

6M 2018

Half-Year Statement
on 6/30/2018

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Key figures on 6/30/2018

	HY 2018	Change		HY 2017
	KEUR	%	Abs.	KEUR
Revenues	4,788	-5.9	-301	5,089
Total operating performance	4,600	-16.1	-882	5,482
Gross yield	3,055	-9.0	-301	3,357
Personnel expenditure	2,616	-2.4	-63	2,680
EBITDA	-1,254	119.1	-682	-572
EBITDA margin	-26.2%	132.9	-15 PP.	-11.2%
Depreciation	389	-33.7	-198	587
EBIT	-1,643	41.7	-484	-1,159
Profit/loss for the year	-1,731	33.9	-439	-1,292
Fixed assets	3,810	-49.8	-3,774	7,584
Current assets*	8,039	-9.3	-826	8,865
Liquid funds	667	-43.8	-520	1,186
Equity	4,019	-56.5	-5,216	9,235
Third-party capital	8,095	-1.0	-83	8,179
Liabilities	5,729	13.6	684	5,045
Balance sheet total	12,115	-30.4	-5,299	17,414

* Less prepaid expenses and deferred taxes

	HY 2018	Change		HY 2017
	KEUR	%	Abs.	KEUR
Cash flow from sales activities	-1,160	n/a	-438	-722
Cash flow from current operating activities	-1,138	-52.6	1,263	-2,401
Cash flow from investing activities	-875	116.6	-471	-404
Cash flow from financing activities	1,545	12.5	172	1,373
Working capital	6,621	6.5	405	6,216
Equity ratio	33.2%	-37.4	-19.8 PP.	53.0%
Return on equity	-43.1%	207.8	-29.1 PP.	-14.0%
Average number of employees	77	-6.1	-5	82
Earnings per share (in EUR)	-0.28	33.9	-0.07	-0.21
Orders received HY 2018	5,123	-21.9	-1,437	6,560
Existing orders (at the close of the period)	1,989	-41.6	-1,415	3,404
Development expenditure	747	-5.2	-41	788
Development intensity (expenditure in relation to revenues)	15.6%	0.8	0.1 PP.	15.5%
Average number of development employees	17	-15.0	-3	20
Average development employees as a % of average employees	22.1%	-9.5	-2.3 PP.	24.4%

Sales development 6M 2017-2018 (in kEUR)



Liquid funds 6M 2017-2018 (in kEUR)



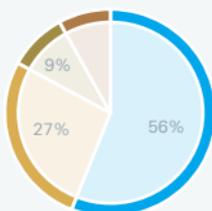
Revenue per employee 6M 2017-2018 (in kEUR)



EBITDA margin 6M 2017-2018 (in percent)

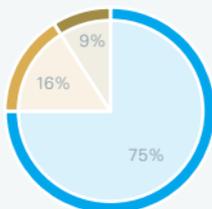


Revenue distribution by Business Unit



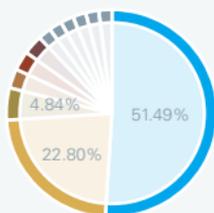
	kEUR	%
■ Standard/Laboratory	2,707	56
■ Automotive	1,277	27
■ Semiconductor	442	9
■ OEM	362	8

Revenue distribution by region



	kEUR	%
■ Europe	3,581	75
■ Asia	788	16
■ North America	419	9

Shareholder structure as at 8/31/2018



Shareholders	Shares	%
Free Float	3,133,683	51.49
Carl Mahr Holding GmbH	1,389,341	22.80
Alto Invest	295,213	4.84
Schreier family	177,386	2.91
Baden-Württembergische VA	180,000	2.95
tbg mbH	168,000	2.76
Eismann family	153,950	2.61
Velzel family	123,350	2.02
Bödecker family	123,350	2.02
Valentin family	121,846	2.00
Grigat family	119,332	1.96
Hansa Invest	100,000	1.64
Total bearer shares	2,960,103	48.51
Free Float	2,624,665	51.49
Total shares	6,093,786	100.00

Company boards



Joachim Sorg
Management Board
Member for Administration, Finances and Controlling (CFO)



Dipl.-Ing. Marcus Grigat
Chief Operations Officer
(COO)

Supervisory Board

Ralf Terheyden, Chairman of the Supervisory Board

Stephan Gais, Deputy Chairman

Hans Wörmcke, Member of the Supervisory Board

Prof. Dr.-Ing. Stefan Altmeyer, Deputy Supervisory Board member

Dr. Hans Hermann Schreier, Honorary member of the Supervisory Board

Investor relations contact



Your contact:

Fabian Lorenz
Investor relations

Tel. +49 221 29831588
ir@nanofocus.de
www.nanofocus.de

Equity Story

NanoFocus AG is the technological leader in the field of optical 3D surface metrology. The Group's main areas of activity include the development, production and distribution of surface measuring systems from the laboratory to production control. In addition to patented hardware developed in-house, the specialist in surface measuring technology also offers its customers tailor-made software solutions and services.

Well-known users from almost all industries – from the automotive, electronics and semiconductor sectors to medical technology as well as micro and nanotechnology, research institutes and universities – place their trust in the company's solutions. The 3D measuring systems installed worldwide allow users to achieve shorter development times, safe quality control checks, and reliable process control systems. The Group's special innovative strength has won numerous awards, such as ranking among the top small- to medium-sized innovators in 2018 (Brand eins), 2017 (WirtschaftsWoche) and the 2015 industry award. More than 50 proprietary patents and intellectual property rights highlight this technology leadership.

The jump from 3D surface metrology to production control has opened up significant sales and earnings potential for NanoFocus AG. This potential will be exploited in the coming years. To this end, from April 2018, NanoFocus and Mahr GmbH have been working together on an exclusive basis on the distribution of standard 3D surface measurement systems.

Mahr has around 2,000 employees and is one of the world's leading full-service providers of production measurement technology. As a result, Mahr will now offer global sales of standardized 3D surface measurement systems and will be supplied exclusively by NanoFocus.

This allows NanoFocus to use its own resources in a more targeted way in order to make the best use of the market opportunities available. This applies to specialized and application-specific 3D surface measurement systems for varied areas such as semi-conductors, drivetrains and to OEM business.

NanoFocus ...

- ▶ has gained technology leadership in the growth market of optical 3D surface metrology through consistent R&D in the past years,
- ▶ has opened up significant sales and earnings potential with the jump from laboratory equipment supplier to production control,
- ▶ has completed its R&D investment phase, and has significantly reduced the Group's cost structures,
- ▶ is adding new sales potential in the standard segment with the strategic investor and can use its own sales resources in a more targeted way.





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Dear Shareholders,

The first quarter of 2018 was still characterized by restructuring measures, while the second quarter focused on the completion of the contract negotiations and the start of the new partnership with Mahr GmbH. The restructuring measures required are a complex and demanding process for a company of our size.

Annual forecast adjusted due to conversion process

Our operative performance remained below budget especially during the second quarter. We are expecting group revenues to go up in the second half of 2018. However, we are not expecting to be able to compensate for past below-budget revenues during the upcoming six months. This is why we adjusted our annual forecast downward on August 13.

One of the main reasons why the plan figures were not achieved was the restructuring of organizational and sales processes due to the cooperation with Mahr. Customers and partners needed to be notified of the changes. In addition, the logistics and sales processes needed to be reorganized, which resulted in delays in the order and delivery processes. In some cases, these delays due to the restructuring process were longer than expected in advance.

Another reason was the fact that it was not possible to invoice some order processes in the first half of the year. This also included newly designed demonstration systems of the Mahr series to launch international sales.

Progress in the cooperation with Mahr, first orders

The development and sales restructuring required ranged from device and software design, the order process, through to logistical matters and technical support for Mahr employees. We were able to make great progress in all of these areas in only a short time. The definition and design of the new Mahr products were complete at the end of the half year. Employee training is also nearly finished. The last training sessions are currently being held in Asia.

