



LPKF NEWSLETTER 01/05

Ladies and Gentlemen,

We are delighted to be able to inform you that LPKF Laser & Electronics AG continues to develop positively and posted a significant increase in turnover of 36.8% to K€ 6,958 in the first quarter 2005. The profit of K€ 940 achieved a new record in our company's history (previous year: K€ - 90). Despite the continuing weakness of the dollar, we were able to continue and improve on last year's growth. This is also now noticeable in the EBIT which rose to K€ 1,633. The EBIT margin is 23.5% and thus well above our forecasts. We were able to book special effects from the sale of our stencil production in the USA which had an overall positive impact on EBIT of K€ 323.

Growth was primarily attributable to the Cutting and Drilling Laser segment. The biggest growth in turnover was achieved in this segment thanks to the successful marketing of new products launched at the end of 2004. There was also a great deal of interest amongst our customers in the newly developed inspection systems produced by our subsidiary LPKF Motion & Control, which made a considerable contribution to the quarterly performance with a turnover of K€ 747.

The relatively small increase in turnover in the Rapid PCB Prototyping segment is due to the change in Protomat models. As expected, orders for the old model dropped after the announcement of the new model with its considerably improved features. However, the orders we have already received for the new S62 Protomats and the significant customer interest in this product indicate that we will achieve the earnings targets during the course of the year. We are also expanding our range of products in this segment with the launch of a system for chemical-free through-plating of PCBs (ProConduct®). This system makes it possible for the first time to produce multi-layer prototype PCBs in-house without using liquid chemicals.

We continue to enjoy the largest increase in turnover in Asia, particularly in Japan, China, Korea and Taiwan. Turnover in this region rose around 113% year-on-year. The growing significance of the Asian region for our export business is reflected in our future plans. We intend to open an "Asia headquarters" in Hongkong to strengthen our presence in the centre of the global electronics industry.

We are also strategically expanding our staff in distribution, service and applications. The main focus here is again on the Asian region. We hired five new employees in the first quarter. The Group now has 228 employees in total.

The orders in hand of LPKF Laser & Electronics AG totalled K€ 3,641 as of 31.3.2005. This represents an increase of 51% year-on-year (K€ 2,410) and gives us good grounds for an optimistic outlook. We expect the healthy growth in business to continue during the year and are confident of achieving our target turnover of € 30 million in 2005.

Yours faithfully

Bernd Hackmann

Bernd Lange



Statement of income (in K€)

	01.01.- 31.03.2005	01.01.- 31.03.2004
Turnover	6,958	5,085
Other operating income	520	218
Changes in inventories of finished goods and work in progress	-144	33
Production of own fixed assets capitalized	100	17
Cost of purchased materials and services	1,630	1,370
Personnel expenses	2,392	2,362
Depreciation on plant (and intangible assets)	340	406
Amortisation of goodwill	0	31
Other operating expenses	1,439	1,264
Operating loss	1,633	-80
Interest income	46	41
Interest expense	39	46
Income from investments and participations	0	0
Income / expense from investments accounted for by the equity method	0	0
Other income / expenses	0	-11
Result before income taxes (and minority interest)	1,640	-96
Income tax	644	-20
Extraordinary income / expenses	0	0
Result before minority interest	996	-76
Minority interest	56	14
Net result	940	-90

Segment reporting (in K€)

According to product lines per 31.03.2005

External sales	2005	2004
Laser Systems	3,357	2,713
Rapid PCB Prototyping	2,359	2,115
Special Systems	780	0
Services	368	179
Others	94	78
Not distributed	0	0
Total	6,958	5,085

Operating result	2005	2004
Laser Systems	1,198	79
Rapid PCB Prototyping	290	183
Special Systems	221	0
Services	162	1
Others	7	5
Not distributed	-245	-348
Total	1,633	-80

Earnings per share (in €)

	01.01.- 31.03.2005	01.01.- 31.03.2004
Net income per share (basic)	0.09	-0.01
Net income per share (diluted)	0.09	-0.01
Weighted average shares outstanding (basic)	10,597,895	10,647,895
Weighted average shares outstanding (diluted)	10,651,007	11,056,751

Consolidated statement of the changes in shareholders' equity (in K€)

Consolidated statement of the changes in shareholders' equity for the financial year ended 31 March 2005 (previous year in brackets)

	Share capital	Additional paid-in capital	Other earnings reserves	Fair value reserves hedging instruments	Reserves for share based payments	Retained earnings	Foreign currency translation adjustments	Total
01.01.2005	10,648	3,768	4,000	-1	42	5,519	-961	23,015
01.01.2004	(10,648)	(3,768)	(0)	(0)	(11)	(9,238)	(-918)	(22,747)
Setting-of own stock	-50	-97	0	0	0	0	0	-147
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
01.01.2005	10,598	3,671	4,000	-1	42	5,519	-961	22,868
01.01.2004	(10,648)	(3,768)	(0)	(0)	(11)	(9,238)	(-918)	(22,747)
Proceeds from capital increase	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)
Addition from valuation of cash flow hedge	0	0	0	0	0	0	0	0
	(0)	(0)	(0)	(1)	(0)	(0)	(0)	(1)
Reduction from valuation of cash flow hedge	0	0	0	1	0	0	0	1
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Allocation to reserves	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)
Net result	0	0	0	0	0	940	0	940
	(0)	(0)	(0)	(0)	(0)	(-90)	(0)	(-90)
Expenditure for granted option rights	0	0	0	0	10	0	0	10
	(0)	(0)	(0)	(0)	(6)	(0)	(0)	(6)
Foreign currency translation adjustment of net investments in economically independent foreign subunits	0	0	0	0	0	0	95	95
	(0)	(0)	(0)	(0)	(0)	(0)	(124)	(124)
Other foreign currency translation adjustment	0	0	0	0	0	0	120	120
	(0)	(0)	(0)	(0)	(0)	(0)	(107)	(107)
31.03.2005	10,598	3,671	4,000	0	52	6,459	-746	24,034
31.03.2004	(10,648)	(3,768)	(0)	(1)	(17)	(9,148)	(-687)	(22,895)



