

Half-Year Report 2015
Phase5

Nanogate Group at a glance

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

	1 st HY 2015	1 st HY 2014
Sales	43,283	27,196
Overall performance	45,496	29,237
Gross profit margin (in %, of overall performance)	62.4	67.8
EBITDA	4,943	3,469
EBIT	1,650	1,214
EBT	456	595
Consolidated net income/loss	291	419
	30.06.2015	31.12.2014
Balance sheet total	130,935	111,868
Equity	53,684	42,307
Equity ratio (%)	41.0	37.8
Cash and cash equivalents	23,509	17,796
	1 st HY 2015	1 st HY 2014
Cash flow from operating activities after tax	3,293	276
Cash flow from investing activities (without external growth)	-6,396	-1,871
Employees (average)	585	377
Sales per employee	74	72

Contents

4	Preface
6	Group Half-Year Report
18	Consolidated income statement
19	Consolidated statement of comprehensive income
20	Consolidated statement of financial position
21	Consolidated statement of cash flows
22	Consolidated statement of changes in equity
24	Explanatory notes
26	Contact / Imprint



A world of new surfaces

NANO GATE AG – A WORLD OF NEW SURFACES®

Nanogate is a leading international integrated systems provider for high-performance surfaces. We give materials and surfaces new properties and improve our customers' competitiveness. Both businesses and consumers benefit from the advantages of multifunctional surfaces.

With expertise and technology from Nanogate,

- surfaces are given new functions.
- plastics are given new properties.
- metallisation becomes more environmentally friendly.
- production processes run more efficient.
- textiles become more powerful.

With help from Nanogate, products become more cost-effective, more powerful and better for the environment. With a comprehensive technology portfolio, we open up a new world of surfaces for our customers based on new materials. As an innovation partner, Nanogate offers its customers unique systems expertise – from materials development to mass production.

We add value. For our customers, our shareholders and our employees as well as for the environment and society.

Letter to shareholders

Dear shareholders,
customers, business partners and staff members,

Nanogate is benefiting greatly this year from the expansionary steps initiated. The key elements of our Phase5 growth agenda are sustaining our business, and the strategic measures are delivering clearly visible successes. The Group's international presence is also stronger than ever. As a result, we are making faster progress than originally anticipated, and our investment in new technologies and capacities is paying off. The first half-year has confirmed that Nanogate has made a major step forwards on its journey towards achieving sales of EUR 100 million.

Sales up almost 60 %

Nanogate recorded extremely strong performance in the first half of 2015. Sales increased by nearly 60 % to EUR 43.3 million. Our business was driven primarily by the dynamic demand for our applications and systems in the strategic growth areas of advanced metals (high-quality metal coatings) and advanced polymers (innovative plastics), combined under the Advanced Technologies segment. In addition to consolidation effects from the takeover of the surface specialist Vogler in the second half of 2014, strong organic growth also contributed to the increase in sales in the first half of 2015.

Cash flow from operating activities considerably improved

Notwithstanding the costs for implementing our ambitious plans, our operating result (consolidated EBITDA) rose to almost EUR 5 million. Despite higher depreciation and amortisation, consolidated EBIT increased to EUR 1.7 million. The cash inflow from operating activities also confirms our good performance. In the reporting period, cash flow from operating activities multiplied to EUR 3.3 million compared with the previous year's period. A particularly positive development: although sales were up almost 60 %, there was an improvement in the performance of trade working capital. The Group's capital base grew significantly, primarily due to the extremely dynamic performance and a successful capital increase. As a result, Nanogate had cash and cash equivalents totalling EUR 23.5 million as at the reporting date of 30 June.

New projects and technologies

Nanogate acquired important new projects in the first half of the year. With an order to coat touchpads for a leading premium car manufacturer, Nanogate was able to gain a new application area. Our subsidiary Vogler, which we acquired in 2014, received a seven-digit euro order to supply optically high-quality components. We also expanded our international market position once again. A new million-euro project for a leading German car manufacturer signals the addition of another order to our existing business in China. The new multi-year order covers an impressive cumulative volume in the double-digit million range. We are also expanding into the market for security solutions (N-Glaze® Security) with new glazing applications. For example, following several initial reference projects we are now supplying the buses of a well-known German manufacturer with specially enhanced panes that are particularly fracture-resistant.

Alongside the strong operating performance, the company is also concentrating on increasing its future sales potential through additional capacities, new applications and further technologies. Key steps for the company's future development include the creation of a new technology platform for the multifunctional metallisation of surfaces. Our solution represents both an economically attractive and an environmentally friendly alternative to conventional technologies. The market potential for new applications is in the three-digit million range.

Our centre of excellence for advanced metals at our new facility in Neunkirchen is also being built at present. With regard to the new technologies and additional growth plans as well, we have exercised the existing option for the remaining shares at our subsidiary GFO AG. The outstanding stake of almost 25 %

was acquired in July 2015. In addition to the good prospects offered, the strong performance in recent years was a key factor in the acquisition.

Outlook for 2015: sales and earnings forecast confirmed

Sustained by its dynamic performance, Nanogate is also optimistic about 2015 as a whole. The order base, which is in the high double-digit million range, has grown once again. As a result, we are already in a good position to offer an outlook for 2016, and not just for the remainder of the current year.

In view of the jump in sales with an increase of almost 60 % and the strong cash flow from operating activities, Nanogate is confirming its previous forecast for the full-year 2015. Notwithstanding the current changes in the economic environment, the Group continues to anticipate a high level of capacity utilisation for the rest of the year, with the result that it expects to achieve its planned production output for 2015. On the basis of its existing business and strong incoming orders, Nanogate aims to continue on its dynamic growth course and for the first time substantially exceed EUR 80 million in sales. The Group also intends to achieve a significant improvement in operating earnings (EBITDA), despite the fact that once again considerable funds will flow into the ongoing investment programme and into opening up new international markets. The Group is financially well equipped to take these expansionary steps.

In the medium term, the Group intends to exceed EUR 100 million in sales and increase its profitability. Our Phase5 growth programme serves as a compass for our expansion course. We are focusing here on strong organic growth and the opening up of international markets. New applications and technologies should also drive our growth. As long as all of the relevant requirements are met, external growth on a selective basis is also among the options available to us. Within the company, a programme of excellence is also under way. The aim of this programme is to further drive applications development, production and sales across the company, while also interlinking these areas more closely.

Focus on global markets

Over the coming months, our focus will be on international business in particular. In the past, Nanogate has achieved important successes in Europe, Asia and the USA. The seven-digit euro orders acquired are a good starting point for gaining an even stronger foothold globally. In the last few years, we have been working hard on our internationalisation strategy in addition to our operating business. We are confident that our preparation will pay off over the coming months.

