

NanoFocus AG

Date: 04/15/2013

Recommendation		Buy	as of	-
before:				
Target price (EUR)		3.90		
Price (Xetra) (EUR)		2.35		
	04/12/13		1:43 PM	
Share price potential		66%		

Company data	
Sector	Industrial measurement technology
Market segment	Entry Standard
ISIN	DE0005400667
Reuters	N2FGn.DE
Bloomberg	N2F

Share data	
Shares (m)	3.000
Freefloat	46.1%
Market cap. (EURm)	7.1
∅ Trading Volume	2,588
52W High	07/02/12 EUR3.70
52W Low	03/01/13 EUR2.00

Events	
Figures FY 2012	05/31/2013
Annual General Meeting	07/10/2013

Performance		
	absolut	related to: DAX
1 month	-6.0%	-1.6%
3 months	-9.6%	-9.7%
6 months	-17.5%	-22.1%
12 months	-6.0%	-19.5%

Index weighting	
Entry Standard All Share	0.6%

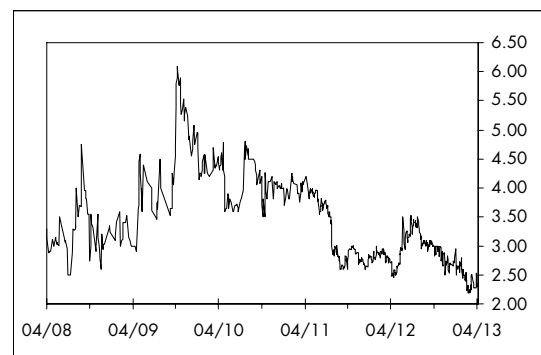
Cautious guidance - high risk/reward profile

- ⇒ For H2 2012, NanoFocus reported sales of EUR5.5m (4.8; our forecast: 6.2) and thus a strong growth - among others driven by clients from the automotive industry. EBIT and the EBIT margin increased to EUR1.1m (0.5) and 20% (10%), thus falling slightly short of our forecasts (EUR1.4m and 21.7%).
- ⇒ In FY 2012 (preliminary figures), NanoFocus did not quite meet its sales targets (EUR8.9m (8.2); guidance: over EUR9.3m). EBIT reached EURO.3m (0.2), so the EBIT margin of 3% was within the target range of 3% to 5%.
- ⇒ The guidance for 2013 (sales: EUR10m; EBIT margin: 3% to 5%) reflects the additional R&D efforts for important projects (medical technology device; usurf cylinder), in our opinion. We thus now expect EPS for 2013 of EURO.12 (before: 0.26).
- ⇒ We still expect a strong sales increase following the completion of the projects. Growth financing thus remains on the agenda. On the current level, we think the share has a high risk/reward profile. With a price target of EUR3.90 (before: 4.50) we confirm our Buy recommendation.

	2009	2010	2011	2012(E)	2013E	2014E
Sales	5.0	6.5	8.2	8.9	10.5	12.2
Sales growth	-23.1%	28.9%	26.9%	8.2%	18.4%	16.2%
EBIT	-0.6	0.1	0.2	0.3	0.5	0.7
EBIT margin	-12.7%	1.2%	2.7%	2.9%	4.3%	6.1%
Net income	-0.7	-0.1	0.1	0.1	0.3	0.6
Net margin	-14.4%	-0.9%	0.8%	1.7%	3.3%	5.2%
EPS	-0.32	-0.02	0.02	0.05	0.12	0.21
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Net financial debt/EBITDA	-1.1	-0.6	-0.7	-0.3	-0.1	0.1
Net Gearing	0.0	-0.1	0.0	0.0	0.0	0.0
Free cash flow (FCF)	-0.4	-0.5	-0.5	-0.7	-0.6	-0.1
FCF per share	-0.18	-0.22	-0.16	-0.23	-0.18	-0.02
EV / sales	2.0	1.5	1.1	0.9	0.6	0.5
EV / EBITDA	neg.	13.9	10.2	8.0	4.7	3.6
EV / EBIT	neg.	127.5	40.2	31.9	14.7	9.0
EV / FCF	neg.	neg.	neg.	neg.	neg.	neg.
P/E ratio	neg.	neg.	148.2	57.4	20.4	11.1
P/B ratio	1.5	1.1	1.0	0.9	0.7	0.6
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Figures in EURm except EPS, DPS and FCF per share (EUR), PERs based on averaged share prices

