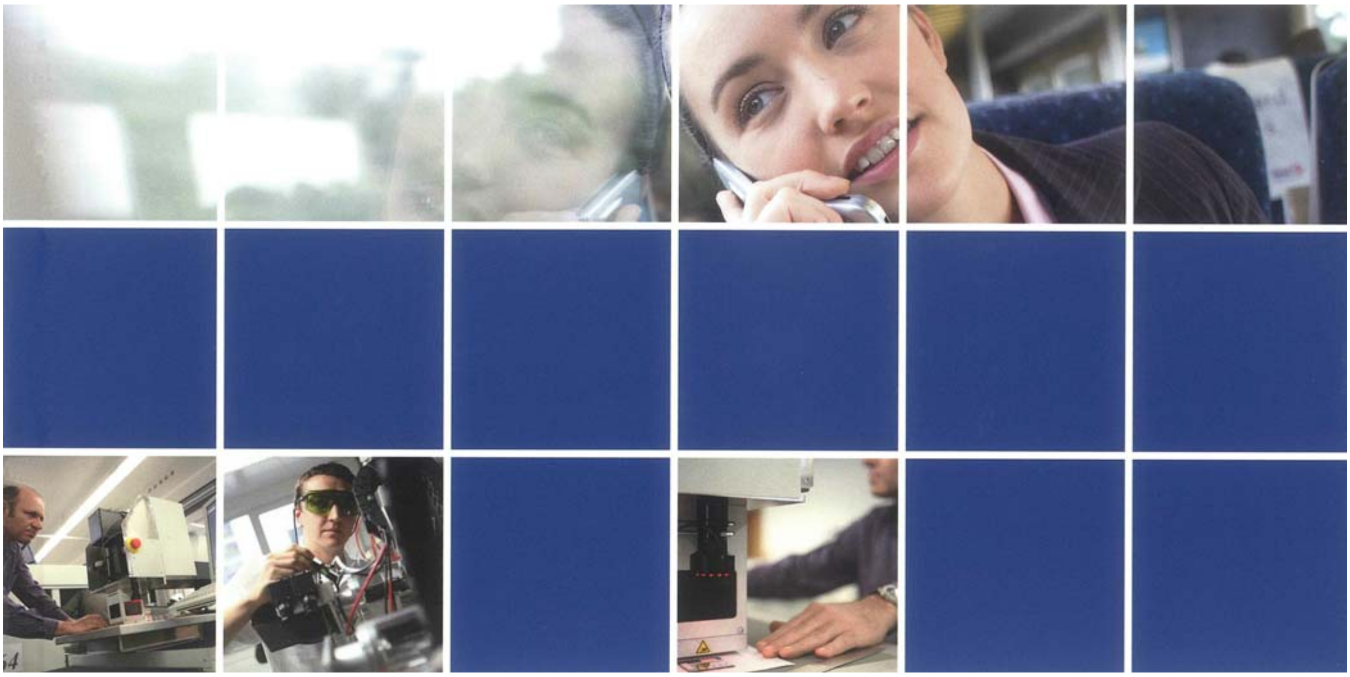

LPKF NEWSLETTER

Group interim report for the nine months ending 30 September 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.	Tualatin / USA	85.0	1994/1999/2005
LPKF Motion & Control GmbH	Suhl / Germany	50.9	1991/1999
LPKF France S.A.R.L.	Créteil / 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 Development of business and earnings situation

1.2.1 Economic environment

There was a clear stalling in the dynamism of global economic expansion in the second half of 2008. The US economy slumped as a consequence of the crisis in the property market and the knock on effect of this on the financial markets. Business activity is also now slowing down in the Euro zone. Fears of a recession and a decline in purchasing power are having a stifling effect on growth. The economies in emerging countries continued to expand, although there is also increasing uncertainty in these economies over the course of future economic development. There has been a noticeable cooling down in the global economic climate overall.

1.2.2 Turnover development

With a turnover of EUR 12.0 million (previous year: EUR 9.6 million) the third quarter was the strongest three months in the 2008 financial year so far for LPKF. In the first nine months of the 2008 financial year, LPKF boosted turnover by 14 % to EUR 31.6 million. Business was buoyant in the Plastic Welding segment (+ 61 %), Rapid Prototyping (+ 11 %) and Solar (+ 92 %). Performance in the Stencil, MID and PCB Processing segments was below target.