Nanogate is an integrated systems provider for multifunctional high-performance surfaces and is firmly established among international companies as a long-standing innovation partner. With our extensive and growing technology portfolio and our financial strength, we are well positioned strategically to benefit from the growing market for surfaces. Our glazing solutions in particular demonstrate that we are well equipped to take advantage of the design megatrend in the market for innovative plastics. At all stages of our growth, we remain focused on maintaining our operating performance as well as on continuously increasing the value of our company. Our further expansion is based on an ever-widening foundation, which means that we are well equipped to achieve our medium-term objectives.

Yours,



Ralf Zastrau (CEO)



Michael Jung (COO)



Daniel Seibert (CFO)



Ralf Zastrau (CEO)



Michael Jung (COO)



Daniel Seibert (CFO)

Group Half-Year Report of Nanogate AG

1 Fundamental principles of the Group

The Nanogate Group (Nanogate) is a leading international integrated systems provider for high-performance surfaces and, according to the US market research institute MarketsandMarkets, is one of the leading suppliers around the world. The Group opens up the diverse possibilities of multifunctional surfaces based on new materials for companies in a wide range of industries. With its slogan, 'A world of new surfaces', the Nanogate Group reinforces its aspiration of using intelligent surfaces to give products a competitive edge and help companies generate additional value. It stands for the Group's promise to be a reliable partner for its customers and to bring them cutting-edge technology, rapid implementation and high-quality mass production.

1.1 Business model

Nanogate provides its customers with technologically and visually high-quality systems, equipping plastic, metal and other surfaces with new functions and properties (for example, making them non-stick, anti-corrosive, scratchproof, chemically stable or protected from exposure to the elements, with hygienic properties). To do so, the Group uses its extensive knowledge of innovative materials as well as its many years of experience in the mass production of enhanced multifunctional surfaces for two and three-dimensional components. The aim is to improve products and processes by means of multifunctional high-performance surfaces. This is intended to increase the competitiveness and profitability of Nanogate's customers and to reap environmental benefits. With solutions and knowledge from Nanogate, companies can gain a technological advantage over their competitors – and to this end, the Group adopts the approach of serving its customers as a long-term innovation partner.

As an integrated systems provider, Nanogate can draw on vast experience and a diverse array of skills in materials development as well as in process integration and mass production. It covers the entire value chain, from the purchase of raw materials, to the synthesis and formulation of the material systems, right through to the enhancement and production of the finished surfaces. Nanogate can draw on a comprehensive portfolio of technology platforms and processes when developing new applications for various substrates that then go into mass production. Its enhancement of multifunctional surfaces is founded on its extensive expertise in the area of new materials. Since it began operations in 1999, Nanogate has formed the central interface between the manufacturers of source materials and the suppliers of innovative industrial products, thereby enabling the efficient use of high-performance surfaces. Here, the company uses its own as well as external processes.

The company primarily targets attractive sectors such as automotive/transport, mechanical/plant engineering, buildings/interiors and sport/leisure sectors. Nanogate sees significant volume and margin potential in the two strategic growth areas of advanced metals and advanced polymers. Advanced metals serves as a platform for high-quality metal coatings, for example on aluminium and stainless steel. Nanogate sells solutions in the advanced metals growth area under the N-Metals® brand. Advanced polymers encompasses applications with innovative plastics sold mainly under the N-Glaze® brand. The Group has its own production capacities for manufacturing materials, enhancing and coating surfaces, and producing coloured or transparent, glazed plastics with glass-like properties.

The Group is divided into two segments, namely Base Technologies and Advanced Technologies. Base Technologies comprises much of the Group's existing portfolio of conventional applications, such as those in the areas of sport/leisure and buildings/interiors. The Advanced Technologies segment brings together all of the systems in the areas boasting especially strong growth. The Group believes there is strong growth and earnings potential in this segment, after having made considerable efforts to develop new systems in recent years as part of a broad innovation drive. This includes the two strategic growth areas of advanced metals and advanced polymers. A large proportion of the Group's investments have been poured into these areas in recent years, albeit without neglecting the competitiveness of the Base Technologies segment. Nanogate continually adds to its technology portfolio so as to build on its market position with additional applications. This includes in particular the establishing of a new technology platform for the multifunctional metallisation of surfaces, which was announced by Nanogate in April 2015.

1.2 Group structure and operating subsidiaries

The Nanogate Group consists of the parent company Nanogate AG, Quierschied-Göttelborn, and the consolidated portfolio companies Nanogate Industrial Solutions GmbH (NIS), Quierschied-Göttelborn, GfO Gesellschaft für Oberflächentechnik AG (GfO), Schwäbisch Gmünd, Nanogate Textile & Care Systems GmbH (NTCS), Quierschied-Göttelborn, and Plastic-Design GmbH, Bad Salzuffen. The shares in Eurogard B.V., Geldrop, the Netherlands, and Nanogate Glazing Systems B.V., Geldrop, the Netherlands, are pooled in the newly established Nanogate Nederland B.V., Geldrop, the Netherlands, as the holding company. In July 2014, the Nanogate Group also acquired all shares in the surface specialist Vogler, which now trades under the name Vogler GmbH, Lüdenscheid.

1.2.1 Nanogate AG

As a holding company, the parent company Nanogate AG concentrates on the strategic and operational management of the Group and its operating equity holdings. Central material development and production as well as central functions such as finance, controlling and services for all Group companies are also pooled in the management and technology holding company.

1.2.2 Nanogate Industrial Solutions GmbH

Nanogate Industrial Solutions GmbH concentrates on the industrial implementation of various high-performance surfaces, in particular on the market for metal surfaces, for example made of aluminium or stainless steel. The focus here, for example, is on energy efficiency applications marketed under the new N-ergy Plus® brand, in addition to other growing applications such as coatings for products using stainless steel. The company also specialises in process integration. The subsidiary is currently preparing for the commencement of operations at its centre of excellence for advanced metals, which is being built at the new facility in Neunkirchen (Saarland).

1.2.3 Eurogard B.V.

Eurogard B.V. specialises in enhancing surfaces on two-dimensional components and is the global market leader in the lucrative specialist sector of coating transparent plastics. Eurogard B.V. concentrates on the buildings/interiors, aviation and automotive/mechanical engineering sectors. The total shareholdings in Eurogard B.V. have been pooled in the Dutch holding company Nanogate Nederland B.V. since 2014.

