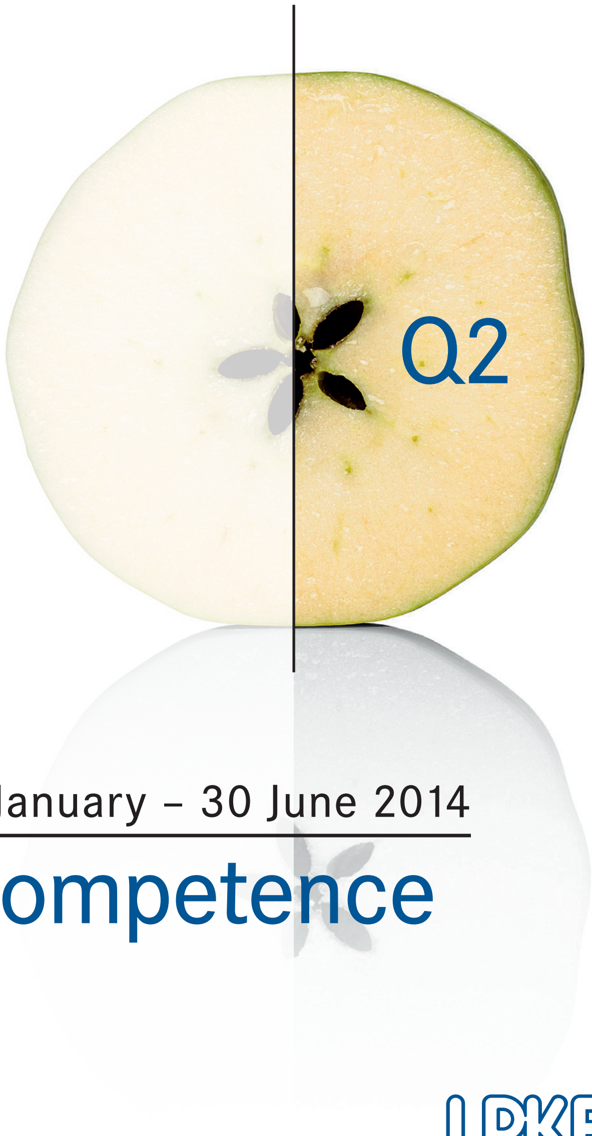
MANAGEMENT BOARD CONFIRMS
FULL-YEAR TARGETS

ORDERS ON HAND TOTAL
EUR 52 MILLION (+149%)

