30 March 2021

NANOCO GROUP PLC

("Nanoco", the "Company" or the "Group")

Interim Results

Nanoco Group plc (LSE: NANO), a world leader in the development and manufacture of cadmium-free quantum dots and other specific nanomaterials emanating from its technology platform, announces unaudited Interim Results for the half year ended 31 January 2021 (“the Period” or “H1 FY21”).

Operational Summary

- Achieved all technical and commercial milestones on important development project for sensing materials
- Business restructuring completed during the Period to reduce monthly cash costs
- Trial date for the alleged wilful infringement of the Group’s IP by Samsung set for October 2021
- Secured Innovate UK grant of £0.8m for research on rapid diagnostic test platform for pathogens (including Covid-19)
- Customer focused operations maintained on a ‘Covid-secure’ basis to protect staff safety

Financial Summary

- Revenue of £1.0m (H1 FY20: £2.9m with prior year largely due to final US Customer deliverables)
- Small increase in adjusted LBITDA[1] to £1.5m (H1 FY20: loss £1.1m) reflecting cost savings
- Average monthly cash burn £0.4m (H1 FY20: £0.7m) during the Period
- Cash runway to H2 2022, with contingency plans in place if required

Brian Tenner, Chief Executive Officer of Nanoco Group plc, said:

“Significant growth in mega-trends in electronics, automation and the Internet of Things creates a very promising commercial background for our value enhancing nano-materials that add significant capability to the sensors used in these fields.

“During the period we successfully delivered all technical and commercial milestones in our important development project for sensing materials which is further validation of our capabilities in developing and applying novel nano-materials. We continue to work with this important customer and negotiations are ongoing on the potential next phase of our work together. We have also seen growing interest in a number of different materials covering a wide range of wavelengths and commercial market applications and are now engaged in exciting research and development activities with additional new customers in these areas.

“We have continued our focus on cash and cost control. We completed a small scale restructuring during the Period and our gross monthly cash cost base has now stabilised in line with expectations. We have successfully maintained our core capabilities including our ability to move to commercial manufacture of material on a large scale at our Runcorn facility in the medium term.

“Our lawsuit against Samsung for the alleged wilful infringement of Nanoco’s IP is progressing well and we are pleased that a trial date has been set for October 2021. We will review the final written report from the Judge presiding over the recent claim construction hearing when it becomes available. At this stage, we are pleased with the progress of the litigation process and the initial indications arising from the Markman hearing, adding to our confidence in the strength of our position.

[1] Adjusted LBITDA excludes the non-cash impact share based payments as these are not deemed to be indicative of the underlying performance of the business.

“The Board strongly believes in the value that can be generated from our organic business. Moreover, although there can be no certainty as to the outcome, the Samsung litigation could result in a very substantial settlement in our favour. While there is much work to be done in the short term, the prospects are improving for significantly enhancing shareholder value in the medium term.”

Analyst meeting and webcast details

A conference call and webcast for analysts will be held at 10:00am (UK time) this morning (30 March 2021):

Dial in: +44 (0)330 336 9434
Link: https://webcasting.brrmedia.co.uk/broadcast/604a5c131e24d464e23edbb2
PIN: 7036214

For further details please contact MHP Communications on 0203 128 8778 or at nanoco@mhpc.com

A recording of the webcast will also be made available on Nanoco's website www.nanocotechnologies.com, later today.

For further information, please contact:

Nanoco Group PLC: +44 (0) 161 603 7900
Brian Tenner, CEO
Liam Gray, Company Secretary
Caroline Watson, Investor Relations Manager
cwatson@nanocotechnologies.com

Peel Hunt: +44 (0) 20 7418 8900
Edward Knight
Nick Prowting
James Smith

MHP Communications: +44 (0) 203 128 8778
Reg Hoare
Giles Robinson
Pete Lambie
nanoco@mhpc.com

The person responsible for arranging for the release of this announcement is Liam Gray, Company Secretary.

FORWARD LOOKING STATEMENTS

This announcement (including information incorporated by reference in this announcement) and other information published by Nanoco may contain statements about Nanoco that are or may be deemed to be forward looking statements. Such statements are prospective in nature. All statements other than historical statements of facts may be forward looking statements. Without limitation, statements containing the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or "considers" or other similar words may be forward looking statements.

Forward looking statements inherently contain risks and uncertainties as they relate to events or circumstances in the future. Important factors such as business or economic cycles, the terms and conditions of Nanoco's financing arrangements, tax rates, or increased competition may cause Nanoco's actual financial results, performance or achievements to differ materially from any forward looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. Nanoco disclaims any obligation to update any forward looking or other statements contained herein, except as required by applicable law.

