



XEROS TECHNOLOGY GROUP plc

Without limits.
For a world with them.

2019 INTERIM RESULTS

SEPTEMBER 2019

HIGHLIGHTS – EXECUTING LICENSE MODEL

Xeros technology radically improves the sustainability, performance and economics of water intensive processes

Signature and execution of license agreements continues

Low cost, pure play licensing model in place by end 2019



Xeros Technology Group plc

6 September 2019

Licensing agreement with leading Asian OEM for denim finishing equipment

Ramsons are the largest garment finishing equipment supplier in South Asia

3 June 2019

Xeros signs first textiles JDA with leading Chinese garment manufacturer

Crystal Inc are the world's largest garment manufacturer in the world by volume

26 April 2019

Domestic and Commercial Laundry agreement secured with leading Indian OEM

IFB Industries Limited are the largest domestic and commercial washing machine manufacturer in India

23 January 2019

Xeros signs joint development agreement with Chinese domestic washing machine OEM

Wuxi Little Swan Ltd are the world's largest domestic washing machine manufacturer

WATER PRICING INCREASES AS SUPPLY DIMINISHES

“Today, 40 per cent of the world’s people are affected by water scarcity ... we cannot continue to take water for granted ... solutions exist and new technologies are in the pipeline to improve how we manage water for nations, communities and households.”

Antonio Guterres
UN Secretary General

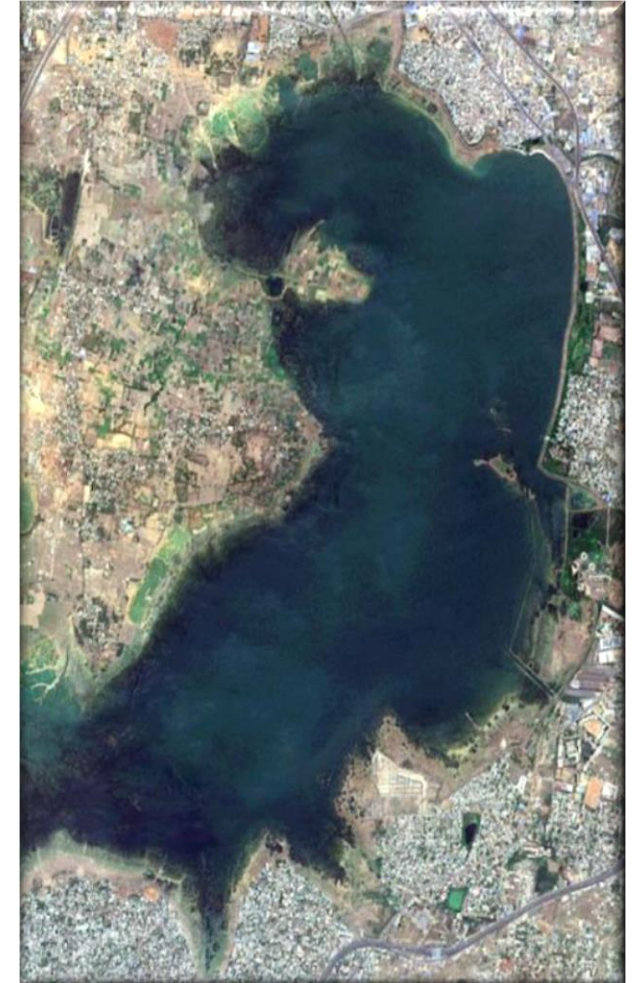
Tariff data from 452 cities across the world collected in the 2017 Global Water Tariff Survey by Global Water Intelligence (GWI) shows water and wastewater prices are rising, with an average increase of 3.91% worldwide. The trend is not a new one, and it’s especially obvious in places such as the U.S, where the constant compound annual growth rate of water prices has been 5% for the past 5 years²

More than a third of households in the United States could struggle to pay their water bills within the next five years, researchers say³

Lake Puzhal, Chennai’s largest reservoir¹



June
2019



June
2018

¹ Source: CNN
² Source: GT Analytics
³ University of Michigan study

TECHNOLOGIES DELIVER MAJOR SUSTAINABILITY, COST AND PRODUCT BENEFITS

Xeros' proprietary technologies radically improve the effectiveness of water in affixing and/or removing molecules in the dyeing and finishing of garments and fabrics and their subsequent laundering.

Up to 80% savings in Water and Effluent and **up to 50%** savings in Chemistry and Energy with enhanced process and product outcomes.

7 market applications across garment lifecycle – all in global scale industries.