INCOMING ORDERS UP 41%
YEAR-ON-YEAR

SUBDUED START TO THE 2014
FINANCIAL YEAR FOR LPKF IN TERMS
OF REVENUE AND EARNINGS



Half-yearly financial report 1 January – 30 June 2014

Focus on core competence

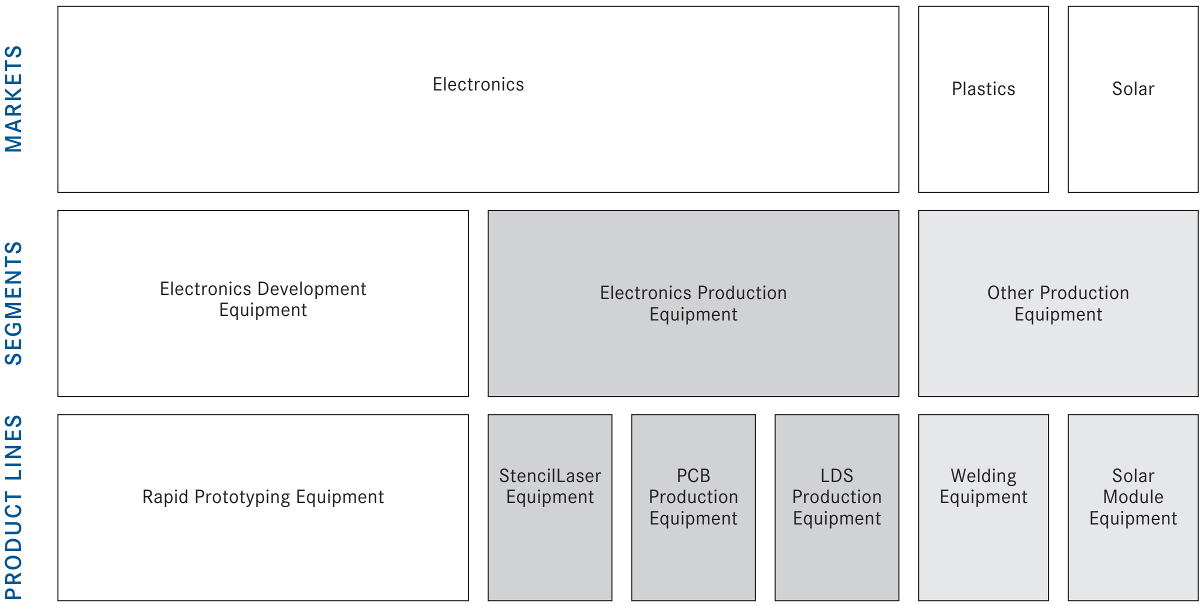
LPKF
Laser & Electronics

LPKF at a glance

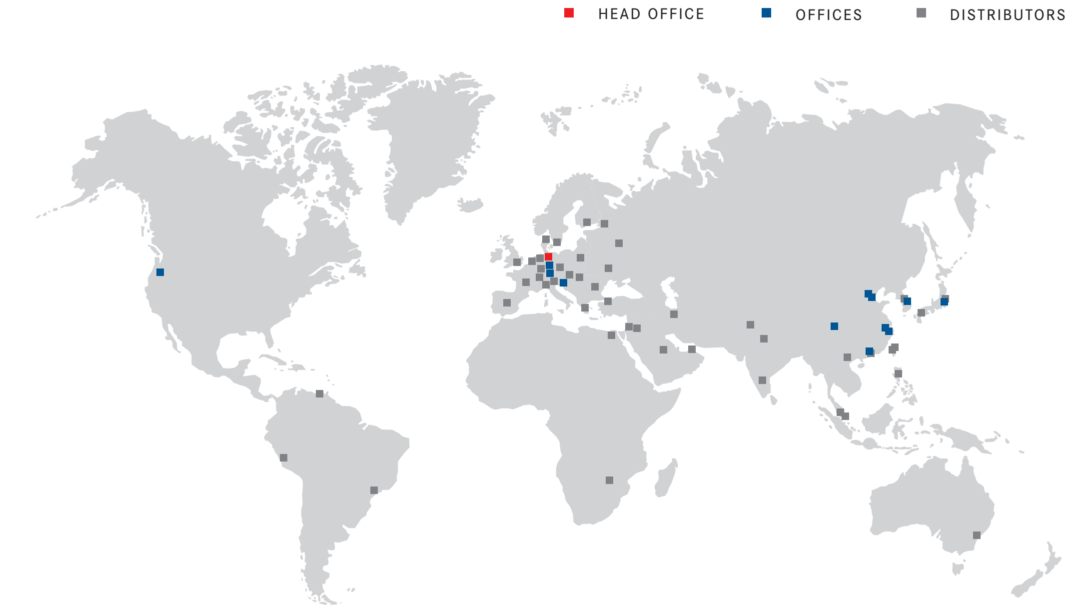
Key Group figures

		6 months 2014	6 months 2013	Change %	Year 2013
Revenue	EUR million	45.6	69.9	–34.7	129.7
EBIT	EUR million	1.6	15.0	–89.5	23.2
EBIT margin	%	3.5	21.5		17.9
Free cash flow	EUR million	–12.4	7.8	–259.0	12.9
Net working capital	EUR million	41.7	48.4	–13.7	37.3
ROCE	%	1.7	18.0		26.4
EPS, diluted	EUR	0.04	0.44	–90.9	0.68
Cash and cash equivalents	EUR million	1.3	7.8	–83.3	12.5
Equity ratio	%	51.5	56.8		56.5
Orders on hand	EUR million	51.8	20.8	148.7	17.7
Incoming orders	EUR million	79.7	56.4	41.2	113.1
Employees	Number	778	714	9.0	752

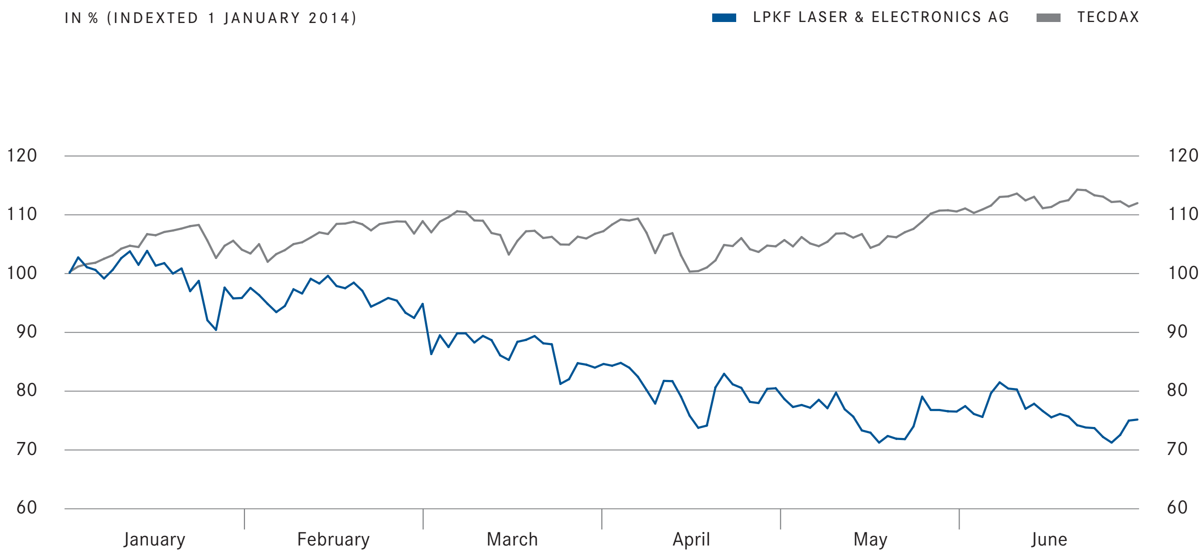
Segment structure



LPKF sites worldwide



Performance of the LPKF share in the reporting period (1 January – 30 June 2014)



Short portrait

Precision with lasers

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 778 based at sites in Europe, Asia and the US.