Notes for editors:
About Nanoco Group plc

Nanoco (LSE: NANO) harnesses the power of nano-materials. Nano-materials are materials with dimensions typically in the range 1 - 100 nm. Nano-materials have a range of useful properties, including optical and electronic. Quantum dots are a subclass of nano-material that have size-dependent optical and electronic properties. The Group produces quantum dots and other nano-materials. Within the sphere of quantum dots, the Group exploits different characteristics of the quantum dots to target different performance criteria that are attractive to specific markets or end-user applications such as the Display, Sensor and Electronics markets. An interesting property of quantum dots is size-tunable absorption spectrum.

Nanoco's HEATWAVE™ quantum dots can be tuned to absorb light at different wavelengths across the near-infrared spectrum, rendering them useful for applications including image sensors. Another interesting property of quantum dots is photoluminescence: the emission of longer wavelength light upon excitation by light of a shorter wavelength. The colour of light emitted depends on the particle size. Nanoco's CFQD® quantum dots are free of cadmium and other toxic heavy metals, and can be tuned to emit light at different wavelengths across the visible and infrared spectrum, rendering them useful for a wide range of applications including displays, lighting and biological imaging.

Nanoco was founded in 2001 and is headquartered in Manchester, UK, with a US subsidiary, Nanoco Inc., in Concord, MA. Nanoco continues to build out a world-class, patent-protected IP portfolio generated both by its own innovation engine, as well as through acquisition.

Nanoco is listed on the Main Market of the London Stock Exchange and trades under the ticker symbol NANO. For further information, please visit: www.nanocotechnologies.com.

Business Review

Overview
We have continued to deliver novel R&D solutions to our customers throughout the Period while safely conducting our operations to protect our staff against the Covid pandemic. We have also been pleased to see growing interest in using our materials in a range of sensing applications across different market sectors. This has led directly to engagement with a number of new customers on R&D activities on a range of materials covering a wide range of wavelengths.

Our litigation against Samsung is proceeding in line with expectations and our confidence in the strength of our position has grown as we have moved through the discovery and claim construction phase of the legal process. The Board remains confident that the litigation and robust defence of our IP portfolio represents an opportunity to significantly enhance shareholder value in the medium term.

Sensing materials
We achieved all of the development milestones in the Period relating to our important project for sensing materials. We continue to work with this important customer and are in active discussions on the potential next phase of the project which, if agreed and successfully delivered, will bring us one step closer to our medium term strategic goal of re-balancing our revenue towards recurring commercial production rather than services revenues.

We have also developed an important new customer relationship in sensing applications which is generating R&D services income in respect of other material sets and across a range of functional wavelengths of material. This additional new relationship is with a significant participant in another major electronics supply chain. Other smaller relationships are being formed in parallel as interest grows in the application of value adding nano-materials to sensors, in response to mega-trends seen in electronics, automation and the Internet of Things more generally.

Our R&D efforts in sensing materials also continued throughout the Period. We are now able to offer different material sets and also new materials that are capable of absorbing much longer wavelengths of infrared light at specifically targeted bands such as 1,400 nm, 1,550 nm and 1,800 nm.

Display materials (CFQD® Quantum Dots)
Activity in Display reduced following the end of our collaboration with Merck. Merck has announced its intention to continue investing in electronics materials that may create opportunities for Nanoco in future but at present, there are no ongoing commercial activities between the two companies. We have continued to seek out new relationships and a number of these are moving forward at a small scale. We hope that the final decision to end the Restriction of Hazardous Substances (RoHS) cadmium exemption for film-based displays will provide fresh impetus to display panel manufacturers to embrace the benefits of our CFQD Quantum Dots®. While the European markets currently only see limited sales of cadmium-based QD televisions, the focus of growth on cadmium-free solutions may provide a helpful tailwind.

Display remains an important market for Nanoco, with our existing materials under evaluation by a range of customers. In addition, a number of small R&D projects were delivered for customers during the Period. We retain our core capabilities to deliver Display R&D services, scale up and commercial production of material from our Runcorn facility. We are therefore well positioned to take advantage of any broadening in the adoption of non-toxic quantum dots by global display manufacturers when the opportunity arises.

A successful outcome to the litigation with Samsung will also positively affect our ability to derive income from our capabilities in display, whether in production, further robust defence of our existing IP portfolio, or in the future licensing of our technology.

Life Sciences

The Life Sciences team secured a grant from Innovate UK, the UK's innovation agency, for a life sciences project to develop a heavy metal-free quantum dot testing kit for the accurate and rapid visual detection of SARSCoV-2 ("Covid-19"). The project builds on Nanoco's existing capabilities in utilising quantum dots conjugated with anti-bodies as a diagnostic tool in the detection of cancer (VIVODOTS® nanoparticles). The project will specifically focus on anti-bodies for Covid-19.