Source: Independent Research, NanoFocus AG



Source: NanoFocus AG, Bloomberg

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Valuation

Three-step DCF model

Rising EBIT margin reflects increase in economies of scale

In our three-step Discounted Cash Flow Model (DCF Model) we have employed our specific forecasts in our detailed planning period until and including 2014 (before: 2013). As of 2015 (until 2022 (before: 2021)) we undertake a trend analysis. Until 2017, we have assumed a decline in sales growth to 7.5%. The EBIT margin increases to 13.0% in 2017 (before: 15.0% until 2016). This reflects the fact that we expect NanoFocus to realise significant economies of scale as part of its transition from an R&D driven towards a manufacturing company (inline production). However, the current situation suggests, that the transition period could take more time and that margins could be lower. In phase III (terminal value) we expect the free cash flow to grow 2.0% along with inflation.

WACC of 10.1% (before: 10.0%)

We calculate a nearly unchanged WACC of 10.1% (before: 10.0%). The relatively high figure is on the one hand owed to the beta of 1.4 that reflects the volatility and risk of the business model (small company; still R&D driven). On the other hand, we have assumed an equity ratio of 85% (at market value) in the long-term target capital structure as

DCF model										
EURm	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Sales	10.5	12.2	13.9	15.3	16.5	17.7	19.0	20.4	22.0	23.1
Growth y/y	8.2%	16.2%	13.3%	10.4%	7.5%	7.5%	7.5%	7.5%	7.5%	5.0%
EBIT margin	4.3%	6.1%	8.4%	10.7%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
EBIT	0.5	0.7	1.2	1.6	2.1	2.3	2.5	2.7	2.9	3.0
- Income taxes	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.4	-0.8	-0.8	-0.9
+ Amortisation and depreciation	1.0	1.1	1.2	1.0	1.1	1.1	1.2	1.3	1.4	1.5
+/- Change in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+/- Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flow	1.5	1.9	2.4	2.6	3.1	3.3	3.4	3.2	3.5	3.6
-/+ Change in net working capital	-0.7	-0.8	-0.8	-0.7	-0.6	-0.6	-0.7	-0.7	-0.8	-0.8
-/+ Investments in fixed assets	-0.7	-0.7	-1.0	-1.1	-1.1	-1.2	-1.3	-1.4	-1.5	-1.5
Free cash flow	0.1	0.4	0.6	0.8	1.4	1.5	1.4	1.1	1.2	1.3
Present values	0.1	0.3	0.5	0.5	0.9	0.8	0.7	0.5	0.5	0.5
Total present values	5.3									
Terminal value	6.3									
										in % of total value: 55%
Value of operating business	11.6									
+ Cash and cash equivalents	2.3									
- Financial debt	-1.9									
Fair market value of equity	12.0									
Number of shares outstanding (m)	3.000									
Fair value per share (EUR)	3.98									

Model parameters / entity DCF model:			
Target capital structure ->	Equity:	85%	Financial debt: 15%
Risk-free rate: 4.00%	Beta: 1.4	Risk prem.: 5.0%	Risk prem. Debt: 3.0%
	Cost of equity: 11.0%	Tax shield: 30.0%	
	Cost of debt: 4.9%		
Growth FCF: 2.0%	WACC: 10.1%	Date: 04/15/13	

Source: Independent Research

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Sensitivity analysis (EUR)					
		Discount rate (WACC)			
		9.6%	10.1%	10.6%	11.1%
Growth (TV)	2.0%	4.37	3.98	3.72	3.48
	2.5%	4.47	4.14	3.84	3.59
	3.0%	4.67	4.31	3.99	3.71
	3.5%	4.91	4.50	4.15	3.85

Source: Independent Research

NanoFocus has only a limited amount of financial debt. We have assumed an interest rate at 7.0% before tax and 4.9% after tax, based on the interest rates for the loans already granted (4.4% to 6.2%) and the credit line.

