

# LPKF NEWSLETTER

Group interim report for the three months ending 31 March 2008

## 1. Group interim management report

### 1.1 Consolidated Group

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

Name	Domicile	Holding %	Acquired
LaserMicronics GmbH	Garbsen / Germany	100.0	1989
LPKF Laser & Elektronika d.o.o.	Naklo / Slovenia	75.0	1995
LPKF Distribution Inc.	Wilsonville / USA	85.0	1994/1999/2005
LPKF Motion & Control GmbH	Suhl / Germany	50.9	1991/1999
LPKF France S.A.R.L.	Lisses / France	94.0	1999
LPKF (Tianjin) Co. Ltd.	Tianjin / China	100.0	2000
LPKF Laser & Electronics (ASIA) Ltd.	Hong Kong / China	100.0	2005
LPKF SolarQuipment GmbH	Suhl / Germany	83.7	2007

The subsidiaries LPKF Services Inc. and LPKF Properties LLC have been closed and are no longer part of the consolidated group.

### 1.2 Course of business and earnings situation

#### 1.2.1 Overall economic conditions

The global economy faces its first serious test at the start of 2008 after enjoying four years of above average growth. The crisis in the financial markets, rising inflation, and the impact of the weaker US Dollar, are sending out conflicting signals and creating a general sense of insecurity concerning future developments.

#### 1.2.2 Turnover performance

In the first three months of the 2008 financial year, LPKF reported a turnover of € 8.5 million (previous year: € 8.0 million), a rise of 6.2 % year-on-year. Overall turnover in the first quarter is below target. There were differences in the business activity of the various segments. Thanks to the broad structure of the LPKF Group, declines in some segments were compensated for by strong performance in other segments. The development in the Group's turnover is affected by some degree of seasonality: turnover during past financial years was often at its lowest in the first quarter.

External Sales	Q1 / 2008	Q1 / 2007
Laser Systems	3,969	4,489
Rapid Prototyping	3,870	3,013
Inspection / Special Systems	3	0
Production Services	372	197
Others	248	266
<b>Total</b>	<b>8,462</b>	<b>7,965</b>

#### 1.2.3 Earnings performance

Group EBIT in the first quarter 2008 was T€ - 317. The expansion of capacities as part of LPKF AG's growth strategy led to an 11.2 % rise in personnel costs, and a 31.4 % rise in depreciation compared to the same period the previous year. As a consequence of higher distribution expenses, other operating costs rose by 20.2 %, whilst the materials usage ratio stayed at the same level as 2007 at 31.2 %. Against the background of the only minor increase in turnover, these rises in costs explain the reported performance. The Board of Managing Directors of LPKF Laser & Electronics AG considers the weak operating performance in the first quarter to be a temporary anomaly.

### 1.2.4 Segment reporting

The following table summarises the operating performance in each of the segments:

Operating result	Q1 / 2008	Q1 / 2007
Laser Systems	-698	688
Rapid Prototyping	654	239
Inspection / Special Systems	0	-27
Production services	73	65
Others	59	13
Not distributed	-405	-267
<b>Total</b>	<b>-317</b>	<b>711</b>

### 1.3 Assets and financial situation

#### 1.3.1 Assets situation

The assets have basically remained unchanged since the start of the financial year. Due to the high level of orders in hand, the Group has increased its inventories by T€ 1,489. This increase primarily concerns parts and unfinished products. A significant decrease in inventories is expected in the second quarter. Liquid funds reduced by T€ 1,132 to T€ 1,692 in line with the change in inventories.

The structure of the shareholders' equity and liabilities side of the balance sheet, and the balance sheet total, remain largely unchanged. The capital ratio remains high at 68,7 %.

### 1.3.2 Financial situation

Due to the increase in inventory assets, the Group generated a cash flow from operating activities in the first three months of the 2008 financial year of T€ - 224 (previous year: T€ - 222). Investments financed from own funds led to an outflow of T€ 789 from investment activities. Cash and cash equivalents overall shrank by T€ 1,108 to T€ 1,926.

