12 April 2022

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 2022 (“the Period” or “H1 FY22”).

Operational Summary

- Two additional work packages for the delivery of an enhanced and scaled up version of Nanoco’s technology with our significant European electronics customer (one post Period end)
- Technical and commercial milestones delivered in full on important sensing project for Asian chemicals customer
- Consolidating activity in Runcorn in anticipation of commercial production whilst also delivering sustainable cost savings

Samsung Litigation

- Our litigation against Samsung continues in line with expectations and our confidence in a positive outcome for the company has increased
- Decision from Patent Trial and Appeal Board on validity of five patents due by May 2022
- Expected trial date in H2 CY22 for the alleged wilful infringement of the Group’s IP by Samsung

Financial Summary

- Revenue and other operating income increased 21% to £1.3m (H1 FY21: £1.1m)
- Cost savings and additional gross profit improve Adjusted LBITDA to £1.1m (H1 FY21: loss £1.5m)
- Average net monthly cash burn reduced to £0.3m (H1 FY21: £0.4m)
- Period end net cash of £1.8m, increased to £2.6m at February 2022 month end with receipt of tax credit and major customer payment in February
- Cash runway extended to H1 CY23 as commercial milestones achieved. Anticipated commercial production and pipeline conversion could extend cash visibility.

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

“Good progress has continued on a number of fronts throughout the Period, with extremely encouraging progress on manufacturing scale-up which has the potential to lead to our first commercial production orders. Our operational efforts therefore now focus primarily on scale up activities and re-commissioning our Runcorn production facilities. In parallel, we continue to provide an expanding range of materials to a number of customers for multiple potential use cases.

“Given the progress towards commercialisation, we have taken the decision to consolidate all of our activities onto our Runcorn production site. This will bring our excellent R&D and process scale-up activities alongside commercial production, reflecting the change in emphasis from research to commercial production. This also has the benefit of reducing our cost base by around £0.7m per annum, once the Manchester site is fully vacated.

“The litigation against Samsung for the alleged wilful infringement of Nanoco’s IP and the *Inter Partes Reviews* (IPRs) of our patents continues to progress well. We look forward to a confirmation of the validity of our patents by the PTAB in May 2022 and expect the Texas trial to be re-scheduled shortly thereafter for a date in the second half of CY22.

"The Board is convinced of the significant value that can be generated in the short to medium term by our strengthening commercial prospects and further positive momentum in our IP litigation against Samsung. In co-locating all of our activities into a re-commissioned Runcorn site we are building the strongest possible foundation to support a transformation in shareholder value in the short to medium term."

Analyst meeting and webcast details

A conference call and webcast for analysts will be held at 10:00am (UK time) this morning (12 April 2022):

Dial in: +44 (0)330 165 4012
Link: https://webcasting.brrmedia.co.uk/broadcast/6246f81be1d0d456b32a17b3
PIN: 5542733

For further details please contact MHP Communications on 0203 128 8990 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:

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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

Good progress has continued on a number of fronts throughout the Period. Critically we have met all technical milestones for our important European electronics customer. These successes led to further extensions of the development programme into its next stages both during and shortly after the Period. As a result, we anticipate revenue in H2 being at least in line with H1, with scope for further upside from existing opportunities that can be captured during the second half.

We continue to balance the delivery of technical and commercial deliverables with close oversight of our cost base. Shortly after the Period end, we concluded our exit from one floor of our Manchester facility and initiated a project to re-locate our R&D and scale up activities to our Runcorn facility. Bringing together R&D, scale up and production on one site will facilitate the transfer of new materials to the production phase as we prepare Runcorn for potential production order visibility in H2 of calendar year 2022. Once the Manchester site has been fully exited, annualised savings will amount to around £0.7m, reducing our recurring cost base to around £4.0m per annum.

Our litigation against Samsung continues in line with expectations and our confidence has increased further following the oral hearings conducted as part of the IPR process. The Board looks forward to a successful outcome to the IPRs in May 2022, and relishes the opportunity to put our case to a Texas jury later this year. A successful outcome to the litigation process will significantly enhance shareholder value in the short to medium term.

Sensing materials

We achieved all of the development milestones in the Period relating to our European customer project for sensing materials. Shortly after the end of the Period, we agreed a further extension to the collaboration that includes scaling up the latest version of the technology. This is further welcome progress towards our medium term strategic goal of re-balancing our revenue towards recurring commercial production rather than services revenues. We look forward to potential visibility of commercial production orders in the second half of calendar year 2022 with a number of different materials being ready for production at that time.

