Quarterly Financial Report

1 January - 30 September 2016

LPKF
Laser & Electronics

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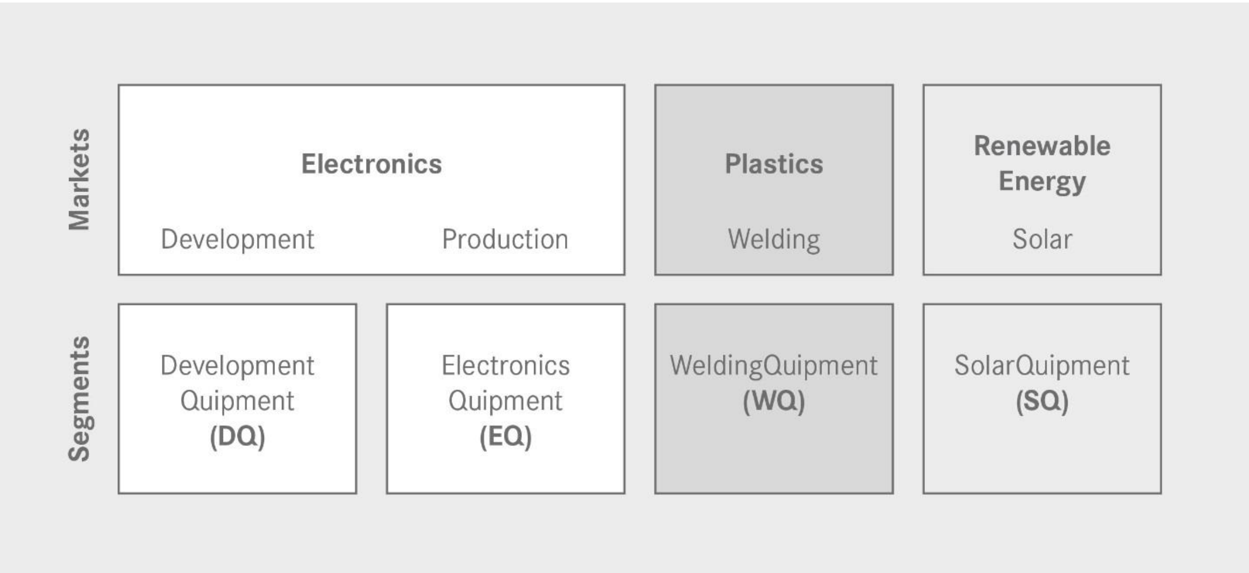
LPKF Laser & Electronics AG at a glance

Key Group figures after 9 months 2016

	9 months 2016	9 months 2015
Revenue (EUR million)	61.0	61.6
EBIT (EUR million)	-10.3	-5.3
EBIT margin (%)	-16.9	-8.7
EPS, diluted (EUR)	-0.34	-0.20
Incoming orders (EUR million)	76.8	60.6

	As of 30 September 2016	As of 30 September 2015
Free cash flow (EUR million)	-8.1	-0.7
Net working capital (EUR million)	37.2	36.5
ROCE (%)	-9.6	-5.3
Cash and cash equivalents (EUR million)	-1.8	3.3
Equity ratio (%)	42.6	51.5
Orders on hand (EUR million)	29.0	16.7
Employees	746	791



Chairman's statement

Ladies and Gentlemen,

Having recorded a significant upturn in revenue in the second quarter, we were unable to repeat this performance in the third quarter. We recorded total revenue of EUR 21.2 million in Q3, meaning that our cumulative revenue for the first nine months was essentially unchanged as against the previous year at EUR 61.0 million. Based on our latest projection, however, we expect revenue for the year as a whole to be at the lower end of our most recent forecasted range of EUR 90-110 million.

The main reasons for the weaker than expected revenue development in the year to date are the ongoing extremely weak performance of laser direct structuring (LDS) systems and delays due to technical issues affecting new product launches. At the end of the third quarter, we therefore decided to revise our LDS planning and to review our inventories in detail once more and recognize unscheduled write-downs as necessary, including on capitalized development costs. This has served to minimize the risk of sustained weak performance in our LDS business. This will inevitably have an extraordinary effect on our operating result (EBIT) for 2016. The new planning also affected other areas, albeit far less extensively. All in all, this will have a non-recurring impact on earnings for the current financial year in the amount of EUR 6.5 million; however, liquidity is not affected. Adjusted for all of these non-recurring effects, we again recorded a moderate net profit in the third quarter.

