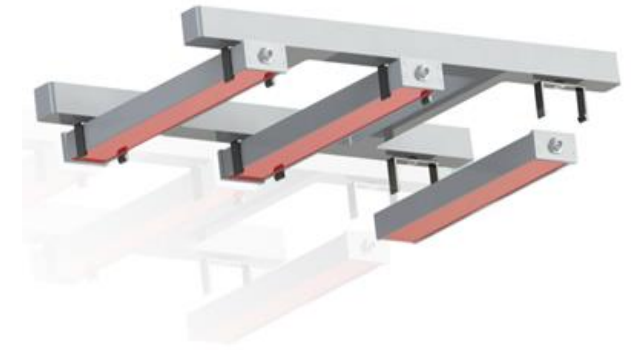
OTHER MARKETS H1 Progress



OTHER MARKETS

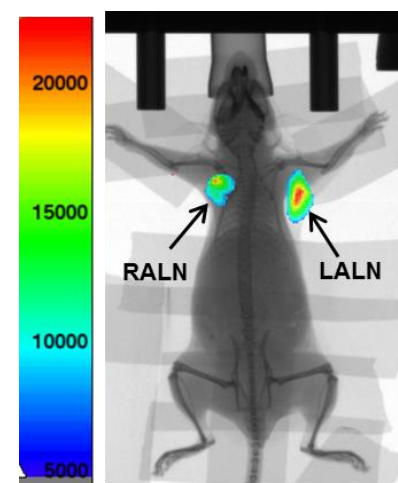
NEW OPPORTUNITIES IN LIGHTING

- Today's focus is in two niche areas: horticultural lighting and cosmetic skin treatment
- Nanoco horticultural lights won an innovation award at CES 2017
- Our technology tunes light to match the ideal growing conditions for plants
- Working with a number of customers to commercialise lighting technology

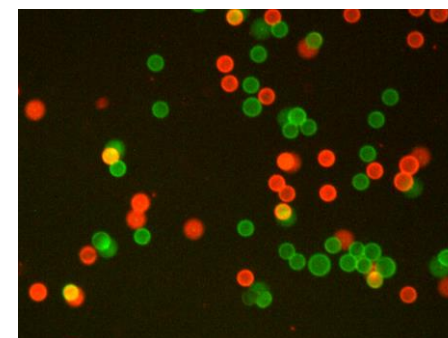


**Horticultural lighting to
enhance seed
germination and seedling
growth**

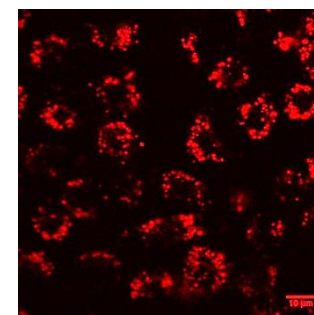
- Focus on in vivo imaging, diagnostic and targeted therapy of cancer
- Partnership in place with University College London
- Positive results shown including:
 - Uptake in sentinel lymph nodes of mouse and rat models
 - No signs of toxicity were observed in rodents after high IV doses
 - Vastly improved tumour demarcation when compared to industry standard dyes (ICG)
 - Conjugation to monoclonal antibodies (i.e. breast cancer drug Herceptin)
- Program fully grant funded



In vivo photoluminescence images of the 650 emissive Vivodots™ nanoparticles following subcutaneous injection into the paws of female Balb/c mice.



Biotinylated spheres labelled with streptavidin-Vivodot™ conjugates

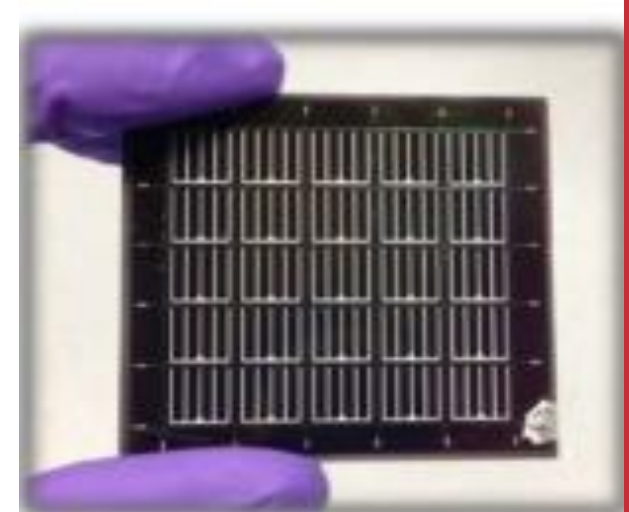


4T1 HER2 positive breast cancer cells labelled with Herceptin conjugated Vivodots™

