



## LPKF NEWSLETTER 01/06

Ladies and Gentlemen,

In the first quarter of 2006, LPKF has been able to continue the very positive trend from the 2005 financial year and is still aiming for further growth.

The LPKF Group generated a growth in turnover in the first three months of 17% to raise turnover to 8.141 million € – the best ever first quarter turnover in the company's 30-year history.

The growth in turnover is primarily attributable to a strong expansion in the Laser Systems segment which rose by 41%. Business in the 3D-MID Laser Systems segment in particular was very satisfactory and made its first real contribution to earnings of 1,215 T€.

The Laser Plastic-Welding division continued to develop positively as in the previous year and exceeded its target with a turnover of 842 T€. This division is also showing a clear move away from production services to the actual sale of systems.

Whilst turnover in the Inspection/Special Systems segment was slightly down year-on-year in the first three months, Rapid PCB Prototyping sales rose considerably to push turnover up by 11% to 2,621 T€.

Profits at 700 T€ were down by 240 T€ on the same period the previous year. However, direct comparison between the first quarters in 2006 and 2005 are limited by two factors: the profit in Q1 2005 was raised by extraordinary income from the sale of stencil laser production in North America; and unlike the previous year, provisions for bonuses were already set aside in the first quarter 2006. Adjusted for these special effects, profit in Q1 2006 actually rose by 166 T€.

The EBIT margin, corresponding to the ratio between operating profit and sales, was 18.5%. A margin of 17.1% was generated in the whole of the 2005 financial year. The target laid down for profitable growth was therefore achieved in the first quarter 2006.

Orders in hand and the current level of orders received indicate that the company will continue to develop positively in the ongoing financial year, and will benefit from the trends in the global electronics market towards further miniaturisation, shorter product cycles and higher productivity. This growth is reflected in the orders in hand of the LPKF Group as at 31 March 2006 of 8,374 T€ compared to 4,658 T€ the previous year – an increase of 79.8%. The rise in accumulated orders received in the first 3 months of the ongoing financial year also shows satisfactory growth year-on-year of 1,215 T€ to 8,719 T€.

The positive development in the Laser Plastic-Welding and 3D-MID segments is particularly satisfactory because the investment in these segments in the past is now generating the expected rewards.

The management expects additional positive impulses to come during the course of the financial year from the market launch of new and even higher quality products in coming months. The turnover target in the ongoing financial year is 41 million €, to rise to 50 million € by the end of 2007.

Bernd Hackmann

Bernd Lange



#### Statement of income (in T€)

	01.01.- 31.03.2006	01.01.- 31.03.2005
Turnover	8,141	6,958
Other operating income	207	520
Changes in inventories of finished goods and work-in-progress	913	-144
Production of own fixes assets capitalized	183	100
Cost of purchased materials and services	2,590	1,630
Personnel expenses	3,094	2,392
Depreciation on plant (and intangible assets)	352	340
Amortisation of goodwill	0	0
Other operating expenses	1,901	1,439
<b>Operating income</b>	<b>1,507</b>	<b>1,633</b>
Interest income	46	46
Interest expense	42	39
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 interest)</b>	<b>1,511</b>	<b>1,640</b>
Income tax	590	644
Extraordinary income / expenses	0	0
<b>Result before minority interest</b>	<b>921</b>	<b>996</b>
<b>Minority interest</b>	<b>221</b>	<b>56</b>
<b>Net result</b>	<b>700</b>	<b>940</b>

#### Balance sheet (in T€)

Assets	31.03.2006	31.12.2005
<b>Current assets</b>		
Cash and cash equivalents	4,213	5,572
Short-term investments / marketable securities	2,806	3,049
Trade accounts receivable	5,627	6,313
Accounts receivable due to related parties	0	0
Inventories	15,157	13,010
Prepaid expenses and other current assets	1,004	938
<b>Total current assets</b>	<b>28,807</b>	<b>28,882</b>
<b>Non-current assets</b>		
Property, plant and equipment	9,713	8,074
Intangible assets	894	761
Goodwill	74	74
Investments	0	0
Investments accounted for by the equity method	0	0
Notes receivables / loan	2	3
Deferred taxes	426	426
Trade accounts receivable	136	153
Other assets	204	204
<b>Total non-current assets</b>	<b>11,449</b>	<b>9,695</b>
<b>Total assets</b>	<b>40,256</b>	<b>38,577</b>