Reduced fair value: Lowered forecasts for 2013 and lower margin level

We have calculated a fair value of equity of EUR12.0m (before: 13.0). Based on 3.000m shares outstanding we have calculated a fair value per share of EUR3.98 (before: 4.32). The lower fair value reflects our revised forecasts for 2013 as well as our reduced assumptions for the long-term EBIT margin.

Valuation multiples for 2014 should improve

Based on the fair value in 2013, there still is a high valuation with an EV/EBIT of 25.5 and a P/E ratio of 34.6 - as result of delays for major projects and the therefore missing contribution to sales and earnings. For 2014, we expect an improvement of the multiples (EV/EBIT: 15.6; P/E ratio: 18.8). Notice should also be given to the share price being traded significantly below book value (P/B ratio 2013: 0.7).

*Fair value of EUR3.98
(before: 4.32) per share.*

*Share is currently traded
below its book value*

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Income Statement

	Unit: Financial year: Accounting standard:	EURm Dec. 31 HGB	2008	2009	2010	2011	2012(E)	2013E	2014E
Sales			6.5	5.0	6.5	8.2	8.9	10.5	12.2
Change in inventory			0.3	0.2	0.1	0.3	0.1	0.1	0.1
Own work capitalised			0.0	0.0	0.5	0.6	0.7	0.5	0.4
Other operating income			0.1	0.4	0.7	0.3	0.3	0.3	0.4
Total operating performance			7.0	5.6	7.7	9.5	10.0	11.5	13.1
Cost of materials			-2.4	-1.8	-2.1	-2.8	-2.8	-3.2	-3.6
Gross profit			4.6	3.8	5.6	6.6	7.2	8.2	9.5
Personnel expenses			-2.2	-2.4	-2.9	-3.4	-3.8	-4.1	-4.5
Other operating expenses			-1.7	-1.5	-2.0	-2.3	-2.4	-2.8	-3.1
EBITDA			0.8	-0.1	0.7	0.9	1.0	1.4	1.9
Depreciation and amortisation			-0.5	-0.5	-0.6	-0.6	-0.8	-1.0	-1.1
EBIT			0.3	-0.6	0.1	0.2	0.3	0.5	0.7
Financial results			0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
EBT			0.2	-0.7	-0.1	0.1	0.2	0.3	0.6
Extraordinary expenses			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes and other taxes			0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Minority interests			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income			0.2	-0.7	-0.1	0.1	0.1	0.3	0.6
Weighted average number of shares (m)			2.250	2.293	2.480	2.795	2.915	3.000	3.000
Earnings per share (EUR)			0.09	-0.32	-0.02	0.02	0.05	0.12	0.21
Dividends per share (EUR)			0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Independent Research; NanoFocus AG

Income Statement (positions in % of sales)

	Unit: Financial year: Accounting standard:	in % Dec. 31 HGB	2009	2010	2011	2012(E)	2013E	2014E
Sales			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Change in inventory			3.5%	0.9%	4.1%	1.1%	1.0%	1.0%
Own work capitalised			0.0%	7.1%	7.3%	7.5%	4.9%	3.0%
Other operating income			8.2%	10.3%	3.6%	3.4%	2.8%	2.9%
Total operating performance			111.7%	118.3%	115.0%	112.0%	108.8%	106.8%
Cost of materials			-36.3%	-32.5%	-34.2%	-31.1%	-30.5%	-29.5%
Gross profit			75.4%	85.8%	80.8%	80.8%	78.2%	77.3%
Personnel expenses			-47.6%	-44.9%	-41.9%	-42.1%	-38.5%	-36.4%
Other operating expenses			-29.9%	-30.2%	-28.3%	-27.1%	-26.2%	-25.6%
EBITDA			-2.1%	10.7%	10.6%	11.6%	13.6%	15.3%
Depreciation and amortisation			-10.7%	-9.5%	-7.9%	-8.7%	-9.2%	-9.3%
EBIT			-12.7%	1.2%	2.7%	2.9%	4.3%	6.1%
Financial results			-1.6%	-2.1%	-1.3%	-1.1%	-1.0%	-0.9%
EBT			-14.4%	-0.9%	1.4%	1.7%	3.3%	5.2%
Extraordinary expenses			0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%
Income taxes and other taxes			0.0%	0.0%	-0.6%	0.0%	0.0%	0.0%
Minority interests			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income			-14.4%	-0.9%	0.8%	1.7%	3.3%	5.2%

