

XEROS TECHNOLOGY GROUP plc

Without limits.
For a world with them.

INTERIM RESULTS

23rd September 2020

PROGRESS UPDATE

Licensees for commercial applications preparing for product launches in India and China in Q1 2021. First XDrum machines into their markets in Q4 this year.

Planned timing for domestic laundry machine entering the Indian market unchanged at ~ mid 2021.

XFiltration™ acclaimed world leading technology for microfibre filtration with JDA for commercial product on track to complete this year.

Further strengthening of filtration patent portfolio.

“Pure play” licensing organisation in place with cash burn rate below £0.5m per month.

£5.6m net raised in May 2020 with cash at the end of August of £6.2m.

Subject to any further disruption from Covid-19, plan remains for recent funds raised to achieve cash breakeven by mid-2022.

RADICALLY IMPROVING THE SUSTAINABILITY OF CLOTHING AND FABRICS DURING MANUFACTURE AND IN THE HANDS OF CONSUMERS



COMMERCIALISATION STATUS

No change in strategy or plans

Covid-19 delays of ~3 months – both in Xeros and licensee operations

Subject to any further disruption, plans for commercial applications market launches in Q1 2021

Royalties accruing in same period

LICENSE / JDA		Q4 2020	Q1 2021	Q2 2021	Q3 2021	LAUNCH PRODUCTS (Capacities)
Garment Finishing	Ramsons South Asia	Affirmation Trials	Market Launch			150kg and 60kg in Denim Finishing
Commercial Laundry	IFB South Asia	Affirmation Trials	Market Launch			30kg and 60kg
	SeaLion China	Affirmation Trials	Market Launch			25kg
Domestic Laundry	IFB India				Market Launch	8kg platform
	Midea JDA			Tested Prototype		9kg platform
Commercial XFiltra	Global Major JDA	Tested Product				8kg to 32kg platform

REDUCING THE ENVIRONMENTAL IMPACT OF CLOTHING

Benefits cases continue to be validated by our licensees.
 Benefits extending beyond reductions in consumption.
 Retrofit XDrum option for garment finishing application.
 Progress in XFiltra filtration platform

XEROS PLATFORM TECHNOLOGIES		XEROS' ROLE IN GARMENTS LIFECYCLE			
		GARMENT DYEING	GARMENT FINISHING	LAUNDRY	
				COMMERCIAL	DOMESTIC
BENEFITS CASE	XOrb™ XDrum™	Water, Chemistry, Energy, Effluent and CO ₂ e Reduction			
		Cycle time reduction		Garment and Fabric Life Extension	
	XFiltra™	FUTURE APPLICATION		Microfibre capture and disposal	
				Potentially water re-use	
Market size metric		~ 450,000 tonnes of cotton garments dyed per annum	1.2bn pairs of jeans produced annually	Global market valued at \$881m per annum	119m washing machines sold globally

RAMSON'S DENIM FINISHING XDRUM MACHINE

Ramsons 150kg XDrum

"Poppet valve" for fast
XOrb release into process.

Retrofit option - regular
drum replacement is
industry norm



PROGRESS IN MICROFIBRE FILTRATION

Performance - Xeros domestic XFiltra evaluated by the University of Plymouth's Institute of Marine Litter as a market leading solution by a significant margin. Further advances made since these tests were completed in Q3 2019.

A global issue - now extends beyond microplastics to dyed and treated natural fibres.

Regulation - domestic machine microplastic filtration legislation passed in France for domestic filtration 1/1/2025. Xeros invited to join working party on standards and implementation.

IP - patents filed for domestic and commercial versions with additional IP in development.

