

Half-Year Report 2010

*Partners in innovation*

## Nanogate at a glance

The following refers to the Nanogate Group (in accordance with IFRS, figures in EUR ,000)

	1 <sup>st</sup> HY 2010	1 <sup>st</sup> HY 2009
Sales	5,665	4,087
Overall performance	7,025	5,707
Gross profit margin (%)	58.8	71.7
EBIT	-1,674	-2,007
Adjusted EBIT	-1,031	–
EBT	-1,997	-2,163
Consolidated net income/loss	-1,148	-1,246
Balance sheet profit	94	1,242
Earnings per share (EUR)	-0.60	-0.66
Cash flow from operating activities	-1,153	-1,157
Cash flow from investing activities	-1,581	-2,002
	30.06.2010	31.12.2009
Balance sheet total	32,690	34,322
Equity	19,431	21,084
Equity ratio (%)	59.4	61.4
Cash and cash equivalents	3,500	5,906
	1 <sup>st</sup> HY 2010	1 <sup>st</sup> HY 2009
Employees (average)	69	74
Sales per employee (EUR)	82,000	55,000

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## Nanogate AG

**With know-how and technology from Nanogate,**

- engines run for longer and more economically.
- production processes are more efficient and cost-effective.
- buildings are less costly and time-consuming to clean.
- sports articles such as skis and boats pick up speed.

Nanogate AG is one of the trailblazers in the nanotechnology sector. We alter materials, endow them with new properties and facilitate their use for industrial purposes. Thanks to Nanogate, products become less expensive, more efficient and more environmentally friendly.

We generate value: for our customers, for our shareholders, for society and the environment.

## Letter to the shareholders

Dear shareholders,  
customers, business partners and staff members,

Nanogate has successfully returned to a growth path. Operationally and strategically, 2010 is a year in which the company attains a new dimension. This makes Nanogate a leading European system provider for high-performance surfaces for industry.

With sales growth of 38.6 % to EUR 5.67 million, Nanogate reported the strongest sales in its company history over the first half-year. We will improve net income substantially at the same time, even though one-off charges in the course of realigning our Holmenkol subsidiary represent an unbudgeted expense for the Group. Our growth is largely due to product launches. One successful example is the technology platform permaProtect Membran that was introduced in April. This technology gives functional textiles better hygienic properties. Demand for an initial application is already exceeding our expectations.

This example also demonstrates the success of our innovation offensive. Notwithstanding the difficult market environment at the time, we prepared the ground for future growth in 2009 with increased investment and product development. This gave rise to a number of high-performance applications that will now successively boost our sales. We are also registering increasing interest in the solutions in our cutting-edge specialist areas: in air filtration – via cooperation with GEA Group AG – and energy efficiency, with rising sales of energy-efficient heat exchangers for heating systems. In the field of light guiding, we are holding a range of talks as part of an international marketing programme and with a view to signing cooperation agreements that will advance our optical technologies.

In strategic terms, the majority investment in GfO Gesellschaft für Oberflächentechnik mbH will deliver a decisive boost in sales, earnings and market access. This year Nanogate will be able to increase its sales to at least EUR 16 million thanks to GfO, instead of to the EUR 13 million previously expected. Just as important as the additional sales and earnings contributions is the fact that Nanogate is adding proprietary coating technology to its existing materials expertise. Together we cover the entire value chain, from the purchase of raw materials, to the synthesis and formulating of the material systems, right through to the enhancing of the finished surfaces. We can thus offer Nanogate and GfO customers an integrated product portfolio for high-performance industrial surfaces that is unique in Europe.

Together we intend to grow faster – in sales and in earnings. Together we can shorten development times and time to market and our international footprint is much larger than before. Nanogate and GfO concentrate on high-margin sub-sectors of the approximately EUR 2.9 billion European market for high-performance surfaces, including for instance energy-efficiency coating, inkjet coatings and multi-functional transparent coatings in optical quality. Our chosen sub-sectors alone generate annual sales of some EUR 800 million – and they are growing at double-digit rates. We therefore assume that we will be able to accelerate Nanogate's previously planned expansion by 10 % and in the medium term achieve an EBIT margin of at least 15 %.

