

NANOCO GROUP PLC
("Nanoco", the "Group")

Unaudited Group Preliminary Results for the year ended 31 July 2024

"A strategy to maximise value and deliver returns to shareholders"

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, is pleased to announce its unaudited Group Preliminary Results for the year ended 31 July 2024.

A clear strategy to maximise value and deliver returns

- Having received advice following the commencement of the CDX process, the Board remains confident that the Group has commercial potential and inherent value
- The Board has:
 - appointed CDX Advisors to explore an orderly sale of the Group's trading business (including IP);
 - significantly reduced the Group's cost base;
 - determined that surplus cash reserves will be returned to Shareholders; and
 - appointed Dmitry Shashkov as CEO, bringing a track record of driving shareholder value through transformational business development
- Christopher Richards will retire as Non-Executive Chairman of Nanoco at the Annual General Meeting in January 2025 and will be succeeded by Jalal Bagherli, bringing his commercial expertise and track record to the leadership of the Board
- Cash will be progressively returned to Shareholders as the CDX process progresses and the Board gains more certainty on the execution of a potential sale process and clarity in the Group's working capital requirements and the surplus nature of the Group's cash balance.

Operational Summary – investing in our capabilities

- Nanoco delivered its first ever commercial production orders for two different first generation materials for use in infra-red sensing materials
- Commenced Joint Development Agreements with two customers on second generation sensing materials, with one of these ending post year end
- Continue to achieve all development, scale up and production readiness milestones
- Completed fit out of device and analytical testing facility
- Achieved ISO 14001 accreditation – a key customer requirement
- Increasing customer engagements across all materials

Financial Summary – performance in line with Board expectations, financially underpinned

- Revenue increased by 40% to £7.9m (FY23: £5.6m)
- Adjusted EBITDA improved to £1.2m (FY23: £0.4m LBITDA)
- Cash of £20.3m at year end (FY23: £8.2m)
- Tender offer of £30m completed during the year, and share buyback of £3m completed post year end
- Post year end restructuring ongoing following the cancellation of the JDA with the European customer

Dmitry Shashkov, CEO of Nanoco, said:

"I joined Nanoco because I saw an organisation with unique IP and inherent value to be realised. Having only been here a short time, my confidence in the value in this business has only been reinforced. We have a clear strategy to address our two core markets of Display and Sensing, along with working to define the opportunities outside of these. We have restructured the organisation to minimise cash burn and focus on commercial growth, reducing our gross annual cost base to around £6 million. In tandem, we are engaged with CDX to identify and pursue external investors for our operating business.

Taken together, there is a clear opportunity to maximise value in the trading business and deliver returns to shareholders."

Christopher Richards, Nanoco's Chairman, commented on the results:

"Nanoco is strongly positioned to take advantage of developing markets. We have delivered all development milestones for our sensing customers, and whilst the cancellation of the JDA with the European customer post year end was disappointing, we continue to engage with a variety of customers in a number of different markets.

"The Board is determined to deliver shareholder value as rapidly as possible. In light of the plans set out to shareholders, the Board has committed to a return of surplus cash to shareholders during the course of FY25. Cash

will be progressively returned to Shareholders as the CDX process progresses and the Board gains more certainty on the execution of a potential sale process and clarity in the Group's working capital requirements and the surplus nature of the Group's cash balance. We returned £30m to shareholders through the tender process, and post year end completed the additional £3m share buyback program.

"We have increased the industry expertise of the Board, with two non-executive appointments during the year, and post year end we have appointed Dmitry Shashkov as CEO.

"As a Board we are committed to achieving the best value for shareholders, and the whole team is committed to making Nanoco a highly successful nanomaterials group."

Investor webcast details

There will be a presentation via the Investor Meet Company platform on **25 November at 10:00am GMT**. Questions can be submitted in advance via the Investor Meet Company Dashboard before 9:00am GMT on 22 November, or at any time during the live presentation. 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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About Nanoco Group plc

Nanoco (LSE: NANO) is a nanomaterial production and licensing group, specialising in the production of its patented cadmium free quantum dots (CFQD®) and other patented nanomaterials for use in the electronics industries. Founded in 2001 and headquartered in Runcorn, UK, Nanoco continues to build out a world-class, patent-protected IP portfolio alongside its existing scaled up production facilities for commercial orders.

Nanomaterials are materials with dimensions typically in the range 1 - 100 nm. Nanomaterials have a range of useful properties, including optical and electronic. Quantum dots are a subclass of nanomaterial that have size-dependent optical and electronic properties. 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 Sensor, Electronics and Display markets. 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 display applications. Nanoco's HEATWAVE™ quantum dots can be tuned to absorb light at different wavelengths across the near-infrared spectra, rendering them useful for applications including cameras and image sensors.

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

Chairman's statement

A clear strategy to maximise value and deliver returns to shareholders

Summary

- Fulfilled first ever commercial production orders for two different first generation materials for use in infra-red sensing applications.
- Commenced two-year Joint Development Agreements ("JDA") with the Asian chemical customer to optimise the performance of second generation sensing materials.
- Completed fit out of new device and analytical testing facility at our Runcorn base in Cheshire, UK.
- Second and final tranche of litigation proceeds (net £58.8 million) received from Samsung, including a net foreign exchange gain of £1.8 million compared to spot rates on the date of translation.
- Completed £30.0 million tender offer. Started £3.0 million buy-back.

Post year end

- Completed £3 million broker managed buy-back.
- Post-year-end restructure underway following contract termination by European customer.
- Outlined new strategy to minimise costs, divest the group's operating business and return surplus cash to shareholders.
- Appointed Dmitry Shashkov as Chief Executive Officer to lead new strategy and deliver value from operating business.

Overview

This has been another important year for Nanoco. We delivered our first ever commercial production orders while commencing significant new development projects with two global electronics players. The receipt of the second tranche of the Samsung litigation proceeds has allowed us to make a significant return of capital to shareholders while retaining sufficient cash to secure the Group's medium-term future.

Our European customer's decision after the year end to focus on other larger short-term opportunities was clearly disappointing. This decision came after our technology had been proven and there remain meaningful, albeit smaller, commercial opportunities for Nanoco to pursue directly in the short to medium term. We have announced a reduction in our staffing levels and plans to progressively reduce the size and cost of the Board to match our new activity levels.

Our focus now is on the prudent use of those retained funds to drive forward our efforts to commercialise our technology across a wider range of customers and potential applications in our chosen markets of sensing and display. The expansion of our Runcorn facility to create our new device lab is one such investment that will rapidly accelerate new product development and enhance customer outreach. We are also significantly increasing our future-focused business development spend.

Commercial strategy

The Board has a clear vision for Nanoco's trading business. Underpinned by our IP, we aspire to be the "go-to" manufacturer of quantum dots for a variety of applications and markets. By focusing on our core competencies, we play to our key strengths while ensuring that we understand enough about the full device stacks to be a credible and trusted supply chain partner to some of the world's largest companies. Our sensing materials can provide significant improvements over existing technologies at a competitive price point while our display materials offer performance and clear environmental benefits over highly toxic, cadmium-based quantum dots. We will continue to add to our IP assets – the value of which was amply proven in the litigation with Samsung – and to defend it vigorously.

Group strategy to realise value

This commercial strategy goes hand in hand with the Board's strategy for the Group to deliver value for shareholders, which was outlined to shareholders on 3 October 2024.