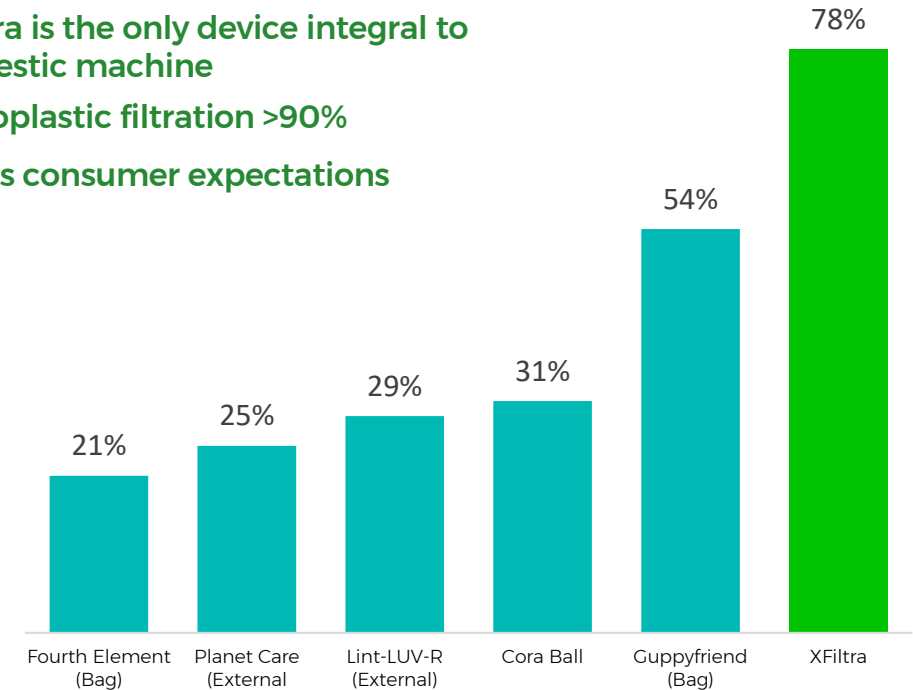
Commercial progress - JDA signed with leading commercial washing machine manufacturer with product development on track for completion in 2020.

Timing - industrial product by end 2020 and domestic version in advance of European legislation