1.2.4 Nanogate Textile & Care Systems GmbH

Nanogate Textile & Care Systems GmbH comprises the areas of sport/leisure, involving do-it-yourself (DIY) systems for improved cleaning, care and protection of textiles, which also feature hygienic properties, for example. The solutions are also partly marketed under our own brand. Applications for functional textiles, such as those employed in air filters, are also used here.

1.2.5 GfO Gesellschaft für Oberflächentechnik AG

GfO specialises in the technical and optical enhancement of complex plastic and metal surface geometries. In addition, GfO has an inkjet technology unique in Europe, the capacities for which have been expanded by adding another production plant as a result of current high demand. Since the Group's investment in 2010, sales and earnings of the subsidiary have increased significantly. In July 2015, Nanogate acquired the outstanding stake of almost 25 % in view of the good prospects offered and its planned growth course. As a result, it is now the full owner of the company (see also Section 3, 'Events after the balance sheet date').

1.2.6 Plastic-Design GmbH

The equity holding is one of Europe's leading plastics processors and has a proprietary technology portfolio for optically sophisticated components. It is also considered to be a trailblazer in the growth market of glazing. The company has largely finished a comprehensive process of transformation started after Nanogate's investment. The Group operates a centre of excellence for N-Glaze® applications at Plastic-Design GmbH's headquarters in Bad Salzuffen. Capacity at the centre of excellence increased in 2014 and is currently being expanded once again. This centre of excellence will enable Nanogate to offer the integrated development, production and subsequent enhancement of transparent and coloured N-Glaze® components in one location. With this equity holding acquired in 2012, the Group is expanding its value chain and is now able to manufacture its own high-quality, complex and enhanced plastic components for the first time.

1.2.7 Nanogate Glazing Systems B.V.

Nanogate Glazing Systems B.V., established in June 2013, focuses on the production, enhancement and moulding of flat components (2D). These components are used in special-purpose forestry vehicles, for instance. The subsidiary thereby supplements the existing expertise within the Nanogate Group, which covers 3D glazing. The portfolio expansion means that Nanogate AG is well positioned to benefit from the growing demand for N-Glaze® components. The shares have been pooled in the holding company Nanogate Nederland B.V. since 2014.

1.2.8 Vogler GmbH

In July 2014, Nanogate acquired surface specialist Vogler GmbH & Co. KG ('Vogler', then Vogler GmbH for short). The company, based in Lüdenscheid (North Rhine-Westphalia), was established in 1990 and currently has around 140 staff. The company's customers include major international companies, for example from the automotive industry and building services, as well as leading domestic appliance manufacturers. Vogler specialises in technically advanced coatings for decorative and transparent, multifunctional surfaces. The company is the industry leader in flat-spraying technology. In acquiring Vogler, Nanogate significantly expanded its range of services. Both metal and plastic surfaces can be coated on the production lines, with a focus on system components. The surface specialist therefore augments Nanogate's current expertise and capacities in plastics and metals. Vogler has a total of four

production lines for high-volume mass production as well as its own analytical laboratory for development and quality control. The integration into the Nanogate Group was completed in February 2015. In addition to plastic applications, Vogler can now also enhance high-quality flat and curved metal elements (2D and 2.5D components). For this to happen, the Group has invested in new processes at the Lüdenscheid site, although further stages in the expansion at Vogler will follow. At the same time, Nanogate is continuously optimising Vogler's existing product and order portfolio to increase the profitability of the equity holding over the medium term. The first joint project was launched in March 2015: It comprises the enhancement of high-quality stainless steel components for a new generation of built-in ovens for kitchens, given that Nanogate received a corresponding multi-million euro order in 2014.

1.3 Goals and strategies

Nanogate is pursuing a long-term growth strategy so that it can continue to improve its good market position in the production and marketing of multifunctional high-performance surfaces, both nationally and internationally. The main aim is to raise the company's value with a greater volume of business and increased profitability.

High-performance surfaces based on new materials are a fundamental component of many products. Innovative materials are established in many sectors and, as a cross-sectional technology, catalyse technical progress by means of better products or more efficient processes. Multifunctional surfaces and nanotechnology thereby equally contribute to improving companies' competitiveness.

Until now, sales of systems based on new technologies and of high-performance surfaces have been continuously increasing. According to the US market research company Future Markets Inc., the main customer industries are automotive/aviation, energy, medical/healthcare, household/hygiene, buildings/interiors and textiles/clothing. Particularly in demand are systems that maintain the value of surfaces (e.g. coatings that protect against corrosion or abrasion), reduce the need for cleaning ('easy-to-clean'), have an antimicrobial effect or improve energy efficiency.

Given the heterogeneous and dynamic nature of the market, market observers forecast continued strong growth: Analysts at Future Markets Inc. believe that the market for nanosurfaces will grow to almost USD 10 billion by the year 2025. MarketsandMarkets is forecasting annual growth of over 20 % and a market volume of USD 14.2 billion in 2019. Nanogate itself sees an accessible, future global market worth more than a billion euros for its products and applications currently available.

The Group's growth strategy concentrates on several particularly attractive target sectors and on the development of new technologies and solutions, primarily in the two strategic growth areas. The market for high-quality metal coatings, for example, will have a potential in the mid-three-figure million range in the future. The Group also sees major growth potential in the market for glazing applications, particularly in the automotive sector, because innovative plastics can replace glass and metal as a material and offer greater scope for designing high-quality components. They also allow for a substantial reduction in weight, one of the benefits of which may be lower fuel consumption. In the medium term, Nanogate anticipates market potential in the three-figure million euro range for N-Glaze® applications. The intention is to gain new customers and distribution partners – if possible, internationally active market leaders in their fields – with both existing and new technologies. Across all sectors, the Group attaches great importance to developing and distributing environmentally friendly systems and processes, whose share of total sales is set to rise significantly in the years ahead. Beyond this, Nanogate's focus is on further opening up international markets and new areas of application, including by means of new equity holdings and joint ventures.

1.4 Management system

In spite of substantial initial costs related to the expansion of capacities, new technologies and the current creation of a centre of excellence for high-quality metal coatings, the Group ensures as far as possible that profitability is increased. Nanogate strives to find a balance between investing in growth and optimising its cost structure. The most important control variables are sales, gross profit margin, EBITDA, EBIT, EBT, cash flow, working capital, investments and the equity ratio. In a monthly reporting system for the Group as a whole, target-performance comparisons are made, and deviations and key performance indicators analysed. In addition, control is exercised via qualitative results such as the development of new solutions, the acquisition of reference customers, and certifications by customers, suppliers, external institutions and companies.

