

## **LPKF is investing in the future**

- > Revenue in the year's first six months higher year on year
- > Expansion of capacities impacted net profit as expected
- > Incoming orders exceed EUR 51 million

## **BREAKTHROUGH**

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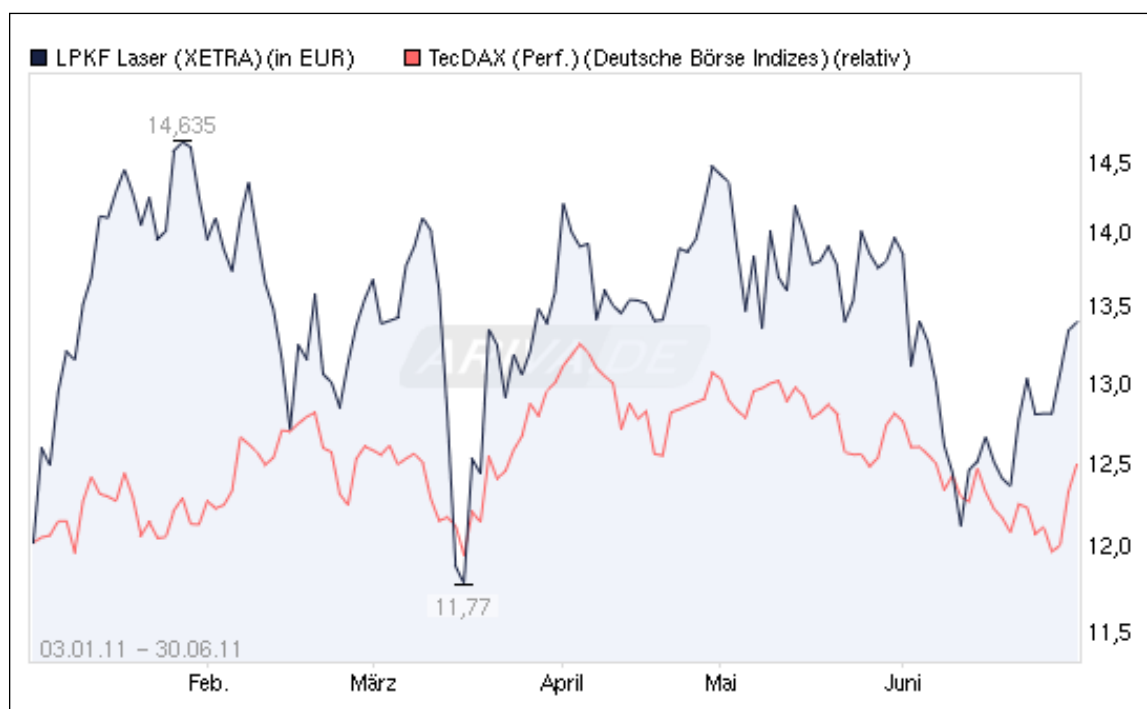
- > LPKF enjoys continued success.



## Key Group Figures

	6 months 2011	6 months 2010	Change %	Year 2010
Revenue (EUR million)	37.7	36.5	3.1	81.2
Net margin before non-controlling interests (%)	10.1	16.2		15.5
EBIT (million EUR)	5.2	8.4	-37.4	17.3
EBIT margin (%)	13.9	22.9		21.3
Consolidated net profit after non-controlling interests (EUR million)	3.6	6.1	-41.7	12.1
Free cash flow (EUR million)	-9.9	1.9	-628.4	5.7
Net working capital (EUR million)	29.0	24.6	17.6	27.0
ROCE (%)	9.7	16.9		31.6
EPS, diluted (EUR)	0.32	0.55	-41.8	1.10
Cash and cash equivalents (EUR million)	3.2	10.3	-68.7	13.0
Equity ratio (%)	53.9	67.8		70.3
Orders on hand (EUR million)	26.1	23.9	9.3	12.5
Incoming orders (EUR million)	51.2	45.6	12.3	78.9

