



**nanostart**<sup>®</sup>  
I N V E S T M E N T S

creating value through  
nanotechnology

Mid-year report 2010

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## The Nanostart AG

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### YEAR FOUNDED

2003

### CHIEF EXECUTIVE OFFICER

Marco Beckmann

### SUPERVISORY BOARD

Dr. Alfred Krammer (chairman)

Professor Wolfgang M. Heckl (deputy chairman)

Achim Lindner

### INDUSTRY/AREA OF SPECIALIZATION

Nanotechnology venture capital finance

### PORTFOLIO COMPANIES\*

**BioMers Pte Ltd**, Singapore (16%)

**BioMicro Systems Inc.**, Salt Lake City, UT, USA (8.4%)

**Curiox Biosystems Pte Ltd**, Singapore (19%)

**Holmenkol AG**, Heimerdingen, Germany (50%)

**ItN Nanovation AG**, Saarbrücken, Germany (25%)

**Lumiphore Inc.**, Richmond, CA, USA (19.6%)

**MagForce Nanotechnologies AG**, Berlin,  
Germany (70.7%)

**Namos GmbH**, Dresden, Germany (26%)

**NanoGram Corporation**, Milpitas, CA, USA (0.9%)

**Nanosys Inc.**, Palo Alto, CA, USA (0.5%)

### PREFERRED INVESTMENT SIZE

Generally EUR 1 to 10 million per portfolio company

### NET ASSET VALUE (NAV) OF PORTFOLIO HOLDINGS\*

EUR 144 million

\*as of June 30, 2010

## Nanostart AG – Growing with nanotechnology

**The investment objective of Nanostart is to participate in the growth now being generated from the immense technological and business potential of nanotechnology. Within its portfolio, as of June 30, Nanostart has holdings in ten nanotech companies which hold out extraordinary promise. We identify our investment opportunities from among the world's best nanotechnology-based companies. Our vision is to create market leaders of tomorrow from our portfolio companies of today, successfully commercializing their products and processes which stand to transform existing markets from the ground up. Our investment focus lies in the most innovation-driven industries, such as environmental technology and cleantech; life sciences, medicine and healthcare; and electronics and information technology.**

The groundbreaking innovations which are researched, developed and brought to market by our portfolio companies aim to help entire industries solve significant problems. The approach taken by Nanostart, therefore, is generally to realize gains by selling its holdings to industrial corporations at an optimal point in time. Toward this end, exchange listings and IPOs may play a helpful role in advancing the development of its portfolio companies by opening up new sources of growth capital. Nanostart primarily invests in young, up-and-coming companies in phases when their growth is most rapid and the potential growth in value is greatest. In order to make the most effective use of its own experience and expertise in commercialization and venture management, Nanostart strongly prefers to play the role of Lead Investor in its companies, enabling it to make the most active contribution to the business and strategic decisions taken by the company. This role generally involves a seat in the company's board of directors or supervisory board. The individual investments undertaken by Nanostart generally fall in the range of EUR 1 to 10 million.

### Understanding our portfolio companies inside and out

Before an investment candidate is brought into the Nanostart portfolio, it is subjected to an exhaustive due di-

ligence examination. The essential prerequisites for any investment by Nanostart are a pioneering technology, sufficiently large target markets, and adequate intellectual property protection for the technology. The personal character and professional track record of the management team play a critical role in the final decision. Since its founding in 2003, Nanostart has already been able to successfully bring five of its portfolio companies to the stock exchange. As of June 30, 2010, it has sold a sixth holding to a major life sciences company in a trade sale and the primary product family of a seventh company to a global pharmaceuticals corporation in an asset deal.

### Leveraging our global network

Nanostart views its portfolio companies as business partners which receive whatever support they need to grow successfully. In providing this support, Nanostart actively draws on its extensive experience in nanotechnology, in the capital markets, in entrepreneurial management, and in the successful commercialization of new products and processes. Every company to join the Nanostart family becomes a part of its global network of contacts throughout industry, academia and R&D, with government authorities, and with investors and capital market experts. Particularly in the early phases of company development, the right contacts to commercialization partners can be a key determinant of later success. An important tool for maintaining and building this network is the visibility which Nanostart achieves with its program of events, from nanotech trade fairs to equity conferences.