Revenue from systems for laser plastic welding and the solar industry enjoyed encouraging development in the third quarter. These two segments are currently showing a positive trend that is expected to continue until the end of the year thanks to strong incoming orders and, in particular, the high level of orders on hand. The new Through Glass Via (TGV) and Laser Transfer Printing (LTP) technologies were launched in the current financial year. The first machines have been sold in both areas and customer interest remains high. All in all, the Group's incoming orders at the end of the third quarter were up 26.6% year-on-year, while orders on hand were 73.4% higher than in the previous year. Both of these figures demonstrate that our business is on a growth path.

Our restructuring program is going according to plan. Adjusted for all non-recurring effects, including restructuring expenses of EUR 0.8 million, we recorded a net profit of EUR +0.7 million in the third quarter. This shows that we are on the right path and we should achieve our primary objective of lowering our break-even point for the coming year to around EUR 90 million. In turn, this will significantly increase the likelihood that we will generate positive earnings once again next year.

Yours sincerely,

Dr. Ingo Bretthauer

Interim Management Report as of 30 September 2016

1 Basic information on the Group

The basic information on the LPKF Group in the combined management report for 2015 continues to apply unchanged.

2 Report on economic position

2.1 Course of business

2.1.1 Sector-specific environment

The business performance of the laser technology specialist LPKF AG is affected by the overall economic situation, the development of various industries, the high export share and other international aspects. Key sectors such as the automotive, electronics – especially consumer electronics – solar and plastics processing industries are of particular importance to LPKF AG.

The following section contains a discussion of the development of these industries in the first nine months of 2016 and changes compared with the forecast published in the 2015 annual report (page 83/84).

The German Mechanical Engineering Industry Association (VDMA) reported stagnation in incoming orders in the period from January to August 2016 and expects this situation to be repeated for the year as a whole. While orders from abroad, and especially from non-European countries, rose slightly by 1% in the first eight months of 2016, domestic orders fell by 2%. The VDMA expects incoming orders to record slight growth of 1% again next year.

The German Association of the Automotive Industry (VDA) is anticipating another record year in 2016, with annual sales in Germany reaching their highest level for seven years. The three most important automotive markets continued to enjoy growth in the first nine months, with the number of registrations increasing by 7.2% in Western Europe, a moderate 0.4% in the USA and 17.7% in China. By contrast, registrations continued to decline in Russia (-4.4%) and Brazil (-22.5%).

According to a recent VDMA survey, German manufacturers of components, machinery and equipment for photovoltaics are anticipating revenue growth of 9.5% in 2016. According to the London-based Global Data, the installed photovoltaic capacity worldwide is forecasted to increase by around 13% a year to 756.1 GW in 2025. Starting from a smaller base, the annual growth rate between 2006 and 2015 was a good 50%. In a document published by the National Development and Reform Commission, the Chinese government recently announced plans to dramatically reduce subsidies for new solar energy facilities from 2017 in response to the country's oversupply of electricity from renewable energy sources.

In the consumer electronics industry, Gartner's analysts are forecasting a decline in the global supply volume for smartphones in 2016 to 1.887 billion devices (2015: 1.917 billion devices). This is attributable largely to the saturation tendencies in key markets such as the USA, Europe, Japan and some regions of Asia. According to Gartner, the supply volume will return to growth in 2017.

Following on from record revenue of EUR 59.8 billion in 2015, the German Association of Plastics Converters (GKV) is cautiously optimistic for 2016. Growth in the industry halved to 1.3% in 2015, broadly reflecting the performance of the economy as a whole. The GKV is forecasting similar growth this year. The research company Applied Market Information (AMI) considers the European plastics industry to be in a phase of stagnation.

All in all, there have been only minimal changes in terms of the development of the key industries for LPKF compared with the original assumptions made at the start of 2016.

2.1.2 Effects on the LPKF Group

The key industries for LPKF are currently seeing varied development.

