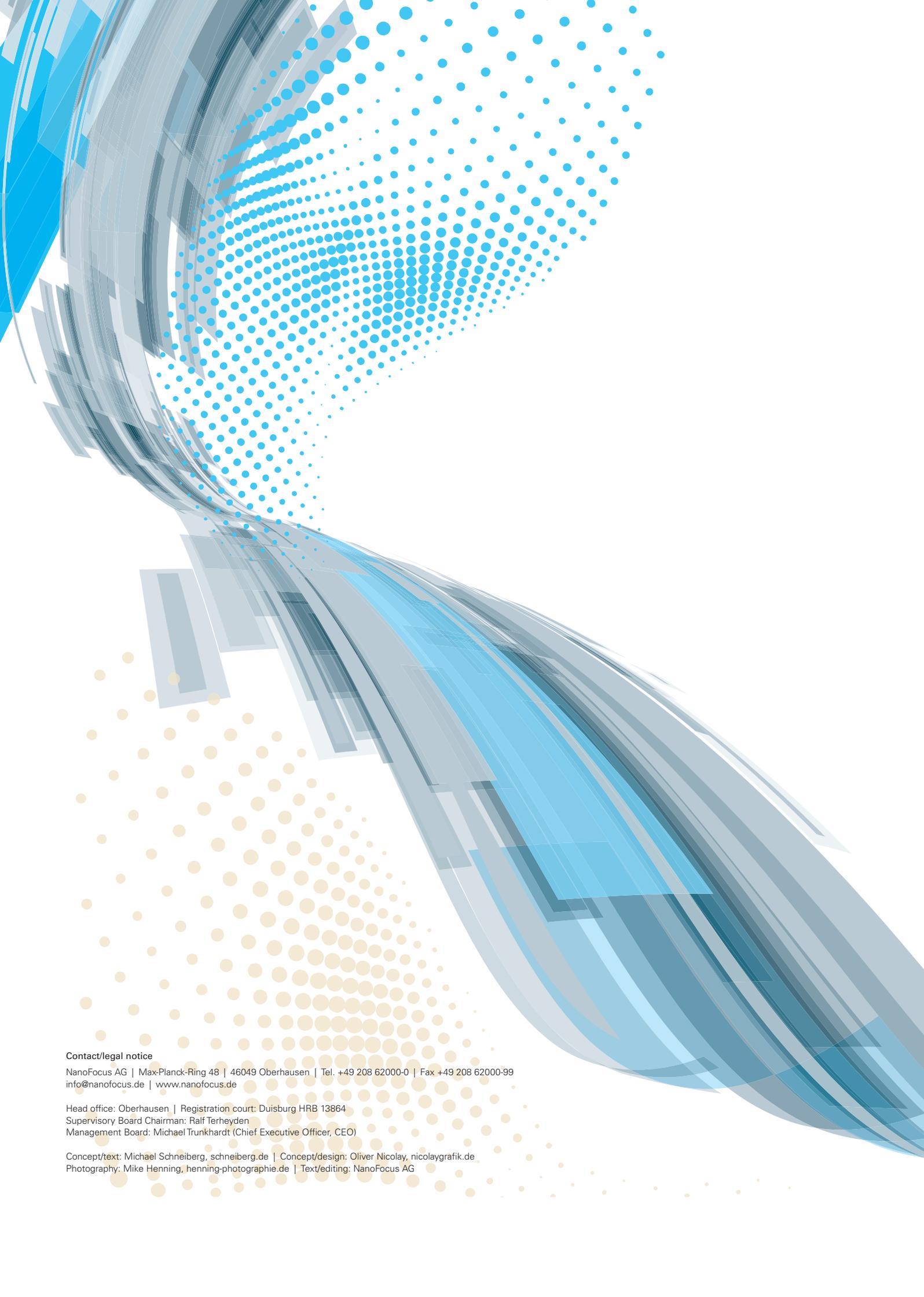




6M 2019

Half-year report
as per June 30, 2019

nanofocus[®]
see more ■



Contact/legal notice

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Head office: Oberhausen | Registration court: Duisburg HRB 13864
Supervisory Board Chairman: Ralf Terheyden
Management Board: Michael Trunkhardt (Chief Executive Officer, CEO)

