

28 March 2023

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 2023 ("the Period" or "H1 FY23").

A fully underpinned organic business with significant growth opportunities

- **Final validation underway for commercial production materials**, with orders anticipated by the end of 2023
- **Significant forecast growth in core markets**, with increasing end user applications in Sensing and increasing QD market share in Display
- **Litigation proceeds underpin commercial business**, with Nanoco on a firm financial footing to plan for the longer term
- **Litigation validated the Group's core IP**, with further potential monetisation initiatives ongoing

Operational Summary – good organic progress

- Nearing full production validation of two nano-materials for European Electronics Customer
- Facility and staffing levels being prepared for potential production orders
- Delivered development milestones for Asian Chemical company, new agreements being discussed
- Other early-stage engagements with customers in display with materials on test

IP Monetisation – first tranche proceeds received

- Previously announced IP sale and license agreements: gross proceeds of £124.3m (\$150.0m) with net proceeds after costs of £71.4m (c.\$90.0m)
- Payments received as a lump sum in two equal tranches (March 2023 and February 2024)
- Nanoco core patents validated by Patent Trial and Appeal Board ('PTAB')
- Retained Special Adviser to support internal team evaluating opportunities to pursue further monetisation of the Company's IP

Financial Summary – enhanced financial position

- Revenue increased 45% to £1.6m (H1 FY22: £1.1m) in line with the Board's expectations
- Adjusted LBITDA £1.1m (H1 FY22: loss £1.1m) in line with the Board's expectations, includes strategic investment in additional capability and impact of recent inflationary cost increases
- Results in H2 reflect the significant benefit of the IP sale and the license agreement
- Payment and use of proceeds from sale of IP and license agreement:
 - First tranche of £62.1m received in March 2023 with majority used to pay funder and advisors
 - Second tranche due in March 2024 (~£62.1m¹) will be wholly for Nanoco
- Period end net cash of £6.0m with monthly net cash burn of c.£0.1m per month, prior to receipt of proceeds from sale of IP and license agreement post period end

¹ Using current foreign exchange rate

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

"We are closer to commercial production than at any time in our 20 year history, with orders anticipated by the end of 2023. Our organic growth runway is now underpinned by a firm financial footing following the monetisation of the Group's IP portfolio as a result of the outcome of the lawsuit.

"The litigation process also allowed us to successfully validate Nanoco's IP and, combined with the work we have done to right-size the Group's cost base over the last few years, Nanoco is now positioned as an agile player with validated IP operating in attractive and growing core end markets of Sensing and Display. It also allows us to proactively pursue new licensing opportunities with other companies employing certain quantum dot technologies, accompanied by the financial wherewithal not to be bullied by other potentially infringing parties, no matter what size.

"Overall Nanoco is in a strong position, has an encouraging outlook and looks to the future with confidence."

Webcast for sell side analysts

A conference call and webcast for sell side analysts will be held at 10:00am (UK time) this morning (28 March 2023):

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.

Investor Meet Company presentation for investors

There will be a further presentation for investors via the Investor Meet Company platform on 29 March 2023 at 10:00am. Questions must be submitted in advance via the Investor Meet Company Dashboard before 5:00pm on 28 March 2023. Investors can sign up to the Investor Meet Company platform for free and register their interest in events hosted by Nanoco Group Plc via:

<https://www.investormeetcompany.com/nanoco-group-plc/register-investor>

Investors who already follow Nanoco Group Plc on the Investor Meet Company platform will automatically be invited.

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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 Runcorn, 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 – A fully underpinned organic business with significant growth opportunities

Our commercial business remains our primary focus and we continued to make steady positive progress throughout the Period. We are closer to commercial production than at any time in our 20 year history, with orders anticipated by the end of CY23, whilst the proceeds from the Samsung litigation underpin our commercial business, with Nanoco on a firm financial footing to plan for the longer term.