For example, the electronics market, and the smartphone segment in particular, still appear to be unsettled by a slowdown in growth and the weak figures posted by some major suppliers. The improved situation in the solar industry is reflected in a major order that was announced shortly after the end of the first quarter. The prospects of reduced subsidies for solar energy in China are likely to curb growth in this area. Political and economic crises such as those in Latin America, Russia, the USA and Turkey have negative consequences in terms of government subsidies for research and development. This affected the DevelopmentQuipment segment in particular.

The performance of the euro against other key currencies since the start of the year has not provided any further tailwind for LPKF.

Generally speaking, the Group benefits from trends such as communication using smartphones and other mobile devices, the struggle for optimal efficiency in solar cells – fuelled by fiercer competition – and lightweight construction in the automotive industry. These trends remain in place and are expected to result in a return to profitable growth over the coming years.

2.2 Net assets, financial position and results of operations of the Group

2.2.1 Results of operations

LPKF generated revenue of EUR 21.2 million in the third quarter of 2016, up 11% on the same period of the previous year. LPKF's total revenue in the reporting period was largely unchanged year-on-year at EUR 61.0 million.

The Group has been organized in four segments since 1 January 2016, superseding the three-segment structure used in previous years. With LDS business remaining extremely weak, revenue in the ElectronicsQuipment (EQ) segment was down 6% year-on-year despite the positive performance in the area of PCB cutting systems. Revenue in the DevelopmentQuipment (DQ) segment fell by 12% compared with the same period of the previous year. The former Other Production Equipment segment was divided into the WeldingQuipment (WQ) and SolarQuipment (SQ) segments. In the SolarQuipment segment, the first systems were delivered as part of the major order that was won in April, meaning that total revenue increased significantly by 5% year-on-year. The WeldingQuipment segment enjoyed more than satisfactory business development, recording year-on-year growth in the third quarter (+7%). All in all, the WQ segment generated revenue growth of 18% compared with the previous year.

Incoming orders increased by 27% year-on-year to total EUR 77 million in the current year. A major order for EUR 17 million was received in the SolarQuipment segment in the second quarter. As of 30 September, orders on hand were 73% higher than in the previous year. The book-to-bill rate is currently 1.3.

Weak overall revenue development resulted in a net loss in the period under review. Earnings were additionally impacted by the recognition of unscheduled write-downs on inventories (EUR 5.7 million) and capitalized development costs (EUR 0.8 million). Earnings before interest and taxes (EBIT) declined from EUR -5.3 million in the previous year to EUR -10.3 million in the current year. The EBIT margin was -16.9% after -8.7% in the previous year.

Own work capitalized in the reporting period includes development costs of EUR 3.8 million (previous year: EUR 4.8 million). Lower currency translation gains and the insurance compensation for the fire in Garbsen, which was EUR 1.1 million higher in the previous year, were the main reasons for the EUR 2.1 million reduction in other operating income.

Excluding unscheduled write-downs on inventories, the material cost ratio was up slightly year-on-year at 31% (previous year: 29%). The write-downs related primarily to LDS business, where substantial surplus stocks of systems and parts were written down on the basis of the revised planning for the coming years. Current assets in the solar segment were also written down in the amount of EUR 1.2 million as commitments for the provision of service parts expired and demand in this area is also expected to be significantly lower in future. The discontinuation of individual development projects resulted in the recognition of write-downs on the materials used. Write-downs on inventories were recognized to only a limited extent in the previous year.

The Group's workforce comprises 746 employees, a reduction of 45 compared with the previous year. At EUR 33.6 million, staff costs were up slightly on the first three quarters of 2015. This was attributable mainly to the restructuring expenses of EUR 1.7 million incurred in the period under review (previous year: EUR 0.6 million).

Depreciation, amortization and write-downs were up EUR 1.3 million on the previous year, largely as a result of the higher level of capitalized development costs in 2015 and the resulting amortization of these costs in the current year. In addition, write-downs on discontinued LDS development projects were recognized in the amount of EUR 0.8 million.

Other operating expenses declined from EUR 21.5 million in the previous year to EUR 17.1 million. This was due to the lower level of exchange rate losses (EUR -1.0 million) and the reduction in costs for third-party work (EUR -0.5 million), travel expenses (EUR -0.5 million) and voluntary social security benefits (EUR -0.5 million). The cost-cutting program that was initiated had a clear effect, with savings in the area of trade fair costs, legal and consulting costs and repairs totaling EUR 1.7 million.

