Efficiency through light

HALF-YEARLY FINANCIAL REPORT 1 JANUARY 2013 TO 30 JUNE 2013

LPKF
Laser & Electronics

LPKF Laser & Electronics AG at a glance

LPKF remains on track for success

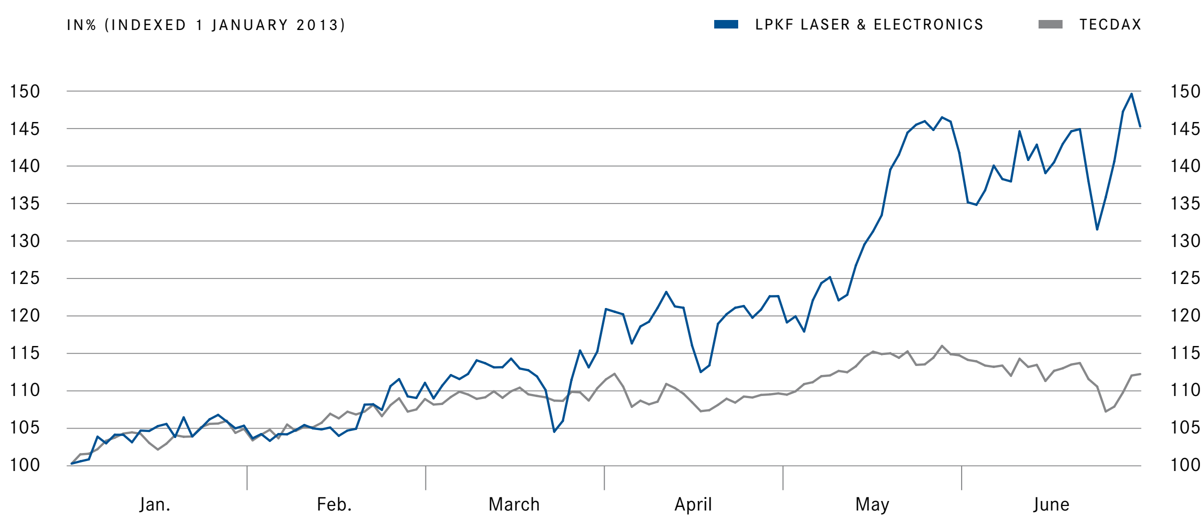
- Revenue up 39% year on year
- EBIT reaches 22%
- Incoming orders down 6% compared to prior-year figure due to the expected weakness of the solar business
- Forecast for 2013 raised slightly

Key Group figures

		6 months 2013	6 months 2012	Change %	Year 2012
Revenue	EUR million	69.9	50.3	39.0	115.1
EBIT	EUR million	15.0	7.4	101.9	20.4
EBIT margin	%	21.5	14.8		17.7
Free cash flow	EUR million	7.8	-0.6	1,309.8	4.8
Net working capital	EUR million	48.4	41.0	17.9	44.6
ROCE*	%	18.0	10.0		26.5
EPS, diluted	EUR	0.44	0.21**	109.5	0.61**
Cash and cash equivalents	EUR million	7.8	4.8	62.1	2.5
Equity ratio*	%	56.8	51.5		58.0
Orders on hand	EUR million	20.8	34.9	-40.3	34.3
Incoming orders	EUR million	56.4	60.0	-5.9	124.1
Employees	Number	714	640	11.6	690

* The previous year's figure was adjusted to reflect the amendment of IAS 19.
** The figures were adjusted. Please see p. 19 for details.

Performance of the LPKF share in the reporting period (1 January – 30 June 2013)



Miniaturization
brings momentum

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 714** based at sites **in Europe, Asia and the US**.

LPKF
Laser & Electronics

Chairman's statement

Dr. Ingo Bretthauer (CEO)

LADIES AND GENTLEMEN,

LPKF has remained on track for success in the second quarter of 2013. During the first six months, we recorded revenue of EUR 70 million, which represents a year-on-year gain of 39%. At EUR 15.0 million, our EBIT was also substantially higher than the previous year's figure of EUR 7.4 million. The EBIT margin was 21.5%, thus exceeding expectations. The key driver here was the surprisingly strong business with systems for laser direct structuring (LDS).