Final validation underway for commercial production materials, with orders anticipated by the end of 2023

Sensing

We continued our progress to final validation of production ready materials for our European customer project for sensing applications. We are now aiming to have two fully validated sensing materials by the end of FY23 (compared to previous expectations of one validated material). Discussions are ongoing with regard to next steps on other new development materials.

We have delivered all of the technical milestones for our important European electronics customer and we are now reinforcing our place in the supply chain with equipment upgrades and increased raw material stocks. We are also investing in additional front line researchers, production chemists and direct support staff as activity levels increase across all parts of the business. This will not only allow us to capture the opportunities that will flow from having production validated materials but also to invest in developing new materials in sensing, display and other potential applications.

We have also made solid progress on a new material for our Asian Chemical Company customer. While that project is approximately two to three years earlier in the development cycle, it also has the potential to require significant volumes of our materials as demand grows for affordable high performance sensors. We are currently reviewing options to accelerate the programme and to deepen our collaboration, while continuing to deliver small quantities of development materials for device testing.

The Group is also currently working on two projects that are part funded by grants from Innovate UK, the UK's innovation agency. One of those projects is targeting a third generation sensing material with the potential for even more advanced performance. The second of these projects concerns the creation of novel nano-materials that are potentially applicable in the field of quantum computing.

Display

We continue to pursue small scale development projects with a number of customers in display including having material on test. As reported previously, we work on a reactive basis to opportunities in adjacent markets such as horticultural and lighting applications.

Runcorn relocation

During the Period we completed the exit from the ground floor of our Manchester facility. We have now successfully relocated our whole team into our Runcorn facility. The CFQD side of the facility has now been taken out of mothball and is almost fully recommissioned. That part of the facility is also now host to our R&D activities. This was made possible by the strategic decision to focus our activities on a 'dot only' strategy, which freed up a significant amount of laboratory space that had been devoted to non-core activities.

We have retained our full capability following the move from Manchester, with only a very small number of staff not being able to make the transition. With a step up in activity levels across the business we have started a cautious campaign of recruitment to expand our front line production and R&D teams with additional direct support staff as required. This also reflects our continued momentum towards final production validation of two materials before the end of FY23 and potential commercial production orders in the current calendar year (CY23). The financial benefits of exiting the Manchester facility are being used to offset recent inflationary cost increases and will largely fund the activity driven increases in headcount we are putting in place.

We forecast significant growth in core markets, with increasing end user applications in Sensing and increasing QD market share in Display

Sensing

The size of any first production orders will depend on the end user customer application. As with any new technology, initial demand may be modest in scale before expanding into a broader range of customers, applications and devices. Independent market researchers Yole (Image Sensors Europe 2023) estimate 6.1% compound annual growth rate for CMOS Image Sensors in the six years to 2028, with an increasing share of that market for 3D sensors and multi-spectral cameras where the performance of these devices can be significantly enhanced by the integration of quantum dots.

Display

Display materials remains a key focus for Nanoco and we forecast increased share in the QD display market. The current market for flat panel televisions is approximately 250 million units per annum. Displays containing quantum dots are estimated to have accounted for around 6% of this market in 2022 (or 15 million TV's). Approximately 90% of the QD TVs sold today are cadmium free², reflecting Samsung's market dominance. Within the QD TV market, the number of cadmium based units is expected to fall significantly, reflecting toxicity and environmental concerns (RoHS).

The QD share of the total TV market is estimated to rise to around 35% by 2030 (in excess of 100 million units) with Samsung's share expected to decline over the same period². The combination of cadmium free systems taking a larger share of the overall market, together with a fall in Samsung's relative share, is expected to create an opportunity for Nanoco as both a manufacturer of cadmium free quantum dots and as the owner of a validated IP portfolio fundamental to the manufacture of cadmium free quantum dots at an industrial scale. The need for access to Nanoco's IP portfolio will grow over time in line with the number of cadmium free display products being sold in the market.

