Half-yearly Financial Report

1 January - 30 June 2016

Laser & Electronics

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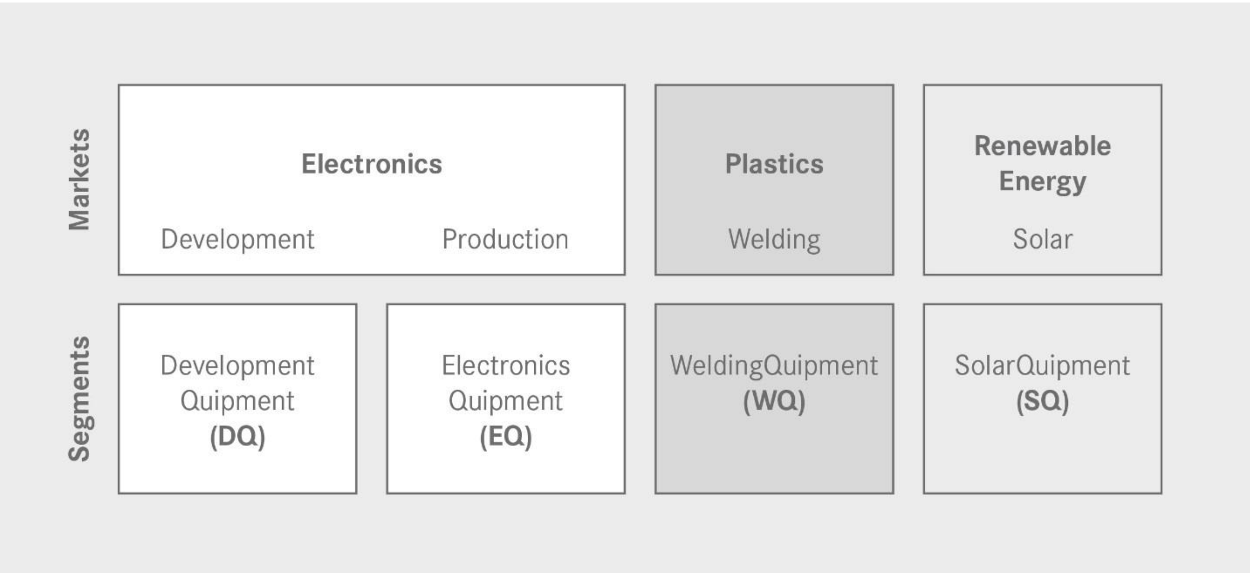
LPKF Laser & Electronics AG at a glance

Key Group figures after 6 months 2016

	6 months 2016	6 months 2015
Revenue (EUR million)	39.8	42.4
EBIT (EUR million)	-3.7	-3.2
EBIT margin (%)	-9.4	-7.4
EPS, diluted (EUR)	-0.13	-0.13
Incoming orders (EUR million)	59.2	42.6

	As of 30 June 2016	As of 30 June 2015
Free cash flow (EUR million)	-8.1	-2.7
Net working capital (EUR million)	42.6	39.9
ROCE (%)	-3.5	-3.0
Cash and cash equivalents (EUR million)	-6.8	-0.7
Equity ratio (%)	45.9	51.2
Orders on hand (EUR million)	32.6	17.9
Employees	768	784



Chairman's statement

Garbsen, 15th of August 2016

Ladies and Gentlemen,

Our company has developed noticeably better in the second quarter of 2016 than in the first three months of this year. The revenue has strongly increased, and the results (EBIT) reached a positive value once again in the second quarter. In the first half of the year, our revenue was indeed around 6% under the value of the previous year, at EUR 39.8 million, but has grown closer to our expectations for the overall year. Reminder: we were over 30% in the previous quarter. The EBIT is still negative overall after six months, but has improved slightly in comparison to the first quarter.

For the view to the future, we will naturally look at the order and commission situation in particular. The amount of incoming orders is almost 40% more than the previous year in the past six months, and the orders on hand are more than 80% in plus figures. An important component of this is the already mentioned EUR 17 million order in the Solar segment. It must be noted here that this order has only a partial effect on the revenue for the current financial year. Approx. EUR 7 million of this will only be realized in 2017. Against the background of these order figures, we are on the right path towards achieving our current forecast.