Notwithstanding this phenomenal business development in the first six months, our ad hoc release of 2 August 2013 contained only a slight upwards revision to our forecast for the current financial year. The reason for this muted optimism lies in the fact that revenue in the first half of the year is still influenced to a fairly substantial degree by earnings from our major order for thin-film solar cell structuring systems. This order will be completed in full by early 2014, so revenue in this area will decline according to plan. Since no recovery of the solar market is to be anticipated for the moment, we do not expect to see any significant momentum in this segment in the short term. This development was foreseeable and we have planned accordingly. Ultimately, however, we do believe that the solar market will see sustained revitalization in the future. In the interim, we will be looking to utilize the freed-up capacity at our Suhl premises primarily for outsourcing production orders from Garbsen. This "solar effect" is also reflected in a weaker order book: after six months, incoming orders are down 6% year on year, while orders on hand have fallen by as much as 40%.

At the end of the day, however, we are very happy with business development by mid-year and the upward revision of our forecast. Both the high level of revenue and the order intake for the first six months are largely attributable to our LDS systems. As the antenna count in modern smartphones continues to rise, more and more smartphone manufacturers are turning to our LDS technology for the solution! This means continued growth for LDS in the antenna segment. Yet we also see major growth potential in other segments. Accordingly, we will also be launching two new systems in the fall (Fusion3D 1200 and ProtoLaser 3D) to expand our product portfolio for new applications.

In China, our dispute surrounding the LDS patent has now entered the third round. In our opinion, the Chinese court's decision to declare our patent null and void is incomprehensible. We have therefore decided to take our case before the Supreme People's Court of China. Outside China, we are also suing a large international cell phone manufacturer for patent infringement. This is the first occasion on which we have taken legal action against a cell phone manufacturer who is marketing electronic components that we believe infringe the LDS patent. Happily, our LDS business has so far remained entirely free of any repercussions from these patent disputes. Notwithstanding this, we will continue to defend our patent with all of the means at our disposal.

Complementing the outstanding LDS business, the Electronics Development Equipment segment also increased its revenue by more than 23% year on year. The Welding Equipment product group also continues to show strong growth. Revenue growth was recently slowed by capacity bottlenecks at our Erlangen site. In June, we signed the purchase agreement for our planned relocation to new production and office premises. At some 10,000 square meters, the new site in Fürth is more than double the size of our old premises while offering room for future expansion. With a volume of up to EUR 14 million, this acquisition is the largest single investment in the history of our company. We are pleased to be taking this step towards further growth for our plastics welding business.

In Garbsen, we gave the green light for the construction of a new main building in June. Here we are replacing an old wing with a modern and more representative new structure offering significantly more space. The investment volume for this project totals about EUR 4.5 million.

Our ORG200 project, which was set up to ensure that our company's organizational structures are also prepared for future growth, has been running for about a year and is entering its second phase. We are now seeing the first positive effects, which are due in particular to cross-company improvements in processes and workflows. The willingness of our employees to take on additional duties related to ORG200 despite an already heavy workload remains as strong as ever. I would like to take this opportunity to thank everyone involved.

With this half-yearly financial report we are also publishing our 2014 financial calendar. You will find the relevant dates on the last page of this report and on our website.