The integration of GfO is so far going to plan; Michael Jung, Nanogate's COO, has joined the Management Board of GfO to guide the merger. Our current focus is mainly on the technical convergence of existing Nanogate systems with GfO coating technologies. At the same time we are examining the extent to which GfO applications can be supplemented by material systems from Nanogate offering

greater performance. Joint marketing has also already begun. GfO and Nanogate have a much improved market position as integrated system partners, because customers are increasingly looking for single-supplier solutions. Indeed, much more important than short-term cost synergies are the additional orders we would like to acquire as an integrated system provider of high-performance industrial surfaces. We expect to achieve such a joint contract win by the first quarter of 2011 at the latest.

The majority investment in GfO does not signal the end of our growth strategy, however. We will continue to apply three levers of growth:

1. We intend to develop our market position in the four application areas Automotive/Mechanical Engineering, Buildings/Interiors, Sport/Leisure and Functional Textiles, especially on an international level. A current example is a further order from REWE Austria for our felkten brand.
2. New applications and technologies contribute to sales and earnings growth, especially in the cutting-edge specialist areas of energy efficiency, air filtration and light guiding. In industrial surfaces in particular we expect the majority investment in GfO to catalyse a growth spurt.
3. We will continue to count on external growth. With GfO we have advanced to being a leading European provider of high-performance industrial surfaces and are increasing our market position significantly. We will nevertheless continue to make investments in companies in the future when this secures our access to new technologies or strengthens our market presence. As in the past we will proceed selectively and always ensure that the financing arrangements are attractive.

In the financial year 2010 Nanogate will report record sales of at least EUR 16 million. At the same time we will improve earnings substantially compared with last year. We are profiting from our broader base, sustained strong demand in all divisions and the innovation offensive to produce numerous new applications. After good growth in the first half-year, Nanogate is expecting the second half-year to be significantly better yet again. In addition to a strong sales increase – also thanks to GfO – we are expecting a substantially positive result in the second half of the year and positive cash flow from operations. Contributions will come from higher Group sales, improved margin structures, the investment in GfO and relatively lower expenses for applications development.

We expect to experience a powerful boost in 2011 and 2012: next year the success of our growth strategy and the expansion of our market position will pay off in full – both with existing applications and technologies and with new solutions from GfO. In the 2011 financial year Nanogate therefore intends to exceed EUR 25 million in sales and return to full profitability. In the medium term we want to continue growing and are aiming for a consolidated EBIT margin of at least 15 % as one of Europe's leading providers of high-performance surfaces for industry.

Yours,

Ralf Zastrau (CEO)

Michael Jung (COO)

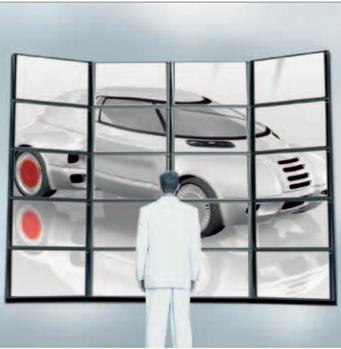


Ralf Zastrau (CEO)



Michael Jung (COO)

## Interim report



### **The Nanogate Group's performance profile**

The Nanogate Group (Nanogate) is an international enabler and functions as a door opener for companies in various industries, opening up the many different possibilities that nanotechnology offers them. Nanogate possesses a broad spectrum of practical expertise in the fields of physical and chemical nanotechnology. With its knowledge of the properties of nanostructured materials and its process and engineering expertise, Nanogate enables its customers to access this cross-sectional technology. Nanogate aims to improve products through the use of nanotechnology, thereby increasing the competitiveness and profitability of its customers. As an enabler and integrated system provider, Nanogate is the central interface between manufacturers of the source materials and suppliers of innovative industrial products. Its activities always focus on creating value – for customers and for Nanogate itself.

### **The Nanogate Group**

The Nanogate Group consists of the parent company Nanogate AG, Quierschied-Göttelborn, the wholly owned subsidiary Nanogate Advanced Materials GmbH (NAM), Quierschied-Göttelborn, and a majority stake of 50.1 % in HOLMENKOL AG (Holmenkol), Ditzingen, with its subsidiaries. Nanogate is also sole shareholder of FNP GmbH (FNP), Quierschied-Göttelborn, and holds 25.1 % of the shares in sarastro GmbH (sarastro), Quierschied-Göttelborn. After the close of the reporting period Nanogate announced that it would be acquiring a 50.1 % interest in GfO Gesellschaft für Oberflächen-technik mbH (see Events after the balance sheet date).