Although the second quarter had developed positively in the total, the development in the individual segments was very different.

The segment WeldingQuipment was one of our largest drivers of growth in the first half year. The revenue and amount of incoming orders are noticeably higher than in the first half of the previous year. Our laser systems for welding plastics are especially in demand for high quality use in the automotive, consumer and medical fields. Some of our customers are famous international companies, who lay particular value on the flexibility and the high quality of our laser welding.

The segment SolarQuipment indeed did not show any significant revenue in the second quarter, but there was a high amount of incoming orders. In addition to the large order, the first LTP system was commissioned in the second quarter. The laser transfer printing is one of two new technologies which LPKF introduced in the current year. LTP offers a completely new method of digital printing for viscous and high-filled pastes and colours. We can reach a wide consumer base with this technology. The market includes the electronic, automobile, solar and glass industries.

The segment DevelopmentQuipment has developed more weakly than planned in the first half year. However, there is still a high possibility here of reaching the annual goal, as this business is traditionally stronger in the second half year, and, in addition, we will be bringing new products onto the market in the ProtoLaser product family from the middle of the year.

The first half of the year has not developed as well as planned in the segment ElectronicsQuipment either. The second quarter was noticeably better than the first, however, the LDS business stayed very weak in Q2. In June, the first MicroLine 5000 was sold to a Japanese customer. The ML5000 improves on our successful MicroLine series and can be used for highly precise drilling and cutting. We expect a new impulse from the ML5000.

We have consistently promoted the advertised cost-savings program. The notified cutback on 100 full-time equivalents is going ahead as planned. By the middle of August, a reduction in the capacity of 86 full-time equivalents has been agreed contractually. We have also made very good progress with the reduction of other operating costs. As planned, through these measures, we will have brought our break-even point, i.e. the revenue from which the Company begins to make profits, to under EUR 90 million by the beginning of the coming financial year.

In view of the background of the attractive business developments and the planned reduction of the cost basis, we can confirm the forecast for the current financial year. We expect a revenue of between EUR 90 - 110 million and an EBIT margin of between -3 and + 6%. This includes estimated restructuring measures of approx. EUR 2 million. For 2017, we will expect a more attractive revenue and a noticeably positive result.

In spite of the weaknesses in the LDS business, we have managed to take a noticeable step forward. Both the measures for increasing revenue and the measures for reducing costs are continuing as planned. We are confident that we will achieve our goals for 2016 on both fronts.

Yours sincerely,

Dr. Ingo Bretthauer

Interim Management Report as of 30 June 2016

1 Fundamental information about the Group

The explanation of the foundations of the LPKF Company remains the same as in the combined management report for 2015.

2 Report on economic position

2.1 Overview of the Company's development

2.1.1 Sector-specific environment

The sales of the LPKF AG product lines based on laser technology are characterized by the general state of the economy, the development of different branches, the high share of exports and other international aspects. For the laser machine manufacturer LPKF, the key branches automobile industry, electronics industry with focal point consumer electronics, the solar industry and the plastics processing industry are of importance.

In the following, the development of these branches in the first half of 2016, and the changes in expectation for 2016 to the forecast in the Company report for 2015 (p. 83/84) will be set out.

The German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA)) recorded a slightly increased product value of 0.9% for the first four months of 2016 according to the currently available figures. The domestic order figures for this period are pleasing, with an increase of 4%. In comparison, the development of orders from abroad was restrained. As before, the Federation expects a stagnation for the overall year.

New vehicle registrations show a positive development in the first half of 2016. The German Automotive Industry Association (VDA) also expects 2016 to be a record year for the German automobile industry, based on the dynamic automobile economy in western Europe and the new EU countries. The international automobile economy showed growth in the three most important automobile markets. New vehicle registration rose by 9% in western Europe, more than 1% in the USA and 12% in China. There were noticeable decreases – as in the previous year – in Russia and Brazil with -14% and -25% respectively.

The photovoltaics market shows good perspectives. The worldwide installation of photovoltaics systems should rise from 271.4 GW to 756.1 GW in the next 10 years according to the estimations by analysts from Global Data in London. This means an annual worldwide increase of 13.1%.

