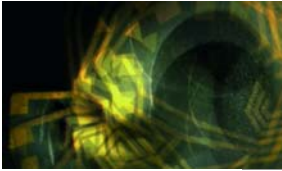


LPKF NEWSLETTER

Group interim report for the six months ending 30 June 2007



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 Laser & Electronics Inc.	Wilsonville / USA	85.0	1994/1999/2005
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 (Tianjin) Co. Ltd.	Tianjin / China	100.0	2000
LPKF Laser & Electronics (ASIA) Ltd.	Hongkong / China	100.0	2005
LPKF SolarQuipment GmbH	Suhl / Germany	100.0	2007

The LPKF SolarQuipment GmbH is a new subsidiary formed during the 2007 financial year and is included in the Group financial statements for the first time.

1.2 Business development and profit situation

1.2.1 Economic environment

For the first six months of 2007, the global economy continued along the same growth path as in the previous year. However, individual sectors have developed at different rates. For example, the electronics supply industry, after experiencing a robust upwards trend during 2006 went through a slowing down phase during the first six months of the financial year 2007. Reasons for this are the relatively high levels of customer stocks and higher interest rates, which raised the cost of investments.

1.2.2 Turnover development

Turnover development at LPKF Laser & Electronics AG was slightly down on expectations during the first six months of the financial year 2007. This is due to delays in system deliveries, in particular to China. This was compounded by business for cutting lasers developing slowly during the first six months of 2007. The development of turnover in the individual segments is as follows:

External Sales	2007	2006
Laser Systems	10,534	11,247
Rapid PCB Prototyping	6,202	5,050
Inspection / Special Systems	393	1,338
Production services	643	513
Others	356	131
Not distributed	0	0
Total	18,128	18,279

1.2.3 Development of income

The income statement shows a substantial increase in stock levels since the start of the year, in particular due to the entry into the solar technology field and delays in deliveries. Of the reported production and own fixed assets capitalised, € 0.4 million is with respect to the production costs for in-house prototypes and demo systems. A further € 0.5 million refers to capitalised development costs for the solar segment. In addition, costs for developments in the 3D-MID and StencilLaser segments are included. Income from the sale of premises of the American subsidiary amounting to € 0.4 million are responsible for a rise in other operating income. The material usage rate has risen from 29.8% to 34.2% caused by the higher level of stocks and the turnover development in the Stencil-Laser segment. The increase in personnel expenses of € 0.9 million or 13.3% is due primarily to additional employees. As a result of the high investment levels in 2006 and 2007, depreciation has also risen. Other operating expenses are higher due to sales commissions and licence payments, expenses relating to the sale of the premises in the USA and costs for introducing a new ERP software and a customer administration system. The tax ratio is influenced

by a tax rebate of € 0.3 million. The net result of T€ 1,793 is T€ 239 higher than the result for the first six months of 2006.

1.2.4 Segment reports

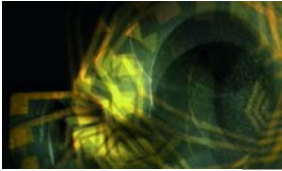
The table below presents an overview of the operating results for the individual segments:

Operating result	2007	2006
Laser Systems	2,322	2,952
Rapid PCB Prototyping	729	405
Inspection / Special Systems	-69	166
Production services	77	78
Others	22	56
Not distributed	-274	-545
Total	2,807	3,112

1.3 Asset and financial situation

1.3.1 Asset situation

As a result of the intensive development activities focussed on the Solar segment, 3D-MID systems and cutting lasers, there was an increase in production and own fixed assets capitalised of T€ 955. The growth in tangible assets is due to the addition of demo systems and prototypes. There is a clear increase in inventories amounting to T€ 2,587. This corresponds with the high level of orders in hand on the key date, caused by deliveries being rescheduled into Q3 2007. Furthermore, inventories have also been raised in connection with the construction of the first solar systems. Cash and cash equivalents are down correspondingly by T€ 2,285 to T€ 2,871. Reflecting the shift in deliveries to Q3 2007, stocks are currently reducing. Following the sale of the previously used business premises in the USA with a book value of T€ 519, the item "non-current assets held for sale" has reduced accordingly. The balance sheet structure on the liabilities side and the balance sheet total are unchanged for the most part. The capital ratio reported remains high at 72%.



1.3.2 Financial situation

During the first six months of financial year 2007 the Group generated a positive cash flow amounting to T€ 871 from its operating activities. This was above the comparable value of the previous year by T€ 506. A number of substantial investments and the payment of dividends resulted in an outflow of funds from finance and investment activities amounting to a total of T€ 3,369. Consequently, cash and cash equivalents fell by T€ 2,482 to T€ 2,674.

1.3.3 Investments

During the report term investments focused primarily on development activities. Development costs of T€ 1,053 are reported. These include T€ 488 for the Solar segment. In addition, application and demonstration systems were constructed and prototypes manufactured.