First new standard systems were introduced to an expert audience at the important industry trade fair Control, for the start of the cooperation agreement with Mahr. First orders were received at the start of the second half of the year. We expect demand to increase once the new sales structures have become established. The upcoming weeks and months will focus on expanding our partner's marketing activities and expand international sales step by step.

The best NanoFocus technology ever

The new μ surf sensors, which are used in the Mahr systems, take our successful technology to a new level. These measurement systems offer even more performance in relation to measurement quality and speed and as such are a unique combination. The new Mahr device is the best μ surf standard system that has ever existed.

NanoFocus is also setting new benchmarks with the new high-speed sensor μ sprint C3x. The C3x originated in the development project HiCOS 3D, which was completed successfully in 2017. The μ sprint system already used the world's fastest confocal sensor in its previous version. C3x increases this performance many times over. The further developed basic technology is used in custom systems and will also be available as the OEM sensor in future.



Dipl.-Ing. Marcus Grigat
Chief Operations Officer (COO)

Joachim Sorg
Management Board Member for Administration,
Finances and Controlling (CFO)

Custom systems for demanding industrial measurements

By focusing more strongly on custom systems, NanoFocus has set an important strategic path. We have decades of experience with industry solutions and are generally accepted as the technological market leaders. NanoFocus AG has had a major influence on optical surface measurement in recent years. Our custom systems are highly specialized applications which meet those industrial requirements, which cannot be met by standard systems. They enable our customers to perform unique surface analyses and gain valuable findings for their development and production process.

The custom area offers a promising sales potential as a niche market for NanoFocus AG. We are a good sales position with our special systems and enjoy an excellent reputation as technological leader.

Good order inflow in automotive area

Our measurement systems for the automotive industry are among our especially successful custom systems. The order inflow of our subsidiary Breitmeier, which is responsible for the automotive area, is positive. Currently, an order process for large-scale systems is underway which will be realized in 2019. The number of requests for these engine inspection systems is on the rise again after the reticence caused by the Diesel scandal. Only by optimizing the engines can wear and tear as well as emissions be reduced sustainably.

Special solutions for microoptics, medical technology and semi-conductors

In the first half of the year, the first measuring station to monitor microoptics was delivered and implemented. Follow-up orders are expected. This special series is a good example of the qualities and market opportunities of our custom systems. Our basic technology was used as the foundation for developing an application-specific data capture and analysis for the microoptics measurement system, which is capable of measuring small-scale optics elements with extreme precision. NanoFocus therefore uses the best measurement technology for this application area in the world.

In medical technology, we recorded repeat purchases by existing customers in implant manufacture. Again, the NanoFocus systems were successfully adapted to the measurement requirements of the medical technology industry through special hardware and software configurations.

The high-speed sensor of the μ sprint series is used primarily for quality control and in semiconductor manufacture. The trend towards "networked driving" has also opened up new application areas in the automotive area. Especially in Asia, the new applications from the "middle ware" (between frontend and backend) area are attracting growing interest. Inspection systems for micro bumps and gold bumps are already being sold. Our measurement system for Probe Card Inspection is now market-ready after a long development and testing phase involving key customers.

“We have decades of experience with industry solutions and are generally accepted as the technological market leaders. At the heart of NanoFocus AG sits demanding technology development for industrial measurements.”

A third application area will soon be launched on the market: Quality control systems for measuring leadframes (metal leadframes for microchips).

In order to sell our custom systems, we are working together with selected partners who can offer high industry-specific understanding and are able to provide services on site. We have received first orders for these new special systems. We are planning to add further partners.

The objective is sustainable profitability

We are, of course, dissatisfied with the need to lower our annual forecast. But the initial phase of the new sales cooperation was a challenge for both companies. The start of the second half of the year brought plenty of positive signals, which confirm to us that we are on the right track: a good inflow of orders in the automotive area, sales successes and a high level of interest in our custom systems, as well as first orders for standard and laboratory equipment for Mahr.

New strategic focus of NanoFocus AG

The automotive area is now bundled under the roof of the subsidiary Breitmeier GmbH. The parent company NanoFocus is focusing its many years of technological competence and innovative strength on being a specialist in the custom and OEM areas. As a product and technology supplier for Mahr GmbH, NanoFocus has also opened up a further sales channel.

The costs were stabilized and optimized, structures, processes, technologies and projects were tested and adapted to the new strategy.

We are convinced that the changes to these structures were a necessary, and the right, step for NanoFocus. Our objective is to reach sustainable profitability. At the heart of NanoFocus AG sits demanding technology development for industrial measurements. The company's future opportunities continue to be very favorable. We are expecting a more positive development from 2019.

Yours sincerely
NanoFocus AG
The Management Board

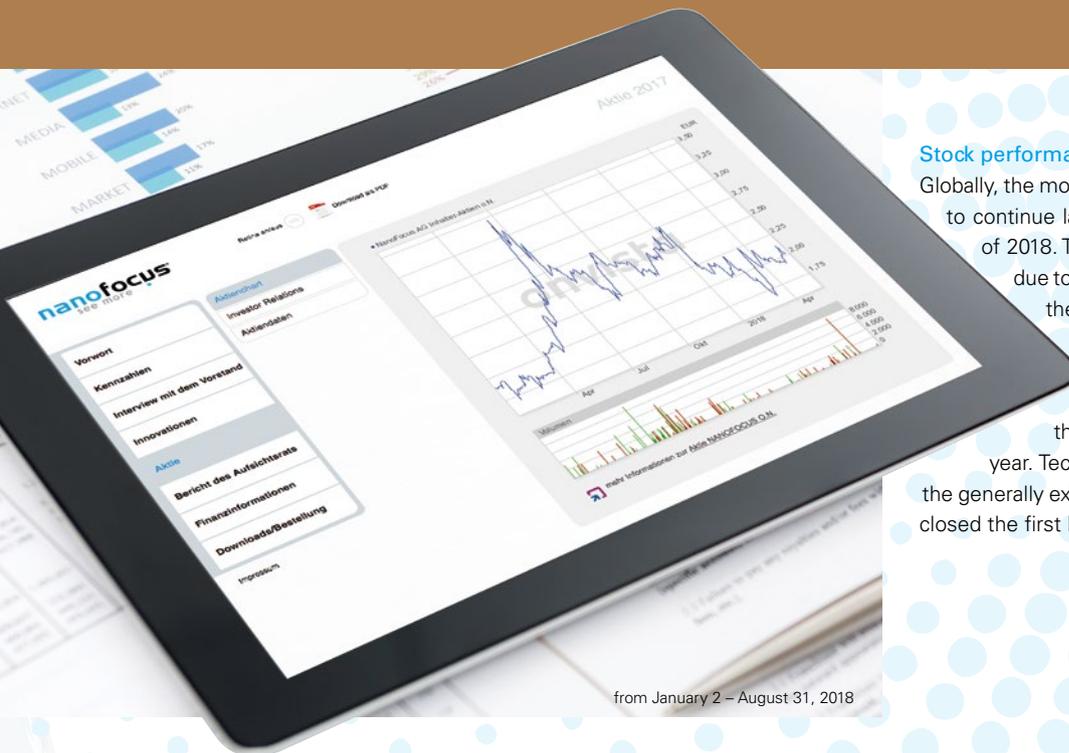


Marcus Grigat



Joachim Sorg

Share value on 6/30/2018



Stock performance and analyst evaluation

Globally, the most important stock markets were unable to continue last year's growth trend in the first half of 2018. The overall trend was lateral to negative due to smoldering trade conflicts. Accordingly, the German leading share index DAX also recorded slight losses between January and June 2018. It closed at 12,306 points on June 29, 2018. As a result, the DAX lost around 550 points during the year. Technology shares were less impacted by the generally expectant mood. For instance, the TecDax closed the first half of 2018 at more than 10%.

The NanoFocus share was also unable to continue its positive development in 2017. After an initial price of EUR 2.65, it finished the half-year on XETRA at EUR 1.97. After a further drop in mid-March to EUR 1.74, the share continued on a largely lateral trend.

Investor relations

NanoFocus AG maintains regular dialogue with the capital market. It is in the company's interest to increase public awareness further and maintain contacts and establish new ones. Regular investor talks were held.