>40 patent families with coverage to mid-end 2030's.

Application example – Denim Finishing

Xeros' technology delivers best in class results using bio-chemistry in a single machine to texture, stonewash and fade denim

Process uses up to 70% less water, no pumice and delivers reductions in capital, input costs, cycle time and effluent

1.2 billion pairs of jeans are manufactured annually

XEROS PRODUCTS RECAP

Engineered and patented polymer **XOrbs™** are applied through rotating drum processes across the life cycle of garments, saving costs and improving manufacturing and product performance:

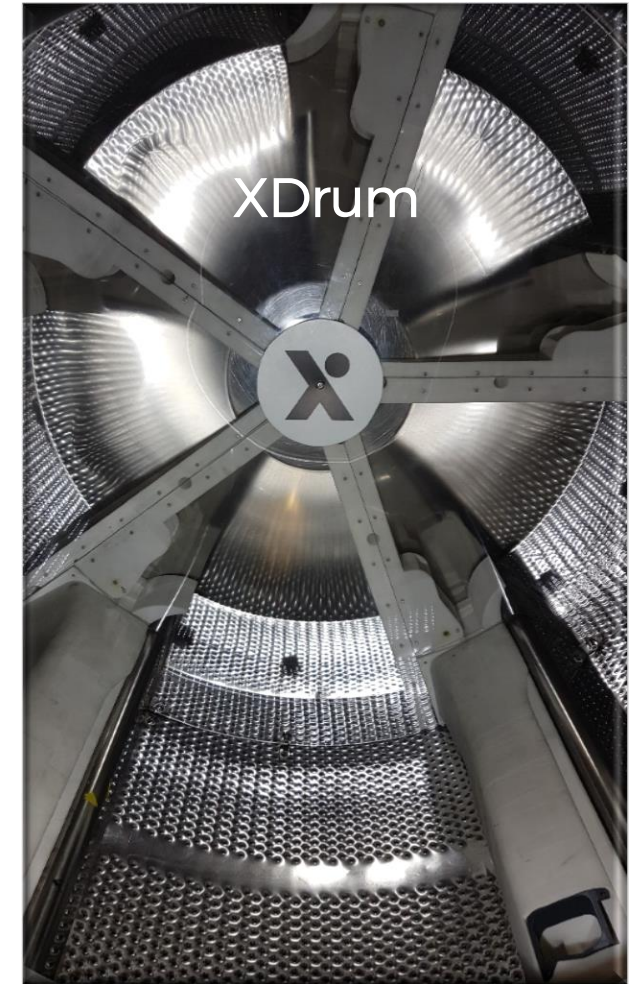
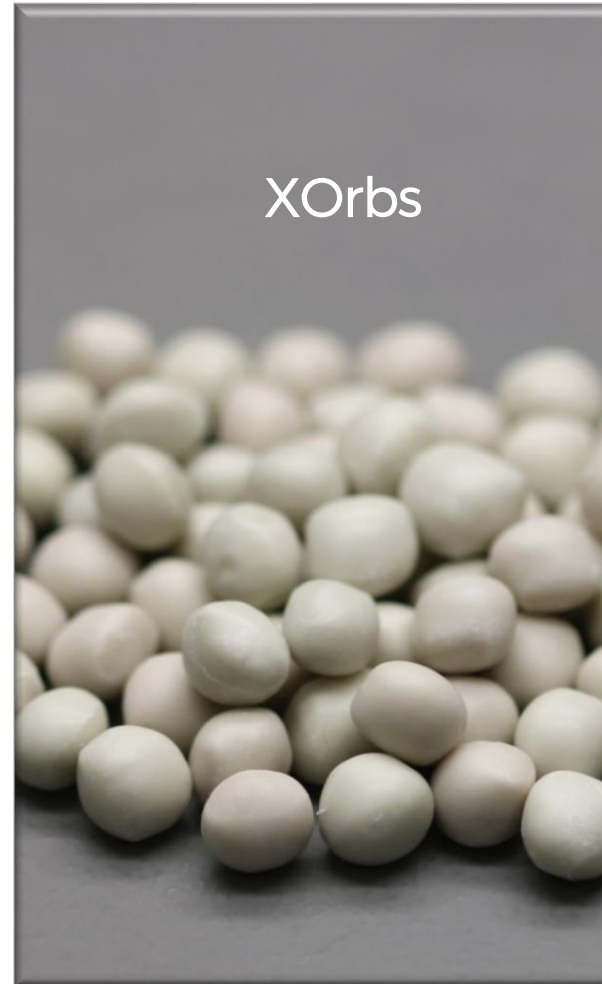
Nylon XOrbs - removes molecules (BASF supply)

Polypropylene XOrbs - affixes molecules

XOrbs are released and collected in machine cycles using Xeros' patented **XDrum™** technology.