LPKF Laser & Electronics

Preface

Chairman's statement

DR. INGO BRETTHAUER
(CEO)

LADIES AND GENTLEMEN,

In terms of revenue, 2014 got off to a slow start, especially if you compare it to the first half of the previous year, which was extremely good. This trend was already foreseeable at the end of 2013, so it did not take us by surprise. In recent years, our financial year has nearly always begun on a rather weak footing, improving as the year progressed. In this respect, 2013 was an exception.

The situation as regards incoming orders is much better. This was already very strong in the first quarter of 2014 and it improved again in the second quarter. This second quarter of 2014 was a record period in LPKF history with incoming orders of EUR 42.5 million. Overall, we received new orders with a value of EUR 79.7 million in the first half of 2014. At the reporting date at the end of the second quarter, we had orders on hand of EUR 51.8 million – also a new record.

Despite the subdued start with revenue, all of this makes us optimistic that we will be able to achieve the target we set ourselves for the year as a whole, though it means we will have to put in a great deal of effort in the second half of the year. With the high levels of new orders and orders on hand, these targets should be attainable, even if this has naturally become a much greater challenge. However, we will do everything in our power to reach these annual targets and thus continue the growth story of the LPKF Group.

Business in 2014 is currently driven in particular by our Laser Direct Structuring (LDS) product groups and – something which may come as a surprise to many – our solar business.

In our LDS business, the volume of incoming orders surged during the first half of the year. We are particularly pleased to report that in spite of the unresolved patent situation in China we managed to acquire new Chinese customers above all. The patents are still being disputed in China, but also in Germany. We achieved an important victory in these proceedings in the first instance at the Mannheim Regional Court, which we think will make potential infringers more careful in the future.

In the solar business, we acquired a larger order worth over EUR 15 million in January. The volume of incoming orders subsequently improved to such an extent that this business now seems to have the greatest chance of substantially exceeding the guidance. Yet here, too, we will not see revenue being generated until the second half of the year. At our site in Suhl, where these systems are developed and built, we are already working at top speed.

In early July, we moved into our new main building in Garbsen. We are delighted that we are now able to receive our customers and visitors in a modern, functional building that reflects the high quality standards we have for our products. It is gratifying and quite remarkable that the construction was achieved not only in the exact time frame planned, but also within the budget approved. We invested just under EUR 5 million in this new building, its equipment and the installed technology and now feel that at the Garbsen site we are really well positioned for the future.

The performance of the LPKF share in the first six months of the current financial year was anything but pleasing. After the share price had risen sharply in the past five years, it fell by 20 percent between the start of this year and 30 June. This strong drop caught us by surprise too because we continue to believe that LPKF is a company that is in excellent shape and represents a sound growth story. We will continue to to do everything to further advance the role of laser technology in electronics manufacturing. Our solid business performance should then also be reflected adequately in the share price.

Yours sincerely,

Dr. Ingo Bretthauer
CEO

Interim management report as of 30 June 2014

I. Fundamental information about the Group

1.1 GROUP STRUCTURE AND BUSINESS MODEL

The LPKF Group develops and produces material processing systems. The mechanical engineering company has become one of the world‘s leading laser technology providers on the strength of its technical leadership in a number of areas of laser micro-materials processing. The LPKF Group has specialist know-how in the fields of laser technology, optics, precision drive systems, control technology and software as well as materials engineering. LPKF’s laser systems are used primarily in the electronics industry, in polymer technology applications and for the manufacture of solar panels. In many sectors, the innovative processes developed by LPKF replace established conventional techniques. The Group generates 86% of its revenue abroad. LPKF Laser & Electronics AG (LPKF AG) is listed in the TecDax segment of the German Stock Exchange. The Group had 778 employees worldwide on the reporting date.

In the reporting period, the Group‘s structure and business remained as described in the 2013 combined management report. The basis of consolidation is presented in the Notes to this interim report.

1.2 CORPORATE GOALS AND STRATEGY

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

In the reporting period, corporate strategy and management remained as described in the 2013 combined management report.

1.3 RESEARCH AND DEVELOPMENT

Continuous investment in near-to-market developments are of crucial importance to a technology-oriented Group such as LPKF. The course pursued by R&D is described in the 2013 Annual Report; no fundamental changes were made to this course in the first six months of the current year. R&D expenses in the reporting period amounted to EUR 5.7 million (previous year: EUR 6.3 million).

