THE POTENTIAL OF LASERS

QUARTERLY FINANCIAL REPORT
1 JANUARY – 31 MARCH 2015

Important key figures after three months

- Revenue of EUR 21 million close to prior-year level
- EBIT margin at 1% (previous year: 5%)
- Incoming orders and orders on hand down year-on-year

LPKF
Laser & Electronics

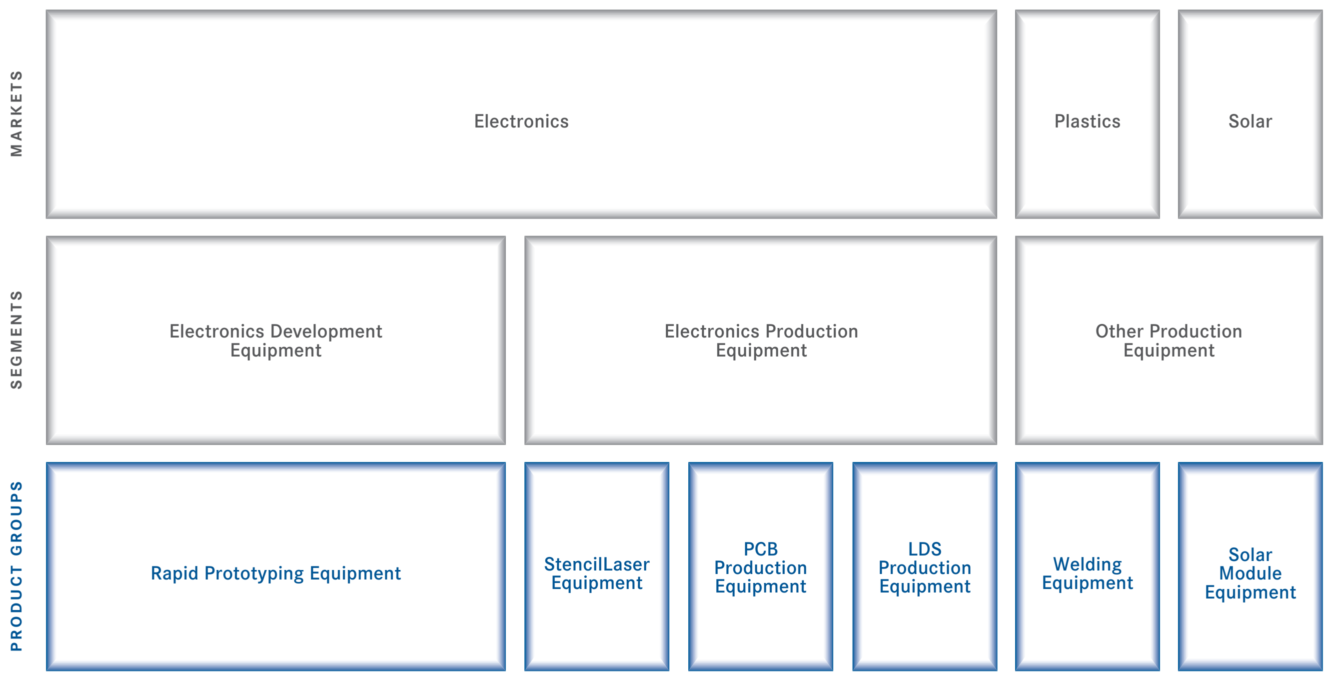
LPKF LASER & ELECTRONICS AG AT A GLANCE

Key Group figures 1st quarter 2015

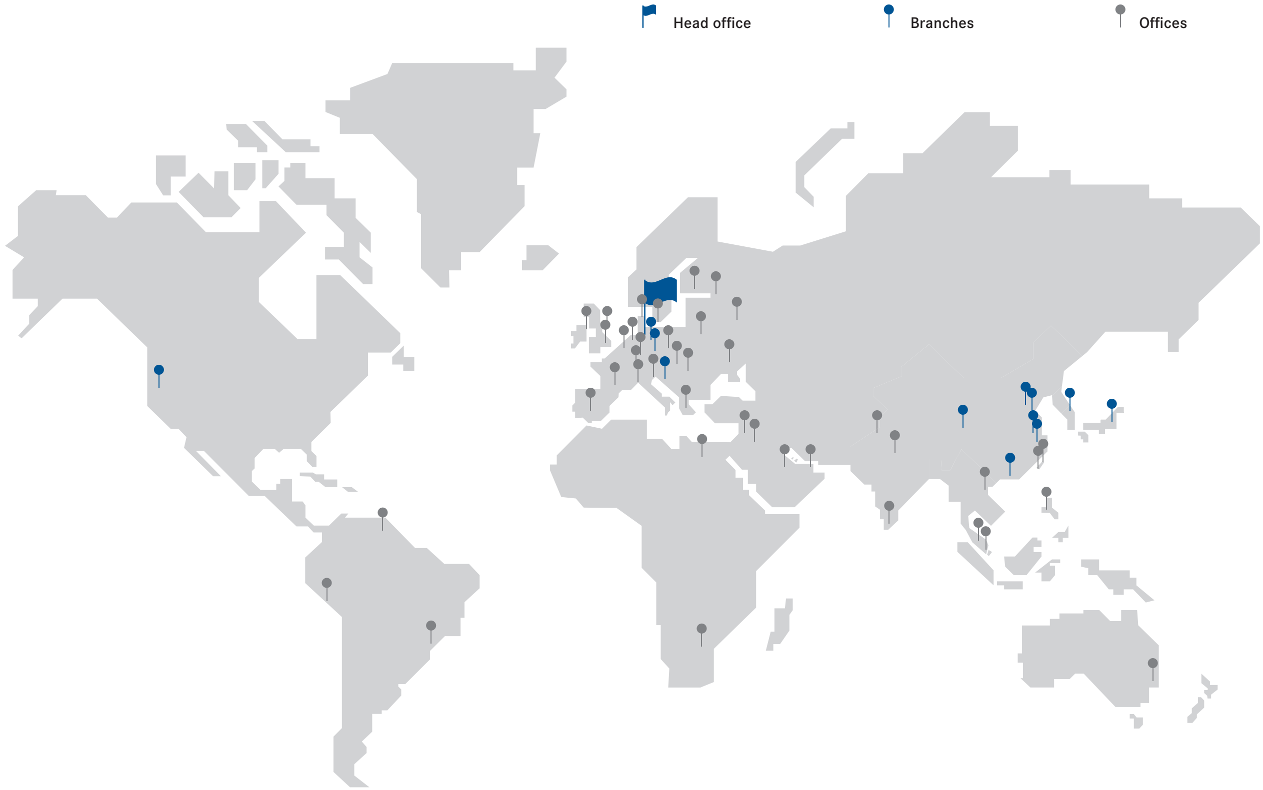
		3 months 2015	3 months 2014
Revenue	EUR million	21.4	21.6
EBIT	EUR million	0.2	1.1
EBIT margin	%	1.0	5.0
EPS, diluted	EUR	0.00	0.03
Incoming orders	EUR million	19.2	37.2

