

# Efficiency through light \_\_\_\_\_

QUARTERLY FINANCIAL REPORT 1 JANUARY 2013 TO 31 MARCH 2013

**LPKF**  
Laser & Electronics

# LPKF Laser & Electronics AG

## at a glance

LPKF makes a strong start to 2013

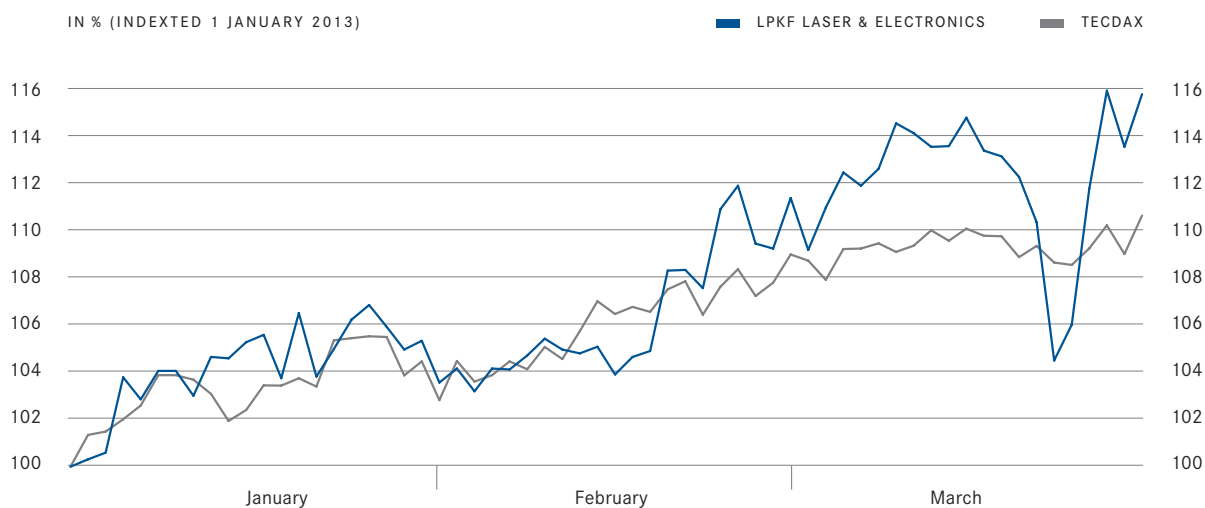
- Revenue up 61% year on year
- EBIT reaches 20%
- LDS business continues to grow
- Guidance for 2013 confirmed

### Key Group figures

		3 months 2013	3 months 2012	Change %	Year 2012
Revenue	EUR million	33.0	20.5	60.6	115.1
EBIT	EUR million	6.7	2.2	199.8	20.4
EBIT margin	%	20.4	10.9		17.7
Free cash flow	EUR million	6.6	2.2	193.6	4.8
Net working capital	EUR million	42.5	34.6	22.9	44.6
ROCE*	%	8.2	3.4		26.5
EPS, diluted	EUR	0.37	0.12	211.9	1.21
Cash and cash equivalents	EUR million	11.0	4.9	123.1	2.5
Equity ratio*	%	57.7	58.2		58.0
Orders on hand	EUR million	26.0	28.8	-9.9	34.3
Incoming orders	EUR million	24.6	24.2	1.7	124.1
Employees	Number	706	617	2.3	690

\* The previous year's figures were adjusted to reflect the amendment of IAS 19.

### Performance of the LPKF share in the reporting period (1 January – 31 March 2013)



# Miniaturization brings momentum

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LPKF Laser & Electronics AG designs and engineers **machinery for micro material processing**. At the heart of such equipment lies **a tool, the laser beam**, which offers **high-precision** surface machining. The ongoing trend for miniaturization is paving the way for the use of laser technology in the industrial production of especially small or delicate parts.

LPKF's laser systems are used **in various sectors**: in the **electronics and automotive industry**, in **polymer technology applications**, and for the **manufacture of solar panels**. Machines made by LPKF not only **design**, process and cut out PCBs but can even replace them entirely by employing **laser direct structuring (LDS)** techniques. In many areas, laser technology is replacing conventional methods of production.

The Group's success stems from its **expertise and experience** in the fields of laser technology and drive/control systems, supplemented by **in-house software development work**. A process of **continuous improvement** and the discovery of new application scenarios have made LPKF into what it is today: a highly **profitable mechanical engineering business** and a world-class **laser specialist**.

LPKF is **headquartered in Garbsen near Hanover, Germany**. The company maintains a broad-based global presence, with a **workforce of 706** based at sites **in Europe, Asia and the US**.

# Chairman's statement

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Dr. Ingo Bretthauer (CEO)

## LADIES AND GENTLEMEN,

The LPKF Group has made an excellent start to 2013. In the first quarter, we recorded revenue of EUR 33 million, which represents a year-on-year gain of 61%. This is an especially significant result, since the first quarter has in the past tended to be a rather weak period. This year, our Q1 result even outperformed 2012's strong fourth quarter by a slim margin.