## Performance of the LPKF share in Q2 2011



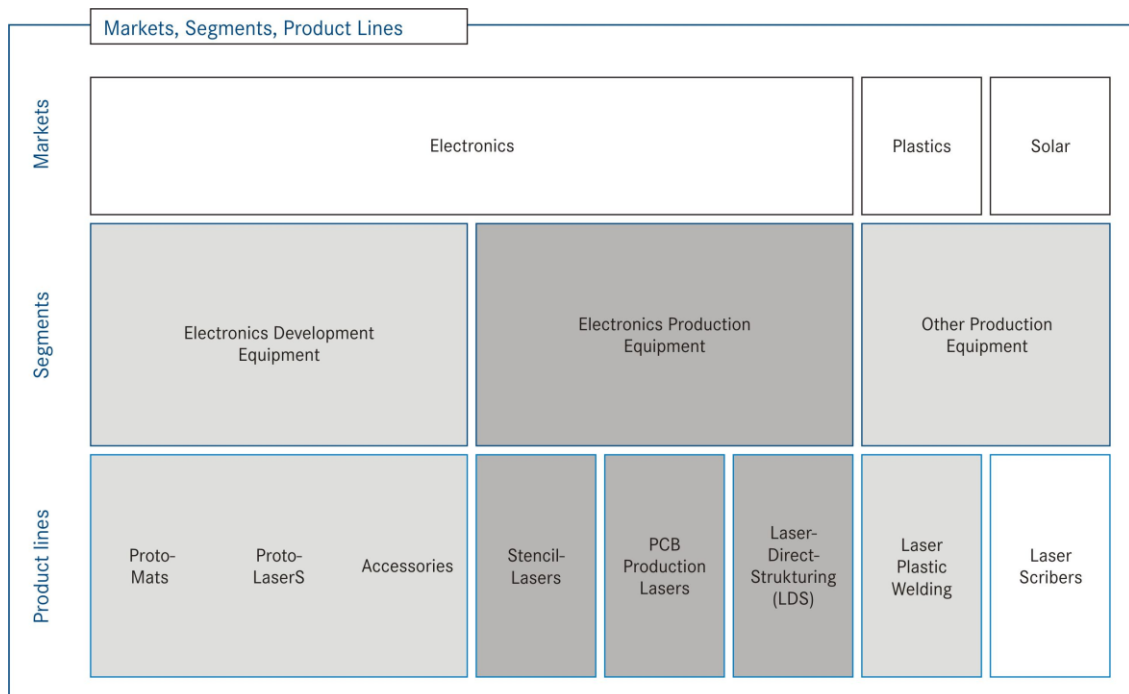
Quelle: www.ariva.de

## New technology centre of the LPKF group at the headquarters in Garbsen



The development and production area in Garbsen has doubled in the first half of 2011.

## The new group structure



## Management report

### Economic environment

Kiel University's Institute for the World Economy (IFW) expects economic growth to slow down from the sharp increase in global production during the second half of 2010 and early 2011. In its view, this slowdown is due only in part to the effects of the earthquake in Japan. The dampening effect of rising commodities prices, for instance, and the problem of sharply rising sovereign debt, had greater significance. The Kiel-based IFW thus expects global production to rise by 4.4% in the current year.

The Association of German Mechanical Engineering and Systems Engineering Firms (Verband Deutscher Maschinen- und Anlagenbau – VDMA) reports that the mechanical engineering industry's order books are full worldwide. Orders in the mechanical engineering and systems engineering industry rose by 23% during the year's first half, and production rose by 18% overall in the year's first five months. But there are also signs that the capital goods industry in both Germany and EU partner countries is not developing as dynamically as before. The VDMA expects the mechanical engineering sector to expand by 14% overall this year.

### Development of revenue

The LPKF Group generated revenue of EUR 37.7 million in the first half of 2011, slightly surpassing the previous year's figure of EUR 36.5 million. In contrast to the previous year, however, small and medium-sized orders from a broader customer base accounted for most of the revenue during the reporting period. At EUR 23.3 million, consolidated revenue in the second quarter was substantially higher year on year.

The Electronics Production Equipment segment (previously the Cutting and Structuring Lasers segment) accounted for the lion's

share of the revenue in the first six months. In the previous year, this segment generated revenue of EUR 7.2 million from two major orders for LDS machinery.

Revenues from external customers (EUR THSD.)	6 months 2011	6 months 2010
Electronics Development Equip.	7,251	7,663
Electronics Production Equip.	21,401	24,675
Other Production Equipment	7,701	2,992
All other segments	1,308	1,199
	<b>37,661</b>	<b>36,529</b>

### Development of earnings

In the second quarter, the Group posted earnings before interest and taxes (EBIT) of EUR 5.2 million and thus an EBIT margin of 14%, just as in the first quarter of 2011. EBIT in the second quarter of the previous year was EUR 4.1 million, with an EBIT margin of 22%. In the first half of 2010, both revenue and earnings were driven by the completion of major high-margin orders. Material cost items have risen as a result of the Group's growth strategy, particularly due to the increase in personnel and investments.

Other operating income fell in the first half of 2011 due to lower gains from currency translation differences and insurance payments (respectively, EUR 0.2 million and EUR 0.1 million) despite the EUR 0.2 million increase in income from the reversal of valuation allowances. Own work capitalized rose by EUR 0.1 million owing to extensive development activity.