XDrum technology is a simple and low cost change to existing machine designs and production lines. Used in all applications except tanning.

XFiltru™ is Xeros' proprietary microparticle filtration device for laundry machines.



PROGRESS SINCE COMMERCIAL UPDATE OF 14TH AUGUST 2019

Progress since 14th August:

First agreement with garment equipment OEM for denim finishing.

First XDrum machine installed (in Shanghai) under license agreement.

First garment manufacturer endorsement of Xeros' cleaning technologies

Exit of direct servicing of installed base in the UK

14 August 2019

Commercial update and fundraising plans

Xeros Technology Group plc (AIM: XSG, 'Xeros', 'the Group'), the developer and provider of water saving and filtration technologies with multiple commercial applications, today provides an update on its commercial activities and fundraising plans.

Highlights:

- Significant commercial progress year to date across all markets with further progress expected during the rest of the year.
- Planned exit from all direct sales business by the end of 2019.
- On course to have a pure-play licensing organisation in place by end 2019 with a Q1 2020 monthly cash burn run rate of £0.6m. Down from an average monthly cash burn of £2.2m in 2018.
- Group announces today it is seeking to raise between £5m and £10m of equity funding. Raising £10m is expected to fund the business through to cash breakeven.

FIRST AGREEMENT WITH GARMENT FINISHING EQUIPMENT OEM

Binding Heads of Terms agreement signed on 5th September with Ramsons Garment Finishing Equipments Ltd

Ramsons are market leader in the supply of garment finishing equipment in South Asia which accounts for 12% of global apparel exports¹

They will develop, manufacture and sell denim finishing machines to garment manufacturers incorporating XDrum technology and XOrb subscription contracts.

Royalty ranges agreed.

Exclusive geographic coverage of South Asia and Africa.

Market entry expected by end of Q1 2020

To be applied across entire denim finishing range with 500 litre and 5,000 litre machines developed first.

¹ Source: Worldbank



Ramsons
RAMSONS GARMENT FINISHING EQUIPMENTS (P) LTD

FIRST COMMERCIAL XDRUM INSTALLATION UNDER LICENSE AGREEMENT

The Holiday Inn Shanghai Downtown, is the first property in the world to have a commercial XDrum washing machine operating in its onsite laundry.

300-bedroom hotel part of IHG's sustainable "Green Engage Hotel" chain.

Manufactured and installed under license agreement by Xeros' Chinese partner, Jiangsu SeaLion Machinery Company.



XDrum machine
SX450

32kg capacity XDrum
machine

Installed September
2019

Cleaning towels,
bedding, shower
curtains, slippers and
robes.

Up to 80% water
savings

FIRST GARMENT MANUFACTURER ENDORSEMENT

Kappler Inc. endorse and recommend Xeros technologies for the cleaning of high performance garments

“Kappler recommends Marken PPE Restoration as a commercial launderer of Durachem™ 500 garments. Durachem™ 500 garments laundered using Marken’s XThru™ wash system featuring XOrbs™ have been evaluated internally and by independent laboratories, with garments laundered 5X demonstrating acceptable performance.”



**DuraChem® 500
manufactured by
Kappler Inc.**

Protection for Hazmat
and CBRN (Chemical,
Biological, Radiological
and Nuclear)

NFPA 1994 Certified
Garment

Garment value ~\$1,200

EXIT FROM DIRECT SERVICING OF INSTALLED BASE IN THE UK

Exit from direct involvement in Hospitality market (Xeros brand Hydrofinity) is materially complete.

Plans to complete exit in 2020 with transfer of UK and Europe sales in early 2020.

With exits in process from Marken and Qualus in process, Xeros will be a pure-play licensing business by end of 2019

5 November 2018

Xeros signs agreement with Eastern Laundry Systems in US

Xeros Technology Group plc (AIM: XSG, 'Xeros', 'the Group'), the developer and provider of water saving technologies with multiple commercial applications, has signed an agreement with Eastern Laundry Systems Inc ('ELS'). ELS has been granted the exclusive rights to take over the servicing of Xeros' commercial laundry customers in nine states across the East Coast of the US, including New York, New Hampshire and Massachusetts. The Group's commercial laundry business is branded Hydrofinity.