The unusually strong sales figures in the first three months relate directly to the high number of orders received in the fourth quarter of 2012. In the closing months of 2012, we were able to secure multiple major orders for LDS (Laser Direct Structuring) systems. For the most part, these orders are reflected in revenue for the first quarter of 2013. Solar business also got off to a good start, on account of ongoing work from the major order received in 2011, and was able to make a significant contribution to first-quarter consolidated revenue. Since we expect to see revenue declining in solar business, subsequent quarters will not enjoy the same degree of support from this sector.

Without exception, all three segments started the new year with sales growth rates of more than 20%. Indeed, the Electronics Production Equipment segment gained 116%, due to the above-mentioned effect. The impact from the economy remains negligible. A broad foundation for our product portfolio, coupled with a parallel focus on our core competencies proves, as before, to be the right approach.

Gratifyingly, the EBIT growth rate has even overtaken the rise in revenue. With a figure of around EUR 7 million, we have boosted our earnings before interest and taxes by 200%. The key driver for this trend was the strong performance of LDS business.

Our plastic welding unit also made a highly successful start to the year. A major highlight here is the order intake figure. By now, however, we are looking at delivery times that make a significant investment in production capacities at Erlangen a matter of urgent necessity. This course of action is already underway and should lead to a significant shortening of our delivery times by mid-year 2013. Overall, we are structuring our capacities in 2013 to ensure that we can achieve the expected double-digit growth in this sector within the next few years.

Trends in the solar energy market remain difficult to predict. Accordingly, we are assuming capacity utilization from solar orders will decline at our Suhl site. As capacity becomes free, our short-term focus will be on relocating manufacturing orders to Suhl from our production facilities in Garbsen and Erlangen.

As already mentioned in last week's ad hoc release, we had to accept a setback in litigation involving the defense of the LDS patent in China. The Chinese Patent Office had declared the LDS patent invalid in May 2012. This ruling has now been upheld by a Chinese appellate court. We believe that the decision in the case is incorrect and are investigating further remedies that would allow the proceedings to be reopened. The loss of the patent in China would make producing and selling counterfeit LDS components legal within China. However, by far the majority of the LDS components manufactured in China are exported to countries in which LPKF continues to have unbroken LDS patent protection. This means that both currently and going forward, only original LDS components can legally be exported outside of China. We will continue to work to protect the LDS patent outside of China and litigate patent infringement.

It is very gratifying to see our shareholders participating in their company's success. For the first time in many years, the share price has passed the EUR 20 mark. With our recommended dividend payment of EUR 0.50 per share, we will also be offering an attractive dividend yield. We look forward to the Annual General Meeting on 23 May and hope to see a large number of shareholders in attendance as usual.

Yours sincerely,



Dr. Ingo Bretthauer  
Chairman of the Management Board

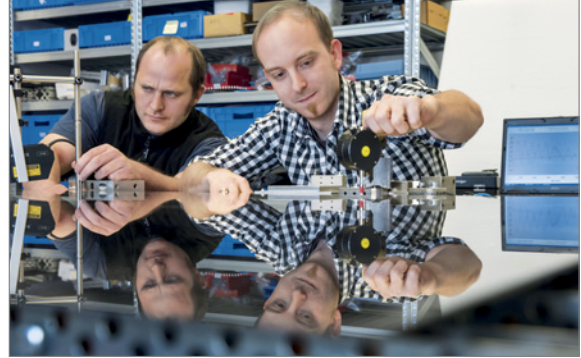
# Highlights

## Welding Equipment



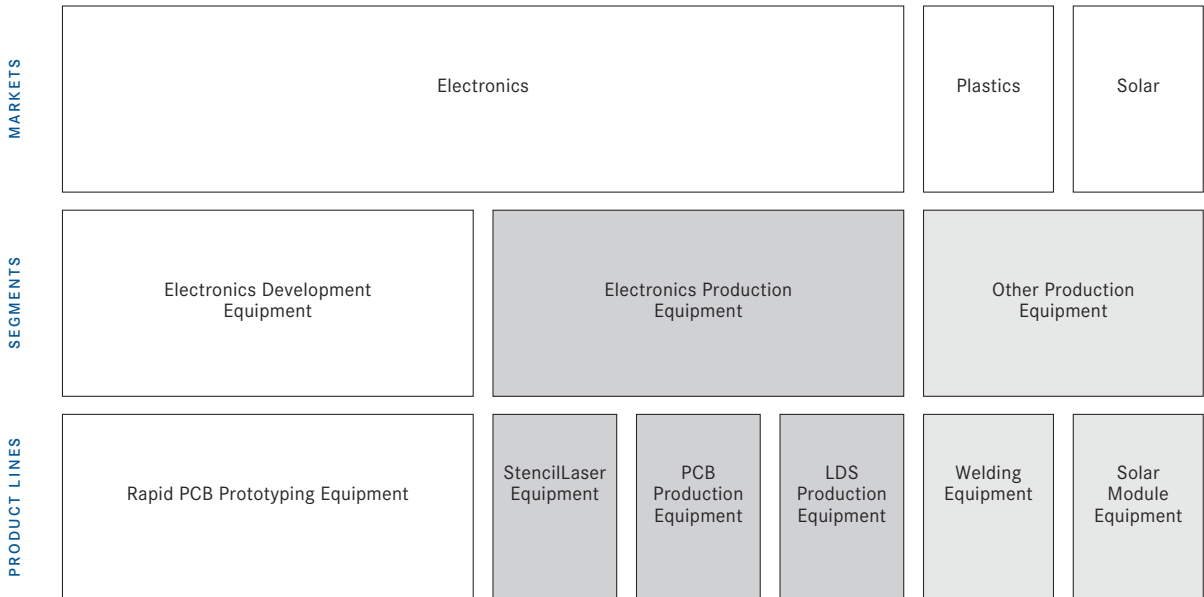
The Plastic Welding product group at the Erlangen site is bursting at the seams. Division head Frank Brunnecker (third from the left) and his colleagues are planning the move to the new company building in Fürth.