XFiltra is the only device integral to domestic machine

Microplastic filtration >90%

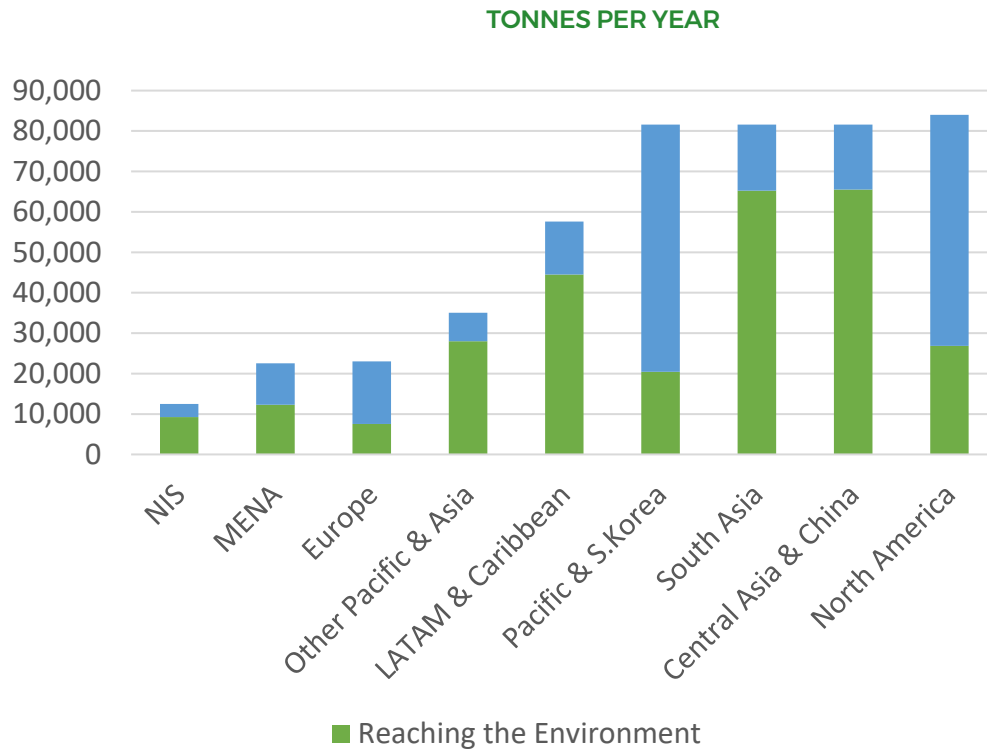
Meets consumer expectations



1. NAPPER, I. E., BARRETT, A. C., & THOMPSON, R. C. (2020). THE EFFICIENCY OF DEVICES INTENDED TO REDUCE MICROFIBRE RELEASE DURING CLOTHES WASHING. THE SCIENCE OF THE TOTAL ENVIRONMENT, 738, 140412. [HTTPS://DOI.ORG/10.1016/J.SCITOTENV.2020.140412](https://doi.org/10.1016/j.scitotenv.2020.140412)

SOLVING A GLOBAL ISSUE

LEVELS OF MICROFIBRE PRODUCED FROM DOMESTIC LAUNDRY ¹



¹Textile Microfibers reaching Aquatic Environments: A New Estimation Approach" Belzagui et al

MEETING CONSUMER EXPECTATION ²

- | | | |
|----|--|---|
| 1 | The product/marketing of the product should raise issue awareness | ✓ |
| 2 | Scientifically proven effectiveness should be communicated objectively | ✓ |
| 3 | The product should be durable and last for several years | ✓ |
| 4 | The operating & cleaning processes should be short and unambiguous | ✓ |
| 5 | The product should be accessible from the front of the machine | ✓ |
| 6 | The product should allow a full load to be washed | ✓ |
| 7 | Synthetic materials should not have to be selected or separated first | ✓ |
| 8 | The impact should be visible for the user to keep them motivated | ✓ |
| 9 | The cleaning process should not rely on the visibility of the fibres | ✓ |
| 10 | The location of the fibres should be clear to support optimal cleaning | ✓ |
| 11 | The product should be perceived as sustainable by itself | ✓ |

²Herweyers, Laure & Catarci Carteny, Camilla & Scheelen, Linda & Watts, Regan & Du Bois, Els. (2020). Consumers' Perceptions and Attitudes Toward Products Preventing Microfiber Pollution in Aquatic Environments as a Result of the Domestic Washing of Synthetic Clothes. Sustainability. 12. 2244. 10.3390/su12062244.

FINANCIAL PERFORMANCE ON TRACK

RESULTS TO 30TH JUNE 2020

Adjusted EBITDA loss from continuing operations in period reduced by 59.8% to £3.0m (2019: loss £7.5m) as licensing business model implemented.

Completed exit of Marken operations in June.

Net cash outflow from operations reduced by 55.4% to £4.1m (2019: £9.2m).

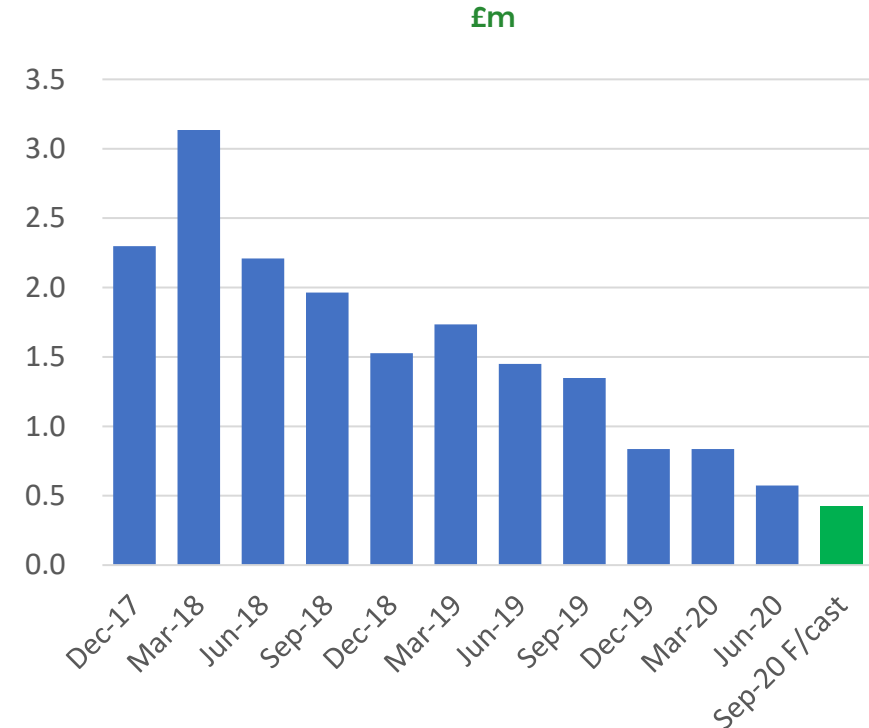
CASH POSITION

Current cash burn of under £0.5m per month.