		As of 31 March 2015	As of 31 March 2014
Free cash flow	EUR million	–4.7	–8.0
Net working capital	EUR million	49.7	40.0
ROCE	%	0.2	1.2
Cash and cash equivalents	EUR million	1.0	6.4
Equity ratio	%	52.2	57.3
Orders on hand	EUR million	15.4	33.3
Employees	Number	800	774

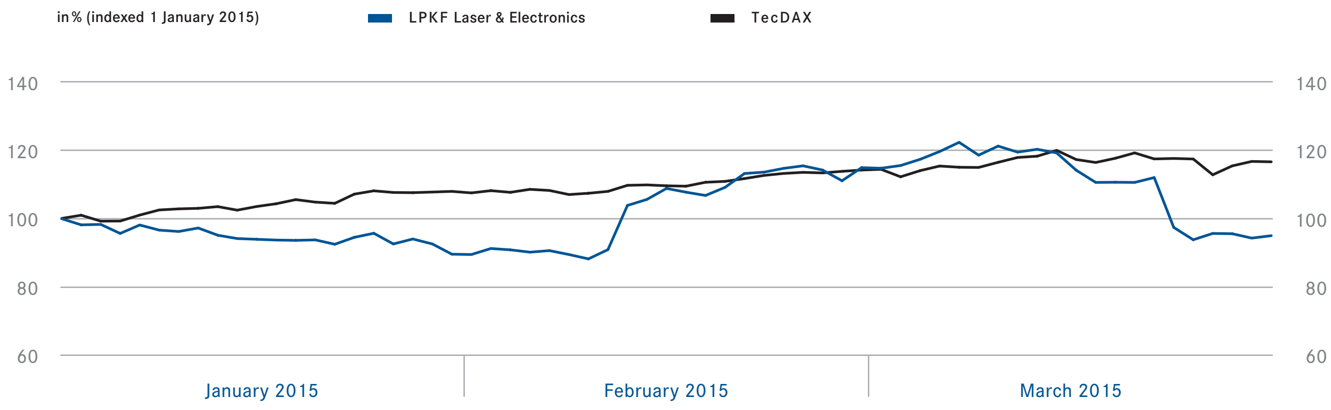
Markets, segments and product groups



LPKF sites worldwide



Performance of the LPKF share in the reporting period (1 January – 31 March 2015)



ENABLING MINIATURIZATION

LPKF Laser & Electronics AG is a **highly specialized mechanical engineering company**. It designs and manufactures laser systems. A typical application for these systems is in the production of **electronic components**. Since these components need to be built into smaller and more compact devices – such as smartphones – the utilization of **high-precision laser beams as tools** is becoming increasingly relevant.

LPKF has pioneered the use of lasers in **micro material processing**. Since its formation in 1976, the Company has created entirely new markets with its **innovative ideas**. Today, technology from LPKF is deployed in a wide range of industries – such as in the electronics sector, where LPKF systems are used to design circuit boards or to manufacture antennas. The automotive industry uses LPKF lasers for particulate-free welding of sensors or taillights. Solar cell manufacturers **boost the efficiency** of their modules by deploying LPKF laser scribers. In many areas, the **superior precision** offered by laser technology is supplanting traditional manufacturing techniques, and thus enabling the further **miniaturization of electronic equipment**.

The Company owes its **technical competitive edge** to a unique **combination of core competencies**. These include **expertise and experience** in the fields of laser technology, materials engineering and precision drive systems, supplemented by in-house software development work. LPKF has used this know-how to acquire **leadership** in all of its markets. As one example, the Company invests around 10% of its revenue into **R&D** every single year.