OTHER MARKETS

SOLAR

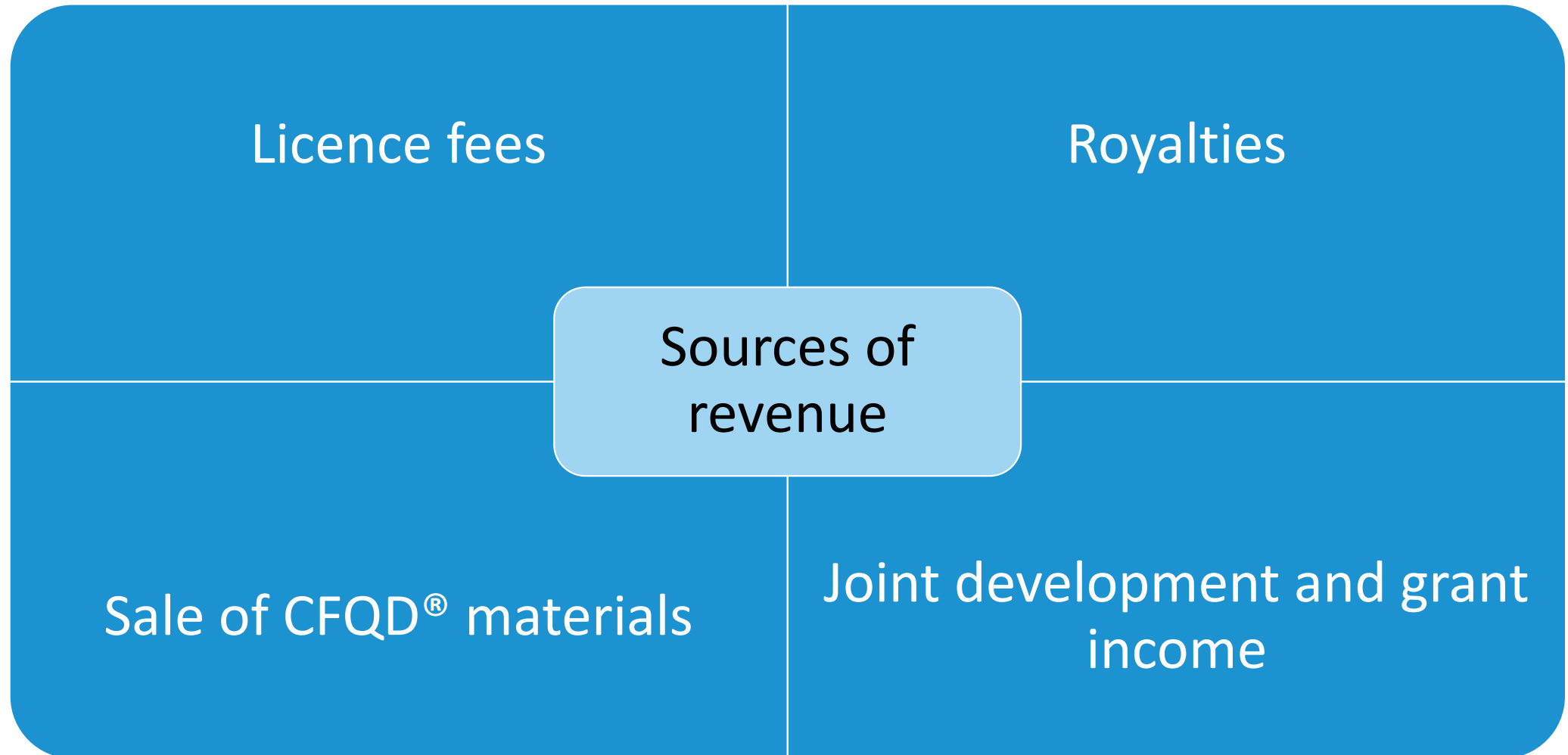
- Our solar ink has been designed to maximise the absorption of energy and can be printed by low cost methods and annealed into a PV film
- The technology is based on copper, indium, gallium, selenium (“CIGS”) materials
- Current efficiency is 17%
- We continue to work with Loughborough University on the scale up of our technology under a grant-funded project
- The priority in Solar is to identify a suitable partner to assist in commercialisation



The next development stage is to scale up the CIGS PV technology from small lab-sized cells to larger cells

FINANCIAL REVIEW





	2017 £m	2016 £m	Movement £m
Revenue and other income	0.8	0.3	0.5
R&D investment	2.9	3.1	(0.2)
LBITDA	(5.9)	(5.7)	(0.2)
Loss after tax	(5.4)	(5.2)	(0.2)
Cash and short term deposits	8.3	18.3	(10.0)
Deferred revenue	0.8	0.0	0.8
Net assets	14.1	24.0	(9.9)
Employees	93	133	(40)

- Although first half results are in line with the Board's expectations, sales have not yet materialised in the second half and we are therefore lowering our full year expectations
- Personnel cost savings of £1.1m per annum following cost cuts in December 2016
- Cash and cash equivalents of £8.3 million plus R&D tax credit receivable of £1.9m
 - Sufficient headroom under the expected timeframe for commercial sales to commence
 - Detailed contingency plans in place should sales be further delayed

Liquidity

- Strength of balance sheet
- Key to fund R&D

Revenue

- Excludes lumpy payments
- Key measure of growth

Billings

- Sum of all invoices raised and grant income
- Key cash generator

R&D spend

- Core skill
- Competitive advantage

IP portfolio

- Number of patents granted and pending

KEY PERFORMANCE INDICATORS (FIRST HALF)