Source: Independent Research; NanoFocus AG

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Balance sheet

	Unit: EURm						
	Financial year: Dec. 31	2009	2010	2011	2012(E)	2013E	2014E
	Accounting standard: HGB						
Capital subscribed not paid in		0.0	0.0	0.0	0.0	0.0	0.0
Expenditures for start-up and expansion of business operations		0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets		2.5	2.6	2.8	3.0	2.8	2.4
Property, plant and equipment		0.1	0.5	0.5	0.8	1.2	1.6
Financial assets		0.1	0.1	0.1	0.1	0.1	0.1
Total non-current assets		2.8	3.2	3.4	3.9	4.2	4.1
Inventories		2.4	2.0	2.7	2.7	3.0	3.4
Receivables and other assets		2.5	3.0	3.2	3.4	3.9	4.5
Trade receivables		2.1	2.6	2.8	3.0	3.5	4.0
Other current receivables/assets		0.4	0.4	0.4	0.4	0.4	0.5
Securities		0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents		1.9	3.2	2.2	2.3	1.9	1.4
Total current assets		6.8	8.2	8.1	8.4	8.8	9.3
Deferred expenses and accrued income		0.1	0.1	0.1	0.1	0.1	0.1
Deferred tax assets		0.0	1.3	1.5	1.5	1.5	1.5
Total assets		9.7	12.8	13.1	13.8	14.5	15.0
Subscribed capital		2.5	2.8	2.8	3.0	3.0	3.0
Capital reserve		4.8	5.8	5.8	6.1	6.1	6.1
Retained earnings related to deferred taxes		0.0	1.2	1.2	1.2	1.2	1.2
Capital contributions		0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss carried forward		0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings		0.0	0.0	0.0	0.0	0.0	0.0
Net income		-0.5	-0.6	-0.5	-0.4	0.0	0.6
Total equity		6.8	9.2	9.2	9.9	10.3	10.9
Investment grants to non-current assets		0.0	0.0	0.0	0.0	0.0	0.0
Provisions		0.3	0.2	0.2	0.2	0.3	0.3
Financial liabilities		1.6	2.2	1.8	1.9	2.1	1.7
Advanced payments received		0.1	0.1	0.1	0.1	0.1	0.1
Trade payables		0.3	0.5	1.1	1.1	1.2	1.3
Liabilities to affiliated companies		0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities		0.5	0.4	0.3	0.2	0.2	0.2
Total liabilities		2.6	3.3	3.3	3.3	3.6	3.4
Deferred income and accrued expenses		0.1	0.0	0.0	0.0	0.0	0.1
Deferred tax liabilities		0.0	0.2	0.3	0.3	0.3	0.3
Total equity and liabilities		9.7	12.8	13.1	13.8	14.5	15.0

Source: Independent Research; NanoFocus AG

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Balance sheet (Positions in % of balance sheet total)