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

Overview

Key Financial Figures ▶ 4 Company Facts ▶ 5

Intro

Letter to the shareholders ▶ 6

Share statistics ▶ 10

Financial informations as per June 30, 2019

Group balance sheet assets ▶ 12 | Group balance sheet liabilities ▶ 13

Group profit and loss account ▶ 14 | Group cash flow statement ▶ 15

Group statement of changes in equity ▶ 16

Short version of Group Notes ▶ 17

Key financial figures

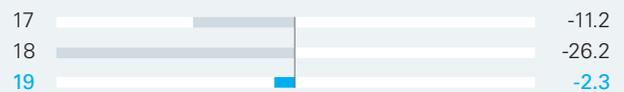
	HY 2019	Change		HY 2018
	EUR	%	absolute	EUR
Revenues	5,427	13.3	639	4,788
Total operating performance	5,860	27.4	1,260	4,600
Gross yield	3,693	20.9	637	3,055
Personnel expenditure	2,548	-2.6	-68	2,616
EBITDA	-124	-90.1	1,130	-1,254
EBITDA margin	-2.3%	-91.3	24 PP	-26.2%
Depreciation	419	7.9	31	389
EBIT	-543	-67.0	1,100	-1,643
Profit/loss for the year	-618	-64.3	1,113	-1,731
Fixed assets	3,381	-11.3	-430	3,810
Current assets (including ARAP + deferred taxes)	7,457	-10.2	-847	8,304
Liquid funds	888	33.2	222	667
Equity	3,437	-14.5	-582	4,019
Third-party capital	7,401	-8.9	-720	8,121
Liabilities	5,516	-3.7	-213	5,729
Balance sheet total	10,838	-10.5	-1,277	12,115
Cash flow from sales activities	-672	-42.1	488	-1,160
Cash flow from current operating activities	-664	-41.7	474	-1,138
Cash flow from investment activities	-178	-79.7	697	-875
Cash flow from financing activities	-1,507	-197.5	-3,052	1,545
Working capital	6,554	-1.0	-67	6,621
Equity ratio	31.7%	-4.4	-1.5 PP	33.2%
Return on equity	-18.0%	-58.2	25.1 PP	-43.1%
Average number of employees	76	-1.3	-1	77
Revenues per employees	71	14.8	9	62
Earnings per share (in EUR)	-0.09	-67.5	0.19	-0.28
Orders received HY 2018	3,789	-26.0	-1,334	5,123
Existing orders (at the close of the period)	2,963	49.0	974	1,989

Company Facts

Sales development 6M 2017-2019 (in kEUR)



EBITDA margin 6M 2017-2019 (in percent)



Liquid funds 6M 2017-2019 (in kEUR)



Revenue distribution by Business Unit (6M)



Revenue per employee 6M 2017-2019 (in kEUR)



Revenue distribution by region (6M)



Shareholder structure as per June 30, 2019



Management Board



Michael Trunkhardt
Chief Executive Officer (CEO)

Supervisory Board

Ralf Terheyden
Chairman of the Board

Stephan Gais
Deputy Chairman

Hans Wörmcke
Member of the Supervisory Board

Prof. Dr.-Ing. Stefan Altmeyer
Deputy Member of the Supervisory Board

Dr. Hans Hermann Schreier
Honorary Member of the Supervisory Board



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Letter to the shareholders



Michael Trunkhardt
Chief Executive Officer (CEO)

Dear Shareholders,

during the first six months of the year, our main focus was on our strategic and operational relaunch. Important early successes were achieved in our key areas of customer orientation, industry focus and OEM. Unfortunately, there are also areas where NanoFocus AG is facing difficult market conditions.

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Upheaval in the German automotive industry

The German automotive industry is undergoing dramatic changes that are associated with significant impacts on suppliers. The slump in investments in traditional combustion engine powertrain systems came faster and was more noticeable than many had expected. The sector is pervaded by unprecedented uncertainty. Project budgets have been cut or put on ice. This has had an impact not only our core business but also on exclusive sales from our laboratory systems via our partner Mahr GmbH. As a result of the crisis affecting our sector, sales from our laboratory systems fell well short of forecasts for the first six months.

