



Half-year Statement
on 06/30/2017

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Key figures on 6/30/2017*

	HY 2017	Change		2016
	kEUR	%	Absolute	kEUR
Revenues	5,089	n/a	n/a	12,317
Total operating performance	5,482	n/a	n/a	12,548
Gross yield	3,357	n/a	n/a	7,821
Personnel expenditure	2,680	n/a	n/a	5,709
EBITDA	-572	n/a	n/a	-970
EBITDA margin	-11.2%	n/a	n/a	-7.9%
Depreciation	587	n/a	n/a	1,047
EBIT	-1,159	n/a	n/a	-2,017
Profit/loss for the year	-1,292	n/a	n/a	-3,076
Fixed assets	7,584	-1.6	-120	7,704
Current assets**	8,865	-11.5	-1,148	10,013
Liquid funds	1,186	n/a	-1,736	2,922
Equity	9,235	-5.0	-490	9,725
Third-party capital	8,179	-8.7	-775	8,953
Liabilities	5,045	-11.2	-636	5,681
Balance sheet total	17,414	-6.8	-1,264	18,678
Cash flow from sales activities	-722	-39.3	467	-1,189
Cash flow from current operating activities	-2,401	n/a	-2,414	13
Cash flow from investment activities	-404	-76.4	1,308	-1,712

	HY 2017		Change	2016
	kEUR	%	Absolute	kEUR
Cash flow from financing activities	1,373	-63.5	-2,388	3,761
Working capital	6,216	29.4	1,412	4,804
Equity ratio	53.0%	1.9	0.9 PP	52.1%
Return on equity	-14.0%	-55.8	17.6 PP	-31.6%
Average number of employees	82	-9.9	-9	91
Earnings per share (in EUR)	-0.21	-61.1	0.33	-0.55
Inflow of orders 6/30/2017	6,560	n/a	n/a	11,470
Existing orders (at the close of the period)	3,404	76.1	1,471	1,933
Development expenditure	788	n/a	n/a	2,106
Development intensity (expenditure in relation to revenues)	15.5%	-9.4	-1.6 PP	17.1%
Average number of development employees	20	-1.0	0	21
Average development employees as a % of average employees	24.4%	7.0	-1.6 PP	22.8%

* Since the Group Half-Year Report was first compiled for 6/30/2017, there are no comparative figures for the period preceding this. However, for easier allocation, the financial tables show the values for the financial year ending at 12/31/2016 (12 months).

** Less prepaid expenses and deferred taxes

Sales development 6M 2016-2017 (in kEUR)



Liquid funds 6M 2016-2017 (in kEUR)



Revenue per employee 6M 2016-2017 (in kEUR)

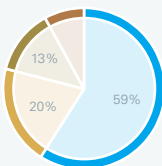


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EBITDA margin 6M 2016-2017 (in percent)

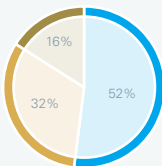


Revenue distribution by Business Unit



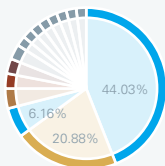
	kEUR	%
■ Standard/Laboratory	2,985	59
■ Automotive	1,025	20
■ OEM	668	13
■ Semiconductor	412	8

Revenue distribution by region



	kEUR	%
■ Europe	2,649	52
■ Asia	1,640	32
■ North/South America	800	16

Shareholder structure as at 6/28/2017



	Shares	%
■ Free Float	2,683,369	44.03
■ Carl Mahr Holding GmbH	1,272,498	20.88
■ Alto Invest	375,655	6.16
■ Robotec GmbH	200,000	3.28
■ Schreier family	185,721	3.05
■ Baden-Württembergische VA	180,000	2.95
■ Ms Isabella de Krassny	168,985	2.77
■ tbg mbH	168,000	2.76
■ Eismann family	159,450	2.61
■ Velzel family	123,350	2.03
■ Bödecker family	123,350	2.03
■ Valentin family	121,846	2.00
■ Grigat family	119,332	1.96
■ Hansa Invest	117,900	1.94
■ TS Group GmbH	94,330	1.55
Total bearer shares	3,410,417	55.97
Free Float	2,683,369	44.03
Total shares	6,093,786	100.00

Company boards



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



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

Supervisory Board

Ralf Terheyden, Chairman of the Supervisory Board

Stephan Gais, Deputy Chairman

Hans Wörmcke, Supervisory Board member

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

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

Investor relations contact



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Equity Story

NanoFocus AG is the technological leader in the field of optical 3D surface metrology. Approximately EUR 12m was invested in research and development in the period from 2010 to 2016 alone. Today, NanoFocus AG's leading technological position is protected by numerous patents and utility models. 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. The Group's products are now established worldwide, both in leading research and development institutes and in global corporations from the medicine, automotive, electronics and semiconductor industries.

The optical 3D surface measurement technology is used in industry and in science to examine surfaces with structures in the micro and nano range. While this next generation metrology was previously mainly used in the laboratory, it is becoming more and more prevalent in industrial manufacturing. For example, it can be integrated into the increasingly digital production process (termed Industry 4.0), and it is precise to the micrometer and nanometer.

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. The Group also commenced a sales campaign at the end of 2016. At the same time, the investment phase in R&D was completed and measures were taken to cut costs. New sales potential will also be generated with the new strategic investor from the industry.

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 the investment phase in R&D and taken measures to cut costs.
- ▶ has placed the first pilot systems in the semiconductor and automotive industries.
- ▶ has commenced a sales campaign.
- ▶ explores new sales potential with the strategic investor in the industry.

Technologies

μsurf

The μsurf sensor is based on NanoFocus's patented laminar confocal technology. It records topography, roughness and coating thickness in seconds in the micrometer and nanometer field.

μscan

The μscan technology is based on the principle of optical 3D scanning profilometry using different flexible point sensors in micro- and nanometer range.

μsprint

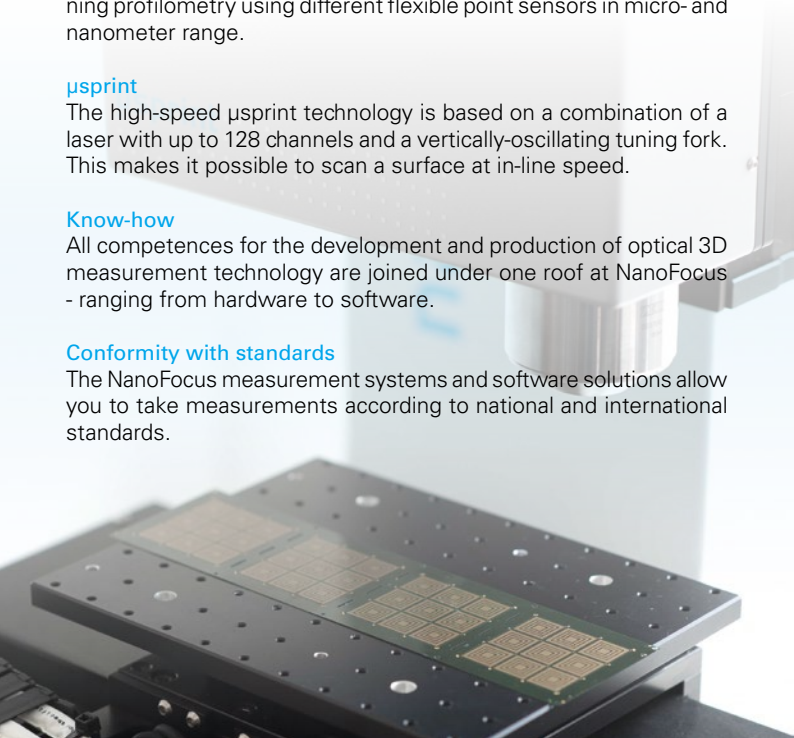
The high-speed μsprint technology is based on a combination of a laser with up to 128 channels and a vertically-oscillating tuning fork. This makes it possible to scan a surface at in-line speed.