Unit: Financial year: Accounting standard:	in % Dec. 31 HGB	2009	2010	2011	2012(E)	2013E	2014E
Capital subscribed not paid in		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expenditures for start-up and expansion of business operations		0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Intangible assets		26.1%	20.2%	21.3%	21.6%	19.3%	15.9%
Property, plant and equipment		1.4%	3.6%	3.8%	5.9%	8.5%	10.7%
Financial assets		1.3%	1.0%	1.0%	0.9%	0.9%	0.8%
Total non-current assets		28.7%	24.8%	26.0%	28.4%	28.7%	27.4%
Inventories		24.4%	15.9%	20.5%	19.2%	20.6%	22.4%
Receivables and other assets		25.6%	23.2%	24.4%	24.9%	26.8%	30.0%
Trade receivables		21.3%	20.3%	21.5%	22.0%	23.8%	26.9%
Other current receivables/assets		4.3%	3.0%	2.9%	2.8%	3.0%	3.1%
Securities		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and cash equivalents		20.0%	25.2%	17.2%	16.3%	13.1%	9.6%
Total current assets		70.0%	64.3%	62.1%	60.4%	60.5%	62.1%
Deferred expenses and accrued income		1.0%	0.5%	0.4%	0.4%	0.5%	0.6%
Deferred tax assets		0.0%	10.4%	11.4%	10.8%	10.3%	10.0%
Total assets		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital		25.6%	21.9%	21.4%	21.7%	20.6%	20.0%
Capital reserve		49.8%	45.2%	44.1%	44.4%	42.3%	41.0%
Retained earnings related to deferred taxes		0.0%	9.1%	8.9%	8.4%	8.0%	7.8%
Capital contributions		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit/loss carried forward		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Retained earnings		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income		-5.3%	-4.5%	-3.9%	-2.6%	-0.1%	4.1%
Total equity		70.1%	71.8%	70.5%	71.9%	70.8%	73.0%
Investment grants to non-current assets		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions		2.8%	1.5%	1.7%	1.7%	1.8%	1.9%
Financial liabilities		16.6%	17.6%	13.6%	13.6%	14.3%	11.2%
Advanced payments received		0.9%	0.6%	0.9%	0.9%	0.9%	0.9%
Trade payables		3.5%	4.3%	8.3%	7.7%	8.2%	8.9%
Liabilities to affiliated companies		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities		5.5%	3.0%	2.2%	1.6%	1.4%	1.5%
Total liabilities		26.5%	25.5%	24.9%	23.7%	24.8%	22.5%
Deferred income and accrued expenses		0.5%	0.0%	0.3%	0.3%	0.3%	0.3%
Deferred tax liabilities		0.0%	1.2%	2.6%	2.4%	2.3%	2.2%
Total equity and liabilities		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Independent Research; NanoFocus AG

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Cash flow statement

Unit:	EURm						
Financial year:	Dec. 31	2009	2010	2011	2012(E)	2013E	2014E
Accounting standard:	HGB						
Net income		-0.7	-0.1	0.1	0.1	0.3	0.6
+/- Loss/gain on the disposal of PP&E		0.0	0.0	0.0	0.0	0.0	0.0
+ Depreciation and amortisation		0.5	0.6	0.7	0.8	1.0	1.1
+/- Own work capitalised		0.0	0.0	0.0	0.0	0.0	0.0
+/- Changes in provisions		0.0	0.0	0.0	0.0	0.0	0.0
+/- Other non-cash expenses/income		0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from sales activities		-0.2	0.6	0.7	0.9	1.3	1.8
-/+ Changes in inventories, receivables/other current assets		0.1	-0.5	-0.9	-0.2	-0.8	-1.0
+/- Changes in payables and other liabilities		-0.1	0.0	0.6	-0.1	0.1	0.2
+/- Gain/loss from extraordinary items		0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities		-0.2	0.1	0.4	0.6	0.7	1.0
+ Proceeds from sale of assets		0.0	0.0	0.0	0.0	0.0	0.0
- Expenses for purchase of assets		-0.2	-0.1	-0.3	-0.6	-0.7	-0.7
- Own work capitalised		0.0	-0.5	-0.6	-0.7	-0.5	-0.4
Cash flow from investing activities		-0.2	-0.6	-0.9	-1.3	-1.2	-1.1
+ Proceeds from equity increases		0.8	1.3	0.0	0.6	0.0	0.0
+ Proceeds from finance lease		0.3	-0.1	-0.1	0.0	0.0	0.0
-/+ Repayments of/proceeds from financial liabilities		-0.4	0.6	-0.5	0.1	0.2	-0.4
Cash flow from financial activities		0.6	1.8	-0.5	0.7	0.2	-0.4
Change in financial position		0.2	1.3	-1.0	0.0	-0.4	-0.5
Other non-cash items		0.0	0.0	0.0	0.0	0.0	0.0
Financial position - start of period		1.7	1.9	3.2	2.2	2.3	1.9
Financial position - end of period		1.9	3.2	2.2	2.3	1.9	1.4