In operational terms, the parent company, Nanogate AG, concentrates primarily on the Multifunctional Surfaces segment. This segment deals primarily with enhancing various products with the help of nanotechnology, concentrating on the fields of Automotive/Mechanical Engineering, Buildings/ Interiors, Sport/Leisure and Functional Textiles as well as the specialist areas of energy efficiency, air filtration and light guiding. This segment also includes the majority interest in Holmenkol, a company with a heritage going back more than 85 years, especially in winter sports. The company is to be developed into the leading international provider for sport surfaces. This currently entails substantially increasing the company's product range and technological expertise. FNP GmbH concentrates on products in the Sport/Leisure area. While Holmenkol focuses on the premium segment, FNP is to open up new segments in the volume market under the traditional brand name feldten. Nanogate, Holmenkol and FNP cooperate closely in the fields of technology and product development and in opening up new markets.

Furthermore, Nanogate AG also develops selected complex new applications in its Advanced Applications segment. These are primarily complex applications and systems for high-volume, highly specialised markets, above all nanostructured high-performance optics. This business is pooled in Nanogate Advanced Materials GmbH.

### **Key events in the first half of 2010**

Nanogate commenced a strategic cooperation with GEA Group AG in March. The agreement covers the development and sale of new systems in the area of air filtration. The aim is to achieve substantial performance gains and to improve the efficiency of GEA Group's existing filter systems, such as air-conditioning for buildings. In the medium term Nanogate is anticipating a clear six-figure euro sales potential; relevant revenue should be generated as early as 2010.

In April Nanogate received an important first order for the new technology platform permaProtect Membran. This technology enhances the hygienic properties of functional textiles. It combines antimicrobial, breathable and moisture-controlling properties in one membrane for the first time. Areas of use include hygiene-sensitive applications such as healthcare or volume markets like shoes, car seats and beds. The first contract covers the supply of innovative shoe insoles with improved hygienic properties to a leading European shoe retailer and has a mid-six-figure euro volume. The technology was developed jointly with the new portfolio company sarastro (see below).

Also in April Nanogate closed the transaction to acquire 25.1 % of sarastro GmbH. The nanotechnology company sarastro specialises in applying antimicrobial protection to surfaces and fluid materials. Hearing aids from Siemens and filtration plants for example are equipped with technology from sarastro. Disinfectants and other fluids are also enhanced to make their disinfecting and antimicrobial effects last as long as possible.

At the trade fair Hannover Messe in April, Nanogate presented new applications for high-performance industrial surfaces. They give stainless steel surfaces, for instance, a coating that is particularly scratchproof and easy to clean. The stainless steel surfaces are also given an anti-fingerprint function so that touching the surface does not leave fingerprints. For the market launch of a new high-performance optical coating system for glass surfaces, Nanogate also signed a cooperation agreement with BERLINER GLAS, a leading European glass treatment specialist.

In addition, Nanogate presented new applications in the field of plastic surfaces. The PermaResist Hygienic platform was developed jointly with sarastro, the new portfolio company. This gives plastic surfaces reliable, long-lasting antimicrobial properties that reduce contamination by germs, fungi and bacteria.

Nanogate received initial orders for a new UV-hardening coating for plastic sheet goods, from makers of shower cubicles for instance. The new coating is scratchproof, easy to clean and low-cost.

### **Sales and earnings position**

Nanogate returned to a growth path in the first half of 2010, breaking its previous sales record. The sharp increase in sales also brought an improvement in earnings. Nanogate reported a considerable increase in new orders in all divisions. The business with end-user products picked up especially strongly, as shown by the extremely successful launch of products based on the new technology platform permaProtect Membran. This technology enhances the hygienic properties of functional textiles. The Group also saw great interest in its specialist area of air filtration.

Overall, Group sales rose by 38.6 % to EUR 5.67 million (previous year: EUR 4.09 million). This made the first half of 2010 the best first half-year in Nanogate's history. In the core business of Multifunctional Surfaces sales volumes came to EUR 5.59 million (previous year: EUR 4.02 million), while in the Advanced Applications segment the focus was on technology and market development, as expected. Segment sales totalled EUR 0.08 million (previous year: EUR 0.06 million). The share of international business reached 43.6 % of total sales (previous year: 40.9 %), equivalent to EUR 2.47 million (previous year: EUR 1.67 million). The overall performance (sales, changes in inventories, own work capitalised plus other operating income) increased by some 23.1 % to EUR 7.03 million (previous year: EUR 5.71 million).