Naturally, shareholders and investors had the opportunity to contact the company by telephone, email or via the NanoFocus website at any time. At the time of publication of this Half-Year Report, NanoFocus AG is being evaluated by analysts from GBC Research GmbH and Independent Research. Both institutes recommend acquiring NanoFocus shares. At GBC, the current price target is EUR 3.20. Independent views its potential at EUR 3.80.

Outlook for 2018

In this Half-Year Report, NanoFocus has been forced to adjust the forecast for the financial year. Taking into account the new cooperation agreement with Mahr, the current order book and current business relationships for the 2018 financial year, revenues are now expected to reach approx. EUR 12 million (previously approx. EUR 13 million). The lower forecast is due primarily to the adjustment of internal business processes to the cooperation agreement, which are taking a longer time than originally planned.

In addition, among others additional one-off costs, e.g. for legal advice during the contract design phase of the cooperation agreement, are having a negative impact on the result. In light of these developments, our updated forecast for the 2018 financial year continues to assume a positive EBITDA, but a negative EBIT. In the Semiconductor area, we are now expecting a renewed increase in the current financial year, after regressive revenues in 2017. The Automotive industry is showing first signs of a recovery as regards orders, after uncertainties relating to emissions. We are therefore budgeting for two-digit growth for 2018, particularly thanks to Breitmeier Messtechnik GmbH.

Beyond 2018, we are in a good position as concerns product technology to roll out "automated contactless measurements in a production environment" with key accounts. In the OEM area, the strategic aim in 2018 is to add new applications for integrated OEM measurement modules and thus acquire additional sales channels in the industry to increase volumes. Revenues in this business area – we supply one leading forensics company – are estimated to be stable in 2018. Growth has been forecast to commence in 2019.



Scan this code with your smartphone or tablet to directly access the online report (german).

References



Share data on 6/30/2018

Total number of shares	6,093,786 bearer shares
Capital	EUR 6,093,786
Market capitalization	EUR 12,004,758
Transparency level	m:access, Basic Board

Share statistics as at 06/30/2018 (XETRA)

Half-year closing rate	EUR 1.97
Annual high	EUR 2.79
Annual low	EUR 1.70
Ø Shares traded per day	4,361 shares

Company information

Founding date	Founded on 08/24/1994 under the legal form of limited liability company (GmbH). Changed to public company (AG) by resolution at the Annual General Meeting on 10/26/2001
Accounting standard	German Commercial Code (HGB)/Accounting Law Modernization Act (BilMoG)
Balance sheet date for the financial year ending on	12/31

Stock market listing

Start of trading	11/14/2005
Securities identification number/ISIN	540066 / DE0005400667
Bloomberg reference	N2FGR
Market segment:	Open Market (Basic Board)
Stock exchanges	XETRA (continuous trading with specialist), Munich (m:access), Frankfurt (Basic Board), Berlin, Bremen, Düsseldorf, Stuttgart
Designated sponsor in XETRA trading	ICF BANK AG Securities trading bank
Research	GBC AG (Rating: Buy, target price: EUR 3.20) Independent Research (Rating: Buy, target price: EUR 3.80)



Your contact:
Fabian Lorenz
Investor relations

Tel. +49 221 29831588
ir@nanofocus.de

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I. Fundamentals of the company and the group

Business model

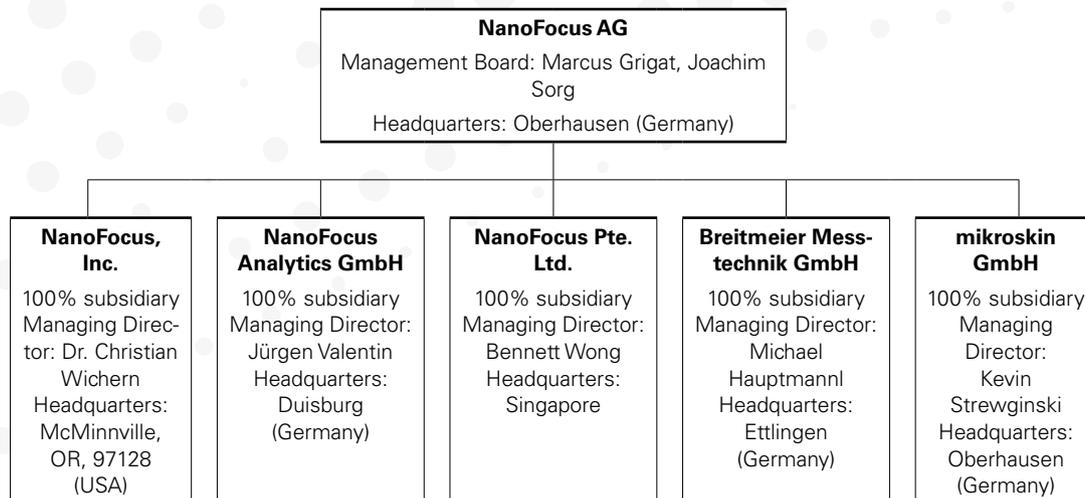
The NanoFocus Group with its subsidiaries operates internationally as one of the most technologically advanced companies in the field of process-oriented optical and tactile surface metrology in the micrometer and nanometer fields. The company's main areas of activity include the development, manufacture and worldwide distribution of systems for 3D surface analysis. NanoFocus systems are primarily used for quality assurance and are suitable for use in practically all areas of industry. Thanks to its technology, NanoFocus AG enables its customers to manufacture innovative products and implement efficient manufacturing procedures. The three main product lines consist of the analysis systems μ surf, μ scan and μ print.

The company also offers supplementary services and system software required for operation.

Not only does NanoFocus offer measuring solutions and systems which are compliant with national and international standards, it also applies the expert knowledge gained over many years of work in the field of 3D measurement technology to standards committees. This two-pronged approach guarantees high-quality products and a technological edge over competitors.

The headquarters of NanoFocus AG are in Oberhausen. The Karlsruhe branch was closed on May 31, 2018. Since then, the sales activities at BMT are bundled at the Ettlingen site.

It also holds 100% of the capital of the following subsidiaries:



NanoFocus AG has been listed on the Open Market Entry Standard stock market in Frankfurt since Monday, November 14, 2005. The company has been listed on the Basic Board since March 1, 2017 (a stock market segment at the Frankfurt stock market governed by private law within legally defined free trading).

NanoFocus AG and BMT are certified under ISO 9001 and OHSAS 18001 (Work Safety). In the first half of 2018, the NanoFocus Group employed 77 employees on average (previous year: 82 employees). On June 30, 2018, the absolute number of full-time employees amounted to 55 (previous year: 68).

On April 3, 2018, NanoFocus AG concluded a cooperation agreement with Mahr GmbH, Göttingen. Mahr has around 2,000 employees and is one of the world's leading providers of production measurement technology. Mahr holds 22% of stock in NanoFocus AG. Based on this cooperation agreement, NanoFocus AG has been supplying its 3D surface measurement systems for "Standard/Laboratory" exclusively to the Mahr Group since May 1, 2018. Mahr will now offer global sales of these products. For this purpose, 14 employees of NanoFocus have moved over to Mahr GmbH and have been integrated into sales. For NanoFocus, this opens up the opportunity to participate in the Mahr Group's global sales network. NanoFocus will continue to offer independent sales in the areas Semiconductor, Automotive, OEM and tailored individual solutions.

Research and development

Research and development (R&D) activities are of strategic importance to the NanoFocus Group. This is particularly true of the company's internal R&D department which ensures the company's long-term technology leadership in its markets, and its pioneering reputation. Targeted collaboration with public institutions and key customers guarantees access to newly emerging knowledge, and reassures users that the results can be exploited commercially. We have an extensive technology base developed in a process over many years. The past high level of R&D activities is currently adjusted to a level that is reasonable from a business perspective to secure the innovative position.

R&D expenditure (primarily personnel costs and software development costs) of the NanoFocus Group were at 15.6% in relation to total revenues generated in the first half of 2018. In the upcoming years, the aim is for this ratio to move towards 10%.