However, as is the case with our other materials, our goal is to create a platform technology that is applicable to other pathogens and potential future variants of Covid-19. We therefore believe that the project remains relevant despite other tests now being available on the market for Covid-19.

The project will last 18 months. As part of the project, Nanoco will explore opportunities to work with downstream partners for a potential delivery system for the test. The project will cost just under £1.0m - the Innovate grant contributes 80% of this and the balance is funded by Nanoco. After deducting incremental costs, the project is expected to have a neutral impact on the Group's net cash flows in the short term. Any medium term value implications will be wholly contingent on the successful delivery of the targeted project outcomes.

Operations and staff

We completed a small scale restructuring during the Period and our gross monthly cash cost base has now stabilised in line with our target of £0.4m per month. However, it is important to note that even with the reduced headcount, we still retain our core capabilities in manufacturing and R&D while tightly managing costs to preserve cash and our cash runway to allow for a successful conclusion to the Samsung litigation.

During the current Covid-19 crisis, we continue to focus on protecting the health, safety and wellbeing of our employees while mitigating ongoing economic challenges. We have put together a series of measures that allow us to continue to meet customer needs from our Manchester R&D facility with limited support from our Runcorn site as required. Our Runcorn site has much lower activity levels and our facility for the large scale production of CFQD® Quantum Dot has been temporarily mothballed. Other essential work is being carried out remotely with limited numbers of staff now utilising the Government's furlough scheme.

Defending our Intellectual Property portfolio – Samsung litigation

As a UK-based business specialising in the design, scale up and manufacture of novel nano-materials, it is critical that we take steps to protect our platform technology and our IP portfolio that underpins it. Historically, the Group worked collaboratively with Samsung on developing enhanced quantum dots based on our unique and patented CFQD® Quantum Dot technology and associated IP. We were understandably disappointed when Samsung ended the collaboration and launched its QD-based televisions without entering into either a licensing or supply agreement with Nanoco.

We initiated an IP infringement lawsuit against Samsung for damages and other equitable relief on 14 February 2020. The lawsuit is funded by a third party who will receive a multiple of their invested capital if the suit is successful.

The Claim Construction Hearing (also known as a 'Markman' hearing) was held on 26 March 2021. A Markman hearing is used to establish the Judge's interpretation of certain words or phrases pertinent to the patents and the case. These definitions can be important to either side's arguments but not necessarily so. The Board is pleased with the progress of the litigation and early indications from the

Markman hearing itself and will review the Judge's final written report which is expected in the next few months.

A date has now been set for the jury trial in October 2021 in the Eastern District of Texas in front of The Honourable Judge Rodney Gilstrap (Case: 2:20-cv-00038-JRG). This date is at the earlier end of previous expectations, though it may yet be subject to delay.

In parallel and as expected, Samsung has requested that the Patent Trial and Appeal Board ('PTAB') institute a formal validity review of each patent asserted in the lawsuit via *inter partes reviews* ('IPRs'). This is a parallel process to the litigation. Nanoco will need to win both the trial and any relevant IPRs to be successful overall. The PTAB is expected to decide whether or not to institute IPR's in May 2021. IPRs are a common feature of patent litigation, are often allowed to proceed, and therefore should not necessarily be interpreted in a negative light. The IPR process can then take up to 12 months.

If Nanoco is successful at trial and in any IPRs, normal judicial appeals processes are available to the losing party. It could therefore take two or more years for any successful verdict or damages award to be enforced while the judicial and PTAB processes are exhausted.

The Board expects that Nanoco will retain the majority of any award or settlement arising from the case in most likely outcome scenarios, with the percentage proportion going to advisers in success fees reducing as the absolute award grows. While it is not possible at this point to predict the amount of any award or settlement due to the number of variables in play, the lawsuit does have the potential to generate substantial upside for shareholders.

The Board is also reviewing other parties who may be infringing our IP and, subject to the outcome of the Samsung litigation, these will be pursued vigorously.

Environment / Restriction of Hazardous Substances ("RoHS")

The European Commission (EC) was considering an appeal submitted by three companies that the exemption allowing the use of cadmium-based quantum dots in display films should continue. The Commission was also considering an appeal for a five year exemption to allow cadmium-based quantum dots to be applied directly onto LED chips for displays and lighting.

The Commission has now received a recommendation that:

- the exemption to allow cadmium (> 100 ppm) in QD films for display is no longer justified and should be phased out by 31 October 2021; and
- a new exemption is granted to allow cadmium-based quantum dots applied directly onto LED chips for displays and high CRI lighting for a period of five years.