Proceeds from litigation underpin commercial business, with Nanoco on a firm financial footing to plan for the longer term

Nanoco began litigation against Samsung for the alleged infringement of our IP back in February 2020 with the Company valued at under £60.0m. Due to the likely significant cost of the litigation (legal fees and expenses anticipated to be in excess of \$10.0m) and the limited resources at our disposal, Nanoco ran a competitive tender process and obtained independent offers of litigation funding from four different providers of non-recourse litigation funding. Following the tender process, GLS Capital was appointed as the litigation funding partner based on a combination of superior commercial terms and the knowledge and experience of the GLS team. The terms of that agreement, whilst confidential, meant no funding risk was borne by Nanoco with a multiple of invested capital being paid to GLS

² Management estimates using a variety of independent market research reports

Capital only if the litigation provided a return to the Company, and, unlike traditional financing, with no return of capital if the litigation was unsuccessful.

Nearly three years later, in early January 2023, Nanoco and Samsung mutually agreed to stay the trial in Marshall, Texas to give 30 days to finalise commercial agreements. That period of negotiation resulted in two agreements that were signed on 3 February 2023. The agreements brought to an end three years of litigation activity in a number of jurisdictions. The financial impact of the agreements is set out in the notes to these Interim Financial Statements.

As noted previously, the IP sale of 118 non-core patents has little impact on Nanoco's current or planned commercial activities, particularly as the sale agreement includes a license back to Nanoco to be able to continue using those same patents. The IP license is a global perpetual royalty free license, reflecting the upfront nature of the payment received. As a non-exclusive license it also does not impede Nanoco's current or planned commercial activities.

As previously announced, in deciding what to do with the second tranche of proceeds in February 2024, the Board will balance any investment needs of Nanoco's growing organic business with a firm intention to deliver a material return of capital to shareholders.

Successful outcome to litigation validates the Group's core IP, with further potential monetisation initiatives ongoing

As a UK-based business specialising in the design, scale up and manufacture of novel nano-materials, we will continue to take steps to protect our platform technology and our IP portfolio.

Following the validation of our IP by the Patent Trial and Appeal Board and the subsequent licensing of our remaining patent portfolio by Samsung, the Group is confident in the potential applicability of our IP to other participants in the cadmium free quantum dot display market. At present that market is dominated by Samsung but as QD TVs capture a larger share of the total flat panel TV market, and as more market participants create or expand their market presence, the economic case for enforcement of our IP will grow in the medium term.

The group will explore opportunities to encourage market participants to take a license over Nanoco's IP as an alternative to potentially costly future litigation. We have retained a Special Adviser for the next steps in our IP licensing strategy and are reviewing potential IP licensing partners, alongside our internal business team who are evaluating potential value opportunities.

Background to sale of IP and licensing agreements

In assessing whether or not to agree to the proposed IP sale and license agreements, the Board took extensive advice and carefully considered the balance of potential risks and rewards that could be expected if the litigation had continued.

Against the possible benefits of continuing the litigation, the Board weighed the possible downside risks which included the risk of losing at trial, winning at trial with an award based on either Samsung's damages model or on Nanoco's own 'low case' damages model (sometimes referred to in public court papers as the 'Dow' approach, which was considerably lower than the settlement value agreed). The Board believes that winning with Nanoco's 'high case' damages model would inevitably have led to an appeals process potentially lasting a number of years with the risks of losing on appeal, a re-trial, or a re-trial of damages only and possibly resulting in a lower damages award. The Board also considered the incremental funding costs of an extended litigation process and the potentially significant impact of the time value of money.

Any settlement process invariably involves an element of compromise to remove risks. Having weighed up the risks and rewards of continuing the litigation, the Board concluded that it was in the best interests of all stakeholders to accept the proposed commercial agreements.