Staff costs rose by EUR 2.5 million or 24% on account of new hires in the past 12 months — especially at the Suhl, Garbsen and Erlangen sites — for development and production even

though variable compensation fell on account of the decrease in net profit. Our sharply expanding solar business is located in Suhl, and the plastic component welding machinery business, which is also growing, is located in Erlangen. Depreciation, amortization and impairment losses rose by EUR 0.3 million due, in particular, to extensive investing activities.

Other operating expenses rose a slightly more than did revenue. Repairs and maintenance rose by EUR 0.3 million, and consulting costs climbed by EUR 0.2 million, as did travel expenses. Expenses for additions to the warranty provision, in contrast, fell by EUR 0.5 million.

### Segment reporting

EBIT is broken down by segment as follows:

<b>EBIT (EUR THSD.)</b>	<b>6 months 2011</b>	<b>6 months 2010</b>
Electronics Development Equip.	1,357	1,559
Electronics Production Equip.	4,738	8,625
Other Production Equipment	-206	-1,051
All other segments	-650	-759
<b>EBIT acc. to the income statement</b>	<b>5,239</b>	<b>8,374</b>

Owing to a change in the internal reporting system, the previous operating segments, Joining Technologies and Thin Film Technologies, have been combined into a single new segment named "Other Production Equipment." This adjustment of our internal reporting system was made because, from a financial point of view, many areas of the two previous segments had the same characteristics. The previous year's figures were adjusted accordingly.

Total assets developed as follows:

<b>Total assets (EUR THSD.)</b>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
Electronics Development Equipment	12,889	12,894
Electronics Production Equipment	30,544	26,703
Other Production Equipment	13,769	11,373
All other segments	21,047	22,172
<b>Total assets</b>	<b>78,249</b>	<b>73,142</b>

### Financial position

Property, plant and equipment account for the largest increase among non-current assets, due mainly to expansion work at the Garbsen site. Of the current assets, inventories increased thanks to good order levels. Orders on hand have almost doubled since the start of 2011. In some areas, inventories were also built up to ensure our ability to make deliveries. The increase in receivables stems, in particular, from the reporting date.

Equity fell in the second quarter. First, the dividend payment led to an outflow of EUR 4.4 million. Then the acquisition of non-controlling interests reduced equity by EUR 8.6 million. In this case, portions of the purchase price in excess of the given subsidiary's pro-rated equity were offset against consolidated equity. The liabilities to banks contain additional loans for financing the expansion work at the Garbsen site and the purchase of non-controlling interests. The other liabilities contain contingent purchase price tranches of EUR 4.8 million that are due and payable depending on achievement of key performance indicator targets for non-controlling interests acquired. Advances received rose by EUR 1.8 million and are shown in the other non-current liabilities; trade payables rose by EUR 0.7 million. Current provisions for taxes declined by EUR 1.0 million on account of tax payments.

## Cash flows

At 54 %, the equity ratio remains higher than the industry average, thus underscoring the solid financial structure of LPKF Laser & Electronics AG.

Cash outflows related to operating activities were EUR 0.8 million (previous year: cash inflows of EUR 5.9 million). This development stems mainly from the payment of income taxes, the substantial increase in both inventories and outstanding receivables as well as lower consolidated net profit. A total of EUR 9.1 million net (previous year: EUR 4.1 million) were spent on investments. At cash inflows of EUR 0.2 million from financing activities (previous year: cash outflows of EUR 2.1 million), cash and cash equivalents were EUR 9.8 million lower than at the start of the year.

## Investments

Good order levels and the expected growth require investments, especially in development, services and production. A building located in the immediate vicinity of the Garbsen site was purchased in addition to the expansion work at the site and turned into a development center. Concentrating all development in the new building frees up space that will be used to expand production capacities. This stage of the Garbsen site's expansion has thus been completed.

LPKF acquired the non-controlling interest in LPKF (Tianjin) Co. Ltd. All required official permits have been granted in the meantime. We also took over the interests of an external shareholder of LPKF Distribution Inc. by means of an exchange of shares. To that end, 50,000 new LPKF shares were issued under authorized capital. A purchase price tranche of EUR 3.3 million, which is due and payable immediately, was stipulated as the price for 49.1% of LPKF Motion & Control GmbH. Two additional purchase price tranches of compa-

able amounts will be due by 2014 contingent on the achievement of contractually stipulated performance targets. About 10% of the additional purchase price tranches shall be paid by means of new shares of LPKF Laser & Electronics AG. This means that LPKF now owns 100% of the interests in all three companies. In doing so, LPKF is pursuing its strategy of becoming the sole shareholder of significant Group companies. The acquisition of all interests in LPKF Motion & Control GmbH is key to financing and realizing the strong growth in the solar business, which is reported as part of the Other Production Equipment segment.

