Efficiency through light

QUARTERLY FINANCIAL REPORT 1 JANUARY TO 30 SEPTEMBER 2013

LPKF Laser & Electronics

LPKF Laser & Electronics AG
at a glance

LPKF raises guidance slightly for 2013

- Revenue up 21% year on year after nine months
- EBIT margin reaches 20% after three quarters
- Guidance for 2013: Revenue of EUR 126 million – EUR 130 million
- Guidance for 2014: Revenue of EUR 132 million – EUR 140 million

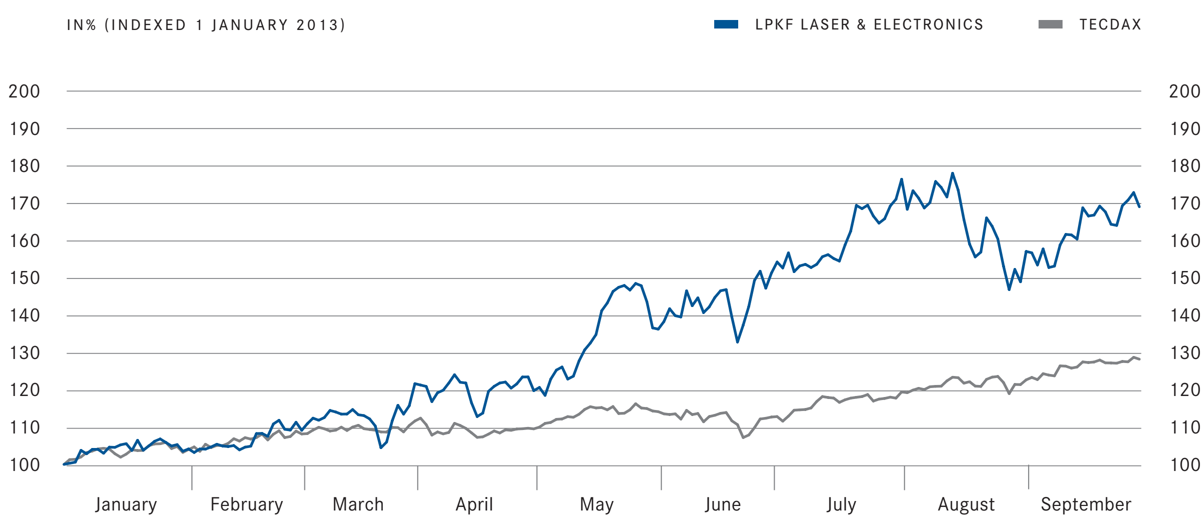
Key Group figures

		9 months 2013	9 months 2012	Change %	Year 2012
Revenue	EUR million	99.5	82.5	20.7	115.1
EBIT	EUR million	19.5	14.8	32.2	20.4
EBIT margin	%	19.6	17.9		17.7
Free cash flow	EUR million	9.2	1.7	438.9	4.8
Net working capital	EUR million	40.7	47.7	– 14.7	44.6
ROCE*	%	22.3	18.8		26.5
EPS, diluted**	EUR	0.57	0.41	39.0	0.61
Cash and cash equivalents	EUR million	11.1	6.5	71.5	2.5
Equity ratio*	%	56.3	52.9		58.0
Orders on hand	EUR million	18.7	27.6	– 32.4	34.3
Incoming orders	EUR million	83.9	84.9	– 1.2	124.1
Employees	Number	731	664	10.1	690

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

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

Performance of the LPKF share in the reporting period (1 Jan. – 30 Sept. 2013)



Miniaturization
brings momentum

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

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

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

LPKF is **headquartered in Garbsen near Hanover, Germany**. The company maintains a broad-based global presence, with a **workforce of 731** based at sites **in Europe, Asia and the US**.

LPKF
Laser & Electronics

Chairman's statement

Dr. Ingo Bretthauer (CEO)

LADIES AND GENTLEMEN,

Our Company is on a stable growth trajectory. Even so, the LPKF Group's revenue growth lost some of its momentum in the third quarter of 2013, as expected. After rising by almost 40% in the first six months of the year, our revenue after nine months is now up 21% over the prior-year period. At EUR 19.5 million, our EBIT was also higher than the previous year's figure of EUR 14.8 million. The EBIT margin expanded to 20%, exceeding expectations.

Thanks to our surprisingly strong business with systems for laser direct structuring (LDS), we are now able to raise our forecast for 2013 slightly once again. We estimate that revenue will reach EUR 126-130 million (previously: EUR 119-123 million) and that the EBIT margin will be around 17% (previously: 16%-17%). For financial year 2014 we are forecasting revenue of EUR 132-140 million with an EBIT margin of 15%-17%. In the two following years, our revenue is expected to grow by an average of 10% per year, with the EBIT margin coming in at 15%-17%.

