



Dear Shareholders,

the uncertain situation associated with the Iraq war also cast a shadow over the first quarter 2003 for LPKF. Many customers further postponed their investments. These uncertainties and postponements are the reason for the loss in the first quarter. On the positive side, we have already succeeded in lowering costs by cutting back on personnel expenses. This will mainly give rise to further savings in the second half. Good news is the licence agreement now closed for the production of material in the 3D-MID segment. This was paralleled by the development of new laser systems with the potential to open up new sales in the 3D-MID segment as well as in the StencilLaser division. We hope that the uncertainty generated by SARS in

Asia in particular will fade quickly to further stabilise current business there. The expansion of our product portfolio should help us acquire completely new clients and meet the demands of our existing customers more fully.

Yours faithfully

Bernd Hackmann

Dear Shareholders,

the global economic state of the electronics industry and the geopolitical situation had a considerable negative effect on the development of LPKF's turnover in the first quarter 2003 compared to the previous year. Turnover fell by 33.4% to K€ 4,563 (K€ 6,850). Earnings before interest and tax (EBIT) were K€ -299 (K€ 1,229). The company produced a consolidated loss of K€ -217 (K€ 664). This corresponds to a profit per share of € -0.02 (€ 0.06).

The quarterly result is primarily attributable to the slump in turnover to K€ 2,045 (K€ 3,839) in the Laser Systems segment. The postponement of investment in Europe and in North America in particular due to the overall economic uncertainties is fully reflected in this segment. The Rapid PCB Prototyping segment continues to suffer from cutbacks in R&D budgets but still managed to generate a turnover of K€ 2,149 (K€ 2,448). All ongoing projects and client orders in the MicroLine Laser segment are on schedule. Of particular note here is the delivery in the third quarter of biosensors equipment. The capital tied up in inventories was considerably reduced compared to the same period last year. Liquid assets have also improved significantly year-on-year. A medium-term loan of K€ 672 has been taken out to finance the purchase of Laser equipment AG

shares. The capital ratio is 68% (67%). The financial resources as at 31 March 2003 were K€ 4,805. The current orders in hand at LPKF Laser & Electronics AG stand at € 4.44 million and are thus 27.7% up year-on-year.

The company continues to have a high and satisfactory presence at international trade fairs, and marketing is being pushed ahead rigorously by targeted marketing activities.

The development of new products already announced by LPKF is proceeding at full speed with the aim of rounding off its product portfolio and opening up new markets. It is still very difficult to make a forecast for the ongoing financial year because of the current situation. However, we consider a turnover like in 2002 possible. Measures to reduce costs have been initiated throughout the group. The results of these measures are already being felt and will have a clear effect on performance in the second half.

Results after the balance sheet date

Positive news after the reporting period was the closing of a know-how and licence agreement with Degussa AG which will significantly improve the opportunities for marketing special laser systems for 3D-MID applications.

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
ELASER Gesellschaft für Elektronik, Laser und Automation GmbH	Suhl / Germany	100.0	1989
LPKF 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	1999
A-Laser Inc.	Beaverton / USA	100.0	1999
LPKF Motion & Control GmbH	Suhl / Germany	50.9	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	51.01	2000/2002

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	9.09	2000

Segment reporting (in K€)

According to product lines per 31.03.2003

External sales	2003	2002
Laser Systems	2,045	3,839
Rapid PCB Prototyping	2,149	2,448
Services	346	516
Others	23	47
Not distributed	0	0
Total	4,563	6,850

Operating result	2003	2002
Laser Systems	-249	899
Rapid PCB Prototyping	273	518
Services	87	136
Others	-36	33
Not distributed	-374	-357
Total	-299	1,229

Consolidated statement of income (in K€)

	01.01.- 31.03.2003	01.01.- 31.03.2002
Turnover	4,563	6,850
Other operating income	189	242
Changes in inventories of finished goods and work in progress	297	391
Production of own fixed assets capitalized	123	1
Cost of purchased materials and services	1,463	2,067
Personnel expenses	2,307	2,322
Depreciation on plant (and intangible assets)	493	498
Amortisation of goodwill	50	42
Other operating expenses	1,158	1,326
Operating loss / income	-299	1,229
Interest income	32	34
Interest expense	52	66
Income from investments and participations	0	0
Income / expense from investments accounted for by the equity method	0	0
Other income / expenses	0	0
Result before income tax (and minority interest)	-319	1,197
Income tax	-86	394
Extraordinary income / expenses	0	0
Result before minority interest	-233	803
Minority interest	-16	139
Net loss / income	-217	664

Earnings per share

	01.01.- 31.03.2003	01.01.- 31.03.2002
Net income per share (basic)	-0.02 EUR	0.06 EUR
Net income per share (diluted)	-0.02 EUR	0.06 EUR
Weighted average shares outstanding (basic)	10,647,895	10,637,770
Weighted average shares outstanding (diluted)	10,647,895	10,729,036

Number of shares held by board members

	31.03.2003
Board of directors	
Bernd Hackmann	190,000
Dr. Jörg Kickelhain	92,600
Christoph Wiese	3,050
Supervisory board	
Bernd Hildebrandt	904,150
Klaus Sülter	926,800



New Laser for
3D-MID-Technology

Consolidated balance sheet (in K€)