At EUR 9.3 million, total investments in intangible assets as well as property, plant and equipment in the first six months surpassed the previous year's level by EUR 6.0 million.

## Employees

The following table shows the development in employee numbers in the first six months of 2011:

Area	30 June 2011	31 Dec. 2010
Production	146	118
Development	109	96
Administration	104	89
Sales	95	88
Services	80	75
	<b>534</b>	<b>466</b>

## Opportunities and risks

Both the risks for the global economy and the risks from the sovereign debt crisis have risen compared to the close of 2010. In all other respects, however, there were no fundamental changes in the risks and opportunities of the LPKF Group in the reporting period compared to the close of 2010 such that the disclosures in the 2010 annual report still apply. There were no going-concern risks as of 30 June 2011.



## **Business performance in the segments**

The other segments were also renamed in connection with the combining of the Joining and Thin Film Technologies into the Other Production Equipment segment. The Rapid Prototyping segment is now called the “Electronics Development Equipment” segment, and the Cutting and Structuring Lasers segment has been renamed the “Electronics Production Equipment” segment.

### **Electronics Development Equipment (previously Rapid Prototyping)**

The Electronics Development Equipment segment targets customers in industry’s R&D departments, as well as universities and other research institutions. At EUR 7.3 million, the business with ProtoMat models for manufacturing PCB prototypes met all targets during the year’s first half thanks to various new product launches. The Electronics Development Equipment segment is the LPKF Group’s oldest segment. At a market share of more than 70%, it makes LPKF the market leader in this sphere. Continued moderate growth is planned for this segment in the future.

### **Electronics Production Equipment (previously Cutting and Structuring Lasers)**

The Electronics Production Equipment segment targets manufacturers of electronic components. It encompasses laser systems for manufacturing StencilLasers, laser systems for cutting printed circuit boards (PCB Production Systems) and laser systems for manufacturing molded interconnect devices using the laser direct structuring (LDS) process.

Revenue from LDS systems was lower than in the same period the previous year, as expected, during which major orders totaling EUR 7.2 million were executed. While LDS components have found their way into Tablet PCs, LED lights and other mobile electronic

equipment by now, a real breakthrough has yet to occur however. The growth potential of the LDS product range is considered high, provided we succeed in penetrating additional market segments.

Revenue from PCB production lasers rose substantially in the year’s first six months. Customers for these systems are PCB manufacturers and assemblers who act as suppliers to major electronics manufacturing companies. Having achieved the breakthrough in laser depaneling in the second half of 2010, both the customer base and the utility of the products were expanded in 2011. The growth potential is considered high.

The StencilLaser business also closed the first half of 2011 with increased revenue. The second generation of the Gantry 6080 system has a substantially improved price/performance ratio and was received very well by the market. Overall, Stencil customers are making more investments this year than last year.

### **Other Production Equipment (previously Joining Technologies and Thin Film Technologies)**

The Other Production Equipment segment targets customers in the plastics processing industry, as well as solar cell manufacturers. It encompasses the LaserWelding and SolarScriber product ranges that developed a lot of momentum in the year’s first half.

The business with laser systems for plastic welding grew sharply in the first six months of the year. Strong demand from medical technology, the automotive and packaging industry is now making itself felt in rising revenue as well. LPKF is one of the leading providers worldwide of laser welding systems for plastics. The Company aims to replace established joining technologies such as gluing by the more economical LPKF technology and develop new applications thereby. This “displace and expand” approach offers this segment tremendous potential for growth.

At the end of March, LPKF received a major order for laser systems used in the manufacture of solar cells. Additional orders followed in the second quarter and the current third quarter. The technological advantages of the LPKF LaserScriber help to boost the efficiency of thin film solar modules. LPKF believes that this product area will offer very large growth potential in the near future. Incoming orders in this segment have risen significantly in the ongoing third quarter.

### **General outlook**

Given that in 2010 the LPKF Group boosted revenue by 60% and net profits even by 147%, in the current year the Company faces the challenge of holding revenue at least at the previous year's level while simultaneously expanding capacities such that it can handle the next envisioned surge in growth. Substantial investments were and are still necessary to this end, especially at the Company's three German sites. In the first half of 2011, LPKF hired 68 new employees worldwide, and it is continuing to recruit employees particularly for its strong solar business in Suhl.

Excellent order levels and a continuing strong demand in the Other Production Equipment segment make the envisioned growth in 2012 more tangible, causing the Management Board to specify its forecast. It expects revenue between EUR 83 million and EUR 86 million with an EBIT margin of between 15% and 17%. The Management Board expects a stable economic environment in both 2012 and 2013, with revenue growth of more than 10% per year and a slight increase in the EBIT margin.