In the consumer electronics branch, the sale of e.g. smartphones of around 14% in the previous year will fall to around only 7% in 2016 according to the analysts from Gartner. IDC forecasts a growth of only 3%. The reason for the noticeable slowdown in development according to Gartner is the saturation in important markets such as the USA, Europe, Japan and individual regions of Asia. According to the forecast, around 1.5 billion smartphones will be manufactured and sold in 2016.

Following the revenue record of EUR 59.8 billion in 2015, the Association for the Plastics Processing Industry shows 2016 to be moderately optimistic. In 2015, the growth of the branch had already halved by 1.3%. The association expects a similar increase this year. Applied Market Information (AMI), an international research Company specialized in the plastics industry, views the European plastics industry as being in a phase of stagnation.

2.1.2 Effects on the LPKF Group

The development of branches significant for LPKF does not show a uniform picture in the middle of 2016. There are very few changes in comparison to the expectations at the end of 2015.

The electronics market and the smartphone segment continue to be uncertain due to slow growth and partially weak figures. The improvement of the situation in the solar industry has been shown in the large order which was published shortly after the end of the first quarter. The currency development of the euro in comparison to other important currencies since the start of the year does not have any positive effect on LPKF anymore. Due to the low share of revenue in Great Britain, the Brexit decision did not have any significant influence on the business of LPKF.

The Company profited basically from trends such as mobile communication with smartphones and other mobile end user products, the struggle for high efficiency of solar cells in a stronger competition and the lightweight designs of the automobile industry. These trends continue to exist and should ensure a profitable growth in the coming years.

2.2 Results of operations, financial position and net assets of the Group

2.2.1 Results of operations

Following a weak revenue in the first quarter, the revenue in the second quarter noticeably improved and was 19% over the previous year’s quarter. In total, the revenue in the first half year was still 6% under the previous year at EUR 39.8 million.

The Company has been divided into four segments since the 1st of January 2016, which supersede the three segments of the previous year. The segment ElectronicsQuipment (EQ) remained 4% lower than the previous year. The revenue in DevelopmentQuipment (DQ) closed with 8% under the previous year, mainly due to the still weak LDS business. The former segment Other Production Equipment was divided into the segments WeldingQuipment (WQ) and SolarQuipment (SQ). With the calculation of a remaining amount of a large order of the previous year, the segment SolarQuipment decreased by 46%. In the WeldingQuipment segment there was a noticeable increase of revenue in the second quarter in comparison to the previous year (+ 41%). This meant that the previous year’s revenue was exceeded by 26% in the reporting period.

The incoming orders were 39% over last year's figures with EUR 59 million. This included a large order of EUR 17 million in the segment SolarQuipment. On the 30 June, the orders on hand were 82% above the value of the previous year. The book-to-bill-ratio (incoming orders/revenue) is currently at 1.5.

The weak revenue development overall in the first six months led to a loss in the reporting period. The result of interest and tax (EBIT) fell from EUR -3.2 million in the previous year to EUR -3.7 million in the current year. The EBIT margin amounted to -9.4% following -7.4% in the previous year. The second quarter led to an improvement in the EBIT, reaching a positive result of EUR 0.7 million.

At own work capitalized, a development contribution of EUR 2.7 million was shown in the reporting period (previous year: EUR 3.2 million). Especially decreased foreign exchange income and the previous year’s EUR 0.7 million higher insurance compensation for the fire in Garbsen meant that the other operating income fell by EUR 1.9 million.

The material cost ratio was stable in comparison to the previous year at 31%. The material expenses include depreciation in inventories of EUR 0.3 million in comparison to EUR 0.1 million in the previous year.

In comparison to the previous year’s quarter, the workforce in the Company was reduced by 16 employees. Personnel costs were just over those of the first half of the previous year 2015. An important reason for this were the restructuring costs of EUR 0.9 million (previous year: EUR 0,3 million).

The depreciations in 2016 were EUR 0.3 million over the previous year, which can be traced back to a high activation of development contributions in 2015, whose depreciation is effective in the current year.