Liquidity £m

£8.3m -55%



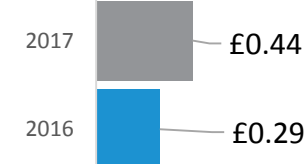
Revenues and grant income £m

£0.82m



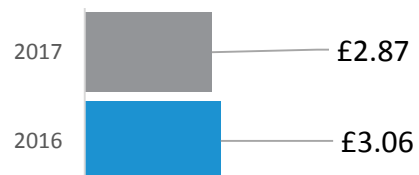
Billings £m

£0.44m +51%



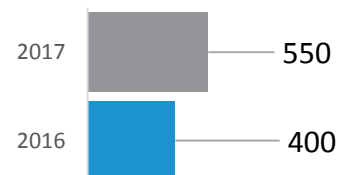
R&D investment £m

£2.87m -6.2%

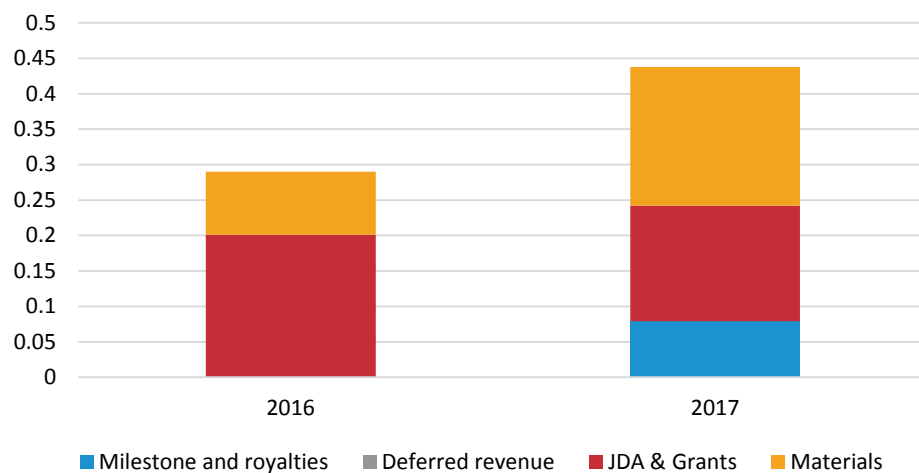


Number of patents

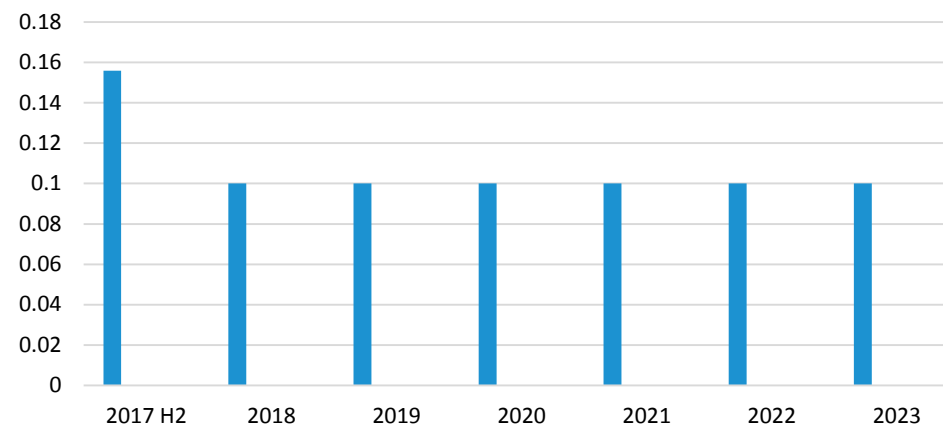
550 +37.5%



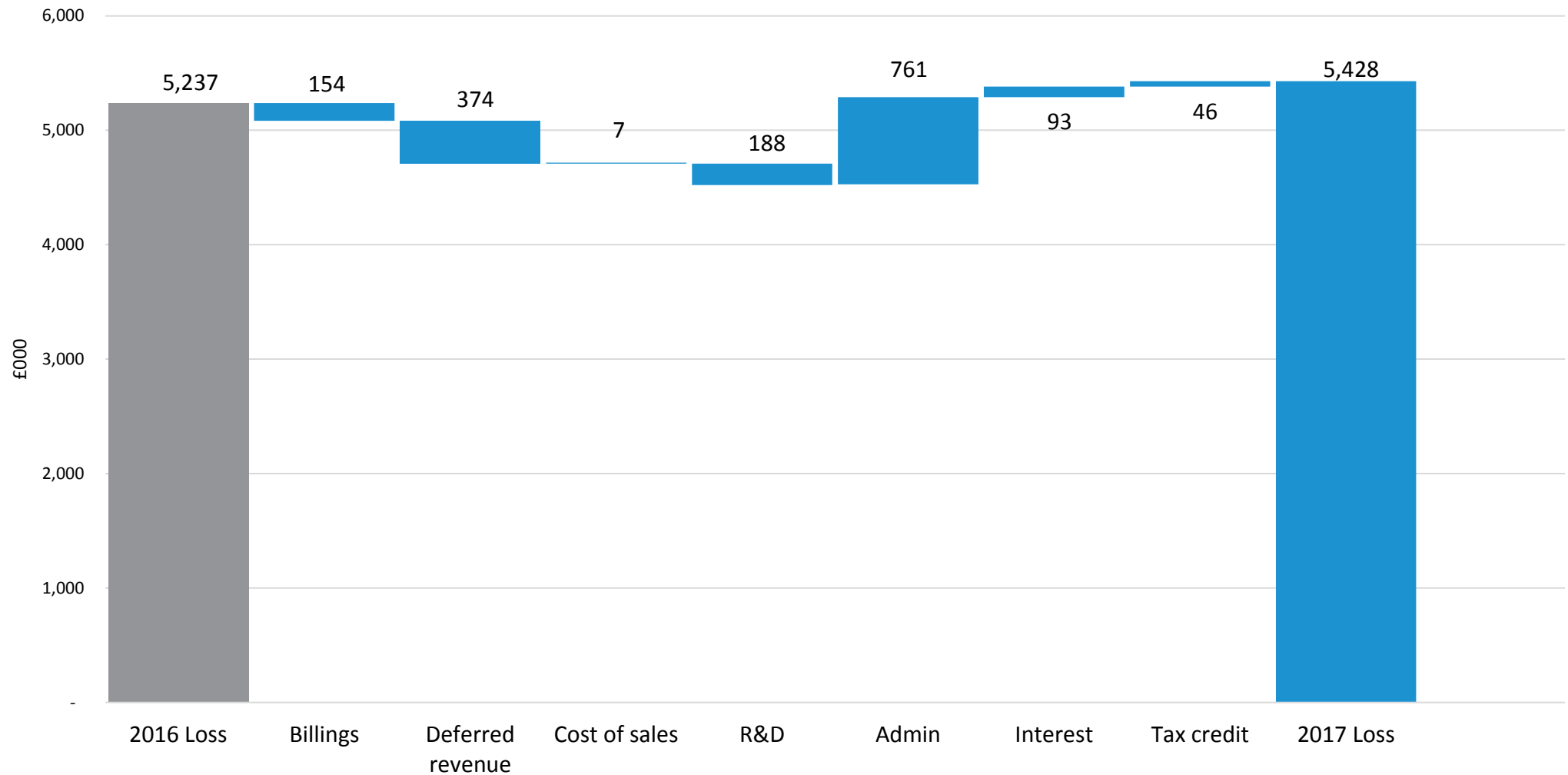
Analysis of Billings £m



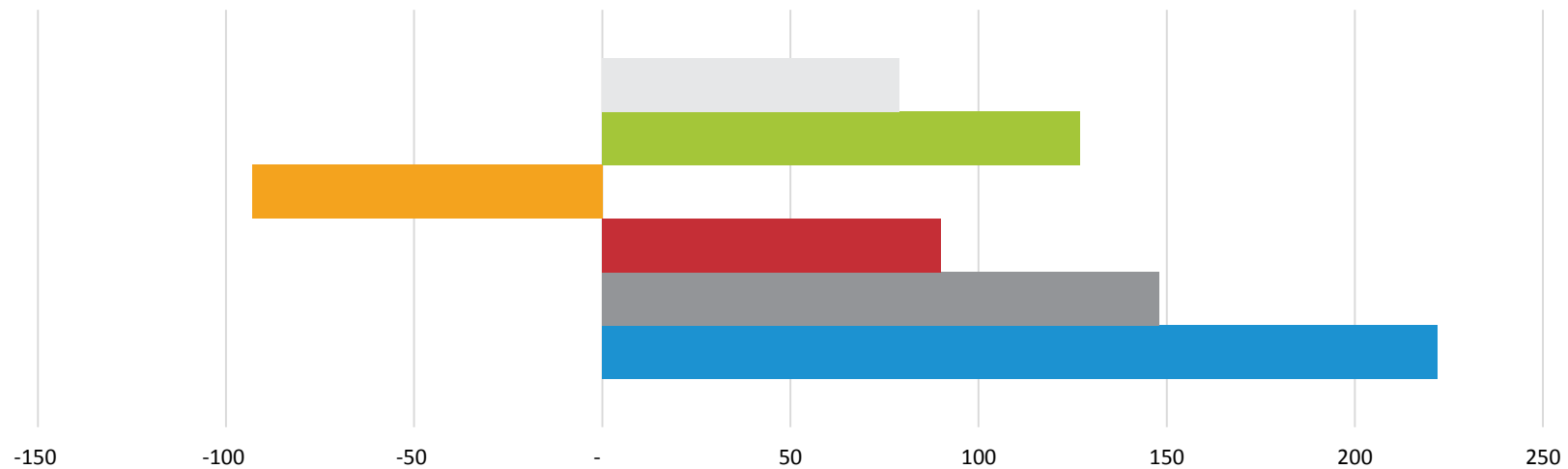
Release of deferred revenue at 31/1/17 £m



Statement	Title	2017 £m	2016 £m
Statement of comprehensive income	Revenue	0.67	0.14
Statement of comprehensive income	Other income	0.14	0.15
Statement of financial position	Deferred income	0.00	0.00
Total		0.81	0.29

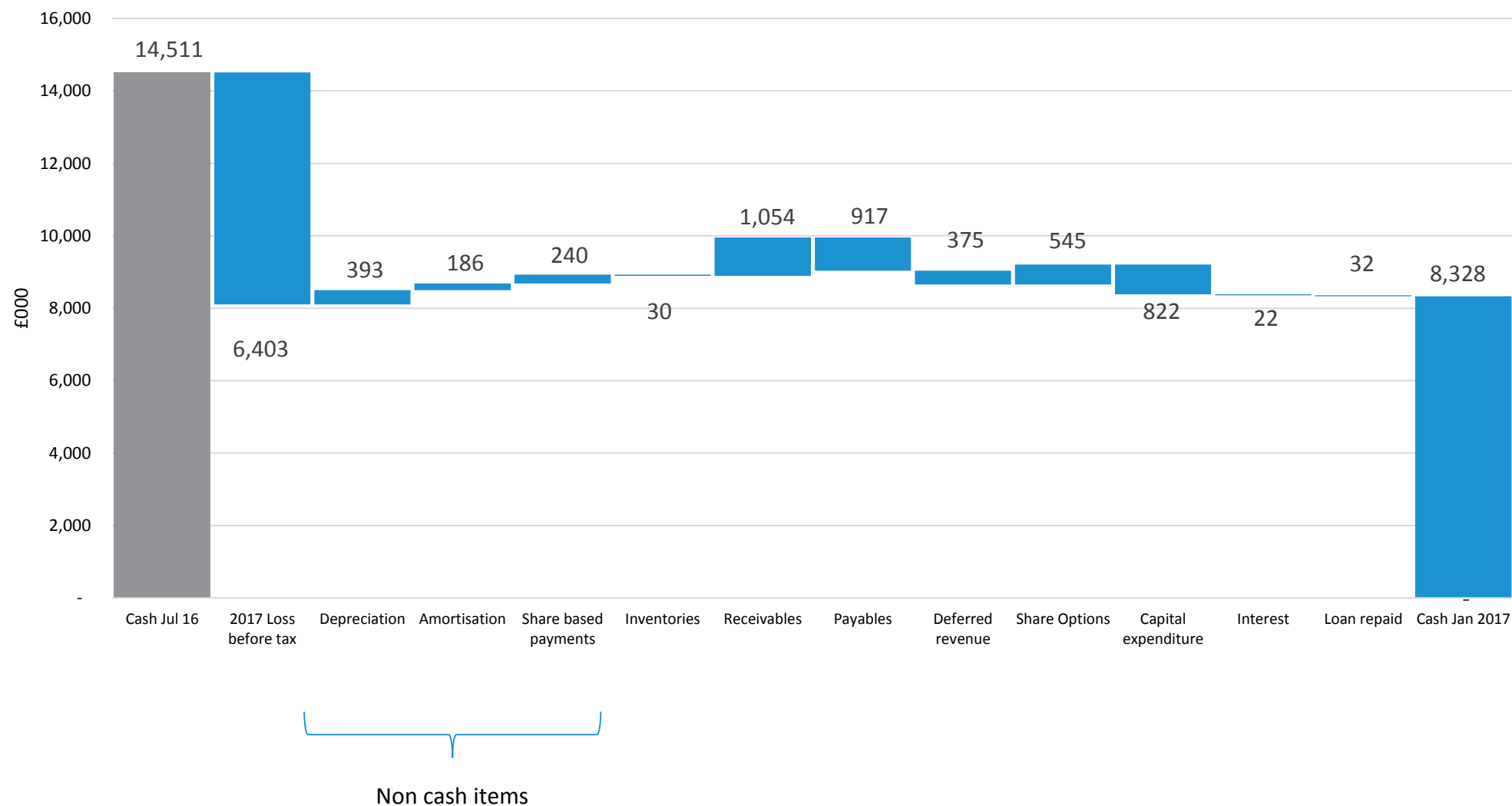


Movement in overheads vs 2016 £000



■ Premises costs ■ Share based payment charge ■ Depreciation ■ Various other ■ Professional fees re IP ■ Staff costs

MOVEMENT IN CASH DURING THE 6M ENDED 31 JAN 2017



- Cash at 31 January 2017 £8.3m
- R&D tax credit receivable £1.9m
- Commercial sales expected to commence in the second half
- Cost reduction programme completed in December 2016
- Various cash flow forecasts have been prepared and sensitivity analysis performed
- If no sales are achieved then cash would be exhausted in the first quarter of 2018 if no mitigating actions are taken

- The following contingency plans have been developed for this worst case scenario:
 - Significant reduction in manufacturing capability
 - Focus on licencing activities
 - Subcontract manufacture to be set up to meet future demand
 - All cost savings are under the direct control of the Board and it is committed to taking action on a timely basis if the worst case scenario occurs.