The key areas of NanoFocus's R&D activities consist of developments which improve product performance, which ensure that products meet our customers' application requirements, and which optimize manufacturing quality.

II. Economic report

Global economic environment

The DIW economic barometer again looked bleaker in June 2018: At 101 points, it is only just above the 100 point threshold for average growth. The gross domestic product in the second quarter is likely to increase by 0.4%.

Source: DIW Berlin, Economic barometer on June 27, 2018

Target sectors for NanoFocus

Mechanical engineering and plant construction in Germany

According to preliminary results, production in the first four months of the year exceeded the prior year by 4.2%. As expected, the values for the first quarter were revised significantly to +2.1%. Furthermore, in April (+11.0%), the result for March (-1.7%) which had suffered from calendar effects could be balanced out. The production forecast for 2018 is plus 5% in real terms.

Source: Federal Statistics Office, VDMA, Economic bulletin (07/2018)

The inflow of domestic orders in the Automotive area is positive. In April, domestic orders exceeded the previous month by a good 4%. Growth has been around 1% since January. In April, the inflow of foreign orders exceeded the previous year by 5%. Since the start of the year, 4% more orders from foreign customers have been received.

Source: VDA website, (05/2018)

Orders received by the German electronics industry in May 2018 exceeded the value last year by 0.6% after still showing a regressive development in the two previous months. Domestic orders remains at prior year level, while foreign orders increased by 1.1% (Eurozone: +0.2%, non-Eurozone: +1.6%). The comparatively low volume of orders in May was also due to the fact that there were two fewer working days compared to May 2017. In June this year, the business climate in the German electronics industry also barely changed compared to last month. The current situation was more favorable than in May, while general business prospects fell slightly.

Source: www.zvei.org, (08/2018)

After a successful prior year result of 9% growth in turnover, the sensors and measurement technology industry again generated an increase in turnover of 9% in the first quarter of 2018. In terms of incoming orders, the industry is reporting a plus of 5% compared to the previous quarter.

Source: www.elektroniknet.de, quarter survey measurement technology and sensors (06/2018)

Business activities

The first half of 2018 was still partially characterized by the restructuring initiated in 2016. In addition, the agreement to work together with Mahr in relation to distribution reached contract stage and was signed in the second quarter.

The personnel and material cost structure was largely reduced as planned; nevertheless, the planned figures for turnover and result were not achieved in the first half of the year. The management board views the current portfolio of orders and the sales forecast positively, expecting a stronger second half of the year. However, it is nevertheless

making a downward adjustment to the annual budget for 2018 both in terms of sales and of results.

Technological process

At Control, the leading quality assurance trade fair, in Stuttgart in May 2018, NanoFocus and Mahr GmbH appeared together for the first time as providers of the newly designed confocal measurement systems for contactless measurement of surfaces. The systems of the series MarSurf CM and MarSurf CP take high-resolution measurements within seconds. The wireless MiniProfiler 50 developed by BMT was also presented at Control.

NanoFocus AG is a member of the ZIM research network "Foresight" for the development of new surfaces for car interiors. NanoFocus is one of 20 partners from the automotive industry, of which six are small to medium-sized enterprises (SMEs), five are universities and research institutions and nine are associated partners (leading companies in the automotive industry). With funding from the Federal Ministry of Economics and Energy, the aim of the project over its three-year term is to develop innovations for the car interior of the future in the technology areas of surfaces, functional surfaces, material reverse injection molding, (printed) electronics, lighting, design, digitization as well as tool and mold design and construction. This ranges from antibacterial surfaces via new hybrid materials for a tailored design, through to the integration of conductor tracks in paneling components for displays and internal functions.

In the semiconductor area, the new high-speed sensor μ sprint C3x was introduced at the start of May. In comparison to the μ sprint C3 sensor, the new C3x sensor reaches a 10 times higher axial resolution (10 nm), as well

as a lateral resolution of 0.5 μm to 2.5 μm . Due to the high aperture objective, exclusively produced for NanoFocus μsprint product line by Zeiss AG, even steep angles up to 53° can be measured. This offers big advantages related to measurement data stability, especially in the field of bump inspection. With the 256 channel system, more than 5 million 3D measurement points are processed per second. For users this means an increase in the output so far by up to 80%, compared with μsprint C3. The high speed sensor's main application is the automated inspection of wafers, probe cards and MEMS. Especially for system integrators, NanoFocus offers an OEM version of μsprint C3x.

At the end of the first quarter, a fully automated pilot system for cylinder inspection in the automotive industry was implemented successfully by one leading German automotive manufacturer.

An increased measurement volume and greater process stability were achieved immediately. Its competences in device construction on the part of BMT, and the fact that by now NanoFocus production measurement technologies are in use throughout the industry, have led to orders from one other German automotive manufacturer for three fully automated large-scale plants, which will now also be used at international sites. Orders for larger custom systems for measuring complete crankcases, cams and rods. Suppliers are also increasingly required to use the same quality assurance systems, as is the case for OEMs. As a result, additional cylinder inspection and Powertrain inspection systems were sold. In the first quarter, a new software release with plenty of innovations in functionality, usability and robustness was introduced. Since the innovations were largely due to customer feedback, this generated additional

after-sales revenues through updates. The new generation "E" system platform has had a positive resonance in the standard laboratory area, so that in 2018, the systems for the automotive area will also be developed further to match the highest technology level currently available.

At BMT, the resolution and imaging quality of the white light interferometer for cylinder bores was improved significantly. BMT also participates in a 3-year EU project to develop "zero-mass testers" (Cantilever).

The Semiconductor business unit focused primarily on business in Asia was restructured at the start of the year. In addition, the business unit is also planning to be present at the Semicon Taiwan Trade Fair in Taipei in the second half of the year.

In the first half of 2018, in addition to procuring orders in the OEM area, NanoFocus Analytics focused on the successful first installation and implementation of a novel analysis system for micro optics components. Special development and project management services were provided to customers in this area. NanoFocus Analytics has identified an overall increase in demand for quality assurance solutions for optical components. These high-precision micro optics components are used particularly in optical messaging technology and to connect automotive sensors. During the first half of the year, Business Development continued to prioritize intensified customer contacts as well as the analysis of fuel cell components.

Economic process

NanoFocus was not yet able to meet the objectives for the first half of the 2018 financial year. Revenues fell short by about 25 % compared to the budget.

The reasons for this were:

- ▶ the alignment of the distribution process, due to the cooperation with Mahr,
- ▶ the restructuring of the Semiconductor business unit,
- ▶ the low revenues of the subsidiary BMT based on the accounting date,
- ▶ the period-based revenue shift in the - generally stable - OEM business.

At the end of July, the inflow of orders in the automotive area reached an encouraging EUR 3 million. This mainly relates to BMT. BMT recorded a positive inflow of orders particularly after the reporting date.

The Group's EBITDA as at June 30, 2018 was EUR -1,254, Group losses were EUR -1,731.

Earnings position

As at June 30, 2018, revenues were at kEUR 4,788, and as such fell short of the internal budget by 25 %.

Revenues by business unit	HY 2018	Change		HY 2017
	kEUR	%	Absolute	kEUR
Standard/Laboratory	2,707	-9.3	-278	2,985
Automotive	1,277	24.6	252	1,025
Semiconductor	442	7.4	30	412
OEM	362	-45.8	-306	668
Total	4,788	-5.9	-301	5,089

The Standard/Laboratory business unit recorded revenues of kEUR 2,707, falling short of the budget by currently 19%. The budget shortfall in the Standard/Laboratory area is due to the distribution cooperation in this area with Mahr from May 1, 2018. Alignment processes at NanoFocus and at Mahr are taking longer than planned, so that in May and June, only demo systems with a volume of kEUR 900 were provided to Mahr, but no sales to end customers were implemented with the new distribution partner.

Sales in the automotive industry in the first half of 2018 were kEUR 1,277, also below budget. Compared to the previous year, growth of 25% was recorded. The order situation improved significantly in 2018. As a result, prospects for the second half-year are positive.