The other operating costs were reduced from EUR 14.3 million in the previous year to EUR 11 million. The reasons were decreased foreign exchange losses (EUR - 0.7 million), lower costs for external work (EUR - 0.6 million) and lower travel (EUR - 0,4 million) and trade fair costs (EUR - 0.2 million). A total of EUR 0.9 million was saved in voluntary social contributions, legal and consultation costs, and repairs. This shows a noticeable effect of the cost-savings program.

The interest costs remain the same as the previous year despite a higher net debt due to the lower interest rate.

Due to Company losses, a deferred tax income of EUR 1.1 million is shown in the balance sheet. Taking the tax income into consideration, the Company result is EUR 3 million, EUR 0.1 million less than the previous year.

2.2.2 Financial position

The Group's cash and cash equivalents has declined from EUR -0.7 million to EUR -6.7 million in the reporting period, the loss and the increase in inventories and deferred tax receivables led to funding requirements which could not be compensated in spite of the development of liabilities, and which led to a loss of EUR 3.8 million from current business activities. The inventories development is temporary and can be traced back to the current introduction of new products. The investment activities caused a loss of EUR 4.3 million. Both effects were only covered by EUR 2.2 million from financing activities, and the remaining amount led to a decrease of EUR 5.8 million in the cash and cash equivalents altogether.

The finance situation of the Company continues to be stable. Future funding requirements can be covered by sufficient free credit lines.

2.2.3 Net assets

Analysis of net assets and capital structure

Both the loss in the reporting period and the acceptance of short-term funding have displaced the relation between Company and external capital. For the first time in a long period, the external financing took over and the Company capital quota fell to 46%.

The long-term asset values increased in the first six months by EUR 2.3 million according to the balance. These are accounted for by activated development contributions of EUR 1.7 million and deferred tax receivables of EUR 2.0 million.

The short-term asset values showed an increase in comparison to the previous year end, which were mainly due to the development of liabilities and other asset values (+ EUR 4.9 million) and inventories (+ EUR 4.8 million). The liabilities growth is significantly justified in the high revenue at the end of the quarter and is therefore conditional on the balance date.

The net working capital rose from EUR 40.3 million at the end of the year to EUR 42.6 million at the reporting date. This is mostly due to the increase in liabilities and short-term assets, which overcompensate for the growth in trade receivables and increased customer payments. The net working capital ratio is – also due to the revenue development - at 50.3%, above the level of the year end 2015 (46.2%) and the first half year 2015 (34.3%). The goal of keeping this number lower than 35% has therefore not been achieved in the first six months. An improvement in this key number is expected for the whole year.

The Company capital is lower due to the balance loss. The long-term liabilities have been reduced due to planned repayments of long-term loans. The short-term liabilities have increased by EUR 16.1 million, which is mostly due to the short-term acceptance of credit of EUR 4.0 million and a high usage of overdrafts of EUR 4.7 million. Trade receivables increased by EUR 1.8 million in the reporting period, and customer payments rose by EUR 4.7 million.

With these exceptions, the balance structure has not changed significantly.

Investments

There was only a low extent of investment activity within the Group in the first six months. Apart from entries in the activated development costs of EUR 2.7 million, only EUR 1.2 million came from fixed assets and EUR 0.4 million from other intangible assets.

2.2.4 Segment performance

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

	External revenue (EUR thsd.)		Operating result (EBIT, EUR thsd.)	
	6 months 2016	6 months 2015	6 months 2016	6 months 2015
EQ	15,603	16,286	133	-456
DQ	10,274	11,179	342	749
WQ	10,348	8,240	-807	-1,146
SQ	3,604	6,153	-1,817	-936
Other	0	526	-1,594	-1,368
Total	39,829	42,384	-3,743	-3,157

The Company result of the segments (EBIT) has changed in comparison to the previous year through a consequential overhead cost allocation. The revenue previously allocated to the segment Other/Unallocated, is allocated to the business units. The change in results in this segment is due to the foreign exchange rate difference.

2.3 Employees

The following overview shows the development of the workforce in the first six months of 2016:

Area	As of 30 June 2016	As of 31 Dec. 2015
Production	170	168
Development	179	179
Administration	170	175
Sales	148	148
Service	101	108
Total	768	778

By 30 June 2016 there were a further 10 part-time workers, 28 trainees, and 10 students and interns.