The Board is strongly of the view that there are significant organic commercial applications for Nanoco's technology across a range of markets that will generate value for the business over time.

Pursuing these commercial and licence opportunities will require investment and the maintenance of critical technology and commercial capabilities. The Board is confident that the Group can succeed in pursuing these commercial objectives with the appropriate investment of money and time. The Board believes that it is now prudent to consider if this growth and investment would be best led in a different ownership setting than allowed for as the sole business of a listed group. The Board has concluded that it is in the Group's best interests to appoint advisers to review the options for the Group's business and assets, including the potential for a sale of the trading business (including IP).

With this in mind, post period end, we took steps to rationalise the Group's cost base. This includes reducing headcount, reducing the cost and size of the Board during FY25 and reducing non-critical operating costs across the Group.

Once complete, these measures will reduce the Group's annualised cash cost base by £2.6 million (or 34%) on a like-for-like basis compared to the Q4 FY24 run rate, with an associated, one-off, cash restructuring cost of just over £0.1 million.

The Board is determined to deliver shareholder value as rapidly as possible. In light of the plans set out above, the Board believes that it is now appropriate to make plans to return surplus cash to shareholders during the course of FY25.

The timing and size of further returns of surplus cash will be contingent on the completion of the right-sizing noted above, working capital needs and progress on the execution of a potential sale process.

Our people

Nanoco benefits from an exceptional group of staff, who have come to Runcorn from many countries to build our exceptional technology capability. Our staff are dedicated to delivering the focused tasks we set for them. We are repaying that commitment by further investments in learning and development opportunities.

This was recognised when Nanoco was featured in the prestigious Sunday Times Best Places to Work 2024 award in the Small Organisation category.

Sustainability and ESG strategy

The Board is committed to the promotion and achievement of environmental, social and governance objectives within the context of a small, listed group. During the year, we achieved the important milestone of ISO 14001 Environmental Management Systems accreditation, a key criterion for our customers. We are now pursuing accreditation to ISO 45001 Occupational Health and Safety Management Systems. We have also appointed an ESG steering committee represented at Board level by Liam Gray, our CFO.

Governance

We remain committed to the highest standards of corporate governance and we comply with all of the provisions of the UK Corporate Governance Code.

Return of capital

We have now completed the promised £33.0 million return of capital to shareholders. This represents just under half of the total equity raised by the Group since its founding in 2001. This has resulted in the cancellation of just over 128 million shares (40% of the equity in issue prior to the return of capital). A further 13.8 million shares are held in the Group's Employee Benefit Trust to meet future obligations arising from the Group's employee share plans, mitigating any future dilution.

As outlined above, the Board is determined to deliver shareholder value as rapidly as possible. The timing and size of further returns of surplus cash will be contingent on the completion of the right-sizing noted above, working capital needs, progress on the execution of a potential sale process and the availability of distributable reserves.

Board and Annual General Meeting

We have further strengthened the Board with the addition in the second half of the year of two new Independent Non-Executive Directors, Dieter May and Dr Jalal Bagherli. Dieter and Jalal add significant experience in the Group's key target markets of industrial and consumer electronics markets.

In July 2024, CEO Brian Tenner advised the Board of his intention to leave the Group to pursue new opportunities.

Brian led the Group through a period of significant change that delivered a multi-disciplinary team based in Runcorn, a successful outcome to the Samsung litigation and financial stability.

As outlined above, Dmitry Shashkov took up the post of CEO post period end.

And finally, after nine years with Nanoco, I will not be putting myself forward for re-election at the upcoming AGM. Dr Jalal Bagherli has agreed to take over the role of Chairperson from the next AGM.

Requisitioned General Meeting

Ahead of the Annual General Meeting to be held in January 2025, the Company has received a requisition from The Milkwood Fund to appoint two of their representatives to the Nanoco Board of Directors. This general meeting is to be held at 11.30 am on 13 December 2024, and further details are included on the Nanoco website. The Nanoco Board do not believe this is in the interest of all shareholders, and firmly believe shareholders should vote against both resolutions. It is a point of deep frustration that we find ourselves once again having to defend shareholders' cash against an activist acting in their own interests.

Dividends

No dividend is proposed for the year (2023: none).

Outlook

The Board is highly confident in the inherent value and commercial potential of our technology, IP and trading business. A balance needs to be struck, in the interests of all of its shareholders, between supporting this growth and prudence with regard to risk, to preserve cash and to take a highly disciplined approach to investment.

We concluded that it is in the Group's best interests to appoint CDX Advisors to review the options for the Group's trading business, IP and other assets, including the potential for a sale of these assets.

While this process will be undertaken at pace, the Group's considerable financial resources mean that the trading business will continue to be supported to grow and not compromise its potential.

Dr Christopher Richards

Chairman

20 November 2024

Operational Review

The case for the use of quantum dots in new generations of displays and the multitude of potential infra-red sensing applications continues to grow.

The Nanoco team worked throughout the year to develop novel nanomaterials for use in sensing and display applications for a number of customers. We met every technical specification required as part of the work programmes that commenced H1 FY24 and are looking at other opportunities to apply our technology.

We have continued to invest in our capabilities with our new device team and facility, and this allows us to understand more about the impact of changes to our quantum dot chemistry on sensors. This shortened feedback loop will reduce the time required to develop new products in generation 2 and generation 3 infra-red sensing materials. The associated ability to demonstrate device performance to potential customers will significantly strengthen our commercial outreach.

The case for the use of quantum dots in new generations of displays and the multitude of potential infra-red sensing applications continues to grow. This remains true in sensing despite the setback in the European customer deciding to focus their own efforts away from QD-enabled CMOS sensors. Growing investment by major players in display technology development and M&A activity in both sectors reinforces this growing commercial interest.

Business performance

Electronics

We successfully delivered two sensing materials for low volume commercial production with our European customer in H1 FY24. Critically, this is the first time in our history that we have had a product in commercial production. The subsequent decision by the European customer to withdraw from the QD CMOS sensing market was no reflection on the effectiveness of Nanoco's technology but instead reflected their own commercial focus on larger short-term business priorities.

There remain a number of other routes to market for Nanoco's first generation sensing materials in a range of niche markets that are attractive to a group of our size and scale. As previously announced, the size of the next production orders for our first generation materials is likely to be modest in scale, enabling potentially a few million devices. This is typical of many new technologies initial use cases and is expected to grow over time if and when end users adopt the technology. Some initial market feedback indicates reluctance among some electronics companies to incorporate lead-based products in their supply chains. This is not true of all potential customers and markets so first generation materials still have a viable commercial future.

This situation does, however, emphasise the importance of the development programmes that Nanoco is delivering for lead-free materials. These new materials should also result in significantly higher performance (speed, response times) and the ability to be used in more demanding applications such as automotive where first generation materials struggle to meet the required operating temperature.

Turning to those second generation sensing products, prior to the termination of the JDA with the European electronics customer, we had achieved all development milestones as part of our two-year development project. This now includes the incorporation of quantum dots onto silicon wafers within Nanoco's device facility. We intend to self-fund the final development steps to get this material ready for scale up because of its exceptional performance. We also achieved all technical milestones for our major Asian chemical customer as part of our two-year development programme for a different second generation material for use in infra-red sensing. We have also fulfilled some smaller orders for this customer of different materials.