Before becoming law, the recommendations need to be adopted by the EC though this is not expected to take a significant length of time. It should also be noted that for film-based displays there is not an outright ban which could allow displays with cadmium content below the limits above to continue to be sold.

Outlook

We continue to develop further commercial opportunities in the sensing and display sectors with key players in both industries and with a particular focus of our current activity on sensing markets. We are actively negotiating on some short term opportunities for further development work with a number of customers and applications in the field of sensing.

It is critical that we continue to preserve the financial position of the Company and maintain our cash runway to the second half of 2022 to allow us to maximise the value inherent in our IP (and the Samsung lawsuit) and our operational capabilities. Contingency plans remain available if needed to protect the value in our IP, though potentially at the cost of our operational capability.

Significant growth in mega-trends in electronics, automation and the Internet of Things creates a very promising commercial background for our value enhancing nano-materials that add significant capability to the sensors used in these fields. The Board therefore remains confident that shareholder value can be best maximised through the combination of a growing commercial business and a successful outcome to the Samsung litigation.

Dr Christopher Richards	**Brian Tenner**
Chairman	Chief Executive Officer
30 March 2021	30 March 2021

Financial review

Revenue

Revenue in the Period was £1.0m (H1 2020: £2.9m), the majority of which relates to the important development work on sensing materials throughout the Period.

Sources of revenue	**H1 FY21 £m**	**H1 FY20 £m**	**FY20 £m**
Services	0.7 / 71.1%	2.5 / 87.0%	3.0 / 77.3%
Material sales	0.3 / 24.1%	0.1 / 3.6%	0.5 / 11.6%
Licence & royalties	0.0 / 4.8%	0.3 / 9.4%	0.4 / 11.1%
Total revenue	**1.0 / 100.0%**	**2.9 / 100.0%**	**3.9/ 100.0%**

The table continues to show the importance of services income, generated primarily from one important electronics customer in the current year (and the US Customer in the prior year). Material sales represents continued shipments of nano-materials to supply chain partners in sensing and display markets.

Other operating income was £0.1m (H1 FY20: £0.1m) which, as in the prior year, was generated from grant income earned by our Life Sciences team.

Operating expenses

Operating expenses comprise R&D and administrative expenses. Gross investment in R&D to support the ongoing development of our nano-materials was £1.2m in the Period (H1 FY20: £1.7m). Administrative expenses were £2.4m (H1 FY20: £3.6m) and decreased through a combination of:

- salary reductions of 20% for those earning over £2,500 per month (ended 31 October 2020);
- salary reductions of 35% for the Chairman and Non-Executive Directors (ongoing);
- salary reductions of 20% for the Executive Directors (to cease 31 March 2021);
- headcount reductions from restructuring completed during the Period and prior year;
- access to the Government's Employment Support scheme; and
- cost savings agreed with a number of suppliers.

Operating loss and Adjusted LBITDA

As a result of the cost control measures above, despite a £1.9m (65%) fall in year on year revenue, our operating loss in the Period only increased by £0.2m (8%) to £2.6m. Adjusted LBITDA in the Period increased by £0.4m (36%). The mitigation of the impact of the fall in revenue reflects the benefits of the restructuring completed in the prior year and the additional cost savings implemented in the period.

	H1 FY21 £m	**H1 FY20 £m**	**FY20 £m**
Operating loss	(2.6)	(2.4)	(5.9)
Share-based payment charge	0.3	0.2	0.4
Exceptional costs	-	0.1	0.7
Adjusted operating loss	(2.3)	(2.1)	(4.8)
Depreciation	0.3	0.7	1.1
Amortisation	0.3	0.3	0.8
Impairment	0.2	-	-
Adjusted* LBITDA	(1.5)	(1.1)	(2.9)

Management monitor Adjusted* LBITDA as it is a close approximation for operating cash flow which is considered a KPI at a time when the Group is closely managing its cash resources. Share based payments, depreciation and amortisation - all non-cash charges - are added back to the operating result to arrive at Adjusted LBTIDA. The exceptional charge in the prior period is in respect of costs incurred as part of the Formal Sale Process and are clearly not part of the Group's normal activities.

These are therefore excluded to provide users of the accounts with a clearer understanding of underlying business performance.

We remain mindful of the Group's restricted cash resources and continue to scrutinise all categories of cost with new savings opportunities being identified and captured on a regular basis. Monthly gross cash costs have been reduced from £0.8m to a current rate of just over £0.4m.

Taxation

The Group continues to make R&D tax credit claims on its qualifying expenditure by surrendering losses for cash credits. The tax credit for the Period is estimated at £0.4m (H1 2020: £0.6m). The amount receivable at 31 January 2021 was £0.4m (H1 FY20: £0.6m), which is the accrual for the current year. The prior year tax credit of £0.9m was received in January 2021.