We have also successfully developed a new material for a very significant Asian chemical company. We are now working with the customer to evaluate the material, its performance, and the system necessary to be able to move the product into the next phase of development. The Asian company participates in a number of very large global electronics supply chains that have the capacity to significantly increase our channels to market.

Other smaller relationships also continue to be formed in parallel as interest grows in the application of value adding nano-materials to sensors, in response to mega-trends seen in electronics, automotive applications, 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 and have added a new material during the Period.

Display materials (CFQD® Quantum Dots)

The current market for displays using quantum dots remains dominated by Samsung who have an estimated 90% share. The 10% held by other market participants which includes cadmium based systems is likely to grow in the short term and should see a move to cadmium free quantum dots as more countries limit the use of cadmium. Nanoco believe that anyone wishing to manufacture cadmium free quantum dots at scale will require a licence to our IP. The demand for material or licences from Nanoco is therefore closely linked to the outcome of the litigation against Samsung.

We continue to pursue small scale development projects with a number of customers in display opportunities and also in adjacent markets such as horticultural applications where cadmium free quantum dots lack of toxicity provides a clear commercial advantage.

We retain our core capabilities to deliver R&D services, scale up and commercial production of cadmium free quantum dots' from our Runcorn facility. We are therefore well positioned to take advantage of any broadening in the adoption of non-toxic quantum dots.

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 focussed specifically on anti-bodies for Covid-19.

The project has achieved all of its technical milestones and we have delivered a working prototype and further demonstrated the applicability of quantum dots in the diagnostic market. However, given the crowded space in the Covid-19 diagnostics market, and the diminishing demand, we think it is unlikely to lead to commercial orders. The project is due to be completed by May 2022. If we are unable to find additional funding for the project, the IP will be protected and further development activities will be paused while we continue to seek partners to collaborate with in commercialising the technology.

Operations and staff

We completed the exit from the first floor of our Manchester facility shortly after the Period end. We have also now started a project to exit the remainder of the Manchester facility and to co-locate our R&D, scale up and production capabilities on our Runcorn site. Locating all of our staff and activities in one site in preparation for potential commercial production in the short term will also bring a number of operational and organisational benefits as well as reducing our cost base. The net benefit of exiting both floors of Manchester will be annualised savings of approximately £0.7m and, importantly, will be delivered without any loss of capability. We do not intend any headcount reductions as part of the site consolidation project.

During the Covid-19 crisis, we continued 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 and these will continue as necessary following the site consolidation project. The Runcorn facility has enough space for all of our activities and the CFQD side of the plant will be taken out of mothball to support R&D and scale up of both CFQD® Quantum Dots (display) and IRQD (sensing) materials.

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 on 14 February 2021. Subsequently, the Patent Trail and Appeal Board (PTAB) initiated *Inter Partes Review (IPRs*) of the validity of the five patents in the lawsuit in May 2021. The lawsuit and IPR processes are both funded by a third party who will receive a multiple of their invested capital if the law suit is successful.

We have already had a successful outcome to the claim construction hearing (also known as a 'Markman' hearing) which was held on 26 March 2021. We won the argument on four of the five patents in the case and the fifth had each side win one construction each. 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 result of the IPRs is expected in May 2022. The Board is very pleased with the progress of the IPR process, including the recent oral hearing, and is confident that the outcome will confirm the validity of Nanoco's patents in the case. Following a successful outcome to the IPRs, we expect the judge in Texas to promptly lift the stay on the case and reschedule the trial, potentially for later in the second half of 2022.

Nanoco will need to win both the trial and relevant IPRs to be successful overall. A successful outcome to the IPRs will be a significant confirmation of the validity of Nanoco's patents (even if Samsung lodge an appeal). To win at trial Nanoco has to overcome three hurdles: firstly to prove the validity of the patents; secondly, to prove the infringement of the patents by Samsung; and then thirdly, to prove the most appropriate economic model for any damages award. Winning the IPRs will effectively overcome the first hurdle (validity) and allow the trial and jury to focus on infringement and damages.

If Nanoco is successful at trial and in any IPRs, normal judicial appeals processes are available to the losing party. It could therefore take longer for any successful verdict and damages award to be enforced while the judicial and PTAB appeals processes are exhausted. However, a favourable trial verdict would enhance Nanoco's options to start further litigation in other territories covered by our IP and potentially in territories where the legal process is faster, costs would be lower and where injunctions are more commonly granted in addition to damages (in the USA injunctions are much harder to win following the Supreme Court ruling in eBay Inc. v. MercExchange, LLC, 547 U.S. 388 (2006)).

