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LPKF Laser & Electronics AG at a glance

Key Group figures after 6 months 2020

<table>
<thead>
<tr>
<th></th>
<th>6 months 2020</th>
<th>6 months 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Mio. €)</td>
<td>50.0</td>
<td>72.7</td>
</tr>
<tr>
<td>EBIT (Mio. €)</td>
<td>2.8</td>
<td>10.1</td>
</tr>
<tr>
<td>EBIT margin (%)</td>
<td>5.7</td>
<td>13.9</td>
</tr>
<tr>
<td>Free Cash Flow (Mio. €)</td>
<td>-12.4</td>
<td>17.8</td>
</tr>
<tr>
<td>EPS, diluted (€)</td>
<td>0.08</td>
<td>0.30</td>
</tr>
<tr>
<td>Order entry (Mio. €)</td>
<td>39.6</td>
<td>45.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As of 30 June 2020</th>
<th>As of 30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Working Capital (Mio. €)</td>
<td>26.7</td>
<td>32.4</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>75.1</td>
<td>70.2</td>
</tr>
<tr>
<td>Order backlog (Mio. €)</td>
<td>21.9</td>
<td>31.4</td>
</tr>
<tr>
<td>Employees</td>
<td>683</td>
<td>674</td>
</tr>
</tbody>
</table>

Segments and markets

LPKF Laser & Electronics AG

- **Development**: Solutions for in-house PCB prototyping and micromaterial processing
- **Electronics**: Solutions for volume manufacturing PCB and PCBA, LIDE - Thin glass manufacturing
- **Welding**: Solutions for plastic welding in volume manufacturing
- **Solar**: Solutions for thin-film photovoltaic module production and digital printing of ceramic inks via Laser Transfer Printing (LTP)
Letter from the CEO

Garbsen, August 5th, 2020

Ladies and Gentlemen,

I am happy to report the figures for the first half of the current financial year.

The second quarter of the current financial year was significantly stronger than our weak first quarter, despite the global economic impact of the COVID-19 pandemic. Viewed against the current economic environment, we are quite pleased by this. In addition, we are pleased that LPKF was able to increase its profitability in relation to revenue more strongly than we had forecast. This is mainly driven by the fact that we were able to further reduce the company’s cost base while recruiting additional staff in the LIDE division and continuing to invest in our LPKF Glass-Foundry as planned during the second quarter. In the current environment, there fundamentally is still strong demand for our solutions and services.

While revenue in the second quarter was lower than the average of the prior year’s quarters, we were able to generate an EBIT margin of 17.1% in the second quarter – higher than the already high EBIT margin in 2019. This has two main drivers: first, that the measures we have taken – both before and since the onset of the COVID-19 pandemic – to systematically improve our operations are continuing to have meaningful impact; and second, that we were able to realize this revenue with a lower share of large orders. By contrast, and following the weak first quarter, we are not pleased by revenue and profit figures for the first half year. At the same time, this shows that LPKF is now able to generate profit even with comparatively variable revenue levels. For the second half of the year, we expect higher total revenue and profit than in the first half.

The order situation continues to be affected by the timing of a few large orders, particularly in the Solar segment: LPKF-wide figures for incoming orders in the second quarter and for orders on hand are too low. That said, when looking at the detailed figures, a more balanced picture emerges: once large orders in the Solar segment are excluded from the comparison, both incoming orders and orders on hand at the end of June are on the same level as in 2019. We do see that the economic impact of the COVID-19 pandemic is leading to various customer projects to be postponed; at the same time, customers are shortening order cycles. All of us at LPKF are keeping a very close eye on the order situation.

By now, addressing the COVID-19 pandemic’s impact on LPKF has been one of our priorities for several months. Even today, our teams are largely working from home, locations are divided into sections with limited physical interaction, and protective measures continue to be implemented. Our business – including production at all locations – continues to go ahead without restrictions, and no one has been infected at any of our locations. We will continue to do everything we can to protect our employees, their families, our business partners and our communities, to minimize the economic impact, and to continue to serve our customers as effectively as possible during the pandemic. So far, we have succeeded in doing so.

In spite of the COVID-19 pandemic’s economic impact on LPKF’s business – which varies in degree between our segments – we see a fundamentally strong demand for our solutions and services, with LPKF’s competitive position remaining strong. At the same time, placement of some orders is postponed by our customers, in some cases into next year. Other customers are reducing the lead time between order and delivery, accelerating a development that started before the pandemic. With the ongoing flexibilization of our production and supply chain, we are able to meet these customer requirements. Elsewhere, e.g., in China, we are experiencing a gradual normalization.
In the second quarter, LPKF Group revenue was EUR 30.5 million, in line with our forecast and considerably higher than our weak first quarter, but still 16% below the prior year figure of EUR 36.3 million. With that, our revenue for the first half of the year was EUR 50.0 million. All four segments – Development, Electronics, Solar and Welding – have recorded a decline in revenue in the first half of the year.

Although LPKF’s second quarter revenue was lower than the second quarter of 2019, we were able to increase our earnings before interest and taxes (EBIT) by 30% to EUR 5.2 million for the second quarter. With that, and following the weak first quarter, our profit for the half year is EUR 2.8 million. Net working capital at the end of June was EUR 26.7 million. LPKF continues to be net debt free, and the Group’s net cash reserve at the end of June - i.e., after paying out the dividend approved at the annual general meeting in June – was EUR 9.1 million, with total cash on hand of EUR 14.8 million. With EUR 17.9 million in the second quarter (Q2 2019: EUR 24.3 million), incoming orders were below the prior year figure. With EUR 21.9 million, order backlog at the end of June was also below the year-end figure (EUR 32.3 million).