Net result

The loss after tax for H1 FY21 was £2.3m (H1 FY20: loss of £1.9m).

Earnings per share

The basic loss per share was 0.74 pence per share (H1 FY20: loss of 0.66 pence per share). As at 31 January 2021 there were 305,699,102 ordinary shares in issue (31 July 2020: 305,699,102) including shares held in treasury.

Cash position and liquidity

During H1 FY21, the Group generated an improved net cash outflow of £2.3m (H1 FY20: £2.8m) with the prior year being adversely impacted by the unwinding of deferred income.

Expenditure on fixed assets represents a normal level of maintenance type capital expenditure.

Intangibles expenditure was £0.2m (H1 FY20: £0.3m) and related to patent costs.

Working capital

As previously announced, the lawsuit against Samsung is not having any adverse impact on the Group's cash flows as the costs of the case are being funded by a third party funder in return for an upside that is contingent on a successful outcome to the litigation.

Brexit

The UK's Brexit deal with the European Union removes the threat of tariffs on chemicals exports (our primary export). There are some additional administrative tasks required for our activities for customers in the European Union but these are not expected to lead to significant additional costs.

Principal risks

The Directors have considered the principal risks which may have a material impact on the Group's performance. The risks remain as disclosed in pages 25 to 27 of the 2020 Annual Report and Accounts.

The principal over-arching strategic risk to the Group remains that it exhausts its financial resources before it can achieve a self-financing level of commercial production and service revenue.

The sustainable impact of the cost reductions described above is to cut the Group's monthly cash overhead costs in half to approximately £0.4m. This revised monthly gross cash burn rate, in combination with the Board's expectations for revenue and the benefits of the equity raised in July 2020, extends the Group's cash runway into the second half of 2022.

The Group remains actively engaged in negotiating a number of commercial opportunities with existing customers. If contracts are agreed, these opportunities will allow Nanoco to retain its core operational capabilities for the remainder of FY21 and into FY22. Since the contracts are not yet signed, these opportunities therefore remain subject to the risk of delay or non-completion. In addition, our current pipeline of existing work and future opportunities is focused on R&D activities that need to be completed successfully and then be followed by customer decisions to adopt the technology in order for Nanoco to move into the production phase. On entering any such production phase, Nanoco would rapidly become self-financing at relatively low levels of plant utilisation.

In the event that the Group does not deliver new sources of commercial revenue in the short term or achieve other sources of funding, a more significant restructuring will be required that removes the Group's R&D, production and scale up capabilities with the remaining business focussed on protecting the IP portfolio and the lawsuit against Samsung. In this scenario, the cash runway extends to the middle of 2022.

Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

For the purposes of assessing whether 'going concern' is an appropriate basis for preparing the interim condensed consolidated financial statements, the Directors have used their detailed forecasts for the period to 31 July 2021 and summary forecasts for the following financial year (the 'forecast period'). These reflect current and expected business activities, including a successful outcome to current advanced commercial negotiations, the cash balance of £2.9m as shown in the Group consolidated balance sheet at 31 January 2021, as well as the matters set out in the section above on Principal risks.

The key assumptions underpinning the base case assessment during the forecast period include:

- A successful outcome to commercial negotiations currently underway at an advanced stage;
- Subsequent phases to the projects described above;
- No other revenue streams have been assumed;
- No settlement or damages award from the Samsung litigation;

This base case scenario should deliver adequate financial resources for the Group to trade until the second half of 2022.

Sensitivity analysis has been performed to reflect a possible downside scenario that includes only contracted revenues for the forecast period. In this downside scenario, management would be required to undertake a significant restructuring exercise before the end of FY21 to reflect the lower revenue expectations. In the downside scenario, the Group effectively becomes an IP Shell with the Samsung lawsuit continuing. The Board's immediate efforts aim to avoid this scenario and to protect the operational and R&D capabilities to support the commercial efforts of the Company.

Going concern conclusion and basis of preparation

On the basis of the information above and having made appropriate enquiries, at the time of approving the interim condensed consolidated financial statements, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future, that is, at least 12 months from the date of the issue of these interim condensed consolidated financial statements. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

Brian Tenner

Chief Executive Officer
30 March 2021

Responsibility statement

The Directors of Nanoco Group plc, as listed on pages 36 and 37 of the 2020 Annual Report and Accounts, confirm to the best of their knowledge:

a) the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as required by paragraph 4.2.4 of the Disclosure and Transparency Rules ("DTR");

b) the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.10;

c) the interim management report includes a fair review of the information required by DTR 4.2.7 – an indication of important events which have occurred during the first six months of the year and a description of the principal risks and uncertainties for the remaining six months of the year; and

d) the interim management report includes a fair review of the information required by DTR 4.2.8 – the disclosure of related party transactions occurring during the first six months of the year and any changes in related party transactions disclosed in the 2018 Annual Report and Accounts.