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 continues to monitor other market participants who may be infringing our IP and, subject to the outcome of the Samsung litigation, they will be pursued vigorously.

Outlook

Given the history of the Company and the false dawns we have faced, we are naturally cautious but increasingly optimistic. We continue to make strong and steady progress in developing new nanomaterials for use in a wide range of potential sensing applications. Our major customers have extensive market reach which creates potentially significant 'pull' on demand for our materials, once the end users have confirmed adoption of the technology. We continue to engage with a number of other potential customers for sensing, display and lighting applications.

The lawsuit against Samsung is progressing well and two key value inflection points are expected during 2022: the outcome of the IPRs in May 2022 and the jury trial in Texas in the second half of 2022. The Board is confident both events will vindicate the defence of our IP. To preserve this value it is critical that we protect the financial position of the Company and our cash runway is currently adequate to pass both inflection points, subject to new customer orders with contingency plans available if needed.

The macro-economic environment and global trends in electronics, automotive applications, automation and the Internet of Things remains very promising for our value enhancing nanomaterials. The potential proximity to our first commercial production orders is extremely encouraging. The Board is confident that significant shareholder value can be delivered from both the organic commercial business and a successful outcome to the Samsung litigation.

Dr Christopher Richards
Chairman
12 April 2022

Brian Tenner
Chief Executive Officer
12 April 2022

Financial review

Revenue

Revenue and Other Operating Income in the Period increased 21% to £1.3m (H1 2021: £1.1m). Revenue was £1.1m (H1 2021: £1.0m), the majority of which relates to the important development work on sensing materials throughout the Period.

Sources of revenue	**H1 FY22** **£m**	**H1 FY21** **£m**	**FY21** **£m**
Services	0.7 / 63.1%	0.7 / 71.1%	1.3 / 62.3%
Material sales	0.3 / 32.0%	0.3 / 24.1%	0.7 / 32.8%
Licence & royalties	0.1 / 4.9%	0.0 / 4.8%	0.1 / 4.9%
Total revenue	**1.1 / 100.0%**	**1.0 / 100.0%**	**2.1 / 100%**

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

Other operating income was £0.2m (H1 FY21: £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 £1.0m in the Period (H1 FY21: £1.2m) and administrative expenses were £2.3m (H1 FY21: £2.4m). Our costs reduced through a combination of:

- incremental headcount reductions delivered during the prior year;
- reduction in patent maintenance costs from active management of the IP portfolio; and
- general cost control across a range of expense types.

With the exit from the first floor of our Manchester facility in April 2022 and the expected exit from the Ground floor during FY23, we estimate that our annual cost base will fall from its current £4.8m p.a. to just over £4.0m p.a. with a direct beneficial impact on lowering our breakeven point for revenue.

Operating loss and Adjusted LBITDA

The combination of higher revenue and the continued focus on cost control led to a 19% reduction in our operating loss in the Period to £2.1m, an improvement of £0.5m. Adjusted LBITDA in the Period also improved by £0.4m (27%).

	H1 FY22 **£m**	**H1 FY21** **£m**	**FY21** **£m**
Operating loss	(2.1)	(2.6)	(5.0)
Share-based payment charge	0.4	0.3	0.4
Adjusted operating loss	(1.7)	(2.3)	(4.6)
Depreciation	0.3	0.3	0.5
Amortisation	0.2	0.3	0.6
Impairment	0.1	0.2	0.6
Adjusted* LBITDA	(1.1)	(1.5)	(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. The non-cash charges for share based payments, depreciation and amortisation are added back to the operating result to arrive at Adjusted LBTIDA. 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. Current initiatives underway are aimed at reducing the Group's monthly cash costs to around £0.35m.

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 £0.3m (H1 2021: £0.4m). The amount receivable at 31 January 2022 was £1.0m (H1 FY21: £0.4m), which is the accrual for the Period and the prior year tax credit of £0.7m which was received shortly after the Period end in February 2022.

Net result

The loss after tax for H1 FY22 was £2.1m (H1 FY21: loss of £2.3m).

Earnings per share

The basic loss per share was 0.67 pence per share (H1 FY21: loss of 0.74 pence per share). As at 31 January 2022 there were 307,161,404 ordinary shares in issue (31 July 2021: 305,699,102) including shares held in treasury.