The gross profit margin (as a proportion of overall performance) came to 58.8 % (previous year: 71.7 %). This is due to changes in the product mix. A clear improvement in margins is planned again for the second half of the year, however, partly due to the relative resurgence of the industrial business. In the first half of the year, business grew primarily in Functional Textiles and Sport/Leisure, while the orders announced in the higher-margin Automotive/Mechanical Engineering division were postponed to the second half of the year. Nanogate anticipates regaining its traditionally high gross profit margins in the medium term, as pricing is stable in all divisions. The increase in the cost of materials ratio (as a proportion of overall performance) to 41.2 % (previous year: 28.3 %) stems mainly from the changes to the product structure. Personnel expenses fell slightly to EUR 2.44 million (previous year: EUR 2.64 million).

As announced in April 2010, earnings already improved significantly in the first half-year – particularly if the one-off expenses at Holmenkol AG are viewed in isolation. Further substantial progress in earnings is expected for the second half of 2010. Much increased sales and selective cost-cutting contributed to the earnings improvement. Consolidated EBITDA came to EUR -1.15 million (previous year: EUR -1.57 million). Depreciation and amortisation amounted to EUR 0.52 million (previous year: EUR 0.44 million).

Consolidated EBIT (including interest income) improved in the first half of the year to EUR -1.7 million (previous year: EUR -2.0 million). Interest expenses rose to EUR 0.3 million (previous year: EUR 0.15 million). Consolidated EBIT would have been much higher, but was diminished by one-off, non-recurring expenses for realignment and restructuring at the portfolio company Holmenkol. The non-recurring expenses come to more than EUR 0.6 million. Adjusted for this item, Nanogate's consolidated EBIT was around EUR -1.0 million. Nanogate is currently not expecting any further non-recurring expenses from the realigning and restructuring of Holmenkol AG in the second half of the year. They have been recognised in full in the interim financial statements as at 30 June 2010.

Consolidated EBT amounted to EUR -2.0 million (previous year: EUR -2.16 million), with adjusted EBT at EUR -1.3 million. Consolidated net income (net income for the period after taxes and minority interests) came to EUR -1.15 million (previous year: EUR -1.25 million); adjusted for the non-recurring expenses the figure was EUR -0.8 million. Earnings per share were EUR -0.60 (previous year: EUR -0.66) based on the current number of 1,905,000 shares issued (previous year: 1,900,000 shares). Adjusted earnings per share came to EUR -0.43. The balance sheet profit was EUR 0.01 million (previous year: EUR 1.36 million).

#### **Assets and financial position**

Nanogate continues to be in a strong financial position. The equity ratio on the reporting date was 59.4 % (31.12.2009: 61.4 %). Cash and cash equivalents came to EUR 3.5 million (31.12.2009: EUR 5.9 million). The Group also has unused credit lines and approved KfW loans adding up to a seven-figure euro sum.

As part of the equity investment in sarastro GmbH the number of Nanogate AG shares was increased by 5,000 to 1,905,000. The investment was financed by means of a capital increase for subscription in kind.

Total assets at the balance sheet date were EUR 32.69 million (31.12.2009: EUR 34.32 million). Intangible assets accounted for EUR 13.86 million (31.12.2009: EUR 13.08 million), and property, plant and equipment for EUR 5.39 million (31.12.2009: EUR 5.29 million). Trade receivables declined for seasonal reasons to EUR 2.1 million (31.12.2009: EUR 2.7 million) and trade payables to EUR 1.52 million (31.12.2009: EUR 1.99 million). Inventories totalled EUR 2.1 million (31.12.2009: EUR 2.5 million).

Cash flow from operations improved slightly to EUR -1.15 million (previous year: EUR -1.16 million) but was severely impacted by one-off expenses for the realignment and restructuring at Holmenkol. Strong sales growth should result in positive operating cash flow in the second half of the year. Cash flow for investing activities came to EUR -1.6 million (previous year: EUR -2.0 million). Investment activity will continue to be reduced in the second half of the year according to plan, excluding the effects of the GfO investment. Cash flow from financing activities was nearly unchanged at EUR 0.33 million (previous year: EUR 0.31 million).