LDS remains an important issue and is increasingly being used in the production of molded interconnect devices (MIDs). The international LED Symposium in Bregenz, Austria, showed that there is huge potential for LDS applications in the fast-growing market of LED lights. Molded interconnect devices are also gaining importance in China. In September, a state-sponsored association, the MID Committee, was founded in Suzhou for the diffusion of MID technology. Today, the vast majority of MIDs are produced using our LDS process. There are still massive opportunities for growth in this market.

At our most important trade fair, the productronica in Munich, Germany, we will be showcasing a series of new systems and applications from 12 to 15 November, including, for the first time, a system for prototyping LDS parts as well as a high-performance modular MicroLine generation for non-destructive cutting of complex printed circuit boards (PCBs). There, specialists from the Welding Equipment division will demonstrate how PCBs can be secured in plastic casings without mechanical stress, safely protecting them against adverse environmental effects.

The relocation of the Welding Equipment product line to the new production hall in Fürth, Germany, has been virtually completed; the office space is currently being reorganized. It is expected that all employees will be working at the new site in Fürth by the end of November. Now, nothing stands in the way of the dynamic development of laser plastic welding.

Yours sincerely,

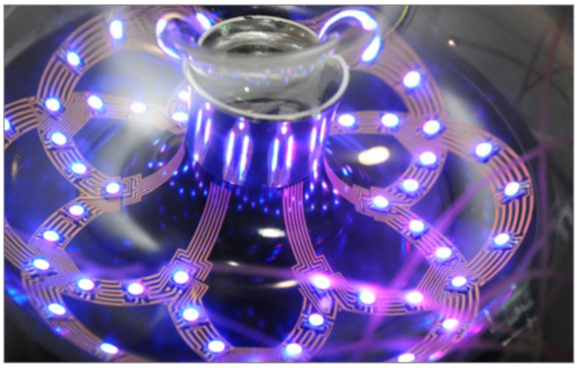
Dr. Ingo Bretthauer
Chairman of the Management Board

Highlights

Sales representatives meeting 2013

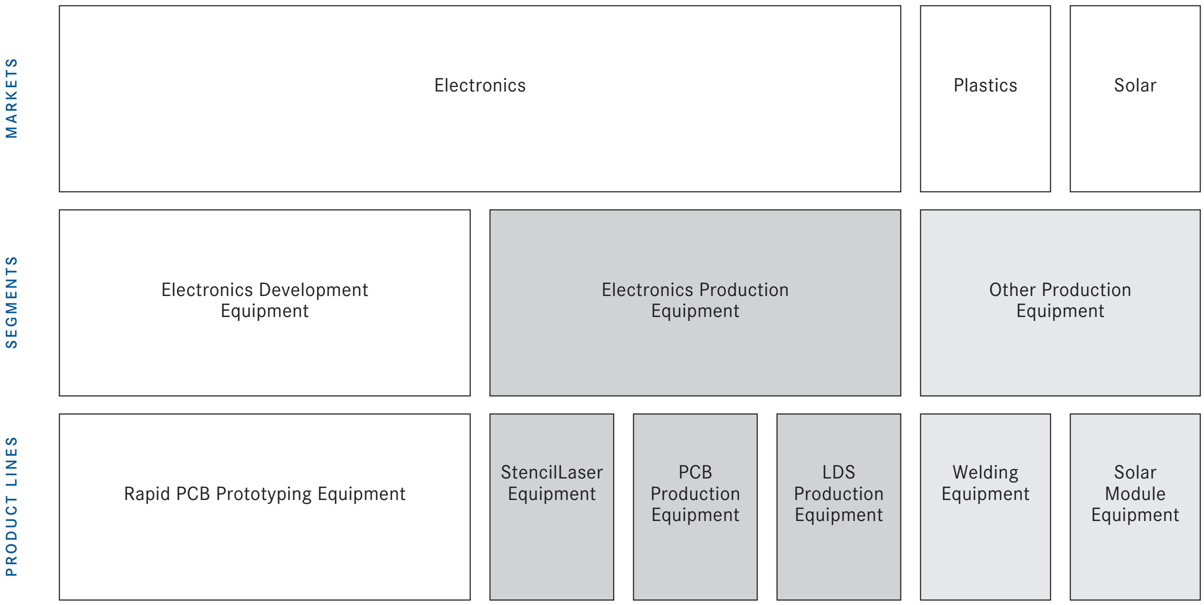
Around 120 LPKF sales representatives from all over the world met in Garbsen in September 2013 to find out about new products and applications in the LPKF portfolio.