2 Business report

2.1 Macroeconomic environment in the first half of 2015

Despite the strong economic performance in recent months, the International Monetary Fund (IMF) adjusted its growth expectations for the global economy moderately in July 2015 from 3.5 % to 3.3 %. By contrast, the forecast for Germany remains stable, with economic growth of 1.6 % anticipated (see also Section 5, 'Forecast'). According to Germany's Federal Statistical Office, German GDP increased by 0.3 % in the first quarter of 2015 and a further 0.4 % in the second quarter. Despite the positive forecasts by the IMF, however, there have been growing concerns since August 2015 about further economic developments, especially in the so-called BRIC countries.

The performance of Nanogate's main target industries varied widely. According to the German Association of the Automotive Industry (VDA), there was a further increase in sales: The number of new vehicle registrations in Europe rose by 8.2 % in the first half-year, the USA recorded an increase of 4.4 % and in China the figure was up 6.9 %. German mechanical engineering companies recorded a weak performance in the first five months of the year, as reported by the VDMA, the association for the German engineering industry. By contrast, developments in the chemical industry were mixed, said the VCI, the German chemical industry association, with a slight increase in production and a simultaneous fall in prices. In August, market researchers at GfK wrote that even though consumer sentiment has now weakened somewhat, private consumers are likely to make an important contribution to the strong consumer economy.

2.2 Key events in the first half of 2015

Nanogate recorded a strong performance in the first half of the 2015 financial year, expanded its order base with new projects and completed the integration of its subsidiary Vogler, which it acquired in 2014. At the same time, the Group expanded its technology portfolio, increased its capacities and strengthened its international focus. In terms of the company's development, the decision was taken to exercise the option for the outstanding stake in GfO AG and become the full owner of the subsidiary (see Section 3, 'Events after the balance sheet date'). The result is that the company recorded important successes – both operational and strategic – and is moving closer to its medium-term goal of generating sales of more than EUR 100 million and increasing its profitability.

Among its key strategic measures is the establishing of a new technology platform for the multifunctional metallisation of surfaces, which was announced by Nanogate in April. The Group is thus contributing to a transition in the surfaces market. The new technology platform allows high-quality metallisation, particularly of plastics, with the highest optical quality and in combination with multifunctional properties. Nanogate will therefore be introducing to the market an environmentally

friendly and economic alternative to conventional electroplating. The company will make an investment in the high single-digit million range in setting up its own production facilities and further developing technology.

The new method is based on the combination of environmentally friendly PVD thin-film technology and UV-based wet-chemical coatings. The technology does not use polluting materials such as chromium trioxide or nickel, whose use in traditional electroplating remains problematic under REACH European chemical regulations. Because polluting substances are not used, enhanced components can also be completely recycled. This also means safety advantages in the case of breakage, since the coating does not split. The new technology allows many design and colour variants and can be used with a number of substrates. The new centre of excellence is to go into operation in the first half of 2016. Target industries initially include automotive manufacture and high-quality interior applications. The new technology platform complements the existing application portfolio in advanced metals (high-quality metal coatings) and also merges it with the existing and complementary expertise in advanced polymers (innovative plastics with glass-like properties). Nanogate has, in the past, successfully adapted and further developed external technologies.

Nanogate has also expanded its sales potential with two additional application areas. The Group received a major order in January to enhance touchpads with a multifunctional coating and supply them to a southern German car manufacturer. The multi-year order comprises a cumulative production volume in the seven-figure range. The touchpads will be located in the central console near the gear lever and will make it easier to operate the vehicle, especially the navigation device. The coating uses a multifunctional Sicralan enhancement for the sensor surface. The new generation of vehicles has been on the market since summer 2015.

In June, Nanogate also announced that it would in future be offering its own solutions in the area of safety engineering. With N-Glaze® Security, the company is entering a new line of business with sales potential in the double-digit million range. This is based on multifunctional, highly transparent and fracture-resistant plastic glazing. As part of the initial projects – with a sales volume in the six-figure euro range for the 2015 financial year – the Nanogate Group is supplying the buses of German manufacturers with panes that are optimised for safety, for example. The company is also equipping special-purpose forestry vehicles with fracture-resistant panes. N-Glaze® Security replaces traditional solutions and is significantly lighter than glass. The panes are impact-resistant, fracture-resistant and shatterproof, offering vehicle passengers protection against damage caused by vandalism, for example. Functions such as easy cleaning ('easy-to-clean'), UV-protection, chemical resistance and paint or flame retardancy can be integrated, and they can be realised in many different geometries (2D/3D).

In terms of its internationalisation strategy, Nanogate has made important progress. It expanded its existing business in China with a new million-euro project for a leading German car manufacturer. The new order, which will run for several years, has a total volume in the significant double-digit million range and will increase the business that has been in place since 2014. As part of its business in China, Nanogate has been supplying glazing components since 2014. Production capacities at the existing glazing centre of excellence in Bad Salzflufen will be increased once again for the new project, after volumes already more than doubled in 2014. The investment amount for the additional production and coating facilities runs to the mid single-digit million range. Delivery of the plastic components from the new order is expected to start in 2016.

Operationally, the Group benefited from strong demand and new projects. For example, this includes a major new order for the subsidiary Vogler, which was acquired in 2014. The annual sales

volume will run into the mid single-digit million range. The multi-year agreement encompasses the supply of components. The high-quality, decoratively enhanced and metallised components, which meet the highest quality requirements, are used on the exteriors of premium cars. The new order means that the Group is improving Vogler's order mix once again. Meanwhile, the integration of the company was completed in February – earlier than initially expected. The most important milestones include the enhancement of expertise in the area of high-quality metal coatings at Vogler. This made it possible to launch a first joint project: Vogler is enhancing high-quality stainless steel components for a new generation of built-in ovens, given that Nanogate received a corresponding multi-million euro order in 2014.

As part of its growth drive for metal applications, which was launched in 2014, Nanogate is on schedule with the construction of its centre of excellence for advanced metals. The subsidiary Nanogate Industrial Solutions is currently preparing for the commencement of operations at the centre, which is being built at the new Nanogate facility in Neunkirchen (Saarland).

Among the milestones in the first half-year was the successful capital increase in March, with gross proceeds of issue totalling EUR 11.6 million. The Group will use the proceeds to implement its Phase5 strategic growth programme, financing primarily the expansion of its technology portfolio and of capacity. As part of the private placement, 297,843 new shares were placed with selected, qualified and long-term institutional investors in Germany and abroad. The placement price for the new shares was EUR 39.00 per share, close to the stock market price at that time. The capital increase, which was oversubscribed, increased the company's share capital to EUR 3,314,548.00. The new shares were not eligible for dividends for the 2014 financial year and were switched to the previous main share with the security identity number A0JKHC (ISIN DE000 A0JKHC9) as at the end of the day of the shareholders' meeting.