Outlook – well positioned to deliver

We continue to make strong and steady progress in delivering new nanomaterials for our customers. We are nearing the final pre-production validation step for two of our materials and anticipate potential commercial production orders by the end of CY23, bringing us closer to commercial production than at any time in our 20 year history. We continue to develop new materials and engage with new customers in the sensing and display fields of use, to ensure we build up a wide customer and product base.

The litigation process allowed us to successfully validate Nanoco's IP and, combined with the work we have done to right size the Group's cost base over the last few years, we have now positioned Nanoco as an agile player with validated IP operating in the attractive and growing core end markets of Sensing and Display.

Market forecasts for infra-red sensors and quantum dot based technologies show strong positive growth for the next five years. That will create an environment where Nanoco's unique cadmium free quantum dots and other novel nano-materials can leverage their strong performance characteristics into large mass produced commercial applications.

By successfully delivering the transformational outcome to the Samsung litigation, the business is now able to plan for the longer term on a firm financial footing. The resulting cash flows will allow us to invest in the commercial business while exploring opportunities to generate further value from our IP.

Overall Nanoco is in a strong position, has an encouraging outlook and looks to the future with confidence.

Dr Christopher Richards

Chairman

28 March 2023

Brian Tenner

Chief Executive Officer

28 March 2023

Financial review

Revenue

Revenue in the Period increased 45% to £1.6m (H1 2022: £1.1m). The majority of revenue relates to development work on sensing materials throughout the Period.

Sources of revenue	H1 FY23 £m	H1 FY22 £m	FY22 £m
Services	1.1 / 70.5%	0.7 / 63.1%	1.6 / 64.1%
Material sales	0.4 / 26.2%	0.3 / 32.0%	0.8 / 31.7%
Licence & royalties	0.1 / 3.3%	0.1 / 4.9%	0.1 / 4.2%
Total revenue	1.6 /100.0%	1.1 /100.0%	2.5 /100.0%

Services continue as the major revenue driver, 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.

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 £0.9m in the Period (H1 FY22: £1.0m) and administrative expenses were £2.5m (H1 FY22: £2.3m).

With the exit from both floors of the Manchester facility completing in November 2022, we have generated gross annual savings of £0.7m. These savings have been used to offset recent inflationary cost increases and will also fund the expansion in headcount driven by increased activity levels across the business and in the run up to potential commercial production orders at the end of CY23.

Other operating income in the Period was £0.1m (H1 FY22: £0.2m).

Operating loss and Adjusted LBITDA

The combination of higher revenue and the continued focus on cost control led to an 18% improvement in our adjusted operating loss in the Period to £1.4m, an improvement of £0.3m. Adjusted LBITDA in the Period stayed broadly in line with prior year.

	H1 FY23 £m	H1 FY22 £m	FY22 £m
Operating (loss)	(2.1)	(2.1)	(4.8)
Share-based payment charge	0.5	0.4	0.6
Litigation costs	0.1	-	-
Employers NI on SBP	0.1	-	0.3
Adjusted operating loss	(1.4)	(1.7)	(3.9)
Depreciation	0.2	0.3	0.5
Amortisation	0.1	0.2	0.5
Impairment	0.0	0.1	0.8
Adjusted* LBITDA	(1.1)	(1.1)	(2.1)

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 (including the associated national insurance charges), depreciation and amortisation and one off litigation costs are added back to the operating result to arrive at Adjusted LBITDA. These are therefore excluded to provide users of the accounts with a clearer understanding of underlying business performance.

Sale of IP and IP license with Samsung

As previously announced, both contracts were signed shortly after the Period end. In accordance with the requirements of *IAS10, Events After the Reporting Period*, these contracts have had no impact on the financial results or position in the Period but have been taken into account in the assessment of

the going concern basis for preparation of these Interim Condensed Consolidated Financial Statements. Note 7 sets out the expected financial impact of the two contracts on the second half of FY23 and reporting periods arising thereafter as a non-adjusting post balance sheet event.