### 1.3.3 Investments

A large amount of development work took place in the Solar and Stencil segments during the reporting period. Development costs totalling T€ 260 were therefore reported on the assets side of the balance sheet. The construction work on the new offices for the distribution subsidiary in the USA was also completed in the first quarter.

### 1.4 Workforce

The following table shows the changes in the workforce in the first quarter 2008:

	31.03.2008	31.12.2007
Production	77	65
Distribution	71	69
Research & Development	82	81
Service	42	37
Administration	87	87
	<b>359</b>	<b>339</b>

### 1.5 Report on opportunities and risks

There have been no marked changes during the reporting period in the opportunities and risks affecting LPKF Laser & Electronics AG compared to the situation described in detail in the 2007 annual report.

### 1.6 Forecast

Development in the segments

Basic business

Rapid Prototyping

The Rapid Prototyping segment made a very promising start to the new financial year with a growth in turnover of 28.4 %. Significant aspects here are not only the continuing growth, but also the fact that turnover per order is increasing. This trend is associated with the rise in the sales of high quality machines and accessories. The Board of Managing Directors forecasts robust growth in the 2008 financial year.

Stencil

After the slump in turnover in the Stencil segment in 2007 caused by the rise in competition, LPKF succeeded in recouping market share in recent months with the launch of two new machine models. The new systems feature much better price/performance ratios, and strengthen LPKF's position as market leader in this sector. Turnover in the first quarter 2008 is still well below the previous year's level. Because of the high level of orders in hand (+ 114 %) and the orders received (+ 71 %), turnover is forecast to do better in this segment than in the previous year.

PCB Processing

The turnover in PCB Processing systems suffered in 2007 from the competition favoured by the weakness of the US Dollar. This trend continued in the first quarter 2008 with a decline in turnover of -54 % compared to the same period the previous year. LPKF is currently improving the cost structure of these systems by raising the production depth and thus the proportion of its own value-added.

Growth segments

MID

Laser systems for the production of MIDs using the LPKF-LDS® method suffered a decline in turnover in the first quarter. LPKF delivered a number of these systems in 2007, and forecasts the receipt of follow-up orders once the capacity of these systems has been saturated. In addition, new areas of application in the automotive sector have also been indicated. The Board of Managing Directors considers the current decline in turnover to be a temporary affair, and continues to forecast growth rates of around 25 % for this segment in the medium term.

Plastic Welding

After substantial investment and a modest growth in turnover in 2007, Plastic Welding is now experiencing the forecast boom in orders. This segment also profits here from the focussed activities to boost distribution at an international level. The demand for Plastic Welding systems continues to rise, and LPKF is now also listed by major international players as a supplier of choice. The level of orders received in the first quarter totalled € 2.4 million, more than double the previous year's figure. This positive performance continued beyond the reporting date.

Solar

The still young Solar business has developed very positively. LPKF reported several orders in February 2008 with a total volume of almost € 5 million. The laser systems are used for the structuring of thin film solar panels. LPKF is involved in a very dynamic market in which it sees major potential for growth. The Group is therefore rigorously expanding the Solar development and production capacities at its factory in Suhl.

General outlook

The orders received by the Group up to 31 March totalled T€ 11,830 and were therefore up 48 % year-on-year. Orders in hand reached T€ 12,684 and are therefore up 132 % compared to the first quarter 2007. A large proportion of this high level of orders in hand is accounted for by the orders for solar scribing machines, of which most will be reported in turnover during the course of the ongoing financial year. The Board of Managing Directors considers the weak turnover performance in the first quarter to be a temporary anomaly, and rates the excellent level of orders in hand as a clear sign for stronger growth in turnover and positive Group performance in the first half of the 2008 financial year.

The performance during the course of the 2008 financial year will depend on the impact of the current crisis in the financial markets on global investment behaviour.