It is now clear that the COVID-19 pandemic has triggered severe recessions in most economies. In Germany, gross domestic product contracted just over 10 % in the second quarter; similar declines are reported from other economies relevant to our business. Against this backdrop, our ability to forecast the current financial year is still severely limited: the deciding factor for the current financial year is whether at least a partial recovery will already occur in the second half of this year, or whether the recession will continue until the end of the year.

Regardless of what developments we may see in the coming months, LPKF is well positioned and above all, financially stable: we continue to be debt-free and have adequate cash reserves. This is due to the ongoing, sustained development of the company. This includes that, in implementing our cost measures, we have maximized our flexibility in such a way that we can react immediately to demand increases – whenever they may occur. With that, we are confident that LPKF will successfully overcome the challenges posed by the current crisis.

For the third quarter, LPKF expects revenue of EUR 24 to 27 million and a profit (EBIT) of EUR 1 to 3 million. We continue to expect sustainable, profitable growth in all segments in the coming years, and confirm our medium-term forecast made in February.

Best regards,

Goetz M. Bendele
Chief Executive Officer
Interim Management Report as of 30 June 2020

1 Basic information on the Group

The basic information on the LPKF Group in the combined management and Group management report for 2019 continues to apply unchanged.

2 Report on economic position

2.1 Course of business

2.1.1 Sector-specific environment

In addition to the macroeconomic environment, LPKF AG's business success is influenced by the development of individual sectors. These include the electronics industry and consumer electronics in particular, the automotive industry, the solar industry and the plastics sector. The development of these sectors will be commented on briefly below. All sectors were affected by the economic impact of the COVID-19 pandemic in the first half of 2020.

According to Gartner, the electronics industry saw smartphone sales decline significantly by 20.5% in the first quarter of 2020. Reasons for this included lockdown restrictions, store closures, restrained consumer activity and temporary shutdowns of production facilities in China. A modest recovery is anticipated in the second half of this year followed by an upturn in subsequent years.

According to the German Automobile Industry Association (VDA), around 17% fewer cars were sold worldwide in the first half of 2020. The industry association ACEA is calculating that new registrations in the EU will have fallen by 38.1% over this period. The VDA’s figures suggest that sales in Germany have dropped by 35% year-on-year. A modest recovery is indicated for the second half of 2020. For 2020 as a whole, a downturn in car sales of around 17%, from 79.5 million in 2019 to 65.9 million, is forecast for the global market.

IHS Markit is expecting the number of new PV installations worldwide to fall by around 16% this year due to the pandemic before rebounding in 2021. According to the German Mechanical Engineering Industry Association (VDMA), revenue in the German PV system manufacturing market plunged by over 50% year-on-year in the first quarter of 2020. This was due mainly to declining sales volumes in the key market of China, which accounts for an export rate of roughly 90%. But a positive trend in incoming orders and high demand means that the revenue levels of previous years could actually be matched for 2020 as a whole. Thin-film technology accounts for over half of all revenue.

According to a survey by DZ Bank, the German plastics sector has been left virtually unscathed by the effects of the pandemic. IHS Markit believes that the plastic consumption of the plastics industry will double from its current level of 185 million tonnes to close to 400 million tonnes by 2030.

The VDMA is reporting that incoming orders in the German mechanical and plant engineering sector contracted by 14% from February to April 2020. The highly export-driven industry does not expect revenue levels to start rising again until 2021 or 2022.

2.1.2 Effects on the LPKF Group

In the first half of 2020, all LPKF AG’s key sectors reported a significant decline in performance in some areas as a result of the COVID-19 pandemic.

The effects of the pandemic are being felt by all the company’s locations and by its customers and partners. LPKF responded to the pandemic early and with a firm hand, introducing a raft of measures to protect the health of employees and their families and that of wider society. Teams have largely
been working from home since mid-March. The company locations are divided into sections without physical interaction, and precautionary hygiene measures have been implemented systematically. These measures have meant that LPKF was able to – and is continuing to – run its business operations uninterrupted, including production at all locations.

No one at the company – neither internal nor external – has been infected by COVID-19 at any of LPKF’s locations since the outbreak of the pandemic. The Management Board is personally committed to ensuring that it continues to do everything in its power – across the whole company – to protect employees, minimize the economic impact and continue to serve its customers as effectively as possible.

The direct economic repercussions of the pandemic for LPKF have been minimal thus far. It was not forced to shut down its operations at any of its locations at any point. Its supply chains were not disrupted. Customer deliveries and services continued as usual – with a few delays in some cases. Stock levels were temporarily increased in a targeted and timely manner over the first half of the year to ward off any supply bottlenecks with key suppliers. So far, only one order with a volume of EUR 175 thousand has been cancelled in the Group.

Besides the direct impact, the economic crisis triggered by the pandemic is also having an indirect economic impact. Germany and other countries that are important markets for LPKF are currently experiencing a severe recession, but governments are expecting the recession to be followed by an upswing, possibly even as early as in the second half of 2020. The sales funnel – in other words, the pipeline of sales projects in the LPKF Group segments – is showing a tangible reduction in short-term demand to varying extents. There are delays for some orders and some investment projects have been postponed by customers, with some already pushed back as far as next year.