We are adapting our approach to commercial business development by engaging with a wider range of smaller players in the sensing markets. We retain the capacity to service mass market applications and are supplementing that with a service offering for smaller but still attractive niche markets. Adoption of our technology in smaller niche markets will provide valuable proof points on the journey towards our overarching goal of mass market adoption in consumer electronics applications. Visibility on the size and ramp up in any demand for our materials is inevitably limited as is the case for any new material awaiting mass market adoption.

Our offering of nanomaterials for use in sensing applications continues to progress from a single customer/single product offering in early 2018 to a position today where we are engaged with multiple customers and are working with many distinct materials and wavelength combinations.

Display (CFQD® quantum dots)

Display materials remain a key focus for Nanoco. Our analysis divides the market into existing display technologies and nascent display technologies. The former includes QD film (whether the QDs are in a barrier film sandwich or an extruded product) and QD-OLED. Independent market research continues to support a growing share of quantum dot technology in these early generation display technologies where consumer and environmental concerns mean that cadmium-free solutions are sometimes preferred (source: Omdia, TDR).

In early generation QD displays, the opportunity for Nanoco primarily relates to licensing opportunities as opposed to commercial supply. These displays are of lower commercial supply interest for two primary reasons: firstly cadmium-based solutions continue to dominate the market despite the impending RoHS limits and secondly because of the strategy pursued by a number of market participants in commoditising what should be a premium product in mass markets (ultimately leading to their own financial difficulties). For Nanoco, interest in supply agreements for early generation displays is now focused on niche applications where quality, IP protection and a lack of toxicity can attract premium pricing.

The nascent display technologies which have now been demonstrated at various trade shows and which are attracting significant investment include the use of quantum dots in micro-LED devices and in electro-luminescent devices. The application of quantum dots to micro-LEDs for small screen devices, such as smart watches or phones, is an area of growing focus for a number of companies. In such applications, the volume of quantum dots, as a ratio to the area covered, is significantly higher than in a film for a television. So, while the end devices may be smaller, this is partly compensated for by the higher concentration required. The Group has completed some initial development work and is supplying the resultant material to a number of customers, including a global capital equipment manufacturer.

These nascent technologies are of much greater potential interest to Nanoco for a number of reasons:

- our IP is equally relevant to the production of quantum dots for these technologies;
- the density of active material required is much higher (more quantum dots);
- the quantum dots in these applications are eliminating other layers needed in the stacks in the first generation technologies – meaning the value add is much higher allowing a premium price for an IP backed premium product; and
- the likely timeline to commercialisation of these new display technologies fits strongly with RoHS requirements, which should reduce the temptation to detour via cadmium-based systems.

Our routes to revenue generation are therefore still threefold in display:

- development services for new materials;
- supply of consistent high quality materials from our Runcorn facility which can be easily expanded; and

- the licensing of our IP that protects our unique scale up process for the mass market production of cadmium-free nanomaterials.

In the post-year-end restructuring necessitated by the end of the sensing project with our European customer, we are being careful to maintain these core capabilities to service the display markets and retain our potential revenue sources. We will continue to adopt a dual approach to commercial exploitation of our display materials, whether through licensing or material supply from our own manufacturing capability.

Market developments

The Board recognises that the adoption of nano material technology has taken longer than expected for both Nanoco and its competitors, creating commercial challenges for Nanoco and leading to terminal financial distress for other market participants. Development cycles tend to be long because the whole supply chain often needs to be re-engineered on top of developing new materials with every step of the process subject to stringent testing. One of the advantages of the sensing and display materials that Nanoco specialises in is that the material represents an extra layer in a pre-existing material stack or is actually removing cost from existing supply chains (and hence adding value).

Our small scale allows us to be much more agile and responsive to our customers when compared to our competitors. The in-depth nature of our technological insight also means that we do tend to “punch above our weight” in terms of direct engagement with very large end customers and their technology teams. Reaching final product validation for two novel nanomaterials within six years demonstrates Nanoco’s clear ability to meet the exacting standards of consumer electronics applications in a relatively short timeframe. Of course, the downside to this situation is that our small scale and position in the supply chain mean that we are inevitably exposed to customer concentration risk and have lower visibility of demand that we would like. We leverage our expertise and IP in negotiating commercial terms to mitigate some of these supply chain risks.

Operations

We have invested significantly in our capabilities in the year, with the new device facility costing £1.2 million, with the vast majority of the second-hand equipment being heavily discounted from cost “as new”. As mentioned previously, this strategic investment significantly reduces the duration of the feedback loop on the impact of changes in our chemistry on the devices. A process which used to take circa three months now takes one week. This is critical as long-term success in developing new materials is driven by the number of new reactions and recipes that can be run in a period of time. This new capability can be applied to various generations of our technology, and we have complete freedom to operate the facility with any customer.

During the year, and in line with our investment in our quality management systems, we implemented electronic batch recording and line side systems to match our position in important electronics supply chains. This, along with some other improvements, has ensured we can meet and have been accredited to ISO 14001 Environmental Management Systems. This again demonstrates Nanoco’s position as a robust supply chain partner for electronic materials. This certification is often a fundamental requirement of our electronics customers before they will even consider signing a supply contract.

Leveraging intellectual property

We continue to proactively manage our IP portfolio to maximise value and protect our core competencies while carefully managing our IP maintenance spend. We finished the year with 366 patents and patents pending (2023: 375). Our annual IP maintenance spend is approximately £0.2 million which is a significant reduction from the figure of approximately £0.4 million in 2020.

We continue to preserve trade secrets and have targeted our financial resources on strategic areas such as infra-red sensing where there is a strong overlap with our pre-existing IP. These are also areas with clear future commercial opportunities and benefits to be had from holding high quality patents.

As we explained last year, to drive licensing value from an IP portfolio, any business needs firstly a “commanding IP portfolio” and secondly, a “deep and impacted market.” Our success in generating an IP licence with Samsung shows that we already have the first of these. The market for devices containing cadmium-free quantum dots is growing in line with the low end of external market forecasts. However, new technologies using quantum dots such as micro-LED and electro-luminescence are attracting significant investment and if successful in their own right will lead to an increase in demand for cadmium-free materials. Until such time as the market becomes attractive enough to pursue such opportunities, we will continue to proactively engage with parties who would benefit from sourcing material from Nanoco or having a licence over our IP. It is a frustrating but unavoidable fact that the economics of IP enforcement and licensing programmes strongly favour the infringer and not the patent holder. Even when it is clear that a company is likely to be infringing our IP, the cost of legal action is often prohibitive, especially when the likely infringer is a small competitor.

People and community

Our employees make Nanoco and have provided great service to our customers throughout the year by delivering high quality materials on time and achieving challenging milestones and deliverables in our development work.

Our Employee Voice Committee (“EVC”) has been very active throughout the year to support the Group and all staff on matters of physical and mental wellbeing, relaying concerns to the Board and helping with our CSR activities. The EVC was instrumental in choosing Emmaus as our charity of choice for the forthcoming year. Emmaus is a charity local to Runcorn that focuses on supporting the homeless.

We continue to invest in our LEAN programme, with all staff trained on LEAN techniques to improve problem solving and quality control processes. All staff remain actively engaged on health and safety, with initiatives to improve our working environment and reduce the overall risk environment. We will continue to invest in further training and development for all staff as part of their career development and our staff retention aims. This includes general management training that feeds into succession planning.