Interest expenses were up slightly on the previous year as a result of the higher level of net debt.

Net accumulated losses meant that deferred tax income of EUR 3.2 million (net) was reported. Taking this tax income into account, this resulted in a consolidated net loss for the period of EUR -7.6 million, down EUR 3.0 million on the previous year.

2.2.2 Financial position

The Group’s cash and cash equivalents decreased in the reporting period from EUR -0.9 million to EUR -1.8 million. Net cash used in operating activities amounted to EUR 2.0 million, with the increase in liabilities failing to offset the net loss for the period and the increase in inventories and deferred tax assets, while net cash used in investing activities amounted to EUR 6.1 million. These effects were not fully offset by the net cash from financing activities in the amount of EUR 7.3 million, resulting in a total reduction in cash and cash equivalents of EUR 0.9 million.

Despite these developments, the Group's financial position remains stable, with sufficient available credit facilities and cash from subsidiaries to cover future financing requirements.

2.2.3 Net assets

Analysis of net assets and capital structure

The net loss for the period and short-term borrowings led to a change in the ratio of equity and liabilities. Debt finance accounts for the majority of liabilities and equity, with the equity ratio declining to 43%.

All in all, non-current assets increased by a total of EUR 4.1 million in the first nine months, with capitalized development costs accounting for EUR 1.4 million and deferred tax assets accounting for EUR 4.7 million. Property, plant and equipment declined by a net amount of EUR 1.6 million.

Current assets increased compared with the end of the previous year; this was due largely to the increase in receivables and other assets (EUR +1.9 million) and inventories (EUR 1.2 million).

Net working capital declined from EUR 40.3 million at the end of the previous year to EUR 37.2 million at the reporting date, with write-downs on inventories more than offsetting the growth in receivables and current assets. These factors, together with the Group's revenue development, meant that the net working capital ratio was down on year-end 2015 at 42.9% (previous year: 46.2%). In the first nine months of the year, LPKF therefore failed to achieve its goal of keeping this figure below 35%.

Equity declined as a result of net accumulated losses. Scheduled repayments of long-term loans led to a slight reduction in non-current liabilities. By contrast, current liabilities increased by EUR 20.3 million, largely as a result of short-term borrowings (EUR 10.0 million) and the increased utilization of overdraft facilities (EUR 3.1 million). Trade payables rose by EUR 1.5 million in the period under review, while advance payments received from customers increased by EUR 4.8 million.

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

Capital expenditure

The Group engaged in only limited capital expenditure in the first nine months of 2016. While additions to capitalized development costs amounted to EUR 3.8 million, property, plant and equipment and other intangible assets accounted for additions of just EUR 1.9 million and EUR 0.4 million respectively.

2.2.4 Segment performance

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

	External revenue		Operating result (EBIT)		Impairment on Inventory
EUR thsd.	**9 months 2016**	**9 months 2015**	**9 months 2016**	**9 months 2015**	**9 months 2016**
EQ	21,856	23,114	-6,202	-685	4,388
DQ	14,803	16,954	1,348	1,843	396
WQ	16,587	14,078	-820	-939	555
SQ	7,773	6,653	-2,182	-2,890	1,201
Other	28	762	-2,436	-2,658	0
Total	61,047	61,561	-10,292	-5,329	6,540

The segment operating result (EBIT) changed compared with the previous year on account of the introduction of a more cause-based allocation of overheads. The revenue previously attributed to the Other/Unallocated segment was reallocated to the business units. The change in earnings in this segment is attributable primarily to exchange rate differences.

The results of the individual segments were impacted by write-downs (see table). This consisted primarily of write-downs on inventories (EUR 5.7 million) and write-downs on development costs in the EQ segment (EUR 0.8 million).

Employees

The following table shows the development in employee numbers in the first nine months of 2016:

Area	As of 30 September 2016	As of 31 Dec. 2015
Production	169	168
Development	172	179
Administration	164	175
Sales	144	148
Service	97	108
Total	746	778

The total number of employees as of 30 September 2016 corresponded to 727 full-time equivalents (FTEs). This number included 59 FTE who have agreed to leave the company after 30 September 2016. There will be a further reduction of 8 FTE because of a decrease of working hours.