The decisive factor for the outcome of the current financial year will be whether this recovery materializes as early as the second half of the year and consequently whether customer demand will catch up over the course of this year, or whether the recession will continue until the end of the year. The ability to make forecasts for the current financial year continues to be severely limited. With the planned cost measures, the Management Board has maximized flexibility so that LPKF can respond very quickly to the anticipated uptick in demand – whenever it occurs – and consequently further enhance its competitiveness.

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

2.2.1 Results of operations

The second quarter was better for LPKF than the first, but the Group’s performance was down on the previous year overall at the half-year point. Revenue totaled EUR 50.0 million in the first half of the year, down 31.2% on the previous year’s figure of EUR 72.7 million.

The Solar segment delivered a large part of a major order in the second quarter, but this was not enough to match the excellent prior-year performance. This segment saw the biggest decline in revenue with 47.3%. Revenue was down 24.8% year-on-year in the Electronics segment, with major projects in printed circuit board processing having contributed to the previous year’s revenue. Performance of the other segments was likewise below that of the previous year. Revenue declined by 18.5% in the Development segment and by 15.6% in the Welding segment.

The revenue performance led to significantly lower EBIT (earnings before interest and taxes) in the first half of the year. While the Group experienced a loss of EUR 2.4 million in the first quarter, in the second quarter it generated a profit of EUR 5.2 million with an EBIT margin of 17.1%. Improvements in the margin and cost structure helped it to significantly outperform the second quarter of last year (EBIT: EUR 4.0 million, EBIT margin: 11.0%). This produced an EBIT figure of EUR 2.8 million and an
EBIT margin of 5.7% for the first half of the year overall (previous year: EUR 10.1 million, EBIT margin: 13.9%).

Incoming orders for the first six months of the year came to EUR 39.6 million, which is lower than the previous year’s figure of EUR 45.8 million. This was mainly due to the fact that the Solar segment posted incoming orders that were EUR 6.9 million higher last year. As of 30 June 2020, orders on hand amounted to EUR 21.9 million (previous year: EUR 31.4 million). The Group’s book-to-bill ratio came to 0.8 (same period of the previous year: 0.7).

Other operating income included capitalized development costs of EUR 2.4 million in the reporting period (previous year: EUR 1.7 million). At 35%, the material cost ratio was below the previous year’s figure of 42%. This can largely be explained by higher revenue from trade goods and higher revenue from major customers in the same period of the previous year.

On 30 June 2020, 683 people were employed at LPKF, 9 more than in the previous year. At EUR 21.3 million, staff costs in the reporting period were down slightly on the previous year (EUR 21.9 million). The German locations made use of the option of short-time working to varying extents. This reduced staff costs by EUR 0.4 million. In China, social security contributions were waived for companies, which had an effect on earnings of EUR 0.1 million. Subsidiaries in Slovenia also received support for their social security contributions; the EUR 0.1 million received is recognized under other operating income.

Depreciation and amortization were on a par with the previous year at EUR 3.7 million in the reporting period. Of this amount, EUR 1.6 million was attributable to depreciation and amortization from own work capitalized. Other operating expenses went down from EUR 10.1 million in the previous year to EUR 8.6 million. This change is mainly due to the reduction in travel and meals/entertainment expenses (EUR -0.9 million), the decrease in third-party work (EUR -0.2 million) and the reduction in other operating expenses (EUR -0.3 million).

Thanks to the positive financial position established in 2019, no interest expenses were incurred for short-term credit. Consolidated net profit after interest and taxes amounted to EUR 2.7 million (previous year: EUR 7.2 million).

2.2.2 Financial position

The Group’s cash and cash equivalents dropped from EUR 31.3 million to EUR 14.8 million in the reporting period. The net cash reserve of EUR 24.5 million at the end of 2019 fell to EUR 9.1 million.

Having reported free cash flow of EUR -10.3 million in the first quarter, the Group improved this figure to EUR -2.1 million in the second quarter. This brought free cash flow for the first half of the year to EUR -12.4 million overall, with cash flow from operating activities accounting for EUR -6.9 million. The reasons for this lie in a planned inventory build-up to maintain the ability to supply customers during the Corona pandemic (EUR +3.3 million), in a higher level of receivables as a result of sales not realized until the end of the quarter (EUR +3.5 million) and lower advance payments received (EUR -4.4 million) in the first half of the year. Following negative cash flow from investing activities of EUR 5.5 million, there was free cash flow of EUR -12.4 million. Dividend payment, scheduled repayments of long-term loans and payments for lease liabilities resulted in negative cash flow from financing activities of EUR 4.0 million.

LPKF is well positioned financially, and also has the necessary funds for investments and further growth. The company has not taken any public funds from the German government’s economic stimulus package to date, and it is not planning to for the remainder of the financial year or beyond.

2.2.3 Net assets

Analysis of net assets and capital structure
Compared with 31 December 2019, non-current assets increased by EUR 1.0 million to EUR 65.2 million. The change is due to an increase in capitalized development costs of EUR 0.8 million and an increase in property, plant and equipment of EUR 0.7 million. Deferred tax assets also went up by EUR 1.1 million.

During the reporting period, trade receivables increased by EUR 3.5 million to EUR 14.9 million and inventories by EUR 3.3 million to EUR 22.4 million. Cash and cash equivalents, on the other hand, decreased by EUR 16.5 million to EUR 14.8 million as of 30 June 2020. Current assets fell by EUR 8.8 million overall to EUR 55.1 million.