Prospects for e-mobility

NanoFocus AG was not able to fully offset the slump in conventional drive technology during the first six months of the year. This is disappointing. Nevertheless, I see a healthy outlook for orders in the mobility sector, which is a key area for us. NanoFocus AG is exceptionally well-positioned in terms of e-mobility and the development of fuel cells. The same is true in areas with no relation to drive technology, such as functional surfaces and cockpit equipment. There is considerable demand for high-precision measurement technology to protect new manufacturing processes, especially when optimizing and establishing new technologies, such as fuel cells or avionics.

New measurement system for fuel cell manufacturing

During the first six months of the year, we launched our new μ scan CLM – FC (fuel cell) series. This new measurement system enables full-surface, non-destructive testing of so-called bipolar plates in fuel cells. The new NanoFocus device uses an innovative technique in its confocal, multi-channel sensor system. This also enables the measurement of large bipolar plates for the first time. In combination with high-resolution 3D microscope technology, this means all relevant surface parameters can be captured then evaluated using specially developed analysis software. The μ scan CLM – FC (fuel cell) series works with the high level of precision expected from NanoFocus and provides fully traceable measurements. In the growing market for fuel cell technology, the system represents significant progress in terms of product development and quality assurance.

Multi-sensor technology and successful project business

One of our key aims in 2019 is a closer collaboration with our subsidiary Breitmeier Messtechnik GmbH (BMT). We have made considerable progress in this regard. The development and operational businesses have been successfully merged in the automotive area. NanoFocus is benefitting here from the Breitmeier team's impressive project experience. The quality of this collaboration is evident from the success of various automotive industry projects undertaken in Germany and outside Europe. To date, these projects have involved the commissioning of four multi-sensor systems, with delivery well on the way to completion.

The economic development of BMT has been very pleasing overall. This can be attributed both to the project business and to good sales of the successful OEM micro-roughness probe components.

Semiconductors and electronics

Our second key sector is semiconductors/electronics, where business progressed according to plan in the first half of the year. We implemented projects with well-known semiconductor manufacturers in Korea and China. The order situation is gratifying and I am optimistic regarding future development. However, the trade dispute between the USA and China is a cause for concern and could result in even more stringent sanctions against German suppliers and manufacturers of measurement technology.

Part of our new strategy involves expanding our OEM and project business, which also constitutes an important step towards tapping into the potential in the Asian market. Planning is already underway for a preliminary reference project to develop OEM sensor technology for the semiconductor industry. The incoming order is scheduled for the third quarter.

Successful development of customer communication

One of the most significant activities in recent months was the creation of a new Customer Service Center (CSC). This center will be responsible for stepping up our customer service and supporting our client base. The CSC's initial activities have proven to be a great success. There has been a very positive response to its systematic customer care approach. Future initiatives will include regular newsletters and customer information.

This positive feedback shows that the decision to establish a stand-alone CSC was correct and long overdue. There is increasing demand for better customer communication and a stronger customer focus. In the second half of the year, the CSC will be offering its first service products with new maintenance contracts. Follow-up support for customers will continue to be a priority for NanoFocus AG in the future.

Conclusion and outlook

The difficulties faced by NanoFocus AG in the first half of the year show that we still have a long journey ahead of us. The crisis in the automotive industry and the possibility of the trade war in Asia escalating further are challenges that we have to take seriously.

We began 2019 determined to build renewed confidence in our company, with the aim of putting NanoFocus AG back in a strong position. We have made some important initial progress during the first half of the year but there remains a lot to be done. The statement that it will take more than a single year to achieve our objectives continues to be true. There is still a lot of work ahead and many obstacles will have to be overcome. However, I am confident that we have the quality and market potential to ensure our future success.

Yours sincerely
NanoFocus AG



Michael Trunkhardt
Chief Executive Officer



Share statistics

Total number of shares	6,703,164 bearer shares
Capital	EUR 6,703,164
Market capitalization	EUR 11,395,379
Transparency level	m:access, Basic Board
Share statistics 2019 (XETRA)	
Opening quotation for the year	EUR 1.74
Final price as per June 28, 2019	EUR 1.55
Annual high	EUR 1.745
Annual low	EUR 1.39
Ø Shares traded per day	2,479 shares
Company information	
Founding date	Founded on August 24, 1994 under the legal form of limited liability company (GmbH). Transformation of legal form into an AG by resolution of the shareholders' meeting of October 26, 2001
Accounting standard	German Commercial Code (HGB)/ Accounting Law Modernization Act (BilMoG)
Balance sheet date for the financial year ending on	December, 31
Stock market listing	
Start of trading	November 14, 2005
Securities identification number/ISIN	540066/DE0005400667
Bloomberg reference	N2FGR
Market segment:	Open Market (Basic Board)
Stock exchanges	XETRA (continuous auction 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 2.45)