We have awarded a general cost of living increase for all staff for FY25 of 3% of salary (excluding the Executive Directors who are receiving 2.5%). In FY24, we implemented a workplace health programme for all staff that has an equivalent cost of 1% of salary. We also completed a further benchmarking exercise post year end, and we believe that all staff are now paid around median salaries or higher. All staff are also eligible to participate in the Group’s Deferred Bonus Plan and Long Term Incentive Plan.

We will review other benefits options and further potential improvements to pension contributions as our financial situation improves and when the Group becomes self-financing in its organic operations.

Post-year-end events and our response

We announced on 30 August that our European customer had decided to focus their priorities away from QD-enabled CMOS sensors and hence will not be placing any further orders for first generation sensing materials and have cancelled the development project for second generation sensing materials. The Group continues to negotiate the final commercial compensation payable as a result of these actions, including the fate of potentially surplus customer assets.

Nanoco now has complete freedom to operate with respect to all materials developed with the European customer (first and second generation). Nanoco is also now focusing directly on niche market opportunities that were too small to be of interest to our European customer but which can be meaningful for Nanoco. This will inevitably require an expansion of a “fabless” supply chain for Nanoco and efforts are already underway to replicate the previous supply chain.

The lower activity levels that have resulted from the termination of the development agreement with the European customer have necessitated a review of our staffing levels and costs. We regrettably had to announce a consultation on the restructuring of the business that has seen twelve valued and trusted, highly skilled employees leave the business (27% of our workforce). A summary of the actions being taken includes:

- a reduction of approximately 27% of employees in the operating business;
- a planned reduction in the size of the Board over FY25;
- all Non-Executive Directors have agreed to defer at least 50% of their salaries until the earlier of either 31 July 2025, their cessation as Directors, or a sale transaction of the underlying business;
- a switch of all Executive Director potential bonuses to being paid in options rather than cash;
- mothballing of equipment and, where possible, facilities to reduce the holding costs of critical capabilities; and
- a reduction in activity-based costs consequent with the reduction in activity levels.

The result of these actions is that the Q4 FY25 cash cost run rate is expected to be approximately £2.6 million (34%) below the equivalent Q4 run rate in FY24.

Outlook

The Board is strongly of the view that there are significant organic commercial applications for Nanoco’s technology across a range of markets that will generate value for the business over time. Initial applications are likely to be in various niche markets that can deliver meaningful revenue for Nanoco in the short to medium term growing into mass market applications over time. The current collaboration with the Asian customer specifically targets mass market applications for a leading global sensing group. This assessment is based on growing market interest and participation in quantum dot technology in display and sensing markets. It also draws on direct customer feedback, independent expert technical analysis and the Group’s own extensive knowledge.

The vast majority of long-term investors in the Group are, like the Board, believers in the long-term inevitability of the adoption of quantum dots across a very broad range of commercial electronics applications. With validated products for sensing and display applications, a robust and valuable IP portfolio, leading-edge skills and capabilities in our talented staff and complex assets, and growing commercial interest in QD technology, it would be economic terrorism to abandon all of those valuable foundations.

That being said, the Group’s trading business clearly remains in the scale up phase of business growth and is exposed to what can appear as binary decisions by a concentrated customer base of global players. The Board therefore believes that it is now prudent to consider if the growth and investment in the trading business and IP assets would be best led in a different ownership setting than allowed for as the sole business of a listed group given also the costs of the group’s listing.

The Board has therefore appointed advisers (CDX Advisors LLC (“CDX”)) to review the options for the group’s trading business and assets (which includes our IP), including a potential sale. To be clear, this is not a proposed sale of the whole Group. Work with CDX has commenced with a view to achieving the best possible financial outcome and to secure the long-term future of the Group’s IP and operations. This process will be undertaken at pace and the Group’s considerable financial resources mean that the trading business will continue to be supported to grow and not compromise its potential.

The Board is highly confident in the potential of the business. A balance needs to be struck, in the interests of all of its shareholders, between supporting this growth and prudence with regard to risk, to preserve cash and to take a highly disciplined approach to investment. A successful outcome to the current activities to secure the long-term future of the trading business is intended to lead to a further return of capital to shareholders.

Dr Christopher Richards

Chairman

20 November 2024

Financial review

Financially underpinned Group with growth opportunities

Liam Gray

Chief Financial Officer

| Highlights | 2024 £ million | 2023 £ million | % change |
|-----------------------------|-------------------|-------------------|----------|
| Revenue | 7.9 | 5.6 | 40% |
| Other operating income | 0.1 | 0.2 | (38%) |
| Adjusted EBITDA | 1.2 | (0.4) | 175% |
| Net (loss)/profit | (1.3) | 11.1 | (92%) |
| (Loss)/profit per share (p) | (0.43) | 3.44 | (91%) |
| Billings | 61.0 | 63.0 | (3%) |
| Cash and cash equivalents | 20.3 | 8.2 | 147% |

Summary

- Revenue increased by 40% to £7.9 million (2023: £5.6 million), driven by the licence income from Samsung. Excluding Samsung licence income, revenue declined by 29% due primarily to timing differences in the start and end of a number of development projects.
- The gain on a foreign exchange forward contract on the second tranche of the Samsung litigation proceeds generated a one-off gain of £1.8 million in the year, in addition to a £0.3 million gain on the cash which was held in USD before utilising the forward contract.
- Adjusted EBITDA has increased to £1.2 million (2023: £0.4 million loss), reflecting the additional revenue in the period.
- Completed tender offer at a 25.1% premium to the closing mid-market price per ordinary share on the day before the tender was announced to return £30.0 million to shareholders following the receipt of litigation proceeds noted above.
- Commenced broker managed market buy-back to return a further £3.0 million to shareholders, completed post year end.
- £5.1 million of loans were repaid in the year, leaving the Group debt free.

Revenue increased by £2.3 million to £7.9 million (2023: £5.6 million). The increase is due to the licence agreement signed with Samsung which contributed £6.0 million, with the remaining revenue largely related to the ongoing project with the European electronics customer. Excluding Samsung licence income, revenue declined by 29% due primarily to timing differences in the start and end of a number of development projects.

The sale of products and services rendered accounted for 23% (2023: 45%) of revenue, with the balance being licence income. Revenue from services has decreased from £1.7 million to £1.4 million due to the time gap prior to the current development agreements being started. Revenue from the sale of products, including development products, was £0.4 million (2023: £0.9 million).

Non-GAAP measures

Billings, including those to Samsung, decreased by £2.0 million to £61.0 million (2023: £63.0 million). Excluding the impact of any Samsung related billings, billings were £1.8 million, which was in line with revenue.

| Billings reconciliation | 2024 £ million | 2023 £ million |
|---|-------------------|-------------------|
| Revenue | 7.9 | 5.6 |
| Movement in deferred income | 19.6 | 23.3 |
| Movement in accrued income | 33.1 | 34.5 |
| FX movement between billing and recognition | 0.4 | (0.4) |
| Billings | 61.0 | 63.0 |

The movement in deferred income reflects the second tranche of the payment less licence income in the period. Other operating income generated £0.1 million (2023: £0.2 million) and related to grant income for two projects with Innovate UK which were successfully completed during the year. An additional £1.8 million gain related to the foreign currency contract on the second tranche of the Samsung litigation proceeds.