Know-how

All competences for the development and production of optical 3D measurement technology are joined under one roof at NanoFocus - ranging from hardware to software.

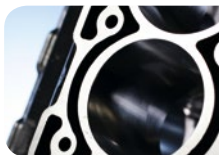
Conformity with standards

The NanoFocus measurement systems and software solutions allow you to take measurements according to national and international standards.



Applications

Selected applications range from roughness measurement in the automotive industry to wear measurement in tool manufacture:



Automotive



Fuel cell technology



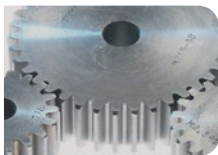
Printing and paper industry



Semiconductors



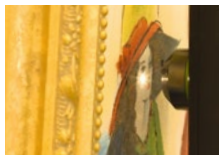
Medical technology



Mechanical engineering



Materials science



Art



Microsystem technology



Security technology



Solar technology



Tool manufacture





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Dear Shareholders,

In the last few months, NanoFocus AG underwent a series of important changes. In the second quarter of 2016, we already implemented several adjustments to respond to the unfavorable business development of the last two years. Cost savings in HR and Development, greater focus on our core areas and business model optimization – these were also our three objectives for the 2017 financial year.

Half-year remains below expectations

The positive effects of our measures, already apparent at the end of last year, continued in the first half of 2017. However, on the balance sheet date for the half-year financial statements, our revenues were still below our planned budget figures. The order for our OEM customer FTI has by now been completed, but could not be included on the half-year balance sheet date. Depreciation of our subsidiaries Breitmeier Messtechnik GmbH and mikroskin GmbH was added to this. In addition, business in America remained significantly below expectations.

Cost savings and successful restructuring

Our current business development status leads us to assume that we will achieve our annual revenue budget of more than EUR 13 million. Savings measures will reduce personnel and operating expenses even further. The positive effects will be felt more strongly in the second

half of the year, primarily thanks to adjustments to the materials ratio, purchasing and personnel.

Restructuring in the personnel area is largely completed. Further optimization projects in the second half of the year relate primarily to improvements of internal sales, service and application processes.

Good inflow of orders

At EUR 4.8 million orders (prior year: EUR 3.6 million), our inflow of orders at the end of the half-year was significantly higher (+30%) than in the comparative period last year. A great success, and further encouragement to continue on our chosen path. This was achieved thanks to the positive and stable business development of our standard systems and OEM business. This enabled us to nearly double our planned OEM business for the half-year due to an additional order from our long-term customer FTI.

“The developments in the first half of the year confirm us in our strategy to focus more strongly on our successful core areas.”

NanoFocus AG Management Board

Joachim Sorg (CFO) and
Dipl.-Ing. Marcus Grigat (COO)



We view this as a confirmation of our strategy to increasingly focus NanoFocus on our successful core areas.

Successes in standard business

The greater sales volume of standard systems for use in semiconductor production in Asia was an especially encouraging development. Demand is high, which is why we want to increasingly use our years of sales experience in standard business in Asia.

After years of continuous research and further development, NanoFocus AG now has a product range of high precision surface analysis tools, which is technologically

unique in the world. We are expecting a further good development in this segment.

Developing the HiCOS sensor for use in our μ sprint systems was an important step – a technological further development at the highest level, which is attracting much interest in the semiconductor industry.

Strengthening our core areas

We will present our successful standard systems more intensely in areas in which we were previously present primarily with development-intensive, long-term projects. The highly developed laboratory and quality assurance systems based on μ scan, μ surf and μ sprint technology constitute the basis of NanoFocus AG. In this area, we have sophisticated systems with globally unique performance. NanoFocus devices have an excellent reputation in development laboratories in the major manufacturing industry and represent best surface analysis. We thus consider the marketing and sale of our fully developed standard systems to be an important basis for our future business development.

Automotive and mobility

The NanoFocus segment Automotive, especially our customer support in cylinder inspection, was integrated further into our subsidiary Breitmeier Messtechnik.

The consequences and discussions surrounding emissions manipulation and emission values continue to have an effect on the general investment mood in the automotive industry. Our systems are gaining a more central position especially in the field of energy-efficient alternative solutions for future mobility: From the development of market-ready fuel cells, battery research, sensor systems and camera technology, to plate manufacture and tire technology. Our systems are used in quality control and in the development of new technologies which play a key role in the future of mobility.

Strategic investor and industry expert on the Supervisory Board

We are especially proud to have been able to attract two proven industry experts for metrology to the Supervisory Board of NanoFocus AG: Stephan Gais, Chairman of the Management Board and shareholder of Carl Mahr GmbH & Co. KG, and Hans Wörmcke, founding shareholder and Chairman of the Supervisory Board of m-u-t AG.

Carl Mahr Holding GmbH became a strategic investor in NanoFocus AG, holding 20% of shares. The Mahr Group is a globally leading provider of production metrology with a global sales and production network and annual turnover of approx. EUR 238 million in 2016. For us, this long-term investment confirms our technological performance and the market opportunities of NanoFocus. This opens up several strategic collaboration options with the Mahr Group. The details of this cooperation are currently being developed jointly.

Positive outlook

We have not yet achieved our objective of generating a sustainably profitable result. However, we have moved out of the crisis situation of mid-2016 and have initiated a clear change of course with several crucial consequences. The positive trend of 2017 is the result of these measures, and we are expecting a successful run during the second half of the year.

While the most important restructuring measures have been largely implemented, the overall process is not yet complete. The next few months will continue to focus on optimization and focusing. We will strengthen internal processes and sales further.

The good inflow of orders and the stable standard and OEM business are encouraging us to continue the measures and adjustments that we have started with consistency and care.

Yours sincerely
NanoFocus AG
Management Board



Dipl.-Ing. Marcus Grigat



Joachim Sorg

Stock performance and analyst evaluation

After a quiet start to 2017 on the stock markets, the leading share indexes developed very positively in the first half of the year. The German leading share index DAX grew by 7% in the first six months of the year. The technology index TecDax even went up by 20.8%.

After two difficult years, the NanoFocus share showed a very encouraging development in the first half of 2017. A strong inflow of orders in the first months and the introduction of a strategy investor from the industry created a turnaround mood. The share price at the start of 2017 was EUR 1.85. This increased significantly in subsequent months, closing at EUR 2.91 on June 30, 2017. The rate therefore went up by a total of 57.3% in the reporting period.



Capital increase and strategic investor

NanoFocus AG put through a capital increase on April 20, 2017. Partial use of existing authorized capital, and the exclusion of the shareholder subscription right, resulted in an increase in the company's share capital by EUR 453,000 to EUR 6,093,786. Carl Mahr Holding GmbH subscribed to these new shares. Since then, this new strategic investor has held around 20% of NanoFocus. The Mahr Group is one of the world's leading full-scale providers of production metrology. NanoFocus will be able to benefit from several strategic collaboration opportunities with the Mahr Group as a globally trading family company with more than 150 years of experiences in metrology – particularly in the automotive area. The details of this cooperation are currently being developed jointly.

from 01/02/2017 to 8/31/2017

Investor relations

We maintain regular dialogue with the capital market. It is in the company's interest to increase public awareness of NanoFocus AG further and maintain contacts and establish new ones. Regular investor talks were therefore held. On April 26, NanoFocus AG gave a presentation at the 23rd MKK in Munich. Participation in several further conferences is planned during the course of the year.