Yours sincerely,

Dr. Ingo Bretthauer
Chairman of the Management Board

Highlights

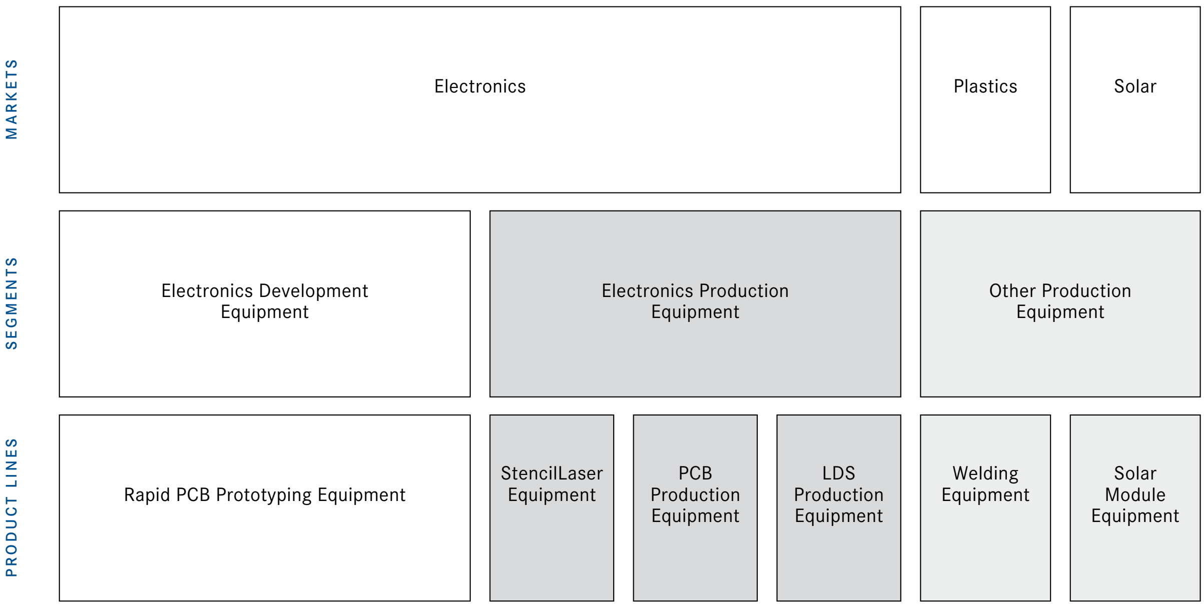
Annual General Meeting

One of the resolutions passed at the Annual General Meeting on 23 May 2013 was to carry out a capital increase from Company funds.

Knowhow

Our activities are focused on micro material processing with lasers. Laser system precision starts with the table systems.

Segment structure



Management report

Economic environment

The International Monetary Fund (IMF) remains skeptical about prospects for the global economy and has made downward corrections to growth forecasts for both the global economy and individual countries. For the current year, the IMF now forecasts growth of 3.1% for the global economy – some 0.2 percentage points lower than figures as recent as April. For Germany, growth of 0.3% is estimated. Regarding the emerging and developing economies, strongest growth is forecast for China, yet even this figure of 7.8% has been adjusted downwards by 0.3 percentage points. The IMF has also issued a general warning of rising economic risks. Alongside the euro zone recession and the USA's efforts to consolidate the national budget, weaker growth in major emerging economies has also played its part here.

In mechanical engineering in Germany, order intake in the first five months of the year saw a 1% drop year on year in real terms. This involved domestic business declining by 6%, offset by a 2% plus being registered in overseas orders. In April, exports to China and the USA finally resumed their positive trends, as noted by the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau, VDMA) – although the VDMA has nonetheless revised its 2013 forecast: for the first time since 2009, it expects to see a slight decline in production. In place of the previous estimate of a 2% rise in production, a drop of 1% is forecast.

The Ifo Business Climate Index for Germany's industry and trade sector rose again in June. While the current economic situation is seen as rather less positive, a look at future business developments nonetheless offers grounds for optimism.

Development of revenue

In the second quarter of 2013, LPKF's consolidated revenue built on the solid developments of the previous quarter and continued its record-breaking streak: at EUR 36.9 million, the figure for this quarter was another milestone in the Company's history. With revenue totaling EUR 69.9 million, the first half of 2013 thus surpassed the prior-year period considerably by 39.0% (previous year: EUR 50.3 million). While this growth was a combined effort from all segments, the Electronics Production segment maintained its leading role.

Here, the continued positive demand for LDS machinery boosted the Electronics Production Equipment segment into pole position among the segments in terms of growth as it improved by 54.8% on the prior-year period. Yet the other operating segments were not far behind: The Electronics Development Equipment segment was joined by our plastics welding systems and our solar scribers from the Other Production Equipment segment, each of which posted year-on-year revenue gains of 23.3%.