Net working capital rose from EUR 17.1 million to EUR 26.7 million in the first half of the year. This can be attributed to both the increase in inventories to cover supply bottlenecks and the higher level of receivables as of the reporting date.

The equity ratio increased from 71.0% at the end of 2019 to 75.1%.

Non-current liabilities declined by EUR 0.6 million, primarily due to the scheduled repayment of loans. Current liabilities likewise decreased significantly by EUR 6.6 million, which can be accounted for mainly by the EUR 4.4 million reduction in advances received.

Beyond this, the structure of the statement of financial position has not changed significantly.

Capital expenditure

In the first six months of 2020, the Group continued to make targeted investments to generate growth for the future. In addition to the LIDE production unit at the Garbsen location (EUR 2.0 million), which is scheduled to be built in the third quarter, an additional EUR 2.4 million in development costs was capitalized. Total capital expenditure amounted to EUR 5.5 million in the first half of the year.

2.2.4 Segment performance

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

<table>
<thead>
<tr>
<th></th>
<th>External revenue</th>
<th>Operating results (EBIT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>in T€</td>
<td>6 months 2020</td>
<td>6 months 2019</td>
</tr>
<tr>
<td></td>
<td>15,383</td>
<td>20,449</td>
</tr>
<tr>
<td></td>
<td>9,802</td>
<td>12,028</td>
</tr>
<tr>
<td>Welding</td>
<td>9,646</td>
<td>11,432</td>
</tr>
<tr>
<td>Solar</td>
<td>15,170</td>
<td>28,763</td>
</tr>
<tr>
<td>Total</td>
<td>50,001</td>
<td>72,672</td>
</tr>
</tbody>
</table>

The operating result (EBIT) of the segments contains the operating activities of the segments and the attributable intragroup allocations.
### 2.3 Employees

The following table shows the development in employee numbers in the first six months of 2020:

<table>
<thead>
<tr>
<th>Area</th>
<th>As of 30 June 2020</th>
<th>As of 31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>162</td>
<td>171</td>
</tr>
<tr>
<td>Sales</td>
<td>130</td>
<td>124</td>
</tr>
<tr>
<td>Development</td>
<td>146</td>
<td>143</td>
</tr>
<tr>
<td>Service</td>
<td>99</td>
<td>100</td>
</tr>
<tr>
<td>Administration</td>
<td>146</td>
<td>144</td>
</tr>
<tr>
<td>Total</td>
<td>683</td>
<td>682</td>
</tr>
</tbody>
</table>

The total number of employees as of 30 June 2020 was 665 full-time equivalents (FTEs).

As of 30 June 2020, the Group also employed 5 marginal employees, 36 trainees, and 10 students and interns.

### 2.4 Overall assessment of the Group’s economic situation

In 2019 the Management Board has implemented an earnings improvement program and carried out a number of strategic and operational measures aimed at sustaining the technology company’s profitability in a financially stable manner. The successful implementation of these measures is already reflected in the significant improvement in almost all reported key figures for 2019 and a good starting position for the financial year 2020.

Consolidated revenue was increased by 17% in 2019. In tandem with this, working capital was reduced by over half, debt was lowered further and a substantial net cash position was achieved. This has also significantly improved the company’s financial position.

There was a noticeable reduction in the order backlog in the second quarter, which was significantly lower than in the previous year at the end of June. There was no change in the order situation at the time this management report was prepared. The Management Board is monitoring this very carefully, especially considering the unclear macroeconomic outlook, the economic repercussions of the coronavirus outbreak and the opportunities arising from the changing market environment. On the whole, there is still a strong interest in LPKF’s solutions. The Management Board has introduced measures to boost sales further and actively drive forward the commercialization of new products.

In light of the difficult macroeconomic situation, LPKF has applied for short-time working with the Federal Employment Agency at all locations in Germany from April 2020 onwards, with the main focus on short-time working in non-production areas. In this way, the Management Board intends to ensure efficiency, particularly in the indirect areas, reduce fixed costs and prepare the company both for a recession and for a subsequent recovery of the global economy.

### 3 Supplementary report

No other significant events with a material effect on the net assets, financial position and results of operations of LPKF have occurred since the reporting date on 30 June 2020.
4 Opportunities and risks

In the combined management and Group management report for 2019, the opportunities and risks of the LPKF Group are presented and explained in detail in separate reports. These explanations continue to apply unchanged.

The Management Board is monitoring potential changes to the risk situation as a result of the coronavirus pandemic more closely. The interim management report outlines the successful measures that have already been taken to mitigate the impact of the pandemic on the company’s economic situation. The measures may be adapted or extended at any time in line with the current situation.

The company does not consider there to be any risks that jeopardize its continued existence at present, and no such risks for the future can currently be identified.

5 Report on expected developments

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

5.1.1 Economic environment

Since the global economy is estimated to have contracted by nearly 10% in the first half of 2020 in the wake of the pandemic, the Kiel Institute for the World Economy (IfW) is anticipating a downturn of roughly 3.8% for 2020 as a whole – the biggest slump in 70 years. From this level, growth of 6.2% is subsequently expected for 2021.

Advanced economies are expected to report a decline in economic output of 6.5% in 2020, followed by a rise of 5.3% in 2021. GDP in the US is expected to shrink by 5.8% in the current year and grow by 4.2% the year after. GDP in the eurozone is expected to decrease by as much as 8.6% in 2020, followed by an increase of 6.6%. The European Commission recently lowered its forecast for the current year from -7.7% to -8.7%, indicating the worst recession in the history of the EU.