## LPKF SolarQuipment



LPKF is manufacturing systems for structuring thin film solar panels at its Suhl site. Thanks to a major order received in 2011, business is in full swing.

# Segment structure



# Management report

## Economic environment

In early 2013, the global economy recovered slightly according to the positive statement made by the leading German economic research institutes in their joint analysis in spring 2013. Confidence in business and the consumer markets has now been improving since the fall, and both industrial manufacturing and global trade have been picking up the pace in recent months. This was due in no small part to the prevailing view that the risk of a euro zone breakup was considerably lower after the ECB's intervention. The mood was also more relaxed in the financial markets following a lessening of uncertainty about the future of the European monetary union. The rate of expansion for the global economy still remains minimal, however. In the advanced economies, demand continues to be stifled by consolidation efforts – both in the public and indeed the private sector. While economic momentum is more dynamic – and usually much higher – in the emerging economies, rates remain moderate compared to previous years.

Analysts are forecasting that the global economy will start to pick up again both in this year and the next. Euro zone markets will also start a slow return to form. Global GDP growth should manage about 2.5% in 2013 and achieve a good 3% in 2014. This recovery may well remain sensitive to disruptions, however – due to the financial markets, for example, or rising prices for raw materials.

According to the German Machine Tool Builders' Association (VDW), global production of machine tools reached a new record high during the 2012 financial year. Following a volume of EUR 62.4 billion in 2011, production again rose to EUR 66.2 billion. In this context, the German machine tools industry was the clear winner among international competitors, posting a gain of 10% in production volume. In February 2013, figures from the German Engineering Federation (VDMA) showed order intakes in the German engineering sector holding steady year on year, as expected. Less subject to short-term fluctuations are the three-month comparison figures from December 2012 to February 2013, which reveal a year-on-year gain of one percent. Despite considerable uncertainties, VDMA nonetheless reiterates its 2% growth forecast for 2013.

## Development of revenue

The majority of LDS system orders placed in the last quarter of the previous year were delivered to customers before the end of the first quarter of 2013. As a result, it actually proved possible to slightly improve on the record fourth-quarter revenue from 2012. Accordingly, revenue rose year on year by 60.6% to EUR 33.0 million (previous year: EUR 20.5 million); gratifyingly, all segments made a contribution to this growth in revenue.

Driven largely by successful LDS sales, the Electronics Production Equipment segment posted growth of 116.2% and thus the highest percentage growth of all operating segments. Revenue for the Electronics Development Equipment rose by 27.8% year on year as a result of a higher volume of Protomat sales. The positive trend followed by plastics welding systems and the consistently high level of solar scribe deliveries ensured that revenue in the Other Production Equipment segment grew by 20.7% year on year.

## REVENUE

EUR THSD.	3 months 2013	3 months 2012
Electronics Development Equipment	4,870	3,811
Electronics Production Equipment	18,517	8,566
Other Production Equipment	9,146	7,579
All other segments	452	579
	<b>32,985</b>	<b>20,535</b>



## Development of earnings

As in the previous quarter, strong revenue had a positive effect on earnings. Earnings before interest and taxes (EBIT) were EUR 6.7 million, constituting one of the best quarterly results in the Company's history and outstripping the previous year's EBIT by almost 200%. The EBIT margin of 20.4% was itself a key milestone for the company: at 10.9%, the EBIT margin for the first quarter of 2012 was only slightly more than half of this figure.

Operating expenses also rose in step with the positive business development. As a proportion of revenue, cost ratio trends have stayed largely constant compared to preceding quarters.

Other operating income remained slightly above the level of the previous year, primarily as a result of higher foreign exchange gains and development subsidies. Capitalized development costs for new systems and machinery software totaled EUR 0.8 million, which was a slight 5.9% increase year on year.