Cash position and liquidity

During H1 FY22, the Group generated an improved net cash outflow of £2.0m (H1 FY21: £2.3m) to leave a cash balance of £1.8m. This was despite the slightly delayed receipt of the Group's R&D tax credit in February 2022 (FY21 received in January 2021) and a similarly short delay in the receipt of a major customer payment (together just over £1.0m). This is reflected by the February month end cash balance having risen to £2.6m.

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

Intangibles expenditure was £0.1m (H1 FY21: £0.2m) 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. The Group's working capital can be adversely impacted by delays in customer payments as was the case at the Period end when a relatively large receipt arrived past its due date and after the Period end (£0.35m). Raw material supply chains are lengthening and the Group is reviewing options to increase the amount of raw materials on hand to ensure continuous supply for our customers.

Brexit

The UK's Brexit deal with the European Union removes the threat of tariffs on chemicals exports (our primary export) and other impacts on additional administrative tasks have continued to be minimal.

Covid Pandemic

Through proactive and flexible management of our work force the Group continued to deliver services to our customers with little or no disruption. Our staff remain committed to these efforts and we were able to maintain Covid-19 secure customer-focused output in both of our facilities, meeting all technical milestones and material deliveries on time.

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 27 to 29 of the 2021 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 Group is actively engaged in negotiating a number of commercial opportunities with new and existing customers. If contracts are agreed, these opportunities will allow Nanoco to retain its core operational capabilities for the remainder of FY22 and into FY23. Since the contracts are not yet signed, these opportunities are subject to delay or non-completion. In addition, our current pipeline of existing work and future opportunities is focused on R&D and scale up 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 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 Group would also need to find additional sources of funding and the Board is confident this could be achieved.

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 2022 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 £1.8m as shown in the Group consolidated balance sheet at 31 January 2022, 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;
- Cost reductions underway reduce the Group's monthly cash overhead costs from around £400,000 to around £350,000 with full effect from H2 FY23.

This base case scenario should deliver adequate financial resources for the Group to trade until the second half of calendar year 2023.

Sensitivity analysis has been performed to reflect a possible downside scenario that only includes already contracted revenues for the forecast period. In this downside scenario, management would be required to start a significant restructuring exercise before the end of FY22 to reflect the lower revenue expectations and also seek alternative sources of funding. 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.

IAS 1 Presentation of Financial Statements requires the Directors to disclose “material uncertainties related to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern”. The Directors consider that the timing of adequate commercial production orders and the implementation of any necessary restructuring plans if those revenues are delayed is a material uncertainty which may cast significant doubt about the Group’s and the Parent Company’s ability to continue as a going concern.

Nevertheless, considering the mitigating actions that are within management’s control and can be taken and after making enquiries and considering the uncertainty described above, the Directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on a basis other than the going concern basis.

Liam Gray

Chief Financial Officer
12 April 2022

Responsibility statement

The Directors of Nanoco Group plc, as listed on pages 38 and 39 of the 2021 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

Liam Gray

Chief Financial Officer
12 April 2022

Condensed consolidated statement of comprehensive income

For the six months ended 31 January 2022

	Notes	**H1 FY22 (Unaudited) £'000**	H1 FY21 (Unaudited) £'000	FY21 (Audited) £'000
Revenue	3	**1,099**	1,004	2,091
Cost of sales		**(109)**	(104)	(209)
Gross profit		**990**	900	1,882
Other operating income (grants)		**179**	50	183
Research and development expenses		**(990)**	(1,221)	(2,150)
Administrative expenses		**(2,321)**	(2,369)	(4,924)
Operating loss		**(2,142)**	(2,640)	(5,009)
- Before share-based payments		**(1,790)**	(2,351)	(4,592)
- Share-based payments		**(352)**	(289)	(417)
- Operating loss as shown above		**(2,142)**	(2,640)	(5,009)
Net finance (expense) / income		**(205)**	(36)	(71)
Loss before taxation		**(2,347)**	(2,676)	(5,080)
Taxation		**286**	407	685
Loss after tax		**(2,061)**	(2,269)	(4,395)
Other comprehensive income				
(Loss)/profit on exchange rate translations		**-**	-	-
Loss after taxation for the year and total comprehensive loss for the year		**(2,061)**	(2,269)	(4,395)
Loss per share:				
Basic and diluted loss for the period	4	**(0.67)p**	(0.74)p	(1.44)p