Source: Independent Research; NanoFocus AG

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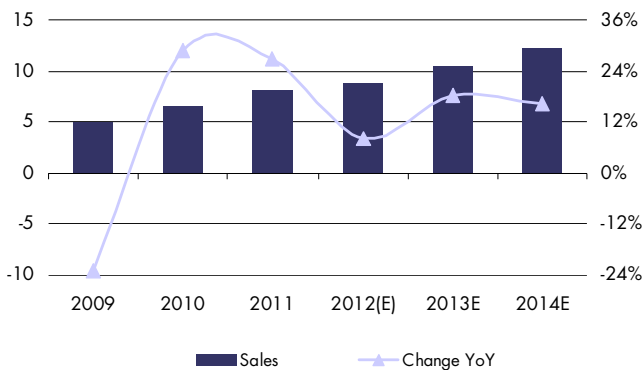
Key figures

Financial year: Accounting standard:	Dec. 31 HGB	2009	2010	2011	2012(E)	2013E	2014E
Growth rates							
Sales growth		-23.1%	28.9%	26.9%	8.2%	18.4%	16.2%
EBITDA growth		-	-	26.1%	18.3%	38.9%	31.2%
EBIT growth		-	-	192.7%	16.8%	77.1%	63.1%
EBT growth		-	-	-	36.1%	122.6%	83.7%
EPS growth		-	-	-	130.3%	124.9%	83.7%
Margins							
EBITDA margin		neg.	10.7%	10.6%	11.6%	13.6%	15.3%
EBIT margin		neg.	1.2%	2.7%	2.9%	4.3%	6.1%
EBT margin		neg.	neg.	1.4%	1.7%	3.3%	5.2%
Net margin		neg.	neg.	0.8%	1.7%	3.3%	5.2%
Yield analysis							
ROI		-7.4%	-0.5%	0.5%	1.1%	2.4%	4.3%
ROCE		-9.3%	1.1%	1.6%	3.2%	5.1%	7.7%
ROE before taxes		-10.7%	-0.7%	1.2%	1.6%	3.4%	6.0%
ROE after taxes		-10.7%	-0.7%	0.7%	1.6%	3.4%	6.0%
ROIC		-7.4%	0.7%	1.1%	2.2%	3.7%	5.9%
Balance sheet analysis							
Equity ratio		70.1%	71.8%	70.5%	71.9%	70.8%	73.0%
Equity/non-current assets ratio		2.4	2.9	2.7	2.5	2.5	2.7
Equity + non-current debt/non-current assets ratio		3.0	3.5	3.1	2.9	2.9	3.0
Asset intensity		29.0%	24.8%	26.0%	28.4%	28.7%	27.4%
Inventory turnover		2.1	3.0	3.5	3.3	3.7	3.9
Receivables turnover		2.4	2.8	3.0	3.0	3.2	3.3
Days of sales outstanding		153.6	130.8	119.8	120.2	112.8	111.6
Working capital/sales ratio		78.4%	61.6%	50.4%	49.5%	45.8%	45.2%
Days of payables outstanding		85.7	76.6	105.4	141.3	127.7	127.7
Debt ratios							
Net financial debt		-0.1	-0.8	-0.4	-0.3	0.2	0.2
Net financial debt/EBITDA		-1.1	-0.6	-0.7	-0.3	-0.1	0.1
Net Gearing		0.0	-0.1	0.0	0.0	0.0	0.0
EBITDA interest coverage		-	4.4	6.2	8.2	10.9	14.9
EBIT interest coverage		-	0.5	1.6	2.1	3.5	5.9
Cash flow analysis							
Free cash flow (FCF)		-0.4	-0.5	-0.5	-0.7	-0.6	-0.1
FCF/sales		-8.1%	-8.3%	-5.5%	-7.5%	-5.3%	-0.5%
FCF/net income		-	-	-723.8%	-446.3%	-160.2%	-10.0%
FCF per share (EUR)		-0.18	-0.22	-0.16	-0.23	-0.18	-0.02
FCF yield		-4.1%	-5.2%	-4.9%	-7.8%	-7.9%	-0.9%
Capex		0.2	0.1	0.3	0.6	0.7	0.7
Capex /depreciation		118.1%	49.2%	92.7%	149.0%	112.0%	89.3%
Capex/sales		4.4%	2.0%	3.4%	7.1%	6.6%	5.7%
Valuation multiples							
EV / sales		2.0	1.5	1.1	0.9	0.6	0.5
EV / EBITDA		neg.	13.9	10.2	8.0	4.7	3.6
EV / EBIT		neg.	127.5	40.2	31.9	14.7	9.0
EV / FCF		neg.	neg.	neg.	neg.	neg.	neg.
P/E		neg.	neg.	148.2	57.4	20.4	11.1
P/B		1.5	1.1	1.0	0.9	0.7	0.6
P/CF		neg.	126.7	21.3	13.6	10.7	7.0
P/S		2.0	1.6	1.1	1.0	0.7	0.6
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Independent Research; NanoFocus AG