## 2. Interim Group financial statements

### Consolidated Balance Sheet (in T€)

Assets	31.03.2008	31.12.2007	Liabilities and shareholders' equity	31.03.2008	31.12.2007
<b>Non-current assets</b>			<b>Shareholders' equity</b>		
Goodwill	74	74	Share capital	10,858	10,858
Other intangible assets	3,494	3,366	Additional paid-in capital	3,953	3,953
Tangible assets	13,663	13,675	Market value of hedging transactions	0	0
Investments	0	17	Market value of securities	-7	-7
Deferred taxes	461	531	Reserves for share based payments	304	274
Trade accounts receivable	372	463	Retained earnings	17,228	17,599
Tax refund claims	354	354	Foreign currency translation adjustments	-1,498	-1,289
Other assets	154	224	Minority interest	2,736	2,552
<b>Total non-current assets</b>	<b>18,572</b>	<b>18,704</b>	<b>Total shareholders' equity</b>	<b>33,574</b>	<b>33,940</b>
<b>Current assets</b>			<b>Non-current liabilities</b>		
Inventories	17,106	15,617	Provisions for pensions	345	335
Trade accounts receivable	8,330	9,784	Longterm debt, less current portion	3,536	3,664
Tax refund claims	1,403	615	Deferred grants	364	373
Other current assets	1,441	1,146	Deferred taxes	1,099	1,234
Shortterm investments / marketable securities	300	284	<b>Total non-current liabilities</b>	<b>5,344</b>	<b>5,606</b>
Cash and cash equivalents	1,692	2,824	<b>Current liabilities</b>		
<b>Total current assets</b>	<b>30,272</b>	<b>30,270</b>	Accrued expenses	1,716	2,809
<b>Total assets</b>	<b>48,844</b>	<b>48,974</b>	Short-term debt and current portion or long term debt	1,401	1,347
			Trade accounts payable	2,139	2,101
			Other current liabilities	4,670	3,171
			<b>Total current liabilities</b>	<b>9,926</b>	<b>9,428</b>
			<b>Total liabilities and shareholders' equity</b>	<b>48,844</b>	<b>48,974</b>

### Consolidated Statement of Income (in T€)

	01.01.-31.03.2008	01.01.-31.03.2007
Sales	8,462	7,965
Other operating income	154	331
Changes in inventories of finished goods and work-in-progress	294	257
Own work capitalized	267	367
Cost of purchased materials and services	2,735	2,369
Personnel expenses	3,826	3,442
Depreciation on plant (and intangible assets)	581	442
Amortisation of goodwill	0	0
Other operating expenses	2,352	1,956
<b>Operating income</b>	<b>-317</b>	<b>711</b>
Financial income	28	34
Financial expenditure	53	48
Income from investments and participations	0	0
Income / expense from investments accounted for by the equity method	0	0
Other income / expenses	0	0
<b>Result before income taxes (and minority interests)</b>	<b>-342</b>	<b>697</b>
Income tax	107	219
Extraordinary income / expenses	0	0
<b>Result before minority interests</b>	<b>-235</b>	<b>478</b>
Minority interests	136	-34
<b>Net result</b>	<b>-371</b>	<b>512</b>

### Earnings per share (in €)

	01.01.-31.03.2008	01.01.-31.03.2007
Earnings per share (basic)	-0.03	0.05
Earnings per share (diluted)	-0.03	0.05
Weighted average shares outstanding (basic)	10,858,052	10,858,052
Weighted average shares outstanding (diluted)	10,858,052	10,858,052

**Consolidated statement of the changes in shareholders' equity (in T€)**

Consolidated statement of the changes in shareholders' equity for the financial year ended 31 March 2008 (previous year in brackets)