By order of the Board

Brian Tenner

Chief Executive Officer
30 March 2021

Condensed consolidated statement of comprehensive income

For the six months ended 31 January 2021

	Notes	**H1 FY21 (Unaudited) £'000**	H1 FY20 (Unaudited) £'000	FY20 (Audited) £'000
Revenue	3	**1,004**	2,858	3,856
Cost of sales		**(104)**	(47)	(345)
Gross profit		**900**	2,811	3,511
Other operating income (grants)		**50**	77	101
Research and development expenses		**(1,221)**	(1,654)	(3,143)
Administrative expenses		**(2,369)**	(3,643)	(6,350)
Operating loss		**(2,640)**	(2,409)	(5,881)
- Before share-based payments		**(2,351)**	(2,133)	(4,783)
- Share-based payments		**(289)**	(181)	(376)
- Net exceptional costs		**-**	(95)	(722)
- Operating loss as shown above		**(2,640)**	(2,409)	(5,881)
Net finance (expense) / income	4	**(36)**	(40)	(79)
Loss before taxation		**(2,676)**	(2,449)	(5,960)
Taxation	5	**407**	552	893
Loss after tax		**(2,269)**	(1,897)	(5,067)
Other comprehensive income				
(Loss)/profit on exchange rate translations		**-**	(3)	3
Loss after taxation for the year and total comprehensive loss for the year		**(2,269)**	(1,900)	(5,064)
Loss per share:				
Basic and diluted loss for the period	6	**(0.74)p**	(0.66)p	(1.76)

The loss for the current and preceding year arises from the Group's continuing operations and is attributable to the equity holders of the Parent.

The basic and diluted loss per share are the same as the effect of share options is anti-dilutive.

Condensed consolidated statement of changes in equity

For the six months ended 31 January 2021

	Issued equity capital £'000	Reverse Acquisition Reserve £'000	Share-based payment reserve £'000	Merger reserve £'000	Accumulated loss £'000	Total £'000
At 31 July 2019 (audited)	144,453	(77,868)	3,419	(1,242)	(60,239)	8,523
Loss for the six months to 31 January 2020	—	—	—	—	(1,900)	(1,900)
Share-based payments	—	—	181	—	—	181
At 31 January 2020 (unaudited)	144,453	(77,868)	3,600	(1,242)	(62,139)	6,804
Loss for the six months to 31 July 2020	—	—	—	—	(3,164)	(3,164)
New equity shares issued	3,409	—	—	—	—	3,409
Share-based payments	—	—	195	—	—	195
At 31 July 2020 (audited)	147,862	(77,868)	3,795	(1,242)	(65,303)	7,244
Loss for the six months to 31 January 2021	—	—	—	—	(2,269)	(2,269)
Share-based payments	—	—	289	—	—	289
At 31 January 2021 (unaudited)	**144,453**	**(77,868)**	**4,084**	**(1,242)**	**(67,572)**	**(5,264)**

Condensed consolidated statement of financial position
As at 31 January 2021

	Notes	31 January 2021 (Unaudited) £'000	31 January 2020 (Unaudited) £'000	31 July 2020 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		**160**	353	263
Right of use assets		**408**	729	612
Intangible assets		**3,428**	3,904	3,742
		3,996	4,986	4,617
Current assets				
Inventories		**169**	109	140
Trade and other receivables		**572**	871	1,018
Income tax asset		**409**	569	910
Cash and cash equivalents		**2,906**	4,184	5,170
		4,056	5,733	7,238
Total assets		**8,052**	10,719	11,855
Liabilities				
Current liabilities				
Trade and other payables		**(1,144)**	(1,651)	(2,113)
Lease liabilities	6	**(584)**	(364)	(642)
Deferred revenue	5	**(103)**	(102)	(603)
		(1,831)	(2,117)	(3,358)
Non-current liabilities				
Deferred revenue	5	**(198)**	(303)	(249)
Lease liabilities	6	**(282)**	(1,048)	(542)
Financial liabilities		**(477)**	(447)	(462)
		(957)	(1,798)	(1,253)
Total liabilities		**(2,788)**	(3,915)	(4,611)
Net assets		**5,264**	6,804	7,244
Capital and reserves				
Issued equity capital		**147,862**	144,453	147,862
Reverse Acquisition Reserve		**(77,868)**	(77,868)	(77,868)
Share-based payment reserve		**4,084**	3,600	3,795
Merger reserve		**(1,242)**	(1,242)	(1,242)
Accumulated loss		**(67,572)**	(62,139)	(65,303)
Total equity		**5,264**	6,804	7,244

Approved by the Board and authorised for issue on 30 March 2021.