Assets	31.03.2003	31.12.2002
Current assets		
Cash and cash equivalents	4,930	5,188
Short-term investments / marketable securities	205	198
Trade accounts receivable	4,513	4,603
Accounts receivable due from related parties	0	0
Inventories	9,906	9,700
Prepaid expenses and other current assets	1,687	1,636
Total current assets	21,241	21,325
Non-current assets		
Property, plant and equipment	8,409	8,588
Intangible assets	1,616	1,814
Goodwill	298	348
Investments	2	2
Investments accounted for by the equity method	0	0
Notes receivable / loans	12	13
Deferred taxes	841	772
Trade accounts receivable	322	321
Other assets	140	140
Total non-current assets	11,640	11,998
Total assets	32,881	33,323

Liabilities and shareholders' equity	31.03.2003	31.12.2002
Current liabilities		
Current portion of finance lease obligation	0	0
Short-term debt and current portion of long-term debt	985	539
Trade accounts payable	796	1,017
Accounts payable due to related parties	0	0
Advanced payments received	1,271	1,284
Accrued expenses	1,296	1,553
Deferred revenues	0	0
Income tax payable	0	0
Deferred taxes liability	0	0
Other current liabilities	649	1,005
Deferred income	335	354
Total current liabilities	5,332	5,752
Non-current liabilities		
Long-term debt, less current portion	2,751	2,328
Finance lease obligations, less current portion	0	0
Deferred revenues	0	0
Deferred taxes liability	611	676
Pension accrual	210	203
Total non-current liabilities	3,572	3,207
Minority interest	1,601	1,705
Shareholders' equity		
Share capital	10,648	10,648
Additional paid-in-capital	3,768	3,768
Treasury stock	0	0
Fair value reserves hedging instruments	9	0
Retained earnings	8,264	8,481
Foreign currency translation adjustment	-313	-238
Total shareholders' equity	22,376	22,659
Total liabilities and shareholders' equity	32,881	33,323

Workforce

The breakdown of employee numbers is as follows:

	31.03.2003	31.12.2002
Production	61	62
Distribution	39	40
Research & Development	48	47
Engineering and administration	71	70
	219	219

Consolidated cash flow statement (in K€)

	01.01.-31.03.2003	01.01.-31.03.2002
Cash flows from operating activities:		
Net loss / profit	-217	664
Minority interest	-16	139
Depreciation and amortisation of fixed assets	543	540
Decrease / increase in provisions and accruals	-257	110
Losses / gains on the disposal of fixed assets	7	3
Changes in inventories and accounts receivables and other assets	-220	768
Changes in liabilities and other deferred income	-836	731
Other non-payment expense / income	142	0
Cash flows from operating activities	-854	2,955
Cash flows from investing activities:		
Fixed asset investment intangible assets	-17	-29
Fixed asset investment tangible assets	-236	-136
Investment in subsidiaries	0	0
Proceeds from disposal of a subsidiary	0	0
Proceeds from sale of equipment	53	0
Cash flows from investing activities	-200	-165
Cash flows from financing activities:		
Proceeds from issuance of share capital	0	0
Proceeds from short or long-term borrowings	672	0
Repayments long-time bank borrowings	-115	-80
Payment of capital lease liabilities	0	0
Cash flows from financing activities	557	-80
Changes in cash and cash equivalents		
Changes in cash and cash equivalents due to exchange rates	-63	3
Changes in cash and cash equivalents	-497	2,710
Cash and cash equivalents as at 01.01.2003	5,365	1,342
Cash and cash equivalents as at 31.03.2003	4,805	4,055
Composition of cash and cash equivalents		
Cash	4,930	3,923
Short-term investments	205	319
Bank overdraft	-330	-187
Cash and cash equivalents	4,805	4,055

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 2003 (previous year in brackets)

	Subscribed capital	Capital reserve	Fair value reserves hedging instruments	Group retained earnings	Foreign currency translation adjustment	Total
per 01.01.2003	10,648	3,768	0	8,481	-238	22,659
per 01.01.2002	(10,638)	(3,730)	(0)	(7,847)	(472)	(22,687)
Profit-neutral adjustment of OA figures	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)
Fair value cash flow hedges	0	0	9	0	0	9
	(0)	(0)	(0)	(0)	(0)	(0)
Dividend payment to shareholders	0	0	0	0	0	0
	(0)	(0)	(0)	(0)	(0)	(0)
Net result	0	0	0	-217	0	-217
	(0)	(0)	(0)	(664)	(0)	(664)
Foreign currency translation adjustment of net invest- ments in economically-independent foreign subunits	0	0	0	0	-18	-18
	(0)	(0)	(0)	(0)	(0)	(0)
Other foreign currency translation adjustment	0	0	0	0	-57	-57
	(0)	(0)	(0)	(0)	(-180)	(-180)
per 31.03.2003	10,648	3,768	9	8,264	-313	22,376
per 31.03.2002	(10,638)	(3,730)	(0)	(8,511)	(292)	(23,171)

Imprint:**Publisher**LPKF Laser & Electronics AG Osteriede 7 D – 30827 Garbsen
Internet: www.lpkf.de Phone +49 (0) 51 31 – 70 95 - 0