In Germany, a country whose economy is highly dependent on exports, the IfW is expecting GDP to contract by as much as 7.2% in 2020. This should be followed by growth of 6.3% in 2021.

For the emerging economies, the economic experts at the IfW are forecasting a comparatively small decline in GDP of 2.8% in the current year and an increase of 7.4% in 2021. The main explanation for the comparatively good expectations for emerging economies is likely to be the fact that China is the second-biggest economy in the world. For the current year, the IfW is even forecasting slight GDP growth of 0.3% in China. The National Bureau of Statistics of China had reported a decline of just 1.6% for the first half of 2020. Because China was the first country to be impacted by the pandemic, it was also able to restart its economy earlier than others, and – as with the financial crisis of ten years ago – was in a position to contribute to the global economic recovery. The IfW is expecting Chinese economic output to rise significantly by 9.0% in 2021.

The overall assumption is that many countries will probably not return to their pre-pandemic levels of economic output until 2022. The current economic forecasts are also based on the assumption that there will be no further restrictions to economic activity as a result of the pandemic.

5.1.2 Group performance

The pandemic has plunged the global economy into a historic downturn, the impact of which will be felt over the course of this year and the next. If more economic restrictions are imposed as a result of the pandemic, the consequences are likely to be even more severe. In addition to the recent overshadowing impact of the pandemic, the economy is also being affected by the intensifying conflict between the US and China, growing protectionism and Brexit.
The macroeconomic environment has deteriorated significantly for the LPKF Group over the short term and has also become more difficult to calculate.

The strategic focus of LPKF Laser & Electronics AG is on the development of innovative technologies that have the potential to sustainably change products, components and production in the electronics and semiconductor industries and beyond.

Thanks to the strategic and operational measures that the Management Board has successfully implemented over the past two years, the company today is financially stable and is demonstrating sustained profitability. LPKF is able to expand its operating activities further through a stronger focus on customer needs and operational improvements. Investments in the development of new technologies and applications are being fully implemented despite the coronavirus crisis. The LPKF Group’s high degree of diversification reduces its dependence on individual market segments.

The Management Board still sees significant potential to increase the company’s revenue and earnings. This potential arises from the technologies that LPKF has mastered, its ability to integrate them in high-performance solutions, the extraordinary expertise of its employees and the resulting value contribution for its customers.

The Management Board anticipates the following developments for the future:

- Megatrends such as miniaturization, digitalization and clean production methods will help to establish the laser as a dominant tool.
- Demand among customers for efficient, laser-based solutions for the production of components and products will remain high. The number of applications will grow. New product developments and sales channels will become established.
- LIDE technology will be used for the first time for volume manufacturing, e.g. in the semiconductor, display and other industries.
- Green energy will continue to gain in importance and increase the demand for efficient solar modules.

Due to the coronavirus pandemic, the global economy is currently facing a recession, the length and intensity of which is impossible to gage. Nevertheless, LPKF assumes that the company’s technologies will continue to be required to produce innovative products in the electronics, semiconductor and solar industries. A large proportion of the company’s revenue is dependent on customers who want to introduce new products or production technologies and require LPKF’s laser technology to do so. This business is expected to take place as planned or with delays. Pure customer capacity expansions, on the other hand, are dependent on medium-term demand from end customers. It is currently difficult to forecast the further development and timing of possible orders.

The Management Board will continue to drive forward the company’s growth through targeted measures, even during the coronavirus pandemic:

- LPKF will continue to invest in technological development in order to extend its leading position in laser-based micromaterial processing. In doing so, the company will address the specific parameters that drive economic success for its customers, thereby creating a tangible competitive advantage for them.
- LIDE technology will be expanded further and its establishment in various application areas will be ramped up.
- The company will ramp up its sales activities and continue to build up market penetration in the individual segments.
- After-sales service will be further expanded as an additional growth platform.
- The Management Board will also target potential growth through M&A activities, but only where the value enhancement generated by these activities is clearly identifiable.
LPKF as a company will retain its agility and flexibility so that it is able to respond quickly to a range of macroeconomic developments.

Overall, LPKF expects further profitable growth in the medium term, even in a volatile economic environment. The company is – and will remain – well positioned financially, and has the necessary funds for investments and further growth.

5.1.3 Key financial indicators

First half of 2020

Revenue reached EUR 50.0 million in the first half of 2020, and was thus 31.2% lower than the previous year’s figure. This revenue performance led to significantly lower EBIT (earnings before interest and taxes) year-on-year of EUR 2.8 million. EBIT for the same period of the previous year was EUR 10.1 million.

At EUR 39.6 million for the first six months of the year, incoming orders were down 14% on the previous year’s figure of EUR 45.8 million. As of 30 June 2020, orders on hand amounted to EUR 21.9 million (previous year: EUR 31.4 million).

For the third quarter, the company anticipates revenue of between EUR 24 million and EUR 27 million and a profit (EBIT) of EUR 1 million to EUR 3 million.

2020 financial year

Until February 2020, the Management Board had expected growing sales and earnings for the current financial year in a stable global economy; since then, coronavirus (COVID-19) has expanded into a pandemic.

Economic experts now expect a sharp economic slump followed by a countermovement.