By the middle of August, a reduction in the capacity of 86 full-time equivalents will have been agreed contractually.

2.4 Overall appraisal of the Group's economic situation

Following a difficult financial year in 2015, the financial situation of the Company worsened in the first quarter. The second quarter has developed noticeably better, especially with a view to the incoming orders. The operative cashflow is also once again positive in this period.

With the measures brought in for increasing income and reducing costs, the cost structure has been adjusted structurally so that a positive result and positive cashflow can be achieved even in the event of a weak business development.

3 Supplementary report

Following the balance date 30 June 2016, there have been no events of particular importance which would have an effect on the asset, finance and income situation.

4 Opportunities and risks

In the combined managemet report 2015, opportunities and risks for the LPKF Group were presented and explained in detail in separate reports. These explanations remain unchanged. Moreover, the risk of a further weak business development in the LDS business was realized, which was set out in the adjustments for guidance for 2016. Particular attention is paid to the Company financing.

5 Report on expected developments

5.1 Overall appraisal of the Group's probable performance

5.1.1 Economic environment

The forecast for the development of the worldwide economy has been corrected since the publication of the LPKF annual report at the end of March 2016. The Institute for the World Economy (IfW) expects a slight global growth of 3.1% for 2016 (spring forecast 2.9%) according to the summer forecast of June 2016, and a lower growth than that of 3.4% forecast in December 2015. A slight increase of 3.5% was forecast for 2017 in the spring forecast (December 2015: 3.7%) The speed of the economy development in the advanced economies is assessed as moderate by the economic experts. The development in individual countries is viewed differently. It has to be noted that the summer forecast appeared before the Brexit vote, and the possible effects of this have not been included.

The economy in the USA will grow by 2% in the current year, and 2.7% in 2017 according to the IfW. The expectations are slightly lower than those in the spring forecast. An increase in the gross domestic product in the Eurozone is forecast for the next two years, by 1.7% and 1.9%, following 1.5% in 2015. The value for 2016 is raised by 2 basis points in comparison to spring. With an expected growth rate of 1.9% for 2016 and 2.1% for 2017, Germany belongs to the strongest growing national economies in Europe.

The economic development in the emerging economies remains subdued due to low raw material prices and structural problems, according to the IfW, but these economies seem to have broken through and be gaining. A gross domestic product increase of 6.5% in 2016, and 6.2% in 2017 is expected for China, slightly lower than the previous year. With regard to the development, China continues to display considerable uncertainties.

5.1.2 Group performance

The forecast of the Economics Institutes for 2016 and the following years show expectations slightly lower than before in the middle of 2016 in comparison to the end of 2015, but these have, however, been adjusted higher than those at the end of the first half year. Overall, the worldwide economy is characterized by regional differences and (potential) crises. In an overall assessment, slightly positive tendencies for the worldwide economy can be seen in the middle of 2016.

For the future development of the worldwide operating LPKF Group, against a background of high diversification, with eight existing product lines (previous year: six product lines), there is an improved initial situation in comparison to the first quarter of 2016.

In the product lines Welding Equipment and Solar Module Equipment, the Company expects a strong, above average growth. The business with systems for cutting and drilling circuit boards (PCB Production Equipment) should also grow significantly.

LPKF expects an average growth for the segment Electronics Development Equipment. No growth is planned for the area Stencil Equipment. The LDS business should remain noticeably under the weak level of the previous year.

New growth impulses are expected in the next year for the new product lines Through Glass Via (TGV) and Laser Transfer Printing (LTP), which will be introduced in the current financial year. TGV technology can be used, for example, to drill through glass for interposers for chip manufacturers. LTP poses an alternative for the widespread screen printing and will be used for digital printing of pastes. LPKF has already received its first order in both areas.

5.1.3 Significant indicators

The revenue in the first half year of the current financial year remained under the previous year's value of EUR 42.2 million at EUR 39.8 million. The EBIT margin was lower than the previous year (-7.4%) at -9.4%. The operative result (EBIT) decreased by EUR - 3,7 million. In the second quarter these figures were, however, noticeably higher than the previous year.