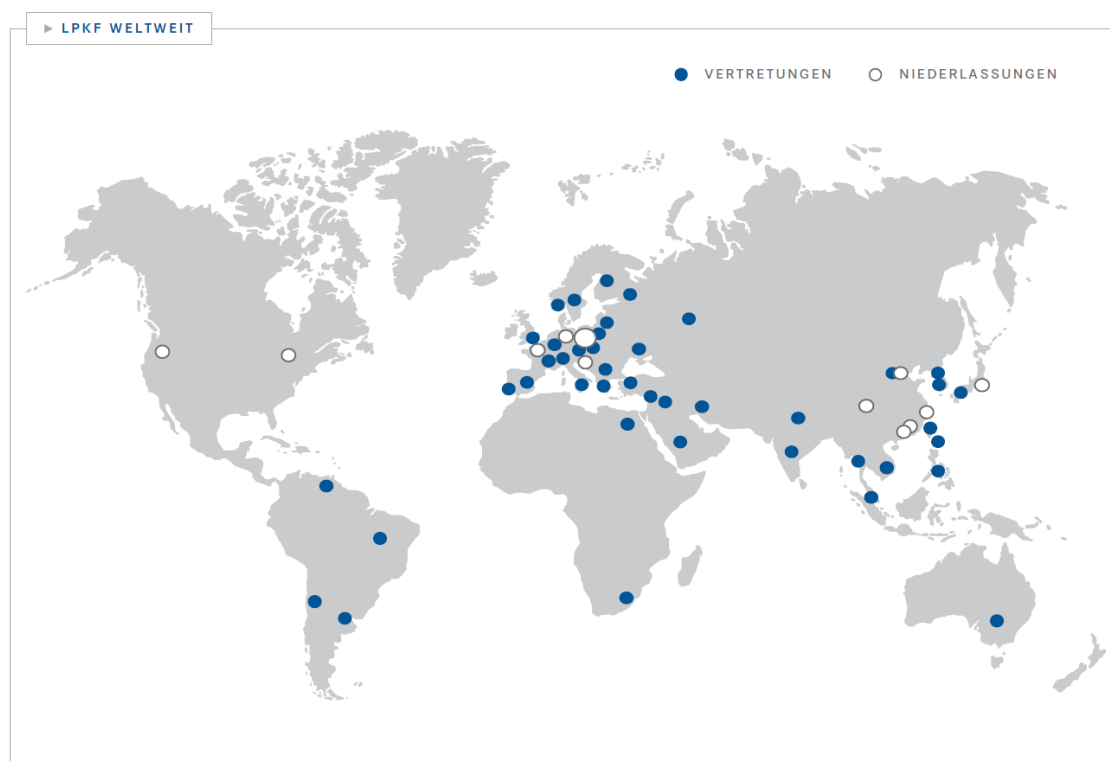
## Consolidated financial statements

### Basis of consolidation

In addition to the Group's parent company, LPKF Laser & Electronics AG, Garbsen, the following subsidiaries have also been included in the consolidated statements:

Company name	Registered seat	Country	Equity interest
LaserMicronics GmbH	Garbsen	Germany	100.0%
LPKF Laser & Elektronika d.o.o.	Naklo	Slovenia	75.0%
LPKF Distribution, Inc.	Tualatin	USA	100.0%
LPKF Motion & Control GmbH	Suhl	Germany	100.0%
LPKF (Tianjin) Co. Ltd.	Tianjin	PR China	100.0%
LPKF Laser & Electronics Hong Kong Ltd.	Hong Kong	PR China	100.0%
LPKF SolarQuipment GmbH	Suhl	Germany	100.0%
LPKF Laser & Electronics KK	Yokohama	Japan	100.0%

LPKF France S.A.R.L. was sold effective 1 January 2011.