The non-GAAP measure of adjusted earnings/(loss) before interest, tax, depreciation, amortisation, share-based payment charges and exceptional items ("EBITDA") is provided in order to give a clearer understanding of the underlying profit for the year that more closely reflects the recurring operational earnings of the business. The calculation of these non-GAAP measures is shown in the table below:

| | 2024 £ million | 2023 £ million |
|---|-------------------|-------------------|
| Operating profit | 1.7 | 15.0 |
| Settled litigation costs | — | 49.3 |
| Profit on sale of IP | — | (68.7) |
| Gain on derivative financial instrument | (1.8) | — |
| Requisitioned general meeting | — | 0.5 |
| Foreign exchange | (0.9) | 1.7 |
| Share-based payment charge | 1.0 | 1.0 |
| Employer's NI on SBP | 0.0 | (0.2) |
| Depreciation | 0.8 | 0.6 |
| Amortisation ¹ | 0.4 | 0.4 |
| Adjusted EBITDA | 1.2 | (0.4) |

¹ Includes impairment of intangible assets (2024: £0.2 million, 2023: £0.1 million).

Finance income and expense

During the year, the Group generated finance income of £0.8 million on the Group's cash deposits, earned primarily in the six months following receipt of the second tranche of the Samsung litigation proceeds. The finance expense in the year of £0.7 million (2023: £5.5 million) included £0.5 million of interest on loans which were repaid in the year with the balance being the inherent interest charge on finance leases under IFRS 16.

The profit before tax was £1.9 million (2023: £9.6 million profit).

Taxation

The tax charge for the year was £3.1 million (2023: £1.5 million credit). This comprises a UK corporation tax charge of £nil (2023: £1.0 million) and an overseas corporation tax charge of £0.6 million (2023: £0.3 million), offset by an R&D tax credit of £0.2 million

(2023: £0.3 million) and the derecognition of deferred tax assets of £0.2 million (2023: £2.5 million recognition). In addition, the Group incurred withholding tax in Korea of £2.6 million in the year, of which £1.8 million has been recognised as an asset as it can be offset against future profits.

The Group has £30.0 million of accumulated losses to offset against future profits (2023: £30.8 million).

Cash flow and balance sheet

During the year, cash, cash equivalents, deposits and short-term investments increased to £20.3 million (2023: £8.2 million) caused by a net cash inflow of £12.1 million (2023: £1.4 million inflow). The increase reflects the £58.8 million Samsung receipt, offset by £33.0 million returned to shareholders via the tender and buy-back, £5.1 million of loan repayments, £1.5 million investment in new facilities and £7.1 million operating cash outflow. Interest on cash deposits of £0.8 million was received in the year. Tax payments of £0.8 million (2023: £0.5 million receipt) were made during the year.

Expenditure incurred in registering patents totalled £0.1 million (2023: £0.1 million). Capitalised patent spend is amortised over ten years in line with the established Group accounting policy.

IP impairment charges during the year were £0.1 million (2023: £0.1 million). This reflects the rationalisation of the patent portfolio in prior years to ensure the remaining patents are commercially and technologically viable in the short to medium term.

Expenditure on tangible fixed assets increased to £1.5 million (2023: £0.3 million) as the Group invested in its new device facility.

During the year, the Group repaid all of its outstanding loans totalling £5.1 million, leaving the Group debt free.

Capital reduction

At the end of the prior year, the Group carried out a capital reduction that was approved by the High Court in England to eliminate the share premium and capital redemptions reserves. This increased the Group's distributable reserves and allowed the return of capital below to take place.

Return of capital

In April 2024, the Group completed a tender offer at 24 pence, a 25.1% premium to the closing mid-market price per ordinary share on the day before the tender was announced, to return £30.0 million to shareholders. Of the 125 million shares acquired by the Company via the tender offer, 90% were subsequently cancelled with the remainder being held by the Employee Benefit Trust for use in the future to satisfy employee share options granted under the Nanoco Long Term Incentive Plan and the Deferred Bonus Plan.

Immediately following the tender offer, the Group commenced a broker managed on-market buy-back to return a further £3.0 million to shareholders. As at 31 July 2024, £2.0 million had been returned via this mechanism, which led to the purchase and subsequent cancellation of a further 10.9 million shares. The remainder of the buy-back was completed post year end. The Company's outstanding share capital was 202,571,497 shares as at 31 July 2024 and 194,608,038 on completion of the on-market buy-back on 30 October 2024.

The Group incurred fees and taxes on the tender offer and buy-back totalling £1.0 million, the cost of which was charged directly to reserves.

Foreign exchange management

The Group invoices most of its revenues in US Dollars. The Group is therefore exposed to movements relative to Sterling. The Group will use forward currency contracts to fix the exchange rate on invoiced or confirmed foreign currency receipts should the amount become significant and more predictable.

The second tranche of the litigation proceeds was received in January 2024 (gross \$75 million, net \$71.75 million after \$3.25 million withholding tax paid at source). The Group took out a one-off hedge at a rate of GBP1:USD1.22, which meant the net cash receipt of \$71.75 million was converted to £58.8 million. This was a £1.8 million gain over the prevailing rate in February 2024 when the hedge was utilised.

There were no open forward contracts as at 31 July 2024 (2023: none).

Credit risk

The Group only trades with recognised, creditworthy third parties. Credit risk is increased by the concentration of receivables to a small number of customers. Receivable balances are monitored on an ongoing basis and any late payments are promptly investigated to ensure that the Group's exposure to bad debts is not significant.

Treasury activities and policies

The Group manages its cash deposits prudently. Cash balances are regularly reviewed by the Board and cash forecasts are updated monthly to ensure that there is sufficient cash available for foreseeable requirements.

Going concern

Following the receipts from Samsung and the return of capital to shareholders, the Group retains a cash balance of £20.3 million at 31 July 2024. Given the remaining cash balance, our low cost base, and the identified commercial opportunities, the Directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Any future return of surplus cash will take into account the on-going viability of the group.

Accordingly, the Board concluded that it remains appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements. Further detail is included in the going concern statement.

Macroeconomic factors

We continue to see inflationary pressures on raw materials. We attempt to mitigate these by regularly reviewing suppliers where possible, negotiating with new suppliers and trying to achieve volume breaks. We will continue to review market conditions and assess the impact on all stakeholders.

Summary

Nanoco is now financially underpinned with a stable cost base and IP that has been validated by the US PTAB and we have commercial opportunities in large and growing markets. We look forward to updating shareholders on progress against our strategic objectives in due course.

Liam Gray

Chief Financial Officer

20 November 2024

Principal risks and uncertainties

Managing risk is key to the delivery of the Group's strategic objectives

In common with all businesses at Nanoco's stage of development, the Group is exposed to a range of risks, some of which are not wholly within our control or capable of complete mitigation or protection through insurance.

Specifically, a number of the Group's products and potential applications are at an early stage in their development, or still being validated by customers, and hence it is not possible to be certain that a particular project or product will lead to a commercial application. Other products require further development work to confirm a commercially viable application. The technology, particularly in the sensing division, is still in its infancy and has yet to see end market adoption in higher volume applications.

Equally, a number of products are considered commercially viable but have yet to see demand for full scale production. It is also the case that the Group is often only one part of a long and complex supply chain for new product applications.

The Group therefore has little visibility of demand other than from contracts already in place. There are therefore a range of risks that are associated with the different stages of product development as well as for the Group as a whole.