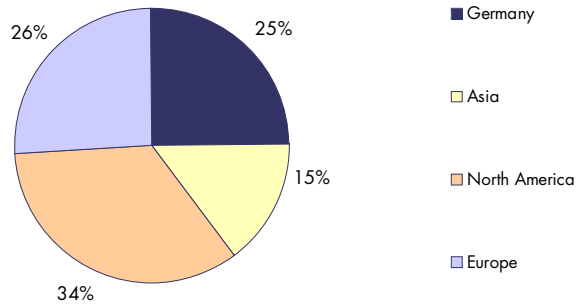
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Sales development (EURm)



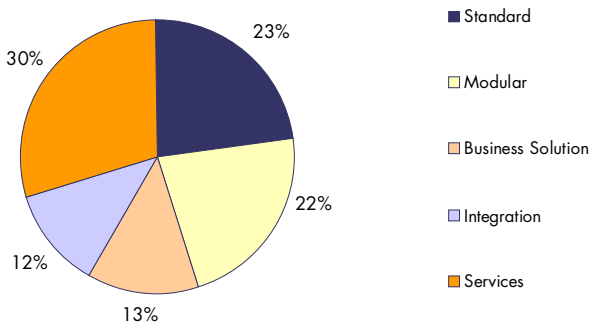
⇒ After the economic downturn in 2009 and 2010 led to a dip in growth NanoFocus managed to show higher sales in 2011 and 2012 again
 ⇒ Especially the medical technology project will be a growth driver in 2013

Sales by region (2011)



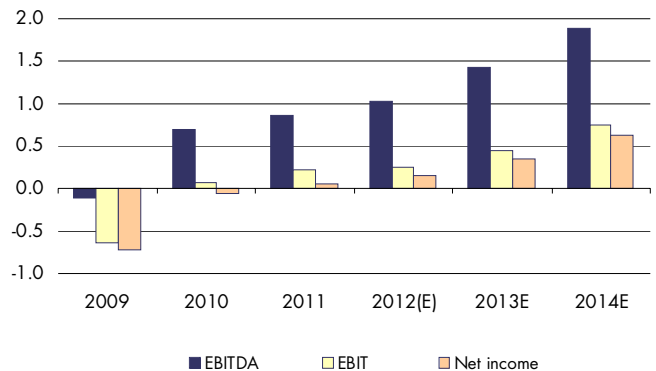
⇒ NanoFocus still makes about half its sales in Germany
 ⇒ Through the strong growth in the segment semiconductors (e.g. customer Samsung) the Asian business gained in importance

Sales by segment (2011)



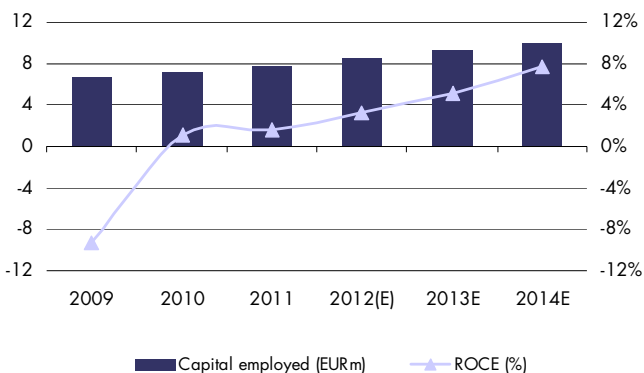
⇒ The importance of the high-margin Services business should be highlighted
 ⇒ We expect a strengthening of the customer-specific segment Business Solution (e.g. medical tech. project; µsurf cylinder) in the coming years