REVENUE

EUR THSD.	6 months 2013	6 months 2012
Electronics Development Equipment	9,974	8,091
Electronics Production Equipment	39,861	25,743
Other Production Equipment	19,034	15,438
All other segments	1,059	1,052
	69,928	**50,324**

Development of earnings

Driven by the growth in revenue, earnings before interest and taxes (EBIT) also rose from EUR 6.7 million in the first quarter of 2013 to EUR 8.3 million in the second quarter of 2013. In absolute terms, this is one of the best quarterly results in the Company's history. Year on year, this represents an increase of 101.9% in the first six months of 2013 and an increase in the EBIT margin from 14.8% to 21.5%.

In the wake of this revenue growth, expense items have also risen, but as a percentage of revenue all expense ratios remain beneath those of 2012.

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 fell to EUR 1.5 million in the second quarter, which was a 12.1% decrease year on year.

At 28.3%, the material cost ratio was markedly less than the prior-year figure; this due primarily to the change in the product mix and also to high changes in inventory compared to prior-year revenue.

On the reporting date of 30 June 2013, LPKF had 714 employees. Compared to the first six months of 2013, new jobs were created primarily in development and sales. While staff costs in absolute terms thus rose to EUR 3.5 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 0.4 million year on year.

Revenue growth led to an increase in revenue-related expenses. Advertising and sales expenses, for example, were up EUR 1.5 million year on year. Costs for research and development (plus EUR 1.3 million) and consulting services (plus EUR 0.2 million) also increased, however, leading to an overall rise in other operating expenses by EUR 3.9 million compared to the prior-year period.

Segment reporting

EBIT is broken down by segment as follows:

EBIT

EUR THSD.	6 months 2013	6 months 2012
Electronics Development Equipment	1,168	1,117
Electronics Production Equipment	11,541	5,494
Other Production Equipment	2,870	1,290
All other segments	–553	–458
EBIT acc. to the income statement	**15,026**	**7,443**

Total assets developed as follows:

TOTAL ASSETS

EUR THSD.	30 June 2013	31 Dec. 2012
Electronics Development Equipment	17,639	14,236
Electronics Production Equipment	38,418	34,506
Other Production Equipment	29,829	27,671
All other segments	26,403	24,955
Total assets	**112,289**	**101,368**

Financial position

In the first half-year, expansion work at the Garbsen and Suhl sites led to a further increase in non-current assets by EUR 2.0 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 8.7 million since the end of the year. Trade payables of EUR 4.4 million – resulting from strong revenue growth – made a major contribution here, as did cash and cash equivalents, which posted gains of EUR 3.8 million. While inventories remained level with the end-of-year figure, net working capital increased. Although this rise in net working capital trailed revenue gains. Accordingly, the net working capital ratio of 69.2% is lower than the corresponding figure for the prior-year period (81.5%).

On the equity and liabilities side, equity rose, driven primarily by solid net profit of EUR 10.2 million. Following the resolution passed by the Annual Meeting on 23 May 2013, bonus shares were issued to convert retained earnings and a portion of capital reserves into subscribed capital. On the liabilities side, higher earnings drove a rise in tax provisions by EUR 2.0 million and provisions for performance-related bonuses by EUR 0.1 million compared to the end of last year. In addition, shortterm funding was taken out beyond the reporting period, thus increasing liabilities to banks. In other liabilities, an increase due to higher levels of customer advance payments was also recognized in the reporting period.

Cash flows

As before, the Company's equity ratio of 57% – well above average for the industry – continues to form the financial backbone of LPKF Laser & Electronics AG.

The Group generated cash inflows from operating activities of EUR 13.5 million (previous year: cash inflows of EUR 4.2 million). The cash flow from the positive result was primarily reduced by effects from an increase in receivables and current assets resulting from reporting date factors. Investing activities in the current year led to slightly higher cash outflows (EUR 5.7 million) than in the previous year (EUR 4.9 million). Taking into account cash outflows from financing activities (EUR 2.6 million; previous year: EUR 0.0 million), cash and cash equivalents were EUR 5.3 million higher than at the start of the year.

Investments

With relocation to the new premises at the Garbsen Development Center premises largely finalized, the facility construction project at Suhl was also nearing completion on the reporting date. Investments in development also continue to form a key element of our growth strategy. Activities in the quarter just ended continued to focus on the development of inhouse systems management software.