	Share capital	Additional paid-in capital	Other earnings reserves	Market value of hedging transactions	Market value of securities	Reserves for share based payments	Retained earnings	Foreign currency translation adjustments	Minority interest	Total
As at 1.1.2008 / 1.1.2007 before setting-off own stock	10,858 (10,858)	3,953 (3,953)	7,000 (6,000)	0 (14)	-7 (0)	274 (161)	10,599 (9,034)	-1,289 (-864)	2,552 (2,559)	33,940 (31,715)
Setting-off own stock	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
As at 1.1.2008 / 1.1.2007 after setting-off own stock	10,858 (10,858)	3,953 (3,953)	7,000 (6,000)	0 (14)	-7 (0)	274 (161)	10,599 (9,034)	-1,289 (-864)	2,552 (2,559)	33,940 (31,715)
Costs of capital increase	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Proceeds from capital increase	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Buying back own stock	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Issue of own stock	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Additions from measurement of cash flow hedge	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Reductions from measurement of cash flow hedge	0 (0)	0 (0)	0 (0)	0 (-14)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (-14)
Additions from market valuation from securities	0 (0)	0 (0)	0 (0)	0 (0)	0 (-8)	0 (0)	0 (0)	0 (0)	0 (0)	0 (-8)
Allocations to reserves	0 (0)	0 (0)	0 (0)	0 (8)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (8)
Transfer of earnings reserves	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Dividend payment to shareholders	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Net result	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	-371 (512)	0 (0)	136 (-34)	-235 (478)
Expenditure for granted option rights	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	30 (20)	0 (0)	0 (0)	0 (0)	30 (20)
Settlement of difference from acquisition of minority shares	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Foreign currency translation adjustments	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	-209 (27)	48 (-61)	-161 (-34)
As at 31.03.2008	10,858	3,953	7,000	0	-7	304	10,228	-1,498	2,736	33,574
As at 31.03.2007	(10,858)	(3,953)	(6,000)	(8)	(-8)	(181)	(9,546)	(-837)	(2,464)	(32,165)

## Consolidated cash flow statement according to IAS 7 (in T€)

	01.01. – 31.03.2008	01.01. – 31.03.2007
<b>Operating activities</b>		
Net profit	-235	478
Income tax	-107	219
Interest charges	53	48
Interest income	-28	-34
Depreciation and amortisation	581	442
Changes in provisions and accruals	-385	-1,218
Gains/losses on the disposal of fixed assets including reclassification into current assets	0	14
Cashless currency differences in fixed assets	108	3
Changes in inventories, accounts receivables and other assets	-886	-981
Changes in liabilities and other deferred income	1,230	1,076
Other non-payment expense/income	7	-14
Payments from interest	28	34
Paid income tax	-590	-289
<b>Cash flows from operating activities</b>	<b>-224</b>	<b>-222</b>
<b>Investing activities</b>		
Fixed assets investment intangible assets	-326	-426
Fixed assets investment tangible assets	-484	-632
Investments in subsidiaries	0	0
Proceeds from disposal of financial assets	17	0
Proceeds from sale of equipment	4	3
<b>Cash flows from investing activities</b>	<b>-789</b>	<b>-1,055</b>
<b>Financing activities</b>		
Dividend payment to shareholders	0	0
Dividend payment to minorities	0	0
Interest paid	-53	-48
Proceeds from issuance of share capital	0	0
Purchasing of own stock	0	0
Repayment convertible bond	0	-2
Costs of capital increase	0	0
Proceeds from short or long-term borrowings	53	300
Repayments long-time bank loans	-192	-158
<b>Cash flows from financing activities</b>	<b>-192</b>	<b>92</b>
<b>Changes in cash and cash equivalents</b>		
Changes in cash and cash equivalents due to exchange rates	23	23
Changes in cash and cash equivalents	-1,205	-1,185
Cash and cash equivalents as at 1. 1.	3,108	5,156
<b>Cash and cash equivalents as at 31.03.</b>	<b>1,926</b>	<b>3,994</b>
<b>Composition of cash and cash equivalent</b>		
Cash	1,692	2,263
Short-term investments / securities	300	1,904
Bank overdraft	-66	-173
<b>Cash and cash equivalents</b>	<b>1,926</b>	<b>3,994</b>

### 3. Shortened annex

#### 3.1 Details on the compilation of the interim-annual report

The interim report as at 31 March 2008 has been prepared in accordance with IFRS. It reflects the interpretations of the International Financial Interpretations Committee (IFRIC). All past figures have been determined using the same principles.