The advertised program for cost-savings is running as planned. By the middle of August, a reduction in the capacity of 86 full-time equivalents will have been agreed contractually**.** The reduction in other operating costs also shows a positive effect. Overall, the measures which have been taken should result in the break-even for 2017 falling below EUR 90 million.

In view of the background of the business development and the planned reduction of the cost basis, LPKF confirms the forecast for the current financial year.

The Management Board expects a revenue of EUR 90-110 million and an EBIT margin of between -3% and +6% for the financial year 2016, in the event of a stable development of the world economy. This includes estimated restructuring measures of approx. EUR 2 million. For 2017, the Management Board expects a more attractive revenue and a noticeably positive result.

The net working capital ratio should drop to below 35%, which would correspond to a net working capital of below EUR 39 million. Following the reduction of the revenue forecast, the goal achievement has become much more difficult. A slight improvement is expected with regard to the error ratio.

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 August 2016

LPKF Laser & Electronics Aktiengesellschaft

The Management Board

Bretthauer Lange Bentz Bieniek

Consolidated financial statements

Consolidated statement of financial position as of 30 June 2016

Assets EUR thsd.	30 June 2016	31 Dec. 2015
Non-current assets		
Intangible assets		
Goodwill	74	74
Development costs	13,141	11,473
Other intangible assets	2,010	1,991
	15,225	**13,538**
Property, plant and equipment		
Land, similar rights and buildings	39,140	39,654
Plant and machinery	4,771	4,885
Other equipment, operating and office equipment	5,566	6,137
Advances paid and construction in progress	14	13
	49,491	**50,689**
Receivables and other assets		
Trade receivables	148	257
Income tax receivables	0	46
Other assets	102	153
	250	**456**
Deferred taxes	**4,905**	**2,899**
	69,871	**67,582**
Current assets		
Inventories		
(System) parts	17,081	15,658
Work in progress	4,845	2,843
Finished products and goods	13,260	11,839
Advances paid	729	752
	35,915	**31,092**
Receivables and other assets		
Trade receivables	17,494	13,593
Income tax receivables	384	236
Other assets	3,395	2,522
	21,273	**16,351**
Cash and cash equivalents	**2,999**	**3,795**
	60,187	**51,238**
	130,058	**118,820**

Consolidated statement of financial position as of 30 June 2016

Equity and liabilities

EUR thsd.	30 June 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	1,203	1,945
Net retained profits	23,375	26,374
	59,760	**63,501**
Non-current liabilities		
Provisions for pensions and similar obligations	350	352
Other provisions	52	52
Non-current liabilities to banks	24,038	25,480
Deferred income from grants	705	732
Deferred taxes	905	488
	26,050	**27,104**
Current liabilities		
Tax provisions	340	374
Other provisions	3,381	2,954
Current liabilities to banks	24,622	15,627
Trade payables	4,038	2,278
Other liabilities	11,867	6,982
	44,248	**28,215**
	130,058	**118,820**

Consolidated income statement from 1 January to 30 June 2016

EUR thsd.	04-06 / 2016	04-06 / 2015	01-06 / 2016	01-06 / 2015
Revenue	24,991	20,939	39,829	42,383
Changes in inventories of finished goods and work in progress	275	-97	3,399	1,928
Other own work capitalized	1,082	1,827	2,745	3,222
Other operating income	713	709	1,579	3,497
Cost of materials	7,219	6,679	13,483	13,847
Staff costs	11,687	11,290	23,145	22,726
Depreciation and amortization	1,916	1,660	3,668	3,310
Other operating expenses	5,510	7,117	10,999	14,303
Operating result	**729**	**-3,368**	**-3,743**	**-3,156**
Finance income	1	11	2	11
Finance costs	179	168	320	317
Earnings before tax	**551**	**-3,525**	**-4,061**	**-3,462**
Income taxes	188	-564	-1,062	-573
Consolidated net profit/loss	**363**	**-2,961**	**-2,999**	**-2,889**
Earnings per share (basic, EUR)	0.02	-0.13	-0.13	-0.13
Earnings per share (diluted, EUR)	0.02	-0.13	-0.13	-0.13
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 June 2016