At EUR 5.7 million, total investments in intangible assets and property, plant and equipment in the first half of 2013 were EUR 0.4 million higher year on year.

Employees

The following table shows the development in the employee numbers of the LPKF Group in the first six months of 2013:

Area	30 June 2013	31 Dec. 2012
Production	186	180
Development	154	144
Administration	145	143
Sales	130	123
Services	99	100
	714	**690**

Opportunities and risks

The economic risks to the global economy increased again. The euro zone crisis continued unabated and signs of slower growth can be seen in China, among others.

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 difficult to predict when demand in this sector will pick up again. However, there are also some positive signs.

In China, LPKF intends to reopen patent proceedings before the Supreme People's Court. The duration and outcome of this dispute cannot be predicted at this time.

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 30 June 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. Incoming orders for PCB prototype manufacturing systems performed particularly well during the first six months and recorded substantial gains year on year. Alongside steady sales figures for our proven ProtoMats, we have seen growing customer interest in our high-end ProtoLaser products. The sales leader board currently features China and the US in pole position whereas the European market – with the exception of Germany – remains weak. The large volume of incoming orders suggests the segment's positive development will continue in the next six months of 2013. In 2014, the product portfolio will be given a boost by its expansion to include e.g. LDS component prototyping. 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.

Electronics Production Equipment

The Electronics Production Equipment segment addresses manufacturers of electronic components. It encompasses laser systems for manufacturing SMD stencils (StencilLaser 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.

LDS system revenue surpassed expectations and after six months 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. Use of the LDS process to manufacture LED light fixtures, sensor packages and camera modules is seen as having further 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. LPKF continues to believe that there is high growth potential in this product group.

Despite the acquisition of a major order in the first quarter, business with PCB Production Equipment developed more sluggishly than expected in the first six months of 2013. Revenue was roughly at the level of the prior-year period. This product group remains fairly strongly dependent on specific customers. The current goal is to spread revenue across a broader customer base. 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 still considered one of the Group's growth drivers.

StencilLaser business showed slightly weaker development in the first six months and therefore continues to perform just below expectations. 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. The segment saw excellent revenue and earnings performance in the first half of 2013. In June, LPKF's PrecisionWeld was unveiled for the first time at the MD&M East trade fair in Philadelphia, USA. In a project involving several Company sites, this system was developed and produced especially for the manufacture of extremely fine channels for microfluidics. Demand from the automotive, pharmaceutical engineering and consumer markets remains strong. Due to the capacity expansions commenced 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 already been completed in 2011, 2012 and the first half of 2013 and demand in the solar market remains very weak, a substantial decline in revenue for this product group is expected for the second half of 2013 too.

General outlook

The EU economic outlook has become increasingly gloomy. In its spring analysis, the EU Commission adjusted its growth forecast downwards, with the euro zone in particular failing to match initial projections. In the current year, the euro zone's economic output is expected to shrink by an estimated 0.4%.

Notwithstanding the proliferation of economic risks, the LPKF Group has performed very positively in the first six months. 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 is again boosted in 2013 due to capacity expansion for the Welding Equipment product group and the construction of the Company headquarters in Garbsen. In subsequent years, a return to normal levels is expected.

Due to the very positive business performance in the first half of the year, LPFK is slightly raising the forecast for the current financial year it made in November 2012. The Management Board expects the LPKF Group to post revenue between EUR 119 million and EUR 123 million in 2013 (previously: between EUR 115 million and EUR 120 million). The EBIT margin should be between 16% and 17% in 2013 (previously: between 15% and 16%).

Despite the highly positive development of business in the first six months, the forecast for the full year is being raised only moderately. This is in part due to a major order from the solar industry which had a positive effect on revenue in the first six months.In view of the continuing weakness of the solar market, LPKF is preparing for a noticeable decline in revenue in its Solar Module Equipment business in the second half of the year. The completion of the major order from the solar industry is also reflected in a weaker order book: At EUR 56 million, incoming orders after six months are down 6% compared with the prior-year period.