At revenues of kEUR 442 (-45%), the Semiconductor business unit is furthest below budget. The focus was on restructuring the business unit and on launching the new high-speed sensor μ sprint C3x for existing NanoFocus customers.

The OEM area performed below expectations on the reporting date with revenues of kEUR 362. NanoFocus is still expecting stable revenues in this business unit.

Revenue distribution by region

As expected, revenues generated in Europe made up 75 % at kEUR 3,581. They are followed closely by Asia at kEUR 788 (16 %) and America at kEUR 419 (9 %).

Revenues per employee in relation to 77 employees on average amounts to kEUR 62.

Revenues by region	HY 2018	Change		HY 2017
	kEUR	%	Absolute	kEUR
Europe	3,581	35.2	932	2,649
Asia	788	-51.9	-852	1,640
North America	419	-45.8	-355	774
South America	0	-100.0	-26	26
Total	4,788	-5.9	-301	5,089

Changes in earnings *)

Group earnings situation	HY 2018	Change		HY 2017
	kEUR	%	Absolute	kEUR
Revenues	4,788	-5.9	-301	5,089
Other earnings	61	-17.2	-13	74
Total operating performance	4,600	-16.1	-882	5,482
Gross yield	3,055	-9.0	-301	3,357
Personnel expenditure	2,616	-2.4	-63	2,680
Other operating expenditure	1,859	9.4	159	1,699
EBITDA	-1,254	119.1	-682	-572
Depreciation	389	-33.7	-198	587
Financial result	-170	7.6	-12	-158
Tax result	82	228.4	57	25
Earnings	-1,731	33.9	-439	-1,292

*) selected values taken from the Group Income Statement

The overall performance consisting of revenue, increases in inventories and other operational expenses fell from 882 kEUR to 4,600 kEUR. Typically, the revenue split is 40-45 % in the first half of the year, and 55-60 % in the second half of the year. As at June 30, 2018, the Group's revenues fell short of the budget by approx. 25 %. Other operational expenses predominantly included revenues from funding projects.

Gross yield at the balance sheet date is kEUR 3,055. The gross yield margin improved due to a reduction in work-in-progress and finished products inventories from 62.1 % to 67.3 %.

On the cost side, personnel costs fell by kEUR 63 as planned to kEUR 2,616 due to the restructuring measures and distribution cooperation with Mahr. Other operating expenses of kEUR 1,859 went up by 9% compared to last year and are above budget. The main reasons for this are costs incurred in the context of the capital measure performed in April 2018, one-off additional costs for legal advice during the contract design stage of the sales agreement with Mahr, as well as costs relating to certification measures.

Total depreciation amounts to kEUR 389. While kEUR 73 relate to property, plant and equipment, kEUR 316 cover intangible asset depreciation.

The financial result is kEUR -170. Of this, a significant proportion relates to interest charges for the convertible bonds issue and the bearer bond.

The tax result essentially comprises the changes from deferred tax assets and liabilities in the total amount of kEUR 82.

Changes in order levels

Order situation	HY 2018	Change		HY 2017
	kEUR	%	Abs.	kEUR
Orders received	5,123	-21.9	-1,437	6,560
Existing orders (at the close of the period)	1,989	-41.6	-1,415	3,404

The inflow of orders in the first half of 2018 fell by 22% compared to last year. At kEUR 1,989, the order portfolio on June 30, 2018, was kEUR 1,415 lower than on June 30, 2017.

As of August 1, 2018, NanoFocus AG recorded an inflow of orders amounting to kEUR 7,705 and an order portfolio amounting to kEUR 4,086. This largely compensated for the lower value on the half-year balance sheet date.

Financial situation

Company financing is largely by equity, a convertible loan, a bearer bond and a subordinated loan. Individual orders are financed in advance by customer advance payments. Any advance payment guarantees that are limited in terms of either amount or period are secured – if necessary – by guarantees (sureties) as part of a guaranty insurance.

The convertible loan has a value of kEUR 1,350 with a term until February 6, 2019. The repayment amount is 115%, unless the conversion right is exercised by the due date. The strike price for the conversion is EUR 4.50.

In March 2018, NanoFocus AG agreed a bearer loan for EUR 1.5 million with a term until April 2022. In April 2018, the funds from this new bearer loan were used to repay the bearer loan for EUR 1.0 million which had been in place since 2016. The liquidity situation was further stabilized by taking out a subordinated loan in the amount of approx. EUR 1.2 million paid out in April 2018, with a term of four years.

On the balance sheet date, the NanoFocus Group possessed cash equivalents amounting to kEUR 667. Above this amount, on the reporting date, NanoFocus had access to unused credit facilities amounting to kEUR 250.

Investments

During the first half of the 2018 financial year, investments made by NanoFocus AG amounted to a total of kEUR 94. With kEUR 60, the focus was on the internally generated intangible assets related to the further development of existing products, and to the development of newer, market-based product families.

Change in the cash flow and in cash and cash equivalents

Cash flow	HY 2018	Change	HY 2017
	kEUR	Absolute	kEUR
Cash and cash equivalents at the start of the period	1,132	-1,495	2,627
Cash flow from current operating activities	-1,138	1,263	-2,401
Cash flow from investment activities	-875	-471	-404
Cash flow from financing activities	1,545	172	1,373
Cash alterations to cash funds	-468	964	-1,432
Cash and cash equivalents at the close of the period	667	-519	1,186

The cash flow from current operating activities amounted to kEUR -1,138 and improved by kEUR 1,263 compared to the previous year. Particularly the optimized accounts receivable management had a positive effect. The cash flow from investment activities of kEUR -875 largely comprises the repayment of the purchase price installments for the acquisition of BMT at kEUR 750. The cash flow from financing activities of kEUR 1,545 particularly relates to the net inflow from taking out a subordinated loan (kEUR 1,223) as well as a bearer loan (kEUR 1,500). In April 2018, these funds were used to repay the bearer loan for EUR 1.0 million which had been in place since 2016. As in previous years, redemption and interest payments were made as planned. In addition, public grants in the amount of kEUR 15 (previous year: kEUR 78) were obtained.

Financial status

Group financial status	6/30/2018	Change		12/31/2017
	kEUR	%	Absolute	kEUR
Fixed assets	3,810	-7.8	-321	4,131
Intangible assets	3,392	-6.9	-250	3,641
Property, plant and equipment	419	-14.5	-71	490
Current assets (including ARAP and deferred taxes)	8,304	-9.9	-916	9,220
Inventories	4,325	-5.3	-242	4,567
Accounts receivable and other assets	3,047	-6.6	-216	3,263
Cash and cash equivalents	667	-41.1	-465	1,132
Accruals and deferrals	123	23.9	24	99
Deferred tax assets	142	-10.8	-17	160
Equity	4,019	-29.8	-1,704	5,723
Third-party capital	8,095	6.1	467	7,629
Liabilities	5,729	13.2	670	5,059

Under intangible assets, fixed assets e.g. comprises licenses in the amount of kEUR 1,744, which largely contain the rights to developments of kEUR 1,623 capitalized as part of the acquisition (BMT) and subject to regular depreciation. In addition, capitalized development costs (remaining book values) in the total amount of kEUR 774 were recorded, after kEUR 761 on December 31, 2017. Compared with December 31, 2017, fixed assets fell slightly by 8%, due to the low investment volume.

Inventories slightly exceeded the prior year value at kEUR 4,325. For the balance sheet date of June 30, 2018, work-in-progress and finished products inventories decreased.

At kEUR 2,963, trade accounts receivables remained at prior year level. There were no customer payment defaults during the 2018 financial year and, on the basis of our experience to date, such losses are only expected to a limited extent in the future.

Liabilities increased by kEUR 670 compared to December 31, 2017. Long-term liabilities increased by kEUR 1,723 overall due to the refinancing measures described above, whereas above all trade accounts payables and other short-term liabilities fell by kEUR 461 and kEUR 550 respectively.

Financial and non-financial performance indicators

Above all else, the sales development, EBITDA and EBIT act as financial performance indicators. Non-financial performance indicators particularly concern innovation and development capabilities and employee needs.

