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NANOOPTO, A123SYSTEMS, ASPEN AEROGELS, OXONICA, AND NEOPHOTONICS TOP RANKING OF NANOTECHNOLOGY START-UPS

Lux Research study ranks 136 venture-capital-backed nanotech start-ups worldwide on suitability for partnership

Cambridge, MA – October 17, 2006 – Large corporations are increasingly partnering with nanotechnology start-up companies for innovative materials, defensible intellectual property, and penetration into adjacent markets – but picking the right partner is difficult. A new study released today at the second annual Lux Executive Summit reveals a comprehensive, quantitative methodology for determining start-ups' suitability for partnership, and applies it to 136 venture-capital-backed nanotech start-ups worldwide. The ranking finds that NanoOpto, A123Systems, Aspen Aerogels, Oxonica, and NeoPhotonics are the most well-rounded start-up partners. The findings are available exclusively to Lux Research clients in the new report "Ranking Nanotech Start-ups for Partnership Value."

"Choosing a nanotech start-up partner is a hit-or-miss game for global corporations because nanotech adds layers of complexity to an already difficult challenge," said Lux Research Senior Analyst Mark Bunger, author of the report. "The science is new, more than a thousand start-ups are active worldwide, and marketplace hype surrounding nanotechnology distorts expectations. Our objective ranking tool is designed to help corporations prioritize potential partners by cataloging quantitative data and making it useful on an industry-specific basis."

To assess nanotechnology start-ups on their suitability for corporate partnerships, the Lux Research analyst team developed a robust evaluation tool with 20 objective criteria spanning four success factors – 1) scientific pipeline, 2) commercial viability, 3) legal and regulatory position, and 4) operational and financial performance. The evaluation incorporated both quantitative criteria like the number of U.S. patents issued as well as qualitative criteria like the strength of companies' management teams. All criteria were scored on well-documented 1 to 5 scales, and each company evaluated was provided with a summary of initial scores for feedback prior to finalization. The team applied the tool to all nanotech start-ups worldwide that were independently operating and backed by institutional venture capital as of September 2006, and which had not gone public prior to 2001 – 136 companies total. In addition to the overall results, the report also presents rankings by success factor and industry sector.

Selected results from the ranking include:

Top 20 companies overall (company names, scores)

- 1) NanoOpto (86)
- 2) A123Systems, Aspen Aerogels, Oxonica (85)
- 3) NeoPhotonics (82)
- 4) Molecular Imprints, Nanosys (80)
- 5) Imago Scientific Instruments (78)
- 6) Catalytic Solutions, Nanogate, Nanosphere (77)
- 7) NanoInk, Nano-Tex, Nantero (76)
- 8) Dendritic NanoTechnologies, Five Star Technologies, Integran, ItN Nanovation (74)
- 9) Ormecon Chemie (73)
- 10) NanoDynamics (72)

Top scientific pipeline: Nanosphere

Top commercial viability: Five Star Technologies

Top legal and regulatory position: Six-way tie – D-Wave Systems, Molecular Imprints, Nanofilm Technologie, Nanosys, Nantero, NeoPhotonics

Top operational and financial performance: Two-way tie – A123Systems and Aspen Aerogels

“Companies should choose the right start-up partner based on their corporate goals, because the best company overall may not be the best specific match,” Bünger commented. “For example, start-ups with strong scientific pipelines can bring new technology cheaply, even if they can’t bring the co-development that accompanies strong commercial viability. Companies can also find value across industry sector lines: Electronics companies reaching the limits of current semiconductor technology can look to biologically-inspired life sciences start-ups for help on problems like patterning thin films. Life sciences corporations can take advantage of materials start-ups to tackle drug/device convergence.”

The report and its underlying data set are available immediately to clients of Lux Research’s Nanotechnology Strategies advisory service. To become a client, contact Rob Burns at (646) 723-0708.

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