The same accounting methods and evaluation methods were used in the interim accounts as in the last annual financial statements.

Estimates of accounts reported in earlier interim reporting periods of the current financial year, the last annual financial statements, and in previous financial years remain unchanged in this interim report.

During the report period, the expenditure for R&D was T€ 1,198 (previous year: T€ 1,095).

Since the last balance sheet date, there have been no changes to contingent liabilities.

No events of significance with substantial impacts on the asset, financial and earnings situation have taken place since key date 31 March 2008.

This present interim three months report has not been audited and has not been subject to an examining review.

#### 3.2 Related parties transactions

A shareholder of the subsidiary LPKF Laser & Electronika d.o.o. holds 100% of the shares in Zeltra Naklo d.o.o.. During 2007 materials and equipment, merchandise and services totalling T€ 3 were purchased from this related party by Group companies.

50% of the shares in PMV d.o.o. are held by a shareholder of the subsidiary LPKF Laser & Electronika d.o.o. and 50% by other related parties. In 2007, business relations with this company covered development and production services and rentals and/or license agreements totalling T€ 214. In addition, Group companies carried out orders totalling T€ 31 for PMV d.o.o..

The Managing Director of LPKF Distribution Inc. granted the company a long-term loan totalling TUS\$ 350, for the financing of a construction measurement. Interest rates and provision of security are at prevailing market rates.

On balance sheet date, LPKF Laser & Electronics AG has liabilities due to members of the supervisory board totalling T€ 40.

With the exception of the aforementioned, there are no other significant claims or liabilities against LPKF Group companies with respect to paid remunerations or benefits granted to related parties.

#### Number of shares held by Board members

	31.03.2008	31.12.2007
<b>Board of Managing Directors</b>		
Bernd Hackmann	222,800	222,800
Bernd Lange	7,010	7,010
Kai Bentz	725	725
<b>Supervisory Board</b>		
Bernd Hildebrandt	871,746	871,746
Prof. Dr.-Ing. Erich Barke	1,000	1,000

#### 4. Responsibility Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements for the first three months to 31 March 2008 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, 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 principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

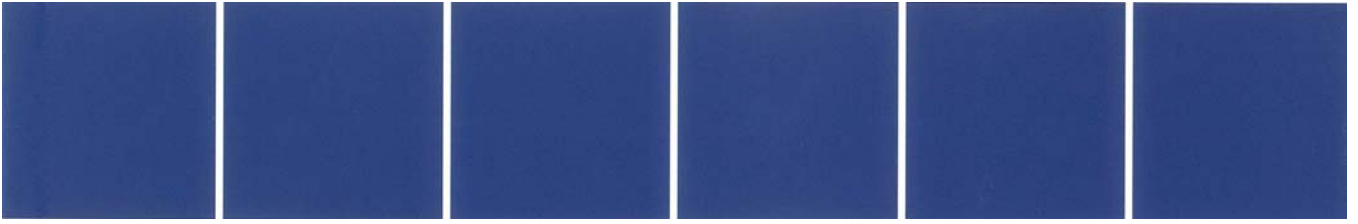
Garbsen, 15 May 2008

LPKF Laser & Electronics AG, Garbsen  
Managing Board of Directors

Bernd Hackmann

Bernd Lange

Kai Bentz



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LPKF Laser & Electronics AG Osteriede 7 D - 30827 Garbsen  
Internet: [www.lpkf.com](http://www.lpkf.com) Phone +49 (0) 5131 - 7095 - 0