Dr Christopher Richards
Chairman

Brian Tenner
Chief Executive Officer

Condensed consolidated cash flow statement

For the six months ended 31 January 2021

	Six months to 31 January 2021 (Unaudited) £'000	Six months to 31 January 2020 (Unaudited) £'000	Year to 31 July 2020 Audited £'000
Loss before tax	**(2,676)**	(2,449)	(5,960)
Adjustments for:			
Net finance expense	**(36)**	(40)	(79)
(Profit) / Loss on exchange rate translations	**44**	3	(87)
Depreciation of tangible fixed assets	**111**	468	590
Depreciation of right of use asset	**205**	252	505
Amortisation of intangible assets	**312**	309	633
Impairment of intangible assets	**236**	—	120
Share-based payments	**289**	181	376
Exceptional items	—	95	722
Changes in working capital:			
Decrease/(increase) in inventories	**(29)**	187	221
Decrease in trade and other receivables	**398**	246	99
(Decrease) in trade and other payables	**(780)**	(202)	(30)
(Decrease)/increase in provisions	—	(797)	(797)
(Decrease)/increase in deferred revenue	**(551)**	(1,410)	(963)
Cash outflow from operating activities	**(2,477)**	(3,157)	(4,650)
Research and development tax credit received	**909**	1,112	1,111
Net cash outflow from operating activities	**(1,568)**	(2,045)	(3,539)
Cash flows from investing activities			
Purchases of tangible fixed assets	**(8)**	(74)	(106)
Purchases of intangible fixed assets	**(235)**	(316)	(598)
Interest received	—	—	8
Net cash outflow from investing activities	**(243)**	(390)	(696)
Cash flows from financing activities			
Proceeds from placing of ordinary share capital	—	—	3,409
Costs of placing	—	—	(237)
Payment of IFRS 16 lease liabilities	**(453)**	(386)	(772)
Net cash outflow from investing activities	**(453)**	(386)	2,400
Decrease in cash and cash equivalents	**(2,264)**	(2,821)	(1,835)
Cash and cash equivalents at the start of the period	**5,170**	7,005	7,005
Cash and cash equivalents at the end of the period	**2,906**	4,184	5,170

Notes to the interim condensed consolidated financial statements
For the six months ended 31 January 2021

1. **Corporate information**

Nanoco Group plc (the "Company") has a premium listing on the Main Market of the London Stock Exchange and is incorporated and domiciled in the UK. The Group Interim Report and Accounts for the six months ended 31 January 2021 was authorised for issue in accordance with a resolution by the Directors on 29 March 2021.

These interim condensed consolidated financial statements include the financial statements of Nanoco Group plc and the entities it controls (its subsidiaries).

These interim condensed consolidated financial statements are unaudited and do not constitute statutory accounts of the Group as defined in section 434 of the Companies Act 2006.

2. **Accounting policies**

a. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, IAS 34 Interim Financial Reporting as adopted by the European Union, using the recognition and measurement principles of IFRSs as adopted by the European Union and have been prepared under the historical cost convention. As required by the Disclosure Guidance and Transparency Rules of the Financial Services Authority the accounting policies adopted in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's Annual Report and Accounts for the year to 31 July 2020.

These interim condensed consolidated financial statements include audited comparatives for the year to 31 July 2020. The 2020 Annual Report and Accounts, which was prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, received an unqualified audit opinion and has been filed with the Registrar of Companies. The financial statements of the Group for the year ended 31 July 2020 are available from the Company's registered office, or from the website www.nanocotechnologies.com.

b. Presentation of figures

Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in some cases, the sum or percentage change of the numbers contained in this announcement may not conform exactly to the total figure given.

c. Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

For the purposes of assessing whether 'going concern' is an appropriate basis for preparing the interim condensed consolidated financial statements, the Directors have used their detailed forecasts for the period to 31 July 2021 and summary forecasts for the following financial year (the 'forecast period'). These reflect current and expected business activities, including a successful outcome to current advanced commercial negotiations, the cash balance of £2.9m as shown in the Group consolidated balance sheet at 31 January 2021, as well as the matters set out in the section above on Principal risks.

The key assumptions underpinning the base case assessment during the forecast period include:

- A successful outcome to commercial negotiations currently underway at an advanced stage;
- Subsequent phases to the projects described above;

- No other revenue streams have been assumed;
- No settlement or damages award from the Samsung litigation;
- In the event of a failure of the current commercial negotiations noted above, or if the Group fails to secure an alternative source of medium term financing for the Group, then a major restructuring of the Group's cost base will be implemented before the end of FY21;
- In the event of a major restructuring, the Group will aim to preserve only its core IP, the ongoing lawsuit against Samsung, and associated support costs.