The Ordinary Annual General Meeting of NanoFocus AG took place on June 28, 2017. All agenda items were approved with a vast majority of votes. Among other matters, the shareholders present elected a new Supervisory Board member. The two industry experts Stephan Gais, Chairman of the Management Board and shareholder of Carl Mahr GmbH & Co. KG, and Hans Wörmcke, founding shareholder and Chairman of the Supervisory Board of m-u-t AG, were appointed to the Board. Ralf Terheyden, Supervisory Board member since 2006, and Prof. Ing. Stefan Altmeyer, Deputy Supervisory Board member since 2007, were re-elected. Dr. Hans Hermann Schreier, Chairman for many years, and Felix Kregel both left the Supervisory Board as planned. The General Meeting appointed the company founder Dr. Hans Hermann Schreier as honorary chairman.

In its report to the Annual General Meeting, the Management Board of NanoFocus AG addressed the difficult development in 2016 and the Group financial statements compiled for the first time. It was confident that the cost savings measures taken in the current year will take effect and that the turnaround will be successful.

Outlook for 2017

In consideration of current orders, the inflow of orders, economic expectations and current business relationships, we are planning for an increase in sales to at least EUR 13m for the 2017 fiscal year. The budget is focused around a more profitable product mix, cost savings and the absence of one-off effects in 2016. The Management Board of NanoFocus AG is now expecting an EBITDA margin of 8% and an EBIT that breaks even. The EBIT margin is falling because of depreciation not taken into account in the original budget relating to Breitmeier Messtechnik GmbH and mikroskin GmbH. The previous forecast for the EBITDA margin had been 10%, and 5% for the EBIT margin.



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

References



Share data on 6/30/2017

Total number of shares	6,093,786 bearer shares
Capital	EUR 6,093,786
Market capitalization	EUR 17,732,917
Transparency level	m:access, Basic Board

Share statistics 1st half of 2017 (XETRA)

Final price at 6/30/2017	EUR 2.91
Half-year high	EUR 3.45
Half-year low	EUR 1.67
Shares traded per day in 2017	ø 13,847 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)/Group
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	ICF BANK AG Securities trading bank
Research	GBC AG (Rating: Buy, target price: EUR 3.20)



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Investor relations

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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 and partner enterprises to manufacture innovative products and implement efficient manufacturing procedures. The three

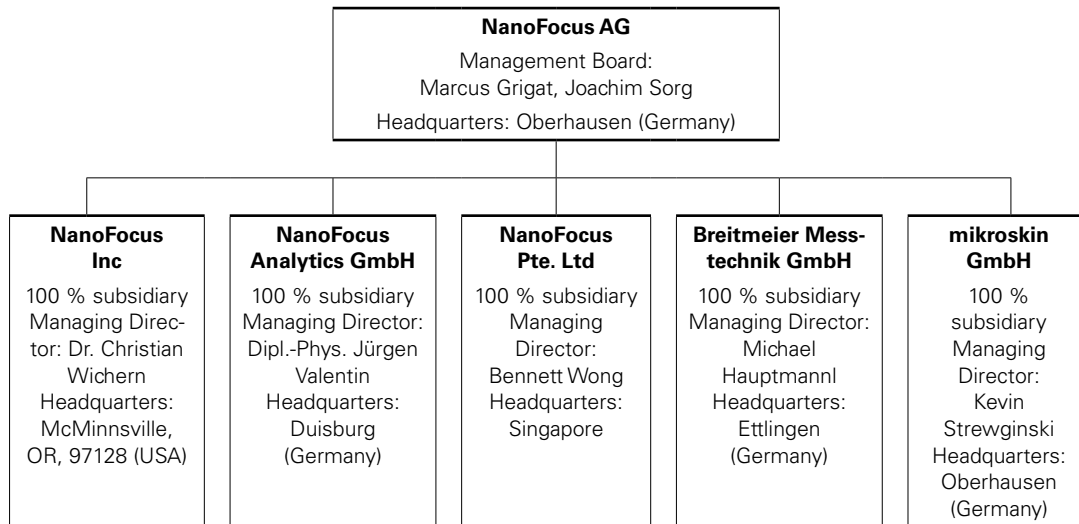
main product lines consist of the analysis systems μ surf, μ scan and μ sprint. The company also offers supplementary services and system software required for operation.

Not only does NanoFocus AG 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 company has a second branch in Karlsruhe.

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

Breitmeier Messtechnik GmbH with headquarters in Ettlingen (below called "BMT") was acquired at the end of



2015 and specializes in the development, manufacture and sale of optical and tactical surface measurement devices. The main application area is in the automotive and utility vehicle area. As at June 30, 2017, BMT employed twelve full-time staff in addition to the managing director, plus two part-time staff and one intern.

On April 1, a new managing director was appointed for the 100% subsidiary NanoFocus Materialtechnik GmbH, which has previously dealt only with management tasks and basic IP management, giving it a new operative, sales-oriented focus. The former Management Board member for Technology, Jürgen Valentin, is driving the new focus towards market analysis and fast market development

of trendy topics as the new managing director. The unit is managed as a separate profit center. As a result, the company was renamed to NanoFocus Analytics GmbH, with headquarters in Duisburg.

NanoFocus AG founded mikroskin GmbH in 2014, which is also located in Oberhausen with one managing director. This subsidiary is responsible for developing measurement and analysis procedures to support the provision of medical and cosmetic services in the field of skin.

The two foreign subsidiaries are structured entirely as pure sales organizations, coordinated by NanoFocus representatives in the US and Asian regions. NanoFocus Pte. in Singapore employs one application and service engineer in addition to its managing director. NanoFocus Inc. has one managing director.

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). It obligates participants to provide a certain level of transparency, and as such it is situated between the low requirements of the quotation board and the transparency and quality standards of the scale segment. These three taken together make up the Frankfurt Open Market.

NanoFocus AG and BMT are certified under ISO 9001 and OHSAS 18001 (Work Safety). In the first half of 2017, the NanoFocus Group employed 82 employees on average. On June 30, 2017, the absolute number of full-time employees amounted to 68. The present half-year report for 2017 is the first to contain the Group figures for the half-year. The decision in favor of a retroactive initial consolidation for January 1, 2015, was made in the third quarter of 2016. If the interim financial statements had been compiled retroactively for the comparative period June 30, 2016, this would have required a very time and cost-intensive recognition of individual bookings for all subsidiaries. That is why we decided against collecting the 6-month comparative values for the period from January 1 to June 30, 2016.

To better estimate the interim financial statement figures as at June 30, 2017, we have provided the 12-month values from the Group financial statements from January 1 to December 31, 2016. To the next group half-year in 2018, we will report as usual in direct comparison.

Research and development

Research and development (R&D) activities are of strategic importance to the NanoFocus Group. This is particularly true of the Group's own R&D departments 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 proximity to the market, access to newly emerging knowledge, and reassures users that the results can be exploited commercially. At the end of the first half of 2017, we have an extensive technology base developed in a process over many years. The high level of R&D activities are currently adjusted to a level that is reasonable from a business perspective to secure the innovative position.

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.

NanoFocus's R&D expenditure over the last half year (primarily, personnel costs and software development costs) makes up 15.5 % of the total revenue.