12 December 2018

Xeros completes outsourcing of Hydrofinity servicing in US

Xeros Technology Group plc (AIM: XSG, 'Xeros', 'the Group'), the developer and provider of water saving technologies with multiple commercial applications, has completed the transfer of servicing of Xeros' commercial laundry customers, across the whole of the US, with the signing of a series of regional agreements with full-service distributors. The Group's commercial laundry business is branded Hydrofinity.

8 August 2019

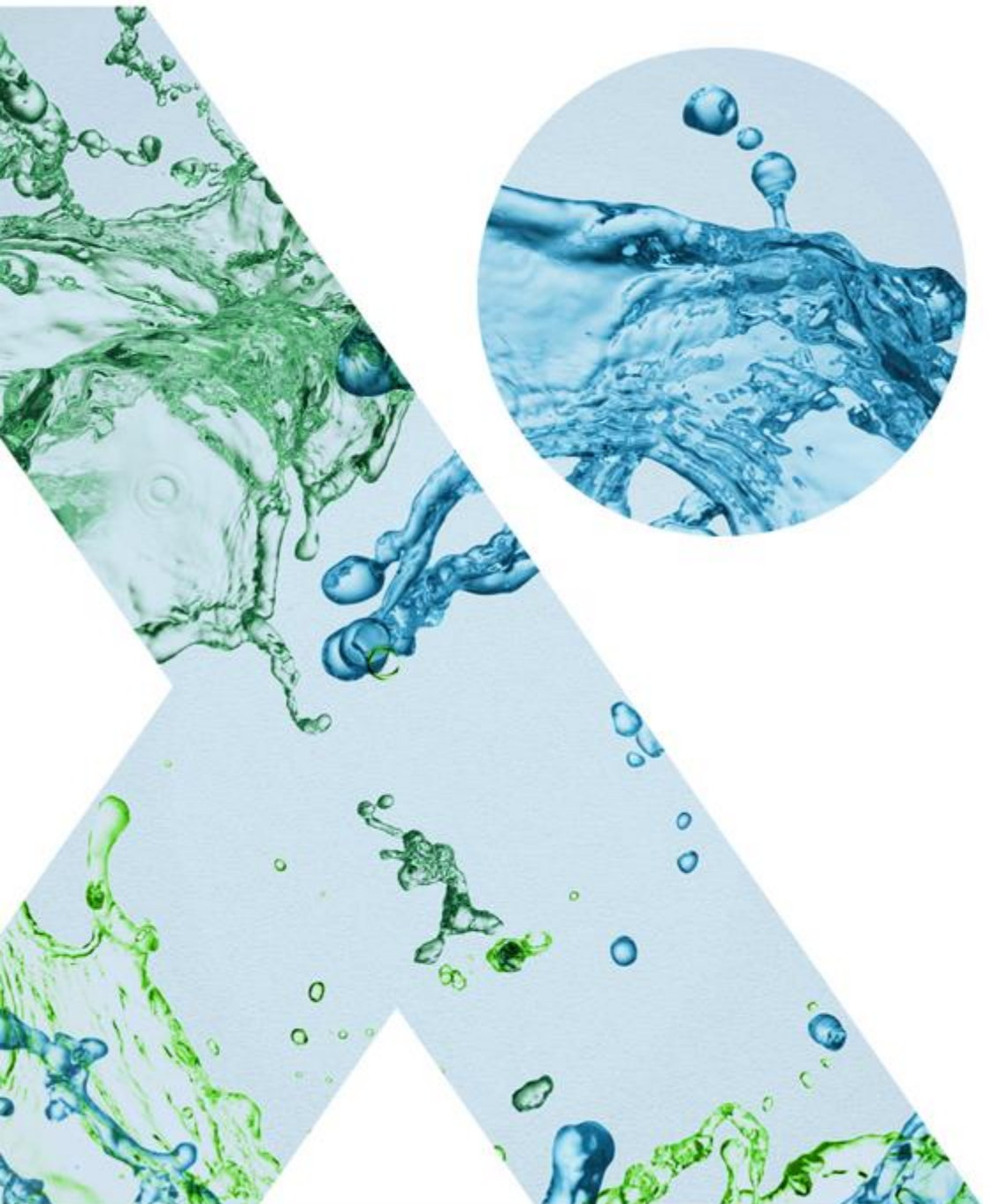
Xeros sells majority of US Hydrofinity customer base