## Consolidated statement of financial position

<b>Assets</b>			
	<b>EUR THSD.</b>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Software		2,055	731
Goodwill		74	74
Development costs		4,323	3,913
Advances paid		0	811
		<b>6,452</b>	<b>5,529</b>
<b>Property, plant, and equipment</b>			
Land, similar rights and buildings		17,690	10,914
Plant and machinery		2,963	2,668
Other equipment, operating and office equipment		1,905	1,592
Advances paid and construction in progress		694	1,794
		<b>23,252</b>	<b>16,968</b>
<b>Financial assets</b>			
Other borrowings		43	44
		<b>43</b>	<b>44</b>
<b>Restricted securities</b>			
		<b>246</b>	<b>245</b>
<b>Receivables and other assets</b>			
Trade receivables		91	241
Income tax receivables		255	255
Other assets		85	90
		<b>431</b>	<b>586</b>
<b>Deferred taxes</b>			
		<b>1,629</b>	<b>1,186</b>
		<b>32,053</b>	<b>24,558</b>
<b>Current assets</b>			
<b>Inventories</b>			
(System) parts		12,971	10,045
Work in progress		3,829	2,347
Finished products and goods		6,245	6,149
Advances paid		400	252
		<b>23,445</b>	<b>18,793</b>
<b>Receivables and other assets</b>			
Trade receivables		13,387	12,237
Income tax receivables		1,675	472
Other assets		3,006	1,276
		<b>18,068</b>	<b>13,985</b>
<b>Available-for-sale financial instruments</b>			
		<b>0</b>	<b>1,993</b>
<b>Cash and cash equivalents</b>			
		<b>4,683</b>	<b>13,671</b>
<b>Assets held for sale</b>			
		<b>0</b>	<b>142</b>
		<b>46,196</b>	<b>48,584</b>
		<b>78,249</b>	<b>73,142</b>

<b>Equity and liabilities</b>		
<b>EUR THSD.</b>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
<b>Equity</b>		
Subscribed capital	11,065	11,006
Capital reserves	5,168	4,556
Other retained earnings	7,000	7,000
Revaluation surplus	-16	4
Share-based payment reserve	487	484
Currency translation reserve	-1,228	-741
Net retained profits	17,963	25,751
Non-controlling interests	1,768	3,373
	<b>42,207</b>	<b>51,433</b>
<b>Non-current liabilities</b>		
Non-current liabilities to banks	8,074	2,215
Deferred income from grants	413	431
Other non-current liabilities	0	98
Deferred taxes	1,605	1,290
	<b>10,092</b>	<b>4,034</b>
<b>Current liabilities</b>		
Tax provisions	820	3,224
Other provisions	3,292	4,266
Current liabilities to banks	3,985	941
Trade payables	3,984	1,912
Other liabilities	13,869	7,190
Liabilities related to non-current assets held for sale	0	142
	<b>25,950</b>	<b>17,675</b>
	<b>78,249</b>	<b>73,142</b>

### Consolidated income statement

EUR THSD.	04-06/2011	04-06/2010	01-06/2011	01-06/2010
Revenue	23,354	18,925	37,661	36,529
Changes in inventories of finished goods and work in progress	-1,604	746	1,754	1,090
Other own work capitalized	678	667	1,267	1,123
Other operating income	397	435	777	1,057
Cost of materials	6,237	5,644	11,706	10,354
Staff costs	6,877	5,575	13,251	10,706
Depreciation and amortization	1,146	957	2,083	1,766
Other operating expenses	5,284	4,527	9,180	8,599
<b>Operating result</b>	<b>3,281</b>	<b>4,070</b>	<b>5,239</b>	<b>8,374</b>
Finance income	41	22	70	48
Finance costs	79	46	111	91
<b>Earnings before tax</b>	<b>3,243</b>	<b>4,046</b>	<b>5,198</b>	<b>8,331</b>
Income taxes	826	1,163	1,403	2,407
<b>Consolidated net profit</b>	<b>2,417</b>	<b>2,883</b>	<b>3,795</b>	<b>5,924</b>
Of which attributable to				
Shareholders of the parent company	2,211	2,952	3,563	6,113
Non-controlling interests	206	-69	232	-189
<b>Earnings per share</b>				
Earnings per share (basic)	€ 0.20	€ 0.27	€ 0.32	€ 0.56
Earnings per share (diluted)	€ 0.20	€ 0.27	€ 0.32	€ 0.55
Weighted average number of shares outstanding (basic)	11,007,757	10,869,348	11,007,757	10,869,348
Weighted average number of shares outstanding (diluted)	11,082,125	11,018,494	11,082,125	11,018,494
<b>Consolidated statement of comprehensive income</b>	<b>(EUR THSD.)</b>	<b>(EUR THSD.)</b>	<b>(EUR THSD.)</b>	<b>(EUR THSD.)</b>
<b>Consolidated net profit</b>	<b>2,417</b>	<b>2,883</b>	<b>3,795</b>	<b>5,924</b>
Gains and losses on remeasuring available-for-sale financial assets	-25	37	-28	30
Adjustment for difference from the sale of non-controlling interests	-8,636	0	-8,636	0
Currency translation differences	-78	754	-479	1,113
Deferred taxes	8	-10	8	-10
<b>Total comprehensive income</b>	<b>-6,314</b>	<b>3,664</b>	<b>-5,340</b>	<b>7,057</b>
Of which attributable to				
Shareholders of the parent company	-4,858	3,664	-3,893	7,181
Non-controlling interests	-1,456	0	-1,447	-124