External Sales	2008	2007
Laser Systems	18,873	16,290
Rapid Prototyping	11,263	9,952
Inspection / Special Systems	3	116
Production Services	1,164	1,044
Others	314	317
Total	**31,617**	**27,719**

1.2.3 Development in income

In the first nine months of 2008, the Group generated earnings before interest and tax (EBIT) of € 1.9 million (previous year: € 3.9 million). In the third quarter of 2008 this value was € 1.4 million compared to € 1.1 million for the same period in 2007.

The year-on-year decline in earnings is primarily attributable to below target growth in turnover, accompanied by a rise in cost items. In addition, earnings were also affected by the following one off effects: earnings from the sale of real estate in the USA in 2007 totalling € 0.4 million, and extra costs for sales commissions from a brought forward and modified preparation of the accounts totalling € 0.1 million.

The other operating income, without any of the aforementioned one off effects, declined by € 0.5 million due to the expiry of project grants. The expansion of capacities in line with LPKF AG's long term growth strategy led to a year-on-year rise in personnel costs of around 12 %, and a rise in depreciation of around 18 %. Across the Group, there was no net rise in the workforce in the third quarter of 2008. Other operating expenses rose by 17 % as a result of an around € 0.7 million increase in sales and marketing costs. The material usage ratio of 33.6 % was slightly up on last year's level. Minority interests rose to € 0.3 million compared to € 0.2 million the previous year, primarily due to the success of the Solar segment.

1.2.4. Segment reporting

The following table shows the distribution of the operating income to each of the segments:

Operating result	2008	2007
Laser Systems	1,163	2,971
Rapid Prototyping	1,601	1,326
Inspection / Special Systems	0	-31
Production services	161	176
Others	12	-1
Not distributed	-1,044	-548
Total	**1,893**	**3,893**

1.3. Asset and financial situation

1.3.1 Asset situation

There has been virtually no change in the value of fixed assets since the start of the financial year. On balance sheet day, inventories were € 2.2 million above the value at the start of the financial year. In the third quarter, inventories were reduced by € 0.6 million compared to the preceding quarter. This rise in inventories is attributable to product replacement and the setting up of demonstration systems for active marketing and sales support. Strenuous efforts are being made to reduce the inventories further. The receivables portfolio has been reduced by € 2.7 million. Liquid funds rose at the balance sheet date by € 0.3 million to € 3.1 million.

While short term liabilities and provisions were reduced by € 2.0 million in the course of the year, liabilities due to banks have risen since the start of the financial year by € 2.3 million. During the third quarter, short term liabilities due to banks have been reduced by € 1.5 million.

The capital ratio continues to remain high at 68.7 %.

1.3.2 Financial situation

A cash inflow of € 2.0 million (previous year: € 2.1 million) was generated by ongoing operating activities. Net expenditure for investments totalled € 2.4 million (previous year: € 2.4 million). Cash and cash equivalents shrank by € 0.3 million during the course of the year with positive cash flow from financing activity of € 0.1 million.

1.3.3 Investments

Comprehensive development work was undertaken in the reporting period in the Solar, Stencil and PCB Processing segments in particular. Development and production costs for prototypes totalling € 1.1 million were reported on the assets side. In addition, the construction of a new building for the marketing and sales subsidiary in the USA was completed in the first quarter.

1.4 Employees

The following table shows the change in the number of employees in the first nine months 2008:

	30.09.2008	31.12.2007
Production	81	65
Distribution	74	69
Research & Development	81	81
Service	45	37
Administration	88	87
	369	**339**

1.5 Opportunities and risk report

The biggest risk to which LPKF Laser & Electronics AG is currently exposed is a further deterioration in the general global economic situation. It is not clear at the present time how long the weak economic situation and the financial crisis will continue, and the size of the impact on the investment climate in the relevant markets. These risks are also counteracted by some opportunities: the strength of the Euro against the US-Dollar and the Yen has weakened considerably, effectively reducing the previous exchange-rate related disadvantages affecting suppliers operating in the Euro zone. With its broad range of products, the LPKF Group operates in different markets which should react differently to changes in the economic environment. This should have a stabilising effect on business overall.