Earnings development (EURm)



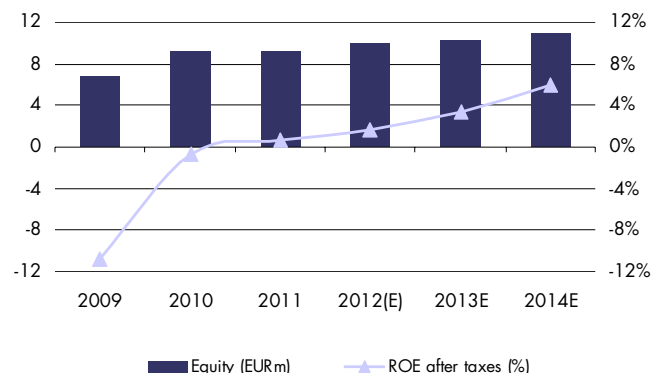
⇒ The economic downturn is reflected in 2009 losses
 ⇒ Along with the change towards a producing company economies of scale should gain importance step by step

ROCE and capital employed



⇒ Due to the low EBIT, ROCE is currently low
 ⇒ In spite of the increasing capital employed (e.g. capex) we expect to see successively higher ROCE due to the earnings improvement

ROE and equity



⇒ CAGR of equity from 2009 to 2014: about +10%
 ⇒ In line with the successively increasing profitability ROE should improve as well. However, with about 5% ROE remains at a quite low level

Source: Independent Research; NanoFocus AG

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Disclaimer

Recommendations concerning particular shares (starting December 18, 2009)

- Buy: According to our assessment, the stock will rise by at least 15% in absolute terms within a 6-month period.
- Hold: According to our assessment, the stock will rise by between 0% and 15% in absolute terms within a 6-month period.
- Sell: According to our assessment, the stock will decline in absolute terms within a 6-month period.

Recommendations concerning particular shares (until December 17, 2009)

- Buy: According to our assessment, the stock will rise by at least 15% in absolute terms within a 6-month period.
- Accumulate: According to our assessment, the stock will rise by between 0% and 15% in absolute terms within a 6-month period.
- Reduce: According to our assessment, the stock will decline by between 0% and 15% in absolute terms within a 6-month period.
- Sell: According to our assessment, the stock will decline by least 15% in absolute terms within a 6-month period.

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Key sources of information

Key sources of information used in the preparation of this document are publications in foreign and domestic media such as information services (e.g. Reuters, VWD, Bloomberg, DPA-AFX etc.), the financial press (e.g. Börsenzeitung, Handelsblatt, FAZ, FTI, Wall Street Journal, Financial Times etc.), specialised journals, published statistics, rating agencies and publications of the issuers under coverage.

Summary of the valuation principles used:

Analyses of shares:

In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer-Group Analysis) are applied. Under the DCF Method the net value of the issuer is calculated, which represents the sum of the discounted company results, i.e. the net present value of the issuer's future net cash flows. The net value is therefore determined with reference to the company's anticipated future results and the discount rate applied. Under the Peer-Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of valuation multiples (e.g. price/earnings ratio, price/book value, enterprise value/sales, enterprise value/EBITDA, enterprise value/EBIT). Comparability of the valuation multiples is primarily determined by business activity and economic prospects.

Sensitivity of the valuation parameters:

The figures taken from the income statement, the cash flow statement and the balance sheet, upon which the valuation of companies is based, are numerical estimates and therefore subject to risks. These may change at any time without prior notice.

Quite apart from the valuation method applied, there is a very real risk that the share price target may not be reached in the anticipated period of time. Risks include unforeseen changes in competitive pressure or in demand for the issuer's products. Such fluctuations in demand may arise as a result of changes of a technological nature, the overall level of economic activity or in some cases as a result of changes in moral concepts. Changes in tax law, in exchange rates and, in certain business segments, in regulations are other factors which can influence valuations. The above discussion of valuation methods and risk factors makes no claim to be exhaustive.

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Emittent	Conflicts of interest
NanoFocus AG	5, 6

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