With respect to the innovation and development activities undertaken in the first half of 2018, the key figures were as follows:

In addition to setting up interdisciplinary teams for innovation, NanoFocus also offers regular training and further training programs as well as scientifically challenging projects across the different companies. As a whole, the NanoFocus Group sees itself as an attractive employer for qualified staff.

Key figures for development activities	HY 2018	Change		HY 2017
	kEUR	%	Absolute	kEUR
Development expenditure	747	-5.2	-41	788
Development intensity (expenditure in relation to revenues)	15.6 %	0.8	+0.1 PP.	15.5 %
Average number of development employees	17	-15.0	-3	20
Ø Development employees as a % of Ø employees	22.1 %	-9.5	-2.3 PP.	24.4 %

NanoFocus continues to be increasingly commissioned as a development service provider by well-known major enterprises.

On the balance sheet date, the NanoFocus Group employed 71 full and part-time staff and three board members. Two trainees and four diploma students/interns are also currently employed. In total, there were 79 employees compared with 86 employees on Friday, June 30, 2017.

III. Forecast, risk and opportunities report

Forecast report

Global economy

The global economy is currently seeing an economic expansion. At 3.3%, global economic performance grew more strongly in 2017 than in the last five years. Nearly all economies contributed to this development: The gross domestic product (GDP) of the United States, China, the Eurozone and Japan grew more in real terms in 2017 than the previous year. The German Council of Economic Experts is slightly raising its forecast for the global economy for 2018 and is expecting a GDP increase of 3.4%. In 2019, production is likely to be dampened not least due to the greater capacity utilization so that the growth is expected to be slightly lower at 3.1%.

Source: www.sachverstaendigenrat-wirtschaft.de, economic forecast for March 2018

German economy

The upturn of the German economy continues. The German Council of Economic Experts minimally raised its forecast for 2018 and is now expecting the gross domestic product (GDP) to reach 2.3% in 2018 and 1.8% in 2019. Compared to the forecast in the annual appraisal for 2017/18, exports are having a somewhat greater impact on growth whereas the contribution of domestic demand is lower. As a result, GDP growth rates in 2018 and 2019 are expected to be above the estimated growth of 1.3%, so that utilization of the German economy will continue to increase. Above all, the further improvement in the foreign trade environment has led to the slight upward revision of the forecast. For the Eurozone, the German Council of Economic Experts

is forecasting strong GDP growth rates of 2.3% in 2018 and 1.9% in 2019.

Source: www.sachverstaendigenrat-wirtschaft.de, economic forecast for March 2018

The VDMA is expecting a real plus in German plant construction in 2018 of 5% and is therefore raising its production forecast from the previous +3% in real terms to +5%.

Source: VDMA International economic bulletin (07/2018)

The German Electronics Industry Association ZVEI has presented a forecast for the development of the electronics industry in Germany for 2018. The Association is optimistic as regards 2018 and is expecting the industry's price-adjusted production to grow by 3%.

Source: ZVEI (04/2018)

The experts at Gartner Inc. have adjusted their growth forecast for semiconductor revenues in 2018 from 4% to 7.5%. Gartner is thus raising its forecast for 2018 by USD 23.6 billion. USD 19.5 billion of these will be spent on memory, the market researchers predict. The prices for DRAM and also for NAND flash storage will increase.

Source: www.zdnet.de, Gartner forecast (01/2018)

The members of the AMA Verband für Sensorik und Messtechnik e. V. industry association are expecting revenue growth in 2018 of 8%. The positive economic development overall is reflected most clearly in the industry's high willingness to invest. AMA members invested 18% more than last year. For the current financial year, the industry is expecting a further increase in investments of 13%.

Source: AMA press release (03/2018)

Forecast for the NanoFocus Group

In addition to the economic expectations of economic institutions and professional associations, our forecasts for the 2018 financial year are based on our own business plans. This includes, in particular, the order situation, current customer projects, expected order initiations, cost developments and the new cooperation agreement with the Mahr Group. The forecast period runs for a period of one year from Sunday, December 31, 2017.

Semiconductor

In the Semiconductor area, we are now expecting a renewed increase in 2018, after regressive revenues in 2017. The innovation project Powerbase, which continued the HICOS3D project, finished in April 2018, so that the development of the fast μ sprint sensor is now also complete on the software side.

Automotive

The Automotive industry is showing further signs of a recovery as regards orders, after uncertainties relating to emissions. We are budgeting for two-digit growth for 2018, particularly thanks to Breitmeier Messtechnik GmbH. We consider ourselves to be in a good position as concerns product technology, especially to roll out the area "automated contactless measurements in a production environment" with key accounts.

Standard/Laboratory

Mahr GmbH has sold the products of the Standard/Laboratory area since May 1, 2018. Since the Mahr Group bears the distribution costs for the Standard/Laboratory area, NanoFocus will supply Mahr with the systems at a respectively lower rate. Since the alignment of the distribution processes is taking longer than planned, we expect revenues in this area to be lower in the transitional year 2018.

NanoFocus will continue to be responsible for the distribution of the customer-specific μ surf/ μ scan custom systems, which were previously reported under the Standard/Laboratory business unit. We are expecting stable revenues in this area in the 2018 financial year.

OEM

In the OEM area, NanoFocus delivers bead inspection systems to the global market leader for ballistics (Ultra Electronics Forensic Technology Inc.).

This sales channel has been stable for years now. The strategic aim in 2018 is to add new applications for integrated OEM measurement modules and thus acquire additional sales channels in the industry to increase volumes. Revenues in the OEM area for the current financial year 2018 are estimated to continue to be stable. This business unit will grow from 2019.

Based on the mentioned revenue forecasts for the four areas, we continue to expect increased risks from preliminary project financing and the working capital required for this. NanoFocus continues to come up against the ever-fluctuating capital goods market, which is difficult to gauge, and the global macroeconomic and financial conditions, drawing a distinction between three (real, worst and best case) scenarios. NanoFocus responds swiftly to changes when the economic framework conditions deteriorate and could have an impact on the development of business. Controlling instruments have been set up both as regards staff and structurally, and are duly intensified so that countermeasures can be initiated promptly.

Overall assessment of the forecast

Taking into account the new cooperation agreement with Mahr, the current order book and current business relationships for the 2018 financial year, revenues are now expected to reach approx. EUR 12 million. The shortfall of the forecast of approx. EUR 13 million is due primarily to the adjustment of internal business processes to the cooperation agreement, which are taking a longer time than originally planned. In addition, among others additional one-off costs for legal advice during the contract design phase of the cooperation agreement, are having a negative impact on the result. In light of these developments, our updated forecast for the 2018 financial year continues to assume a positive EBITDA, but a negative EBIT.

Forecast, risk and opportunities report

NanoFocus is exposed to a range of risks which are described in detail (pages 41 to 45) in the Risk Report that formed part of the 2017 Annual Report. The current 2017 Annual Report can be downloaded from the website of NanoFocus AG at www.nanofocus.de in the "Investor/Publications" section.

Overall assessment of NanoFocus AG's risk situation by the Management Board

The process alignment due to the distribution cooperation with Mahr is taking longer than expected. At the same time, the operating procedure for distributing custom systems is also undergoing a redesign. These measures will be largely implemented by the fourth quarter of 2018.

Due to the expected inflow of orders in 2018, we are continuing to expect a stable financial situation in the current financial year. Currently, no risks that could put the company's continued survival at risk are currently identified if the targets set in 2018 are largely met.