LED symposium



A total of 46 exhibitors made the LED professional Symposium in Bregenz, Austria, in September/October the largest industry event of its kind in all of Europe. LPKF's presentation included the LED light of a Korean customer manufactured using LDS technology.

Segment structure



Management report

Economic environment

The International Monetary Fund (IMF) has revised its forecasts for the growth of the global economy this year and next year down slightly, mainly due to lower growth predictions for the United States and a number of emerging markets. While the emerging economies are expected to continue growing faster than the industrialized countries, the pace of growth is likely to taper off. The organization estimates that the global economy will grow by 2.9% in 2013 and by 3.6% in 2014, 0.3 and 0.2 percentage points less than previously projected. The forecast for growth in the industrialized nations remained unchanged at 1.2% and 2.0%, respectively. The IMF‘s outlook for the emerging and developing economies is considerably more pessimistic, at 4.5% instead of 5.0% for 2013 and 5.1% instead of 5.5% for 2014. The Fund has trimmed its growth forecast for China from 7.8% to 7.6% for 2013 and from 7.7% to 7.3% for 2014. India‘s economy has undergone the most radical revision, with the IMF predicting that its economy will grow by just 3.8% and 5.1% instead of by 5.6% and 6.2%, as previously anticipated.

Both the leading economic research institutes and the federal government expect the German economy to record a slightly stronger economic upturn in the coming year than before. In its fall outlook, Germany‘s Economics Ministry puts economic growth at 0.5% this year and 1.7% next year.

On the whole, mechanical engineering in Germany will take a brief respite in 2013. The German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau, or VDMA) anticipates that production will remain flat compared with 2012 at EUR 195 billion in 2013. The current period of weakness in the mechanical engineering sector seems to have been overcome, however. Incoming orders in August were up 21% over the previous year, for example. For 2014, the VDMA reports an encouraging production forecast and expects growth of 3% in real terms.

Development of revenue

At EUR 99.5 million, the LPKF Group’s revenue in the first nine months of 2013 was considerably higher than the previous year’s figure of EUR 82.5 million. The Electronics Production Equipment segment accounted for the largest share of revenue during the year’s first nine months, thanks to the continued strong demand for LDS machinery. Revenue in this segment grew 38.6% year on year. The Electronics Development Equipment segment also made a substantial contribution to third-quarter revenue, surpassing its prior-year revenue figure by 22.2%.

Consolidated revenue in the third quarter was EUR 29.6 million, down 7.9% from the previous year (EUR 32.2 million). This is due to a delivery interruption for solar structurers in the Other Production Equipment segment in the third quarter. Growth in the other segments also was weaker compared with the previous year.

Incoming orders were up 10.1% year on year in the third quarter, which means that LPKF was able to make some gains in terms of orders on hand compared with the first six months. Nonetheless, orders on hand at the reporting date are still down 32.4% from the previous year.

REVENUE

EUR THSD.	9 months 2013	9 months 2012
Electronics Development Equipment	15,198	12,433
Electronics Production Equipment	57,768	41,669
Other Production Equipment	25,057	26,959
All other segments	1,515	1,416
	99,538	**82,477**

Development of earnings

In the first nine months of the year, the Group posted earnings before interest and taxes (EBIT) of EUR 19.5 million and thus an EBIT margin of 19.6% (previous year: 17.9%). The EBIT margin for the third quarter was 15.3%. Year on year, this represents an increase of 32.2% in the first nine months of 2013. This increase was triggered by a disproportionate development of significant expense items as a result of revenue growth.

Other operating income remained considerably above the level of the previous year, primarily as a result of higher foreign exchange gains, development subsidies and income of EUR 0.3 million from the reduction of the fair value measurement of liabilities for the remaining portions of the purchase price for LPKF Motion & Control GmbH. Capitalized development costs for new systems and machinery software rose to EUR 2.5 million in the third quarter, which was a slight increase compared with the previous year (EUR 2.4 million).

At 26.7%, the material cost ratio was markedly less than the prior-year figure; this was due primarily to the higher share in revenue of our Electronics Production Equipment segment. Furthermore, this item includes expenses for the scrapping and writedown of inventories in the amount of EUR 1.8 million.