LPKF is headquartered in Garbsen near Hannover, Germany. The company maintains a broad-based global presence, with a **workforce of 800** based at sites in Europe, Asia and the US. The export share was around 90% in the 2014 financial year. Based on revenue of EUR 119.7 million and earnings before interest and taxes (EBIT) of EUR 12.7 million, LPKF achieved an EBIT margin of 10.6% in 2014. The shares of LPKF Laser & Electronics AG are listed on the **TecDAX** index of Deutsche Börse.

Laser & Electronics

CHAIRMAN'S STATEMENT

DR. INGO BRETTHAUER
Chief Executive Officer

Ladies and Gentlemen,

Our business performance in the first three months shows that our main revenue driver, the Electronics Production Equipment segment, has not yet overcome the period of weakness of the previous year.

At the same time, we can see that our growth prospects are steadily improving in the medium term. Particularly our new development projects, Through Glass Via (TGV) and Laser Transfer Printing (LTP), are attracting very specific interest in the market.

But first let us turn to the reporting period. Similar to the previous year, LPKF got off to a subdued start in 2015. Revenue was EUR 21.4 million, hovering around the prior-year level, as was expected. Owing to the slight increase in costs, EBIT in the first quarter was just EUR 0.2 million. The level of incoming orders was lower than in the same quarter of the previous year due to the fact that a major solar order was posted in January 2014.

The revenue of the Solar Module Equipment product group is substantially higher than the prior-year figure because we were able to invoice the remainder of the aforementioned major order in the first quarter of 2015. Together with a development in the Welding Equipment product group that was in line with expectations, this led to generally very healthy revenue of EUR 8.5 million in the Other Production Equipment (OPE) segment.

In the first quarter of 2015, Welding Equipment recorded a strong order intake, though this was unable to offset the weaker order intake in Solar Module Equipment. However, as we are already negotiating further projects in the solar segment for 2016 and beyond, there are realistic opportunities to continue the success story of our solar business in the medium term.

The high level of incoming orders in Welding Equipment shows that after a turbulent year in 2014 we will most likely return to our growth trajectory. We are confident that with the new management and the transfer of production to a new building in Fürth we have laid the foundations for a successful future in this product group.

Revenue in the Electronics Development Equipment (EDE) segment in the first three months of the year was down on the very strong prior-year period, but with the revenue generated and the gratifying order intake we feel we have a good chance of achieving our annual targets for this segment.

Whether we will be able to reach the Group's planned revenue and earnings targets for 2015 as a whole will also ultimately depend above all on the earnings of the Electronics Production Equipment (EPE) segment in the current financial year. In terms of revenue, this segment started the first quarter on a weak footing.

In the EPE segment we are currently focusing on our incoming orders, which in recent weeks failed to meet our expectations. However, as we have only limited visibility in this segment and the underlying markets change very rapidly, achieving our targets in this segment remains our greatest challenge in 2015.

Even though our LDS technology has come under pressure in the past few months owing to the persistently weak demand from Korea and the increasing use of metal cases in high-end smartphones, we firmly believe that the LDS process will become more prevalent and that new applications such as wearables or LED lighting will capture the markets.

We will substantially enhance the profitability of the entire process in the current year with the LDS 3.0 project. Our customers will be able to make considerable savings in production cost per LDS component, which in turn will significantly improve the competitive position of our LDS process. This cost reduction will not impact on our margin, however.

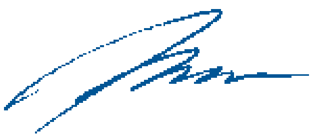
By taking over the assets of Aurentum GmbH in March of this year, we took an initial, however small, step in the direction of external growth. Aurentum has developed and obtained a patent for a laser-based method for digital printing of pastes and viscous materials and is therefore a perfect fit with the LPKF Group. We now intend to jointly make this method market ready as LTP (laser transfer printing) technology and thus broaden our technological base in the fields of additive manufacturing and rapid machining of surfaces. This product group is expected to generate revenue starting in 2016. In order to systematically advance our external growth, we engaged an external M&A expert in April to seek out further suitable takeover candidates.

Ladies and Gentlemen, according to our most recent forecast, we want to generate revenue of EUR 128 million to EUR 136 million in 2015 with an EBIT margin between 12% and 15%. You can rest assured that despite getting off to a weak start we will do everything in our power to achieve these annual targets. In the first few weeks of the second quarter, the level of incoming orders in the LPKF Group failed to meet our expectations. Furthermore, we feel the number of new LDS projects is still too low at the moment. This situation may change rapidly if just a small number of major orders are implemented. At the present time, we therefore believe that it is still possible to achieve our targets for 2015, though we are forced to admit that these are very ambitious.

For 2016 and beyond, we are looking to the future with more confidence again based on the ongoing negotiations with our customers. Our newly developed technologies are attracting a great deal of interest in the market, leading us to expect additional growth momentum from 2016 onwards.

In sum, now that the first quarter has ended we can say that the situation will remain difficult in the short term but there is reason to be optimistic in the medium term.

Yours sincerely,



Dr. Ingo Bretthauer
Chief Executive Officer

LPKF Group and LPKF AG

INTERIM MANAGEMENT REPORT AS OF 31 MARCH 2015

I. Fundamental information about the Group

1.1 GROUP STRUCTURE AND BUSINESS MODEL

The LPKF Group develops and produces material processing systems. The mechanical engineering company has become one of the world's leading laser technology providers on the strength of its technical leadership in a number of areas of laser micro material processing. The LPKF Group has specialist know-how in the fields of laser technology, optics, precision drive systems, control technology and software as well as materials engineering. LPKF's laser systems are used primarily in the electronics industry, in polymer technology applications and for the manufacture of solar panels. In many sectors, the innovative processes developed by LPKF replace established conventional techniques. The Group generates 87% of its revenue abroad. LPKF Laser & Electronics AG (LPKF AG) is listed in the TecDax segment of the German Stock Exchange. The Group had 800 employees worldwide on the reporting date.