II. Economic report

Global economic environment

The DIW economic barometer in July 2017 showed that the German economy is experiencing an upswing. The German economy is expected to continue to grow even though at a slower rate. The business climate index went up to 116.0 points, after reaching 115.2 points in June. As such, the index is remaining firmly above the 100 point mark, which indicates growth compared to the long-term mean. Average economic performance for April, May and June is predicted to be 0.6% higher on average than in the first three months. A slightly lower growth of 0.5% was recorded for the ongoing third quarter of the year.

Source: DIW Berlin, Economic barometer on July 27, 2017; www.spiegel.de, ifo business climate

Target sectors for NanoFocus

Mechanical engineering and plant construction in Germany

According to preliminary results, mechanical engineering production in the first months of 2017 exceeded the prior year by 2.3%. At 85.6 %, capacity utilization in April 2017 was only just below the long-term industry average. As such, the utilization rate went up again slightly, after stagnating at the lower end since the end of 2012, with the exception of July 2014.

Source: VDMA, Economic bulletin (07/2017)

In July, the inflow of orders from domestic clients in the automotive area reached the level of the previous month. After the first seven months, the inflow of domestic orders was still at the prior year level.

Source: VDA website, (08/2017)

The electronics industry recorded an increase in the inflow of orders, in production and sales. An order plus of 8.7% compared to the previous year was achieved in the first half of 2017. The inflow of domestic orders (+7.8 %) and foreign orders (+9.4 %) grew almost equally. At 13.6 %, orders from the Eurozone however went up twice as quickly as from third-party countries (+7 %).

Source: www.zvei.org, (08/2017)

After a stable prior year result of 4% growth in turnover, the sensors and measurement technology industry recorded an increase in turnover of 9% in the first quarter of 2017. The inflow of orders grew by 10% compared to the previous quarter.

Source: www.elektroniknet.de, quarter survey measurement technology and sensors

Business activities

The first half of the 2017 financial year was still characterized by the restructuring initiated in 2016. The focus was on two new technological developments: the latest generation of μ surf explorer in the standard/laboratory area, and the finalization of the funding project HICOS3D in the semiconductor area.

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. It is therefore maintaining the annual budget for 2017.

Technological process

At Control, the world's leading trade fair for quality assurance, NanoFocus AG and BMT jointly presented themselves as providers for optical, tactical and interferometric surface metrology. In addition to its confocal core technology, the NanoFocus Group also offers tactile roughness metrology and initial solutions in the field of white-light interferometry. The measurement systems of the three product lines μ surf (high-resolution area-measuring 3D confocal microscopes), μ scan (2D/3D profilometers for large measurement areas) and μ sprint (extremely fast, inline-capable 3D confocal sensors) are supplemented by Breitmeier measurement solutions. By combining their technologies and products, NanoFocus and BMT can offer fully automated inspection solutions, which can be used as part of, or integrated fully into, the production environment for individual or serial sample measurements. The Group thus provides a wide range of solutions for different measurement tasks, such as standard-compliant 2D/3D roughness measurements, defect detection, and the determination of form, waviness, volume and step height, as well as tribological properties.

The latest generation of μ surf explorer is a compact full package for measuring and analyzing surfaces. μ surf explorer is robust and not sensitive to environmental influences, so that it can be used in testing laboratories as well as for quality assurance in production environments. This product innovation takes contactless measurements in a fast and uncomplicated process involving only a few functional steps. The new generation of μ surf explorer combines tried and tested properties with the innovations of the μ surf technology. In its new version, this measurement system is fully equipped with an HDR function, automatic objective identification and collision detection in all spatial directions.

The NanoFocus Group is presenting at the following trade fairs and workshops:

- ▶ February 2017, MD&M West, USA – Medical Technology Trade Fair
- ▶ March 2017, Machine Measurement Symposium, Germany – Presentation
- ▶ March 2017, Semicon, Taiwan – Semiconductor Trade Fair
- ▶ May 2017, Control, Germany – Leading Quality Assurance Trade Fair
- ▶ June 2017, Roughness Workshop, Germany – internal customer workshop
- ▶ June 2017, Met & Props, Sweden – Metrology Trade Fair
- ▶ June 2017, μ soft analysis workshop, Germany – customer workshop
- ▶ June 2017, Innovation Forum for Chipping Technology, Germany – Exhibition

In the Semiconductor area, the three-year development project "High Speed Confocal Sensor for 3D Inspection (HICOS3D)" was officially completed as part of a final meeting in mid-February 2017. The HICOS3D project was founded by the German Federal Ministry of Education and Research (BMBF) under the "SME Innovative: Optical Technologies" funding initiative of the "Photonics Research Germany" program, with an amount of approximately EUR 800,000. The central aim of the HICOS3D project is to develop the world's fastest confocal sensor for 3D quality control directly integrated into the production process of complex micro-electronic or micro-mechanic, mechatronic or optical products and components.

The successful implementation of the technological goals of the HICOS3D project means that NanoFocus AG is now offering a much improved product for the semiconductor segment. Compared to the fastest confocal sensor tested at project launch, the sensor newly developed as part of the HICOS3D project can boast not just a four times greater lateral and axial resolution, but also a measurement speed that has been increased by 2.5 times. The new confocal high-speed sensor delivers more than 5 million 3D measurement points per second and as such more than fulfills the key goal set at project launch of creating the "world's fastest confocal sensor". The first preliminary series devices are currently in production, and it is planned that the new sensor will be in use by the fourth quarter.

With the Key Account Federal Mogul, NanoFocus is developing a high-performance optical measurement system for monitoring the roughness of piston rings.

The aim is for this fully automated solution to be rolled internationally starting with a small series in Germany.

The BMT-internal white light interferometry technology was redesigned for cylinder bores with a smaller diameter. At Control, the leading quality assurance trade fair, an automated measuring station for miniprofilers supported by collaborative robotics was introduced, which attracted much customer interest. The Sales department of the NanoFocus Business Unit Automotive was integrated into the BMT. A ZIM project in the software development area was approved and will co-finance investments in the field of software analytics.

NanoFocus Pte. Ltd. (Asia) is currently experiencing a very positive business development. Sales intensification in the first half of the year was focused around the successful attendance of the LaserWorld of Photonics China 2017 in Shanghai, while the second half of the year will concentrate on the Semicon Taiwan in Taipei at which the latest fully automated μ surf model will be exhibited. Two additional fully automated μ surf systems for production in Taiwan have already been ordered. A new sales peak in the inflow of orders is expected for NanoFocus Pte. Ltd.

After the renaming and operational launch of NanoFocus Analytics GmbH, consulting services were provided for the companies Ultra Electronics, AXETRIS, Mathys and ElringKlinger. In addition, the focus was on tasks in the field of IT analytics and sales determinations. The Business Development area specialized on the topics of 3D printing, microoptics, medical technology and fuel cells (trade fair attendance).

Economic process

NanoFocus was not yet able to meet the objectives for the 2017 financial year. Revenues fell short by about 10% compared to the budget. The reasons for this were primarily the revenue recognition of a major order for approx. kEUR 450, which did not match half-year accounting. The subsidiaries NanoFocus Inc. and BMT also remained below expectations in the first half of the year. BMT recorded a positive inflow of orders to currently EUR 1.8 million, but invoicing had not yet caught up by the balance sheet date. The business of NanoFocus Inc. in the first half of 2017 was generally weak, but this is expected to pick up in the second half of the year. Group EBITDA is thus at kEUR -572. Group losses in the amount of kEUR -1,292 include depreciation on the licenses capitalized as part of the purchase price allocation (BMT) of kEUR 189 and depreciation on goodwill at kEUR 58.