Xeros Technology Group plc (AIM: XSG, 'Xeros', 'the Group'), the developer and provider of water saving and effluent reduction technologies with multiple commercial and domestic applications, has signed two agreements to sell the majority of its Hydrofinity US commercial laundry customer portfolio of leased machines to Eastern Laundry Systems ('ELS') and Wash IQ ('WIQ'), previously known as Viking Services

10 September 2019

Xeros signs agreement with WashCo in UK

Xeros Technology Group plc (AIM: XSG, 'Xeros', 'the Group'), the developer and provider of water saving and filtration technologies with multiple commercial applications, has signed an agreement with WashCo Ltd ('WashCo'). WashCo has been granted the exclusive rights to take over the servicing of Xeros' hospitality laundry customers in the UK. The Group's hospitality laundry division is branded Hydrofinity.



FINANCIALS

FINANCIALS – REFLECT IMPLEMENTATION OF LICENSE MODEL

From 2020 Xeros' main source of revenue will be in the form of high margin license royalties.

Revenue of £1.9m (2018: £1.5m) following disposals of low margin Hydrofinitiy contracts

Gross loss £0.1m (2018: loss £0.1m):

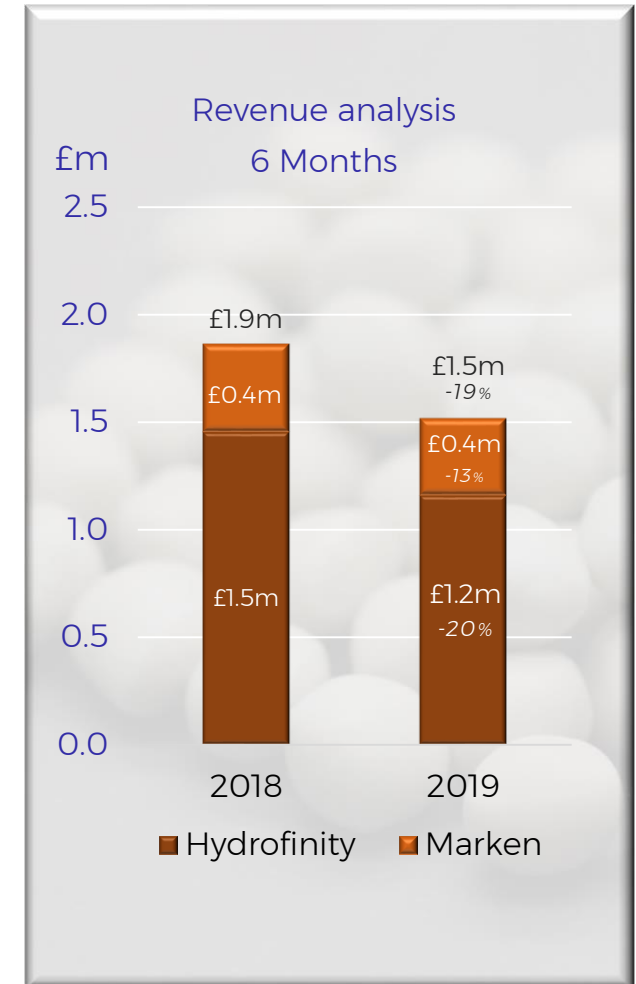
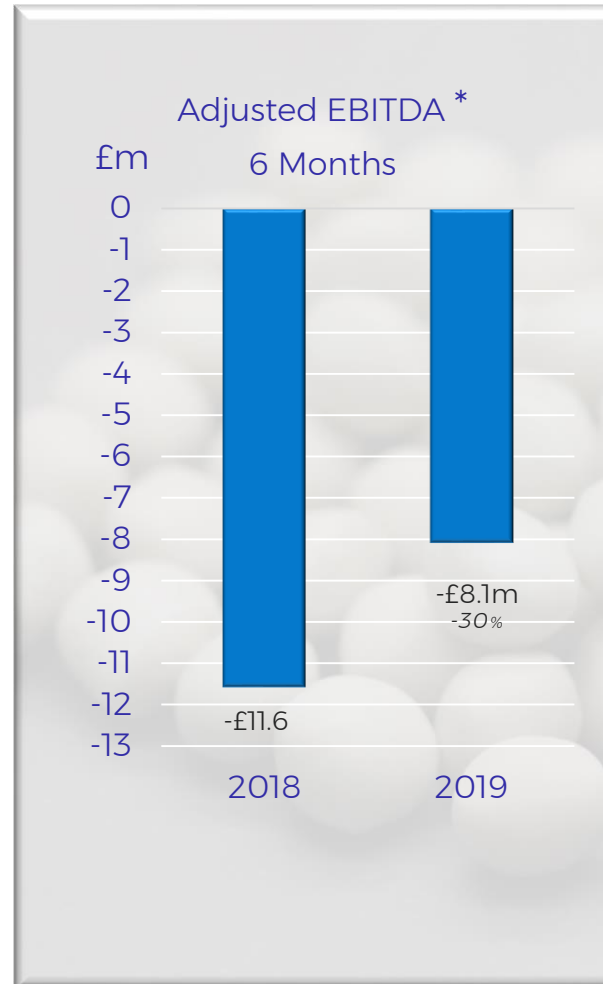
Hydrofinitiy gross loss of £0.1m