In the reporting period, the Group's structure and business remained as described in the 2014 combined management report. The basis of consolidation is presented in the Notes to this interim report.

1.2 CORPORATE GOALS AND STRATEGY

The Group's fundamental, overarching corporate goal is to increase the value of the Company in the long term. The Group's technical edge is to be sharpened continually to achieve this goal. Promoting and expanding LPKF's own development activities is therefore a top priority.

In the reporting period, the contents of LPKF's corporate strategy and management remained as described in the 2014 combined management report.

1.3 RESEARCH AND DEVELOPMENT

Continuous investment in near-to-market developments are of crucial importance to a technology-oriented Group such as LPKF. The course pursued by R&D is described in the 2014 Annual Report; no fundamental changes were made to this course in the first three months of the current year. R&D expenses in the reporting period amounted to EUR 2.8 million (previous year: EUR 2.8 million).

The LPKF Group's R&D segment is currently working on a range of projects for new laser processes, with the long-term goals of usefully supplementing the LPKF product portfolio and opening up new markets. Highlights of this development work include the following:

Through Glass Via (TGV)

The TGV process is used to rapidly produce a large number of tiny holes in thin glass. Such glass can then be used in microelectronics, for example, for contact redistribution in complex circuitry.

The market launch for the TGV process is scheduled for 2015. This product group is expected to generate revenue starting in 2016.

Laser Plasma Coating (LPC)

Laser plasma coating is a coating technique that uses a plasma beam to spray a powder onto a workpiece. This makes it possible to apply metallic structures to a plastic substrate, for example. LPC is thus a further supplement to the familiar LDS technique. Unlike LDS, LPC can create thicker metal layers and production does not require metallization baths. The process offers a cost-effective way of applying metal structures to large components.

The market launch is planned for 2015, with initial revenue expected from 2016 onwards.

Laser Transfer Printing (LTP)

LTP is the name for a new digital printing process for functional pastes being developed by LPKF as an alternative to screen printing.

In addition to the obvious benefits of a digital printing system in terms of its flexibility, the Laser Transfer Printing method also offers higher-resolution printing and can therefore contribute to reducing the consumption of pastes containing expensive metals.

This product group is expected to generate revenue starting in 2016.

II. Report on economic position

2.1 OVERVIEW OF THE COMPANY'S DEVELOPMENT

2.1.1 General economic environment

In January 2015, the International Monetary Fund (IMF) forecast only moderate growth for the current year and corrected its growth projections downwards, stating that a global slump in investment and the repercussions of the financial crises would nullify the positive effects of low oil prices and a weak euro. Following the developments of the first quarter, the IMF made virtually no adjustments to its April Outlook, forecasting growth of 3.5% for the global economy in 2015 and 3.8% growth for 2016. Changes were seen in the groups of the advanced economies (+2.4% for each of 2015 and 2016) and the emerging/developing economies (+4.3% for 2015 and +4.7% for 2016), however. One example is the USA, whose growth has been cut from 3.6% to 3.1%; in contrast, the euro zone is now predicted to show stronger growth than expected of 1.5% in 2015 and 1.6% in 2016. China's figures remained unchanged at +6.8% for 2015 and +6.3% for 2016.

In justifying the slight improvements to the euro zone outlook, the IMF cited the positive effects of low oil prices and interest rates, plus a weak euro. The Organization for Economic Co-Operation and Development (OECD) is also predicting a stronger economic recovery for the euro zone, forecasting 1.4% growth for 2015 and as much as 2.0% growth for 2016.

The most important barometer of market mood in Germany, the Ifo business climate index, rose once again in March this year, reaching its highest level since July 2014. Estimates from the Federation of German Industries (BDI) show the German economy making significant gains in 2015. The Federation predicts GDP growth of around 2%, citing the low price of oil, favorable exchange rates and household final consumption expenditure as reasons.

2.1.2 Sector-specific environment

Figures from the German Engineering Federation (VDMA) showed incoming orders in the engineering sector for February lagging 3% behind last year's figure. Domestic business contracted by 7%, while foreign trade stagnated. Less subject to short-term fluctuations are the three-month comparison figures from December 2014 to February 2015, which show incoming orders rising year-on-year by 4%. Here, domestic business stagnated, while foreign orders made gains of 6%. The VDMA expects growth of 2.8% for 2015 and 6.3% for 2016.

2.1.3 Effects on the LPKF Group

The situation in the economy as a whole and most of the industries relevant to LPKF has been varied in the current financial year. There has been a palpable loss of economic momentum in some areas and capital spending has declined further. Among others, this applies to the electronics industry in Asia. LPKF is feeling the effects across a range of business segments, particularly in the EPE segment. Customers continue to respond to the growing uncertainty in the markets by postponing both orders and projects.

The Group benefits from trends such as mobile communication with smartphones and other mobile devices, the struggle toward optimal efficiency in solar cells – fueled by fiercer competition – and lightweight construction in the automotive industry. These trends continue to persist and should result in a return to profitable growth in the next years.