The shareholders' meeting in June approved the dividend proposal by a large majority. The shareholders thus received a payout of EUR 0.11 per share again this year. All further proposals have also been adopted with a large majority. 50.3 % of share capital was represented at the shareholders' meeting.

In July 2015, Nanogate acquired the remaining stake in GfO AG, thereby further developing the structure of the company. The reason for the expansionary step is, firstly, the very strong performance of GfO, whose sales and earnings have improved significantly since Nanogate first acquired a stake in the company in 2010. And, secondly, it will enable the companies to continue to pursue a joint growth course and open up new markets so that the significant potential in the market for high-performance surfaces can be exploited. As a result, capacities at our unique inkjet facility have already been doubled, for example. And thanks to its long-standing PVD expertise, GfO AG is also playing a key role in the introduction of the new technology platform for the multifunctional metallisation of surfaces (see also 'Events after the balance sheet date').

2.3 Net assets, financial and earnings position

Nanogate recorded a strong performance in the first half of 2015 and reported yet another sharp jump in sales. The Group benefited in particular here from its focus on the strategic growth areas for glazing applications and high-quality metal coatings. Its dynamic business activities also brought a sharp improvement to cash flow from operating activities. The Group's financial strength increased as well, thanks to a successful capital increase in March 2015.

2.3.1 Earnings position

The Group increased its sales, partly through consolidation effects, by almost 60 % to EUR 43.3 million in the first half of 2015 (previous year: EUR 27.2 million). The Advanced Technologies segment in particular, which comprises the strategic growth fields of advanced metals and advanced polymers, grew substantially. Export business continues to be an important sales driver. Overall performance rose to EUR 45.5 million (previous year: EUR 29.2 million).

The cost of materials increased to EUR 17.1 million (previous year: EUR 9.4 million) due to the growth in business activities and as a result of consolidation effects. The cost of materials ratio (as a proportion of overall performance) came to 37.6 % (previous year: 32.2 %) due to the changes in the product mix. As a system partner for large manufacturers, Nanogate increasingly produces and supplies complete components, especially in the area of innovative plastics (glazing components). The component business tends to generate higher sales and greater profitability, although it requires an increased use of materials. Accordingly, the gross profit margin (as a proportion of overall performance) came to 62.4 % (previous year: 67.8 %), while gross earnings rose by around 43 % to EUR 28.4 million (previous year: 19.8 million). Following the consolidation of Vogler GmbH in the second half of 2014, personnel expenses in the current period under review increased to EUR 14.5 million (previous year: EUR 10.2 million). The personnel expenses ratio (as a proportion of overall performance), in turn, dropped to 31.8 % (previous year: 35.0 %) as a result of the strong business activity and despite the consolidation of Vogler. The rise in other operating expenses to EUR 9.0 million (previous year: EUR 6.1 million) resulted from the growth in sales.

Despite the expenditure for the growth course, the operating result (consolidated EBITDA) increased to EUR 4.9 million (previous year: EUR 3.5 million). The EBITDA margin continues to be dominated by the ongoing expansion course and came to 11.4 % in the period under review (previous year: 12.8 %). Depreciation and amortisation went up as expected to EUR 3.3 million (previous year: EUR 2.3 million) due to the large volume of investment. In spite of these expenses, consolidated EBITDA improved to EUR 1.7 million (previous year: EUR 1.2 million). Pre-tax profit totalled EUR 0.5 million (previous year: EUR 0.6 million) and was dominated by the increased financing expenditure as a result of investment and capacity growth. Despite the expansionary steps, consolidated net income of EUR 0.3 million was almost the same as in the previous year (EUR 0.4 million). Overall, Nanogate recorded a strong performance in the first half of 2015, enabling the company to increase its sales by almost 60 % and significantly improve its operating result (consolidated EBITDA).

2.3.2 Financial position

In spite of its growth course, Nanogate's financial strength improved once more, thanks to its strong performance and successful capital increase. As at the reporting date of 30 June 2015, the Group's cash and cash equivalents totalled EUR 23.5 million (31 December 2014: EUR 17.8 million). The Group still also has unused credit lines.

The positive performance was also driven by the substantial increase in cash flow from operating activities after income tax payments, which was EUR 3.3 million in the first half-year (previous year: EUR 0.3 million). The company benefited greatly here from its

measures to optimise working capital, despite a sales increase of almost 60 %, trade working capital amounted to EUR 9.4 million (31 December 2014: EUR 8.7 million). Compared with the figure at the end of 2014, this represents a EUR 4.4 million improvement in the performance of trade working capital. Cash flow from investing activities totalled EUR -6.4 million (previous year: EUR -1.9 million) as a result of the growth course and the Phase5 strategy programme. Cash flow from financing activities came to EUR 8.8 million (previous year: EUR -0.01 million) and reflects the successful capital increase in March 2015, the dividend payment in June 2015 and the financing for the expansionary steps undertaken.

2.3.3 Assets position

Due to the dynamic growth course, the company's balance sheet total increased by 17 % to EUR 130.9 million (31 December 2014: EUR 111.9 million). The equity ratio amounted to 41.0 % (31 December 2014: 37.8 %).

Non-current assets came to EUR 84.7 million (31 December 2014: EUR 78.6 million), with the value of property, plant and equipment in particular rising as a result of the capacity growth. At the balance sheet date, current assets amounted to EUR 46.3 million (31 December 2014: EUR 33.3 million). The increase was primary due to higher liquidity of EUR 23.5 million (31 December 2014: EUR 17.8 million).

The Group's equity climbed to EUR 53.7 million (31 December 2014: EUR 42.3 million), thanks in part to the successful capital increase. Non-current liabilities rose to EUR 53.4 million (31 December 2014: EUR 48.4 million), while current liabilities went up slightly to EUR 23.8 million (31 December 2014: EUR 21.2 million). Net financial debt fell to EUR 15.9 million (31 December 2014: EUR 21.1 million).

2.3.4 Employees

In the first half of 2015, the Group had an average of 585 employees (previous year: 377) and 14 trainees (previous year: 12). The increase in the number of employees was mainly due to the acquisition of the surface specialist Vogler. Sales per employee rose slightly to EUR 74,000 (previous year: EUR 72,000).