At 31.3%, the material cost ratio is markedly less than the prior-year figure; this is largely due to the sales mix and high changes in inventory compared to prior-year revenue. The material cost ratio trend is more uniform when compared to the other preceding quarters.

On the reporting date of 31 March 2013, LPKF had 706 employees. Compared to the previous year, there have been a number of successful new hires, mostly in development and production. While staff costs in absolute terms thus rose to EUR 2.2 million, staff costs as a proportion of revenue remained under the prior-year figure during the reporting period.

Investments, not only in buildings and machinery but also in software and development, pushed up depreciation and amortization by EUR 0.1 million.

Advertising and sales expenses were up EUR 1.1 million year-on-year. Costs for research, development (+EUR 0.6 million) and contract work (+0.2 million) also increased, however, leading to an overall rise in other operating expenses by EUR 2.5 million compared to the prior-year period.



## Segment reporting

EBIT is broken down by segment as follows:

### EBIT

EUR THSD.	3 months 2013	3 months 2012
Electronics Development Equipment	652	507
Electronics Production Equipment	5,220	1,309
Other Production Equipment	1,263	673
All other segments	- 422	- 250
<b>EBIT acc. to the income statement</b>	<b>6,713</b>	<b>2,239</b>

Total assets developed as follows:

### TOTAL ASSETS

EUR THSD.	31 March 2013	31 Dec. 2012
Electronics Development Equipment	16,641	14,236
Electronics Production Equipment	34,999	34,506
Other Production Equipment	27,214	27,671
All other segments	31,188	25,132
<b>Total assets</b>	<b>110,042</b>	<b>101,545</b>

## Financial position

In the first quarter, expansion work at the Garbsen and Suhl sites led to a further increase in non-current assets by EUR 1.6 million. While the work at Garbsen focused on qualifying the building acquired in 2010 for the installation of workshops and development facilities, construction at Suhl involved a new building for engineers and administration staff, replacing the provisional facilities in use since last year.

Current assets have risen by EUR 7.1 million since the end of the year. One item showing a particularly strong increase was cash and cash equivalents, which reached EUR 6.8 million due to the positive quarterly earnings coupled with reductions to trade payables. The merely moderate growth in inventories also helped reduce working capital compared to the end of last year. The goal of limiting any increase in net working capital to less than the increase in revenue was achieved on a year-on-year basis.

On the equity and liabilities side, equity rose, driven primarily by solid net profit of EUR 4.3 million. In terms of liabilities, only the growth in the figure for advances received on orders is worthy of mention; this results from customers ordering new systems in the Asian and North American markets. Due to the solid earnings, provisions for taxes and variable remuneration were correspondingly higher than last year's figures.

## Cash flows

The consistently solid funding structure of LPKF Laser & Electronics AG is reflected in its equity ratio which, at 58%, continues to remain above average for the industry.

Cash inflows from operating activities were EUR 9.5 million (previous year: cash inflows of EUR 4.4 million), primarily as a result of the solid net profit in connection with the addition to provisions. Investing activities in the current year led to slightly higher cash outflows (EUR 2.9 million) than in the previous year (EUR 2.1 million). With cash inflows from financing activities (EUR 1.7 million; previous year: cash outflows of EUR 2.7 million), cash and cash equivalents were EUR 8.5 million higher than at the start of the year.

## Investments

We are laying the foundations for further growth with the creation of new facilities in our Development Center at Garbsen and a new building at our Suhl site. Investments in development also continue to form a key element of our growth strategy. In this area, we are also focusing strongly on developing in-house software for managing our systems.

At EUR 2.9 million, total investments in intangible assets and property, plant and equipment in the first quarter of 2013 were EUR 0.7 million higher year on year.

## Employees

The following table shows the development in employee numbers in the first three months of 2013:

Area	31 March 2013	31 Dec. 2012
Production	191	180
Development	148	144
Administration	140	143
Sales	128	123
Services	99	100
	<b>706</b>	<b>690</b>

## Opportunities and risks

The economic risks to the global economy remained, due particularly to the crisis in the euro zone.

The situation in the solar energy market remains uncertain. The excess capacities in module production have caused solar cell manufacturers to substantially curtail investments. The market adjustment has continued. It is very difficult to predict when demand in this sector will pick up again.

In China, LPKF is involved in a legal dispute to protect the Chinese LDS patent; the appellate court has also decided against LPKF. Further legal steps are being reviewed.

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 2012 such that the disclosures in the 2012 annual report still apply. There were no going-concern risks as of 31 March 2013.

## Business performance in the segments

### Electronics Development Equipment

The Electronics Development Equipment (Rapid PCB Prototyping) segment targets customers in industry's R&D departments, as well as schools, universities and other research institutions. Business with systems for manufacturing PCB prototypes made a positive start to the year during the first quarter. Some of this revenue stems from orders that could not be completed in 2012. But with new orders also being won in the first quarter of 2013, order intake is significantly higher than the prior-year figure. Although the Electronics Development Equipment segment is relatively independent of fluctuations of the economy, state investment policies for the education sector play a key role here. Currently, there is strong demand from the USA and China. The European market – with the exception of Germany – remains weak.