2.2 RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS OF THE GROUP

2.2.1 Results of operations

LPKF began 2015 with a situation almost identical to that of the previous year, with orders on hand for both years being roughly EUR 17.7 million as of 1 January. Revenue in the first quarter of 2015 also was on a par with the first quarter of 2014: after first-quarter revenue of EUR 21.6 million in 2014, the first quarter of 2015 closed with revenue of EUR 21.4 million (–0.7%). Significant movement was seen in segment rankings, however. While LDS was the Group's lead segment last year, solar business was the frontrunner for the first quarter of 2015, due to the delivery of the last pieces of machinery for the major order landed last year. The Other Production Equipment segment posted revenue growth of 136%, with revenue for plastic welding systems showing a slight increase year on year. Despite similarly positive revenue growth for PCB Production Equipment, weak sales for LDS systems meant the Electronics Production Equipment segment posted revenue of EUR 7.6 million, lagging nearly 35% behind last year's figure. The Electronics Development Equipment segment was also unable to match the revenue achieved in last year's first quarter, although figures for incoming orders and orders on hand were both higher.

Incoming orders were down year-on-year. While solar business landed a major order of EUR 15 million in the first quarter of 2014, a similar order predictably failed to materialize in the reporting period. Despite positive developments in Welding Equipment and Rapid Prototyping Equipment, other product segments are lagging – some significantly – behind last year's figures. The current book-to-bill rate is 0.9.

Weak first-quarter revenue combined with higher staff costs than in the previous year resulted in EBIT of EUR 0.2 million, down EUR 0.9 million year-on-year. The EBIT margin accordingly fell from 5.0% to 1.0%.

Own work capitalized in the quarter under review includes development costs of EUR 1.4 million. Other operating income was up slightly from the previous year, due mainly to currency gains (+EUR 1.2 million) and also due to a portion of the compensation received for the loss suffered by the fire in Garbsen, totaling EUR 0.7 million.

The lower volume of sales for LDS systems in the reporting period resulted in a year-on-year increase in the material cost ratio from 26.9% to 30.6%.

In the first quarter of 2015, the workforce expanded by 5 employees to its present total of 800. This increase occurred solely as the result of 6 employees being acquired from another company, together with a number of other assets, with the aim of expanding our laser transfer printing business. The primary reason for the rise in staff costs is the expansion to the workforce that was finalized last year. Extraordinary expenses were also recognized in the amount of EUR 0.2 million. The staff cost ratio rose from 48.4% after 3 months in the previous year to 53.3%.

Since the amortization period of some capitalized development costs ended in 2014, depreciation and amortization in the first quarter of 2015 was lower than in the previous quarters. Overall, depreciation and amortization in the reporting period totaled EUR 1.6 million, compared to EUR 2.0 million in the prior-year period.

Other operating expenses rose year-on-year from EUR 6.0 million to EUR 7.2 million. While advertising and sales expenses (primarily license expenses) fell slightly (EUR –0.4 million), increases were seen in exchange rate costs (EUR +0.5 million), third-party work (EUR +0.4 million) and repairs (EUR +0.3 million, mostly due to the fire in Garbsen). Trade fair costs, leasing expenditure and other operating expenses also rose by a total of EUR 0.4 million.

Despite a higher net debt, low interest rates ensured interest expenses remained at last year's level.

Consolidated net profit was EUR 0.1 million and thus EUR 0.6 million lower year-on-year.

2.2.2 Financial position

The Group's cash and cash equivalents decreased in the reporting period from EUR 6.0 million to EUR 1.0 million. A lower profit for the period together with an increase in inventories resulted in a low cash outflow from operating activities. The cash outflow from investing activities was EUR 4.6 million. Together with a cash outflow from financing activities in the amount of EUR 0.3 million, this resulted in a decrease in cash and cash equivalents of EUR 5.0 million.

The Group's financial position remains stable. Alongside its own funds, sufficient undrawn lines of credit are available for meeting funding requirements.

2.2.3 Net assets

Analysis of net assets and capital structure

At 52.2%, the equity ratio is slightly below the figure for 31 December 2014 (53.5%). This means that the Group's own funds continue to account for more than half of its financing, which puts it in a strong position.

LPKF SolarQuipment GmbH acquired assets worth a total of EUR 1.5 million from a company outside the Group. Intangible development costs of EUR 1.4 million were capitalized in the first quarter. At the Fürth site, construction of an administrative building is continuing according to plan, resulting in the capitalization of a further EUR 0.9 million in the first three months of the year.

The expansion of systems, particularly at the Fürth site, and the enhanced deliverability of the sales subsidiaries increased finished goods and work in progress, which led to higher current assets. By contrast, the receivables that were higher at the 31 December 2014 reporting date were reduced. In the first quarter, however, current tax receivables rose by EUR 2.0 million. Cash and cash equivalents decreased by EUR 0.4 million in the same period.

An increase in net working capital to EUR 49.7 million on the reporting date was largely the result of the build-up in inventories. Compared with the previous year, the net working capital ratio, at 41.5%, was still significantly higher than the prior-year figure (33.8%) and thus also above the target of 35%.

There was only a marginal change in equity on account of the low consolidated net profit for the year. Under current liabilities, particularly the drawdown of lower-interest credit lines and the utilization of short-term loans of EUR 5.1 million in total led to an increase of EUR 4.9 million. The EUR 2.0 million decrease in trade payables was compensated by an increase of EUR 1.5 million in other current liabilities. The changes here are attributable to payments received on account of orders and to other taxes.

With these exceptions, there has been no substantial change in the structure of the statement of financial position.