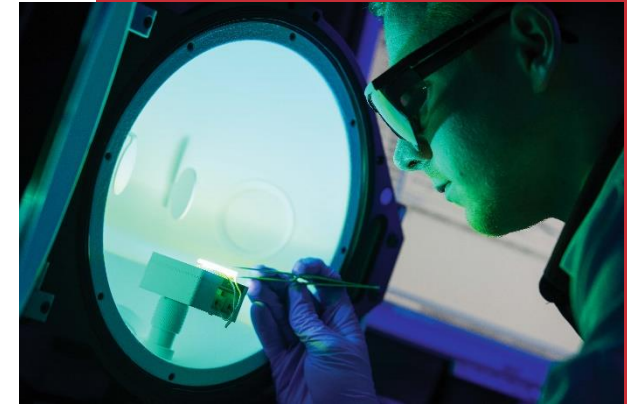


SUMMARY

SUMMARY – GOOD PROGRESS IN H1

- Commercial sales expected in H2
- Decisive action taken to reduce costs
- Sufficient cash headroom under the expected timeframe for commercial sales to commence
- 9 OEMs, 14 active programmes
- Multiple channel display strategy with multiple sources of revenue beginning to pay off
- Global supply chain being established giving OEMs multiple sources to Nanoco CFQD technology
- Dow and Merck making encouraging progress
- Life sciences and lighting markets looking very promising

Engaged with more near term commercial opportunities than at any time in Nanoco's history



QUESTIONS

Q&A



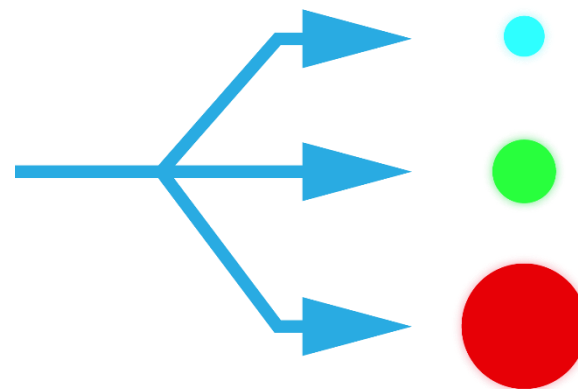
APPENDICES



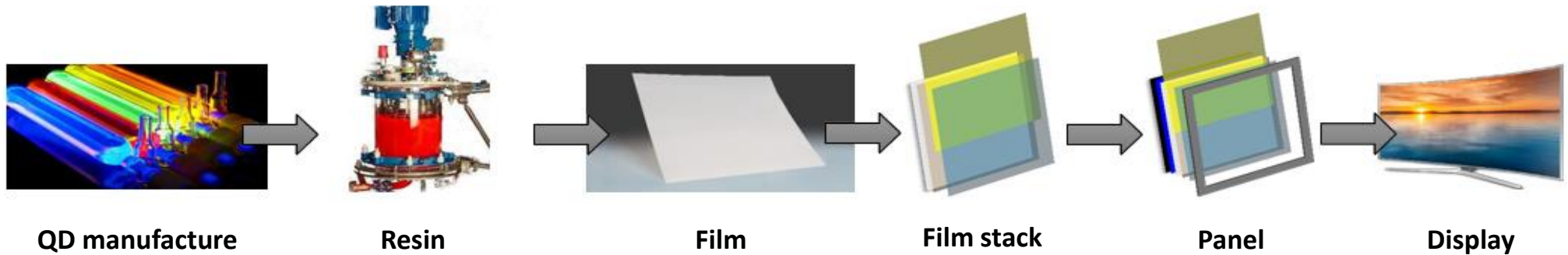
OVERVIEW

WHAT IS A QUANTUM DOT?

- Tiny particles of a fluorescent semiconductor material
- 1 to 10 nanometers in diameter
- Size of the quantum dot determines the spectrum of light emitted
- Smaller = blue; larger = red
- Can be tuned to light beyond visible light into the Infra-red or ultra-violet parts of the spectrum

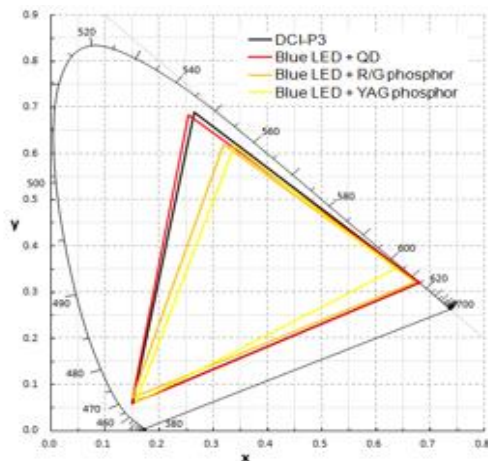


**Established
technology with a
wide range of
commercial
applications**



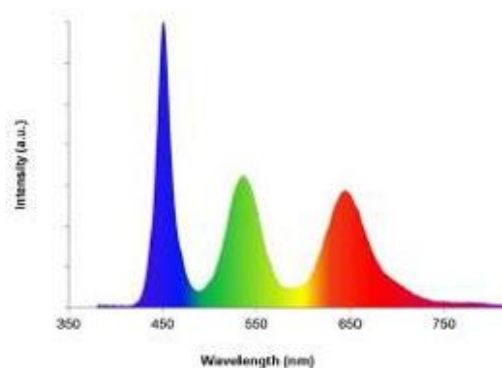
Better Colour Gamut

- Much improved colour saturation
- Improved colour enhancement over LCD → similar to OLED