On the reporting date of 30 September 2013, LPKF had 731 employees. In 2013, new jobs were created primarily in development and sales. While staff costs in absolute terms thus rose by EUR 4.2 million year on year, staff costs as a proportion of revenue remained under the prior-year figure during the reporting period.

Investments, not only in buildings and machinery but also in software and development, pushed up depreciation and amortization by EUR 0.6 million year on year.

Revenue growth led to an increase in revenue-related expenses. Advertising and sales expenses, for example, were up EUR 1.7 million year on year. Costs for research and development (plus EUR 2.0 million) and consulting services (plus EUR 0.4 million) also increased, however, leading to an overall rise in other operating expenses by EUR 6.2 million compared to the prior-year period. Relocation to Fürth created unused space at the Erlangen site, which led to a recognition of a provision for anticipated losses of EUR 0.7 million for follow-up rental costs.

Segment reporting

EBIT is broken down by segment as follows:

EBIT

EUR THSD.	9 months 2013	9 months 2012
Electronics Development Equipment	1,402	1,848
Electronics Production Equipment	16,832	10,391
Other Production Equipment	2,123	3,421
All other segments	–814	–878
EBIT acc. to the income statement	**19,543**	**14,782**

Total assets developed as follows:

TOTAL ASSETS

EUR THSD.	30 Sept. 2013	31 Dec. 2012
Electronics Development Equipment	16,696	14,236
Electronics Production Equipment	36,742	34,506
Other Production Equipment	34,238	27,671
All other segments	30,398	24,955
Total assets	**118,074**	**101,368**

Financial position

In the first nine months of 2013, following expansion work at the Garbsen and Suhl sites, the investment in the new plot in Fürth (investment volume 2013/2014: approx. EUR 14 million) in particular led to an increase in non-current assets by a total of EUR 12.7 million. At some 10,000 square meters, the new site in Fürth is more than double the size of the old premises while offering room for future expansion. Current assets have risen by EUR 4.0 million since the end of the year. The decrease in trade payables by EUR 3.2 million is contrasted by a EUR 6.2 million increase in cash and cash equivalents. Despite a stable level of inventories compared to the end of the year, net working capital fell to EUR 40.7 million, mainly due to the decline in trade receivables. The net working capital ratio was therefore down on the prior-year period.

On the equity and liabilities side, equity rose, driven primarily by solid net profit of EUR 13.2 million. Following the resolution passed by the Annual Meeting on 23 May, bonus shares were issued to convert retained earnings and a portion of capital reserves into subscribed capital. On the liabilities side, higher earnings drove a rise in tax provisions by EUR 2.3 million and performance-related bonuses compared to the end of last year. Non-current liabilities to banks increased by EUR 7.4 million compared to 31 December 2012. Financing of the purchase price for the plot in Fürth, for which a loan of EUR 9.0 million was taken out, pushed up this figure. Repayment of current loans for project financing, which also resulted in a decrease in current liabilities to banks, had an offsetting effect. In other liabilities, an increase due to higher levels of customer advance payments was also recognized in the reporting period.

Cash flows

As before, the Company's equity ratio of 56% – well above average for the industry – continues to form the financial backbone of LPKF Laser & Electronics AG.

The Group generated cash inflows from operating activities of EUR 27.1 million (previous year: cash inflows of EUR 8.8 million). The inflow from the positive result was supported by effects from a decrease in receivables and current assets. In contrast, investing activities in the current year led to considerably higher cash outflows (EUR 17.9 million) than in the previous year (EUR 7.1 million). Taking into account cash outflows from financing activities of EUR 0.5 million (previous year: EUR 0.6 million), cash and cash equivalents were EUR 8.6 million higher than at the start of the year.

Investments

The new premises at the Garbsen Development Center and the new building at Suhl were completed on schedule and are being fully used. At the new site in Fürth, plans are underway as well to enable early relocation of all departments, if possible. It is assumed that the old site at Erlangen can be discontinued in the first quarter of 2014. Investments in development also continue to form a key element of LPKF's growth strategy. Activities in the quarter just ended remained focused on the development of in-house systems management software.

At EUR 18.0 million, total investments in intangible assets and property, plant and equipment in the first nine months of 2013 were EUR 10.4 million higher year on year.

Employees

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

Area	30 Sept. 2013	31 Dec. 2012
Production	185	180
Development	158	144
Administration	151	143
Sales	133	123
Services	104	100
	731	**690**

Opportunities and risks

The economic risks to the global economy continue to be high.

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

In China, LPKF petitioned for a reopening of LDS-patent proceedings before the highest Chinese court. The duration and outcome of this dispute cannot be predicted at this time.