Beyond that, the opportunities and risks affecting LPKF Laser & Electronics AG have not changed significantly in the reporting period compared to the declaration in the 2007 annual report.

1.6 Forecast report

Development in the segments

Basic business

Rapid Prototyping
With a growth of 11 %, the Rapid Prototyping segment continues to provide LPKF AG with a solid foundation for its business. Growth in the third quarter was largely attributable to business with accessories and spare parts. The level of orders received was comparable to the previous year's level. The economy-related slower business in the USA has weakened the level of orders received. The new ProtoLaser S has attracted a good deal of attention from customers and will give a boost to business in the fourth quarter.

Stencils
Contrary to expectations, the Stencil business did not experience a pick up in business activity in the third quarter. Business lagged behind the previous year's level, as did the level of orders received. This development is probably primarily attributable to the current difficult financing situation for investment by the stencil manufacturers. LPKF responds to this situation with the launch of a new, very inexpensive StencilLaser in the fourth quarter.

PCB Processing
Business with PCB Processing systems was depressed in the third quarter. However, there are signs of an upswing in the fourth quarter. The launch of a new, cost-optimised, automated cutting system in December 2008 should stimulate the receipt of new orders.

Growth segments

Plastic Welding
The Plastic Welding segment has expanded by 61 % in the first nine months. The level of orders received is also well up year-on-year (+ 59 %). This positive development continued beyond the end of the third quarter. The main market of this segment is the currently weakening automotive sector, including the subcontractors. No orders have been cancelled to date, and the crisis affecting the carmakers can be seen as bringing opportunities as well as risks for new production methods such as laser plastic welding. Because this technique boasts cost benefits for a range of applications compared to other technologies, clients may be stimulated by the current economic climate to decide in favour of the LPKF systems.

Solar
The business with laser systems for the scribing of thin-film solar cells expanded by 92 % in the first nine months, significantly exceeding the forecasts for 2008. The level of orders received also continued to develop positively to date. More solar scribers were sold in Q3 2008. However, the credit crunch could have an impact on the manufacturers of solar cells who depend on external financing for the construction of their factories. This probably affects smaller manufacturers in particular.

MID
After the first nine months, business with laser systems for the production of three dimensional circuit boards is still lagging behind the strong performance seen the previous year. However, there are currently signs of a revival of interest, and first orders have been received for a new automatic laser system scheduled for delivery in 2009.

General outlook

It is currently difficult to estimate the impact of the credit crunch on the various markets and sectors supplied by LPKF AG. The restrictive approval of loans by banks could have a negative effect on the solar business because many customers in this sector are dependent on external financing. A recession in the automotive sector would affect the Plastic Welding segment because it primarily supplies automotive subcontractors. The MID, PCB Processing and Stencil segments depend on the electronics sector and could therefore be negatively affected under certain circumstances by a slump in consumption in this economic sphere.

No orders have been cancelled so far, but the current level of orders received indicates a tangible restraint among clients when it comes to investment. There should however be a positive effect in future arising from the significant strengthening of the Dollar and the Yen against the Euro.

The level of orders received across the Group up to 30 September 2008 was € 32.6 million, up around 2.7 % year-on-year. Orders in hand at € 8.0 million are down on the same period the previous year (€ 9.9 million). A major proportion of the orders received were captured by the Solar and Laser Plastic Welding segments.

Despite the lower level of orders received in the third quarter, LPKF upholds its forecast for turnover and earnings for the whole of the 2008 financial year. Consolidated turnover is therefore forecast to be around € 43 – 45 million, with an EBIT margin in the upper single figure per cent bracket.

Issuing additional forecasts is not considered to be expedient in the light of the current economic situation. At present it is impossible to foresee the end of the credit crunch and the knock on effects on the business activity of the capital goods industry. LPKF profits in this situation from its broad positioning and the fact that it is active in a range of markets. Nevertheless, negative consequences on the investment behaviour of our clients arising from the macroeconomic weakness cannot be ruled out. A positive aspect though is the notable increase in sales projects in the MID and PCB Processing systems segments, as well as the sale of more solar scribers shortly before the balance sheet date.

The Group currently intends to issue a forecast for turnover and earnings for the 2009 financial year together with the publication of the Annual Report 2008.