Oberhausen, August 10, 2018

NanoFocus AG
Management Board



Marcus Grigat



Joachim Sorg

Financial information on 6/30/2018

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Group balance sheet assets

	6/30/2018	Change		12/31/2017	6/30/2017
	EUR	%	Absolute	EUR	EUR
A. Fixed assets	3,810,439			4,131,081	7,584,228
I. Intangible assets					
1. Internally generated intellectual property rights, similar rights and assets	773,856	1.74	13,202	760,654	3,279,863
2. Concessions, intellectual property rights and licenses acquired for a fee	1,743,808	-10.51	-204,696	1,948,504	2,887,798
3. Goodwill	873,992	-6.25	-58,266	932,258	990,524
	3,391,656			3,641,416	7,158,185
II. Property, plant and equipment					
1. Technical equipment and machinery	203,952	-21.24	-55,015	258,967	183,213
2. Other assets, fixtures and fittings	214,831	-6.88	-15,866	230,697	242,831
	418,783			489,665	426,043
B. Current assets	8,038,792			8,961,550	8,865,165
I. Inventories					
1. Raw materials, auxiliary materials and consumables	2,292,343	2.14	48,051	2,244,292	2,147,988
2. Unfinished goods, unfinished services	1,299,577	-9.22	-131,964	1,431,541	1,203,749
3. Finished goods	730,357	-13.81	-116,987	847,344	1,055,907
4. Advance payments for inventories	2,798	-93.62	-41,092	43,890	72,311
	4,325,075			4,567,067	4,479,955
II. Accounts receivable and other assets					
1. Trade accounts receivables	2,963,218	1.18	34,541	2,928,677	2,971,022
2. Other assets	83,755	-74.93	-250,335	334,090	227,941
	3,046,973			3,262,768	3,198,963
III. Cash assets, due from banks and checks	666,743	-41.09	-464,972	1,131,715	1,186,246
C. Deferred income and accrued expenses	122,917	23.87	23,686	99,231	138,806
D. Deferred tax assets	142,467	-10.76	-17,177	159,644	825,756
	12,114,615			13,351,505	17,413,955

Group balance sheet liabilities

Key ratios

	6/30/2018	Change		12/31/2017	6/30/2017
	EUR	%	Absolute	EUR	EUR
A. Equity					
I. Subscribed capital	6,093,786	0.00	0	6,093,786	6,093,786
II. Capital reserve	10,381,299	0.00	0	10,381,299	10,381,299
III. Retained earnings	1,165,000	0.00	0	1,165,000	1,165,000
IV. Capital difference from currency conversion	-93,011	-22.54	27,064	-120,075	-12,029
V. Loss carried forward	-11,797,219	68.81	-4,808,631	-6,988,588	-6,988,588
VI. Net loss for the year	-1,730,677	-64.01	3,077,954	-4,808,631	-1,292,123
	4,019,178			5,722,791	9,235,345
B. Provisions					
1. Tax provisions	0	n/a	0	0	25,788
2. Other provisions	1,029,211	-12.01	-140,482	1,169,693	1,116,713
	1,029,211			1,169,693	1,142,500
C. Liabilities					
1. Bonds (convertible)	1,350,000	0.00	0	1,350,000	1,350,000
2. Amounts owed to credit institutions	34	n/a	34	0	0
3. Advance payments received on orders	69,000	-38.67	-43,500	112,500	514,514
4. Trade accounts payables	928,235	-33.17	-460,726	1,388,961	948,179
5. Other liabilities	3,381,699	53.16	1,173,795	2,207,904	2,231,968
	5,728,968	13.23	669,603	5,059,365	5,044,661
D. Deferred income and accrued expenses	69,614	1.48	1,018	68,596	95,243
E. Deferred tax liabilities	1,267,644	-4.76	-63,416	1,331,060	1,896,204
	12,114,615			13,351,505	17,413,955

Group income statement

	HY 2018		Change	HY 2017
	EUR	%	Absolute	EUR
1. Revenues	4,788,133	-5.92	-301,105	5,089,238
2. Inventory changes to finished and unfinished goods	-248,976	n/a	-568,234	319,258
3. Other capitalized assets	104,711	-72.18	-271,670	376,381
4. Other operating income	61,276	-17.17	-12,701	73,977
– of which from currency conversion: EUR 177 (previous year: kEUR 6)				
5. Material expenditure	1,483,816	-27.69	-568,063	2,051,879
5a. Expenses for raw materials, materials and supplies and for goods purchased	1,428,002	-29.73	-604,117	2,032,119
5b. Expenses for purchased services	55,814	182.47	36,055	19,759
6. Personnel expenditure	2,616,430	-2.37	-63,434	2,679,864
6a. Wages and salaries	2,224,465	-1.36	-30,631	2,255,096
6b. Social contributions and expenditure for pensions and benefits	391,966	-7.72	-32,802	424,768
– of which for old-age pension: EUR 12,898 (previous year: kEUR 12)				
7. Depreciation	388,609	-33.75	-197,958	586,567
7a. on intangible assets of fixed assets and property, plant and equipment	388,609	-33.75	-197,958	586,567
7b. on current assets in as far as such exceed the usual depreciations in the corporation	0	n/a	0	0
8. Other operating expenditure	1,858,930	9.38	159,452	1,699,478
– of which from currency conversion: EUR 38,255 (previous year: kEUR 1)				
9. Other interest and similar income	30	n/a	30	0
10. Interest and similar expenditure	170,381	7.66	12,127	158,254
– of which from interest expenditure: EUR 4,355 (previous year: kEUR 7)				
11. Tax on income and on profits	-83,051	212.30	-56,458	-26,593
– of which deferred tax assets: EUR 46,239 (previous year: kEUR -6)				
12. Result after tax	-1,729,941	34.04	-439,347	-1,290,594
13. Other taxes	736	-51.86	-793	1,529
14. Net loss for the year	-1,730,677	33.94	-438,554	-1,292,123

Group cash flow statement

Key ratios

	6/30/2018	Change	6/30/2017	12/31/2017
	kEUR	Absolute	kEUR	kEUR
Cash and cash equivalents at the start of the period	1,132	-1,495	2,627	2,627
Result for the period	-1,731	-439	-1,292	-4,809
Depreciation on fixed assets	389	-198	587	4,486
Depreciation of current assets	0	0	0	275
Increase/decrease in provisions	35	195	-160	-112
Other non-cash expenditures and income	-5	-17	12	37
Profit/Loss from the disposal of fixed assets	28	28	0	-21
Interest expenses/interest earnings	170	12	158	308
Income tax expense/income	-46	-19	-27	-43
Income tax payments	0	0	0	-60
Cash flow from sales activities	-1,160	-438	-722	61
Increase/decrease in stocks, accounts receivables and other assets not classified as investment or financing activities	471	1,300	-829	-1,308
Increase/decrease in liabilities from accounts payables and other liabilities not classified as investment or financing activities	-449	401	-850	-785
Cash flow from current operating activities	-1,138	1,263	-2,401	-2,032
Pay-outs for investments in intangible assets	-104	263	-367	-629
Deposits from the disposal of property, plant and equipment	0	0	0	25
Pay-outs for investments in property, plant and equipment	-21	16	-37	-77
Pay-outs for payment of purchase price liabilities for previously consolidated entities	-750	-750	0	0
Cash flow from investment activities	-875	-471	-404	-681
Deposits from capital injections	0	-870	870	870
Deposits from the issue of bonds and the raising of (financial) credits	2,723	2,123	600	600
Payments from the settlement of loans and (financial) credits	-1,073	-1,007	-66	-156
Deposits from subsidies received	15	-63	78	147
Interest paid	-120	-11	-109	-224
Cash flow from financing activities	1,545	172	1,373	1,237
Cash alterations to cash funds	-468	964	-1,432	-1,476
Currency exchange changes to investment fund	3	12	-9	-19
Cash and cash equivalents at the close of the period	667	-519	1,186	1,132

Group statement of changes in equity

	Subscribed capital	Capital provisions	Retained earnings	Equity difference from currency conversion	Balance sheet loss	Group equity
	EUR	EUR	EUR	EUR	EUR	EUR
Equity as per 1/1/2018	6,093,786	10,381,299	1,165,000	-120,076	-11,797,219	5,722,791
Currency conversion				27,064		27,064
Profit/loss for the year					-1,730,677	-1,730,677
Equity as per 6/30/2018	6,093,786	10,381,299	1,165,000	-93,011	-13,527,896	4,019,178

Short version of the Group Notes as at 6/30/2018

1. Consolidation and Group structure

The consolidation included the companies NanoFocus Analytics GmbH (Duisburg), mikroskin GmbH (Oberhausen), NanoFocus, Inc., (McMinnville/Oregon/USA), NanoFocus Pte. Ltd. (Singapore) and Breitmeier Messtechnik GmbH (Ettlingen). NanoFocus AG holds 100% of capital in all subsidiaries.

