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PROFITS IN NANOTECH COME FROM INTERMEDIATE PRODUCTS, NOT RAW MATERIALS

Lux Research finds nanointermediates generate twice the profit margins of nanomaterials and nano-enabled products

Boston, MA – January 22, 2009 – While it's widely believed that any product enabled by nanotechnology will have the potential for huge profit margins, the fact is that many nano-enabled products are only incremental improvements with small premiums. To assist decision makers in identifying the most profitable opportunities, a new report by Lux Research finds that nanointermediates – intermediate products, such as coatings, memory chips, and catalysts, improved by nanotechnology – garnered an aggregate net profit margin of 9% in 2007 – a figure that will expand to 15% in 2015.

“The real opportunities for nanomaterials have become clearer,” noted Jurron Bradley, Ph.D., Senior Analyst at Lux Research and head of the firm's Nanomaterials Intelligence service. “Because of nanotech's broad applicability, understanding the maze of opportunities and filtering hype from reality isn't trivial. Nanotech's winners focus on nanointermediates in the key industries we've identified.”

To gauge nanotech's commercial impact, Lux Research used its value chain framework to measure and forecast adoption across four major industry sectors – manufacturing and materials, electronics and IT, healthcare and life sciences, and energy and environment – from 2004 to 2015. The report, entitled “Nanomaterials State of the Market Q1 2009: Cleantech's Dollar Investments, Penny Returns,” is a result of more than 1,000 primary interviews conducted with technology developers and concludes that:

- Nanointermediates garnered an aggregate net profit margin of 9% in 2007 – almost twice that of nanomaterials and nano-enabled products – a figure that will expand to 15% in 2015.
- Nanotech funding reached \$18.2 billion in 2008, as government spending ballooned to \$8.4 billion, corporate funding edged to \$8.6 billion, and VCs provided \$1.2 billion.
- International nanotech activity is still paced by the U.S., Japan, Germany, and South Korea, but Russia and China made significant gains.
- Nanotech activity in the energy and environment sector is hot on many metrics; it accounts for 29% of all nanotech government spending in 2008, 13% of corporate spending, and 41% of venture capital. However, it barely makes a dent in total emerging nanotech revenue, amounting to just 0.6% or \$876 million of the total in 2007 and 2% or \$57 billion of the total in 2015.

“Nanotech's impact on the energy and environment sector is real, but the disproportionate activity in the field doesn't look justified,” Bradley added. “Still, while those applications account for only a small percentage of the revenues from nano-enabled products, energy-based nanointermediates – such as batteries, capacitors, and solar cells – can still be a smart bet.”

The 102-page report “Nanomaterials State of the Market Q1 2009: Cleantech's Dollar Investments, Penny Returns” includes projections on the value of products incorporating nanotechnology from 2004 to 2015. It offers a concise introduction highlighting nanotech's impact on eight markets – aerospace, automotive, construction, electronics, energy and environment, manufacturing, medical & pharmaceutical, and oil & gas. The report also includes a detailed analysis of nanotechnology funding and discussions on key environmental, health, and safety (EHS) stakeholders, international nanotech activity, and the intersection of nanotech and cleantech.

Lux Nanomaterials Intelligence service clients receive: 1) regular market overview reports; 2) ongoing technology scouting reports and proprietary data points in the weekly Lux Research Nanomaterials Journal; and 3) on-demand

inquiry with Lux Research analysts.

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