Marken gross loss of £0.1m

Domestic Laundry gross profit of £0.1m

Administrative expenses of £9.0m (2018: £12.9m) reduced by 31% as headcount reduced

Adjusted EBITDA* loss of £8.1m (2018: £11.6m)



*Adjusted EBITDA comprises loss on ordinary activities before interest, tax, share-based payment expense, exceptional cost of sales and administrative expenses, depreciation and amortisation.

COST BASE THAT OF LICENSING MODEL

Product development materially complete.

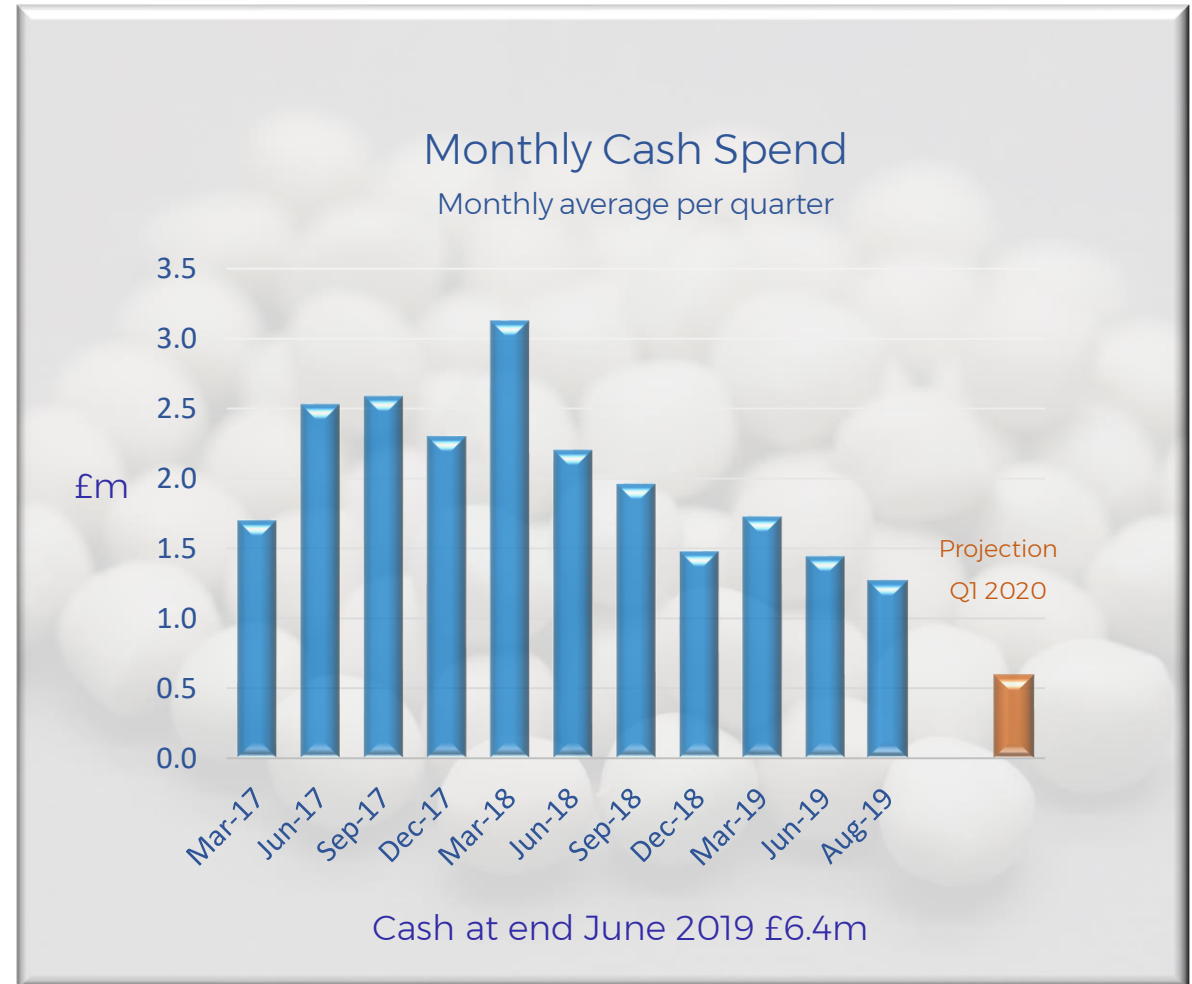
Exit of operational businesses by end of year