### Electronics Production Equipment

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

First-quarter LDS system revenue was markedly higher than in the same period the previous year. This technology has been used mainly in the manufacture of antennas for smartphones, laptops, and tablet PCs. In recent months, an increasing number of systems were ordered by South Korean customers. Use of the LDS process to manufacture LED light fixtures is seen as having major potential. As before, the aim of LDS technology is to crowd out traditional PCBs or cabling in areas where space, weight and flexibility are essential. At the SMT trade fair in Nuremberg in April 2013, the German Research Association for Spatial Electronic Assemblies (3-D MID e.V.) awarded the MID Industry Prize to an OLED lighting element manufactured using LDS technology. LPKF continues to believe that there is high growth potential in this product group.

After three months, revenue for PCB Production Equipment had improved on the figure for the same period in the previous year. This product group saw strong growth in 2012. The current goal is to spread revenue across a broader customer base. Since current order intake is relatively weak, it is very difficult to forecast development for the rest of the year. Customers include prestigious international electronics corporations and their suppliers. The UV laser cutting systems can be used especially for separating circuit boards in arbitrary shapes from larger boards with great precision. The PCB Production Equipment product group is considered one of the Group's growth drivers.

Benefiting from strong order intake in the fourth quarter of 2012, our StencilLaser business made a solid start to the 2013 financial year. Year on year, revenue rose by 26%. Order intake was relatively weak in the first quarter. With a market share of approx. 70%, LPKF is operating in a relatively mature market for this sector. Our goal is to continue expanding our market leadership.

## Other Production Equipment

The Other Production Equipment segment targets customers in the plastics processing industry, as well as solar cell manufacturers. It comprises the Welding Equipment and Solar Module Equipment product groups.

LPKF is one of the world's leading suppliers of laser welding systems for plastics. In many applications, laser plastic welding is replacing conventional joining processes such as bonding or ultrasound welding. Based in Erlangen, this product group has seen strong growth for a number of years while also further improving profitability in 2012. Revenue growth has been hindered solely by capacity bottlenecks at the site. This should be resolved in the current financial year by relocation to new production and office facilities. The segment sustained its dynamic business performance in the first quarter. Demand from the automotive, pharmaceutical engineering and consumer markets remains strong. Due to the planned capacity expansions during the current year, company management is predicting strong growth both in 2013 and beyond.

The general agreement for about EUR 43 million that was closed in December 2011 puts LPKF in a special position given the solar energy market's current crisis. The bill and hold transactions under this agreement are being fulfilled and delivered according to schedule. Fulfillment of the remaining orders from this general agreement is expected to be wrapped up in 2014. Since the majority of the order volume has now been completed (in 2011, 2012 and the first quarter of 2013) and demand in the solar market remains very weak, a substantial decline in revenue for this product group is expected for 2013.

## General outlook

In the second quarter of the current year, the EU economic outlook became increasingly gloomy. In its spring analysis, the EU Commission adjusted its growth forecast downwards, estimating that the euro zone's economic output would shrink by 0.4% in 2013.

Despite persistent economic risks, almost all the product groups of the LPKF Group show positive development. Thanks to its broad product portfolio, LPKF is less exposed to fluctuations in demand than many other mechanical engineering firms of a comparable size. Then again, LPKF's various target markets are each subject to individual fluctuations. Yet it is in economically difficult times that LPKF often manages to convince customers to switch to laser technology. Growth is therefore not merely dependent on capacity expansion.

Investment activities will again be boosted in 2013 due to capacity expansion for the Welding Equipment product group. In subsequent years, a return to normal levels is expected.

Revenue in financial year 2012 reached EUR 115.1 million and, with growth of 26%, exceeded the prior-year figure. Operating income (EBIT) even rose 34%, while the EBIT margin was 17.7% – again a figure well above average for the industry. The strong revenue growth in both the 2012 financial year and the first quarter of 2013 was due in part to a large order from the solar industry. In view of the continuing weakness of the solar market, LPKF is preparing for a decline in revenue in the Solar Equipment product group and therefore expects a temporary slowdown in revenue development for 2013. Added to this is low visibility in other product groups with the exception of Welding Equipment.

On the whole, the Management Board expects the LPKF Group to generate revenue of EUR 115 to EUR 120 million for 2013 assuming stable performance by the global economy. Revenue growth is planned for all segments outside the solar energy business. Provided the material cost ratio remains largely the same, staff costs rise due to the new hires and other expenses stay near current levels, costs will rise somewhat more sharply than revenue. The EBIT margin should be between 15% and 16% in 2013.