Taxation

The Group continues to make R&D tax credit claims on qualifying expenditure. The tax credit for the Period is estimated at £0.3m (H1 2022: £0.3m). The amount receivable at 31 January 2023 was £0.3m (H1 FY22: £1.0m), with the amount receivable at 31 July 2022 (£0.5m) being received in January 2023.

The Group is reviewing with its tax advisers its historical practice of surrendering tax losses for a cash refund as the proceeds from the contracts with Samsung may change the optimal approach to the Group's tax affairs, alongside the potential to benefit from the UK's Patent Box tax regime.

Net result

The loss after tax for H1 FY23 was £2.1m (H1 FY22: loss of £2.1m).

Earnings per share

The basic loss per share was 0.64 pence per share (H1 FY22: loss of 0.67 pence). As at 31 January 2023 there were 322,445,744 ordinary shares in issue (31 July 2022: 322,445,744) including treasury shares.

Cash position and liquidity

During H1 FY23, the Group generated a significantly improved net cash outflow of £0.8m, being less than half the outflow in the comparative period (H1 FY22: £2.0m) to leave a cash balance of £6.0m.

Expenditure on fixed assets has been increased as the Group reinforces its production capabilities. Expenditure on new patents has remained subdued but is likely to increase as new materials are developed.

Working capital

The Group is maintaining its investment in working capital in preparation for potential commercial production orders by the end of CY23. This is to ensure that the Group is seen as a robust part of the supply chain by its major customers. Our contracts with customers also include mechanisms to give Nanoco advance notice of significant changes in demand that should be adequate to ensure that Nanoco has appropriate raw materials on hand when production needs to be ramped up.

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.

Principal risks

The Directors have considered the principal risks which may have a material impact on the Group's performance. The majority of applicable risks throughout the Period remained as disclosed on pages 27 to 29 of the 2022 Annual Report and Accounts.

However, as a result of the contracts signed with Samsung shortly after the period end, the profile of two of the Group's principal risks has changed significantly. The principal overarching risk that the Group would exhaust its financial resources before becoming self-financing through its commercial operations has now been wholly mitigated as a result of the cash flow received from Samsung after the Period end and the expected cash flow in February 2024. The second principal risk of an adverse outcome to the litigation with Samsung has now been eliminated.

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 2023 and summary forecasts for the following financial year (the 'forecast period'). These reflect current and expected business activities and the expected net cash flows that will result from the sale of IP and license agreement with Samsung as well as the matters set out in the section above on Principal risks.

A sensitivity analysis has been performed to reflect a possible downside scenario that only includes already contracted revenues for the forecast period.

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. 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
28 March 2023

Responsibility statement

The Directors of Nanoco Group plc, as listed on pages 40 and 41 of the 2022 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 2022 Annual Report and Accounts.

By order of the Board

Liam Gray

Chief Financial Officer
28 March 2023

Condensed consolidated statement of comprehensive income
For the six months ended 31 January 2023

	Notes	H1 FY23 (Unaudited) £'000	H1 FY22 (Unaudited) £'000	FY22 (Audited) £'000
Revenue	3	1,562	1,099	2,467
Cost of sales		(293)	(109)	(420)
Gross profit		1,269	990	2,047
Other operating income (grants)		78	179	361
Research and development expenses		(938)	(990)	(1,770)
Administrative expenses		(2,499)	(2,321)	(5,409)
Operating loss		(2,090)	(2,142)	(4,771)
- Before share-based payments		(1,613)	(1,790)	(4,152)
- Share-based payments		(477)	(352)	(619)
- Operating loss as shown above		(2,090)	(2,142)	(4,771)
Net finance (expense)		(244)	(205)	(450)
Loss before taxation		(2,334)	(2,347)	(5,221)
Taxation		255	286	524
Loss after tax		(2,079)	(2,061)	(4,697)
Other comprehensive income				
(Loss)/profit on exchange rate translations		—	—	—
Loss after taxation for the year and total comprehensive loss for the year		(2,079)	(2,061)	(4,697)
Loss per share:				
Basic and diluted earnings / (loss)	4	(0.64)p	(0.67)p	(1.52)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 Company.