Risk management process

The Group has established a process for carrying out a robust risk assessment that evaluates and manages the principal risks faced by the Group. A detailed review of individual risks was undertaken initially by the leadership team and then reviewed by the Board during the financial year ended 31 July 2024. That review also incorporated climate-related risks, as required by TCFD reporting. The Board has also established an acceptable level of risk (risk appetite) that informs the scale and urgency of actions required. Where risks are deemed to be outside of management control, efforts are focused on mitigating any potential impact. Where all practical measures to prevent or mitigate risks have been taken and a residual element of risk still remains, these risks are accepted by the Group.

Risks are evaluated with respect to the probability of occurrence and the potential impact if a risk crystallised. Where the Group has identified risks, these are monitored with controls and action plans to reduce the probability of a risk crystallising and the impact of each potential event if it did occur. The residual risk score, after mitigating controls, is then plotted on a "risk heat map".

Principal overarching risk

The historical principal overarching strategic risk faced by the business was that the Group exhausted its available funding before achieving a self-financing level of commercial revenue. This risk has significantly mitigated in the short to medium term following the proceeds from the Samsung litigation settlement. The underlying risk relating to market adoption of Nanoco's technology remains but has been shifted further out in time due to the improved cash position noted above.

Other principal risks

Risks are broadly categorised as strategic, operational, financial or compliance. The Group focuses on those risks that the Directors believe are the most important currently faced by the business. Other risks may be unknown at present and some that are currently rated as low risk could become more material risks in the future. The Group's risk management process tracks risks as they evolve and change.

Directors' responsibility statement

In accordance with the FCA's Disclosure and Transparency Rules, the Directors listed on the Company's website (www.nanocotechnologies.com/about-us/board-directors) confirm, to the best of their knowledge, that:

1. the unaudited Preliminary Results have been prepared in accordance with IFRS issued by the IASB as adopted by the UK and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
2. the foregoing reviews and statements, include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.

By order of the Board

Dr Christopher Richards

Chairman

20 November 2024

Unaudited consolidated statement of comprehensive income for the year ended 31 July 2024

| | Notes | 2024 £'000 | 2023 £'000 |
|----------------|-------|---------------|---------------|
| Revenue | 4 | 7,874 | 5,618 |

| | | | |
|--|---|----------------|----------------|
| Cost of sales | | (1,211) | (847) |
| Gross profit | | 6,663 | 4,771 |
| Other operating income | | | |
| Government grants | | 142 | 230 |
| Profit on sale of IP | | — | 68,687 |
| Gain on derivative financial instrument | | 1,814 | — |
| Operating expenses | | | |
| Research and development expenses | | (853) | (1,295) |
| Administrative expenses | | (6,059) | (57,401) |
| Operating profit | | 1,707 | 14,992 |
| - Before share-based payments and non-recurring items | | 850 | (2,915) |
| - Share-based payments | | (957) | (953) |
| - Profit on sale of IP | | — | 68,687 |
| - Gain on derivative financial instrument | | 1,814 | — |
| - Litigation costs | | — | (49,337) |
| - EGM requisition | | — | (490) |
| Finance income | | 835 | 38 |
| Finance expense | | (677) | (5,457) |
| Profit before taxation | | 1,865 | 9,573 |
| Taxation | | (3,118) | 1,512 |
| (Loss)/profit after taxation | | (1,253) | 11,085 |
| Other comprehensive income | | | |
| Total comprehensive (loss)/profit for the year | | (1,253) | 11,085 |
| Profit per share | | | |
| Basic (loss)/profit per share for the year | 5 | (0.43p) | 3.44p |
| Diluted (loss)/profit per share for the year | | (0.43p) | 3.32p |

The loss for the current year and profit for the prior year arise from the Group's continuing operations and are attributable to the equity holders of the Parent.

Unaudited consolidated statement of changes in equity for the year ended 31 July 2024

| Group | Notes | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Reverse acquisition reserve £'000 | Share-based payment reserve £'000 | Merger reserve £'000 | Shares held by EBT £'000 | (Accumulated Losses)/retained earnings £'000 | Total £'000 |
|--|-------|---------------------|---------------------|----------------------------------|-----------------------------------|-----------------------------------|----------------------|--------------------------|--|-------------|
| At 1 August 2022 | | 32,244 | 121,145 | — | (77,868) | 4,916 | (1,242) | — | (74,715) | 4,480 |
| Profit for the year | | — | — | — | — | — | — | — | 11,085 | 11,085 |
| Other comprehensive income | | — | — | — | — | — | — | — | — | — |
| Total comprehensive profit | | — | — | — | — | — | — | — | 11,085 | 11,085 |
| Capital reduction | | — | (121,145) | — | — | — | — | — | 121,145 | — |
| Issue of capital to EBT on option exercise | 199 | — | — | — | (259) | — | (105) | 60 | (105) | 953 |
| Share-based payments | | — | — | — | 953 | — | — | — | — | 953 |
| At 31 July 2023 | | 32,443 | — | — | (77,868) | 5,610 | (1,242) | (105) | 57,575 | 16,413 |
| Loss for the year | | — | — | — | — | — | — | — | (1,253) | (1,253) |
| Other comprehensive income | | — | — | — | — | — | — | — | — | — |
| Total comprehensive loss | | — | — | — | — | — | — | — | (1,253) | (1,253) |
| Share buy-back | | (12,186) | — | 12,186 | — | — | — | (3,348) | (29,683) | (33,031) |
| Issue of capital to EBT on option exercise | | — | — | — | (207) | — | 105 | 5 | (97) | — |
| Transfer of expired options | | — | — | — | (4,788) | — | — | 4,788 | — | — |
| Share-based payments | | — | — | — | 957 | — | — | — | — | 957 |
| At 31 July 2024 | | 20,257 | — | 12,186 | (77,868) | 1,572 | (1,242) | (3,348) | 31,432 | (17,011) |

Unaudited Group statement of financial position at 31 July 2024

Registered no. 05067291

| | 31 July 2024 Group £'000 | 31 July 2023 Group £'000 |
|------------------------------------|--------------------------------|--------------------------------|
| Assets | | |
| Non-current assets | | |
| Tangible fixed assets | 1,651 | 304 |
| Right of use assets | 2,188 | 2,075 |
| Intangible assets | 745 | 966 |
| Deferred tax assets | 2,350 | 2,573 |
| Foreign withholding tax receivable | 1,664 | 1,756 |

| | | |
|------------------------------------|-----------------|-----------------|
| Investment in subsidiaries | — | — |
| | 8,598 | 7,674 |
| Current assets | | |
| Inventories | 305 | 308 |
| Trade and other receivables | 1,083 | 33,986 |
| Foreign withholding tax receivable | 149 | 592 |
| Income tax receivable | 235 | — |
| Cash and cash equivalents | 20,293 | 8,207 |
| | 22,065 | 43,093 |
| Total assets | 30,663 | 50,767 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | (1,578) | (2,783) |
| Loans | — | (4,004) |
| Lease liabilities | (621) | (456) |
| Income tax liability | — | (770) |
| Deferred revenue | (5,934) | (6,123) |
| | (8,133) | (14,136) |
| Non-current liabilities | | |
| Loans | — | (557) |
| Lease liabilities | (1,288) | (1,415) |
| Provisions | (659) | (445) |
| Deferred revenue | (37,594) | (17,801) |
| | (39,541) | (20,218) |
| Total liabilities | (47,674) | (34,354) |
| Net (liabilities)/assets | (17,011) | 16,413 |
| Capital and reserves | | |
| Share capital | 20,257 | 32,443 |
| Capital redemption reserve | 12,186 | — |
| Reverse acquisition reserve | (77,868) | (77,868) |
| Share-based payment reserve | 1,572 | 5,610 |
| Merger reserve | (1,242) | (1,242) |
| Shares held by EBT | (3,348) | (105) |
| Retained earnings | 31,432 | 57,575 |
| Total equity | (17,011) | 16,413 |