### Experts: Working with the best

Marco Beckmann, the CEO of Nanostart, is widely regarded as one of the world's leading experts in the area of nanotech investing. Since founding Nanostart in 2003, his longstanding passion for nanotechnology and his expertise in venture capital have evolved with the rapidly developing market. As far back as 2001, Beckmann authored and pu-

*Nanostart AG – Growing with nanotechnology*

lished the world's first book on nanotechnology and the capital markets. As chief executive and investment head at Nanostart, Beckmann has directed the development of its global investment portfolio as well as the execution of a number of exchange listings and exit transactions. These portfolio holdings are managed by experienced investment teams which Beckmann has put together in Germany and, more recently, in Singapore. These teams consist of professionals who bring successful track records, particularly in Germany, where the team includes prominent experts who bring many years of proven experience in major investment and private equity companies such as 3i. The young team in Singapore includes local staff with superb academic and professional backgrounds along with valuable contacts in the country's excellent universities. In addition, where Nanostart requires highly specialized expertise, such as in conducting intensive due diligence of potential investment candidates, it calls on its network of external experts on an as-needed basis. The company's supervisory board is chaired by Dr. Alfred Krammer, a prominent German attorney specializing in commercial, company and capital markets law. Professor Wolfgang M. Heckl, its deputy chairman, is one of the world's leading scientists in the field of nanotechnology; he is professor of experimental physics at the Ludwig Maximilian University (LMU) in Munich, Germany, and has been director since 2004 of the Deutsches Museum, one of the world's most renowned scientific museums. The third member of the supervisory board is Achim Lindner, CFO of Börsenmedien AG, a leading German publishing and media house for finance and investment.

**Investing in the future**

Nanostart offers its shareholders the opportunity to participate in the rapid development of the nanotechnology economy and to invest in a future with transformational potential across countless industries. Because nanotechnology remains in its early stages, the full range of its possible application is still unfolding, and thus the growth opportunity presented by Nanostart is, for the foreseeable future, without limit.

The companies in the Nanostart investment portfolio are working hard to develop pioneering nanotechnology-based products and processes to market maturity, to successfully launch them, and to firmly establish them. Nanostart AG is the world's only nanotechnology venture capital company with investments in all of the leading nanotech regions: Europe, the U.S. and Asia.

## Developments during the first half of 2010

### General economic conditions

Key environmental conditions for the business of Nanostart are the global economic situation and the development of nanotechnology.

All indications suggest that the financial and economic crisis has passed. Economic growth is again being seen. The German economy has shown significant improvement in the first half of the year, with GDP for the second quarter some 2.2 percent ahead of the first quarter. With these latest gains, two thirds of the loss since the financial crisis began has now been recovered. Internationally there has likewise been a surprisingly strong emergence from recession: Economic output in the 31 OECD countries will, according to expert forecasts, rise this year by a total of 2.7 percent on a season- and price-adjusted basis. Asia seems to be recovering from the crisis with particular speed. In Singapore, where Nanostart has significant business activities, second-quarter GDP was up by 19.3 compared to the same quarter in the prior year. For the whole of 2010, the southeast Asian country is expected to post full-year economic growth of 15 percent.

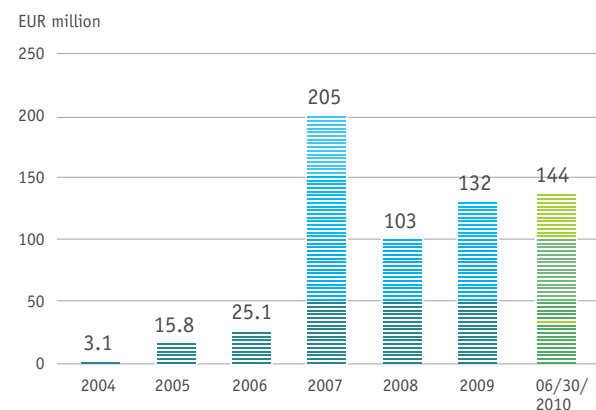
Nanotechnology is currently in a phase which, in economic terms, is characterized by exponential growth. The National Science Foundation (NSF), an independent agency of the U.S. federal government, forecasts that the value of nanotechnology-based products will grow by the year 2015 to USD 1 trillion globally. This corresponds to an average growth rate for the nanotech industry of some 30 percent annually. By investing in young nanotechnology companies which are the drivers of this growth, Nanostart reflects the potential of nanotechnology.

### Developments at Nanostart

These favorable economic conditions had a positive effect on the investment portfolio of Nanostart, which – in addition to growing interest among U.S. investors – characterized the business of Nanostart during the first half of 2010. On an overall basis, net asset value (NAV), which is the aggregate value of all portfolio holdings, grew.