II. Report on economic position

2.1 OVERVIEW OF THE COMPANY'S DEVELOPMENT

2.1.1 General economic environment

In its latest World Economic Outlook Update, published in July, the International Monetary Fund (IMF) slightly lowered its global growth projection for 2014, citing a perceptible increase in the downside risks. The escalating geopolitical conflicts are considered particularly dangerous as these could lead to sharply higher oil prices. The IMF therefore predicts that the global economy will grow by just 3.4% in 2014, 0.3% less than forecast in April.

Even in the euro area, industrial growth is slow. The forecast upswing appears to have been deferred. At the beginning of the year, many economists expected to see a rapid improvement in the situation, but their hopes were soon dashed by an economic downturn in the United States in the first quarter, the failure of international trade to gain momentum, and problems in the domestic economies of some emerging markets. The geopolitical crises in Ukraine and the Middle East also put a damper on sentiment. Consumers in Europe alone are becoming more optimistic. According to the market research firm GfK, the European consumer confidence index rose to its highest value since April 2008.

The forecast recovery likewise seems to be stalled in Germany. The Federal Statistical Office confirmed that in May both imports and exports were down on the previous month. After a strong start to the year, the German economy is expected to have virtually stagnated in the second quarter. However, data from the purchasing managers' index in July suggests that Germany now has a solid foundation for growth once more.

2.1.2 Sector-specific environment

In Germany's mechanical engineering sector, the volume of incoming orders in May 2014 fell by 2% year-on-year in real terms. While domestic business expanded by 5%, this was offset by a 4% decline in overseas orders. Compared with the previous year, the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau, or VDMA) expects to see revenue rise by 3% for the year as a whole and reach record levels in spite of the weaker business with Russia.

2.1.3 Effects on the LPKF Group

The development in the economy as a whole and of most of the industries relevant to LPKF was stable in the past 12 months and again saw moderate growth. LPKF's business is expected to share in the fruits of positive economic development. In contrast, business development was markedly subdued in some segments of the electronics industry.

The Group benefits from trends such as mobile communication with smartphones, the struggle toward optimal efficiency in solar cells – fueled by fiercer competition – and lightweight construction in the automotive industry. These trends continue to persist and should result in a much stronger second half of 2014.

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

2.2.1 Results of operations

Demand for LPKF systems remains brisk. Incoming orders in the first half of 2014 increased once again by 41% over the already very strong prior-year period. Led by the Other Production Equipment segment, which received a repeat order for solar scribers, and boosted by increases in the Electronics Development Equipment segment, orders on hand rose by nearly 150% year-on-year to EUR 51.8 million. The only segment in which the order intake was slightly lower than in the prior-year period was Electronics Production Equipment. This segment recorded weak business in PCB Production Equipment but a strong order inflow for LDS Production Equipment.

Consolidated revenue is still trailing behind incoming orders and after six months was down 35% year-on-year (EUR 45.6 million vs. EUR 69.9 million). Revenue in the previous year had been buoyed by high LDS sales as well as larger orders for cutting systems and solar installations, which have not been repeated in the year to date. Shipments of solar scribers only began at the end of the second quarter of this year. Six-month revenue in the Other Production Equipment segment was down significantly year-on-year. The positive trend in the Electronics Development Equipment segment was unable to compensate for these two effects.

Weak sales performance resulted in an EBIT of just EUR 1.6 million (previous year: EUR 15.0 million), with the EBIT margin shrinking to 3.5% (previous year: 21.5%).

In the case of revenue-related expenses, such as material costs and parts of other operating expenses, the decrease in revenue provided a cushion. Despite the higher headcount, staff costs remained at the prior-year level on account of the reduction in variable remuneration components. Owing to the Group‘s large investments over the past twelve months, depreciation and amortization rose further.

On the income side, positive trends were experienced by changes in inventories, own work capitalized and other operating income. Production costs for prototypes and application systems of EUR 0.1 million and capitalized development costs of EUR 2.2 million are shown in own work capitalized. Other operating income was up slightly from the previous year, due mainly to the use of warranty provisions.

The material cost ratio relative to revenue and changes in inventories is slightly higher than the figure for the full 2013 financial year (29.8% vs. 26.7%), due in particular to a change in the product mix. In the previous year, the share of systems from the Electronics Production Equipment segment was higher than in the current year. This is likely to change again in the second half of the year, swinging in favor of the Electronics Production Equipment segment.

The number of people employed rose by 26 in the first half of the year to 778 at the reporting date. Staff costs in absolute terms nevertheless remained at the prior-year level on account of lower provisions for variable remuneration. The lower volume of revenue resulted in the staff cost ratio rising year-on-year from 29.6% to 45.5%.

Due mainly to large investments in buildings and machinery as well as in software and development, depreciation and amortization rose from EUR 3.6 million the previous year to EUR 4.1 million this year.

Other operating costs fell by EUR 2.7 million to EUR 12.4 million year-on-year. The downturn in revenue caused advertising and sales expenditure to fall by a total of EUR 2.1 million, mainly as a result of lower license costs, sales commission and transport costs. Consulting expenses were also down (–EUR 0.4 million), as were expenses for subcontracted development work (–EUR 0.5 million). By contrast, travel and entertainment expenses increased by EUR 0.3 million compared with the prior-year period.