## Consolidated statement of changes in equity

	Subscribed capital (EUR THSD.)	Capital reserves (EUR THSD.)	Other retained earnings (EUR THSD.)	Revaluation surplus (EUR THSD.)	Share-based payment reserve (EUR THSD.)	Currency translation reserve (EUR THSD.)	Net retained profits (EUR THSD.)	Equity before non- controlling interests (EUR THSD.)	Non-controlling interests (EUR THSD.)	Total (EUR THSD.)
<b>Balance as of 1 Jan. 2011</b>	11,006	4,556	7,000	4	484	-741	25,751	48,060	3,373	51,433
<b>Consolidated total comprehensive income</b>										
Consolidated net profit							3,563	3,563	232	3,795
Settlement of difference from acquisition of non-controlling interests							-6,949	-6,949	-1,687	-8,636
Additions from market valuation of securities				-28				-28		-28
Deferred taxes on changes recognized directly in equity				8				8		8
Currency translation differences						-487		-487	8	-479
<b>Consolidated total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-20</b>	<b>0</b>	<b>-487</b>	<b>-3,386</b>	<b>-3,892</b>	<b>-1,447</b>	<b>-5,340</b>
<b>Transactions with owners</b>										
Expenses for options granted					3			3		3
Proceeds from capital increases	59	612						671		671
Distributions to owners							-4,402	-4,402	-158	-4,560
<b>Balance as of 30 June 2011</b>	<b>11,065</b>	<b>5,168</b>	<b>7,000</b>	<b>-16</b>	<b>487</b>	<b>-1,228</b>	<b>17,963</b>	<b>40,439</b>	<b>1,768</b>	<b>42,207</b>
<b>Balance as of 1 Jan. 2010</b>	<b>10,858</b>	<b>3,953</b>	<b>7,000</b>	<b>-18</b>	<b>460</b>	<b>-1,379</b>	<b>15,791</b>	<b>36,665</b>	<b>3,509</b>	<b>40,174</b>
<b>Consolidated total comprehensive income</b>										
Consolidated net profit							6,113	6,113	-189	5,924
Additions from market valuation of securities				30				30		30
Deferred taxes on changes recognized directly in equity				-10				-10		-10
Currency translation differences						1,048		1,048	65	1,113
<b>Consolidated total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>1,048</b>	<b>6,113</b>	<b>7,181</b>	<b>-124</b>	<b>7,057</b>
<b>Transactions with owners</b>										
Expenses for options granted					12			12		12
Proceeds from capital increases	68	245						313		313
Distributions to owners							-2,171	-2,171		-2,171
<b>Balance as of 30 June 2010</b>	<b>10,926</b>	<b>4,198</b>	<b>7,000</b>	<b>2</b>	<b>472</b>	<b>-331</b>	<b>19,733</b>	<b>42,000</b>	<b>3,385</b>	<b>45,385</b>

## Consolidated statement of cash flows

EUR THSD.	6 months 2011 (EUR THSD.)	6 months 2010 (EUR THSD.)
<b>Operating activities</b>		
Consolidated net profit	3,795	5,924
Income taxes	1,403	2,407
Interest expense	111	91
Interest income	-70	-48
Depreciation and amortization	2,083	1,766
Gains/losses from the disposal of non-current assets including reclassification to current assets	-60	-128
Non-cash currency differences in non-current assets	-67	-396
Changes in inventories, receivables and other assets	-6,136	-6,546
Changes in provisions	343	1,562
Changes in liabilities and other equity and liabilities	3,549	2,690
Other non-cash expenses and income	-720	-148
Interest received	67	48
Income taxes paid	-5,124	-1,281
<b>Net cash flows from/used in operating activities</b>	<b>-826</b>	<b>5,941</b>
<b>Investing activities</b>		
Investments in intangible assets	-2,100	-1,204
Investments in property, plant and equipment	-7,201	-2,071
Investments in financial assets	1	-1,037
Proceeds from disposal of financial assets	0	3
Proceeds from disposal of non-current assets	162	253
Interest received	3	0
<b>Net cash flows used in investing activities</b>	<b>-9,135</b>	<b>-4,056</b>
<b>Financing activities</b>		
Dividend payment	-4,402	-2,172
Dividend payment to non-controlling interests	-158	0
Interest paid	-111	-91
Cash payments for the acquisition of non-controlling interests	-3,263	0
Proceeds from borrowings	8,436	0
Proceeds from issue of capital	51	313
Cash repayments of borrowings	-365	-192
<b>Net cash flows from/used in financing activities</b>	<b>188</b>	<b>-2,142</b>
<b>Change in cash and cash equivalents</b>		
Change in cash and cash equivalents due to changes in foreign exchange rates	-46	277
Change in cash and cash equivalents	-9,773	-257
Cash and cash equivalents on 1 Jan.	13,037	10,263
<b>Cash and cash equivalents on 30 June</b>	<b>3,218</b>	<b>10,283</b>
<b>Composition of cash and cash equivalents</b>		
Cash and cash equivalents	4,683	10,809
Current financial assets	0	0
Overdrafts	-1,465	-526
<b>Cash and cash equivalents on 30 June</b>	<b>3,218</b>	<b>10,283</b>