In all other respects, however, there were no fundamental changes in the risks and opportunities of the LPKF Group in the reporting period compared to 2012 such that the disclosures in the 2012 annual report still apply. There were no going-concern risks as of 30 September 2013.

Business performance in the segments

Electronics Development Equipment

The Electronics Development Equipment (Rapid PCB Prototyping) segment targets customers in industry's R&D departments, as well as schools, universities and other research institutions. Incoming orders for systems for manufacturing PCB prototypes were very high during the first six months and developed as planned in the third quarter as well. This growth is clearly attributable to ProtoLasers, which are used in prototype manufacture and other applications. Due to its high precision, the ProtoLaser is especially deployed as a tool in the manufacture of particularly complex PCBs and small series.

The US and China continue to sit at the top of the sales leader board, whereas the European market remains weak. In 2014, the product portfolio will be given a boost by its expansion to include (e.g.) LDS component prototyping. Although the Electronics Development Equipment segment is relatively independent of fluctuations of the economy, state investment policies for the education sector play a key role here. With a market share of approximately 80%, LPKF continues to expect moderate growth in its Electronics Development Equipment segment.

Electronics Production Equipment

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

LDS system revenue surpassed expectations especially in the first six months and after nine months still remained markedly higher than in the same period the previous year. Growth was driven mainly by strong business with Korea. This technology has been used mainly in the manufacture of antennas for smartphones, laptops, and tablet PCs. Use of the LDS process to manufacture LED light fixtures, sensor packages and camera modules is seen as having further potential. As before, the strategic aim of LDS technology is to crowd out traditional PCBs or cabling in areas where space, weight and flexibility are essential. LPKF continues to believe that there is high growth potential in this product group.

Despite the acquisition of a major order in the first quarter, business with PCB Production Equipment developed more sluggishly than expected in the first nine months of 2013. Revenue was below the level of the prior-year period. This product group remains fairly strongly dependent on specific customers. The current goal is to spread revenue across a broader customer base. Customers include prestigious international electronics corporations and their suppliers. The UV laser cutting systems can be used especially for separating circuit boards in arbitrary shapes from larger boards with great precision. The PCB Production Equipment product group is still considered one of the Group's growth drivers. A new product line, which is to be launched at the end of 2013, is designed to support this trend.

The StencilLaser business showed slightly weaker development in the first nine months and therefore continues to perform below expectations. With a market share of approx. 70%, LPKF is operating in a relatively mature market for this sector. Our goal is to maintain our market leadership.

Other Production Equipment

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

LPKF is one of the world‘s leading suppliers of laser welding systems for plastics. In many applications, laser plastic welding is replacing conventional joining processes such as bonding or ultrasound welding. The Welding Equipment product line has been growing for several years now and remained on this trajectory during the first nine months of 2013. However, in contrast to the other product lines, this business is still relatively heavily dependent on the European market, which means that the continuing weakness of the European economies is manifested in a slowdown in growth. Nevertheless, the business is continuing to grow and is specifically reinforcing our activities in Asia and the US. Demand from the automotive, pharmaceutical engineering and consumer markets remains strong. The relocation of production to the new building in Fürth has already been completed, so capacity bottlenecks will soon be a thing of the past.

The general agreement for about EUR 43 million that was closed in December 2011 puts LPKF in a special position given the solar energy market’s current crisis. Most of the bill and hold transactions under this agreement have been completed and delivered. Fulfillment of the remaining orders from this general agreement is expected to be wrapped up in 2014. LPKF expects the revenue of this product group to decline for 2013 on the whole. Although demand in the solar market overall remains weak, there are increasing signs that it will recover with new projects in the first half of 2014.

General outlook

The outlook for the German economy in the coming months is encouraging. The Ifo business climate index rose slightly in September for the fifth time running. In view of the recovery of the global economy, the export-dependent sector in particular is optimistic about the future. The business climate in the euro zone is also becoming increasingly positive. In October, the corresponding index of the European Commission increased by 0.9 points to 97.8 points, the sixth monthly increase in a row.

Despite the downturn in the solar business, LPKF grew faster than projected in the first nine months of the year. Thanks to its broad product portfolio, LPKF is less exposed to fluctuations in demand than many other mechanical engineering firms of a comparable size. Then again, LPKF’s various target markets are each subject to individual fluctuations. Yet it is in economically difficult times that LPKF often manages to convince customers to switch to laser technology. Growth is therefore not merely dependent on capacity expansion.

Investment activities are again boosted in 2013 due to capacity expansion for the Welding Equipment product line and the construction of the Company headquarters in Garbsen. In subsequent years, a return to normal levels is expected.