Capital expenditures

In the first three months of 2015, capital spending on intangible assets and property, plant and equipment increased by EUR 0.7 million year-on-year to EUR 4.6 million. This expenditure was incurred in particular by ongoing work on the office building in Fürth, and the purchase of patents and other items of property, plant and equipment already mentioned. Construction will be completed in the second quarter. Intangible assets also include capitalized development costs in the amount of EUR 1.4 million.

In January, the Development Center in Garbsen suffered a fire that rendered a part of the building unusable. An estimate of the total costs of restoration is currently underway. These costs, together with the losses due to the interruption to business, are largely covered by appropriate insurance policies.

2.2.4 Segment performance

The following table provides an overview of the operating segments' performance:

EUR thsd.		Electronics Production Equipment	Electronics Development Equipment	Other Production Equipment	Other	Total
External revenue	Q1 2015	7,564	5,022	8,547	310	21,443
	Q1 2014	11,561	6,301	3,625	107	21,594
Operating result (EBIT)	Q1 2015	–189	–222	1,101	–480	210
	Q1 2014	2,267	1,376	–2,314	–245	1,084

The decline in revenue for the Electronics Production Equipment segment resulted in a lower figure for EBIT. Due to deliveries made for the major order from the previous year, revenue in the Other Production Equipment segment was significantly higher year-on-year, resulting in positive EBIT.

The Electronics Development Equipment segment was unable to match last year's performance, with EBIT also falling from EUR 1.4 million in the first quarter of 2014 to EUR –0.2 million.

2.3 EMPLOYEES

Motivated, highly-qualified staff that identifies with the Company is the key to success – especially for a technology company like LPKF. Low levels of sick leave and employee turnover are important indicators of LPKF's success in achieving this goal. At 5.1%, the sick leave percentage in the LPKF Group following a flu wave in the first three months was almost on a par with the average for the metal working and electronics industry (2013: 4.6%). The employee turnover rate in the Group was 2.2%.

The following table shows the development in employee numbers in the first three months of 2015:

Area	31 March 2015	31 Dec. 2014
Production	191	190
Development	176	171
Administration	174	175
Sales	151	142
Services	108	117
	800	**795**

2.4 OVERALL APPRAISAL OF THE GROUP'S ECONOMIC SITUATION

Despite a subdued start to the current financial year, the Group's economic situation in the first three months of 2015 can once again be considered robust. Building on that, LPKF aims at posting good earnings and achieving a high return on the capital employed for the full year.

III. Opportunities and risks

3.1 REPORT ON OPPORTUNITIES AND RISKS

In the combined management report for 2014, the opportunities and risks of the LPKF Group are presented and explained in detail in separate reports.

3.2 ASSESSMENT BY THE MANAGEMENT BOARD OF THE RISK SITUATION AFFECTING THE GROUP

The global economy continues to be exposed to high risks largely consisting of a slump in investment worldwide and the fallout from the financial crisis. Global economic growth of 3.5% is estimated for the current year.

Despite several positive signals, the solar sector as a whole is still a market in crisis. The Management Board anticipates a revenue and profit downturn in the solar segment for the current financial year. Major orders are anticipated once again in 2016.

In the legal dispute concerning the infringement of the patent for Laser Direct Structuring (LDS), the case is now pending before the Karlsruhe Higher Regional Court following the lodging of an appeal after Motorola and others were ordered in the first instance to refrain from selling cell phones in Germany that infringe the patent. The proceedings are currently suspended pending a decision of the German Federal Patents Court on the action for declaration of nullity against the validity of the German patent that was filed by Motorola in parallel. The first hearing in this case is scheduled for July.

Continuation of the currently subdued business performance would have an adverse effect on the LPKF Group's results of operations, financial position and net assets. There is also a possibility that the effects of a flare-up of the sovereign debt crisis on the economy could negatively impact the further development of the Group.

In all other respects, however, there were no material changes in the risks and opportunities of the LPKF Group in the reporting period compared to 2014. The corresponding disclosures in the 2014 annual report therefore continue to apply. There were no going-concern risks as of 31 March 2015.

IV. Report on expected developments

4.1 OVERALL APPRAISAL OF THE GROUP'S PROBABLE PERFORMANCE

4.1.1 Economic environment

The International Monetary Fund (IMF) considers the strengthening US dollar to be a threat to global economic growth, because it could lead to tensions in emerging economies whose actors have saddled them with dollar-denominated debt. Geopolitical risks (Ukraine, Middle East, West Africa) could additionally have repercussions for global economic activity. Nevertheless, according to the IMF the risk of deflation plus a further recession in the euro zone is lower than just several months ago and the stimulating effect of falling oil prices could also have a stronger-than-expected impact worldwide.

4.1.2 Group performance

Forecasts by economic research institutes have worsened overall not only for the global economy, but also for LPKF's target sales markets. The risks of a negative impact on business by economic weakness in end markets increase accordingly. The cloudy economic situation is reflected in the uncertainty shown by LPKF's customers, some of whom have postponed capital spending decisions. The persistent weakness of the euro generally has a positive effect on the LPKF Group's business.

In 2014, LPKF showcased Through Glass Via (TGV), Laser Plasma Coating (LPC) and Laser Transfer Printing (LTP), three innovative processes for entirely new applications. All three processes are based on the Company's core know-how and offer opportunities to enter totally new markets.