Contact:



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Investor relations

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Financial informations as per June 30, 2019

- Group balance sheet assets ▶ **I2**
- Group balance sheet liabilities ▶ **I3**
- Group income statement ▶ **I4**
- Group cash flow statement ▶ **I5**
- Group statement of changes in equity ▶ **I6**

- Group notes ▶ **I7**

Group balance sheet assets

	06/30/2019	Change		31-Dec-18	06/30/2018
	EUR	%	absolute	EUR	EUR
A. Fixed assets	3,380,571			3,670,058	3,810,439
I. Intangible assets					
1. Internally generated intellectual property rights, similar rights and assets	653,399	-14.04	-106,745.00	760,144	773,856
2. Concessions, intellectual property rights and licenses acquired for a fee	1,441,248	-10.56	-170,161.00	1,611,409	1,743,808
3. Goodwill	757,460	-7.14	-58,266.00	815,726	873,992
	2,852,106			3,187,279	3,391,656
II. Property, plant and equipment					
1. Technical equipment and machinery	257,674	-11.88	-34,743.00	292,417	203,952
2. Other assets, fixtures and fittings	270,790	42.25	80,428.00	190,362	214,831
	528,464			482,779	418,783
B. Current assets	7,325,462			10,085,560	8,038,792
I. Inventories					
1. Raw materials, auxiliary materials and consumables	2,436,623	2.11	50,402.00	2,386,221	2,292,343
2. Unfinished goods, unfinished services	1,867,362	0.54	10,115.00	1,857,247	1,299,577
3. Finished goods	696,326	103.20	353,651.00	342,675	730,357
4. Advance payments for inventories	0	-100.00	-98,961.00	98,961	2,798
	5,000,311			4,685,104	4,325,075
II. Accounts receivable and other assets					
1. Trade accounts receivables	1,374,830	-31.39	-629,032.00	2,003,862	2,963,218
2. Other assets	62,033	-61.11	-97,492.00	159,525	83,755
	1,436,864			2,163,387	3,046,973
III. Cash assets, due from banks and checks	888,287	-72.56	-2,348,781.00	3,237,068	666,743
C. Deferred income and accrued expenses	124,877	136.37	72,046.00	52,831	122,917
D. Deferred tax assets	6,959	0.00	0.00	6,959	142,467
	10,837,868			13,815,407	12,114,615

Group balance sheet liabilities

	06/30/2019	Change		31-Dec-18	06/30/2018
	EUR	%	absolute	EUR	EUR
A. Equity					
I. Subscribed capital	6,703,164	0.00	0	6,703,164	6,093,786
II. Capital reserve	10,746,926	0.00	0	10,746,926	10,381,299
III. Retained earnings	1,165,000	0.00	0	1,165,000	1,165,000
IV. Capital difference from currency conversion	0	n.a.	0	0	-93,011
V. Loss carried forward	-14,559,998	23.42	-2,762,779	-11,797,219	-11,797,219
VI. Net loss for the year	-617,941	-77.63	2,144,839	-2,762,780	-1,730,677
	3,437,151			4,055,091	4,019,178
B. Provisions					
1. Tax provisions	1,041	0.00	0	1,041	0
2. Other provisions	971,218	-37.81	-590,521	1,561,739	1,029,211
	972,259			1,562,780	1,029,211
C. Liabilities					
1. Bonds (convertible)	0	-100.00	-1,350,000	1,350,000	1,350,000
2. Amounts owed to credit institutions	0	n.a.	0	0	34
3. Advance payments received on orders	887,710	71.45	369,940	517,770	69,000
4. Trade accounts payables	901,837	-32.95	-443,168	1,345,005	928,235
5. Other liabilities	3,726,590	-6.39	-254,233	3,980,823	3,381,699
	5,516,137	-23.32	-1,677,461	7,193,598	5,728,968
D. Deferred income and accrued expenses	44,480	3.47	1,493	42,987	95,242
E. Deferred tax liabilities	867,841	-9.69	-93,110	960,951	1,267,644
	10,837,868			13,815,407	12,114,615