The Management Board expects a stable economic environment in both 2014 and 2015, with revenue growth of 10% per year on average 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 (Tianjin) Co. Ltd.	Tianjin	PR China	100.0%
LPKF Laser & Electronics Trading (Shanghai) Co. Ltd.	Shanghai	PR China	100.0%
LPKF Laser & Electronics (Hong Kong) Ltd.	Hongkong	PR China	100.0%
LPKF SolarQuipment GmbH	Suhl	Germany	100.0%
LPKF Laser & Electronics K.K.	Yokohama	Japan	100.0%

## LPKF sites worldwide



## Consolidated statement of financial position

### Assets

EUR THSD. \_\_\_\_\_ 31 March 2013 \_\_\_\_\_ 31 Dec. 2012\*

#### Non-current assets

Intangible assets _____		
Software _____	4,315	4,563
Goodwill _____	74	74
Development costs _____	3,996	3,792
	<b>8,385</b>	<b>8,429</b>

Property, plant and equipment _____		
Land, similar rights and buildings _____	21,187	20,243
Plant and machinery _____	3,021	3,104
Other equipment, operating and office equipment _____	3,822	3,888
Advances paid and construction in progress _____	2,024	1,429
	<b>30,054</b>	<b>28,664</b>

Financial assets _____		
Other borrowings _____	4	6
	<b>4</b>	<b>6</b>

Restricted securities _____	<b>266</b>	<b>271</b>
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Receivables and other assets _____		
Trade receivables _____	258	25
Income tax receivables _____	185	226
Other assets _____	52	48
	<b>495</b>	<b>299</b>

Deferred taxes _____	<b>1,998</b>	<b>1,930</b>
	<b>41,202</b>	<b>39,599</b>

#### Current assets

Inventories _____		
(System) parts _____	19,573	20,124
Work in progress _____	4,828	3,889
Finished products and goods _____	10,091	8,549
Advances paid _____	332	318
	<b>34,824</b>	<b>32,880</b>

Receivables and other assets _____		
Trade receivables _____	18,704	21,134
Income tax receivables _____	531	769
Other assets _____	2,911	1,964
	<b>22,146</b>	<b>23,867</b>

Cash and cash equivalents _____	<b>11,870</b>	<b>5,022</b>
	<b>68,840</b>	<b>61,769</b>
	<b>110,042</b>	<b>101,368</b>

\* The previous year's figures were adjusted to reflect the amendment of IAS 19.

## Consolidated statement of financial position

### Equity and liabilities

EUR THSD. \_\_\_\_\_ 31 March 2013 \_\_\_\_\_ 31 Dec. 2012\*

#### Equity

Subscribed capital	11,135	11,135
Capital reserves	5,599	5,599
Other retained earnings	6,823	6,823
Reserve for cash flow hedges	- 101	- 123
Revaluation surplus	3	5
Share-based payment reserve	490	490
Currency translation reserve	- 219	- 556
Net retained profits	37,591	33,423
Non-controlling interests	2,216	2,036
	<b>63,537</b>	<b>58,832</b>

#### Non-current liabilities

Provisions for pensions	0	0
Non-current liabilities to banks	8,131	8,346
Deferred income from grants	356	363
Non-current other liabilities	28	36
Deferred taxes	1,377	2,051
	<b>9,892</b>	<b>10,796</b>

#### Current liabilities

Tax provisions	1,562	412
Other provisions	6,421	5,097
Current liabilities to banks	10,234	9,753
Trade payables	4,456	5,906
Other liabilities	13,940	10,572
	<b>36,613</b>	<b>31,740</b>
	<b>110,042</b>	<b>101,368</b>

\* The previous year's figures were adjusted to reflect the amendment of IAS 19.



## Consolidated income statement

EUR THSD.	01-03/2013	01-03/2012
Revenue	32,985	20,535
Changes in inventories of finished goods and work in progress	2,495	2,845
Other own work capitalized	848	801
Other operating income	624	502
Cost of materials	11,114	8,147
Staff costs	9,991	7,759
Depreciation and amortization	1,629	1,480
Other operating expenses	7,505	5,058
<b>Operating result</b>	<b>6,713</b>	<b>2,239</b>
Finance income	10	23
Finance costs	179	233
<b>Earnings before tax</b>	<b>6,544</b>	<b>2,029</b>
Income taxes	2,196	652
<b>Consolidated net profit</b>	<b>4,348</b>	<b>1,377</b>
Of which attributable to		
Shareholders of the parent company	4,168	1,267
Non-controlling interests	180	110
<b>Earnings per share</b>		
Earnings per share (basic) (EUR)	0.37	0.12
Earnings per share (diluted) (EUR)	0.37	0.12
Weighted average number of shares outstanding (basic)	11,134,794	11,100,940
Weighted average number of shares outstanding (diluted)	11,134,794	11,121,502