There were also nine workers in marginal employment, 38 trainees and 11 students and interns as of 30 September 2016.

2.3 Overall assessment of the Group's economic situation

Following a difficult 2015, incoming orders improved once again in 2016. Even after excluding non-recurring effects, however, the Group did not yet generate a net profit or free cash flow. Based on current business development, the fourth quarter is expected to see improved operating revenue and earnings compared with the third quarter.

With the measures initiated in order to increase earnings, reduce costs and optimize working capital, the Management Board is organizing the cost structure in order to enable a return to net profit and positive cash flows from 2017 even in the event of sustained weak business development.

3 Report on post-balance sheet date events

No significant events with a material effect on the net assets, financial position and results of operations of LPKF have occurred since the reporting date on 30 September 2016.

4 Opportunities and risks

In the combined management report for 2015, the opportunities and risks of the LPKF Group are presented and explained in detail in separate reports. The information contained in these reports continues to apply unchanged. In addition, the risk of sustained, markedly weak development in the Group's LDS business has materialized. Risk in the solar segment has increased as a result of market developments in China. Particular attention is being paid to Group financing.

5 Report on expected developments

5.1 Management's assessment of the Group's expected development

5.1.1 Economic environment

The forecasts for the development of the global economy have been lowered since the publication of LPKF's 2015 annual report and were down slightly on the original expectations as of the publication date of the financial report for the first nine months of the year. Although the outlook has improved slightly over the course of 2016, as discussed in the previous quarterly reports, global economic momentum is still lagging behind the growth rates recorded prior to the financial crisis.

According to the Joint Economic Forecast Autumn 2016 prepared by several research institutions, including the Kiel Institute for the World Economy (IfW), on behalf of the German Federal Ministry for Economic Affairs and Energy and published in late September 2016, global economic growth of 2.3% is anticipated for the current year, down on the prior-year figure of 2.7%. Annual global economic growth is then expected to pick up pace slightly, amounting to 2.7% in both 2017 and 2018.

Following an expansion of production in the advanced economies, the Joint Economic Forecast is anticipating a slightly reduced growth rate of 1.5% for these countries in 2016 (2015: 2.1%). Growth of 1.8% is forecasted for both 2017 and 2018. Private consumption remains the primary growth driver in these countries. Demand for capital goods is expected to increase gradually as capacity utilization increases and the capital stock gets older. Exports from the advanced economies to the emerging economies have been curbed by the lower growth rates of the latter nations.

Following a weak first half of 2016, experts are forecasting growth in production in the USA in the second half of the year, with economic output for the year as a whole increasing by 1.6%. This is set to be followed by economic growth of 2.3% and 2.1% in 2017 and 2018 respectively. Euro zone GDP is forecasted to rise by 1.6% in the current year and by 1.5% in each of the next two years. With growth rates of 1.8% this year and 1.7% in 2016 and 2017, Germany is enjoying above-average performance and remains one of Europe's strongest economies.

The reduction in investment activity that is forecasted by experts following the Brexit referendum may have consequences for the exports of other countries to the United Kingdom.

In China, significantly reduced subsidies for solar energy are on the cards. This risks putting additional pressure on solar cell prices.

According to the Joint Economic Forecast, economic development in the emerging economies is set to stabilize. Economic growth in the current year is expected to repeat the prior-year level of 3.9% before increasing to 4.5% and 4.6% over the next two years. Gross domestic product in China is expected to increase at a slightly lower rate than in the previous year, rising by 6.5% in 2016 and 6.2% in 2017. An economic upturn is being observed in Russia and Brazil, both of which are emerging from recession.

5.1.2 Group performance

The international economic conditions for the future business development of the globally active LPKF Group have not changed significantly in the course of 2016 to date. At the end of the third quarter, however, they remain slightly lower than at the start of the year. An international focus, a high degree of diversification with eight product groups and improved conditions are factors that could contribute to the positive business performance of the LPKF Group. On the other hand, the reduction in subsidies for solar energy in China could have an adverse effect on the investment climate.

The Group expects to record above-average growth in the WeldingQuipment segment in the medium term. Business with PCB cutting and drilling systems is also set to continue to grow. Solar business will enjoy positive performance in 2016; however, forecasts for subsequent periods are difficult on account of the highly project-based nature of this area.