Cash of £6.2m as of 31st August 2020.

Stable headcount of 45 employees.

AVERAGE MONTHLY CASH SPEND BY QUARTER



Actual figures to 31 August 2020. September 2020 is a forecast of month's cashflow.

OUTLOOK

Launch of current commercial applications licenses in early 2021. Plan to add further selected geographies for commercialisation in 2022.

IFB domestic laundry market entry planned for mid 2021.

Enter commercial filtration market in 2021 with reliable XFiltra product and do similarly with a domestic version in advance of European legislation.

Subject to any further disruption from Covid-19, plan remains for recent funds raised to achieve cash breakeven by mid-2022.

Proposals to be put to shareholders reducing the number of shares in issue with the objective of narrowing the bid-offer spread in percentage terms, reducing price volatility and improving the marketability of the shares.

SEALION 50kg XDRUM MACHINE



XEROS TECHNOLOGIES

APPENDICES: FINANCIAL STATEMENTS

FINANCIAL STATEMENTS: PROFIT & LOSS

	Unaudited 6 months ended	Unaudited 6 months ended
	30 June 2020	30 June 2019
	£'000	£'000
REVENUE	215	1,234
Cost of sales	(96)	(1,227)
GROSS PROFIT	119	7
Administrative expenses	(3,587)	(8,218)
Adjusted EBITDA*	(3,013)	(7,489)
Share based payment expense	(342)	(411)
Depreciation of tangible fixed assets	(113)	(311)
OPERATING LOSS from continuing operations	(3,468)	(8,211)
Net finance income	2	24
LOSS BEFORE TAXATION	(3,466)	(8,187)
Taxation	-	(7)
LOSS AFTER TAX from continuing operations	(3,466)	(8,194)
Loss from discontinued operations	(344)	(845)
Foreign currency translation differences	(10)	(63)
TOTAL LOSS AFTER TAX	(3,820)	(9,102)
LOSS PER ORDINARY SHARE		
Basic and diluted on loss from continuing operations	(0.00)p	(0.00)p

* Adjusted EBITDA comprises loss on ordinary activities before interest, tax, share-based payment expense, other exceptional charges & credits, depreciation and amortisation.

FINANCIAL STATEMENTS: CASHFLOW AND FINANCING

	Unaudited 6 months ended 30 June 2020 £'000	Unaudited 6 months ended 30 June 2019 £'000
Operating activities		
Loss before tax	(3,466)	(8,187)
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	113	388
Share based payment	342	41
Decrease in inventories	25	67
Decrease/(Increase) in trade and other receivables	(123)	642
(Decrease in trade and other payables)	(879)	(1,605)
Finance income	5	(47)
Finance expense	(3)	23
Cash used in operations	(3,990)	(8,308)
Tax (payments)/receipts	-	(7)
Cashflow from discontinued operations	(119)	(900)
Net cash outflow from operations	(4,109)	(9,215)
INVESTING ACTIVITIES		
Finance income	5	47
Finance expense	(3)	(23)
Purchases of property, plant and equipment	-	(132)
Cashflow from discontinued operations	-	(23)
Net cash inflow/(outflow) from investing activities	2	(131)
FINANCING ACTIVITIES		
Proceeds from issue of share capital, net of costs	5,573	-
Payment of lease liabilities	(34)	(211)
Net cash inflow from financing activities	5,539	(211)
(Decrease) in cash and cash equivalents	(1,432)	(9,557)
Cash and cash equivalents at start of year	5,625	16,001
Effect of exchange rate fluctuations on cash held	(12)	4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,045	6,448

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