

ENERGY

MATERIALS

DIAGNOSTICS

SECURITY



Oxonica

Leaders in Nanotechnology

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Oxonica

22nd September 2008

Commercial Solutions from Nanotechnology

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Richard Clarke FCA (Chief Financial Officer)

Agenda

Oxonica

- Oxonica – a brief introduction
- Overview of business and market opportunities
- Growth strategy
- Financials
- Summary



Oxonica at a glance



- Oxonica a leading international nanotechnology company
- Four revenue generating businesses:

Security
Confidential
uses



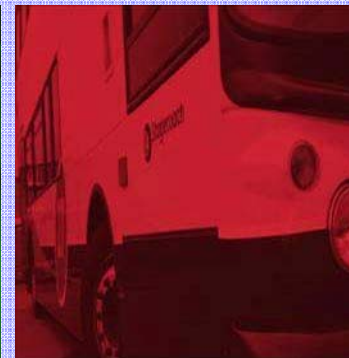
Materials
Optisol™;
Solacor™
Enhanced UV
absorbers



Diagnostics
Nanoplex™
Multiplexed
disease
detection



Energy
Envirox™
4-10% Fuel
Savings



Oxonica: H1 2008 Summary



	H1 '08	H1 '07	FY '07
Turnover (£'m)	1.5	3.1	4.2
Gross Profit (£'m)	1.3	1.2	2.4
Exceptional items (£'m) (Incl Goodwill write-down)	4.0	0.2	0.4
LBT (£'m) (excl Exceptionals)	3.1	2.8	5.1
Cash outflow before financing (£'m)	2.9	4.2	5.8
Cash @ period end (£'m)	3.2	2.5	4.8

- H1 '08 Turnover down 51% due to loss of Petrol Ofisi
- H1 '08 Gross Profit improved relative to H1 '07 by 6%
- H1 '08 losses increased by £0.3m or 11%
- Cash outflow before financing reduced by 31%
- Secured BlueCrest Loan of £1.5m in April '08

Market Developments and Opportunities

Oxonica Diagnostics & Security



Nanoplex™ has significant Technology Advantages

- Previous dual strategy of partnership and own product development
- Own product development required significant investment to deliver
- Oxonica elected to de-risk this business and minimise investment requirement

BD Strategic deal

- \$3.5m on deal closure Sept 2008
- Ownership of patent estate assigned to BD
- Further \$3.5m contingent on Oxonica hitting certain milestones
- Ongoing payments on BD product sales
- Oxonica retains industrial and homeland security, *in vivo*, agriculture (excluding veterinary) and fine chemicals

Security

- Follow-on \$2.15m deal announced in April 2008



Market Developments and Opportunities Oxonica Materials



Continuing favourable macro-environment

- Increasing awareness of skin cancer
- Skin anti-ageing products is a booming market
- Both linked to UVA

Optisol™ has significant technology benefits

- Provides enhanced longer-lasting protection against UVA
- Reduces free radicals generated by UV – anti-ageing

Optisol™ performance

- Disappointing sales in H1 2008
- Supply chain de-stocking
- Supply chain costs and market price point



Market Developments and Opportunities

Oxonica Energy



Continuing favourable macro-environment

- Increasing fuel costs
- Increasing concern over CO₂ emissions and climate change

Envirox™ performance

- Stagecoach:
 - 2007 trial reconfirmed performance of Envirox™
 - Stagecoach committed to on-going use
- Several UK trials have commenced with major transport companies
- Q1 2008 signed up distribution relationships with Germany and Russia
- Initial sales through Russian distributor into mining sector
- Neuftec Patent dispute:
 - High Court judgment went against Oxonica.
 - Oxonica has been advised it has good grounds for an appeal



Growth Strategy

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Oxonica

The Way Forward

- Establishing Oxonica on path to sustainable profitability
- Focusing sales, marketing and development activities on Energy & Security
- Optimising cost base and portfolio



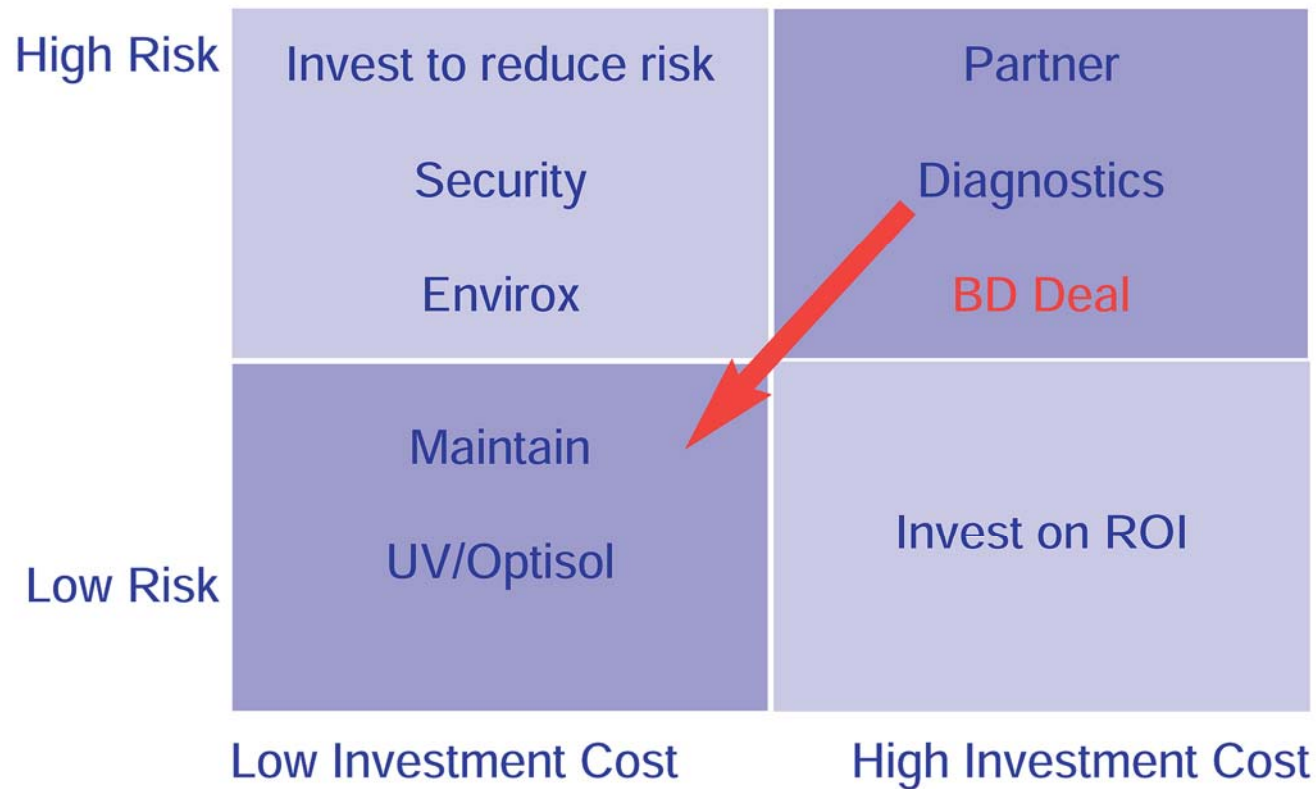
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Business Portfolio