LPKF is not anticipating growth in the DevelopmentQuipment segment in the current financial year. The same applies to the StencilLaser product group (EQ segment). Revenue from LDS business is likely to be considerably lower than the weak level recorded in the previous year.

LPKF expects the new Through Glass Via (TGV) and Laser Transfer Printing (LTP) product groups launched in the current financial year to provide fresh stimulus for growth over the coming years. TGV technology can be used to drill holes in ultra-thin glass for chip interposers, for example. LTP offers a new alternative to the well-established practice of screen printing and will be used for the digital printing of pastes. LPKF has received an initial order in both areas.

5.1.3 Key financial indicators

At EUR 61.0 million, revenue for the first nine months of the current financial year was largely unchanged as against the prior-year figure of EUR 61.6 million. Significant non-recurring effects meant that earnings were down substantially both year-on-year and compared with expectations. The operating result (EBIT) declined to EUR -10.3 million. This figure includes restructuring expenses of EUR 1.7 million, write-downs on inventories amounting to EUR 5.7 million and write-downs on capitalized development costs in the amount of EUR 0.8 million. All in all, EBIT for the first nine months was impacted by non-recurring effects totaling EUR 8.2 million.

The announced cost reduction program is going according to plan. The planned workforce reduction of around 100 FTEs was contractually agreed by mid-November, while the reduction in other operating expenses is also having a positive effect. All in all, the measures resolved are intended to reduce the break-even point for 2017 to below EUR 90 million.

The Management Board has initiated the "SPRINT" program with the aim of further improving the Group's revenue position, ensuring that the cost reductions achieved are secured for the long term, making operational processes more efficient and reducing working capital. Suitable measures are being developed with the support of a consulting firm.

As announced in the ad hoc disclosure on 28 October, the Management Board decided to recognize write-downs in light of the sustained weakness of the Group's LDS business. This will impact earnings (EBIT) for 2016 to the tune of EUR 6.5 million. The write-downs relate to inventories and capitalized development costs. Liquidity is not affected.

Previously, the Management Board forecasted revenue of EUR 90-110 million and an EBIT margin of between -3% and +6% assuming stable global economic development. The Management Board currently expects both figures to be at the lower end of this guidance excluding unscheduled write-downs. For 2017, the Management Board expects growing revenues and a clearly positive result.

The original target was for a net working capital ratio of below 35%, which would correspond to net working capital of less than EUR 35 million in the forecast period. Adjusted for the write-downs, it currently seems unlikely that this target will be achieved. LPKF is anticipating a slight deterioration in the error rate.

Consolidated financial statements

Consolidated statement of financial position as of 30 September 2016

Assets

EUR thsd.	30 Sep. 2016	31 Dec. 2015
Non-current assets		
Intangible assets		
Goodwill	74	74
Development costs	12,871	11,473
Other intangible assets	1,839	1,991
	14,784	**13,538**
Property, plant and equipment		
Land, similar rights and buildings	38,810	39,654
Plant and machinery	5,082	4,885
Other equipment, operating and office equipment	5,223	6,137
Advances paid and construction in progress	0	13
	49,115	**50,689**
Receivables and other assets		
Trade receivables	83	257
Income tax receivables	0	46
Other assets	132	153
	215	**456**
Deferred taxes	**7,554**	**2,899**
	71,668	**67,582**
Current assets		
Inventories		
(System) parts	13,704	15,658
Work in progress	5,642	2,843
Finished products and goods	12,208	11,839
Advances paid	735	752
	32,289	**31,092**
Receivables and other assets		
Trade receivables	15,539	13,593
Income tax receivables	336	236
Other assets	3,241	2,522
	19,116	**16,351**
Cash and cash equivalents	**6,056**	**3,795**
	57,461	**51,238**
	129,129	**118,820**