2. Interim Group financial statements

Consolidated Balance Sheet (in T€)

Assets	30.09.2008	31.12.2007
Non-current assets		
Goodwill	74	74
Other intangible assets	3,910	3,366
Tangible assets	13,666	13,675
Investments	0	17
Deferred taxes	528	531
Trade accounts receivable	302	463
Tax refund claims	318	354
Other assets	156	224
Total non-current assets	**18,954**	**18,704**
Current assets		
Inventories	17,794	15,617
Trade accounts receivable	7,260	9,784
Tax refund claims	1,235	615
Other current assets	1,141	1,146
Shortterm investments / marketable securities	344	284
Cash and cash equivalents	3,124	2,824
Total current assets	**30,898**	**30,270**
Total assets	**49,852**	**48,974**

Liabilities and shareholders' equity	30.09.2008	31.12.2007
Shareholders' equity		
Share capital	10,858	10,858
Additional paid-in capital	3,953	3,953
Market value of hedging transactions	0	0
Market value of securities	-35	-7
Reserves for share based payments	364	274
Retained earnings	17,211	17,599
Foreign currency translation adjustments	-1,130	-1,289
Minority interest	3,029	2,552
Total shareholders' equity	**34,250**	**33,940**
Non-current liabilities		
Provisions for pensions	347	335
Longterm debt, less current portion	3,745	3,664
Deferred grants	351	373
Deferred taxes	1,514	1,234
Total non-current liabilities	**5,957**	**5,606**
Current liabilities		
Accrued expenses	1,220	2,809
Short-term debt and current portion of long term debt	3,574	1,347
Trade accounts payable	1,224	2,101
Other current liabilities	3,627	3,171
Total current liabilities	**9,645**	**9,428**
Total liabilities and shareholders' equity	**49,852**	**48,974**

Consolidated Statement of Income (in T€)

	01.07.-30.09.2008	01.07.-30.09.2007	01.01.-30.09.2008	01.01.-30.09.2007
Sales	12,002	9,591	31,617	27,719
Other operating income	258	265	579	1,384
Changes in inventories of finished goods and work-in-progress	137	-440	1,111	1,013
Own work capitalized	348	487	1,178	1,942
Cost of purchased materials and services	3,818	2,545	10,982	9,244
Personnel expenses	4,216	3,531	12,115	10,796
Depreciation on plant (and intangible assets)	658	552	1,835	1,553
Amortisation of goodwill	0	0	0	0
Other operating expenses	2,632	2,189	7,660	6,572
Operating income	**1,421**	**1,086**	**1,893**	**3,893**
Financial income	23	27	79	94
Financial expenditure	126	63	255	166
Income from investments and participations	0	0	0	0
Income / expense from investments accounted for by the equity method	0	0	0	0
Other income / expenses	0	0	0	0
Result before income taxes (and minority interests)	**1,318**	**1,050**	**1,717**	**3,821**
Income tax	399	113	534	960
Extraordinary income / expenses	0	0	0	0
Result before minority interests	**919**	**937**	**1,183**	**2,861**
Minority interests	-4	32	268	163
Net result	**923**	**905**	**915**	**2,698**

Earnings per share (in €)

	01.07.-30.09.2008	01.07.-30.09.2007	01.01.-30.09.2008	01.01.-30.09.2007
Earnings per share (basic)	0.09	0.08	0.08	0.25
Earnings per share (diluted)	0.09	0.08	0.08	0.25
Weighted average shares outstanding (basic)	10,856,052	10,856,058	10,858,052	10,856,058
Weighted average shares outstanding (diluted)	10,856,052	11,024,348	10,858,052	10,946,515