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 2022

	Issued equity capital £'000	Reverse Acquisition Reserve £'000	Share-based payment reserve Restated[1] £'000	Merger reserve £'000	Accumulated loss Restated[1] £'000	Total Restated[1] £'000
At 31 July 2020 (audited)	147,862	(77,868)	3,901	(1,242)	(65,623)	7,030
Loss for the six months to 31 January 2021	—	—	—	—	(2,269)	(2,269)
Share-based payments	—	—	289	—	—	289
At 31 January 2021 (unaudited)	147,862	(77,868)	4,190	(1,242)	(67,892)	5,050
Loss for the six months to 31 July 2021	—	—	—	—	(2,126)	(2,126)
Share-based payments	—	—	128	—	—	128
At 31 July 2021 (audited)	147,862	(77,868)	4,318	(1,242)	(70,018)	3,052
Loss for the six months to 31 January 2022	—	—	—	—	(2,061)	(2,061)
Share-based payments	—	—	352	—	—	352
New equity shares issued	146	—	(146)	—	—	—
At 31 January 2022 (unaudited)	**148,008**	**(77,868)**	**4,524**	**(1,242)**	**(72,079)**	**1,343**

[1] Details of the restatement are included in Note 2 to these interim condensed consolidated financial statements

Condensed consolidated statement of financial position
As at 31 January 2022

	Notes	31 January 2022 (Unaudited) £'000	31 January 2021 (Unaudited) £'000	31 July 2021 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		**115**	160	199
Right of use assets		**136**	408	340
Intangible assets		**2,610**	3,428	2,858
		2,861	3,996	3,397
Current assets				
Inventories		**66**	169	110
Trade and other receivables		**1,009**	572	1,227
Income tax asset		**972**	409	686
Cash and cash equivalents		**1,776**	2,906	3,813
		3,823	4,056	5,836
Total assets		**6,684**	8,052	9,233
Liabilities				
Current liabilities				
Trade and other payables		**(1,113)**	(1,144)	(1,617)
Lease liabilities	6	**(331)**	(584)	(545)
Deferred revenue	5	**(103)**	(103)	(253)
		(1,547)	(1,831)	(2,415)
Non-current liabilities				
Lease liabilities	6	**(19)**	(282)	(133)
Deferred revenue	5	**(95)**	(198)	(146)
Financial liabilities		**(3,680)**	(477)	(3,487)
		(3,794)	(957)	(3,766)
Total liabilities		**(5,341)**	(2,788)	(6,181)
Net assets		**1,343**	5,264	3,052
Capital and reserves				
Issued equity capital		**148,008**	147,862	147,862
Reverse Acquisition Reserve		**(77,868)**	(77,868)	(77,868)
Share-based payment reserve		**4,524**	4,084	4,318
Merger reserve		**(1,242)**	(1,242)	(1,242)
Accumulated loss		**(72,079)**	(67,572)	(70,018)
Total equity		**1,343**	5,264	3,052

Approved by the Board and authorised for issue on 12 April 2022.

Brian Tenner
Chief Executive Officer

Liam Gray
Chief Financial Officer

Condensed consolidated cash flow statement

For the six months ended 31 January 2022

	Six months to 31 January 2022 (Unaudited) £'000	Six months to 31 January 2021 Restated[1] (Unaudited) £'000	Year to 31 July 2021 Audited £'000
Loss before tax	**(2,347)**	(2,676)	(5,080)
Adjustments for:			
Net finance expense	**195**	(36)	71
(Profit) / Loss on exchange rate translations	**54**	17	17
Depreciation of tangible fixed assets	**84**	111	99
Depreciation of right of use asset	**204**	205	408
Amortisation of intangible assets	**245**	312	618
Impairment of intangible assets	**71**	236	623
Share-based payments	**352**	289	417
Gain on disposal of tangible fixed assets	**(26)**	—	(48)
Interest paid	**(1)**	—	(4)
Changes in working capital:			
Decrease/(increase) in inventories	**44**	(29)	30
Decrease in trade and other receivables	**218**	398	(209)
(Decrease) in trade and other payables	**(548)**	(780)	(757)
(Decrease)/increase in provisions	—	—	—
(Decrease)/increase in deferred revenue	**(201)**	(551)	(453)
Cash outflow from operating activities	**(1,656)**	(2,504)	(4,268)
Research and development tax credit received	—	909	908
Net cash outflow from operating activities	**(1,656)**	(1,595)	(3,360)
Cash flows from investing activities			
Purchases of tangible fixed assets	—	(8)	(35)
Purchases of intangible fixed assets	**(68)**	(235)	(357)
Proceeds from sale of tangible fixed assets	**26**	—	48
Net cash outflow from investing activities	**(42)**	(243)	(344)
Cash flows from financing activities			
Proceeds from issue of loan notes	—	—	3,150
Costs of debt issuance	—	—	(161)
Payment of lease liabilities (capital)	**(318)**	(435)	(642)
Payment of lease liabilities (interest)	**(10)**	(18)	(30)
Net cash outflow from investing activities	**(328)**	(453)	2,317
Decrease in cash and cash equivalents	**(2,026)**	(2,291)	(1,387)
Cash and cash equivalents at the start of the period	**3,813**	5,170	5,170
Effects of exchange rate changes	**(11)**	27	30
Cash and cash equivalents at the end of the period	**1,776**	2,906	3,813