Hospitality (branded Hydrofinity) – exited US, Europe in progress. License model in its place.

US firefighter business in the US (branded Marken) in process of being sold, replacing with licensing

Tanning business (branded Qualus) being spun out to management (subject to final terms) in exchange for royalty agreement.

Headcount at end 2019 going down to ~60 from 160 in Q3 2018



FINANCIALS – PROFIT AND LOSS

	Unaudited 6 months ended	Unaudited 6 months ended
	30 June 2019	30 June 2018
	£'000	£'000
REVENUE	1,594	1,865
Cost of sales	(1,679)	(1,960)
GROSS (LOSS)	(85)	(95)
Administrative expenses	(8,971)	(12,947)
Adjusted EBITDA*	(8,090)	(11,573)
Share based payment expense	(411)	(1,028)
Amortisation of intangible fixed assets	(106)	(89)
Depreciation of tangible fixed assets	(449)	(352)
OPERATING LOSS	(9,056)	(13,042)
Net finance (expense)/income	24	70
LOSS BEFORE TAXATION	(9,032)	(12,972)
Taxation	(7)	(8)
LOSS AFTER TAX	(9,039)	(12,980)
LOSS PER SHARE		
Basic and diluted on loss from continuing operations	(0.04)p	(13.09)p

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

FINANCIALS – CASHFLOW AND FINANCING

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000
Operating activities		
Loss before tax	(9,032)	(12,972)
Adjustment for non-cash items:		
Amortisation of intangible assets	106	89
Depreciation of property, plant and equipment	449	352
Share based payment	411	1,208
Decrease/(Increase) in inventories	57	224
Decrease/(Increase) in trade and other receivables	674	(98)
(Decrease)/Increase in trade and other payables	(1,849)	(2,698)
Finance income	(47)	(70)
Finance expense	23	-
Cash used in operations	(9,208)	(14,145)
Tax (payments)/receipts	(7)	1,298
Net cash outflow from operations	(9,215)	(12,847)
INVESTING ACTIVITIES		
Finance income	47	70
Finance expense	(23)	-
Acquisition of subsidiary undertaking	-	(675)
Cash placed on deposit with more than 3 months maturity	-	(6,031)
Purchases of property, plant and equipment	(155)	(1,303)
Net cash inflow/(outflow) from investing activities	(131)	(7,939)
FINANCING ACTIVITIES		
Proceeds from issue of share capital, net of costs	-	15
Payment of lease liabilities	(211)	-
Net cash inflow from financing activities	(211)	15
(Decrease) in cash and cash equivalents	(9,557)	(20,771)
Cash and cash equivalents at start of year	16,001	25,149
Effect of exchange rate fluctuations on cash held	4	13
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,448	4,391

SUMMARY

Major cost and performance improvement for each market without requiring disruptive supply chain change.

Increasing end customer demand pull to address key sustainability and cost criteria.