Group profit and loss statement

	HY 2019		Change	HY 2018
	EUR	%	absolute	EUR
1. Revenues	5,427,148	13.35	639,015	4,788,133
2. Inventory changes to finished and unfinished goods	363,766	-246.10	612,742	-248,976
3. Other capitalized assets	0	-100.00	-104,711	104,711
4. Other operating income	69,378	13.22	8,102	61,276
– of which from currency conversion: EUR 44.33 (previous year: kEUR 1)				
5. Material expenditure	2,098,166	41.40	614,350	1,483,816
5a. Expenses for raw materials, materials and supplies and for goods purchased	2,035,478	42.54	607,476	1,428,002
5b. Expenses for purchased services	62,689	12.32	6,875	55,814
6. Personnel expenditure	2,548,349	-2.60	-68,081	2,616,430
6a. Wages and salaries	2,151,612	-3.28	-72,853	2,224,465
6b. Social contributions and expenditure for pensions and benefits	396,738	1.22	4,772	391,966
– of which for old-age pension: EUR 9,525.81 (previous year: kEUR 13)				
7. Depreciation on intangible assets of fixed assets and property, plant and equipment	419,142	7.86	30,533	388,609
8. Other operating expenditure	1,337,358	-28.06	-521,572	1,858,930
– of which from currency conversion: EUR 2,662.77 (previous year: kEUR 38)				
9. Other interest and similar income	25	-16.67	-5	30
10. Interest and similar expenditure	166,537	-2.26	-3,844	170,381
– of which from interest expenditure: EUR 0.00 (previous year: kEUR 4)				
11. Tax on income and on profits	-93,111	12.11	-10,060	-83,051
– of which deferred tax assets: EUR -93,110.33 (previous year: kEUR -46)				
12. Result after tax	-616,124	-64.38	1,113,818	-1,729,942
13. Other taxes	1,817	146.88	1,081	736
14. Net loss for the year	-617,941	-64.29	1,112,736	-1,730,677

Consolidated cash flow statement

	06/30/2019	Change	06/30/2018	12/31/2018
	kEUR	absolute	kEUR	kEUR
Cash and cash equivalents at the start of the period	3,237	2,105	1,132	1,132
Result for the period	-618	1,113	-1,731	-2,763
Depreciation on fixed assets	419	30	389	856
Depreciation of current assets	0	0	0	856
Increase/decrease in provisions	-391	-426	35	347
Other non-cash expenditures and income	-4	1	-5	295
Profit/Loss from the disposal of fixed assets	-152	-180	28	29
Interest expenses/interest earnings	167	-3	170	359
Income tax expense/income	-93	-47	-46	-216
Income tax payments	0	0	0	153
Cash flow from sales activities	-672	488	-1,160	-84
Increase/decrease in stocks, accounts receivables and other assets not classified as investment or financing activities	287	-184	471	-217
Increase/decrease in liabilities from accounts payables and other liabilities as well as other liabilities not attributable to investing or financing activities	-279	170	-449	719
Cash flow from current operating activities	-664	474	-1,138	418
Pay-outs for investments in intangible assets	-1	103	-104	-156
Deposits from the disposal of property, plant and equipment	162	162	0	1
Pay-outs for investments in property, plant and equipment	-139	-118	-21	-83
Pay-outs for payment of purchase price liabilities for previously consolidated entities	-200	550	-750	-750
Cash flow from investment activities	-178	697	-875	-988
Deposits from capital injections	0	0	0	975
Deposits from the issue of bonds and the raising of (financial) credits	0	-2,723	2,723	3,223
Payments from the settlement of loans and (financial) credits	-1,415	-342	-1,073	-1,149
Deposits from subsidies received	55	40	15	10
Interest paid	-147	-27	-120	-236
Cash flow from financing activities	-1,507	-3,052	1,545	2,823
Cash alterations to cash funds	-2,349	-1,881	-468	2,253
Currency exchange changes to investment fund	0	-3	3	-148
Cash and cash equivalents at the close of the period	888	221	667	3,237
Cash and cash equivalents	888		667	3,237
Current account liabilities	0		0	0
Cash and cash equivalents at the close of the period	888		667	3,237

Consolidated equity statement of changes

	Subscribed capital	Capital provision	Retained earnings	Balance sheet loss	Group equity
	EUR	EUR	EUR	EUR	EUR
Equity as per January 1, 2019	6,703,164	10,746,926	1,165,000	-14,559,998	4,055,091
Profit/loss for the year				-617,941	-617,941
Equity as per June 30, 2019	6,703,164	10,746,926	1,165,000	-15,177,939	3,437,151

Short version of the Group Notes as per June 30, 2019

1. Consolidation and Group structure

The consolidation included the companies NanoFocus Analytics GmbH (Duisburg), mikroskin GmbH (Oberhausen) 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 2018 Group Annual Report (pages 41-44).