#### Earnings per share (in €)

	01.01.- 31.03.2006	01.01.- 31.03.2005
Net income per share (basic)	0.06	0.09
Net income per share (diluted)	0.06	0.09
Weighted average shares outstanding (basic)	10,838,347	10,597,895
Weighted average shares outstanding (diluted)	11,009,147	10,651,007

#### Segment reporting (in T€)

According to product lines per 31.03.2006

External Sales	2006	2005
Laser Systems	4,736	3,357
Rapid PCB Prototyping	2,621	2,359
Inspection/Special systems	438	780
Production services	259	368
Others	87	94
Not distributed	0	0
<b>Total</b>	<b>8,141</b>	<b>6,958</b>

Operating result	2006	2005
Laser Systems	1,374	1,198
Rapid PCB Prototyping	225	290
Inspection/Special systems	124	221
Production services	33	162
Others	8	7
Not distributed	-257	-245
<b>Total</b>	<b>1,507</b>	<b>1,633</b>

Liabilities and shareholders' equity	31.03.2006	31.12.2005
<b>Current liabilities</b>		
Current portion of finance lease obligation	52	61
Short-term debt and current portion of long term debt	736	517
Trade accounts payable	2,074	1,612
Accounts payable due to related parties	0	0
Advanced payments received	687	491
Accrued expenses	1,648	2,720
Deferred revenues	0	0
Income tax payable	0	0
Deferred taxes liability	0	0
Other current liabilities	1,930	1,684
Deferred income	50	43
<b>Total current liabilities</b>	<b>7,177</b>	<b>7,128</b>
<b>Non-current liabilities</b>		
Long-term debt, less current portion	2,488	1,736
Finance lease obligations, less current portion	10	10
Deferred revenues	0	0
Deferred taxes liability	569	549
Pension accrual	285	284
Deferred income	319	316
<b>Total non-current liabilities</b>	<b>3,671</b>	<b>2,895</b>
<b>Minority interest</b>	<b>2,378</b>	<b>2,173</b>
<b>Shareholders' equity</b>		
Share capital	10,838	10,838
Additional paid-in capital	3,901	3,901
Treasury stock	0	0
Fair value reserves hedging instruments	0	-3
Market value of securities	-31	-29
Reserves for share based payments	106	93
Retained earnings	12,845	12,145
Foreign currency translation adjustments	-629	-564
<b>Total shareholders' equity</b>	<b>27,030</b>	<b>26,381</b>
<b>Total liabilities and shareholders' equity</b>	<b>40,256</b>	<b>38,577</b>



**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 2006 (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	Total
As at 1.1.2006 before setting-off own stock and market valuation of securities	10,838	3,901	4,700	-3	-29	93	7,445	-564	26,381
As at 1.1.2005 before setting-off own stock	(10,648)	(3,768)	(4,000)	(-1)	(0)	(42)	(5,518)	(-961)	(23,014)
Setting-off own stock	0	0	0	0	0	0	0	0	0
	(-50)	(-97)	(0)	(0)	(0)	(0)	(0)	(0)	(-147)
Additions from market valuation of securities	0	0	0	0	0	0	0	0	0
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
As at 01.01.2006 after setting-off own stock and market valuation of securities	10,838	3,901	4,700	-3	-29	93	7,445	-564	26,381
As at 01.01.2005 after setting-off own stock and market valuation of securities	(10,598)	(3,671)	(4,000)	(-1)	(0)	(42)	(5,518)	(-961)	(22,867)
Costs of capital increase	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)
Buying back own stock	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)
Additions from valuation of cash flow hedge	0	0	0	0	0	0	0	0	0
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Reductions from valuation of cash flow hedge	0	0	0	3	0	0	0	0	3
	(0)	(0)	(0)	(1)	(0)	(0)	(0)	(0)	(1)
Additions from market valuation from securities	0	0	0	0	-2	0	0	0	-2
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Allocations to reserves	0	0	0	0	0	0	0	0	0
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfer of earnings reserves	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)
Net result	0	0	0	0	0	0	700	0	700
	(0)	(0)	(0)	(0)	(0)	(0)	(940)	(0)	(940)
Expenditure for granted option rights	0	0	0	0	0	13	0	0	13
	(0)	(0)	(0)	(0)	(0)	(10)	(0)	(0)	(10)
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)
Foreign currency translation adjustments	0	0	0	0	0	0	0	-65	-65
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(216)	(216)
As at 31.03.2006	10,838	3,901	4,700	0	-31	106	8,145	-629	27,030
As at 31.03.2005	(10,598)	(3,671)	(4,000)	(0)	(0)	(52)	(6,458)	(-745)	(24,034)