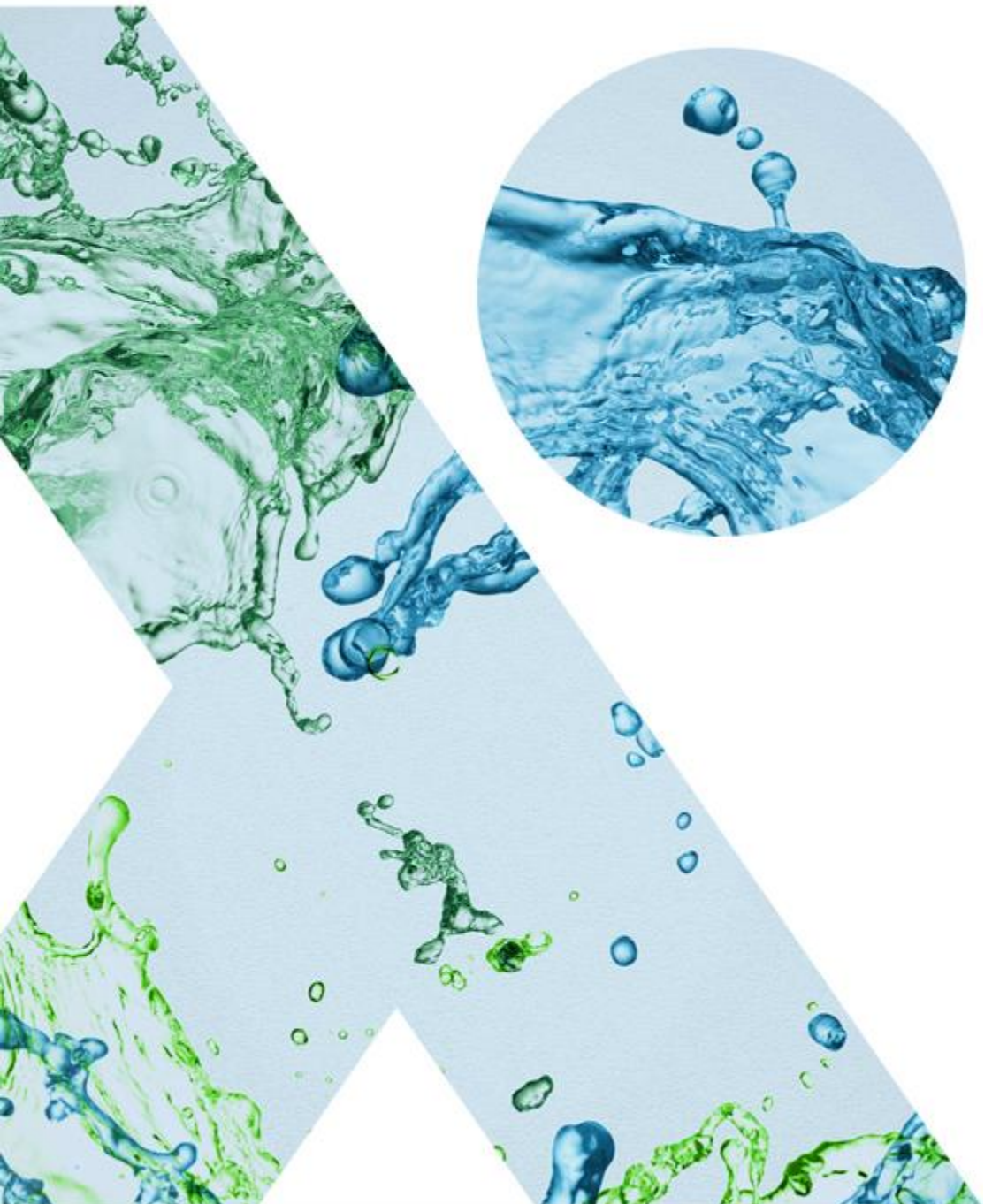
Development now materially complete and IP portfolio in place and supported by BASF.

Market proof achieved with end market involvement no longer required.

Implementing low cost license model with contracts signed in 2018 and 2019.

Cash burn rate rapidly shrinking towards cash breakeven.





APPENDIX

FINANCIALS – BALANCE SHEET

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000
ASSETS		
Non-current assets		
Intangible assets	1,186	1,359
Property, plant and equipment	2,500	4,569
Trade and other receivables	-	1,438
TOTAL NON-CURRENT ASSETS	3,686	7,366
Current assets		
Inventories	890	6,285
Trade and other receivables	3,037	2,036
Cash on deposit	-	6,031
Cash and cash equivalents	6,448	4,391
TOTAL CURRENT ASSETS	10,375	18,743
TOTAL ASSETS	14,061	26,109
LIABILITIES		
Non-current liabilities		
Deferred consideration	-	(417)
Deferred tax	(38)	(38)
TOTAL NON-CURRENT LIABILITIES	(38)	(455)
Current Liabilities		
Trade and other payables	(2,825)	(2,743)
TOTAL CURRENT LIABILITIES	(2,825)	(2,743)
TOTAL LIABILITIES	(2,863)	(2,743)
NET ASSETS	11,198	22,911
EQUITY		
Share Capital	386	149
Share Premium	105,184	90,397
Merger reserve	15,443	15,443
Foreign currency translation reserve	(2,536)	(836)
Accumulated losses	(107,279)	(82,242)
TOTAL EQUITY	11,198	22,911