Applied Graphene Materials plc

Final results

Year ended 31 July 2014

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2014 Operational highlights

► Focus on improving manufacturing process and enhancing quality and consistency of graphene produced
► Addition of second reactor to production equipment
► Growing customer engagement – two repeat material supplies and one customer has now taken three quantities of material for follow up evaluation
► Two funding projects awarded by Innovate UK to develop graphene in polyester films and transparent electrodes
► Significantly strengthened teams in technical, operations and business development – current headcount of 30

Solid progress against milestones
Progress against milestones

- Admission to AIM in November 2013 raised £11m
- Investment in our workforce strengthens technical, operations and business development teams and creates a platform for future growth
- Investment in our production equipment has improved consistency and quality of graphene produced – addition of a second reactor enhances capacity
- Investment in our workforce and production equipment supports growing in depth customer engagement and sampling

Solid progress against milestones
## 2014 Financial overview

<table>
<thead>
<tr>
<th></th>
<th>2014 (£’000)</th>
<th>2013 (£’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue &amp; other income</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>EBITDA loss</td>
<td>(2,280)</td>
<td>(767)</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(2,662)</td>
<td>(770)</td>
</tr>
<tr>
<td>Basic &amp; diluted EPS</td>
<td>(17.9p)</td>
<td>(8.4p)</td>
</tr>
<tr>
<td>Adjusted diluted EPS</td>
<td>(15.3p)</td>
<td>(8.4p)</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>8,477</td>
<td>460</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>289</td>
<td>8</td>
</tr>
</tbody>
</table>
Graphene – a reminder

Unsurpassed properties

**Mechanical**
- 100x stronger than steel
- Stiffer than diamond

**Electrical**
- 1,000,000x current density of copper
- 60% > conductivity than copper, silver

**Thermal**
- 5x conductivity of aluminium
- 3x conductivity of diamond

**Optically transparent**
- ~98% optical transmission

**Impermeable**
- Vacuum tight to helium gas

**Lubricating**
- Low surface shear

“set to become the wonder material of the 21st century”
(European Commission, 2013)

“a miracle in the material world”
(Daily Telegraph, August 2013)

“a sheet as thin as cling film could support an elephant”
(Daily Mail, October 2011)

“the nano-sized material with a massive future”
(CNN, April 2013)
End markets

- Sporting equipment
- Flexible electronics and ITO
- Functional fluids
- Coatings
- Super capacitors & batteries
- Barriers, films & thermal management
- Consumer goods
- Advanced composites
Market landscape

- Development of real world commercial applications for graphene
- Differing graphene production techniques
- Differing qualities of graphene
- Available manufacturing capacity
- Competitive landscape
- Data generation
- National and international government investment programmes
Strategy – value added products

Graphene nanoplatelets → Intermediate → Basic Material → Products

Customers

Improving the performance of our customers’ materials and products
Customer engagement

Initial engagement

> 300 initial customer contacts
- Advanced composites
- Coatings
- Functional fluids
- Automotive
- Aerospace
- Metallurgy
- Electronics
- Semiconductors
- Inks and printing
- Energy

Prioritisation of opportunity - NDA

Companies including:
- Leading aerospace company
- Major chemicals producer
- Polymer manufacturer
- Military supplier
- Supercapacitor producer

Ongoing collaboration (in several formats) and data generation

Supply of trial sample quantities of graphene dispersions primarily into our core target market sectors

Repeat sample supplies

Growing global commercial interest in graphene
Operational priorities

- Ongoing optimisation of quality and quantity of graphene produced through process development
- Supporting in depth customer engagement
- Increasing the rate and volume of customer sampling
- Focus on formatted dispersions rather than raw material supply
- Detailed data generation for target market sectors
- Increasing manufacturing capacity ahead of global demand
- Meaningful engagement with institutional and public bodies
Income statement summary

- Investment in headcount and business infrastructure
- Operating costs higher in 2015 & 2016
- Exceptional costs relate to AIM admission
- Adjusted diluted EPS calculated before exceptional costs

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
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<tr>
<td>Revenue</td>
<td>4.0</td>
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<tr>
<td>Other income</td>
<td>13.8</td>
<td>-</td>
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<tr>
<td></td>
<td>17.8</td>
<td>11.4</td>
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<tr>
<td>Cost of sales</td>
<td>(160.7)</td>
<td>-</td>
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<tr>
<td>Gross (loss)/profit</td>
<td>(142.9)</td>
<td>11.4</td>
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<tr>
<td>IFRS 2 share based payments</td>
<td>(57.7)</td>
<td>(23.9)</td>
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<tr>
<td>Operating expenses</td>
<td>(2,514.2)</td>
<td>(757.5)</td>
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<tr>
<td>EBITDA</td>
<td>(2,279.5)</td>
<td>(766.9)</td>
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<tr>
<td>Exceptional costs</td>
<td>(393.6)</td>
<td>-</td>
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<tr>
<td>Depreciation</td>
<td>(41.7)</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(2,714.8)</td>
<td>(770.0)</td>
</tr>
<tr>
<td>Net finance income</td>
<td>53.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(2,661.6)</td>
<td>(769.7)</td>
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<tr>
<td>Tax on loss</td>
<td>9.9</td>
<td>19.9</td>
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<tr>
<td>Loss for the period</td>
<td>(2,651.7)</td>
<td>(749.8)</td>
</tr>
<tr>
<td>Diluted EPS (pence)</td>
<td>(17.9)</td>
<td>(8.4)</td>
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<td>Adjusted diluted EPS (pence)</td>
<td>(15.3)</td>
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### Cash flow summary

- Net £10m placing proceeds placed on deposit for maturities of less than one year
- Increase in creditors reflects activity growth
- Purchase of laboratory equipment & plant improvements

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</tr>
<tr>
<td>Net working capital movement</td>
<td>392.3</td>
<td>(7.4)</td>
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<tr>
<td><strong>Cash used in operations</strong></td>
<td>(2,223.0)</td>
<td>(750.4)</td>
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<tr>
<td>Interest received</td>
<td>18.8</td>
<td>0.3</td>
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<tr>
<td>Tax received</td>
<td>7.6</td>
<td>22.2</td>
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<tr>
<td>Capital expenditure</td>
<td>(289.1)</td>
<td>(7.5)</td>
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<tr>
<td><strong>Free cash flow</strong></td>
<td>(2,485.7)</td>
<td>(735.4)</td>
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<td>Proceeds from issue of shares</td>
<td>10,502.5</td>
<td>723.5</td>
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<td>Opening cash at bank</td>
<td>460.0</td>
<td>471.9</td>
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<tr>
<td><strong>Cash at bank</strong></td>
<td>8,476.8</td>
<td>460.0</td>
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Summary and outlook

► Solid progress made to date
► Strengthened resources with critical mass of expertise now in place across technical, operations and sales teams
► Ongoing development of manufacturing and dispersion processes
► Development of new customer relationships and provision of samples

Remain well placed to meet growing global appetite for graphene