As of June 30, 2010, Nanostart increased its NAV to approx. EUR 144 million, an increase of roughly EUR 29 million compared to the same point in the prior year. In computing NAV, the shares held by Nanostart in its two exchange-listed portfolio companies, MagForce Nanotechnologies AG and ItN Nanovation AG, are valued at their respective current market prices. The remainder of its shareholdings in unlisted companies are valued at their original cost of acquisition. For this reason, these two exchange-listed portfolio companies are particular drivers of NAV. The conservative valuation principles for calculating NAV do not consider any potential increase in the value of the other investment holdings in unlisted companies.

### Growth in net asset value (NAV)



The growing interest among U.S. investors has been accompanied by expanded communications activities in this direction, particularly at investor events within the U.S. In addition, Nanostart completed a capital increase in March which also brought in new U.S. investors. As a result of this transaction, the company's registered capital (Grundkapital) rose from EUR 5,610,000 to EUR 5,940,000, an increase of EUR 330,000. The gross proceeds from this share placement flowed entirely into the company and are serving to further expand its investment portfolio.

*Developments during the first half of 2010***Developments in the portfolio**

The developments in the investment portfolio confirm the enormous economic potential held out by nanotechnology. The companies in the Nanostart portfolio are growing their businesses, expanding their product offerings, winning new orders, gaining needed regulatory approvals, and developing ever more into highly attractive acquisition candidates for international corporate buyers.

The most recent investment, Singapore-based BioMers, which joined the Nanostart portfolio at the end of 2009 by way of the Nanostart Singapore Early Stage Venture Fund, was already able to report favorable developments for the first half of 2010. The plastic wires from BioMers, unique throughout the world, are used for orthodontic systems. The company reported an expansion of its product range, as well as market launches in Singapore and the U.S. It has developed nanotechnology-based plastic wire which has characteristics comparable to the wire used in conventional metal braces but which is completely translucent. In this way, the company is able to produce aesthetic orthodontic systems which are virtually invisible or in fashion colors. Its braces are thus able to meet the cosmetic needs of patients which until now have been neglected. In August, following the end of the reporting period, Nanostart increased the shareholding of its Nanostart Singapore Early Stage Venture Fund in BioMers from 16 to approx. 25 percent.

At the start of the six-month period, Nanostart also took the opportunity to increase its shareholding in Dresden-based Namos, a portfolio company engaged in cleantech, from 15 to 26 percent. Nanostart-held ItN Nanovation, a provider of leading-edge water filtration systems based on its unique nanoceramic technology and located in the German city of Saarbrücken, continued the positive development which it has been seeing since the start of 2009. The company's new business model has been producing significant new wins: In May, ItN Nanovation received a major order from Saudi Arabia, and in June it entered into a joint venture with WSC, the national water supply and wastewater treatment company of Malta. Its ultimate objective will be the production and

marketing of the CFM Systems® ceramic flat filter membrane technology from ItN Nanovation throughout the entire Mediterranean region. Further positive developments were also seen following the end of the reporting period: In August the company signed an exclusive agreement with a leading Italian builder of wastewater treatment facilities, and additional cooperation arrangements are planned.

The end of June marked a major turning point in the entire corporate history of Nanostart until now, and the result of years of patient investment work: MagForce Nanotechnologies AG, its majority-owned holding based in the German capital of Berlin, was granted European regulatory approval for its Nano-Cancer® therapy, reaping the rewards of more than twenty years of research and development efforts. This now clears the way to the market launch of its new therapy throughout the European Union, which its new CEO, Dr. Peter Heinrich, who took the reins of the company on January 1, 2010, will steadily drive forward. MagForce has ensured that it has ample financial resources in place, firstly through a capital increase transaction in June which brought EUR 3,367,980 into its treasury, and second, through a contingent equity commitment of EUR 20 million from a U.S. investment fund which was also signed in June.

The most important event among the U.S. portfolio holdings of Nanostart was the successful asset sale of its portfolio company BioMicro in the first half. With this transaction, the company in March sold its primary product, the entire line of MAUI systems, to global pharmaceutical giant Roche. MAUI systems use biochips to efficiently perform DNA analysis. The proceeds from this sale were not received by Nanostart until after June 30, 2010, and thus are not reflected in the financial results for the first six months.

Following the end of the reporting period, other major corporations also became actively involved with Nanostart portfolio companies in the U.S. In August, Japanese chemical group Teijin acquired NanoGram, and in the same month, Samsung Electronics took an investment position in another Nanostart portfolio company, California-based Nanosys.