Consolidated statement of financial position as of 30 September 2016

Equity and liabilities		
EUR thsd.	**30 Sep. 2016**	**31 Dec. 2015**
Equity		
Subscribed capital	22,270	22,270
Capital reserves	1,489	1,489
Other retained earnings	10,933	10,933
Share-based payment reserve	490	490
Currency translation reserve	1,068	1,945
Net retained profits	18,770	26,374
	55,020	**63,501**
Non-current liabilities		
Provisions for pensions and similar obligations	348	352
Other provisions	52	52
Non-current liabilities to banks	23,357	25,480
Deferred income from grants	691	732
Deferred taxes	1,128	488
	25,576	**27,104**
Current liabilities		
Tax provisions	173	374
Other provisions	3,481	2,954
Current liabilities to banks	28,709	15,627
Trade payables	3,741	2,278
Other liabilities	12,429	6,982
	48,533	**28,215**
	129,129	**118,820**

Consolidated income statement from 1 January to 30 September 2016

EUR thsd.	**07-09 / 2016**	**07-09 / 2015**	**01-09 / 2016**	**01-09 / 2015**
Revenue	21,218	19,178	61,047	61,561
Changes in inventories of finished goods and work in progress	2,403	-802	5,802	1,126
Other own work capitalized	1,118	1,718	3,862	4,939
Other operating income	989	1,242	2,567	4,739
Cost of materials	13,132	4,186	26,615	18,034
Staff costs	10,449	10,325	33,595	33,051
Depreciation and amortization	2,636	1,760	6,303	5,069
Other operating expenses	6,059	7,237	17,057	21,540
Operating result	**-6,548**	**-2,172**	**-10,292**	**-5,329**
Finance income	3	2	5	13
Finance costs	230	177	551	494
Earnings before tax	**-6,775**	**-2,347**	**-10,838**	**-5,810**
Income taxes	-2,171	-673	-3,233	-1,247
Consolidated net profit/loss	**-4,604**	**-1,674**	**-7,605**	**-4,563**
Earnings per share (basic, EUR)	0.21	-0,13	-0.34	-0.20
Earnings per share (diluted, EUR)	0.21	-0,13	-0.34	-0.20
Weighted average number of shares outstanding (basic, EUR)	22,269,588	22,269,588	22,269,588	22,269,588
Weighted average number of shares outstanding (diluted, EUR)	22,269,588	22,269,588	22,269,588	22,269,588

Consolidated statement of comprehensive income from 1 January to 30 September 2016

EUR thsd.	07-09 / 2016	07-09 / 2015	01-09 / 2016	01-09 / 2015
Consolidated net profit/loss	**-4,604**	**-1,674**	**-7,605**	**-4,563**
Revaluations (mainly actuarial gains and losses)	0	0	0	0
Deferred taxes	0	0	0	0
Sum total of changes which will not be reclassified to the income statement in the future	**0**	**0**	**0**	**0**
Fair value changes from cash flow hedges	0	6	0	22
Currency translation differences	-135	-219	-877	1,035
Deferred taxes	0	-2	0	-7
Sum total of changes which will be reclassified to the income statement in the future if certain conditions are met	**-135**	**-215**	**-877**	**1,050**
Other comprehensive income after taxes	**-135**	**-215**	**-877**	**1,050**
Total comprehensive income	**-4,739**	**-1,889**	**-8,482**	**-3,513**

Consolidated statement of changes in equity as of 30 September 2016

EUR thsd.	Subscribed capital	Capital reserve	Other retained earnings	Cash flow hedge reserve	Share-based payment reserve	Currency translation reserve	Net retained profits	Total Equity
Balance on 01 Jan. 2016	**22,270**	**1,489**	**10,933**	**0**	**490**	**1,945**	**26,375**	**63,502**
Consolidated total comprehensive income								
Consolidated net profit/loss	0	0	0	0	0	0	-7,605	-7,605
Currency translation differences	0	0	0	0	0	-877	0	-877
Consolidated total comprehensive income	**0**	**0**	**0**	**0**	**0**	**-877**	**-7,605**	**-8,482**
Balance on 30 September 2016	**22,270**	**1,489**	**10,933**	**0**	**490**	**1,068**	**18,770**	**55,020**
Balance on 01 Jan. 2015	**22,270**	**1,489**	**10,945**	**-17**	**490**	**858**	**32,528**	**68,563**
Consolidated total comprehensive income								
Consolidated net profit/loss	0	0	0	0	0	0	-4,563	-4,563
Change from measurement of cash flow hedge	0	0	0	22	0	0	0	22
Deferred taxes on changes recognized directly in equity	0	0	0	-7	0	0	0	-7
Currency translation differences	0	0	0	0	0	1,035	0	1,035
Consolidated total comprehensive income	**0**	**0**	**0**	**15**	**0**	**1,035**	**-4,563**	**-3,513**
Transactions with owners								
Distributions to owners	0	0	0	0	0	0	-2,672	-2,672
Balance on 30 September 2015	**22,270**	**1,489**	**10,945**	**-2**	**490**	**1,893**	**25,293**	**62,379**