1.4 Workforce

The following table provides an overview of the development of employees during the first six months of 2007:

	30.06.2007	31.12.2006
Production	79	78
Distribution	72	66
Research & Development	71	67
Administration	84	81
	306	292

New staff were taken on in particular in China and at the Garbsen and Erlangen locations in Germany.

1.5 Opportunities and risks

The opportunities and risks of LPKF Laser & Electronics AG have remained basically unchanged during the report term compared with the situation described in the 2006 annual report.

1.6 Outlook

The incoming orders of the Group for the period ended on 30 June had a value of T€ 21,668, 25% above the previous year's value. Orders in hand amounted to T€ 8,523 and are 35% higher than compared with the first six months of 2006. Thus, during the report period, LPKF boasted the highest level of orders in hand in the company's history. The management considers this excellent order situation as a clear indicator for a strong second half-year and remains confident that the turnover target of € 45 million can be reached by the end of the year. The increase in demand, in particular in the 3D-MID, Plastic-Welding and Solar segments, and the great potential of these products are all pointers to LPKF Laser & Electronics AG continuing on its growth track.

Business segments with excellent growth potential

3D-MID

Laser systems for the production of three-dimensional circuit carriers using the LPKF-LDS® method are currently amongst the most successful products in the LPKF Laser & Electronics AG range. The production enhancement of 3D-MID applications continues to push forward. The end-products already available, e.g. antenna for mobile telephony, are supporting and accelerating this process. This business segment has undergone an outstanding development during the first half-year. Further growth is anticipated from more intense marketing of the systems in North America and Asia.

Laser Plastic-Welding

The demand for plastic-welding systems climbed during the first six months, such that the production facilities in Erlangen have been expanded and more staff taken on for the design, production, service and after sales areas. LPKF expects the second half-year to generate a substantial growth increase compared with the previous year and the first six months. The start of the internationalisation of sales activities is also expected to open more potential here. Areas of regional concentration are the sites of the global automotive supply industry.

Solar

With respect to the Solar segment, which is still new and considered to have outstanding prospects, the delivery on deadline of the first system for the structuring of thin layer solar cells in July 2007 marked a crucial step forward towards the successful establishment of LPKF Laser & Electronics AG as a supplier to the solar cell industry. The very positive response of the customer with regard to the functionality and throughput of the delivered system emphasises LPKF AG's competences in the fields of laser material processing and drive technologies. LPKF is gaining ground in a very dynamic new market and anticipates major growth potential in Germany as well as in Europe, the USA and Asia.

Business segments with average growth potential

Rapid PCB Prototyping

Rapid PCB Prototyping is a business segment which has developed very satisfactorily, with a growth in turnover of 23%. The product line for the S-series, which was completely revised during the previous year, and the ProtoLaser for the production of small series and PCB prototypes in the high frequency sector have been selling well and underpin LPKF Laser & Electronics AG's market leadership in this area. Management anticipates more solid growth during the second half-year.

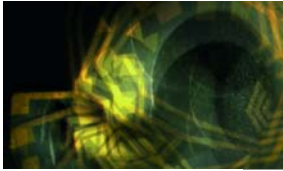
Business segments with low growth potential

StencilLaser and laser cutting systems

Both, systems for the cutting of stencils as well as the laser cutting systems of the MicroLine-series have disappointed during the first six months. Reasons for the downswing in sales are the shifting of sales due to the tougher import conditions into China as well as currency-related competitive disadvantages. The further development of these products is continuing at an intensive level.

Inspection systems

At the present time the management sees only minor opportunities for reinvigorating the business with inspection systems, which was still very successful in 2005. Despite great efforts, it did not prove possible to broaden the already very narrow customer base. There are at present no orders in hand for inspection systems. Customers are planning the introduction of new chip generations towards the end of the current financial year. Market opportunities for inspection systems need to be reconsidered at that time. The personnel capacities released are now employed in the Solar segment.



2. Interim group financial statements

Consolidated Balance Sheet (in T€)

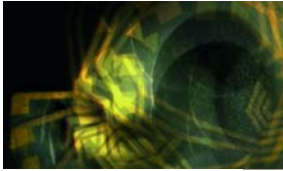
Assets	30.06.2007	31.12.2006	Liabilities and shareholders' equity	30.06.2007	31.12.2006
Non-current assets			Shareholders' equity		
Goodwill	74	74	Share capital	10,858	10,858
Other intangible assets	2,967	1,918	Additional paid-in capital	3,953	3,953
Tangible assets	12,747	12,218	Own stock	0	0
Investments	0	0	Market value of hedging transactions	0	14
Notes receivables / loan	0	0	Market value of securities	-3	0
Deferred taxes	444	497	Reserves for share based payments	200	161
Trade accounts receivable	616	268	Retained earnings	15,524	15,034
Tax refund claims	395	395	Foreign currency translation adjustments	-840	-864
Other assets	226	226	Minority interest	2,352	2,559
Total non-current assets	17,469	15,596	Total shareholders' equity	32,044	31,715
Current assets			Non-current liabilities		
Inventories	17,172	14,585	Provisions for pensions	326	309
Trade accounts receivable	5,675	7,392	Long-term debt, less current portion	3,115	3,042
Tax refund claims	315	216	Deferred grants	286	305
Other current assets	1,005	734	Deferred taxes	1,227	873
Short term investments / marketable securities	289	1,826	Total non-current liabilities	4,954	4,529
Cash and cash equivalents	2,582	3,330	Current liabilities		
Non-current assets held for sale	0	519	Accrued expenses	2,273	3,207
Total current assets	27,038	28,602	Short-term debt and current portion or long term debt	801	625
Total assets	44,507	44,198	Trade accounts payable	1,824	2,034
			Advanced payments received	1,144	479
			Other current liabilities	1,467	1,609
			Total current liabilities	7,509	7,954
			Total liabilities and shareholders' equity	44,507	44,198