## Interim balance sheet at 30.06.2010

## Assets

	30.06.2010 EUR	31.12.2009 TEUR
<b>A Fixed assets</b>		
<b>I Intangible assets</b>		
Licences, trade marks and patents, etc., as well as licences to such right and assets	9.00	9.00
<b>II Tangible assets</b>		
Office furniture and equipment	106,980.47	117,960.00
<b>III Financial assets</b>		
1 Shares in group companies	7,208,139.22	6,624,439.99
2 Loans to group companies	15,395,599.14	13,328,880.13
3 Participating interests of 25% or more	13,823,985.59	13,583,086.03
	<b>36,427,723.95</b>	<b>33,536,406.15</b>
Total fixed assets	<b>36,534,713.42</b>	<b>33,654,375.15</b>
<b>B Current assets</b>		
<b>I Receivables and other current assets</b>		
1 Trade receivables	2,077.67	1,194.27
2 Amounts due from group companies	31,037.97	31,037.97
3 Receivables from entites with which the enterprise is linked by virtue of participating interests of 25% or more	690,783.57	1,401,244.41
4 Onther current assets	8,760.75	7,792.06
	<b>732,659.96</b>	<b>1,441,268.71</b>
<b>II Cash in hand and at bank</b>	<b>192,090.69</b>	<b>154,574.22</b>
Total current assets	<b>924,750.65</b>	<b>1,595,842.93</b>
<b>C Prepaid Expenses</b>	<b>7,533.15</b>	<b>23,547.08</b>
<b>Total assets</b>	<b>37,466,997.22</b>	<b>35,273,765.16</b>



## Interim balance sheet at 30.06.2010

### Liabilities and shareholders' equity

	30.06.2010 EUR	31.12.2009 EUR
<b>A Shareholders' equity</b>		
I Share capital	5,940,000.00	5,610,000.00
II Capital reserves	19,001,080.86	11,566,800.00
III Revenue reserves	7,877,751.84	6,688,637.30
IV Net income	922,680.05	1,189,114.54
	<b>33,741,512.75</b>	<b>25,054,551.84</b>
<b>B Accruals</b>		
1 Accrued taxes	163,000.00	163,000.00
2 Other accruals	182,892.50	207,756.00
	<b>345,892.50</b>	<b>370,756.00</b>
<b>C Liabilities</b>		
1 Amounts due to banks	1,687,741.16	4,413,966.25
2 Trade payable	87,992.16	44,197.03
3 Amounts due to group companies	1,566,051.07	5,303,211.20
4 Other liabilities	37,807.58	87,082.84
thereof taxes: EUR 12.811,36 (Vj:TEUR 35)		
thereof in respect of social security: EUR 1.273,43 (Vj: TEUR 1)		
	<b>3,379,591.97</b>	<b>9,848,457.32</b>
<b>Total liabilities and shareholders' equity</b>	<b>37,466,997.22</b>	<b>35,273,765.16</b>

## Profit and loss account for the year 01.01.2010–30.06.2010

	01.01.–30.06.2010 EUR	01.01.–30.06.2009 TEUR
1 Sales	5,964.64	3,829.61
2 Other operating income	1,675,606.18	634,776.70
	<b>1,681,570.82</b>	<b>638,606.31</b>
3 Cost of materials Cost of purchased services	-81,072.91	-11,284.50
4 Personnel costs		
a Wages and salaries	-277,030.08	-398,493.53
b Social security	-44,904.19	-48,540.56
	<b>-321,934.27</b>	<b>-447,034.09</b>
5 Depreciation, amortization and special provisions on intangible and tangible assets	-12,802.55	-15,456.49
6 Other operating expenses	-532,496.86	-494,579.02
7 Other interest and similar income	549,082.28	358,606.14
8 Write-down of financial assets	-137,237.68	-1,257,337.28
9 Interest and similar expenses	-222,324.21	-250,745.57
10 Results of ordinary operations	<b>922,784.62</b>	<b>-1,479,224.50</b>
11 Taxes on income	-104.57	-66.65
12 Net income / retained earnings	<b>922,680.05</b>	<b>-1,479,291.15</b>

## Net assets, financial position and results of operations

For the first six months of 2010, Nanostart AG reported net income of approx. EUR 923 thousand. This marks not only a significant improvement over the first half of 2009 but also the best mid-year result in the history of the company.

Total assets rose by some EUR 2.2 million during the first half of 2010 to approx. EUR 37.5 million. The reason for the increase in assets was largely the further financing of portfolio companies with additional equity capital, as well as with loans. On the other side of the balance sheet, shareholders' equity increased by approx. EUR 8.7 million as a result of the retention of net income from fiscal year 2009 as well as the capital increase completed in the first half of 2010.