Unaudited Group cash flow statement

for the year ended 31 July 2024

| | 31 July 2024 Group £'000 | 31 July 2023 Group £'000 |
|--|--------------------------------|--------------------------------|
| Profit before tax | 1,865 | 9,573 |
| Adjustments for: | | |
| Net finance income | (158) | 5,419 |
| (Profit)/loss on exchange rate translations | (852) | 1,747 |
| Depreciation of tangible fixed assets | 117 | 76 |
| Depreciation of right of use assets | 698 | 555 |
| Amortisation of intangible assets | 224 | 279 |
| Profit on disposal of intangible assets | — | (68,687) |
| Impairment of intangible assets | 132 | 92 |
| Impairment of investment | — | — |
| Share-based payments | 957 | 953 |
| Loss on disposal of tangible fixed assets | 2 | 8 |
| Increase/(decrease) in inventory provision | 93 | (15) |
| (Decrease)/increase in receivables provision | — | — |
| Changes in working capital: | | |
| Increase in inventories | (90) | (119) |
| Decrease/(increase) in trade and other receivables | 33,459 | 282 |
| (Decrease)/increase in trade and other payables | (1,208) | 970 |
| Decrease in provisions | — | (176) |
| Increase in deferred revenue | 19,604 | 23,320 |
| Cash inflow/(outflow) from operating activities | 54,842 | (25,723) |
| Foreign withholding tax paid | (2,566) | (2,641) |
| Tax paid | (797) | — |
| Research and development tax credit received | — | 524 |
| Net cash inflow/(outflow) from operating activities | 51,479 | (27,840) |
| Cash flow from investing activities | | |
| Purchases of tangible fixed assets | (1,466) | (305) |
| Purchases of intangible fixed assets | (135) | (76) |
| Proceeds from sale of tangible fixed assets | — | 15 |

| | | |
|--|-----------------|----------------|
| Proceeds from sale of intangible fixed assets | — | 34,509 |
| Interest received | 785 | 38 |
| Net cash (outflow)/inflow from investing activities | (816) | 34,181 |
| Cash flow from financing activities | | |
| Proceeds from placing of ordinary share capital | — | 199 |
| Purchase of shares to satisfy options | (97) | — |
| Return of capital to shareholders | (32,000) | — |
| Fees on return of capital to shareholders | (1,027) | — |
| Repayment of loan – capital | (3,550) | — |
| Repayment of loan - interest | (1,528) | — |
| Payment of lease liabilities (capital) | (558) | (463) |
| Payment of lease liabilities (interest) | (103) | (86) |
| Interest paid | (57) | (4,728) |
| Net cash outflow from financing activities | (38,920) | (5,078) |
| Increase/(decrease) in cash and cash equivalents | 11,743 | 1,263 |
| Cash and cash equivalents at the start of the year | 8,207 | 6,762 |
| Effects of exchange rate changes | 343 | 182 |
| Cash and cash equivalents at the end of the year | 20,293 | 8,207 |

Notes to the unaudited financial statements

1. Reporting entity

Nanoco Group plc, a public company limited by shares, has its shares admitted to trading on the Main Market of the London Stock Exchange. The Group is incorporated and domiciled in England, UK. The registered number is 05067291 and the address of its registered office is Science Centre, The Heath Business and Technical Park, Runcorn WA7 4QX. The Group is registered in England.

These Group unaudited preliminary results consolidate those of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") for the year ended 31 July 2024. The unaudited preliminary results of the Group for the year ended 31 July 2024 were authorised for issue by the Board of Directors on 20 November 2024 and the statements of financial position were signed on the Board's behalf by Dr Christopher Richards and Liam Gray. The unaudited preliminary results do not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. The statutory financial statements for the year ended 31 July 2024 will be delivered to the registrar of companies as soon as practicable.

There were no statements under section 498(2) or section 498(3) of the Companies Act 2006.

The information set out below has been extracted from the Group's draft report and accounts for the year ended 31 July 2024 and has not been audited. The Group expects to publish its audited annual report and accounts on 21 November 2024, which will be sent to Shareholders and available to view on the Company's website at www.nanocotechnologies.com. A further announcement will be made once published. No material amendments to the disclosures contained within this announcement are expected within the audited financial statements.

The significant accounting policies adopted by the Group are set out in note 3.

2. Basis of preparation

(a) Statement of compliance

The Group's and financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK-adopted IFRSs as issued by the International Accounting Standards Board for the year ended 31 July 2024.

(b) Basis of measurement

The Group financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets classified as "fair value through other comprehensive income" or "fair value through profit or loss", which are reported in accordance with the accounting policies below.

(c) Going concern

All of the following matters are taken into account by the Directors in forming their assessment of going concern: The Group's business activities and market conditions; the principal risks and uncertainties; the Group's financial position, and; the Group's financial risk management objectives, policies and processes.

The key factor in the Group's going concern assessment is the strength of the balance sheet at 31 July 2024 with £20.3 million of cash reserves and all external loans having been repaid in the year. There are sufficient cash reserves to support the Group's cost base throughout the going concern period in any of its forecast scenarios. Any future distribution of surplus cash will take into consideration the viability of the group and sufficient cash will be retained to ensure viability.

For the purposes of their going concern assessment and the basis for the preparation of the 2024 Annual Report, the Directors have reviewed the same trading and cash flow forecasts and sensitivity analyses that were used by the Group in the viability assessment, with the going concern assessment covering the period to November 2025. The same base case and downside sensitivities were also used.

The base case represents the Board's current expectations. Assumptions in the base case are:

- reduced revenue in FY25 following the loss of the European electronics customer;
- new services revenue will be generated from CY25;

- ramp up of product sales from FY26 moving to larger scale in FY27;
- other companies pay to access Nanoco's technology in the future;
- reduction in headcount and overheads to reflect reduced short-term revenue expectations;
- costs associated with being a listed entity and other costs reflect the current inflationary environment; and
- the reduced cost base is capable of supporting significant increases in revenue above those assumed in the base case so there is no immediate requirement for short-term increases or new capital expenditure.

The downside case then flexes those assumptions as follows:

- a full-year delay in small scale commercial production revenues (into FY26); and
- no new service customers until FY27.

Both cases above produce cash flow statements that demonstrate that the Group has sufficient cash throughout the period of the forecast, being a period to November 2025.

Accordingly, the Directors 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) Functional and presentational currency

These financial statements are presented in Pounds Sterling, which is the presentational currency of the Group. All financial information presented has been rounded to the nearest thousand.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make estimates and judgements that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual amounts could differ from those estimates. Estimates and judgements used in the preparation of the financial statements are continually reviewed and revised as necessary. While every effort is made to ensure that such estimates and judgements are reasonable, by their nature they are uncertain and, as such, changes in estimates and judgements may have a material impact on the financial statements.