4.1.3 Significant indicators

At EUR 21.4 million, revenue in the first quarter of the current financial year was close to the previous year's figure of EUR 21.6 million. The EBIT margin of 1.0% was considerably lower than in the previous year (5.0%). The operating income (EBIT) fell 81% to EUR 0.2 million.

According to the most recent forecast, the Group expects to generate revenue of EUR 128 million to EUR 136 million in 2015 with an EBIT margin between 12% and 15%. This results in planning for EBIT between EUR 15 million and EUR 20 million. Order intake in the LPKF Group in the early weeks of the second quarter fell short of expectations. Furthermore, the number of new LDS projects is still too low at the moment. This situation may change rapidly if just a small number of major orders are implemented. At the present time, the Management Board therefore believes that it can still achieve its targets for 2015, though it considers these to be very ambitious.

The net working capital ratio is expected to fall below 35%, which corresponds to net working capital of less than EUR 45 million for the forecast period. This would represent a moderate year-on-year decrease. Regarding the error rate, LPKF expects it to improve slightly.

For 2016 and beyond, the Management Board is looking to the future with more confidence again based on the ongoing negotiations with customers. The newly developed technologies are attracting a great deal of interest among customers, leading the Management Board to expect additional growth momentum from 2016 onwards.

LPKF Laser & Electronics AG

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

as of 31 March 2015

Asstes

EUR thsd.	31 Mar. 2015	31 Dec. 2014
Non-current assets		
Intangible assets		
Goodwill	74	74
Development costs	7,786	6,643
Other intangible assets	2,577	1,830
	10,437	**8,547**
Property, plant and equipment		
Land, similar rights and buildings	37,030	37,026
Plant and machinery	3,848	3,841
Other equipment, operating and office equipment	6,296	6,168
Advances paid and construction in progress	3,203	1,945
	50,377	**48,980**
Receivables and other assets		
Trade receivables	114	68
Income tax receivables	46	91
Other assets	150	74
	310	**233**
Deferred taxes	2,731	2,565
	63,855	**60,325**
Current assets		
Inventories		
(System) parts	17,154	16,987
Work in progress	4,228	3,791
Finished products and goods	12,703	11,102
Advances paid	806	359
	34,891	**32,239**
Receivables and other assets		
Trade receivables	22,213	25,659
Income tax receivables	4,098	2,082
Other assets	4,212	1,896
	30,523	**29,637**
Cash and cash equivalents	5,665	6,021
	71,078	**67,897**
	134,933	**128,222**

Consolidated statement of financial position

as of 31 March 2015

Equity and liabilities

EUR thsd.	31 Mar. 2015	31 Dec. 2014
Equity		
Subscribed capital	22,270	22,270
Capital reserves	1,489	1,489
Other retained earnings	10,945	10,945
Reserve for cash flow hedges	–11	–17
Share-based payment reserve	490	490
Currency translation reserve	2,705	858
Net retained profits	32,598	32,527
	70,486	**68,562**
Non-current liabilities		
Provisions for pensions and similar obligations	275	276
Other provisions	96	83
Non-current liabilities to banks	15,436	16,099
Deferred income from grants	773	787
Deferred taxes	2,606	2,020
	19,186	**19,265**
Current liabilities		
Tax provisions	1,019	657
Other provisions	4,433	4,488
Current liabilities to banks	25,257	20,126
Trade payables	2,803	4,829
Other liabilities	11,749	10,295
	45,261	**40,395**
	134,933	**128,222**

Consolidated income statement

from 1 January to 31 March 2015

EUR thsd.	01–03/2015	01–03/2014
Revenue	21,443	21,594
Changes in inventories of finished goods and work in progress	2,025	2,526
Other own work capitalized	1,395	1,179
Other operating income	2,787	702
Cost of materials	7,170	6,487
Staff costs	11,436	10,445
Depreciation and amortization	1,649	2,006
Other operating expenses	7,185	5,979
Operating result	**210**	**1,084**
Finance income	0	7
Finance costs	149	153
Earnings before tax	**61**	**938**
Income taxes	–10	274
Consolidated net profit	**71**	**664**
Earnings per share (basic, EUR)	0.00	0.03
Earnings per share (diluted, EUR)	0.00	0.03
Weighted average number of shares outstanding (basic)	22,269,588	22,269,588
Weighted average number of shares outstanding (diluted)	22,269,588	22,269,588

Consolidated statement of comprehensive income

from 1 January to 31 March 2015

EUR thsd.	01–03/2015	01–03/2014
Consolidated net profit	**71**	**664**
Revaluations (mainly actuarial gains and losses)	0	0
Deferred taxes	0	0
Sum total of changes which will not be reclassified to the income statement in the future	**0**	**0**
Gains and losses on the market valuation of available-for-sale financial assets	0	6
Fair value changes from cash flow hedges	9	17
Currency translation differences	1,847	–307
Deferred taxes	–3	–7
Sum total of changes which will be reclassified to the income statement in the future if certain conditions are met	**1,853**	**–291**
Other comprehensive income after taxes	**1,853**	**–291**
Total comprehensive income	**1,924**	**373**

Consolidated statement of changes in equity

as of 31 March 2015

EUR thsd.	Subscribed capital	Capital reserve	Other retained earnings	Cash flow hedge reserve
Balance on 01 Jan. 2015	22,270	1,489	10,945	–17
Consolidated total comprehensive income				
Consolidated net profit	0	0	0	0
Change from measurement of cash flow hedge	0	0	0	9
Deferred taxes on changes recognized directly in equity	0	0	0	–3
Currency translation differences	0	0	0	0
Consolidated total comprehensive income	**0**	**0**	**0**	**6**
Transactions with owners				
Distributions to owners	0	0	0	0
Balance on 31 Mar. 2015	**22,270**	**1,489**	**10,945**	**–11**