The ability to make forecasts for the current financial year is still severely limited as the economic environment continues to be characterized by considerable uncertainty surrounding the ongoing COVID-19 pandemic. In the event of a deeper recession, the Management Board expects a decline in revenue and earnings for the current financial year. The medium-term prospects for LPKF, and particularly the growth outlook for the LIDE segment, remain unchanged.

Subsequent years

For subsequent years, the company continues to expect sustainable, profitable growth in each business unit. Innovative LIDE technology will also generate additional growth impetus. Its revenue and profit potential were reviewed and assessed at the start of the year following progress made in several customer projects. This assessment is based on specific expectations for various applications, including in the semiconductor and display segment. Taking into account the stronger sales and earnings contribution from LIDE, LPKF now expects consolidated revenue of more than EUR 360 million and an EBIT margin of at least 25% for 2024, with further growth after that.
Responsibility statement

To the best of our knowledge, and in accordance with the applicable half-year reporting principles, the consolidated half-year financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim group management report 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, 5 August 2020

LPKF Laser & Electronics Aktiengesellschaft

The Management Board
# Consolidated financial statements

Consolidated statement of financial position as of 30 June 2020

## Assets

<table>
<thead>
<tr>
<th>EUR thsd.</th>
<th>30.06.2020</th>
<th>31.12.2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>74</td>
<td>74</td>
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<tr>
<td>Goodwill</td>
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<tr>
<td>Development costs</td>
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<tr>
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<tr>
<td><strong>Property, plant and equipment</strong></td>
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<td>15,930</td>
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<tr>
<td>Land, similar rights and buildings</td>
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<tr>
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<td>Right of use according to IFRS 16</td>
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</tr>
<tr>
<td>Trade receivables</td>
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<td>290</td>
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<tr>
<td>Other assets</td>
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<tr>
<td><strong>Deferred taxes</strong></td>
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<td><strong>Current assets</strong></td>
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<td>Inventories</td>
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<td>Trade receivables</td>
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<td></td>
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<td></td>
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<td></td>
<td>120,237</td>
<td>128,012</td>
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</table>
Consolidated statement of financial position as of 30 June 2020

**Equity and liabilities**

<table>
<thead>
<tr>
<th>EUR thsd.</th>
<th>30.06.2020</th>
<th>31.12.2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
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<td></td>
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<td>Subscribed capital</td>
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<td>Capital reserves</td>
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<td>Share-based payment reserve</td>
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<td>Currency translation reserve</td>
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<td>300</td>
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<tr>
<td>Net retained profits</td>
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<td>39,893</td>
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<td><strong>Total Equity</strong></td>
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<td><strong>Non-current liabilities</strong></td>
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<td>Provisions for pensions and similar obligations</td>
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<td>346</td>
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<td>Other provisions</td>
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<td>Deferred income from grants</td>
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<td>Other non-current liabilities</td>
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<td>thereof contract liabilities</td>
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<td><strong>Total Non-current Liabilities</strong></td>
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<td>8,930</td>
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<td><strong>Current liabilities</strong></td>
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<td>Other provisions</td>
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<td>Current liabilities to banks</td>
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<td>Trade payables</td>
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<td>Contract liabilities</td>
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<td>Other liabilities</td>
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<td><strong>Total Current Liabilities</strong></td>
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<td>28,245</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>120,237</td>
<td>128,012</td>
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</table>
## Consolidated Financial Statement

### Half-yearly Financial Report

**Consolidated income statement from 1 January to 30 June 2020**

<table>
<thead>
<tr>
<th>EUR thsd.</th>
<th>01-06 / 2020</th>
<th>01-06 / 2019</th>
<th>04-06 / 2020</th>
<th>04-06 / 2019</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>50,001</td>
<td>72,672</td>
<td>30,495</td>
<td>36,273</td>
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<tr>
<td>Changes in inventories of finished goods and</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>work in progress</td>
<td>2,456</td>
<td>905</td>
<td>-2,294</td>
<td>-986</td>
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<td>Other own work capitalized</td>
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<td>1,730</td>
<td>1,645</td>
<td>1,017</td>
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<tr>
<td>Other operating income</td>
<td>1,323</td>
<td>2,260</td>
<td>669</td>
<td>852</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>56,704</strong></td>
<td><strong>77,567</strong></td>
<td><strong>30,515</strong></td>
<td><strong>37,156</strong></td>
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<tr>
<td>Cost of materials</td>
<td>19,979</td>
<td>31,678</td>
<td>8,974</td>
<td>15,696</td>
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<tr>
<td>Staff costs</td>
<td>21,329</td>
<td>21,929</td>
<td>10,273</td>
<td>11,028</td>
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<tr>
<td>Depreciation and amortization</td>
<td>3,701</td>
<td>3,789</td>
<td>1,838</td>
<td>1,848</td>
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<td>Value adjustment according to IFRS 9</td>
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<td>101</td>
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<tr>
<td>Other operating expenses</td>
<td>8,633</td>
<td>10,094</td>
<td>4,116</td>
<td>4,630</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>53,857</strong></td>
<td><strong>67,493</strong></td>
<td><strong>25,302</strong></td>
<td><strong>33,158</strong></td>
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<tr>
<td><strong>Operating result</strong></td>
<td><strong>2,847</strong></td>
<td><strong>10,074</strong></td>
<td><strong>5,214</strong></td>
<td><strong>3,998</strong></td>
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<tr>
<td>Finance income</td>
<td>5</td>
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<td>2</td>
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<tr>
<td>Finance costs</td>
<td>118</td>
<td>290</td>
<td>69</td>
<td>188</td>
</tr>
<tr>
<td><strong>Earnings before tax</strong></td>
<td><strong>2,734</strong></td>
<td><strong>9,795</strong></td>
<td><strong>5,146</strong></td>
<td><strong>3,812</strong></td>
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<tr>
<td>Income taxes</td>
<td>744</td>
<td>2,566</td>
<td>1,385</td>
<td>975</td>
</tr>
<tr>
<td><strong>Consolidated net profit/loss</strong></td>
<td><strong>1,990</strong></td>
<td><strong>7,229</strong></td>
<td><strong>3,761</strong></td>
<td><strong>2,837</strong></td>
</tr>
<tr>
<td>thereof</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders</td>
<td>1,990</td>
<td>7,229</td>
<td>3,761</td>
<td>2,837</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,990</strong></td>
<td><strong>7,229</strong></td>
<td><strong>3,761</strong></td>
<td><strong>2,837</strong></td>
</tr>
<tr>
<td>Earnings per share (basic, EUR)</td>
<td>€ 0.08</td>
<td>€ 0.30</td>
<td>€ 0.15</td>
<td>€ 0.12</td>
</tr>
<tr>
<td>Earnings per share (diluted, EUR)</td>
<td>€ 0.08</td>
<td>€ 0.30</td>
<td>€ 0.15</td>
<td>€ 0.12</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>24,496,546</td>
<td>24,496,546</td>
<td>24,496,546</td>
<td>24,496,546</td>
</tr>
<tr>
<td>(basic, EUR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>24,496,546</td>
<td>24,496,546</td>
<td>24,496,546</td>
<td>24,496,546</td>
</tr>
<tr>
<td>(diluted, EUR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Consolidated statement of comprehensive income from 1 January to 30 June 2020