Given the need for further working capital, NanoFocus on the one hand implemented the financing measures required to ensure the necessary liquidity (capital increase at NanoFocus AG and financing for BMT), and on the other hand continued the cost savings program launched in 2016. Structures were optimized, personnel and material costs were proportionately reduced further.

Earnings position

As at June 30, 2017, revenues were at kEUR 5,089, and as such fell short of the internal budget by 10%.

Revenues by business unit	Jan.-Jun. 2017	Jan.-Dec. 2016
	kEUR	kEUR
Standard/Laboratory	2,985	6,665
Automotive	1,025	2,967
Semiconductor	412	1,740
OEM	668	945
Total	5,089	12,317

The Standard/Laboratory business unit recorded revenues of kEUR 2,985, falling slightly short of the budget. Revenues of the Automotive segment are currently at kEUR 1,025. At kEUR 412, the Semiconductor area remained significantly below budget figures. The OEM area performed as budgeted at kEUR 668.

Revenue distribution by region

As expected, revenues generated in Europe made up 52% at kEUR 2,649. They are followed closely by Asia at kEUR 1,640 (32%) and America at kEUR 800 (16%).

Revenues per employee in relation to 82 employees on average amounts to kEUR 62.

Revenues by region	Jan.-Jun. 2017	Jan.-Dec. 2016
	kEUR	kEUR
Europe	2,649	7,428
Asia	1,640	3,083
America	800	1,806
Total	5,089	12,317

Changes in earnings *)

Group earnings situation	Jan.-Jun. 2017	Jan.-Dec. 2016
	kEUR	kEUR
Revenues	5,089	12,317
Other earnings	74	293
Total operating performance	5,482	12,548
Gross yield	3,357	7,821
Personnel expenditure	2,680	5,709
Other related expenses	1,699	3,961
EBITDA	-572	-970
Depreciation	587	1,047
Financial result	-158	-308
Tax result	25	-751
Earnings	-1,292	-3,076

*) selected values taken from the Group Income Statement

The overall performance consisting of revenue, increases in inventories and other operational expenses amounts to 5,482 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, 2017, the Group's revenues fell short of the budget by approx. kEUR 500. At 42.5% of the planned figure for the year, total performance is in line with the budget. At 37%, the materials ratio has improved compared to the previous year and is in line with the budget.

Gross yield at the balance sheet date is kEUR 3,357. This also falls short of the absolute budget gross yield for the half-year by revenues of approx. kEUR 500.

On the cost side, personnel costs reached kEUR 2,680 and as such were slightly above the budget value. Personnel restructuring will partially only take effect in the second half of the year. NanoFocus did not reach the budget value at the end of the second quarter. Reduced working hours at the Group parent company ended on March 31, 2017.

Other operating expenses in the amount of kEUR 1,699 are approx. 5.5% above the budget. The main reasons for this are costs incurred in the context of the capital measure performed in April 2017, unplanned consultancy services in the Semiconductor area and project consultancy costs for Sales, as well as costs incurred as part of ERP finalizing at BMT. Where budgeted costs have been exceeded, this will be compensated for in the third and fourth quarters.

Total depreciation amounts to kEUR 587. While kEUR 74 relate to property, plant and equipment, kEUR 512 cover intangible asset depreciation, split up as follows: kEUR 186 for the licenses capitalized as part of the purchase price allocation (BMT), kEUR 58 for goodwill, and kEUR 268 for development projects.

The financial result is kEUR -158. Of this, a significant proportion relates to interest charges for the convertible bonds issue.

The tax result of kEUR 25 largely relates to changes in deferred tax assets and liabilities, making it a non-cash item.

Changes in order levels

Order situation	Jan.-Jun. 2017	Jan.-Dec. 2016
	kEUR	kEUR
Orders received	6,560	11,470
Existing orders on 6/30/2017	3,404	1,933

The inflow of orders in the first half of 2017 went up to kEUR 6,560 and as such amounts to more than half of the total inflow of orders for the whole of the previous year. The order portfolio as at June 30, 2017, also developed positively to kEUR 3,404.

As of August 21, 2017, NanoFocus AG recorded an inflow of orders amounting to kEUR 8,056 and order commitments amounting to kEUR 3,994.

Financial situation

Company financing is largely by equity, supplemented by a bank current account overdraft, a convertible loan, a medium-term working capital loan and a bearer bond. 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.

In April 2017, partial use of existing authorized capital for 2016, and the exclusion of the shareholder subscription right, resulted in an increase in the company's share capital by 453,000 bearer shares. The new shares were placed with a strategy investor from the industry at a price of EUR 1.92 per share. The share capital of NanoFocus AG thus went up from EUR 5,640,786 to EUR 6,093,786. The gross issue proceeds from the capital increase of EUR 869,760 are largely used to expand sales activities.

In the first half of 2017, BMT signed a working capital credit agreement for kEUR 600, which must be repaid over the next five years in accordance with the redemption agreement.

NanoFocus AG did not take out any new bank loans. Existing loans were repaid in full in 2017. NanoFocus AG is also financed based on a convertible loan issue for 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.

A bearer bond for EUR 1.0 million was taken out in the 2016 financial year, which is due to be repaid in November 2017.

On the balance sheet date, the NanoFocus Group possessed cash equivalents amounting to kEUR 1,186. Above this amount, on the reporting date, NanoFocus had access to unused credit facilities amounting to kEUR 500. All loan obligations are subject to a fixed interest rate. NanoFocus did not make use of any derivative financial instruments.

Investments

During the first half of the 2017 financial year, investments made by NanoFocus AG amounted to a total of kEUR 466. With kEUR 275, 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. In addition, kEUR 61 was invested in acquired software, kEUR 20 in rental and demo systems, and kEUR 110 in plant and equipment.

Change in the cash flow and in cash and cash equivalents

	Jan.-Jun. 2017	Change	Jan.-Dec. 2016
	kEUR	absolute	kEUR
Cash and cash equivalents at the start of the period	2,627	2,065	562
Cash flows from operating activities	-2,401	-2,414	13
Cash flows from investment activities	-404	1,308	-1,712
Cash flows from financing activities	1,373	-2,388	3,761
Cash alterations to cash funds	-1,432	-3,494	2,062
Cash and cash equivalents at the close of the period	1,186	-1,441	2,627

Compared to December 31, 2016, cash flows from operating activities changed by kEUR -2,414 to kEUR -2,401 TEUR. The negative result for the period of kEUR -1,292 was characterized primarily by non-cash expenditure for depreciation in the amount of kEUR 587. In addition, the development of working capital (increase in receivables, and fall in accounts payable) has a negative impact on cash flows from operating activities.

Cash flows from investing activities in the amount of kEUR -404 largely comprises payments relating to goodwill investments of kEUR 337, which are made up primarily of capitalized development services.

Cash flows from financing activities particularly covers payments from the capital increase in the amount of kEUR 870 and a working capital credit agreement with a liquidity inflow of kEUR 570. kEUR 109 in interest was paid. As in previous years, redemption and interest payments were made as planned.