3 Events after the balance sheet date

In July 2015, Nanogate AG acquired the outstanding stake of almost 25 % in its long-standing subsidiary GfO AG and now holds all the shares in the company. In view of the good prospects and the previously strong level of growth, Nanogate exercised its existing majority option at the start of the year. Since Nanogate's investment in 2010, the subsidiary's sales and operating result have increased significantly, resulting in Nanogate already extending its equity holding to 75 % plus one share. Confidentiality has been agreed on the purchase price, which also includes a small share component in addition to cash.

4 Risk and opportunities report

There has been no significant change to the Nanogate Group's risk and opportunities profile compared with that described in the annual report for 2014.

5 Forecast

5.1. Future economic and industry development

According to the most recent forecast by the International Monetary Fund (IMF) in July 2015, the global economy is set to grow. However, with an expected increase of 3.3 %, the growth will be somewhat weaker than initially predicted and will not match the previous year's pace (2014: 3.4 %). By contrast, there is no change in the forecast for the German economy, which is expected to grow by 1.6 %. The forecast for the euro area also remains stable, with an increase of 1.5 % anticipated. The same applies to China, where growth of 6.8 % is still expected. The forecast for the USA, which was initially 3.1 %, has now been cut to 2.5 %. In August, however, increasing concerns about economic performance, especially in the so-called BRIC countries, prompted considerable uncertainty, which also had a significant adverse impact on financial markets.

The car industry remains a growing market, albeit at a slightly slower pace. The German Association of the Automotive Industry (VDA) is predicting growth of just under 4 % for Western Europe, 6 % for China and around 2 % for the USA. Falling sales in some individual markets, such as Russia, mean that the global car market will increase only slightly, by just under 1 %. By contrast, the VDMA, the association for the German engineering industry, has revised its forecast (due also to statistical effects). Despite recovery effects in the second half-year, the VMDA still only expects growth to be at the same level as in the previous year. For its part, the VCI, the German chemical industry association, continues to take a positive outlook. As previously forecast, production should increase by 1.5 % and overall sales by 0.5 %. With regard to private consumption, the market research company GfK has also reiterated its prediction of growth of 1.5 %.

5.2 Future development of the Nanogate Group – forecast for 2015

Nanogate is confident about 2015 as a whole. New projects have increased its order base once again. These include a major new order for its subsidiary Vogler, the production of coatings for touchpads as a new application area, and opening up the market for security solutions with specially enhanced plastic panes under the N-Glaze® Security brand. The company is also laying important foundations for its future sales performance by expanding its capacities and technology portfolio. At the same time, significant amounts continue to be invested in the growth of the company. As a result, the Group recorded a strong operating performance in the first half-year and made important progress strategically.

In view of the jump in sales with an increase of almost 60 % and the strong cash flow from operating activities, Nanogate is confirming its previous forecast for the full-year 2015. Notwithstanding the current changes in the economic environment, the Group continues to anticipate a high level of capacity utilisation for the rest of the year, with the result that it expects to achieve its planned production output for 2015. On the basis of its existing business and strong incoming orders, Nanogate aims to continue on its dynamic growth course and – taking consolidation effects into consideration – substantially exceed EUR 80 million in sales for the first time. The Group also intends to achieve a significant improvement in operating earnings (EBITDA), despite the fact that once again considerable funds will flow into the ongoing investment programme and into opening up new international markets. The Group is financially well equipped to take these expansionary steps.

In both the current and the coming financial years, Nanogate will benefit significantly from its ongoing Phase5 strategy programme. As such, the Group is focusing on strong organic growth. The company believes that the expansion of its international market position will be an important growth driver. To that end, it has initiated numerous preparatory measures which will become visible over the coming months. At the same time, Nanogate is continuously expanding its application and technology portfolio to improve sales potential. Its focus here at present is on introducing the new technology platform for multifunctional metallisation. Selective external growth will continue to be one of the options for strategic action, given that Nanogate has managed to successfully integrate new portfolio companies on several occasions in the past. In addition to this, Phase5 includes an internal programme of excellence. The aim is to improve the company's internal structure and interlink applications development, production and sales more closely.

Based on these expansionary steps, Nanogate intends to exceed EUR 100 million in sales and to increase its profitability in the medium term. The Management Board believes that the company's strong market position, strategic focus and financial strength will enable it to continue growing dynamically in the future and open up the global markets for high-performance surfaces.

Quierschied-Göttelborn, September 2015



Ralf Zastrau
Chief Executive Officer



Michael Jung
Chief Operating Officer



Daniel Seibert
Chief Financial Officer

A 3D rendering of a globe where the continents are represented by interlocking puzzle pieces. The globe is set against a dark blue background with a lighter blue curved shape in the foreground. The puzzle pieces are metallic and reflective, with some missing pieces creating gaps in the globe's surface.

NEW HORIZONS

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Across every continent, companies are using multifunctional surfaces to offer customers and users product worlds with new features and unusual designs. As a partner in innovation to world-leading corporate groups, Nanogate AG is therefore accelerating its international expansion.

Consolidated income statement of Nanogate AG

for the period from 1 January to 30 June 2015

	01.01.-30.06. 2015	01.01.-30.06. 2014
	EUR ,000	EUR ,000
Sales	43,283	27,196
Change in finished goods and work in progress	292	265
Other own work capitalised	648	602
Other operating income	1,273	1,174
Cost of materials	-17,104	-9,413
Personnel expenses	-14,467	-10,227
Other operating expenses	-8,982	-6,128
EBITDA	4,943	3,469
Amortisation of intangible assets and depreciation of property, plant and equipment	-3,293	-2,255
EBIT	1,650	1,214
Financial income	84	59
Financial expenses	-1,278	-678
Earnings before taxes (EBT)	456	595
Income taxes	-162	-178
Net income/loss after taxes	294	417
Net income/loss attributable to non-controlling interests	-3	2
Net income/loss attributable to the shareholders of the parent company (consolidated net income/loss)	291	419
Earnings per share (EUR)		
Earnings per share, basic (EUR)	0.09	0.14
Earnings per share, diluted (EUR)	0.09	0.14
Weighted average no-par-value bearer shares		
Basic	3,179,614	2,978,436
Diluted	3,182,657	2,994,832