2.2.2 Financial position

The Group‘s cash and cash equivalents decreased in the first six months from EUR 12.5 million to EUR 1.3 million. Lower earnings in the period, paired with an increase in inventories and a decrease in provisions were the key factors producing a cash outflow from operating activities in the amount of EUR 4.8 million. A cash outflow of EUR 7.7 million was also caused by investing activities. Taking into account a cash inflow of EUR 1.1 million from financing activities, this resulted in an overall cash out-flow of EUR 11.2 million (previous year: cash inflow of EUR 5.3 million). The dividend payment of € 5.6 million (previous year: € 5.6 million) is shown in the statement of cash flows under “Cash flows from financing activities”.

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

2.2.3 Net assets

Analysis of net assets and capital structure

The Company‘s very stable asset position is primarily reflected in its equity ratio, which remains high at 51.5% (30.06.2013: 56.8%).

The increase in non-current assets during the reporting year is primarily the result of investments made at the Company‘s Garbsen site and the capitalization of development costs.

Current assets increased due to the build-up of inventories in preparation for the manufacturing of systems in the following months. This reflects the positive order situation. In contrast, cash and cash equivalents decreased by EUR 8.1 million in the first half-year.

An increase in net working capital to EUR 41.7 million on the reporting date was largely the result of the build-up in inventories. The net working capital ratio now is 39.6% as against 35.9% in the previous year, mainly due to the decline in revenue. Since preliminary work in the form of system components is necessary to process the high level of orders on hand, a similar level is expected for the next quarter.

Equity was reduced by the distribution of the dividend. The sale of securities led to a recycling of the changes in value of these securities previously reported in the revaluation surplus, which was released to income. Current provisions decreased by EUR 4.1 million, mainly as a result of lower provisions for bonuses and taxes. Liabilities to banks increased by EUR 10.1 million due to the utilization of short-term loans. In other current liabilities, payments received on account of orders rose, raising this item as a whole. All of these developments together resulted in an increase in liabilities by EUR 6.8 million in the first half of 2014.

With these exceptions, there has been no substantial change in the balance sheet structure.

Capital expenditures

In the first six months of 2014, capital expenditures for intangible assets and property, plant and equipment rose by EUR 2.0 million year-on-year to EUR 7.7 million. Intangible assets contained capitalized development costs in the amount of EUR 2.2 million. In terms of property, plant and equipment, the increase was due mainly to the construction of a new building in Garbsen (now complete) and extension work at the Fürth site. Both capital expenditure projects are intended to support further growth for the Group.

2.2.4 Segment performance

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

EUR THSD.		Electronics Production Equipment	Electronics Development Equipment	Other Production Equipment	Other	Total
External revenue	6 months 2014	23,241	10,633	11,518	253	45,645
	6 months 2013	40,161	9,979	19,441	347	69,928
Operating result	6 months 2014	3,973	1,405	–2,987	–812	1,579
(EBIT)	6 months 2013	11,545	1,168	2,876	–563	15,026

The production services, which previously were shown under the “Other” segment, have been allocated to the other operating segments. The previous year’s figures were adjusted accordingly.

The decline in revenue for the Electronics Production Equipment segment resulted in a much lower figure for EBIT. Primarily due to modules being scheduled for delivery only in subsequent quarters, revenue in Other Production Equipment declined significantly to produce a negative EBIT.

Revenue and earnings performance was highly satisfactory for the Electronics Development Equipment segment, however. After an extraordinarily positive first quarter, revenue stabilized at a level above the prior year, with the EBIT margin of 13.2% also being slightly higher than the previous year (11.7%).

2.3 EMPLOYEES

Motivated, highly-qualified staff that identifies with the Company is the key to success – especially for a technology company like LPKF. Low levels of sick leave and employee turnover are important indicators of LPKF's success in achieving this goal. At 3.1%, the sick leave percentage in the LPKF Group in the first six months was below the average for the metal working and electronics industry (2013: 4.6%). The employee turnover rate in the Group was 3.7% in the first six months of 2014.

The following table shows the development in employee numbers in the first six months of 2014:

Area	30 June 2014	31 Dec. 2013
Production	188	186
Development	168	165
Administration	173	157
Sales	138	138
Services	111	106
	778	**752**

2.4 OVERALL APPRAISAL OF THE GROUP'S ECONOMIC SITUATION

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

III. Opportunities and risks

3.1 REPORT ON OPPORTUNITIES AND RISKS

In the combined management report for 2013, the opportunities and risks of the LPKF Group are presented and explained in detail in separate reports.

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

Both the risks for the global economy and the risks from the sovereign debt crisis did not change significantly compared to the previous year. Many analysts expect the global economy to recover slightly in 2014.

The solar industry orders received in the reporting period, with a total volume of over EUR 21 million, have led to a significant improvement of the Solar Module Equipment product group‘s situation for the current financial year. Yet the situation in the solar energy market remains uncertain. Despite several positive signals, the solar sector as a whole is still a market in crisis.