Milestones on path to achieving goals



Progress to date:

- Envirox™ – Reconfirmation of Envirox™ performance at Stagecoach
- Envirox™ - Initial sales into Russian Mining Sector
- Security – Secured further follow-on order worth \$2.15m in 2008
- Diagnostics - Strategic deal with BD; \$7m cash plus ongoing payments
- BlueCrest loan of £1.5m secured



Financial Highlights



- Revenue down 51% v H1 2007 due to Petrol Ofisi sales in prior year
- Gross profit up 7% v H1 2007
- Operating loss excluding intangible amortisation and exceptionals – 7% higher than H1 2007 at £3.1m
- Strong customer pipeline for Envirox™ following successful 2nd trial with Stagecoach and initial sales into Russia
- Optisol™ sales disappointing due to poor summer weather, de-stocking and high cost supply chain
- Oxonica Security booked US\$2.15m in further purchase orders
- Oxonica Diagnostics – assignment & license agreement signed with BD – up to US\$7m payable plus ongoing payments on sales of BD products covered by patents
- £3.0m Discounted Notes Facility agreed with BlueCrest Capital Finance - £1.5m drawn down at closing

Summary



- Oxonica has demonstrated an ability to launch products and grow revenue in multiple areas
- The business has taken strategic actions to de-risk the group, reduce costs yet maintain upside in diagnostics
- There is now a clear path to profitability based on revenue growth
- Energy efficiency is an extremely attractive sector and Oxonica is well positioned to participate

Appendix – Income Statement



	H1 2008 £'000 Unaudited	H1 2007 £'000 Unaudited	Full Year 2007 £'000 Unaudited
Revenue	1,509	3,101	4,174
Cost of sales	(210)	(1,883)	(1,763)
Gross profit	1,299	1,218	2,411
<i>Gross profit %</i>	<i>86.1%</i>	<i>39.3%</i>	<i>57.8%</i>
Other operating income	123	852	1,032
Research and development	(1,457)	(1,036)	(2,599)
Sales & marketing & admin costs	(2,831)	(3,713)	(5,549)
Intangible amortisation and exceptional items	(656)	(244)	(361)
Share options charge	(272)	(260)	(525)
Goodwill impairment	(3,280)	-	-
Operating loss	(7,074)	(3,183)	(5,591)
Net financial income	50	104	150
Taxation	(18)	(1)	2
Loss for the period	(7,042)	(3,080)	(5,439)

Appendix – Balance sheet



	30/6/2008 £'000 Unaudited	30/6/2007 £'000 Unaudited	31/12/2007 £'000 Unaudited
Intangible assets	9,752	13,254	13,138
Property, plant and equipment	608	664	671
Total non-current assets	10,360	13,918	13,809
Inventories	268	311	321
Trade and other receivables	1,128	1,955	702
Cash and cash equivalents	3,160	2,529	4,811
Trade and other payables	(2,392)	(2,489)	(1,610)
Interest bearing loans and borrowings	(1,390)	(329)	(244)
Total net assets/(liabilities)	11,134	15,895	17,789
Share capital	655	453	654
Share premium/other reserves	36,348	32,475	36,344
Profit & loss account	(25,869)	(17,033)	(19,209)
Equity shareholders funds	11,134	15,895	18,650

Appendix – Cash Flow



	H1 2008 £'000 Unaudited	H1 2007 £'000 Unaudited	Full Year 2007 £'000 Unaudited
Operating loss for period	(7,074)	(3,183)	(5,591)
Depreciation & other amortisation/impairment	3,547	274	597
Share-based payment expense	272	260	514
Working capital decrease/(increase)	389	(1,753)	(1,364)
Cash out flow from operations	(2,866)	(4,402)	(5,844)
Net interest	50	104	150
Tax	-	30	76
Capital expenditure	(98)	(111)	(324)
Write-off of intangible asset	-	147	147
Free cash flow	(2,914)	(4,232)	(5,795)
Share issues	-	64	4,047
Loans increase/(decrease)	1,256	(137)	(269)
Cash (decrease)/increase	(1,658)	(4,305)	(2,017)