Financial status

Group financial status	6/30/2017	%	Change	12/31/2016
	kEUR		absolute	
Fixed assets	7,584	-1.6	-120	7,704
Intangible assets	7,158	-2.4	-176	7,334
Property, plant and equipment	426	15.0	56	370
Current assets (including ARAP + deferred taxes)	9,830	-10.4	-1,144	10,974
Inventories	4,480	6.5	275	4,205
Receivables and other assets	3,199	10.8	313	2,886
Cash and cash equivalents	1,186	-59.4	-1,736	2,922
Accruals and deferrals	139	6.6	9	130
Deferred tax assets	826	-0.5	-4	830
Equity	9,235	-5.0	-490	9,725
Third-party capital	8,179	-8.7	-775	8,953
Liabilities	5,045	-11.2	-636	5,681

Under intangible assets, fixed assets e.g. comprises licenses in the amount of kEUR 2,888, which largely contain the rights to developments identified and capitalized as part of the acquisition (BMT) and the purchase price allocation, of kEUR 2,454. In the 2017 financial year, intangible assets were capitalized in the amount of kEUR 275. On June 30, 2017, the accumulated capitalized development costs (remaining book values) totaled kEUR 3,280, after kEUR 3,191 the previous year. Compared with December 31, 2016, fixed assets fell slightly by 2%.

Inventories were slightly below the prior year value at kEUR 4,480. For the balance sheet date of June 30, 2017, work-in-progress and finished products inventories for deliveries grew in the second half of 2017.

Receivables and other assets include trade receivables in the amount of kEUR 2,971 and other assets in the amount of kEUR 228. Compared to the end of the 2016 financial year, trade receivables went up by kEUR 285 and fall due within one year. There were no customer payment defaults during the 2017 financial year and, on the basis of our experience to date, such losses are only expected to a limited extent in the future. Other assets largely contained tax claims and claims from funding projects.

Deferred tax assets amounted to kEUR 826. With regards to the positive earnings prospects in forth-coming years, the Management Board assumes that the existing tax loss can be accounted for on the balance sheet.

A capital measure was implemented in the first half of 2017. In spite of Group losses, the equity ratio went up slightly from 52.1 % to 53.0 % due to the lower balance sheet total.

Netted liabilities decreased by kEUR 636. In the first half of 2017, liabilities to banks were redeemed in full as planned in the amount of kEUR 36. In addition, the current account overdraft of kEUR 295 used at the end of 2016 was repaid. This was e.g. financed by taking out a working capital loan agreement for kEUR 600. Trade liabilities fell by kEUR 722 and now amount to kEUR 948, after kEUR 1,670 at the end of the 2016 financial year.

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 2017, the key figures were as follows:

Key figures for development activities	Jan.-Jun. 2017		Change	Jan.-Dec. 2016
	kEUR	%	absolute	kEUR
Development expenditure	788	n/a	n/a	2,106
Development intensity (expenditure in relation to revenue)	15.5 %	-9.4	-1.6 PP.	17.1 %
Average number of development employees	20	-4.8	-1	21
Ø Development employees in % of Ø employees	24.4 %	7.0	+1.6 PP.	22.8 %

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 80 full and part-time staff and three board members. Four diploma students/interns are also currently employed. In total, there were 86 employees compared with 95 employees on December 31, 2016. 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.

III. Forecast, risk and opportunities report

Forecast report Global economy

The global economy has experienced a significantly more robust development since the middle of 2016 than expected. This recovery continued in the first quarter of 2017. The International Monetary Fund (IMF) is expecting global GDP growth for the current year of 3.5 % – 0.4 percent higher than in 2016. In 2018, the global gross domestic product (GDP) is forecast to increase by 3.6 %, meaning at a similar speed. But the composition of growth is said to be different: Whereas in the last few years, macroeconomic growth was built primarily on private consumption, investments are predicted to finally go up again in 2017. A regional changes are also expected: Global growth rates are made up of a synchronized upturn in the industrial nations and emerging economies.

Source: VDMA Economy International, June 2017

German economy

The upturn of the German economy continues. The German Council of Economic Experts updated its economic forecast and has revised the forecast for the German gross domestic product (GDP) upwards slightly. It is now expecting an increase for 2017 of 1.4 %. Adjusted for the negative calendar effect given the lower number of working days this year, this corresponds to a growth rate of 1.7 %. For 2018, a plus of 1.6% is forecast (also calendar-adjusted to 1.6 %). The growth forecast for

2017 and 2018 is above medium-term potential growth: Over-utilization of production capacities is on the rise.

Source: www.sachverstaendigenrat-wirtschaft.de, economic forecast for 2017/2018 Mechanical engineering and plant construction in Germany

The VDMA is expecting a real plus in German plant construction in 2017 of 4 %. The expected growth drivers are likely to again be China (+6 %), followed by Japan (+4 %), the USA and (each +3 %). Hard indicators such as inflow of orders, production and revenues have improved in these countries.

Source: VDMA International economic bulletin (07/2017)

The German Electronics Industry Association ZVEI has presented a forecast for the development of the electronics industry in Germany for 2017 and 2018. It is expecting a growth of 4 % each for all of 2017 and all of 2018.

Source: ZVEI (06/2017)

The experts at Gartner Inc. are forecasting that investment spending in the semiconductor industry in 2017 will go up by 10.2 % to USD 77.7 billion. Gartner is thus raising its forecast from the previous year by 1.4 %. The increase in 2017 is based primarily on spending on memory and the leading edge-logic technology.

Source: www.it-times.de, Gartner forecast (07/2017)

The members of the AMA Verband für Sensorik und Messtechnik e. V. industry association are expecting revenue growth in 2017 of 5 %, such that investments will go up by 5 % and personnel figures will grow by 3 %.

Source: AMA press release (03/2017)

In addition to the economic expectations of economic institutions and professional associations, our forecasts for the 2017 financial year are based on our own business plans. This includes, in particular, the order situation, current customer projects, expected order initiations and cost developments. The forecast period runs for a period of one year from Saturday, December 31, 2016.

Semiconductor

In the Semiconductor area, we are expecting revenues for the 2017 financial year to match those the previous year, of approx. EUR 1.6 million, however with a moderately improve gross yield. This budget explicitly does not take into account follow-up orders expected last year. We are planning to acquire two further key accounts in the current financial year. The innovation project HICOS3D was completed successfully.

Automotive

The Automotive industry is showing first signs of a recovery as regards orders, after uncertainties relating to emissions. We are factoring in revenue growth compared to 2016 of approx. 20 %. The fully integrated subsidiary BMT is the main growth driver. We consider ourselves to be in a product-ready position, especially to roll up the area “automated contactless measurements in a production environment” with key accounts.

Standard/Laboratory

We continue to view our Standard/Laboratory area as an important pillar. Typically, NanoFocus sells first quality and production control devices to these customers. This area can then often be developed to place further sales or follow-up orders.

NanoFocus considers itself to be in a good position with the latest generation of μ surf explorer to increasingly sell the product internationally, particularly in Asia. For 2017, NanoFocus is expecting an unchanged increase in revenues of kEUR 700 to EUR 7.3 million. This corresponds to a growth of 10 %.

OEM

In the OEM area, NanoFocus delivers bead inspection systems to the global market leader for ballistics. This sales channel has been stable for years now.

One further OEM partner was added for the subsidiary BMT. The strategic goal is to find another OEM partner for the Semiconductor area for 2017. According to current estimates, revenues should go up in the current financial year of 2017.

Based on the mentioned revenue forecasts for the four areas, we are expecting 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 remains difficult to gage, 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

The Group continues to strive for sustainable profitability. A leaner organization, process optimization and personnel cost reduction will all continue as priorities during the whole of 2017. At the beginning of the year, the Management Board in consultation with the Supervisory Board initiated measures that will lead to cost cuts within the Group of approximately EUR 2.0 million this fiscal year. On June 30, 2017, personnel costs will still 9 % below the internal cost savings budget; further results will take effect in the third quarter. Other operating expenses were reduced significantly and on the balance sheet date for the half-year are still 5.5 % below budget, while they will reach their targets in the third quarter. The materials ratio which in 2016 suffered from one-off expenditure for the development of pilot equipment in the Automotive and Semiconductor areas, normalized again in the first half of 2017.