In China, LPKF has petitioned to reopen patent proceedings. The Supreme People‘s Court accepted this petition for review during the reporting period. This means that the struggle to defend the LDS patent in China continues. The duration and outcome of this dispute cannot be predicted at this time.

LPKF won a preliminary victory in the legal dispute concerning the infringement of the patent for Laser Direct Structuring (LDS). On July 8, 2014, the Mannheim Regional Court ordered Motorola Deutschland und Motorola Mobility USA to refrain from selling cell phones in Germany that infringe the patent and ordered Motorola Deutschland to recall all cell phones that infringe the patent from commercial customers. Moreover, the court determined that both defendants must pay compensation. The judgment may be appealed. A nullity action against the patent has been brought before the Federal Patent Court in Munich on which a decision is still pending.

There is also currently no foreseeable development which could significantly and sustainably harm the profit or loss, cash flows and financial position of the LPKF Group in the future. There is, however, a continued possibility that the effects of a flare-up of the sovereign debt crisis on the economy could negatively impact the further development of the Group.

In all other respects, however, there were no fundamental changes in the risks and opportunities of the LPKF Group in the reporting period compared to 2013 such that the disclosures in the 2013 annual report still apply. There were no going-concern risks as of 30 June 2014.

IV. Report on expected developments

4.1 OVERALL APPRAISAL OF THE GROUP'S PROBABLE PERFORMANCE

4.1.1 Economic environment

In spite of slower growth in the current year, the global recovery should regain momentum in 2015, according to the International Monetary Fund (IMF). As the current weak economic growth was precipitated by temporary factors in particular, the IMF remains optimistic for the coming year and is sticking to its April projection that world output will increase by 4.0% in 2015.

4.1.2 Group performance

Forecasts by economic research institutes have improved slightly not only for the global economy, but also for LPKF's target sales markets. Accordingly, the risks of a negative impact on business by economic weakness in end markets are reduced slightly. In terms of revenue and earnings, the current financial year got off to a rather subdued start for LPKF. Incoming orders and orders on hand developed very encouragingly, however.

In 2014, LPKF will make technologies already introduced, such as the LDS process and laser depanelling, even more attractive and make a significant contribution to improving the efficiency of thin-film solar panels. New products will help expand the areas of application for LDS and the prototyping of MIDs. In addition, current development results will lead to completely new applications for laser technology, which in turn will further broaden the foundation for business in future years.

4.1.3 Significant indicators

At EUR 79.7 million, LPKF's volume of incoming orders in the first six months rose by 41% year-on-year. Even if reaching the targets for the year has become much more of a challenging proposition due to the weak first six months, the Management Board confirms its guidance for the full year and expects the LPKF Group to generate revenue of EUR 132 million to EUR 140 million for 2014, assuming stable performance by the global economy. The EBIT margin should be between 15% and 17% in 2014.

The net working capital ratio is expected to fall below 35%, which corresponds to net working capital of less than EUR 50 million for the forecast period. This would represent a moderate year-on-year increase.

Given a stable economic environment in both 2015 and 2016, the Management Board expects revenue to grow by an average of approximately 10% per year and the EBIT margin to come in between 15% and 17%.

Consolidated financial statements

Consolidated statement of financial position

Assets

EUR THSD.	30 June 2014	31 Dec. 2013
Non-current assets		
Intangible assets		
Software	2,354	3,084
Goodwill	74	74
Development costs	5,266	4,435
	7,694	**7,593**
Property, plant, and equipment		
Land, similar rights and buildings	32,230	32,428
Plant and machinery	2,825	3,138
Other equipment, operating and office equipment	5,330	4,822
Advances paid and construction in progress	5,849	2,379
	46,234	**42,767**
Restricted securities	**0**	**269**
Receivables and other assets		
Trade receivables	13	95
Income tax receivables	138	134
Other assets	248	162
	399	**391**
Deferred taxes	**2,368**	**2,148**
	56,695	**53,168**
Current assets		
Inventories		
(System) parts	18,378	17,527
Work in progress	5,189	3,604
Finished products and goods	11,802	9,881
Advances paid	461	196
	35,830	**31,208**
Receivables and other assets		
Trade receivables	15,192	12,884
Income tax receivables	522	937
Other assets	2,495	2,425
	18,209	**16,246**
Cash and cash equivalents	**4,473**	**12,569**
	58,512	**60,023**
	115,207	**113,191**

Consolidated statement of financial position

Equity and liabilities

EUR THSD.	30 June 2014	31 Dec. 2013
Equity		
Subscribed capital	22,270	22,270
Capital reserves	1,489	1,489
Other retained earnings	11,115	11,115
Reserve for cash flow hedges	–34	–55
Revaluation surplus	0	4
Share-based payment reserve	490	490
Currency translation reserve	–912	–826
Net retained profits	24,891	29,579
	59,309	**64,066**
Non-current liabilities		
Provisions for pensions and similar obligations	174	176
Other provisions	65	40
Non-current liabilities to banks	15,961	17,882
Deferred income from grants	692	716
Deferred taxes	1,724	1,342
	18,616	**20,156**
Current liabilities		
Tax provisions	708	2,809
Other provisions	3,895	5,934
Current liabilities to banks	17,971	5,934
Trade payables	4,037	4,357
Other liabilities	10,671	9,935
	37,282	**28,969**
	115,207	**113,191**