This base case scenario should deliver adequate financial resources for the Group to trade until the second half of 2022.

Sensitivity analysis has been performed to reflect a possible downside scenario that includes only contracted revenues for the forecast period. In this downside scenario, management would be required to undertake a significant restructuring exercise before the end of FY21 to reflect the lower revenue expectations. In the downside scenario, the Group effectively becomes an IP Shell with the Samsung lawsuit continuing. The Board's immediate efforts aim to avoid this scenario and to protect the operational and R&D capabilities to support the commercial efforts of the Company.

On the basis of the information above and having made appropriate enquiries, at the time of approving the interim condensed consolidated financial statements, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future, that is, at least 12 months from the date of the issue of these interim condensed consolidated financial statements. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

d. Use of estimates and judgements
Preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions affecting the application of accounting policies and the reporting of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and key sources of estimated uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 July 2020. These are summarised below:

Estimates	**Judgements**
Equity-settled share-based payments	*Capitalisation (or not) of research and development expenditure*
Impairment of intellectual property and tangible fixed assets	*Revenue recognition*
Taxation	*Going concern*

3. Segmental information

Operating segments

At 31 January 2021 and 2020, the Group operated as one segment, being the research, development and manufacture of products and services based on high performance nanoparticles. This is the level at which operating results are reviewed by the chief operating decision maker (i.e. the Board) to make decisions about resources, and for which financial information is available. All revenues have been generated from continuing operations and are from external customers.

	Six months to 31 January	Six months to 31 January	Year to 31 July

	2021 (Unaudited) £'000	2020 (Unaudited) £'000	2020 (Audited) £'000
Analysis of revenue – by type			
Products sold	**242**	103	448
Rendering of services	**714**	2,485	2,981
Royalties and licences	**48**	270	427
	1,004	2,858	3,856

There was a material customer who generated revenue of £771,000 (2020: one material customer amounting to £2,475,000).

The Group operates in four main geographic areas, although all are managed in the UK. The Group's revenue per geographical segment based on the customer's location is as follows:

	Six months to 31 January 2021 (Unaudited) £'000	Six months to 31 January 2020 (Unaudited) £'000	Year to 31 July 2020 (Audited) £'000
Analysis of revenue – by geography			
UK	—	103	17
Europe (excluding UK)	**807**	2,485	1,111
Asia	**189**	—	228
USA	**8**	270	2,500
	1,004	2,858	3,856

All the Group's assets are held in the UK and all of its capital expenditure arises in the UK. The loss before taxation and attributable to the single segment was £2,676,000 (2020: £2,449,000).

4. Loss per share

	Six months to 31 January 2021 (Unaudited) £'000	Six months to 31 January 2020 (Unaudited) £'000	Year to 31 July 2020 (Audited) £'000
Loss for the period attributable to equity shareholders	**(2,269)**	(1,900)	(5,064)
Share-based payments	**289**	181	376
Adjusted loss for the period	**(1,980)**	(1,719)	(4,688)

Weighted average number of shares	**No.**	No.	No.
Ordinary shares in issue	**305,699,102**	**286,219,246**	287,070,824
Adjusted loss per share (pence)	**(0.65)**	**(0.60)**	(1.63)
Basic loss per share (pence)	**(0.74)**	(0.66)	(1.76)

Diluted loss per share is not presented as the effect of share options issued is anti-dilutive. The adjusted loss is presented as the Board measures underlying business performance which excludes non-cash IFRS2 charges.

5. Deferred revenue

	31 January 2021 (Unaudited) £'000	31 January 2020 (Unaudited) £'000	31 July 2020 (Audited) £'000

Current			
Upfront licence fees	**103**	102	103
Milestone payments	**—**	—	500
Total current	**103**	102	603
Non-current			
Upfront licence fees	**198**	303	249
Total non-current	**198**	303	249
Total deferred revenue	**301**	405	852

Deferred revenue arises under IFRS where upfront licence fees are accounted for on a straight-line basis over the initial term of the contract or where performance criteria have not been satisfied in the accounting period.

6. Lease liabilities

	Six months to 31 January 2021 (Unaudited) £'000	Six months to 31 January 2020 (Unaudited) £'000	Year to 31 July 2020 (Audited) £'000
Current			
Property Leases	**584**	**621**	642
Non-current			
Property Leases	**282**	**791**	542
Total lease liabilities	**866**	**1,412**	1,184

- Ends -