## Consolidated statement of comprehensive income

EUR THSD.	01-03/2013	01-03/2012
<b>Consolidated net profit</b>	<b>4,348</b>	<b>1,377</b>
Change in the amount of actuarial gains and losses recognized in equity	0	0
<b>Changes which will not be reclassified to the income statement in the future</b>	<b>0</b>	<b>0</b>
Gains and losses on remeasuring available-for-sale financial assets	-3	6
Fair value changes from cash flow hedges	31	-10
Currency translation differences	337	-395
Deferred taxes	-8	1
<b>Changes which will be reclassified to the income statement in the future if certain conditions are met</b>	<b>357</b>	<b>-398</b>
<b>Other comprehensive income after taxes</b>	<b>357</b>	<b>-398</b>
<b>Total comprehensive income</b>	<b>4,705</b>	<b>979</b>
Of which attributable to		
Shareholders of the parent company	4,525	701
Non-controlling interests	180	278

## Consolidated statement of changes in equity

EUR THSD.	Subscribed capital	Capital reserves	Other retained earnings	Reserve for cash flow hedges	Revaluation surplus
<b>Balance before adjustment on 01 Jan. 2013</b>	11,135	5,599	7,000	- 123	5
Accounting adjustment due to IAS 19 revised	0	0	- 177	0	0
<b>Balance after adjustment on 01 Jan. 2013*</b>	11,135	5,599	6,823	- 123	5
<b>Consolidated total comprehensive income</b>	0	0	0	0	0
Consolidated net profit	0	0	0	0	0
Change from measurement of cash flow hedge	0	0	0	31	0
Change from market valuation of securities	0	0	0	0	- 3
Deferred taxes on changes recognized directly in equity	0	0	0	- 9	1
Currency translation differences	0	0	0	0	0
<b>Consolidated total comprehensive income</b>	0	0	0	22	- 2
<b>Balance as of 31 March 2013</b>	11,135	5,599	6,823	- 101	3

EUR THSD.	Subscribed capital	Capital reserves	Other retained earnings	Reserve for cash flow hedges	Revaluation surplus
<b>Balance before adjustment on 01 Jan. 2012</b>	11,101	5,338	7,000	- 129	- 16
Accounting adjustment due to IAS 19 revised	0	0	- 97	0	0
<b>Balance after adjustment on 01 Jan. 2012*</b>	11,101	5,338	6,903	- 129	- 16
<b>Consolidated total comprehensive income</b>	0	0	0	0	0
Consolidated net profit	0	0	0	0	0
Additions from measurement of cash flow hedge	0	0	0	- 10	0
Additions from market valuation of securities	0	0	0	0	6
Deferred taxes on changes recognized directly in equity	0	0	0	3	- 2
Currency translation differences	0	0	0	0	0
<b>Consolidated total comprehensive income</b>	0	0	0	- 7	4
<b>Balance as of 31 March 2012</b>	11,101	5,338	6,903	- 136	- 12

\* The figures were adjusted to reflect the amendment of IAS 19.

Share-based payment reserve	Currency translation reserve	Net retained profits	Equity before non-controlling interests	Non-controlling interests	Total
490	- 556	33,423	56,973	2,036	59,009
0	0	0	- 177	0	- 177
490	- 556	33,423	56,796	2,036	58,832
0	0	0	0	0	0
0	0	4,168	4,168	180	4,348
0	0	0	31	0	31
0	0	0	- 3	0	- 3
0	0	0	- 8	0	- 8
0	337	0	337	0	337
0	337	4,168	4,525	180	4,705
490	- 219	37,591	61,321	2,216	63,537

Share-based payment reserve	Currency translation reserve	Net retained profits	Equity before non-controlling interests	Non-controlling interests	Total
490	- 346	24,345	47,783	1,978	49,761
0	0	0	- 97	0	- 97
490	- 346	24,345	47,686	1,978	49,664
0	0	0	0	0	0
0	0	1,267	1,267	110	1,377
0	0	0	- 10	0	- 10
0	0	0	6	0	6
0	0	0	1	0	1
0	- 563	0	- 563	168	- 395
0	- 563	1,267	701	278	979
490	- 909	25,612	48,387	2,256	50,643