Given a stable economic environment, LPKF still expects revenue to grow by approximately 10% annually and the EBIT margin to come in between 15% and 17% in 2014 and 2015.

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.	Hong Kong	PR China	100.0%
LPKF SolarQuipment GmbH	Suhl	Germany	100.0%
LPKF Laser & Electronics KK	Yokohama	Japan	100.0%
LPKF Grundstücksverwaltungs GmbH	Erlangen	Germany	100.0%

LPKF sites worldwide

Consolidated statement of financial position
Assets

EUR THSD.	30 June 2013	31 Dec. 2012*
Non-current assets		
Intangible assets		
Software	4,150	4,563
Goodwill	74	74
Development costs	3,790	3,792
	8,014	**8,429**
Property, plant and equipment		
Land, similar rights and buildings	21,634	20,243
Plant and machinery	2,667	3,104
Other equipment, operating and office equipment	4,031	3,888
Advances paid and construction in progress	2,649	1,429
	30,981	**28,664**
Financial assets		
Other borrowings	3	6
	3	**6**
Restricted securities	264	271
Receivables and other assets		
Trade receivables	195	25
Income tax receivables	185	226
Other assets	57	48
	437	**299**
Deferred taxes	2,091	1,930
	41,790	**39,599**
Current assets		
Inventories		
(System) parts	18,433	20,124
Work in progress	4,946	3,889
Finished products and goods	9,213	8,549
Advances paid	222	318
	32,814	**32,880**
Receivables and other assets		
Trade receivables	25,509	21,134
Income tax receivables	327	769
Other assets	3,028	1,964
	28,864	**23,867**
Cash and cash equivalents	8,821	5,022
	70,499	**61,769**
	112,289	**101,368**

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

Consolidated statement of financial position
Equity and liabilities

EUR THSD.	30 June 2013	31 Dec. 2012*
Equity		
Subscribed capital	22,270	11,135
Capital reserves	1,489	5,599
Other retained earnings	–178	6,823
Reserve for cash flow hedges	–81	–123
Revaluation surplus	0	5
Share-based payment reserve	490	490
Currency translation reserve	–328	–556
Net retained profits	37,708	33,423
Non-controlling interests	2,371	2,036
	63,741	**58,832**
Non-current liabilities		
Provisions for pensions	0	0
Non-current liabilities to banks	8,345	8,346
Deferred income from grants	488	363
Non-current other liabilities	18	36
Deferred taxes	1,459	2,051
	10,310	**10,796**
Current liabilities		
Tax provisions	2,456	412
Other provisions	5,697	5,097
Current liabilities to banks	11,551	9,753
Trade payables	3,804	5,906
Other liabilities	14,730	10,572
	38,238	**31,740**
	112,289	**101,368**

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

Consolidated income statement

EUR THSD.	04–06/2013	04–06/2012	01–06/2013	01–06/2012
Revenue	36,943	29,789	69,928	50,324
Changes in inventories of finished goods and work in progress	–434	331	2,061	3,176
Other own work capitalized	614	862	1,462	1,663
Other operating income	682	446	1,306	948
Cost of materials	9,248	8,969	20,362	17,116
Staff costs	10,743	9,457	20,734	17,216
Depreciation and amortization	1,945	1,708	3,574	3,188
Other operating expenses	7,556	6,090	15,061	11,148
Operating result	**8,313**	**5,204**	**15,026**	**7,443**
Finance income	7	4	17	27
Finance costs	141	146	320	379
Earnings before tax	**8,179**	**5,062**	**14,723**	**7,091**
Income taxes	2,315	1,415	4,511	2,067
Consolidated net profit	**5,864**	**3,647**	**10,212**	**5,024**
Of which attributable to				
Shareholders of the parent company	5,708	3,424	9,877	4,691
Non-controlling interests	156	223	335	333
Earnings per share*				
Earnings per share (basic) (in EUR)	0.26	0.15	0.44	0.21
Earnings per share (diluted) (in EUR)	0.26	0.15	0.44	0.21
Weighted average number of shares outstanding (basic)	22,269,588	22,261,188	22,269,588	22,231,534
Weighted average number of shares outstanding (diluted)	22,269,588	22,286,004	22,269,588	22,264,504

* The figures were adjusted. Please see p. 19 for details.