**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.	Kranj / Slovenia	75.0	1995
LPKF Laser & Electronics Inc.	Wilsonville / USA	85.0 (prev.year: 60.0)	1994/1999/2005
LPKF Services Inc. (formerly: A-Laser Inc.)	Beaverton / USA	100.0	1995/1999
LPKF Motion & Control GmbH	Suhl / Germany	50.9	1991/1999
LPKF Properties LLC	Wilsonville / USA	60.0	1999
LPKF France S.A.R.L.	Lisses / France	94.0	1999
LPKF Laser Components GmbH	Garbsen / Germany	100.0 (prev.year: 80.0)	1999/2005
LPKF (Tianjin) Co. Ltd.	Tianjin / China	100.0	2000
LPKF Laser & Electronics (ASIA) Ltd.	Hongkong / China	100.0	2005

**Number of shares held by board members**

	31.03.2006	31.12.2005
<b>Board of managing directors</b>		
Bernd Hackmann	193,200	193,200
Bernd Lange	500	500
<b>Supervisory board</b>		
Bernd Hildebrandt	871,746	871,746
Klaus Sülter	26,043	658,800

**Workforce**

The breakdown of employee numbers is as follows

	31.03.2006	31.12.2005
Production	71	63
Distribution	59	58
Research & Development	56	54
Engineering and administration	74	73
	<b>260</b>	<b>248</b>



### Consolidated cash flow statement (in T€)

	01.01. - 31.03.2006	01.01. - 31.03.2005
<b>Cash flows from operating activities</b>		
Net profit / loss	700	940
Minority interest	221	56
Depreciation and amortisation	352	340
Changes in provisions and accruals	-1,023	635
Gains/losses on the disposal of fixed assets	-10	-321
Changes in inventories, accounts receivables and other assets	-1,555	-2,594
Changes in liabilities and other deferred income	852	337
Other non-payment expense/income	31	-201
<b>Cash flows from operating activities</b>	<b>-432</b>	<b>-808</b>
<b>Cash flows from investing activities</b>		
Fixed assets investment intangible assets	-28	-17
Fixed assets investment tangible assets	-2,120	-202
Investments in subsidiaries	0	0
Proceeds from disposal of a subsidiary	0	0
Proceeds from sale of equipment	50	479
<b>Cash flows from investing activities</b>	<b>-2,098</b>	<b>260</b>
<b>Cash flows from financing activities</b>		
Dividend payment to shareholders	0	0
Proceeds from issuance of share capital	0	0
Purchasing of treasury stock	0	0
Repayment convertible bonds	0	0
Costs of capital increase	0	0
Proceeds from short or long-term borrowings	1,000	0
Repayments long-time bank borrowings	-108	-108
Payment of capital lease liabilities	-9	-9
<b>Cash flows from financing activities</b>	<b>883</b>	<b>-117</b>
<b>Changes in cash and cash equivalents</b>		
Changes in cash and cash equivalents due to exchange rates	-33	62
Changes in cash and cash equivalents	-1,647	-665
Cash and cash equivalents as at 01.01.2006	8,564	7,125
<b>Cash and cash equivalents as at 31.03.2006</b>	<b>6,884</b>	<b>6,522</b>
<b>Composition of cash and cash equivalent</b>		
Cash	4,213	4,991
Short-term investments	2,806	1,647
Bank overdraft	-135	-116
<b>Cash and cash equivalents</b>	<b>6,884</b>	<b>6,522</b>

### Shortened Annex

The 31 March 2006 interim report 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 valuation methods were used in the interim accounts as in the last annual financial statements.

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

R&D expenses in the reporting period were T€ 872 (previous year T€ 694).

No changes have arisen since the last balance sheet date with respect to contingent liabilities and contingent assets.

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

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Laser & Electronics