Energy Efficient

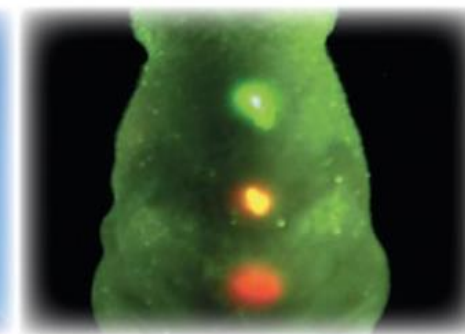
- Narrow bandwidth = more light extraction through colour filters
- Enables use of blue LED instead of less efficient white LED



Minimal Process Change

- Uses existing LCD manufacturing infrastructure
- Uses existing LCD supply chain



**Display****Lighting****Solar****Biomedical**

Application	LCD backlighting	Horticultural lighting	Thin film solar	Cancer imaging, diagnostics and therapeutic
Technology	CFQD® quantum dots CFQD® quantum dots resin	CFQD® quantum dots film	CIGS nanomaterials	Water soluble CFQD® quantum dots Functionalized with antibodies
Business Model / Timing	License & materials sales	Film sales / Near term niche potential with ability to expand usage	Partner license & Material sales (toll)	Partner license with upfront fees / Longer term
Anticipated addressable market size	\$7.5B in 2021, ²	\$1.1m opportunity	Expected to enhance the rapidly growing thin film solar market	QDs in healthcare = c.\$1B in 2022 ²

(1) Market&Markets – Quantum Dots Market by Product, Application, Material & Geography – Forecast & Analysis (2013 – 2022)

(2) MarketsandMarkets report

APPENDICES

LEADERSHIP

Dr Christopher Richards
Non Executive Chairman

- CEO, Non-Executive chairman, Arysta LifeSciences
- 20 years of increasing management roles at Syngenta
- Executive chairman of Plant Health Care
- NED of Origin Enterprises plc

Dr Michael Edelman
CEO

- Led spin-out of Nanoco from University of Manchester
- GE/Bayer JV, founded www.yet2.com Europe, commercial director Colloids Ltd, Brunner Mond, ICI

Dr. Nigel Picket
Co-founder & CTO

- Inventor of Nanoco's key patented scale-up technology
- Leading expert on semi-conducting nano-crystals
- Japanese Government, St. Andrews University, Georgia Tech

David Blain
CFO

- Experienced Quoted Company CFO, Renovo, Drew Scientific, Price Waterhouse

Keith Wiggins
COO

- 30 years senior executive experience, 23 years with The Dow Chemical Company

Brendan Cummins
Senior Non Executive

- 40 years of industry experience mostly with Ciba Geigy, last role was
- CEO of Ciba and led the sale of Ciba to BASF
- Board of US Headquartered, Ashland Inc., Chair of Governance and Nominations Committees and member of Audit Committee
- Board of Perstorp AB, Sweden

Robin Williams
Non Executive

- Experienced NED and Executive, Investment banking, Xaar, Manufacturing background.
-

Name	Shareholding	Percentage
Henderson Volantis	48,096,307	20.19
Mr Richard I Griffiths	19,125,097	8.03
Baillie Gifford & Co	17,731,559	7.44
Hargreaves Lansdown Asset Management	15,654,882	6.57
Dr Nigel Pickett (CTO)	10,945,681	4.59
GMT Capital Corp	7,645,000	3.21
Legal & General Investment Management	7,600,971	3.19
Killik Asset Management	7,502,622	3.15
Dr Michael Edelman (CEO)	4,931,615	2.07

Notes: The total number of voting rights in the Company is 238,224,606

STATEMENT OF COMPREHENSIVE INCOME

	31 January 2017 £000	31 January 2016 £000
Revenue	676	144
Cost of sales	(36)	(29)
Gross profit	640	115
Other operating income	142	146
Operating expenses		
Research and development expenses	(2,873)	(3,061)
Administrative expenses	(4,347)	(3,586)
Operating loss	(6,438)	(6,386)
- before share-based payments	(6,198)	(6,273)
- share-based payments	(240)	(113)
Finance income	35	130
Finance expense	-	(2)
Loss on ordinary activities before taxation	(6,403)	(6,258)
Taxation	975	1,021
Loss on ordinary activities after taxation for the year and total comprehensive loss for the year	(5,428)	(5,237)
Loss per share		
Basic and diluted loss for the year	(2.28)p	(2.21)p

STATEMENT OF FINANCIAL POSITION

	31 January 2017 Group £000	31 January 2016 Group £000
Assets		
Non-current assets		
Tangible fixed assets		
Intangible assets	1,106	1,668
Investment in subsidiaries	2,820	2,068
	3,926	3,376
Current assets		
Inventories	238	232
Trade and other receivables	1,013	855
Income tax asset	2,945	2,825
Short-term investments and cash on deposit	5,000	10,000
Cash and cash equivalents	3,328	8,273
	12,524	22,185
Total assets	16,450	25,921
Liabilities		
Current liabilities		
Trade and other payables	1,526	1,882
Financial liabilities	-	63
Deferred revenue	207	-
	1,733	1,945

STATEMENT OF FINANCIAL POSITION

	31 January 2017 Group £'000	31 January 2016 Group £'000
Non-current liabilities		
Deferred revenue	597	-
	597	-
Total liabilities	2,329	1,945
Net assets	14,120	23,976
Capital and reserves		
Issued equity capital	58,602	58,057
Share-based payment reserve	2,955	2,558
Merger reserve	(1,242)	(1,242)
Capital redemption reserve		
Retained earnings	(46,195)	(35,397)
Total equity	14,120	23,976