With total revenues of approx. EUR 1.7 million, the company was able to significantly improve its gross income by more than EUR 1 million compared to the prior year period (approx. EUR 640 thousand). The income arose largely from gains on the sales of financial investments.

Offsetting these on the expense side, personnel costs were almost 30 percent below the prior-year level while other operating expenses remained largely stable. These expenses

consist largely of advisory costs. Total liabilities dropped to roughly EUR 3.4 million.

In addition to these positive operating results, the net asset value (NAV) of Nanostart, which is the recorded value of its investment holdings, increased to approx. EUR 144 million as of June 30, 2010, an increase of some EUR 29 million compared to the same point in the prior year. Under the conservative method used for calculating NAV, shareholdings in non-exchange-listed companies – in terms of number of investments, roughly 80 percent of the existing portfolio – are valued at their recorded cost of acquisition. Only those shareholdings in companies which Nanostart has brought to the stock market are valued at their current market price.

## Outlook

It is to be assumed that the favorable development of the economic environment in the aftermath of the crisis will continue. The forecasted economic growth in nanotechnology, moreover, should likewise have a positive impact on the business of Nanostart.

Against this backdrop, the focus of activities in the second half should involve, in addition to existing portfolio investments, the pursuit of new investments, thus laying the foundations for future growth in value. In Singapore, negotiations are already in an advanced stage, and additional portfolio investments are expected to be announced here before the end of the year.

Another area of focus for Nanostart will be its activities toward U.S. investors. Although these activities are still at an early stage, the significant interest already being expressed by U.S. investors for its business model suggests that Nanostart is here as well on the right path.

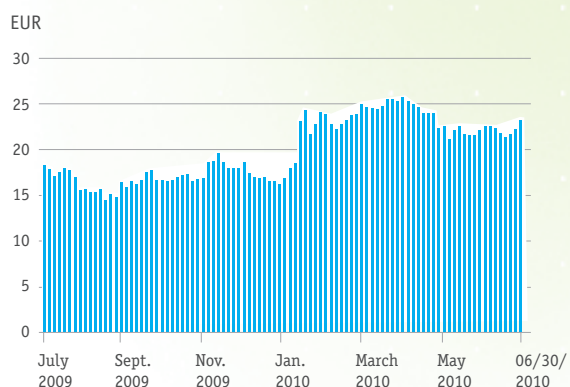
In order to best meet the continually growing interest in Nanostart among U.S. investors, the company established a Sponsored Level 1 ADR program in September 2010, following the end of the reporting period, with the Bank of New York Mellon (BNYM) acting as depository.

The Bank of New York Mellon is a leading depository bank with some 64 percent of the world's ADR programs. Its 40,000 employees do business in 36 countries, with roughly one trillion U.S. dollars of assets under custody.

An American Depositary Receipt (ADR) is a certificate issued by a U.S. bank which evidences ownership in shares of a foreign company. ADRs are priced in U.S. dollars and traded in the U.S. like any stock. ADR programs are very convenient for U.S. investors because they eliminate the need for foreign custody and settlement arrangements, thus greatly simplifying investment in international companies.

In order to further facilitate trading, a listing of Nanostart ADRs on a U.S. trading venue is planned.

## Key Information about shares in Nanostart AG



### TYPE OF SHARE

Shares without par value (*Stückaktien*)

### TOTAL NUMBER OF SHARES

5,940,000

### REGISTERED CAPITAL (*GRUNDKAPITAL*)

EUR 5,940,000

### CURRENCY

Euro

### CLOSING PRICE AT FISCAL YEAR END (JUNE 30, 2010)

EUR 23,25

### 52-WEEK HIGH / 52-WEEK LOW

EUR 26.40 / EUR 14.43

### MARKET CAPITALIZATION (JUNE 30, 2010)

EUR 138 million

### YEAR OF INITIAL LISTING

2005

### TRADING VENUES

Shares in Nanostart AG are traded on the floor of the Frankfurt Stock Exchange as well as on XETRA, the electronic trading system of Deutsche Börse AG

### EXCHANGE SEGMENT

Entry Standard (Frankfurt Stock Exchange)

### ACCOUNTING STANDARD

German statutory accounting ("*HGB*")

### FISCAL YEAR END

December 31

### DESIGNATED SPONSORS

BHF Bank AG, Close Brothers Seydler AG

### ORDER BOOK BROKER (*SKONTROFÜHRER*)

Baader Wertpapierhandelsbank AG

### LISTING PARTNER

Steubing AG



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