On account of the extremely strong business development in the first three quarters of 2013, LPKF is raising its forecast slightly for the current financial year once again. The Management Board expects the LPKF Group to post revenue between EUR 126 million and EUR 130 million in 2013 (previously: between EUR 119 million and EUR 123 million). The EBIT margin is expected to be around 17% in 2013 (previously: 16%-17%).

For 2014, the Management Board is forecasting revenue of between EUR 132 million and EUR 140 million with an EBIT margin of between 15% and 17%. Assuming a stable economic environment, LPKF anticipates that its revenue will increase by approximately 10% on average in 2015 and 2016, with an EBIT margin of between 15% and 17%.

Consolidated financial statements

Basis of consolidation

In addition to the Group's parent company, LPKF Laser & Electronics AG, Garbsen, the following subsidiaries have also been included in the consolidated statements:

Company name	Registered seat	Country	Equity interest
LaserMicronics GmbH	Garbsen	Germany	100.0%
LPKF Laser & Elektronika d.o.o.	Naklo	Slovenia	75.0%
LPKF Distribution, Inc.	Tualatin	USA	100.0%
LPKF (Tianjin) Co. Ltd.	Tianjin	PR China	100.0%
LPKF Laser & Electronics Trading (Shanghai) Co. Ltd.	Shanghai	PR China	100.0%
LPKF Laser & Electronics Hong Kong Ltd.	Hong Kong	PR China	100.0%
LPKF SolarQuipment GmbH	Suhl	Germany	100.0%
LPKF Laser & Electronics KK	Yokohama	Japan	100.0%
LPKF Grundstücksverwaltungs GmbH	Erlangen	Germany	100.0%

LPKF sites worldwide

Consolidated statement of financial position
Assets

EUR THSD.	30 Sept. 2013	31 Dec. 2012*
Non-current assets		
Intangible assets		
Software	3,835	4,563
Goodwill	74	74
Development costs	4,029	3,792
	7,938	**8,429**
Property, plant and equipment		
Land, similar rights and buildings	32,743	20,243
Plant and machinery	2,999	3,104
Other equipment, operating and office equipment	4,601	3,888
Advances paid and construction in progress	1,038	1,429
	41,381	**28,664**
Financial assets		
Other borrowings	1	6
	1	**6**
Restricted securities	266	271
Receivables and other assets		
Trade receivables	268	25
Income tax receivables	146	226
Other assets	57	48
	471	**299**
Deferred taxes	2,262	1,930
	52,319	**39,599**
Current assets		
Inventories		
(System) parts	18,773	20,124
Work in progress	4,779	3,889
Finished products and goods	8,951	8,549
Advances paid	237	318
	32,740	**32,880**
Receivables and other assets		
Trade receivables	17,912	21,134
Income tax receivables	778	769
Other assets	3,134	1,964
	21,824	**23,867**
Cash and cash equivalents	11,191	5,022
	65,755	**61,769**
	118,074	**101,368**

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

Consolidated statement of financial position

Equity and liabilities

EUR THSD.	30 Sept. 2013	31 Dec. 2012*
Equity		
Subscribed capital	22,270	11,135
Capital reserves	1,489	5,599
Other retained earnings	–178	6,823
Reserve for cash flow hedges	–67	–123
Revaluation surplus	3	5
Share-based payment reserve	490	490
Currency translation reserve	–656	–556
Net retained profits	40,588	33,423
Non-controlling interests	2,484	2,036
	66,423	**58,832**
Non-current liabilities		
Provisions for pensions	0	0
Non-current liabilities to banks	15,717	8,346
Deferred income from grants	630	363
Non-current other liabilities	9	36
Deferred taxes	1,293	2,051
	17,649	**10,796**
Current liabilities		
Tax provisions	2,713	412
Other provisions	8,226	5,097
Current liabilities to banks	5,438	9,753
Trade payables	3,076	5,906
Other liabilities	14,549	10,572
	34,002	**31,740**
	118,074	**101,368**