	31 January 2017 Group £000	31 January 2016 Group £000
(Loss)/profit before tax	(6,403)	(6,258)
Adjustments for:		
Net finance income	(35)	(128)
Depreciation of tangible fixed assets	393	533
Amortisation of intangible assets	186	139
Share-based payments	240	113
Changes in working capital:		
Increase in inventories	(30)	(24)
(Increase)/decrease in trade and other receivables	1,054	2
Increase in trade and other payables	(917)	(27)
Increase/(decrease) in deferred revenue	(375)	-
	(5,887)	(5,650)
Cash outflow from operating activities		
Research and development tax credit received	-	-
Overseas corporation tax paid	-	(4)
Net cash outflow from operating activities	(5,887)	(5,654)

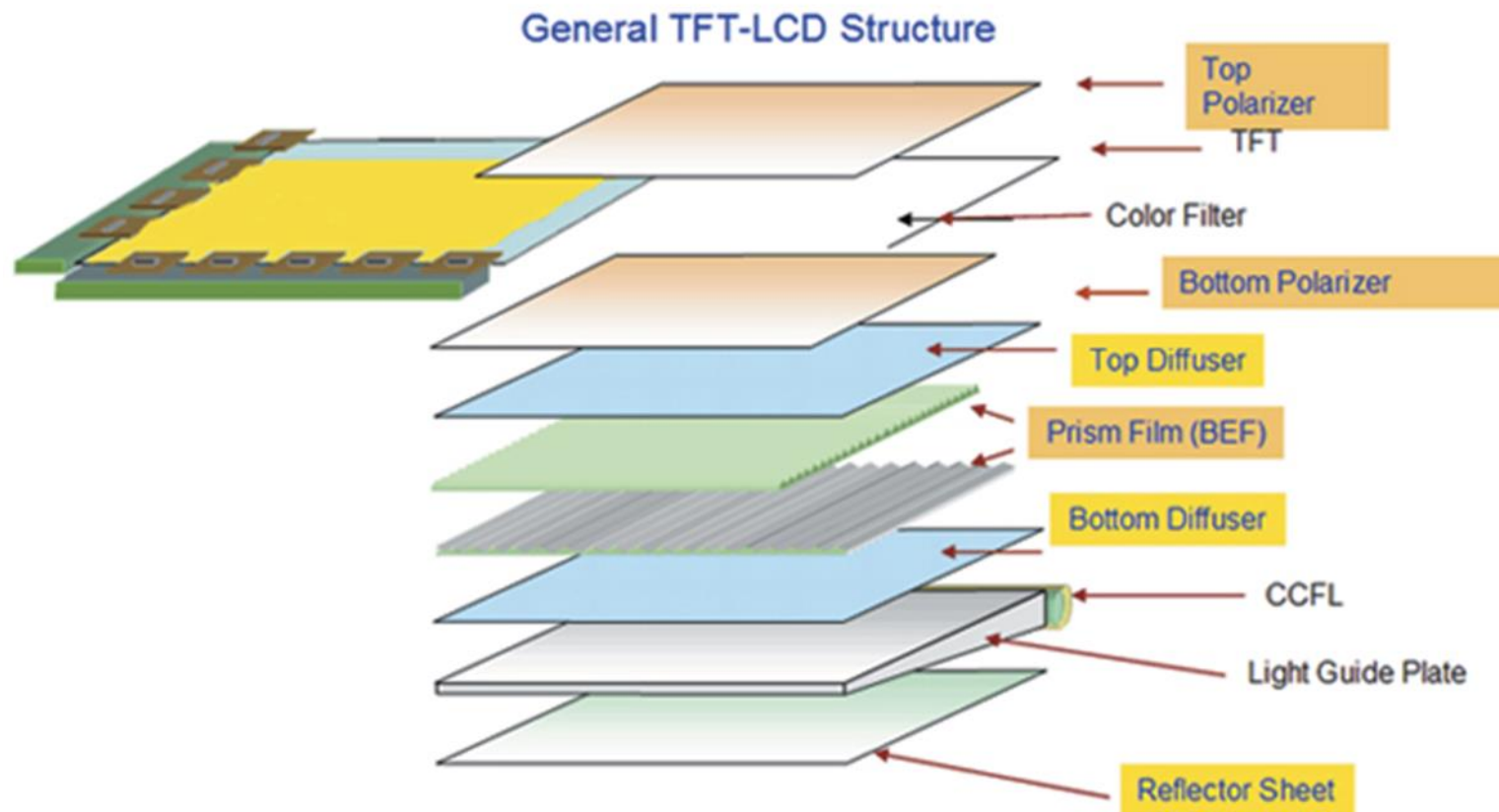
STATEMENT OF CASH FLOW

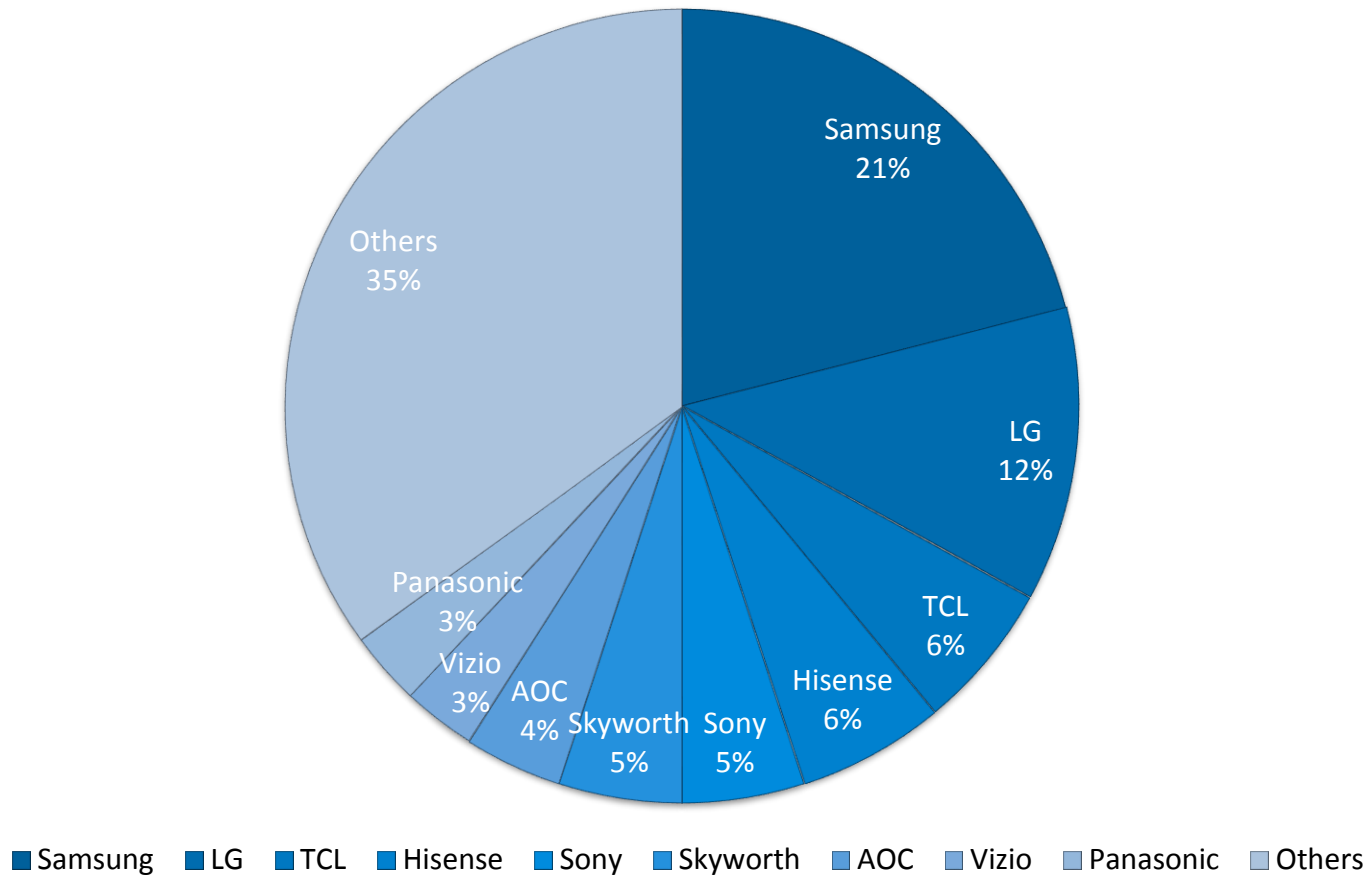
	31 January 2017 Group £000	31 January 2016 Group £000
Cash flow from investing activities		
Purchases of tangible fixed assets	(239)	(139)
Purchases of intangible fixed assets	(583)	(386)
Decrease in cash placed on deposit	-	(10,000)
Interest received	13	175
Net cash inflow/(outflow) from investing activities	(809)	9,650
Cash flow from financing activities		
Exercise of share options	545	-
Interest paid	-	(2)
Loan repayment	(32)	(32)
Net cash (outflow)/inflow from financing activities	513	(34)
Increase/(decrease) in cash and cash equivalents	(6,183)	3,962
Cash and cash equivalents at the start of the year	9,511	4,311