In consideration of current orders, the inflow of orders, economic expectations and current business relationships, we are planning for an increase in sales to at least EUR 13m for the 2017 fiscal year. The budget is focused around a more profitable product mix, cost savings and the absence of one-off effects in 2016. The Management Board of NanoFocus AG is now expecting an EBITDA margin of 8% and an EBIT that breaks even. The EBIT margin is falling because of depreciation not taken into account in the original budget relating to Breitmeier Messtechnik

GmbH and mikroskin GmbH. The previous forecast for the EBITDA margin had been 10%, and 5% for the EBIT margin.

Forecast, risk and opportunities report

NanoFocus is exposed to a range of risks which are described in detail (pages 42 to 50) in the Risk Report that formed part of the 2016 Annual Report. The current 2016 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 tense liquidity situation in the 2016 financial year was met with suitable financing measures. As a result, a capital measure was performed at NanoFocus AG in the spring of 2017, and a working capital financing was put in place at the subsidiary BMT. The cost risk was lowered further through a reduction in fixed costs. As previously, no risks that could put the company's continued survival at risk are currently identified if the targets set in 2017 are largely met. Nevertheless, risks arising within the framework of normal daily business continue to persist. If, for example, the initiated business is not generated as expected, this will limit the company's financial scope accordingly.

Oberhausen, August 21, 2017

NanoFocus AG
The Management Board

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Scan this code with your smartphone or tablet to download the financial information as a PDF.

Group balance sheet assets

	6/30/2017	Change		12/31/2016
	EUR	%	absolute	EUR
A. Fixed assets	7,584,228			7,704,462
I. Intangible assets				
1. Internally generated intellectual property rights, similar rights and assets	3,279,863	2.80	89,239	3,190,624
2. Concessions, intellectual property rights and licenses acquired for a fee	2,887,798	-6.68	-206,810	3,094,608
3. Goodwill	990,524	-5.56	-58,266	1,048,790
	7,158,185			7,334,022
II. Property, plant and equipment				
1st Technical equipment and machinery	183,213	-6.89	-13,561	196,774
2. Other assets, fixtures and fittings	242,831	39.83	69,166	173,665
	426,043			370,440
B. Current assets	8,865,165			10,013,371
I. Inventories				
1st Raw materials, auxiliary materials and consumables	2,147,988	-5.02	-113,563	2,261,551
2. Unfinished goods, unfinished services	1,203,749	22.19	218,644	985,105
3. Finished goods	1,055,907	10.53	100,613	955,294
4. Advance payments for inventories	72,311	n/a	69,200	3,111
	4,479,955			4,205,061
II. Accounts receivable and other assets				
1st Trade accounts receivables	2,971,022	10.62	285,249	2,685,773
2. Other assets	227,941	13.79	27,623	200,318
	3,198,963			2,886,091
III. Cash assets, due from banks and checks	1,186,246	-59.41	-1,735,973	2,922,219
C. Deferred income and accrued expenses	138,806	6.64	8,643	130,163
D. Deferred tax assets	825,756	-0.53	-4,375	830,131
	17,413,955	-6.77	-1,264,172	18,678,127

Group balance sheet liabilities

Key ratios

	6/30/2017		Change	12/31/2016
	EUR	%	absolute	EUR
A. Equity				
I. Subscribed capital	6,093,786	8.03	453,000	5,640,786
II. Capital reserve	10,381,299	4.18	416,760	9,964,539
III. Retained earnings	1,165,000	0.00	0	1,165,000
IV. Capital difference from currency conversion	-124,029	n/a	-67,270	-56,759
V. Loss carried forward	-6,988,588	78.60	-3,076,291	-3,912,297
VI. Net loss for the year	-1,292,123	-58.00	1,784,168	-3,076,291
	9,235,345	-5.03	-489,633	9,724,978
B. Provisions				
1st Tax provisions	25,788	-53.75	-29,966	55,754
2. Other provisions	1,116,713	-9.95	-123,346	1,240,059
	1,142,500	-11.83	-153,313	1,295,813
C. Liabilities				
1st Bonds (convertible)	1,350,000	0.00	0	1,350,000
2. Amounts owed to credit institutions	0	-100.00	-331,370	331,370
3. Advance payments received on orders	514,514	-16.81	-103,980	618,494
4. Trade accounts payables	948,179	-43.22	-721,775	1,669,954
5. Other liabilities	2,231,968	30.47	521,238	1,710,730
	5,044,661	-11.19	-635,887	5,680,548
D. Deferred income and accrued expenses	95,243	36.02	25,221	70,022
E. Deferred tax liabilities	1,896,204	-0.55	-10,562	1,906,766
	17,413,955	-6.77	-1,264,172	18,678,127

Group income statement

	Jan.-Jun. 2017	Jan.-Dec. 2016
	EUR	EUR
1st Revenues	5,089,238	12,316,544
2. Inventory changes to finished and unfinished goods	319,258	-61,680
3. Other capitalized assets	376,381	585,609
4. Other operating income	73,977	293,214
5. Material expenditure	2,051,879	4,433,660
5a. Expenses for raw materials, materials and supplies and for goods purchased	2,032,119	4,225,995
5b. Expenses for purchased services	19,759	207,665
6. Personnel expenditure	2,679,864	5,708,875
6a. Wages and salaries	2,255,096	4,762,941
6b. Social contributions and expenditure for pensions and benefits	424,768	945,934
7. Depreciation	586,567	1,047,410
8. Other operating expenditure	1,699,478	3,960,799
9. Other interest and similar income	0	912
10. Interest and similar expenditure	158,253	309,317
11. Tax on income and on profits	-26,593	747,309
12. Result after tax	-1,290,594	-3,072,771
13. Other taxes	1,529	3,520
14. Net loss for the year	-1,292,123	-3,076,291

Since the Group Half-Year Report was first compiled for June 30, 2017, there are no comparative figures for the period preceding this. However, for easier allocation, the financial tables show the values for the financial year ending at December 31, 2016 (12 months).

Group cash flow statement

Key ratios

	Jan.-Jun. 2017	Change	Jan.-Dec. 2016
	kEUR	absolute	kEUR
Cash and cash equivalents at the start of the period	2,627	2,065	562
Result for the period	-1,292	1,784	-3,076
Depreciation on fixed assets	587	-460	1,047
Increase/decrease in provisions	-160	-46	-114
Other non-cash expenditures and income	12	-42	54
Interest expenses/interest earnings	158	-151	309
Income tax expense/income	-27	-774	747
Income tax payments	0	156	-156
Cash flow from sales activities	-722	467	-1,189
Increase/decrease in stocks, accounts receivables and other assets not classified as investment or financing activities	-829	-1,797	968
Increase/decrease in liabilities from accounts payables and other liabilities not classified as investment or financing activities	-850	-1,084	234
Cash flow from current operating activities	-2,401	-2,414	13
Pay-outs for investments in intangible assets	-367	556	-923
Deposits from the disposal of financial assets	0	-800	800
Pay-outs for investments in property, plant and equipment	-37	102	-139
Pay-outs for payment of purchase price liabilities for previously consolidated entities	0	1,450	-1,450
Cash flow from investment activities	-404	1,308	-1,712
Deposits from capital injections	870	-1,932	2,802
Deposits from the issue of bonds and the raising of (financial) credits	600	-1,370	1,970
Payments from the settlement of loans and (financial) credits	-66	1,111	-1,177
Deposits from subsidies received	78	-288	366
Interest paid	-109	91	-200
Cash flow from financing activities	1,373	-2,388	3,761
Cash alterations to cash funds	-1,432	-3,494	2,062
Currency exchange changes to investment fund	-9	-12	3
Cash and cash equivalents	1,186	-1,736	2,922
Current account liabilities	0	295	-295
Cash and cash equivalents at the close of the period	1,186	-1,441	2,627