Consolidated income statement

EUR THSD.	04–06/2014	04–06/2013	01–06/2014	01–06/2013
Revenue	24,051	36,943	45,645	69,928
Changes in inventories of finished goods and work in progress	1,001	–434	3,527	2,061
Other own work capitalized	1,094	614	2,273	1,462
Other operating income	1,281	682	1,983	1,306
Cost of materials	8,149	9,248	14,635	20,362
Staff costs	10,334	10,743	20,779	20,734
Depreciation and amortization	2,065	1,945	4,071	3,574
Other operating expenses	6,385	7,556	12,364	15,061
Operating result	**494**	**8,313**	**1,579**	**15,026**
Finance income	5	7	12	17
Finance costs	179	141	332	320
Earnings before tax	**320**	**8,179**	**1,259**	**14,723**
Income taxes	105	2,315	379	4,511
Consolidated net profit	**215**	**5,864**	**880**	**10,212**
Of which attributable to				
Owners of the parent	215	5,709	880	9,877
Non-controlling interests	0	155	0	335
Earnings per share				
Earnings per share (basic, EUR)	0.01	0.26	0.04	0.44
Earnings per share (diluted, EUR)	0.01	0.26	0.04	0.44
Weighted average number of shares outstanding (basic)	22,269,588	22,269,588	22,269,588	22,269,588
Weighted average number of shares outstanding (diluted)	22,269,588	22,269,588	22,269,588	22,269,588

Consolidated statement of comprehensive income

EUR THSD.	04–06/2014	04–06/2013	01–06/2014	01–06/2013
Consolidated net profit	**215**	**5,864**	**880**	**10,212**
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**
Gains and losses on remeasuring available-for-sale financial assets	–6	–4	0	–7
Gains and losses on remeasuring available-for-sale financial assets that were reclassified to the income statement	–5	0	–5	0
Fair value changes from cash flow hedges	13	29	30	60
Currency translation differences	221	–110	– 86	227
Deferred taxes	–1	–8	–8	–16
Sum total of changes which will be reclassified to the income statement in the future if certain conditions are met	**222**	**–93**	**–69**	**264**
Other comprehensive income after taxes	**222**	**–93**	**–69**	**264**
Total comprehensive income	**437**	**5,771**	**811**	**10,476**
Of which attributable to				
Owners of the parent	437	5,616	811	10,141
Non-controlling interests	0	155	0	335

Consolidated statement of changes in equity

EUR THSD.	Subscribed capital	Capital reserves	Other retained earnings	Reserve for cash flow hedges	Revaluation surplus
Balance on 01 Jan. 2014	**22,270**	**1,489**	**11,115**	**–55**	**4**
Consolidated total comprehensive income					
Consolidated net profit	0	0	0	0	0
Change from measurement of cash flow hedge	0	0	0	30	0
Change from market valuation of securities	0	0	0	0	–5
Deferred taxes on changes recognized directly in equity	0	0	0	–9	1
Currency translation differences	0	0	0	0	0
Consolidated total comprehensive income	**0**	**0**	**0**	**21**	**–4**
Transactions with owners					
Distributions to owners	0	0	0	0	0
Balance on 30 June 2014	**22,270**	**1,489**	**11,115**	**–34**	**0**

EUR THSD.	Subscribed capital	Capital reserves	Other retained earnings	Reserve for cash flow hedges	Revaluation surplus
Balance 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	60	0
Change from market valuation of securities	0	0	0	0	–7
Deferred taxes on changes recognized directly in equity	0	0	24	–18	2
Currency translation differences	0	0	0	0	0
Consolidated total comprehensive income	**0**	**0**	**24**	**42**	**–5**
Transactions with owners					
Capital increase from Company funds	11,135	–4,110	–7,025	0	0
Distributions to owners	0	0	0	0	0
Balance on 30 June 2013	**22,270**	**1,489**	**–178**	**–81**	**0**

	Share-based payment reserve	Currency translation reserve	Net retained profits	Equity before non-controlling interests	Non-controlling interests	Total
	490	**–826**	**29,579**	**64,066**	**0**	**64,066**
	0	0	880	880	0	880
	0	0	0	30	0	30
	0	0	0	–5	0	–5
	0	0	0	–8	0	–8
	0	–86	0	–86	0	–86
	0	**–86**	**880**	**811**	**0**	**811**
	0	0	–5,567	–5,567	0	–5,567
	490	**–912**	**24,891**	**59,309**	**0**	**59,309**