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 asset overview (see following pages):

Group Notes as per June 30, 2019

	As per 01/01/2019	Currency difference	Procurement costs			As per 06/30/2019
			Adjusting entries	Additions	Disposals	
	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets						
1. Internally generated intellectual property rights, similar rights and assets	4,455,528	0	0	0	0	4,455,528
2. Licenses/software acquired for fee	4,490,898	0	0	1,005	0	4,491,903
3. Goodwill	6,399,511	0	0	0	0	6,399,511
Total intangible assets	15,345,937	0	0	1,005	0	15,346,942
II. Property, plant and equipment						
1. Technical equipment and machinery	1,065,899	0	0	15,119	12,703	1,068,315
2. Other assets, fixtures and fittings	781,669	0	0	124,056	260,902	644,824
Total property, plant and equipment	1,847,569	0	0	139,175	273,605	1,713,139
Total	17,193,506	0	0	140,180	273,605	17,060,081

Group Notes as per June 30, 2019

As per 01/01/2019	Currency difference	Depreciation			Book value		
		Adjusting entries	Addition	Disposals	As per 06/30/2019	As per 06/30/2019	As per 12/31/2018
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
3,695,385	0	0	106,745	0	3,802,130	653,399	760,144
2,879,488	0	0	171,166	0	3,050,655	1,441,248	1,611,409
5,583,786	0	0	58,266	0	5,642,052	757,460	815,726
12,158,658	0	0	336,178	0	12,494,836	2,852,106	3,187,279
773,483	0	0	39,336	2,178	810,641	257,674	292,417
591,305	0	0	42,628	260,900	374,034	270,790	190,362
1,364,788	0	0	82,964	263,078	1,184,675	528,464	482,779
13,523,446	0	0	419,141	263,077	13,679,510	3,380,571	3,670,058

3.1. Subscribed capital

The capital amounts to 6,703,164 million EUR and is subdivided into 6,703,164 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 2,437,515.00 by issuing, on one or more occasions and after partial use, 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 amounts to kEUR 10,747.

3.4. Other provisions

	30-Jun-19	30-Jun-18
	kEUR	kEUR
Personnel provisions	520,604	193,023
Outstanding invoices	95,049	27,026
Financial statement/ auditing and advisory costs	26,689	25,950
Warranties	64,947	69,500
Supervisory Board remuneration	22,500	22,500
Archiving costs	17,300	17,300
Variable purchase price SISCAN	75,170	145,823
Interest	0	178,089
Variable purchase price Breitmeier	150,000	350,000
Total	972,259	1,029,211

3.5. Liabilities

A proportion of liabilities in the amount of kEUR 2,000 is secured through pledging of shares in a related company. In addition, a proportion of kEUR 295 is secured through a guarantee agreement containing the main claim and additional benefits (interest).

On Sunday, June 30, 2019, existing liabilities amounted to kEUR 5,516. kEUR 3,474 of these have a residual maturity of between one and five years and kEUR 2,042 have a term of less than one year. There were no liabilities to banks on the balance sheet date.

3.6. Contingent liabilities

On Sunday, June 30, 2019, 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.

Oberhausen, Tuesday, August 6, 2019

NanoFocus AG
Management Board



Michael Trunkhardt
Chief Executive Officer (CEO)

4. Notes on the Group profit and loss statement

4.1. Revenues

Revenues by business unit	HY 2019	HY 2018
	kEUR	kEUR
Customer Support Center	635	2,707
Mobility	2,132	1,277
OEM	2,134	362
Semiconductor/Electronics	526	442
Total	5,427	4,788

Revenues by region	HY 2019	HY 2018
	kEUR	kEUR
Europe	4,589	3,581
Asia	687	788
North America	136	419
South America	15	0
Total	5,427	4,788

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

NanoFocus AG

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