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

Consolidated statement of the changes in shareholders' equity for the financial year ended 30 September 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	3,953	7,000	0	-7	274	10,599	-1,289	2,552	33,940
	(10,858)	(3,953)	(6,000)	(14)	(0)	(161)	(9,034)	(-864)	(2,559)	(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	3,953	7,000	0	-7	274	10,599	-1,289	2,552	33,940
	(10,858)	(3,953)	(6,000)	(14)	(0)	(161)	(9,034)	(-864)	(2,559)	(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	0	0	0
	(0)	(0)	(0)	(-14)	(0)	(0)	(0)	(0)	(0)	(-14)
Additions from market valuation from securities	0	0	0	0	-28	0	0	0	0	-28
	(0)	(0)	(0)	(0)	(-3)	(0)	(0)	(0)	(0)	(-3)
Allocations to reserves	0	0	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)	(0)	(0)
Dividend payment to shareholders	0	0	0	0	0	0	-1,303	0		-1,303
	(0)	(0)	(0)	(0)	(0)	(0)	(-1,303)	(0)	(-270)	(-1,573)
Net result	0	0	0	0	0	0	915	0	268	1,183
	(0)	(0)	(0)	(0)	(0)	(0)	(2,698)	(0)	(163)	(2,861)
Expenditure for granted option rights	0	0	0	0	0	90	0	0	0	90
	(0)	(0)	(0)	(0)	(0)	(76)	(0)	(0)	(0)	(76)
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	159	209	368
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(-148)	(-62)	(-210)
As at 30.09.2008	10,858	3,953	7,000	0	-35	364	10,211	-1,130	3,029	34,250
As at 30.09.2007	(10,858)	(3,953)	(6,000)	(0)	(-3)	(237)	(10,429)	(-1,012)	(2,390)	(32,852)

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

	01.01. – 30.09.2008	01.01. – 30.09.2007
Operating activities		
Net profit	1,183	2,861
Income tax	534	960
Interest charges	255	166
Interest income	-79	-94
Depreciation and amortisation	1,835	1,553
Changes in provisions and accruals	-584	-547
Gains/losses on the disposal of fixed assets including reclassification into current assets	217	-402
Cashless currency differences in fixed assets	-130	-13
Changes in inventories, accounts receivables and other assets	2	-2,859
Changes in liabilities and other deferred income	205	1,800
Other non-payment expense/income	-37	95
Payments from interest	78	94
Paid income tax	-1,527	-1,508
Cash flows from operating activities	**1,952**	**2,106**
Investing activities		
Fixed assets investment intangible assets	-1,230	-1,700
Fixed assets investment tangible assets	-1,229	-2,130
Investments in subsidiaries	0	0
Proceeds from disposal of financial assets	17	0
Proceeds from sale of equipment	1	1,444
Cash flows from investing activities	**-2,441**	**-2,386**
Financing activities		
Dividend payment to shareholders	-1,303	-1,303
Dividend payment to minorities	0	-270
Interest paid	-255	-166
Proceeds from issuance of share capital	0	0
Purchasing of own stock	0	0
Repayment convertible bond	-15	-7
Costs of capital increase	0	0
Proceeds from short or long-term borrowings	2,924	780
Repayments long-time bank loans	-1,180	-444
Cash flows from financing activities	**171**	**-1,410**
Changes in cash and cash equivalents		
Changes in cash and cash equivalents due to exchange rates	98	-33
Changes in cash and cash equivalents	-318	-1,690
Cash and cash equivalents as at 1.1.	3,108	5,156
Cash and cash equivalents as at 30.09.	**2,888**	**3,433**
Composition of cash and cash equivalents		
Cash	3,124	3,168
Short-term investments / securities	344	275
Bank overdraft	-580	-10
Cash and cash equivalents	**2,888**	**3,433**

3. Shortened annex

3.1 Details on the compilation of the interim-annual report

The interim report as at 30 September 2008 has been prepared in accordance with IFRS. It reflects the interpretations of the International Financial Reporting 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.

In accordance with the AGM resolution dated 11 June 2008 a dividend payment of T€ 1,303 (previous year: T€ 1,303) was made.

During the report period, the expenditure for R&D was T€ 3,765 (previous year: T€ 3,521).

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

No events of significance with substantial impacts on the asset, financial and earnings situation have taken place since key date 30 September 2008.

This present interim nine 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.. In the three quarters of 2008 materials and equipment, merchandise and services totalling T€ 4 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 the three quarters of 2008, business relations with this company covered development and production services and rentals and/or license agreements totalling T€ 513. In addition, Group companies carried out orders totalling T€ 133 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€ 101.

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

	30.09.2008	31.12.2007
Board of Managing Directors		
Bernd Hackmann	222,800	222,800
Bernd Lange	17,010	7,010
Kai Bentz	725	725
Supervisory Board		
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 nine months to 30 September 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, 11 November 2008

LPKF Laser & Electronics AG, Garbsen
Managing Board of Directors

Bernd Hackmann Bernd Lange Kai Bentz

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