The basic and diluted loss per share reported in H1 FY22 and FY22 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 2023

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Share-based payment reserve £'000	Merger reserve £'000	Accumulated loss £'000	Total £'000
At 31 July 2021 (audited)	30,570	117,292	(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)	30,716	117,292	(77,868)	4,524	(1,242)	(72,079)	1,343
Loss for the six months to 31 July 2022	—	—	—	—	—	(2,636)	(2,636)
Share-based payments	—	—	—	392	—	—	392
Issue of share capital on placing	1,528	4,127	—	—	—	—	5,655
Costs of share placing	—	(274)	—	—	—	—	(274)
At 31 July 2022 (audited)	32,244	121,145	(77,868)	4,916	(1,242)	(74,715)	4,480
Loss for the six months to 31 January 2023	—	—	—	—	—	(2,079)	(2,079)
Share-based payments	—	—	—	477	—	—	477
At 31 January 2023 (unaudited)	32,244	121,145	(77,868)	5,393	(1,242)	(76,794)	2,878

Condensed consolidated statement of financial position
As at 31 January 2023

	Notes	31 January 2023 (Unaudited) £'000	31 January 2022 (Unaudited) £'000	31 July 2022 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		232	115	98
Right of use assets		2,018	136	56
Intangible assets		1,470	2,610	1,616
		3,720	2,861	1,770
Current assets				
Inventories		104	66	174
Trade and other receivables		734	1,009	1,664
Income tax asset		254	972	524
Cash and cash equivalents		5,978	1,776	6,762
		7,070	3,823	9,124
Total assets		10,790	6,684	10,894
Liabilities				
Current liabilities				
Trade and other payables		(1,625)	(1,113)	(1,510)
Lease liabilities	6	(429)	(331)	(153)
Provisions		—	—	(172)
Deferred revenue	5	(105)	(103)	(560)
		(2,159)	(1,547)	(2,395)
Non-current liabilities				
Lease liabilities	6	(1,617)	(19)	(16)
Provisions		—	—	(40)
Deferred revenue	5	—	(95)	(44)
Financial liabilities		(4,136)	(3,680)	(3,919)
		(5,753)	(3,794)	(4,019)
Total liabilities		(7,912)	(5,341)	(6,414)
Net assets		2,878	1,343	4,480
Capital and reserves				
Share capital		32,244	30,716	32,244
Share premium		121,145	117,292	121,145
Reverse Acquisition Reserve		(77,868)	(77,868)	(77,868)
Share-based payment reserve		5,393	4,524	4,916
Merger reserve		(1,242)	(1,242)	(1,242)
Accumulated loss		(76,794)	(72,079)	(74,715)
Total equity		2,878	1,343	4,480

Approved by the Board and authorised for issue on 28 March 2023.

Brian Tenner
Chief Executive Officer

Liam Gray
Chief Financial Officer

Condensed consolidated cash flow statement
For the six months ended 31 January 2023