Cash and cash equivalents at the end of the year	3,328	8,273
Monies placed on deposit at the end of the year	5,000	10,000
Cash, cash equivalents and deposits at the end of the year	8,328	18,273

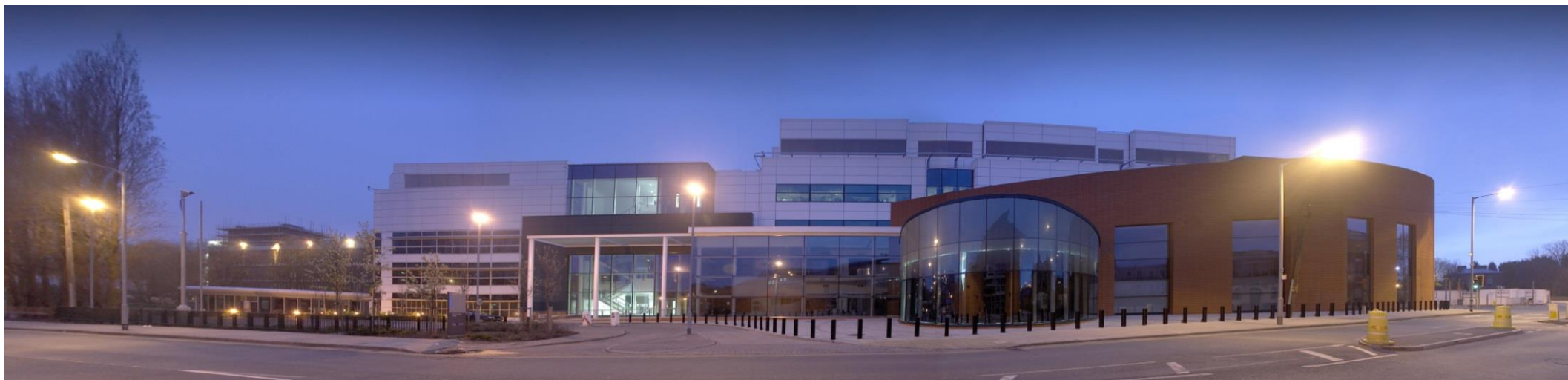
- The European Commission has been conducting a lengthy and on-going review of the future of cadmium-based quantum dots
- In spite of Members of the European Parliament voting overwhelmingly in 2015 to ban cadmium-containing quantum dots, the Commission decided to mandate a second report by the Oeko-Institute which was published in May 2016
- The new report recommended that cadmium-containing dots should be banned in lighting applications but allowed in display for a 3 year period
- After consultation in September 2016 with Member State representatives highlighted increasing concern, the Commission issued a draft Act in February 2017 that reduced the extension for displays to two years, the minimum possible
- Nanoco and others are strongly challenging this extension and we believe there is a strong case to the end the exemption
- We expect that China and other major states will quickly follow the lead set by the EU when it removes the exemption for cadmium QDs.
- It is clear that the exemption must end sometime -Cadmium's future is limited. It is just a matter of time



Market leader Samsung promotes their cadmium free quantum dots TV range







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