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates

Samsung licence of IP

Following the judgement over the method of revenue recognition of the Samsung contract described below, it was determined that the appropriate period for revenue recognition was the average remaining life of the relevant IP of 8.8 years. The average remaining life of the IP is a significant estimate and is reviewed each year.

Equity-settled share-based payments

The Group has historically issued LTIPs to incentivise employees. The determination of share-based payment costs requires: the selection of an appropriate valuation method; consideration as to the inputs necessary for the valuation model chosen; and judgement regarding when and if performance conditions will be met. Inputs required for this arise from judgements relating to the future volatility of the share price of Nanoco and comparable companies, risk-free interest rates and expected lives of the options. The Directors draw on a variety of sources to aid in the determination of the appropriate data to use in such calculations. The share-based payment expense is most sensitive to non-market vesting assumptions. Further information is included in note 24.

Deferred tax

The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits, feasible tax planning strategies and deferred tax liabilities will be available against which the tax losses can be utilised. Estimation of the level of future taxable profits is therefore required in order to determine the appropriate carrying value of the deferred tax asset. Future profits are based on sensitised management forecasts for the following 3 years which is the period over which the profits are considered to be probable. The period over which forecast profits are considered to be probable is a key assumption and as such a sensitivity analysis has been performed. The Group has recognised £2.4 million of deferred tax assets in the year (2023: £2.6 million) which represents the proportion of accumulated losses that are expected to be utilised in the medium term.

Judgements

Revenue recognition

Judgement is required in reviewing the terms of development agreements to identify separate components of revenue, if any, that are distinct and in turn the period over which development revenue should be recognised. Management judgements are similarly required to determine whether services or rights under licence agreements have been delivered so as to enable licence revenue to be recognised. This matter is further complicated where a contract may have different elements which may result in separate recognition treatments under IFRS 15. Further information is included in note 3(d).

Samsung licence of IP

Judgement is required in reviewing the terms of the licence agreement with Samsung as to whether the associated revenue should be recognised at a point in time or over time, and if over time, over what period. The Directors reviewed the contract in detail and analysed the terms against the specific requirements of IFRS 15 in relation to licences. They concluded that the Group had an ongoing performance obligation in regard to the licence and therefore the revenue should be recognised over time.

Research and development

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain until such time as technical viability

has been proven and commercial supply agreements are likely to be achieved. Judgements are based on the information available at each reporting date, which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products are continuously monitored by the Directors. Further information is included in note 3(h).

3. Significant accounting policies

The accounting policies set out below are consistent with those of the previous financial year and are applied consistently by Group entities.

(a) Basis of consolidation

The Group financial statements consolidate the financial statements of Nanoco Group plc and the entities it controls (its subsidiaries) drawn up to 31 July each year.

Subsidiaries are all entities over which the Group has the power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights, to variable returns from its involvement with the investee and ability to use its power over the investee to affect its returns. All of Nanoco Group plc's subsidiaries are 100% owned. Subsidiaries are fully consolidated from the date control passes. During the prior year, the Group established an Employee Benefit Trust ("EBT") for the purpose of awarding shares to employees on exercise of options under the share-based compensation schemes. Although the EBT is an independent legal entity and not owned by the Group, it is reliant on funding from the Group and acts at its request; as such, it is deemed to be controlled by the Group and is consolidated into the Group accounts.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The costs of an acquisition are measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at acquisition date irrespective of the extent of any minority interest.

The difference between the cost of acquisition of shares in subsidiaries and the fair value of the identifiable net assets acquired is capitalised as goodwill and reviewed annually for impairment. Any deficiency in the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the consolidated statement of comprehensive income.

In the consolidated financial statements, the assets and liabilities of the foreign operations are translated into Sterling at the exchange rate prevailing at the reporting date. Income and cash flow statement items for Group entities with a functional currency other than Sterling are translated into Sterling at monthly average exchange rates, which approximate to the actual rates, for the relevant accounting periods. The exchange differences arising on translation are recognised in other comprehensive income. See note 3(b).

All intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group.

(b) New accounting standards and interpretations

The following standards have been issued but have not been applied by the Group in these financial statements. These amendments to standards and interpretations had no significant impact on the financial statements.

IFRS standards effective from 1 January 2024 (UK adopted):

- IAS 1 Amendment: Classification of Liabilities as Current or Non-current
- IAS 1 Amendment: Non-current Liabilities with Covenants
- IFRS 16 Leases Amendment: Lease liability in a sale and leaseback
- IAS 7 and IFRS 7 Amendment: Supplier finance arrangements

IFRS standards effective from 1 January 2025 (UK adopted):

- IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendment): Lack of exchangeability

The amendments to standards and interpretations noted above are expected to have no significant impact on the financial statements.

4. Segmental information

Operating segments

During the years ended 31 July 2024 and 2023, 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.

| | 31 July 2024 £'000 | 31 July 2023 £'000 |
|----------------------------|--------------------------|--------------------------|
| Analysis of revenue | | |
| Products sold | 408 | 867 |
| Rendering of services | 1,410 | 1,685 |
| Licences | 6,056 | 3,066 |
| | 7,874 | 5,618 |

There was one material customer who generated product and service revenue of £1,194,000 (2023: one material customer amounting to £2,014,000). £6,013,000 of the licence income related to the Samsung licence (2023: £2,963,000).

Revenue from the provision of services delivered over time totalled £7,466,000 (2023: £4,751,000). Revenue from the sale of goods transferred at a point in time amounted to £408,000 (2023: £867,000).

The Group operates in a number of countries across the world, although all are managed in the UK. The Group's revenue per country based on the customer's location is as follows:

| | 31 July 2024 £'000 | 31 July 2023 £'000 |
|----------------|--------------------------|--------------------------|
| Revenue | | |
| South Korea | 6,013 | 2,963 |
| Netherlands | 926 | 1,423 |
| Japan | 573 | 447 |
| France | 268 | 385 |
| USA | 46 | 59 |
| Taiwan | 42 | 323 |
| Canada | 3 | 9 |
| Belgium | 2 | — |
| UK | 1 | 1 |
| Poland | — | 8 |
| | 7,874 | 5,618 |

All of the Group's assets are held in the UK and all of its capital expenditure arises in the UK. The profit before taxation and attributable to the single segment was £1,865,000 (2023: loss of £9,573,000).

5. Earnings per share

| | 31 July 2024 £'000 | 31 July 2023 £'000 |
|---|--------------------------|--------------------------|
| Group | | |
| (Loss)/profit for the financial year attributable to equity shareholders | (1,253) | 11,085 |
| Share-based payments | 957 | 953 |
| (Loss)/profit for the financial year before share-based payments | (296) | 12,038 |
| Weighted average number of shares | | |
| Ordinary shares in issue | 288,791,171 | 322,472,939 |
| Options exercisable at the reporting date | 160,664 | 195,000 |
| Options not yet exercisable at the reporting date | 12,717,665 | 11,720,600 |
| Diluted weighted average number of shares | 301,669,500 | 334,388,539 |
| Adjusted (loss)/profit per share before share-based payments (pence) | (0.10) | 3.73 |
| Basic (loss)/profit per share (pence) | (0.43) | 3.44 |
| Diluted adjusted (loss)/profit per share before share-based payments (pence) | (0.10) | 3.60 |
| Diluted (loss)/profit per share (pence) | (0.43) | 3.32 |

Adjusted (loss)/profit per share and diluted adjusted (loss)/profit per share are non-GAAP measures included for reference.