	Six months to 31 January 2023	Six months to 31 January 2022	Year to 31 July 2022
	(Unaudited) £'000	(Unaudited) £'000	Audited £'000
Loss before tax	(2,334)	(2,347)	(5,221)
Adjustments for:			
Net finance expense	218	195	450
(Profit) / Loss on exchange rate translations	4	54	(211)
Depreciation of tangible fixed assets	35	84	105
Depreciation of right of use asset	157	204	366
Amortisation of intangible assets	155	245	498
Impairment of intangible assets	15	71	858
Share-based payments	477	352	619
Gain on disposal of tangible fixed assets	—	(26)	(36)
Interest paid	—	(1)	—
Changes in working capital:			
Decrease/(increase) in inventories	70	44	(64)
Decrease in trade and other receivables	930	218	(141)
Increase / (Decrease) in trade and other payables	115	(548)	(105)
(Decrease)/increase in provisions	(212)	—	212
(Decrease)/increase in deferred revenue	(499)	(201)	205
Cash outflow from operating activities	(869)	(1,656)	(2,465)
Research and development tax credit received	524	—	688
Net cash outflow from operating activities	(345)	(1,656)	(1,777)
Cash flows from investing activities			
Purchases of tangible fixed assets	(169)	—	(4)
Purchases of intangible fixed assets	(24)	(68)	(114)
Acquisition of right of use assets	(2,119)	—	—
Proceeds from sale of tangible fixed assets	—	26	36
Net cash outflow from investing activities	(2,312)	(42)	(82)
Cash flows from financing activities			
Proceeds from placing of ordinary share capital	—	—	5,655
Costs of placing	—	—	(274)
Acquisition of lease liabilities	2,119	—	—
Payment of lease liabilities (capital)	(216)	(318)	(506)
Payment of lease liabilities (interest)	(26)	(10)	(83)
Interest paid	(1)	—	(3)
Net cash outflow from investing activities	1,876	(328)	4,789
(Decrease) / Increase in cash and cash equivalents	(781)	(2,026)	2,930
Cash and cash equivalents at the start of the period	6,762	3,813	3,813
Effects of exchange rate changes	(3)	(11)	19
Cash and cash equivalents at the end of the period	5,978	1,776	6,762

Notes to the interim condensed consolidated financial statements

For the six months ended 31 January 2023

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 2023 was authorised for issue in accordance with a resolution by the Directors on 28 March 2023.

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 IFRS 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 Conduct 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 2022.

These interim condensed consolidated financial statements include audited comparatives for the year to 31 July 2022. The 2022 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 have been filed with the Registrar of Companies. The financial statements of the Group for the year ended 31 July 2022 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 as set out in the Financial Review section.

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 2022. These are summarised below:

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

3. Segmental information

Operating segments

At 31 January 2023 and 2022, 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 2023 (Unaudited) £'000	Six months to 31 January 2022 (Unaudited) £'000	Year to 31 July 2022 (Audited) £'000
<i>Analysis of revenue – by type</i>			
Products sold	409	352	782
Rendering of services	1,101	693	1,582
Royalties and licences	52	54	103
	1,562	1,099	2,467

There was a material customer who generated revenue of £1,215,000 (2022: one material customer amounting to £899,000).

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 2023 (Unaudited) £'000	Six months to 31 January 2022 (Unaudited) £'000	Year to 31 July 2022 (Audited) £'000
<i>Analysis of revenue – by geography</i>			
Holland	954	599	1,474
Japan	286	131	244
Taiwan	165	192	351
France	114	164	348
USA	34	—	27
Canada	9	9	19
Singapore	—	3	3
UK	—	1	1
	1,562	1,099	2,467

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 £2,334,000 (2022: £2,347,000).

4. (Loss) per share

	Six months to 31 January 2023 (Unaudited) £'000	Six months to 31 January 2022 (Unaudited) £'000	Year to 31 July 2022 (Audited) £'000
Loss for the period attributable to equity shareholders	(2,079)	(2,061)	(4,697)
Share-based payments	477	352	619
Adjusted loss for the period	(1,602)	(1,709)	(4,078)
Weighted average number of shares	No.	No.	No.
Ordinary shares in issue	322,445,744	306,167,992	308,610,928
Adjusted loss per share (pence)	(0.50)	(0.56)	(1.32)
Basic loss per share (pence)	(0.64)	(0.67)	(1.52)