### Employees

The (average) number of employees fell slightly in the reporting period to 69 (previous year: 74). This is due to optimisation measures in all areas of the Group. The Group currently employs seven apprentices. Sales per employee came to around EUR 82,000 (previous year: around EUR 55,000). Short-time working has been scaled back considerably since July.

### Risk report

There has been no material change to the risk situation compared with that described in the Annual Report for 2009, except at Holmenkol AG.

Holmenkol AG is going through a necessary restructuring phase leading to a comprehensive reorientation, as described above. The first steps have already been initiated consistently and successfully. Further steps are nevertheless required for the full implementation. This also includes carrying out planned funding activities. To do so, Nanogate AG is dependent on the cooperation of third parties (business partners and shareholders of Holmenkol AG). Despite fundamental commitments by these parties, there is nevertheless a formal risk that their participation in the planned reorientation, including the necessary financing, may fail or fall short of requirements. In such a case, the continued existence of Holmenkol AG in its current form would be threatened.

### Events after the balance sheet date

In July, Nanogate improved its international market position with another order from REWE Austria. MERKUR, a food retailing chain, will in future be selling additional care products from the Nanogate brand feldten. Nanogate expects to record significant six-digit sales figures in the medium term. The new line consists of high-quality shoe-care products. Several textile-care products from the feldten brand have been available in Austria at the supermarket and chemist chains BILLA, BIPA, MERKUR and Sutterlüty (all part of REWE) since 2009.

The majority takeover of GfO Gesellschaft für Oberflächentechnik mbH announced in August will make Nanogate one of the leading European system providers for high-performance industrial surfaces. The technology company GfO is leading provider of surface enhancement particularly in optical quality, and uses an inkjet technology unique worldwide to apply coatings. For the current year GfO is expecting sales of at least EUR 10 million and substantially positive earnings. Nanogate is investing a total of around EUR 1.5 million for the 51 % stake in GfO. The sales contract has both a cash and a share component. The cash will largely go back to GfO to strengthen the company's capital base. The existing GfO shareholders are subject to a lock-up period of 15 months for the new Nanogate shares. The transaction is expected to be concluded by the end of the year. Nanogate has already secured a call option for the remaining 49 % of the shares. GfO's customer base consists of companies in the communications, automation, automotive, aerospace, medical devices, HVAC, decoration and jewellery, and white goods industries. In order to complete the integration as quickly as possible Nanogate COO



Michael Jung has been appointed to the Management Board of GfO, where he primarily deals with corporate development, finance and integration.

### **Forecast**

The economy picked up strongly in the first half of the year. In July 2010 the International Monetary Fund forecast growth for the German economy of 1.4 % for the full year; for the global economy the figure was as high as 4.6 %. The upturn here is especially beneficial for the chemical industry, which is expecting a production increase of 11 %, and for the engineering sector, which reported a 32 % leap in new orders in the first half of the year. Nanotechnology is a cross-sectional technology and will therefore reap the benefits of the economic upswing as its advantages apply to all sectors of the economy. The economic recovery should also reawaken companies' willingness to innovate.

In the financial year 2010 Nanogate will improve sales and earnings considerably. The good market position with a portfolio of applications for four industries and three specialist areas is paying off strongly. The innovation offensive launched in 2009 and the ongoing opening up of markets will contribute to the record sales expected. Alongside sales in the four growth fields Automotive/Mechanical Engineering, Sport/Leisure, Buildings/Interiors and Functional Textiles, applications in the cutting-edge specialist areas energy efficiency and air filtration are contributing to the Group's success, while in the light guiding area the focus still remains on developing applications and preparing them for mass production. The main sales driver therefore remains the core business Multifunctional Surfaces. The Advanced Applications segment is expecting its first noteworthy sales in 2011. This means that, as in the past, the second half of the year will be stronger than the first. Furthermore, the Group is anticipating a boost to growth from the majority stake in GfO Gesellschaft für Oberflächentechnik GmbH. GfO's business is currently growing as planned and the company's order book is well filled. On current estimates Nanogate will report record sales of at least EUR 16 million in the financial year 2010 (previous year: EUR 10.7 million).

Consolidated net income for Nanogate will also improve sharply over the course of the year – in comparison with both the first half of 2010 and the 2009 financial year. Increased Group sales and the investment in GfO will contribute to the increase. Furthermore, the costs of opening up new markets, developing applications and investing will go down significantly as planned, especially in the three specialist areas. Nanogate is therefore anticipating a profit for the second half of the year and positive operating cash flow. The profit for the second half of the year will nevertheless not be able to compensate for all the one-off expenses incurred in the first six months at Holmenkol AG.