	04-06 / 2016	04-06 / 2015	01-06 / 2016	01-06 / 2015
Consolidated net profit/loss	**363**	**-2,961**	**-2,999**	**-2,889**
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	7	0	16
Currency translation differences	199	-605	-742	1,253
Deferred taxes	0	-2	0	-5
Sum total of changes which will be reclassified to the income statement in the future if certain conditions are met	**199**	**-600**	**-742**	**1,264**
Other comprehensive income after taxes	**199**	**-600**	**-742**	**1,264**
Total comprehensive income	**562**	**-3,561**	**-3,741**	**-1,625**

Consolidated statement of changes in equity as of 30 June 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	-2,999	-2,999
Currency translation differences	0	0	0	0	0	-742	0	-742
Consolidated total comprehensive income	**0**	**0**	**0**	**0**	**0**	**-742**	**-2,999**	**-3,741**
Balance on 30 June 2016	**22,270**	**1,489**	**10,933**	**0**	**490**	**1,203**	**23,376**	**59,761**
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	-2,889	-2,889
Change from measurement of cash flow hedge	0	0	0	16	0	0	0	16
Deferred taxes on changes recognized directly in equity	0	0	0	-5	0	0	0	-5
Currency translation differences	0	0	0	0	0	1,253	0	1,253
Consolidated total comprehensive income	**0**	**0**	**0**	**11**	**0**	**1,253**	**-2,889**	**-1,625**
Transactions with owners								
Distributions to owners	0	0	0	0	0	0	-2,672	-2,672
Balance on 30 June 2015	**22,270**	**1,489**	**10,945**	**-6**	**490**	**2,111**	**26,966**	**64,265**

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

EUR thsd.	01-06 / 2016	01-06 / 2015
Operating activities		
Consolidated net profit/loss	-2,999	-2,889
Income taxes	-1,062	-573
Interest expense	320	317
Interest income	-2	-11
Depreciation and amortization	3,668	3,310
Gains/losses from the disposal of non-current assets including reclassification to current assets	57	108
Changes in inventories, receivables and other assets	-10,137	7,788
Changes in provisions	425	-1,039
Changes in liabilities and other equity and liabilities	6,293	606
Other non-cash expenses and income	377	-149
Interest received	2	11
Income taxes paid	-739	-2,176
Cash flows from operating activities	**-3,797**	**5,303**
Investing activities		
Investments in intangible assets	-3,055	-4,505
Investments in property, plant and equipment	-1,213	-3,508
Proceeds from disposal of non-current assets	1	4
Cash flows from investing activities	**-4,267**	**-8,009**
Cash flows from financing activities		
Dividend payment	0	-2,672
Interest paid	-320	-317
Proceeds from borrowings	4,000	12,400
Cash repayments of borrowings	-1,489	-13,196
Cash flows from financing activities	**2,191**	**-3,785**
Change in cash and cash equivalents		
Change in cash and cash equivalents due to changes in foreign exchange rates	36	-159
Change in cash and cash equivalents	-5,873	-6,491
Cash and cash equivalents on 01 Jan.	-917	5,983
Cash and cash equivalents on 30 June	**-6,754**	**-667**
Composition of cash and cash equivalents		
Cash and cash equivalents	2,999	4,779
Overdrafts	-9,753	-5,446
Cash and cash equivalents on 30 June	**-6,754**	**-667**

Notes on the preparation of the quarterly financial report

This financial report as of 30 June 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 June 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, 12 August 2016

LPKF Laser & Electronics Aktiengesellschaft

The Management Board

Bretthauer	Lange	Bentz	Bieniek

Financial calendar

14 November 2016	Publication of the nine-month report
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

Published by

LPKF Laser & Electronics AG

Osteriede 7

30827 Garbsen

Germany

Tel.: +49 5131 7095-0

Fax: +49 5131 7095-90

E-Mail: info@lpkf.com

Investor Relations contact

LPKF Laser & Electronics AG

Bettina Schäfer

Osteriede 7

30827 Garbsen

Germany

Tel.: +49 5131 7095-1382

Fax: +49 5131 7095-9111

E-Mail: investorrelations@lpkf.com

Internet

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.

LPKF Laser & Electronics AG
Osteriede 7
30827 Garbsen
Germany

Tel: +49 5131 7095-0
Fax: +49 5131 7095-90

www.lpkf.com