Consolidated statement of comprehensive income of Nanogate AG

for the period from 1 January to 30 June 2015

	01.01.-30.06. 2015	01.01.-30.06. 2014
	EUR ,000	EUR ,000
Net income/loss after taxes	294	417
<i>of which attributable to non-controlling interests</i>	3	-2
<i>of which attributable to shareholders of Nanogate AG</i>	291	419
Other comprehensive income/loss after taxes		
Items which will not be reclassified to P&L in the future		
Revaluation of intangible assets and property, plant and equipment		
Actuarial gains and losses from defined-benefit pension commitments and similar obligations	5	-42
Income taxes on items which are not retrospectively reclassified to P&L	-1	13
	4	-29
Items which will under certain conditions be reclassified to P&L in the future		
Cash flow hedges		
Financial assets available for sale		
Foreign currency translation		
Income taxes on items which are retrospectively reclassified to P&L		
	0	0
Other comprehensive income/loss after taxes	4	-29
<i>of which attributable to non-controlling interests</i>	1	-4
<i>of which attributable to shareholders of Nanogate AG</i>	3	-25
Total net income/loss after taxes	298	388
<i>of which attributable to non-controlling interests</i>	4	-6
<i>of which attributable to shareholders of Nanogate AG</i>	294	394

Consolidated statement of financial position of Nanogate AG

as at 30. June 2015

<i>Assets</i>	30.06.2015	30.12.2014
	EUR ,000	EUR ,000
Non-current assets		
Intangible assets	38,653	39,032
Property, plant and equipment	35,796	31,147
Trade receivables	41	68
Financial assets	651	633
Other assets	725	752
Deferred tax assets	8,783	6,965
	84,649	78,597
Current assets		
Inventories	7,144	6,565
Trade receivables	7,909	6,475
Financial assets	1,629	1,809
Other assets	6,071	594
Income tax receivables	24	32
Cash and cash equivalents	23,509	17,796
	46,286	33,271
	130,935	111,868

<i>Equity and liabilities</i>	30.06.2015	30.12.2014
	EUR ,000	EUR ,000
Equity		
Subscribed capital	3,315	3,017
Capital reserves	38,884	27,771
Other reserves	-9	11
Retained earnings	10,189	10,207
Equity attributable to the shareholders of the parent company	52,379	41,006
Non-controlling interests	1,305	1,301
	53,684	42,307
Non-current liabilities		
Pension provisions	1,080	1,109
Provisions	432	431
Financial liabilities	33,107	31,820
Other financial liabilities	10,383	8,507
Other liabilities	849	308
Deferred tax liabilities	7,590	6,235
	53,441	48,410
Current liabilities		
Provisions	2,767	2,937
Financial liabilities	6,304	7,095
Trade payables	5,737	4,455
Other financial liabilities	4,125	2,334
Other liabilities	4,417	4,177
Income tax liabilities	460	153
	23,810	21,151
	130,935	111,868

Consolidated statement of cash flows of Nanogate AG

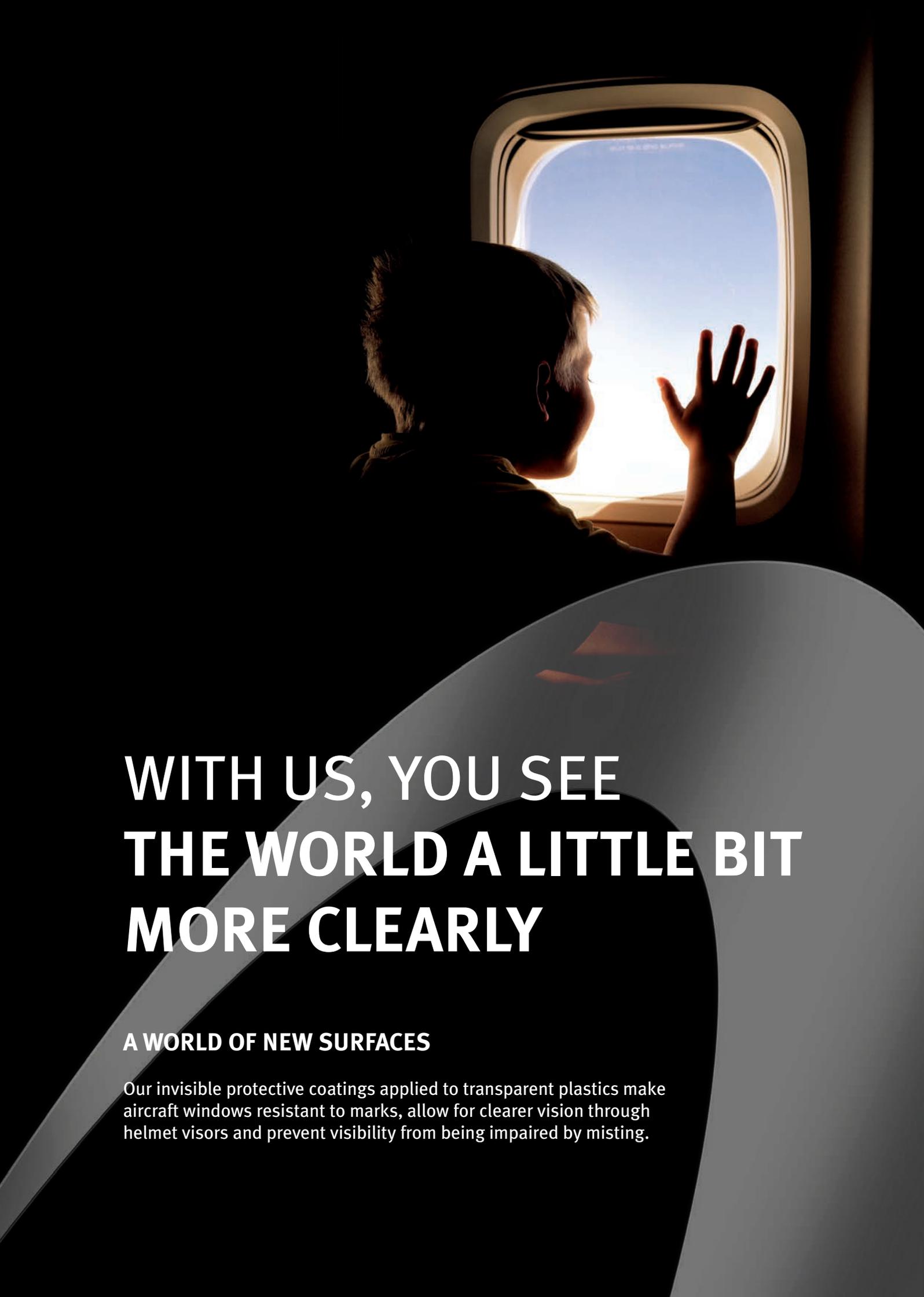
for the period from 1 January to 30 June 2015