Group statement of changes in equity

	Subscribed capital	Capital provision	Retained earnings	Equity difference from currency conversion	Balance sheet loss	Group equity
	EUR	EUR	EUR	EUR	EUR	EUR
Equity as per 1/1/2017	5,640,786	9,964,539	1,165,000	-56,759	-6,988,588	9,724,978
Capital increases						
Capital increase in return for cash contribution (April 2017)	453,000	416,760				869,760
Currency conversion				-67,270		-67,270
Profit/loss for the year					-1,292,123	-1,292,123
Equity as per 6/30/2017	6,093,786	10,381,299	1,165,000	-124,029	-8,280,711	9,235,345

Group Notes as at June 30, 2017

1. Consolidation and Group structure

Since the Group Half-Year Report was first compiled for June 30, 2017, there are no comparative figures for the period preceding this. However, for easier allocation, the financial tables show the values for the financial year ending at December 31, 2016 (12 months). The consolidation included the companies NanoFocus Analytics GmbH (Duisburg), mikroskin GmbH (Oberhausen), NanoFocus, Inc., (Glen Allen/Richmond, Virginia/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 2016 Group Annual Report (pages 60-63).

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 June 30, 2017

	Procurement costs					As of: 6/30/2017	
	As of: 1/1/2017	Currency difference	Adjusting entries	Additions	Disposals		
	EUR	EUR	EUR	EUR	EUR		
I. Intangible assets							
1. Internally generated intellectual property rights, similar rights and assets	3,912,438	0	0	274,796	0	4,187,234	
2. Licenses/software acquired for fee	4,701,589	0	0	61,505	0	4,763,094	
3. Goodwill	6,399,511	0	0	0	0	6,399,511	
Total intangible assets	15,013,538	0	0	336,301	0	15,349,839	
II. Property, plant and equipment							
1st Technical equipment and machinery	888,660	0	0	20,290	0	908,950	
2. Other assets, fixtures and fittings	1,426,135	-7,392	0	109,873	521	1,528,095	
Total property, plant and equipment	2,314,795	-7,392	0	130,163	521	2,437,045	
Total	17,328,332	-7,392	0	466,464	521	17,786,883	

Depreciation level: 1/1/2017	Depreciation					Book value		
	Currency difference	Adjusting entries	Addition	Disposals	Deprecia- tion level: 6/30/2017	As of: 6/30/2017	As of: 12/31/2016	
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
721,814	0	0	185,557	0	907,371	3,279,863	3,190,624	
1,606,980	0	0	268,316	0	1,875,296	2,887,798	3,094,608	
5,350,721	0	0	58,266	0	5,408,987	990,524	1,048,790	
7,679,515	0	0	512,139	0	8,191,654	7,158,185	7,334,023	
691,886	0	0	33,851	0	725,737	183,213	196,774	
1,252,469	-7,261	0	40,577	521	1,285,264	242,831	173,665	
1,944,355	-7,261	0	74,428	521	2,011,001	426,043	370,440	
9,623,870	-7,261	0	586,567	521	10,202,655	7,584,228	7,704,462	

3.1. Subscribed capital

The capital 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. In the first half of 2017, as a result of a capital increase through utilization of the authorized capital, the subscribed capital developed as follows:

	EUR	Number
As of: Sunday, January 1, 2017	5,640,786	5,640,786
Cash capital increase by resolution of April 21, 2017	453,000	453,000
As of: June 30, 2017	6,093,786	6,093,786

3.2. Authorized capital/contingent capital

In April 2017, partial use of existing authorized capital for 2016, and the exclusion of the shareholder subscription right, resulted in an increase in the company's share capital by 453,000 bearer shares. The new shares were placed with a strategy investor from the industry at a price of EUR 1.92 per share. The share capital of NanoFocus AG thus went up from EUR 5,640,786 to EUR 6,093,786. The gross issue proceeds from the capital increase of EUR 869,760 are largely used to expand sales activities.

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, by June 27, 2022, the share capital of the company on one or more occasions to a total of EUR 3,046,893 by issuing, on one or more occasions a total of up to 3,046,893 new shares in stock to the owner against contributions in cash or in kind (2017 authorized capital).

New Conditional Capital was created: Conditional Capital 2017/I in the amount of kEUR 500 for issuing share options, and Conditional Capital 2017/II in the amount of EUR 2 million to issue convertible bonds and/or warrant bonds.

3.3. Capital reserve

The capital reserve increased in the first half of 2017 as a result of the premiums generated as part of the capital increase by kEUR 417 to kEUR 10,381.

	EUR
As of: Sunday, January 1, 2017	9,964,539
Adjustment due to capital increase by cash contributions (April 2017)	416,760
As of: June 30, 2017	10,381,299

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:

Balance sheet date		Average rate	
6/30/2017	12/31/2016	1-6/2017	1-12/2016
0.8763	0.9487	0.9233	0.9034

Exchange rates: 1 USD = EUR

The capital difference from currency conversion as at June 30, 2017, totals kEUR -124.

3.5. Other provisions

	6/30/2017	12/31/2016
Leave entitlements	115,400	41,680
Outstanding invoices	17,227	4,080
Financial statement/ auditing and advisory costs	42,840	52,075
Warranties	52,000	82,600
Workers' compensation association/Severe disability contribution	21,338	35,590
Director's fees	10,000	0
Archiving costs	17,300	17,300
Bonus payments	44,491	152,226
Commissions	26,500	15,206
Variable purchase price SISCAN	93,955	190,684
Convertible bond interest	137,589	117,505
Variable purchase price Breitmeier	538,073	531,113
Tax provision	25,788	0
Total	1,142,500	1,240,059

3.6. Liabilities

A proportion of liabilities in the amount of kEUR 550 are secured through pledging of shares in a relate company, and an amount of kEUR 1,000 through a securities transfer for rental and demo equipment.

On June 30, 2017, existing liabilities amounted to kEUR 5,045. kEUR 1,930 of these have a residual maturity of between one and five years and kEUR 3,115 have a term

of less than one year. There were no liabilities to banks on the balance sheet date.

3.7. Contingent liabilities

On June 30, 2017, 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.

Europe	2,649	7,428
Asia	1,640	3,083
America	800	1,806
Total	5,089	12,317

Oberhausen, August 21, 2017

NanoFocus AG
The Management Board

4. Notes on the Group income statement

4.1. Revenues

Revenues by business unit	Jan.-Jun. 2017	Jan.-Dec. 2016
	kEUR	kEUR
Standard/Laboratory	2,985	6,665
Automotive	1,025	2,967
Semiconductor	412	1,740
OEM	668	945
Total	5,089	12,317

Revenues by region	Jan.-Jun. 2017	Jan.-Dec. 2016
	kEUR	kEUR

Financial Calendar 2017

08/31	Half-year Statement 2017	Oberhausen
12/31	22. MKK – Munich Capital Market Conference	Munich

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