## Consolidated statement of cash flows

EUR THSD.	3 months 2013	3 months 2012
<b>Operating activities</b>		
Consolidated net profit	4,348	1,377
Income taxes	2,196	652
Interest expense	179	233
Interest income	- 10	- 23
Depreciation and amortization	1,629	1,480
Gains/losses from the disposal of non-current assets including reclassification to current assets	7	0
Non-cash currency differences in non-current assets	- 98	- 33
Changes in inventories, receivables and other assets	- 516	1,165
Changes in provisions	2,081	53
Changes in liabilities and other equity and liabilities	1,589	1,533
Other non-cash expenses and income	- 139	208
Interest received	10	21
Income taxes paid	- 1,803	- 2,285
<b>Cash flow from operating activities</b>	<b>9,473</b>	<b>4,381</b>
<b>Investing activities</b>		
Investments in intangible assets	- 880	- 1,062
Investments in property, plant and equipment	- 2,003	- 1,077
Investments in financial assets	0	- 18
Proceeds from disposal of financial assets	1	20
Proceeds from disposal of non-current assets	0	0
Interest received	0	1
<b>Cash flow from investing activities</b>	<b>- 2,882</b>	<b>- 2,136</b>
<b>Financing activities</b>		
Interest paid	- 179	- 233
Cash payments for the acquisition of non-controlling interests	0	- 3,533
Proceeds from borrowings	2,409	2,250
Proceeds from issue of capital	0	0
Cash repayments of borrowings	- 535	- 1,181
<b>Cash flow from financing activities</b>	<b>1,695</b>	<b>- 2,697</b>
<b>Change in cash and cash equivalents</b>		
Change in cash and cash equivalents due to changes in foreign exchange rates	172	- 226
Change in cash and cash equivalents	8,286	- 452
<b>Cash and cash equivalents on 1 January</b>	<b>2,494</b>	<b>5,586</b>
<b>Cash and cash equivalents on 31 March</b>	<b>10,952</b>	<b>4,908</b>
<b>Composition of cash and cash equivalents</b>		
Cash and cash equivalents	11,870	5,068
Overdrafts	- 918	- 160
<b>Cash and cash equivalents on 31 March</b>	<b>10,952</b>	<b>4,908</b>

## Notes on the preparation of the quarterly financial report

This quarterly financial report for the period ended 31 March 2013 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.

LPKF has applied all accounting standards that were adopted by the EU and must be applied from 1 January 2013. The amendments to IAS 1 Presentation of Financial Statements result in a revised presentation of the statement of comprehensive income. The items of other comprehensive income are split up into items which are never reclassified to the income statement and items which are classified to the income statement if certain conditions are met. The tax effects are allocated to these two groups. As a result of the amendments to IAS 19 Employee Benefits, the full amount of actuarial gains and losses are to be recognized immediately directly in equity. The amendments to IAS 19 trigger an adjustment of the affected prior-year figures in the statement of financial position and the income statement.

The following table shows the material effects resulting from the amendments to IAS 19:

	31 Dec. 2012		31 Dec. 2012		01 Jan. 2012		01 Jan. 2012	
	Before	Adjustment	After	Before	Adjustment	After	Before	After
EUR THSD.	adjustment	Adjustment	adjustment	adjustment	Adjustment	adjustment	adjustment	adjustment
<b>Total assets</b>	<b>101,545</b>	<b>- 177</b>	<b>101,368</b>	<b>89,561</b>	<b>- 97</b>	<b>89,464</b>		
Of which: other assets	301	- 253	48	193	- 138	55		
Of which: deferred taxes	1,854	76	1,930	1,631	41	1,672		
<b>Total equity and liabilities</b>	<b>101,545</b>	<b>- 177</b>	<b>101,368</b>	<b>89,561</b>	<b>- 97</b>	<b>89,464</b>		
Of which: equity	59,009	- 177	58,832	49,761	- 97	49,664		

Apart from this, 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 2.6 million (previous year: EUR 1.9 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 31 March 2013 reporting date.

This quarterly financial report has neither been audited nor reviewed.

## Transactions with related parties

Two shareholders of the subsidiary, LPKF Laser & Elektronika d.o.o., own 100% of the shares in Zeltra Naklo d.o.o. In the first three months of 2013, Group companies purchased services amounting to EUR 3 thousand from this related party.

Twenty-five percent of the shares in PMV d.o.o. are held by a shareholder of the subsidiary, LPKF Laser & Elektronika d.o.o. In the first three months of 2013, the Group purchased materials and production services amounting to EUR 7 thousand from this company and provided such services to it in the amount of EUR 4 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 46 thousand to Group companies and purchased such services in the amount of EUR 5 thousand in the reporting period.

For the rest, there are no other significant receivables from or liabilities to related parties of the LPKF Group. Furthermore, no significant payments or benefits were granted to related parties.

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

<b>Management Board</b>	<b>31 March 2013</b>	<b>31 Dec. 2012</b>
Dr. Ingo Bretthauer	30,000	25,000
Bernd Lange	47,510	47,510
Kai Bentz	10,300	10,300
Dr.-Ing. Christian Bieniek	0	0

<b>Supervisory Board</b>	<b>31 March 2013</b>	<b>31 Dec. 2012</b>
Dr. Heino Büsching	5,000	5,000
Bernd Hackmann	62,800	62,800
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, Germany, 15 May 2013  
LPKF Laser & Electronics AG

The Management Board



Dr. Ingo Bretthauer



Bernd Lange



Kai Bentz



Dr.-Ing. Christian Bieniek



## Dates

15 May 2013	Publication of the Q1 financial report
23 May 2013	Annual General Meeting 2013 at Hannover Congress Centrum
14 August 2013	Publication of the Q2 financial report
13 November 2013	Publication of the Q3 financial report

## Investor relations contact

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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.

# LPKF

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