	Share-based payment reserve	Currency translation reserve	Net retained profits	Equity before non-controlling interests	Non-controlling interests	Total
	490	**–556**	**33,423**	**56,796**	**2,036**	**58,832**
	0	0	9,877	9,877	335	10,212
	0	0	0	60	0	60
	0	0	0	–7	0	–7
	0	0	–24	–16	0	–16
	0	227	0	227	0	227
	0	**227**	**9,853**	**10,141**	**335**	**10,476**
	0	0	0	0	0	0
	0	0	–5,567	–5,567	0	–5,567
	490	**–329**	**37,709**	**61,370**	**2,371**	**63,741**

Consolidated statement of cash flows

EUR THSD.	6 months 2014	6 months 2013
Operating activities		
Consolidated net profit	880	10,212
Income taxes	379	4,511
Interest expense	332	320
Interest income	–12	–17
Depreciation and amortization	4,071	3,574
Gains/losses from the disposal of non-current assets including reclassification to current assets	27	235
Changes in inventories, receivables and other assets	–6,490	–6,389
Changes in provisions	–2,732	1,183
Changes in liabilities and other equity and liabilities	705	1,838
Other non-cash expenses and income	–168	1,073
Interest received	8	17
Income taxes paid	–1,764	–3,051
Cash flows from operating activities	**–4,764**	**13,506**
Investing activities		
Investments in intangible assets	–2,423	–1,719
Investments in property, plant and equipment	–5,241	–3,997
Proceeds from disposal of financial assets	0	3
Proceeds from disposal of non-current assets	0	22
Cash flows from investing activities	**–7,664**	**–5,691**
Cash flows from financing activities		
Dividend payment	–5,567	–5,567
Interest paid	–332	–320
Proceeds from borrowings	9,000	5,215
Cash repayments of borrowings	–2,004	–1,915
Cash flows from financing activities	**1,097**	**–2,587**
Change in cash and cash equivalents		
Change in cash and cash equivalents due to changes in foreign exchange rates	114	76
Change in cash and cash equivalents	–11,331	5,228
Cash and cash equivalents on 01 January	**12,520**	**2,494**
Cash and cash equivalents on 30 June	**1,303**	**7,798**
Composition of cash and cash equivalents		
Cash and cash equivalents	4,473	8,821
Overdrafts	–3,170	–1,023
Cash and cash equivalents on 30 June	**1,303**	**7,798**

NOTES ON THE PREPARATION OF THE HALF-YEARLY FINANCIAL REPORT

This half-yearly financial report for the period ended 30 June 2014 is in full compliance with the provisions of IAS 34. Due consideration is given to the interpretations of the International Financial Interpretations Committee (IFRIC). All prior-period figures were determined according to the same principles. In these interim financial statements, the same accounting policies and calculation methods were used as in the most recent annual financial statements.

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

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

No significant events having a material effect on the financial position, cash flows and profit or loss of LPKF have taken place since the 30 June 2014 reporting date.

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

BASIS OF CONSOLIDATION

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

Company	Registered seat	Country	Equity interest
LaserMicronics GmbH	Garbsen	Germany	100.0 %
LPKF SolarQuipment GmbH	Suhl	Germany	100.0 %
LPKF Grundstücksverwaltungs GmbH	Fürth	Germany	100.0 %
LPKF Laser & Electronics d.o.o.	Naklo	Slowenia	100.0 %
LPKF Distribution Inc.	Tualatin (Portland)	USA	100.0 %
LPKF (Tianjin) Co. Ltd.	Tianjin	China	100.0 %
LPKF Laser & Electronics Trading (Shanghai) Co. Ltd.	Shanghai	China	100.0 %
LPKF Laser & Electronics (Hong Kong) Ltd.	Hong Kong	China	100.0 %
LPKF Laser & Electronics K. K.	Yokohama	Japan	100.0 %
LPKF Laser & Electronics Korea Ltd.	Seoul	Korea	100.0 %

TRANSACTIONS WITH RELATED PARTIES

There are no reportable business relationships with parties related to the LPKF Group.

SHARES HELD BY MEMBERS OF THE COMPANY'S CORPORATE BODIES

Management Board	**30 June 2014**	**31 Dec. 2013**
Dr. Ingo Bretthauer	56,000	52,000
Bernd Lange	75,000	75,000
Kai Bentz	15,200	14,600
Dr.-Ing. Christian Bieniek	0	0

Supervisory Board	**30 June 2014**	**31 Dec. 2013**
Dr. Heino Büsching	10,000	10,000
Bernd Hackmann	125,600	125,600
Prof. Dr.-Ing. Erich Barke	2,000	2,000

RESPONSIBILITY STATEMENT

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

Garbsen, 13 August 2014

LPKF Laser & Electronics Aktiengesellschaft

The Management Board

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

Financial calendar

13 August 2014	Publication of the six-month report
13 November 2014	Publication of the nine-month report
24 March 2015	Publication of the 2014 annual report
13 May 2015	Publication of the three-month report
28 May 2015	Annual General Meeting
12 August 2015	Publication of the six-month report
11 November 2015	Publication of the nine-month report

Publishing Information

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

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

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