EUR thsd.	Subscribed capital	Capital reserve	Other retained earnings	Cash flow hedge reserve
Balance on 01 Jan. 2014	22,270	1,489	11,115	–55
Consolidated total comprehensive income				
Consolidated net profit	0	0	0	0
Change from measurement of cash flow hedge	0	0	0	17
Change from market valuation of securities	0	0	0	0
Deferred taxes on changes recognized directly in equity	0	0	0	–5
Currency translation differences	0	0	0	0
Consolidated total comprehensive income	**0**	**0**	**0**	**12**
Balance on 31 Mar. 2014	**22,270**	**1,489**	**11,115**	**–43**

	Revaluation reserve	Share-based payment reserve	Currency translation reserve	Net retained profits	Total Equity
	0	490	858	32,528	68,563
	0	0	0	71	71
	0	0	0	0	9
	0	0	0	0	–3
	0	0	1,847	0	1,847
	0	**0**	**1,847**	**71**	**1,924**
	0	0	0	0	0
	0	**490**	**2,705**	**32,599**	**70,487**

	Revaluation reserve	Share-based payment reserve	Currency translation reserve	Net retained profits	Total Equity
	4	490	–826	29,579	64,066
	0	0	0	664	664
	0	0	0	0	17
	6	0	0	0	6
	–2	0	0	0	–7
	0	0	–307	0	–307
	4	**0**	**–307**	**664**	**373**
	8	**490**	**–1,133**	**30,243**	**64,439**

Consolidated statement of cash flows

from 1 January to 31 March 2015

EUR thsd.	01–03/2015	01–03/2014
Operating activities		
Consolidated net profit	71	664
Income taxes	–10	274
Interest expense	149	153
Interest income	0	–7
Depreciation and amortization	1,649	2,006
Gains/losses from the disposal of non-current assets including reclassification to current assets	5	16
Changes in inventories, receivables and other assets	–3,158	–3,382
Changes in provisions	986	–1,620
Changes in liabilities and other equity and liabilities	2,483	–975
Other non-cash expenses and income	–433	–101
Interest received	0	7
Income taxes paid	–1,841	–1,184
Cash flows from operating activities	**–99**	**–4,149**
Investing activities		
Investments in intangible assets	–2,525	–1,237
Investments in property, plant and equipment	–2,077	–2,652
Proceeds from disposal of non-current assets	3	0
Cash flows from investing activities	**–4,599**	**–3,889**
Cash flows from financing activities		
Interest paid	–149	–153
Proceeds from borrowings	1,000	3,000
Cash repayments of borrowings	–1,123	–990
Cash flows from financing activities	**–272**	**1,857**
Change in cash and cash equivalents		
Change in cash and cash equivalents due to changes in foreign exchange rates	24	76
Change in cash and cash equivalents	–4,970	–6,181
Cash and cash equivalents on 01 Jan.	**5,983**	**12,520**
Cash and cash equivalents on 31 Mar.	**1,037**	**6,415**
Composition of cash and cash equivalents		
Cash and cash equivalents	5,665	6,479
Overdrafts	–4,628	–64
Cash and cash equivalents on 31 Mar.	**1,037**	**6,415**

NOTES ON THE PREPARATION OF THE QUARTERLY FINANCIAL REPORT

This quarterly financial report for the period ended 31 March 2015 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. 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.

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 2015 reporting date.

This quarterly financial report has neither been audited nor reviewed.

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 SolarQuipment GmbH	Suhl	Germany	100.0 %
LPKF WeldingQuipment GmbH	Fürth	Germany	100.0 %
LPKF Laser & Electronics d.o.o.	Naklo	Slovenia	100.0 %
LPKF Distribution Inc.	Tualatin (Portland)	USA	100.0 %
LPKF (Tianjin) Co. Ltd.	Tianjin	China	100.0 %
LPKF Laser & Electronics Trading (Shanghai) Co. Ltd.	Shanghai	China	100.0 %
LPKF Laser & Electronics (Hong Kong) Ltd.	Hong Kong	China	100.0 %
LPKF Laser & Electronics K.K.	Tokyo	Japan	100.0 %
LPKF Laser & Electronics Korea Ltd.	Seoul	Korea	100.0 %

TRANSACTIONS WITH RELATED PARTIES

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	31 March 2015	31 Dec. 2014
Dr. Ingo Bretthauer	56,000	56,000
Bernd Lange	75,000	75,000
Kai Bentz	15,200	15,200
Dr.-Ing. Christian Bieniek	0	0

Supervisory Board	31 March 2015	31 Dec. 2014
Dr. Heino Büsching	10,000	10,000
Bernd Hackmann	125,600	125,600
Prof. Dr.-Ing. Erich Barke	2,000	2,000

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group in accordance with German accepted accounting principles, and the interim 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 for the remaining months of the financial year.

Garbsen, 12 May 2015

LPKF Laser & Electronics AG

The Management Board

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

Financial calendar

28 May 2015	Annual General Meeting
12 August 2015	Publication of the six-month report
11 November 2015	Publication of the nine-month report

Publishing Information

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For more information on LPKF Laser & Electronics AG and the addresses of our subsidiaries, please go to www.lpkf.com.

This financial report can also be downloaded in pdf format from our website.

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