In the medium term, Nanogate is reckoning with faster growth. The company should benefit from its good market position and much broader portfolio, as well as from new applications in the three cutting-edge specialist areas. Further external growth can also not be excluded. The majority stake in GfO alone should increase the pace of growth by 10 %. Additional sales and earnings are expected from the investment from the first quarter of 2011 onwards. In 2011 and 2012, sales should increase

considerably, both organically and as a result of the GfO acquisition, with next year likely to exceed the EUR 25 million mark. Nanogate aims to return to profitability at Group level in the second half of 2010 and in the full year 2011. In the medium term, the Group is striving for a consolidated EBIT margin of at least 15 %.

Saarbrücken, September 2010



Ralf Zastra  
Chairman of the Management Board/CEO



Michael Jung  
Managing Director/COO



*Refined automotive component*



## Consolidated income statement of Nanogate AG

for the period 1 January to 30 June 2010

	1.1.-30.06. 2010	1.1.-30.06. 2009
	EUR,000	EUR,000
Sales	5,665	4,087
Decrease in finished goods and work in progress	-155	-93
Other own work capitalised	1,167	1,229
Other operating income	348	484
Financial income	41	53
Cost of materials	-2,894	-1,618
Personnel expenses	-2,442	-2,643
Other operating expenses	-2,884	-3,066
<b>EBITDA</b>	<b>-1,154</b>	<b>-1,567</b>
Amortisation of intangible assets and depreciation of tangible fixed assets	-520	-440
<b>EBIT</b>	<b>-1,674</b>	<b>-2,007</b>
Financing expenses	-323	-156
<b>Earnings before taxes</b>	<b>-1,997</b>	<b>-2,163</b>
Income taxes	219	672
<b>Net income/loss after taxes</b>	<b>-1,778</b>	<b>-1,491</b>
Net income/loss attributable to minority interests	630	245
<b>Net income/loss attributable to equity providers (consolidated net income/loss)</b>	<b>-1,148</b>	<b>-1,246</b>
Earnings per share (EUR)		
Earnings per share, basic (EUR)	-0.60	-0.66
Earnings per share, diluted (EUR)	-0.60	-0.66
Weighted average no-par-value bearer shares		
Basic	1,905,000	1,900,000
Diluted	1,910,590	1,900,000

## Consolidated statement of comprehensive income of Nanogate AG

for the period 1 January to 30 June 2010

	1.1.-30.06.2010	1.1.-30.06.2009
	in EUR ,000	in EUR ,000
<b>Net income/loss after taxes</b>	<b>-1,778</b>	<b>-1,491</b>
<i>of which attributable to other shareholders</i>	-630	-245
<i>of which attributable to shareholders of Nanogate AG</i>	-1,148	-1,246
<b>Changes in the amount recognised in equity from</b>		
Revaluation of intangible assets and property, plant and equipment	-	-
Cash flow hedges	-	-
Financial assets available for sale	-	-
Actuarial gains and losses from defined-benefit pension commitments and similar obligations	-	-
Foreign currency translation	-	-
<b>Other changes in value recognised in equity</b>	-	-30
<b>Total changes in value recognised in equity</b>	<b>-</b>	<b>-30</b>
<i>of which attributable to other shareholders</i>	-	-15
<i>of which attributable to shareholders of Nanogate AG</i>	-	-15
<b>Total of net income/loss after taxes and changes in value recognised in equity</b>	<b>-1,778</b>	<b>-1,521</b>
<i>of which attributable to other shareholders</i>	-630	-260
<i>of which attributable to shareholders of Nanogate AG</i>	-1,148	-1,261

## Consolidated statement of financial position of Nanogate AG

as at 30 June 2010

<i>Assets</i>	30.06.2010	31.12.2009
	in EUR ,000	in EUR ,000
<b>Non-current assets</b>		
Intangible assets	13,860	13,077
Property, plant and equipment	5,385	5,292
Financial assets	931	715
Other assets	6	2
Deferred tax assets	3,969	3,381
	24,151	22,467
<b>Current assets</b>		
Inventories	2,139	2,484
Trade receivables	2,069	2,710
Financial assets	260	207
Other assets	532	398
Income tax receivables	39	150
Cash and cash equivalents	3,500	5,906
	8,539	11,855
	32,690	34,322