<table>
<thead>
<tr>
<th>EUR thsd.</th>
<th>01-06 / 2020</th>
<th>01-06 / 2019</th>
<th>04-06 / 2020</th>
<th>04-06 / 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated net profit/loss</td>
<td>1,990</td>
<td>7,229</td>
<td>3,761</td>
<td>2,837</td>
</tr>
<tr>
<td>Revaluations (mainly actuarial gains and losses)</td>
<td>5</td>
<td>-5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Sum total of changes which will not be reclassified to the income statement in the future</strong></td>
<td>5</td>
<td>-4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>-115</td>
<td>233</td>
<td>-385</td>
<td>-409</td>
</tr>
<tr>
<td><strong>Sum total of changes which will be reclassified to the income statement in the future if certain conditions are met</strong></td>
<td>-115</td>
<td>233</td>
<td>-385</td>
<td>-409</td>
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<tr>
<td>Other comprehensive income after taxes</td>
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<td>-385</td>
<td>-409</td>
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<tr>
<td><strong>Total comprehensive income</strong></td>
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<td>7,458</td>
<td>3,376</td>
<td>2,428</td>
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</table>
### Consolidated statement of changes in equity as of 30 June 2020

<table>
<thead>
<tr>
<th>EUR thsd.</th>
<th>Subscribed capital</th>
<th>Capital reserve</th>
<th>Other retained earnings</th>
<th>Share-based payment reserve</th>
<th>Currency translation reserve</th>
<th>Net retained profits</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance on 01 Jan. 2020</strong></td>
<td>24,497</td>
<td>15,463</td>
<td>10,194</td>
<td>490</td>
<td>300</td>
<td>39,893</td>
<td>90,837</td>
</tr>
<tr>
<td><strong>Consolidated total comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated net profit/loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,990</td>
<td>1,990</td>
</tr>
<tr>
<td>Revaluations (mainly actuarial gains and losses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Deferred taxes on changes recognized directly in equity</td>
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<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Currency translation differences</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>-115</td>
<td>-115</td>
</tr>
<tr>
<td><strong>Consolidated total comprehensive income</strong></td>
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<td>0</td>
<td>6</td>
<td>0</td>
<td>-115</td>
<td>1,990</td>
<td>1,881</td>
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<td><strong>Transactions with shareholders</strong></td>
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<tr>
<td>Dividends paid</td>
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<td><strong>Balance on 30 June 2020</strong></td>
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<td>10,200</td>
<td>490</td>
<td>185</td>
<td>39,433</td>
<td>90,268</td>
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</table>

<table>
<thead>
<tr>
<th>EUR thsd.</th>
<th>Subscribed capital</th>
<th>Capital reserve</th>
<th>Other retained earnings</th>
<th>Share-based payment reserve</th>
<th>Currency translation reserve</th>
<th>Net retained profits</th>
<th>Total equity</th>
</tr>
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<tbody>
<tr>
<td><strong>Balance on 01 Jan. 2019</strong></td>
<td>24,497</td>
<td>15,463</td>
<td>10,236</td>
<td>490</td>
<td>301</td>
<td>26,744</td>
<td>77,731</td>
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<tr>
<td><strong>Consolidated total comprehensive income</strong></td>
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<td></td>
<td></td>
<td>7,229</td>
<td>7,229</td>
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<tr>
<td>Consolidated net profit/loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluations (mainly actuarial gains and losses)</td>
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<td>-5</td>
<td></td>
<td></td>
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<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Currency translation differences</td>
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<td></td>
<td></td>
<td></td>
<td>233</td>
<td></td>
<td>233</td>
</tr>
<tr>
<td><strong>Consolidated total comprehensive income</strong></td>
<td>0</td>
<td>0</td>
<td>-4</td>
<td>0</td>
<td>233</td>
<td>7,229</td>
<td>7,458</td>
</tr>
<tr>
<td><strong>Transactions with owners</strong></td>
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</tr>
<tr>
<td>Capital Increases</td>
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<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Balance on 30 June 2019</strong></td>
<td>24,497</td>
<td>15,463</td>
<td>10,232</td>
<td>490</td>
<td>534</td>
<td>33,973</td>
<td>85,189</td>
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</tbody>
</table>
## Consolidated statement of cash flows as of 1 January to 30 June 2020