Consolidated statement of cash flows as of 1 January to 30 September 2016

EUR thsd.	01-09 / 2016	01-09 / 2015
Operating activities		
Consolidated net profit/loss	-7,605	-4,563
Income taxes	-3,233	-1,247
Interest expense	551	494
Interest income	-5	-13
Depreciation and amortization	6,303	5,069
Gains/losses from the disposal of non-current assets including reclassification to current assets	62	76
Changes in inventories, receivables and other assets	-10,033	12,667
Changes in provisions	523	-1,073
Changes in liabilities and other equity and liabilities	6,632	-133
Other non-cash expenses and income	5,843	-126
Interest received	5	13
Income taxes paid	-1,078	-567
Cash flows from operating activities	**-2,035**	**10,597**
Investing activities		
Investments in intangible assets	-4,175	-6,568
Investments in property, plant and equipment	-1,935	-4,736
Proceeds from disposal of non-current assets	11	4
Cash flows from investing activities	**-6,099**	**-11,300**
Cash flows from financing activities		
Dividend payment	0	-2,672
Interest paid	-551	-494
Proceeds from borrowings	10,000	13,598
Cash repayments of borrowings	-2,187	-12,247
Cash flows from financing activities	**7,262**	**-1,815**
Change in cash and cash equivalents		
Change in cash and cash equivalents due to changes in foreign exchange rates	-12	-201
Change in cash and cash equivalents	-872	-2,518
Cash and cash equivalents on 01 Jan.	-917	5,982
Cash and cash equivalents on 30 September	**-1,801**	**3,263**
Composition of cash and cash equivalents		
Cash and cash equivalents	6,056	4,459
Overdrafts	-7,857	-1,196
Cash and cash equivalents on 30 September	**-1,801**	**3,263**

Notes on the preparation of the quarterly financial report

This financial report as of 30 September 2016 complies in full with the rules set out in IAS 34. The interpretations of the International Financial Interpretations Committee (IFRIC) are observed. From the first quarter of 2016, the business areas of Welding and Solar, which had previously been included together in the segment Other Production Equipment, were reported separately. All figures from the previous periods were calculated in accordance with the same principles. The same accounting and valuation methods, and calculation methods, have been used in the interim financial statements as in the last annual financial statements. Estimates of amounts reported in prior interim periods of the current financial year, the last annual financial statements or in previous financial years have not been changed in this financial report. There have been no changes to the contingent liabilities and contingent assets since the last balance sheet date. This financial report has not been audited. Likewise, it has not been subject to a review. Information relating to events of particular importance after the balance sheet date are included in the supplementary report of the interim management report.

Basis of consolidation

The scope of consolidation shown on page 96 of the Annual Report for 2015 remains unchanged.

Transactions with related parties

There are no reportable business relations with persons affiliated to the LPKF Group.

Shares held by members of the Company's corporate bodies

Management	**30 September 2016**	**31 Dec 2015**
Dr. Ingo Bretthauer	60,000	56,000
Bernd Lange	35,000	25,000
Kai Bentz	17,600	17,600
Dr.-Ing. Christian Bieniek	1,500	0
Supervisory Board		
Dr. Heino Büsching	10,000	10,000
Bernd Hackmann	125,600	125,600
Prof. Dr.-Ing. Erich Barke	2,000	2,000

Garbsen, 11 November 2016

LPKF Laser & Electronics Aktiengesellschaft

The Management Board

Bretthauer Lange Bentz Bieniek

Financial calendar

22 March 2017	Publication of the Annual Report
11 May 2017	Publication of the three-month report
1 June 2017	Annual General Meeting
15 August 2017	Publication of the six-month report
14 November 2017	Publication of the nine-month report

Publishing information

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

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