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

Consolidated income statement

EUR THSD.	07–09/2013	07–09/2012	01–09/2013	01–09/2012
Revenue	29,610	32,153	99,538	82,477
Changes in inventories of finished goods and work in progress	–617	523	1,444	3,699
Other own work capitalized	1,022	767	2,484	2,430
Other operating income	944	342	2,250	1,290
Cost of materials	6,559	9,688	26,921	26,804
Staff costs	9,295	8,612	30,029	25,828
Depreciation and amortization	1,812	1,643	5,386	4,831
Other operating expenses	8,776	6,503	23,837	17,651
Operating result	**4,517**	**7,339**	**19,543**	**14,782**
Finance income	6	9	23	36
Finance costs	202	212	522	591
Earnings before tax	**4,321**	**7,136**	**19,044**	**14,227**
Income taxes	1,329	2,405	5,840	4,472
Consolidated net profit	**2,992**	**4,731**	**13,204**	**9,755**
Of which attributable to				
Shareholders of the parent company	2,879	4,453	12,756	9,144
Non-controlling interests	113	278	448	611
Earnings per share*				
Earnings per share (basic) (in EUR)	0.13	0.20	0.57	0.41
Earnings per share (diluted) (in EUR)	0.13	0.20	0.57	0.41
Weighted average number of shares outstanding (basic)	22,269,588	22,269,588	22,269,588	22,244,218
Weighted average number of shares outstanding (diluted)	22,269,588	22,269,588	22,269,588	22,266,198

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

Consolidated statement of comprehensive income

EUR THSD.	07–09/2013	07–09/2012	01–09/2013	01–09/2012
Consolidated net profit	**2,992**	**4,731**	**13,204**	**9,755**
Change in the amount of actuarial gains and losses recognized in equity	0	0	0	0
Changes which will not be reclassified to the income statement in the future	**0**	**0**	**0**	**0**
Gains and losses on remeasuring available-for-sale financial assets	4	2	–3	13
Fair value changes from cash flow hedges	20	–3	80	–16
Currency translation differences	–327	–124	–100	–81
Deferred taxes	–7	0	–23	1
Changes which will be reclassified to the income statement in the future if certain conditions are met	**–310**	**–125**	**–46**	**–83**
Other comprehensive income after taxes	**–310**	**–125**	**–46**	**–83**
Total comprehensive income	**2,682**	**4,606**	**13,158**	**9,672**
Of which attributable to				
Shareholders of the parent company	2,569	4,328	12,710	9,061
Non-controlling interests	113	278	448	611

Consolidated statement of changes in equity

EUR THSD.	Subscribed capital	Capital reserves	Other retained earnings	Reserve for cash flow hedges	Revaluation surplus
Balance before adjustment on 01 Jan. 2013	**11,135**	**5,599**	**7,000**	**–123**	**5**
Accounting adjustment due to IAS 19 revised	0	0	–177	0	0
Balance after adjustment on 01 Jan. 2013*	**11,135**	**5,599**	**6,823**	**–123**	**5**
Consolidated total comprehensive income					
Consolidated net profit	0	0	0	0	0
Change from measurement of cash flow hedge	0	0	0	80	0
Change from market valuation of securities	0	0	0	0	–3
Deferred taxes on changes recognized directly in equity	0	0	24	–24	1
Currency translation differences	0	0	0	0	0
Consolidated total comprehensive income	**0**	**0**	**24**	**56**	**–2**
Transactions with owners					
Capital increase from Company funds	11,135	–4,110	–7,025	0	0
Distributions to owners	0	0	0	0	0
Balance as of 30 Sept. 2013	**22,270**	**1,489**	**–178**	**–67**	**3**

EUR THSD.	Subscribed capital	Capital reserves	Other retained earnings	Reserve for cash flow hedges	Revaluation surplus
Balance before adjustment on 01 Jan. 2012	**11,101**	**5,338**	**7,000**	**–129**	**–16**
Accounting adjustment due to IAS 19 revised	0	0	–97	0	0
Balance after adjustment on 01 Jan. 2012*	**11,101**	**5,338**	**6,903**	**–129**	**–16**
Consolidated total comprehensive income					
Consolidated net profit	0	0	0	0	0
Change from measurement of cash flow hedge	0	0	0	–16	0
Change from market valuation of securities	0	0	0	0	13
Deferred taxes on changes recognized directly in equity	0	0	0	5	–4
Currency translation differences	0	0	0	0	0
Consolidated total comprehensive income	**0**	**0**	**0**	**–11**	**9**
Transactions with owners					
Proceeds from capital increases	34	261	0	0	0
Distributions to owners	0	0	0	0	0
Balance as of 30 Sept. 2012	**11,135**	**5,599**	**6,903**	**–140**	**–7**