[1] Details of the restatement are included in Note 2 to these interim condensed consolidated financial statements

Notes to the interim condensed consolidated financial statements
For the six months ended 31 January 2022

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 2022 was authorised for issue in accordance with a resolution by the Directors on 12 April 2022.

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 2021.

These interim condensed consolidated financial statements include audited comparatives for the year to 31 July 2021. The 2021 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 2021 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 2022 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 £1.8m as shown in the Group consolidated balance sheet at 31 January 2022, 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;
- Cost reductions underway reduce the Group's monthly cash overhead costs from around £400,000 to around £350,000 with full effect from H2 FY23.

This base case scenario should deliver adequate financial resources for the Group to trade until the second half of calendar year 2023.

Sensitivity analysis has been performed to reflect a possible downside scenario that only includes already contracted revenues for the forecast period. In this downside scenario, management would be required to start a significant restructuring exercise before the end of FY22 to reflect the lower revenue expectations and also seek alternative sources of funding. 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.

IAS 1 Presentation of Financial Statements requires the Directors to disclose "material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern". The Directors consider that the timing of adequate commercial production orders and the implementation of any necessary restructuring plans if those revenues are delayed is a material uncertainty which may cast significant doubt about the Group's and the Parent Company's ability to continue as a going concern.

Nevertheless, considering the mitigating actions that are within management's control and can be taken and after making enquiries and considering the uncertainty described above, the Directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on a basis other than the going concern basis.

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 2021. 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*

e. Prior year restatement

Please refer to note 30 of the consolidated financial statements for the year ended 31 July 2021 for further information.

3. Segmental information

Operating segments

At 31 January 2022 and 2021, 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 2022 (Unaudited) £'000	Six months to 31 January 2021 (Unaudited) £'000	Year to 31 July 2021 (Audited) £'000
Analysis of revenue – by type			
Products sold	**352**	242	685
Rendering of services	**693**	714	1,303
Royalties and licences	**54**	48	103
	1,099	1,004	2,091

There was a material customer who generated revenue of £899,000 (2021: one material customer amounting to £771,000).

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 2022 (Unaudited) £'000	Six months to 31 January 2021 (Unaudited) £'000	Year to 31 July 2021 (Audited) £'000
Analysis of revenue – by geography			
UK	**-**	—	28
Europe (excluding UK)	**910**	807	1,618
Asia	**180**	189	411
USA	**9**	8	34
	1,099	1,004	2,091

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 £2,061,000 (2021: £2,269,000).

4. Loss per share

	Six months to 31 January 2022 (Unaudited) £'000	Six months to 31 January 2021 (Unaudited) £'000	Year to 31 July 2021 (Audited) £'000
Loss for the period attributable to equity shareholders	**(2,061)**	(2,269)	(4,395)
Share-based payments	**352**	289	417
Adjusted loss for the period	**(1,709)**	(1,980)	(3,978)

Weighted average number of shares	**No.**	No.	No.
Ordinary shares in issue	**306,167,992**	305,699,102	305,699,102
Adjusted loss per share (pence)	**(0.56)**	(0.65)	(1.30)
Basic loss per share (pence)	**(0.67)**	(0.74)	(1.44)

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 2022 (Unaudited) £'000	31 January 2021 (Unaudited) £'000	31 July 2021 (Audited) £'000
Current			
Upfront licence fees	**103**	103	103
Milestone payments	**—**	—	150
Total current	**103**	103	253
Non-current			
Upfront licence fees	**95**	198	146
Total non-current	**95**	198	146
Total deferred revenue	**198**	301	399

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 2022 (Unaudited) £'000	Six months to 31 January 2021 (Unaudited) £'000	Year to 31 July 2021 (Audited) £'000
Current			
Property Leases	**331**	584	545
Non-current			
Property Leases	**19**	282	133
Total lease liabilities	**350**	866	678

- Ends -