	01.01.-30.06. 2015	01.01.-30.06. 2014
	EUR ,000	EUR ,000
Earnings before taxes	456	595
Amortisation of intangible assets and depreciation of property, plant and equipment	3,293	2,255
Decrease in provisions	-197	-894
Profit/loss from the disposal of non-current assets	-495	-
Other non-cash income and expenses	267	97
Interest income	-23	-49
Interest expenses	1,107	652
Increase in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	-3,236	-2,246
Increase/Decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	2,304	-27
Cash flow from operations before tax	3,476	383
Income tax payments	-183	-107
Cash flow from operating activities	3,293	276
Proceeds from the disposal of property, plant and equipment	580	4
Payments for investments in intangible assets	-411	-473
Payments for investments in property, plant and equipment	-6,619	-1,183
Proceeds/repayments from investments in financial assets	36	-
Payments for investments in financial assets	-6	-332
Proceeds from investments in other assets	-	100
Payments for investments in other assets	-9	-9
Interests received	33	22
Cash flow from investing activities	-6,396	-1,871
Proceeds from capital increases	11,237	-
Dividend payments	-332	-328
Payments in connection with consolidated companies	-	-100
Proceeds from the raising of loans	7,078	2,904
Payments for the redemption of loans	-7,066	-1,368
Payments for the redemption of finance lease liabilities	-1,144	-554
Interest payments	-957	-565
Cash flow from financing activities	8,816	-11
Changes in cash and cash equivalents	5,713	-1,606
Cash and cash equivalents at the beginning of the period	17,796	17,286
Cash and cash equivalents at the end of the period	23,509	15,680

Consolidated statement of changes in equity of Nanogate AG

for the period from 1 January to 30 June 2015

	Subscribed capital	Capital reserves	Other reserves	Retained earnings	Equity attributable to shareholders of parent company	Non-controlling interests	Group equity
	EUR ,000	EUR ,000	EUR ,000	EUR ,000	EUR ,000	EUR ,000	EUR ,000
As at 1 January 2015	3,017	27,771	11	10,207	41,006	1,301	42,307
Capital increase by issuance of new shares	298	11,056	-	-	11,354	-	11,354
Dividend distribution to shareholders	-	-	-	-332	-332	-	-332
Share-based payments	-	57	-	-	57	-	57
Transfer to retained earnings, net	-	-	-23	23	-	-	-
Total net income/loss							
Net income/loss							
01.01.–30.06.2015	-	-	-	291	291	3	294
Other comprehensive income/loss							
01.01.–30.06.2015	-	-	3	-	3	1	4
As at 30 June 2015	3,315	38,884	-9	10,189	52,379	1,305	53,684
As at 1 January 2014	2,978	26,639	150	10,074	39,841	1,337	41,178
Dividend distribution to shareholders	-	-	-	-328	-328	-	-328
Share-based payments	-	76	-	-	76	-	76
Transfer to retained earnings, net	-	-	6	-6	-	-	-
Total net income/loss							
Net income/loss							
01.01.–30.06.2014	-	-	-	419	419	-2	417
Other comprehensive income/loss							
01.01.–30.06.2014	-	-	-25	-	-25	-4	-29
As at 30.06.2014	2,978	26,715	131	10,159	39,983	1,331	41,314

A silhouette of a child looking out of an airplane window. The child's hand is pressed against the glass. The window shows a bright blue sky with a sun flare. The scene is dimly lit, with the light from the window illuminating the child's profile and hand.

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Explanatory notes for Nanogate AG

The consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity as of 30.6.2015 of Nanogate AG have been prepared in accordance with the International Financial Reporting Standards (IFRS). The accounting principles and methods used have not changed from the 2014 annual financial statements (pursuant to IFRS). The figures have not been audited. The consolidated figures for Nanogate AG include those of Nanogate Industrial Solutions GmbH (Göttelborn), GfO Gesellschaft für Oberflächentechnik AG (Schwäbisch Gmünd), Nanogate Textile & Care Systems GmbH (Göttelborn), Eurogard B.V. (Geldrop, the Netherlands), Nanogate Glazing Systems B.V. (Geldrop, the Netherlands), Plastic Design GmbH (Bad Salzuflen), Nanogate Nederland B.V. (Geldrop, the Netherlands) and Vogler GmbH (Lüdenscheid) on a fully consolidated basis.

All figures presented in euros are in units of one thousand euros (EUR ,000) or one million euros (EUR million).

The accounting and measurement methods used in the consolidated financial statements correspond to those standards and interpretations which must be applied as of 1 January 2015.

The amended IAS 19 aims to make accounting treatment easier. The revision relates to those employee contributions which are based on formal regulations and are linked to the period of service, the amount of which, however, does not depend on the number of years of service. The IASB's amendments have made accounting treatment easier in these cases by providing an option: (1) On the one hand, it is still possible to reduce the service cost to be recognised due to the employee contributions made, using the benefit formula contained in the pension plan or on a straight-line basis. (2) On the other hand, there is a new alternative, whereby the employee contributions can be taken into consideration to reduce the service cost directly in the period in which the corresponding service is rendered. For Nanogate AG there is no effect on the Group's presentation.

As the table already shows, the revisions and amendments to the existing standards and interpretations applicable to the 2015 reporting year are based on the outcomes of the two improvements cycles. These are essentially clarifications or supplementary details. There are no significant effects on the presentation of the Group.

Based on current assessments, all the other new or amended IFRS standards shown in the table below have no relevance for the Nanogate Group.

New and amended standards and interpretations already applicable

Standard or interpretation	Endorsement	Mandatory from financial years beginning
IAS 19 Employee Benefits: facilitation for the collection of employee contributions (2011)	Yes	01.02.2015
Annual Improvements to IFRS 2010–2012	Yes	01.02.2015
Annual Improvements to IFRS 2011–2013	Yes	01.01.2015

Based on: Endorsement Status Report dated 23 July 2015.

Events after the balance sheet date:

In July 2015, Nanogate AG acquired the outstanding stake of almost 25 % in its long-standing subsidiary GfO AG and now holds all the shares in the company.

Related party disclosures

Related parties within the meaning of IAS 24 Related Party Disclosures are those persons or entities that have control, joint control with other entities, or significant influence over Nanogate AG.

Subsidiaries, joint ventures and associates are also related parties of Nanogate AG. Subsidiaries and joint ventures are also related parties for one another.

Related parties are also key management personnel, their close family members and companies over which these persons exercise control, joint control or significant influence.

The direct parent company is Nanogate AG, Quierschied-Göttelborn. Its head office is in Germany.

Business transactions in the first half of 2015 between Nanogate AG and its related parties were conducted according to standard third-party conditions.

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The half-year report of Nanogate AG is available in German and English.
The German Version is legally binding.

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