## Notes on the preparation of the half-yearly financial report

This half-yearly financial report for the period ended 30 June 2011 is in full compliance with the provisions of IAS 34. Due consideration is given to the interpretations of the International Financial Interpretations Committee (IFRIC). All prior-period figures were determined according to the same principles. The segment reporting has been adjusted to the new internal reporting structure.

In these interim financial statements, the same accounting policies and calculation methods were used as in the most recent annual financial statements.

Estimates of amounts presented in earlier interim reporting periods of the current financial year, the most recent annual financial statements or previous financial years have not been changed in this financial report.

R&D expenses in the reporting period amounted to EUR 4.7 million (previous year: EUR 3.5 million).

Since the most recent reporting date, no changes have occurred with regard to contingent liabilities and receivables.

No significant events having a material effect on the financial position, cash flows and profit or loss of LPKF have taken place since the 30 June 2011 reporting date.

This half-yearly financial report has neither been audited nor reviewed.

## Transactions with related parties

A shareholder of the subsidiary, LPKF Laser & Elektronika d.o.o., owns 100% of the shares in Zeltra Naklo d.o.o. In the first six months of 2011, Group companies purchased services amounting to EUR 5 thousand from this related party.

Fifty percent of the shares in PMV d.o.o. are held by a shareholder of the subsidiary, LPKF Laser & Elektronika d.o.o., and 50% are held by other related parties. In the first six months of 2011, the Group purchased materials and production services amounting to EUR 13 thousand from this company and provided such services to it in the amount of EUR 14 thousand. A loan of EUR 75 thousand was granted to the company at arm's length terms for remaining receivables.

A shareholder of the subsidiary, LPKF Laser & Elektronika d.o.o., owns 50% of the equity interest in Detel Plus d.o.o. This company provided goods and services worth EUR 140 thousand to Group companies and purchased such services in the amount of EUR 12 thousand.

As of the reporting date, LPKF Laser & Electronics AG had EUR 90 thousand in liabilities to members of the Supervisory Board.

For the rest, there are no other significant receivables from or liabilities to LPKF Group companies, nor were any significant payments or benefits granted to related parties.

**Shares held by members of the Company's corporate bodies**

<b>Management Board</b>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
Dr. Ingo Bretthauer	25,000	25,000
Bernd Lange	32,010	32,010
Kai Bentz	6,000	4,500
<b>Supervisory Board</b>		
Bernd Hildebrandt	721,177	721,177
Prof. Dr. Ing. Erich Barke	1,000	1,000

**Responsibility statement**

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group."

Garbsen, 11 August 2011

LPKF Laser & Electronics AG

The Management Board

Dr. Ingo Bretthauer

Bernd Lange

Kai Bentz

## Dates

### 12 August 2011

Publication of the Q2 financial report  
Internet chat at 6:00 pm at  
[www.lpkf.de/investor-relations](http://www.lpkf.de/investor-relations)

### 11 November 2011

Publication of the Q3 financial report  
Internet chat at 6:00 pm at  
[www.lpkf.de/investor-relations](http://www.lpkf.de/investor-relations)

### 27 March 2012

Publication of the 2011 consolidated financial statements/annual report  
Internet chat at 6:00 pm at  
[www.lpkf.de/investor-relations](http://www.lpkf.de/investor-relations)

### 15 May 2012

Publication of the Q1 financial report  
Internet chat at 6:00 pm at  
[www.lpkf.de/investor-relations](http://www.lpkf.de/investor-relations)

### 31 May 2012

Annual General Meeting  
Hannover Congress Centrum

### 14 August 2012

Publication of the Q2 financial report  
Internet chat at 6:00 pm at  
[www.lpkf.de/investor-relations](http://www.lpkf.de/investor-relations)

### 14 November 2012

Publication of the Q3 financial report  
Internet chat at 6:00 pm at  
[www.lpkf.de/investor-relations](http://www.lpkf.de/investor-relations)

## Publishing Information

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### Internet

For more information on LPKF Laser & Electronics AG and the addresses of our subsidiaries, please go to [www.lpkf.de](http://www.lpkf.de).

This financial report can also be downloaded from our website.

### Languages

This annual report is also available in German.