Balance sheet (in K€)

Assets	31.03.2005	31.12.2004
Current assets		
Cash and cash equivalents	4,991	5,629
Short-term investments / marketable securities	1,647	1,616
Trade accounts receivable	5,540	4,359
Accounts receivable due from related parties	0	0
Inventories	11,045	9,892
Prepaid expenses and other current assets	892	756
Total current assets	24,115	22,252
Non-current assets		
Property, plant and equipment	7,736	7,883
Intangible assets	772	755
Goodwill	74	74
Investments	2	2
Investments accounted for by the equity method	0	0
Notes receivables / loans	5	5
Deferred taxes	1,403	1,264
Trade accounts receivables	204	203
Other assets	185	185
Total non-current assets	10,381	10,371
Total assets	34,496	32,623

Liabilities and shareholders' equity	31.03.2005	31.12.2004
Current liabilities		
Current portion of finance lease obligation	36	36
Short-term debt and current portion or long-term debt	614	618
Trade accounts payable	1,618	1,322
Accounts payable due to related parties	0	0
Advanced payments received	229	311
Accrued expenses	2,093	1,460
Deferred revenues	0	0
Income tax payable	0	0
Deferred taxes liability	0	0
Other current liabilities	700	776
Deferred income	314	298
Total current liabilities	5,604	4,821
Non-current liabilities		
Long-term debt, less current portion	1,976	2,084
Finance lease obligations, less current portion	62	71
Deferred revenues	0	0
Deferred taxes liability	542	605
Pension accrual	284	266
Total non-current liabilities	2,864	3,026
Minority interest	1,994	1,908
Shareholders' equity		
Share capital	10,598	10,598
Additional paid-in capital	3,671	3,671
Treasury stock	0	0
Fair value reserves hedging instruments	0	-1
Reserves for share based payments	52	42
Retained earnings	10,459	9,519
Foreign currency translation adjustments	-746	-961
Total shareholders' equity	24,034	22,868
Total liabilities and shareholders' equity	34,496	32,623

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 Benelux N.V.	Brussels / Belgium	100.0	1995/1999
LPKF Laser & Electronics Inc.	Wilsonville / USA	60.0	1994/1999
LPKF Services, 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	80.0	1999
LPKF (Tianjin) Co, Ltd.	Tianjin / China	100.0	2000
Laserequipment AG	Erlangen / Germany	100.0	2000/2002-2004

Other group companies which are not controlled by majority of LPKF Laser & Electronics AG and have therefore not been fully consolidated are:

Name	Domicile	Holding %	Acquired
PhotonicNet GmbH	Hanover / Germany	8.33	2000

Number of shares held by board members

	31.03.2005	31.12.2004
Board of managing directors		
Bernd Hackmann	190,000	190,000
Bernd Lange	500	500
Supervisory board		
Bernd Hildebrandt	874,250	874,250
Klaus Sülter	808,800	808,800

Workforce

The breakdown of employee numbers is as follows:

	31.03.2005	31.12.2004
Production	60	57
Distribution	52	49
Research & Development	51	49
Engineering and administration	65	68
	228	223



Consolidated cash flow statement (in K€)

	01.01.-31.03.2005	01.01.-31.03.2004
Cash flows from operating activities		
Net loss	940	-90
Minority interest	56	14
Depreciation and amortisation	340	437
Increase / decrease in provisions and accruals	635	86
Gains / losses on the disposal of fixed assets	-321	-10
Changes in inventories, accounts receivables and other assets	-2,594	-353
Changes in liabilities and other deferred income	337	-721
Other non-payment expense / income	-201	-58
Cash flows from operating activities	-808	-695
Cash flows from investing activities		
Fixed asset investment intangible assets	-17	-21
Fixed asset investment tangible assets	-202	-94
Investment in subsidiaries	0	0
Proceeds from disposal of a subsidiary	0	0
Proceeds from sale of equipment	479	17
Cash flows from investing activities	260	-98
Cash flows from financing activities		
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
Proceeds from short or long-term borrowings	0	0
Repayments long-time bank borrowings	-108	-115
Payment of capital lease liabilities	-9	-8
Cash flows from financing activities	-117	-123
Changes in cash and cash equivalents		
Changes in cash and cash equivalents due to exchange rates	62	31
Changes in cash and cash equivalents	-665	-916
Cash and cash equivalents as at 01.01.2005	7,125	5,999
Cash and cash equivalents as at 31.03.2005	6,522	5,114
Composition of cash and cash equivalents		
Cash	4,991	3,744
Short-term investments	1,647	1,412
Bank overdraft	-116	-42
Cash and cash equivalents	6,522	5,114

Shortened Annex

The 31 March 2005 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 interim financial statements follow the same accounting, valuation and calculation methods as 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.

No dividend was paid in the reporting period.

With effect from February 1st, 2005, the group has sold the stencil production in the USA by disposing of the assets of LPKF Services, Inc. (formerly: A-Laser, Inc.).

R&D expenses in the reporting period were K€ 694 (previous year K€ 685).

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