Consolidated statement of comprehensive income

EUR THSD.	04–06/2013	04–06/2012	01–06/2013	01–06/2012
Consolidated net profit	**5,864**	**3,647**	**10,212**	**5,024**
Change in the amount of actuarial gains and losses recognized in equity	0	0	0	0
Changes which will not be reclassified to the income statement in the future	**0**	**0**	**0**	**0**
Gains and losses on remeasuring available-for-sale financial assets	–4	5	–7	11
Fair value changes from cash flow hedges	29	–3	60	–13
Currency translation differences	–110	438	227	43
Deferred taxes	–8	0	–16	1
Changes which will be reclassified to the income statement in the future if certain conditions are met	**–93**	**440**	**264**	**42**
Other comprehensive income after taxes	**–93**	**440**	**264**	**42**
Total comprehensive income	**5,771**	**4,087**	**10,476**	**5,066**
Of which attributable to				
Shareholders of the parent company	5,616	4,032	10,141	4,733
Non-controlling interests	155	55	335	333

Consolidated statement of changes in equity

EUR THSD.	Subscribed capital	Capital reserves	Other retained earnings	Reserve for cash flow hedges	Revaluation surplus
Balance before adjustment on 01 Jan. 2013	**11,135**	**5,599**	**7,000**	**–123**	**5**
Accounting adjustment due to IAS 19 revised	0	0	–177	0	0
Balance after adjustment on 01 Jan. 2013*	**11,135**	**5,599**	**6,823**	**–123**	**5**
Consolidated total comprehensive income	0	0	0	0	0
Consolidated net profit	0	0	0	0	0
Change from measurement of cash flow hedge	0	0	0	60	0
Change from market valuation of securities	0	0	0	0	–7
Deferred taxes on changes recognized directly in equity	0	0	24	–18	2
Currency translation differences	0	0	0	0	0
Consolidated total comprehensive income	**0**	**0**	**24**	**42**	**–5**
Transactions with owners	**0**	**0**	**0**	**0**	**0**
Capital increase from Company funds	11,135	–4,110	–7,025	0	0
Distributions to owners	0	0	0	0	0
Balance as of 30 June 2013	**22,270**	**1,489**	**–178**	**–81**	**0**

EUR THSD.	Subscribed capital	Capital reserves	Other retained earnings	Reserve for cash flow hedges	Revaluation surplus
Balance before adjustment on 01 Jan. 2012	**11,101**	**5,338**	**7,000**	**–129**	**–16**
Accounting adjustment due to IAS 19 revised	0	0	–97	0	0
Balance after adjustment on 01 Jan. 2012*	**11,101**	**5,338**	**6,903**	**–129**	**–16**
Consolidated total comprehensive income	0	0	0	0	0
Consolidated net profit	0	0	0	0	0
Change from measurement of cash flow hedge	0	0	0	–13	0
Change from market valuation of securities	0	0	0	0	11
Deferred taxes on changes recognized directly in equity	0	0	0	4	–3
Currency translation differences	0	0	0	0	0
Consolidated total comprehensive income	**0**	**0**	**0**	**–9**	**8**
Transactions with owners	**0**	**0**	**0**	**0**	**0**
Proceeds from capital increases	34	261	0	0	0
Distributions to owners	0	0	0	0	0
Balance as of 30 June 2012	**11,135**	**5,599**	**6,903**	**–138**	**–8**

* 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	9,877	9,877	335	10,212
0	0	0	60	0	60
0	0	0	–7	0	–7
0	0	–24	–16	0	–16
0	227	0	227	0	227
0	**227**	**9,853**	**10,141**	**335**	**10,476**
0	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0
0	0	–5,567	–5,567	0	–5,567
490	**–329**	**37,709**	**61,370**	**2,371**	**63,741**

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	4,691	4,691	333	5,024
0	0	0	–13	0	–13
0	0	0	11	0	11
0	0	0	1	0	1
0	43	0	43		43
0	**43**	**4,691**	**4,733**	**333**	**5,066**
0	**0**	**0**	**0**	**0**	**0**
0	0	0	295	0	295
0	0	–4,441	–4,441	–375	–4,816
490	**–303**	**24,595**	**48,273**	**1,936**	**50,209**