2. Main accounting and valuation methods

The accounting and valuation principles are unchanged and can be consulted in the section devoted to financial information in the 2017 Group Annual Report (pages 53-57).

Rounding differences may arise in the specifications in EUR due to the use of computerized calculation methods. Amounts in Euro are specified rounded without decimal places.

3. Notes on the Group balance sheet

The composition and development of intangible assets and property, plant and equipment can be seen based on the following Group equity statement:

Asset overview as at 6/30/2018

	Procurement costs					Depreciation level: 6/30/2018
	As of: 1/1/2018	Currency difference	Adjusting entries	Additions	Disposals	
	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets						
1. Internally generated intellectual property rights, similar rights and assets	4,347,733	0	0	59,793	0	4,407,526
2. Licenses/software acquired for fee	4,800,352	0	0	6,500	9,304	4,797,548
3. Goodwill	6,399,511	0	0	0	0	6,399,511
Total intangible assets	15,547,597	0	0	66,293	9,304	15,604,585
II. Property, plant and equipment						
1. Technical equipment and machinery	1,106,835	5,985	0	1,736	38,506	1,076,050
2. Other assets, fixtures and fittings	1,557,496	2,450	0	25,888	1,821	1,584,013
Total property, plant and equipment	2,664,331	8,436	0	27,624	40,327	2,660,063
III. Financial assets						
1. Other loans	0	0	0	0	0	0
Total financial assets	0	0	0	0	0	0
Total	18,211,928	8,436	0	93,916	49,631	18,264,649

Depreciation level: 1/1/2018	Depreciation				Book value		
	Currency difference	Adjusting entries	Additions	Disposals	Depreciation level: 6/30/2018	As of: 6/30/2018	As of: 12/31/2017
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
3,587,079	0	0	46,591	0	3,633,670	773,856	760,654
2,851,848	0	0	211,195	9,303	3,053,740	1,743,808	1,948,504
5,467,253	0	0	58,266	0	5,525,520	873,992	932,258
11,906,181	0	0	316,052	9,303	12,212,929	3,391,656	3,641,416
847,867	3,613	0	31,849	11,231	872,098	203,952	258,967
1,326,799	2,432	0	40,709	758	1,369,182	214,831	230,697
2,174,667	6,045	0	72,558	11,989	2,241,280	418,783	489,665
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
14,080,847	6,045	0	388,609	21,292	14,454,209	3,810,439	4,131,081

3.1. Subscribed capital

The capital is unchanged and amounts to 6,093,786 million EUR and is subdivided into 6,093,786 bearer shares with an equivalent value of 1.00 EUR each.

3.2. Authorized capital/contingent capital

In accordance with the resolution of the Annual General Meeting of 07/11/2012, the share capital was increased by an amount of up to EUR 300,000.00 (conditional capital 2012/I). In accordance with the resolution of the Annual General Meeting of 07/11/2012, the share capital was increased by an amount of up to EUR 125,000.00 (conditional capital 2012/II).

In accordance with the resolution of the Annual General Meeting of Wednesday, June 28, 2017, the share capital was increased by an amount of up to EUR 500,000.00 (conditional capital 2017/I). In accordance with the resolution of the Annual General Meeting of Wednesday, June 28, 2017, the share capital was increased by an amount of up to EUR 2,000,000.00 (conditional capital 2017/II).

In accordance with the resolution of the Annual General Meeting of June 28, 2017, with the approval of the Supervisory Board, the Management Board is authorized to increase the share capital by June 27, 2022, to a total of EUR 3,046,893.00 by issuing, on one or more occasions, new shares against contributions in cash or in kind. The shareholder subscription right is excluded (authorized capital 2017).

3.3. Capital reserve

The capital reserve is unchanged and amounts to kEUR 10,381.

3.4. Capital difference from currency conversion

Currency conversion differences in equity are used to record differences which result from the currency conversion of the financial statements of the foreign subsidiary NanoFocus Inc. based on the modified current-rate method.

The following exchange rates are used for the currency conversion:

Exchange rate (1 USD = EUR)

Balance sheet date		Average rate	
6/30/2018	12/31/2017	HY 2018	HY 2017
0.8578	0.8763	0.8262	0.9233

The capital difference from currency conversion as at 6/30/2018, totals kEUR -93.

3.5. Other provisions

	6/30/2018	6/30/2017
	kEUR	kEUR
Leave entitlements	157,996	115,400
Outstanding invoices	27,026	17,227
Financial statement/ auditing and advisory costs	25,950	42,840
Warranties	69,500	52,000
Workers' compensa- tion association/ severe disability contribution	15,190	21,338
Director's fees	22,500	10,000
Archiving costs	17,300	17,300
Bonus payments	19,837	44,491
Commissions	0	26,500
Variable purchase price SISCAN	145,823	93,955
Convertible bond interest	178,089	137,589
Variable purchase price Breitmeier	350,000	538,073
Tax provision	0	25,788
Total	1,029,211	1,142,500

3.6. Liabilities

A proportion of liabilities in the amount of kEUR 1,500 is secured through pledging of shares in a related company. In addition, a proportion of kEUR 437 is secured through a guarantee agreement containing the main claim and additional benefits (interest).

On Saturday, June 30, 2018, existing liabilities amounted to kEUR 5,729. kEUR 3,160 of these have a residual maturity of between one and five years and kEUR 2,569 have a term of less than one year. There were no liabilities to banks on the balance sheet date.

3.7. Contingent liabilities

On Saturday, June 30, 2018, no contingent liabilities existed, in particular, liabilities resulting from the issue and assignment of bills of exchange, pledged securities, bill and check guarantees, or contingent liabilities due to the provision of collateral for third-party liabilities on the part of NanoFocus AG.

4. Notes on the Group income statement

4.1. Revenues

Revenues by business unit	HY 2018	HY 2017
	kEUR	kEUR
Standard/Laboratory	2,707	2,985
Automotive	1,277	1,025
Semiconductor	442	412
OEM	362	668
Total	4,788	5,089

Revenues by region	HY 2018	HY 2017
	kEUR	kEUR
Europe	3,581	2,649
Asia	788	1,640
North America	419	774
South America	0	26
Total	4,788	5,089

Oberhausen, August 10, 2018

NanoFocus AG
Management Board



Marcus Grigat



Joachim Sorg

Financial Calendar 2018

08/31	Half-Year Statement 2018	Oberhausen
12/11-12	MKK – Munich Capital Market Conference	Munich

Contact/Imprint

NanoFocus AG | Max-Planck-Ring 48 | 46049 Oberhausen | Tel. +49 208 62000-0 | Fax +49 208 62000-99
info@nanofocus.de | www.nanofocus.de

Company headquarters: Oberhausen | Registry court: Duisburg HRB 13864
Chairman of the Supervisory Board: Ralf Terheyden
Management board: Marcus Grigat, Joachim Sorg

Concept/text: Michael Schneiberg, schneiberg.de | Concept/design: Oliver Nicolay, nicolaygrafik.de
Photography: Mike Henning, Fotolia | Text/editing: NanoFocus AG

Germany

Head office
NanoFocus AG
Max-Planck-Ring 48
46049 Oberhausen
Germany
Tel. +49 208 62000-0
Fax +49 208 62000-99
info@nanofocus.de

International

US branch
NanoFocus, Inc.
1945 NE Baker St
McMinnville, OR 97128
Tel. +1 804 652 8970
sales@nanofocus.com

Asian branch
NanoFocus Pte. Ltd.
25 International Business Park
#04-113 German Centre
Singapore 609916
Tel. +65 9474 7265
sales@nanofocus.sg

You can find the contact details of our globally represented sales partners on www.nanofocus.de