<i>Equity and liabilities</i>	30.06.2010	31.12.2009
	in EUR ,000	in EUR ,000
<b>Equity</b>		
Subscribed capital	1,905	1,900
Capital reserves	14,827	14,703
Retained earnings	1,331	1,331
Consolidated balance sheet result	94	1,242
Minority interests	1,274	1,908
	19,431	21,084
<b>Non-current liabilities</b>		
Financial liabilities	4,045	2,655
Trade payables	28	55
Other financial liabilities	2,234	2,263
Provisions	113	103
Other liabilities	508	544
Deferred tax liabilities	3,173	2,806
	10,101	8,426
<b>Current liabilities</b>		
Financial liabilities	650	1,666
Trade payables	1,494	1,932
Other financial liabilities	752	781
Provisions	170	288
Other liabilities	92	145
	3,158	4,812
	32,690	34,322

## Consolidated statement of cash flows of Nanogate AG

for the period from 1 January to 30 June 2010

	1.1.-30.6.2010	1.1.-30.6.2009
	EUR ,000	EUR ,000
Earnings before taxes	-1,997	-2,163
Depreciation/amortisation of non-current assets	545	440
Decrease/increase in provisions	-108	234
Profit/loss from the disposal of non-current assets	25	-
Other non-cash income and expenses	15	115
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	913	1,161
Increase/decrease in trade payables and other equity and liabilities that cannot be allocated to investing or financing activities	-546	-943
<b>Subtotal</b>	-1,153	-1,156
Income tax payments	-	-1
<b>Cash flow from operating activities</b>	-1,153	-1,157
Proceeds from the disposal of non-current assets and for capitalised expenses	31	-
Payments for investments in intangible assets and in property, plant and equipment	-1,397	-1,857
Payments for investments in financial assets	-215	-145
<b>Cash flow from investing activities</b>	-1,581	-2,002
Proceeds from the raising of loans	328	330
Payments from the redemption of loans	-	-25
<b>Cash flow from financing activities</b>	328	305
Changes in cash and cash equivalents with effect on payments	-2,406	-2,854
Cash and cash equivalents at the beginning of the period	5,906	8,477
<b>Cash and cash equivalents at the end of the period</b>	3,500	5,623
<b>Interest income received</b>	10	93
<b>Interest expenses paid</b>	206	78
<b>Income taxes paid</b>	-	1
<b>Dividends paid/received</b>	-	-

## Consolidated statement of changes in equity of Nanogate AG

for the period 1 January to 30 June 2010

	Subscribed capital	Capital reserve	Retained earnings	Consolidated balance sheet result	Parent company interests	Minority interest	Consolidated equity
	in EUR ,000	in EUR ,000	in EUR ,000	in EUR ,000	in EUR ,000	in EUR ,000	in EUR ,000
<b>As at 31.12.2009</b>	1,900	14,703	1,331	1,242	19,176	1,908	21,084
Capital increase from authorised capital for contribution in kind (registered on 27.04.2010)	5	88	-	-	93	0	93
Share options granted	-	36	-	-	36	-4	32
Changes in value recognised in equity without effect on profit or loss	-	-	-	-	-	-	-
Consolidated net income/loss 1.1.–30.06.2010	-	-	-	-1,148	-1,148	-630	-1,778
<b>As at 30 June 2010</b>	1,905	14,827	1,331	94	18,157	1,274	19,431
<b>As at 31.12.2008</b>	1,900	14,594	1,331	2,609	20,434	2,136	22,570
Share options granted		90			90	11	101
Changes in value recognised in equity without effect on profit or loss		-15			-15	-15	-30
Consolidated net income/loss 1.1.–30.06.2009				-1,246	-1,246	-245	-1,491
<b>As at 30 June 2009</b>	1,900	14,669	1,331	1,363	19,263	1,887	21,150

## Notes to the consolidated financial statements of Nanogate AG

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity as of 30.6.2010 for Nanogate AG have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting principles and methods used have not changed from the 2009 financial statements (IFRS). The figures have not been audited. The consolidated figures for Nanogate AG include Nanogate Advanced Materials GmbH (fully consolidated), Holmenkol AG (fully consolidated) and Holmenkol Gesellschaft mbH, Lauterbach, Austria (fully consolidated). All figures presented in euros are in units of one thousand euros (EUR ,000) or one million euros (EUR million).

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