Consolidated statement of cash flows

EUR THSD.	6 months 2013	6 months 2012
Operating activities		
Consolidated net profit	10,212	5,024
Income taxes	4,511	2,067
Interest expense	320	379
Interest income	–17	–27
Depreciation and amortization	3,574	3,188
Gains/losses from the disposal of non-current assets including reclassification to current assets	235	–192
Non-cash currency differences in non-current assets	–18	–95
Changes in inventories, receivables and other assets	–6,389	–6,968
Changes in provisions	1,183	1,348
Changes in liabilities and other equity and liabilities	1,838	3,283
Other non-cash expenses and income	1,091	97
Interest received	17	26
Income taxes paid	–3,051	–3,905
Cash flow from operating activities	**13,506**	**4,225**
Investing activities		
Investments in intangible assets	–1,719	–1,790
Investments in property, plant and equipment	–3,997	–3,525
Proceeds from disposal of financial assets	3	1
Proceeds from disposal of non-current assets	22	442
Interest received	0	1
Cash flow from investing activities	**–5,691**	**–4,871**
Financing activities		
Dividend payment	–5,567	–4,441
Dividend payment to non-controlling interests	0	–375
Interest paid	–320	–379
Cash payments for the acquisition of non-controlling interests	0	–3,533
Proceeds from borrowings	5,215	10,500
Proceeds from issue of capital	0	47
Cash repayments of borrowings	–1,915	–1,821
Cash flow from financing activities	**–2,587**	**–2**
Change in cash and cash equivalents		
Change in cash and cash equivalents due to changes in foreign exchange rates	76	–126
Change in cash and cash equivalents	5,228	–648
Cash and cash equivalents on 1 January	**2,494**	**5,586**
Cash and cash equivalents on 30 June	**7,798**	**4,812**
Composition of cash and cash equivalents		
Cash and cash equivalents	8,821	6,082
Overdrafts	–1,023	–1,270
Cash and cash equivalents on 30 June	**7,798**	**4,812**

Notes on the preparation of the quarterly financial report

This half-yearly financial report for the period ended 30 June 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. LPKF applies the amendments to IAS 19 retrospectively. The affected prior-year figures in the statement of financial position and the statement of comprehensive income were adjusted due to the accounting change.

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

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

In accordance with IAS 33, the calculation of both basic and diluted earnings per share was adjusted retrospectively for all periods shown as a result of the capital increase from Company funds.

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 6.3 million (previous year: EUR 4.2 million).

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

A plot was acquired in Fürth, Germany. The purchase price of EUR 9.0 million became due after the reporting date.

No further 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 2013 reporting date.

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

Transactions with related parties

After one managing director of the subsidiary LPKF Laser & Elektronika d.o.o. left office, there are no reportable business relationships with parties related to the LPKF Group.

Shares held by members of the Company's corporate bodies

Management Board	30 June 2013	31 Dec. 2012*
Dr. Ingo Bretthauer	52,000	25,000
Bernd Lange	95,020	47,510
Kai Bentz	21,600	10,300
Dr.-Ing. Christian Bieniek	0	0

Supervisory Board	30 June 2013	31 Dec. 2012*
Dr. Heino Büsching	10,000	5,000
Bernd Hackmann	125,600	62,800
Prof. Dr.-Ing. Erich Barke	2,000	1,000

* Before capital increase from Company funds

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, 14 August 2013
LPKF Laser & Electronics AG

The Management Board

Dr. Ingo Bretthauer   Bernd Lange   Kai Bentz   Dr.-Ing. Christian Bieniek

Dates

14 August 2013	Publication of the Q2 financial report
13 November 2013	Publication of the Q3 financial report
24 March 2014	Publication of the annual report 2013
13 May 2014	Publication of the Q1 financial report
05 June 2014	Annual General Meeting 2014 at Hannover Congress Centrum
13 August 2014	Publication of the Q2 financial report
12 November 2014	Publication of the Q3 financial report

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This financial report can also be downloaded from our website.

Languages
This annual report is also available in German.

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