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 2023 (Unaudited) £'000	31 January 2022 (Unaudited) £'000	31 July 2022 (Audited) £'000
Current			
Upfront licence fees	95	103	103
Milestone Payments	10	—	457
Total current	105	103	560
Non-current			
Upfront licence fees	—	95	44
Total non-current	—	95	44
Total deferred revenue	105	198	604

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 2023 (Unaudited) £'000	Six months to 31 January 2022 (Unaudited) £'000	Year to 31 July 2022 (Audited) £'000
Current			
Property Leases	429	331	153
Non-current			
Property Leases	1,617	19	16
Total lease liabilities	2,046	350	169

7. Post Balance Sheet Event

On 3 February 2023, the Group signed agreements with Samsung for a sale of part of the Group's IP portfolio and a license on the remaining IP. The two contracts also ended the litigation against Samsung for the alleged infringement of the Group's IP on a no fault basis. The information and tables below set out the expected impact of the transactions on the Group's financial statements for FY23. Given the signature date of the agreements, they are a non-adjusting post balance sheet event and hence there is no impact of the transactions in these Interim Financial Statements (other than these disclosures).

Some of the figures presented are estimates as detailed tax computations will not be finalised until the end of the financial year and equally some figures are translated using the most recent foreign exchange rates which may change over time as the transaction is reflected in the accounts at different reporting periods.

Estimated income statement impact for FY23	Total	Sale of IP	IP Licence	Litigation costs
	£m	£m	£m	
Revenue (licence fee income)	3.0	—	3.0	—
Administrative costs (litigation costs)	(50.2)	—	—	(50.2)
Profit on disposal of intangible assets	70.0	70.0	—	—
Net operating profit	22.8	70.0	3.0	(50.2)
Interest payable on loan notes	(4.7)			
Profit before tax	18.1			

The sale of IP will be recognised in full in H2 of FY23 as a profit on disposal of intangible assets. The litigation costs will also be recognised in full in H2 of FY23 as an administrative expense. The profit on disposal of intangible assets is made up of proceeds of £70.4m less £0.4m of net book value at the time of sale.

The IP license income will be recognised as revenue over the average remaining life of the patent portfolio as it exists at 3 February 2023. This is estimated to be approximately 8.8 years from 3 February 2023. This approach to revenue recognition reflects the fact that the IP license includes continuing performance obligations over the lifetime of the patent portfolio in the form of access to the portfolio and is consistent with the requirements of *IFRS 15, Revenue from Contracts with Customers*. The license income in FY23 reflects the 6 months of the revenue recognition period included in FY23.

The following table sets out the estimated balance sheet impact of the agreements as at 31 July 2023.

Expected balance sheet impact as at 31 July	FY23 £m
Proceeds receivable (debtors due within 1 year)	62.1
Deferred income (due within one year)	(6.0)
Deferred income due after more than one year	(44.8)
Disposal of intangible assets	(0.4)
Withholding tax asset	2.7
Cash	4.5
Net assets	18.1

The figures above are shown before the impact of any UK taxation. The Group's accumulated tax losses (£42.8m as at 31 January 2023) will be available to partially offset the net income arising from the

agreements subject to the UK's normal rules on the utilisation of losses. A deferred tax asset will be recognised at year end in relation to the Korean withholding tax paid (and payable) on the license fee revenue. It is possible that a further deferred tax asset will be recognised in respect of the Group's accumulated and unused prior year losses depending on the final tax calculations for FY23 which will be disclosed in the Annual Report and Accounts for FY23.

Cash flow impact in FY23	FY23
	£m
Proceeds received from the disposal of intangible assets	35.2
Increase in deferred revenue (license income)	26.9
Administrative expenses	(50.2)
Korean withholding tax	(2.7)
Interest paid	(4.7)
Net cash inflow in FY23	4.5

The first tranche of payments was received shortly after the period end in March 2023. The second tranche of payments is still expected to be received in February 2024 subject to a similar level of Korean withholding tax.

- Ends -