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

	Share-based payment reserve	Currency translation reserve	Net retained profits	Equity before non-controlling interests	Non-controlling interests	Total
	490	**-556**	**33,423**	**56,973**	**2,036**	**59,009**
	0	0	0	-177	0	-177
	490	**-556**	**33,423**	**56,796**	**2,036**	**58,832**
	0	0	12,756	12,756	448	13,204
	0	0	0	80	0	80
	0	0	0	-3	0	-3
	0	0	-24	-23	0	-23
	0	-100	0	-100	0	-100
	0	**-100**	**12,732**	**12,710**	**448**	**13,158**
	0	0	0	0	0	0
	0	0	-5,567	-5,567	0	-5,567
	490	**-656**	**40,588**	**63,939**	**2,484**	**66,423**

	Share-based payment reserve	Currency translation reserve	Net retained profits	Equity before non-controlling interests	Non-controlling interests	Total
	490	**-346**	**24,345**	**47,783**	**1,978**	**49,761**
	0	0	0	-97	0	-97
	490	**-346**	**24,345**	**47,686**	**1,978**	**49,664**
	0	0	9,144	9,144	611	9,755
	0	0	0	-16	0	-16
	0	0	0	13	0	13
	0	0	0	1	0	1
	0	-81	0	-81		-81
	0	**-81**	**9,144**	**9,061**	**611**	**9,672**
	0	0	0	295	0	295
	0	0	-4,441	-4,441	-375	-4,816
	490	**-427**	**29,048**	**52,601**	**2,214**	**54,815**

Consolidated statement of cash flows

EUR THSD.	9 months 2013	9 months 2012
Operating activities		
Consolidated net profit	13,204	9,755
Income taxes	5,840	4,472
Interest expense	522	578
Interest income	–23	–36
Depreciation and amortization	5,386	4,831
Gains/losses from the disposal of non-current assets including reclassification to current assets	350	–198
Non-cash currency differences in non-current assets	–23	–87
Changes in inventories, receivables and other assets	1,208	–10,491
Changes in provisions	4,278	3,135
Changes in liabilities and other equity and liabilities	822	2,473
Other non-cash expenses and income	208	193
Interest received	23	36
Income taxes paid	–4,687	–5,826
Cash flow from operating activities	**27,108**	**8,835**
Investing activities		
Investments in intangible assets	–2,563	–3,457
Investments in property, plant and equipment	–15,447	–4,200
Proceeds from disposal of financial assets	4	3
Proceeds from disposal of non-current assets	71	530
Interest received	0	1
Cash flow from investing activities	**–17,935**	**–7,123**
Financing activities		
Dividend payment	–5,567	–4,440
Dividend payment to non-controlling interests	0	–375
Interest paid	–469	–578
Cash payments for the acquisition of non-controlling interests	0	–3,533
Proceeds from borrowings	12,353	10,650
Proceeds from issue of capital	0	47
Cash repayments of borrowings	–6,828	–2,389
Cash flow from financing activities	**–511**	**–618**
Change in cash and cash equivalents		
Change in cash and cash equivalents due to changes in foreign exchange rates	–23	–188
Change in cash and cash equivalents	8,662	1,094
Cash and cash equivalents on 1 January	**2,494**	**5,586**
Cash and cash equivalents on 30 September	**11,133**	**6,492**
Composition of cash and cash equivalents		
Cash and cash equivalents	11,191	8,171
Overdrafts	–58	–1,679
Cash and cash equivalents on 30 September	**11,133**	**6,492**

Notes on the preparation of the quarterly financial report

This quarterly financial report for the period ended 30 September 2013 is in full compliance with the provisions of IAS 34. Due consideration is given to the interpretations of the International Financial Interpretations Committee (IFRIC). All prior-period figures were determined according to the same principles.

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

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

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

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

Apart from this, in these interim financial statements the same accounting policies and calculation methods were used as in the most recent annual financial statements.

Estimates of amounts presented in earlier interim reporting periods of the current financial year, the most recent annual financial statements or previous financial years have not been changed in this financial report.

R&D expenses in the reporting period amounted to EUR 9.2 million (previous year: EUR 6.8 million).

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

No significant events having a material effect on the financial position, cash flows and profit or loss of LPKF have taken place since the 30 September 2013 reporting date.

This quarterly financial report has neither been audited nor reviewed.

Transactions with related parties

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

Shares held by members of the Company's corporate bodies

Management Board	**30 Sept. 2013**	**31 Dec. 2012***
Dr. Ingo Bretthauer	52,000	25,000
Bernd Lange	75,000	47,510
Kai Bentz	14,600	10,300
Dr.-Ing. Christian Bieniek	0	0

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

* Before capital increase from Company funds

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Garbsen, 13 November 2013
LPKF Laser & Electronics AG

The Management Board

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

Dates

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

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This financial report can also be downloaded from our website.

Languages
This annual report is also available in German.

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