<table>
<thead>
<tr>
<th>EUR thsd.</th>
<th>01-06 / 2020</th>
<th>01-06 / 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
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</tr>
<tr>
<td>Consolidated net profit/loss</td>
<td>1,990</td>
<td>7,229</td>
</tr>
<tr>
<td>Income taxes</td>
<td>744</td>
<td>2,566</td>
</tr>
<tr>
<td>Interest expense</td>
<td>118</td>
<td>290</td>
</tr>
<tr>
<td>Interest income</td>
<td>-5</td>
<td>-11</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,701</td>
<td>3,789</td>
</tr>
<tr>
<td>Gains/losses from the disposal of non-current assets including reclassification to current assets</td>
<td>-5</td>
<td>8</td>
</tr>
<tr>
<td>Changes in inventories, receivables and other assets</td>
<td>-6,850</td>
<td>12,523</td>
</tr>
<tr>
<td>Changes in provisions</td>
<td>-64</td>
<td>-510</td>
</tr>
<tr>
<td>Changes in liabilities and other equity and liabilities</td>
<td>-5,506</td>
<td>-4,935</td>
</tr>
<tr>
<td>Other non-cash expenses and income</td>
<td>329</td>
<td>160</td>
</tr>
<tr>
<td>Interest received</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>-1,345</td>
<td>-1,089</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>-6,888</td>
<td>20,031</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in intangible assets</td>
<td>-3,124</td>
<td>-1,745</td>
</tr>
<tr>
<td>Investments in property, plant and equipment</td>
<td>-2,405</td>
<td>-510</td>
</tr>
<tr>
<td>Proceeds from disposal of non-current assets</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>-5,524</td>
<td>-2,255</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend payment</td>
<td>-2,450</td>
<td>0</td>
</tr>
<tr>
<td>Interest paid</td>
<td>-108</td>
<td>-290</td>
</tr>
<tr>
<td>Repayment of leasing liabilities IFRS 16</td>
<td>-353</td>
<td>0</td>
</tr>
<tr>
<td>Cash repayments of borrowings</td>
<td>-1,059</td>
<td>-11,301</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>-3,970</td>
<td>-11,591</td>
</tr>
<tr>
<td><strong>Change in cash and cash equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in cash and cash equivalents due to changes in foreign exchange rates</td>
<td>-117</td>
<td>-70</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>-16,381</td>
<td>6,185</td>
</tr>
<tr>
<td>Cash and cash equivalents on 01 Jan.</td>
<td>31,343</td>
<td>3,707</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents on 30 June</strong></td>
<td>14,845</td>
<td>9,822</td>
</tr>
<tr>
<td><strong>Composition of cash and cash equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14,845</td>
<td>9,822</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents on 30 June</strong></td>
<td>14,845</td>
<td>9,822</td>
</tr>
</tbody>
</table>
**Notes on the preparation of the quarterly financial report**

This financial report as of 30 June 2020 complies in full with the rules set out in IAS 34. The interpretations of the International Financial Interpretations Committee (IFRIC) are observed. The figures of the previous period were calculated according to the same principles, provided that new standards did not require any changes. The same applies to the accounting and valuation methods and the calculation methods used in the interim financial statements. Standards to be applied in the current financial year have already been applied. Estimates of amounts reported in prior interim periods of the current financial year, in the last annual financial statements or in previous financial years have not been changed in this financial report. There have been no significant changes to the contingent liabilities and contingent assets since the last reporting 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 end of the reporting period is included in the supplementary report of the interim management report.

As outlined in the interim management report, LPKF too was impacted by the effects of the COVID-19 pandemic. For these interim financial statements, LPKF closely examined the items of impairment of capitalized development costs, deferred tax assets, inventories and trade receivables in particular. There was no need for any of these items to be written down.

Relief and support measures are outlined in the interim management report.

**Basis of consolidation**

The scope of consolidation shown on page 104 of the Annual Report for 2019 remains unchanged.

**Transactions with related parties**

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

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Garbsen, 5 August 2020

LPKF Laser & Electronics Aktiengesellschaft

The Management Board

Goetz M. Bendele  
Christian Witt
Financial calendar

05 August 2020   Publication of the six-months report
29 October 2020  Publication of the nine-months 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.

Disclaimer

This quarterly financial report contains forward-looking statements that are based on the Management Board’s current estimates and forecasts and on information currently available. These forward-looking statements are not to be understood as guarantees of forecast future performance and results. Instead, future performance and results depend on a large number of risks and uncertainties and are based on assumptions that might not prove accurate. We disclaim any obligation to update these forward-looking statements. For mathematical reasons, rounding differences may occur in percentage figures and numbers in the tables, illustrations and texts of this report.

This quarterly financial report is published in German and English. In case of any discrepancies, the German version shall prevail.