Consolidated Statement of Income (in T€)

	01.04.-30.06.2007	01.04.-30.06.2006	01.01.-30.06.2007	01.01.-30.06.2006
Sales	10,163	10,138	18,128	18,279
Other operating income	788	251	1,119	458
Changes in inventories of finished goods and work-in-progress	1,196	-361	1,453	552
Own work capitalized	1,088	410	1,455	593
Cost of purchased materials and services	4,330	3,029	6,699	5,619
Personnel expenses	3,823	3,320	7,265	6,414
Depreciation on plant (and intangible assets)	559	365	1,001	717
Amortisation of goodwill	0	0	0	0
Other operating expenses	2,427	2,119	4,383	4,020
Operating income	2,096	1,605	2,807	3,112
Financial income	33	46	67	92
Financial expenditure	55	42	103	84
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)	2,074	1,609	2,771	3,120
Income tax	628	673	847	1,263
Extraordinary income / expenses	0	0	0	0
Result before minority interests	1,446	936	1,924	1,857
Minority interests	165	82	131	303
Net result	1,281	854	1,793	1,554

Earnings per share (in €)

	01.04.-30.06.2007	01.04.-30.06.2006	01.01.-30.06.2007	01.01.-30.06.2006
Earnings per share (basic)	0.12	0.08	0.17	0.14
Earnings per share (diluted)	0.12	0.08	0.17	0.14
Weighted average shares outstanding (basic)	10,858,052	10,838,443	10,858,052	10,838,395
Weighted average shares outstanding (diluted)	10,858,052	11,009,147	10,858,052	10,838,395



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

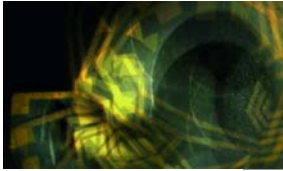
Consolidated statement of the changes in shareholders' equity for the financial year ended 30 June 2007 (previous year in brackets)

	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 1.1.2007 / 1.1.2006 before setting-off own stock	10,858 (10,838)	3,953 (3,901)	6,000 (4,700)	14 (-3)	0 (-29)	161 (93)	9,034 (7,445)	-864 (-564)	2,559 (2,173)	31,715 (28,554)
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 1.1.2007 / 1.1.2006 after setting-off own stock	10,858 (10,838)	3,953 (3,901)	6,000 (4,700)	14 (-3)	0 (-29)	161 (93)	9,034 (7,445)	-864 (-564)	2,559 (2,173)	31,715 (28,554)
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 (1)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (1)
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)	-14 (3)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	-14 (3)
Additions from market valuation from securities	0 (0)	0 (0)	0 (0)	0 (0)	-3 (29)	0 (0)	0 (0)	0 (0)	0 (0)	-3 (29)
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)	0 (0)	0 (0)	0 (0)	-1,303 (-1,084)	0 (0)	-272 (0)	-1,575 (-1,084)
Net result	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	1,793 (1,554)	0 (0)	131 (303)	1,924 (1,857)
Expenditure for granted option rights	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	39 (26)	0 (0)	0 (0)	0 (0)	39 (26)
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)	24 (-252)	-66 (-37)	-42 (-289)
As at 30.06.2007	10,858	3,953	6,000	0	-3	200	9,524	-840	2,352	32,044
As at 30.06.2006	(10,839)	(3,901)	(4,700)	(0)	(0)	(119)	(7,915)	(-816)	(2,439)	(29,097)



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

	01.01. - 30.06.2007	01.01. -30.06.2006
Operating activities		
Net profit	1,924	1,857
Income tax	847	1,263
Interest charges	103	84
Interest income	-67	-92
Depreciation and amortisation	1,001	717
Changes in provisions and accruals	-972	-349
Gains/losses on the disposal of fixed assets including reclassification into current assets	-400	5
Cashless currency differences in fixed assets	6	117
Changes in inventories, accounts receivables and other assets	-1,536	-2,057
Changes in liabilities and other deferred income	681	-317
Other non-payment expense/income	10	102
Payments from interest	67	92
Paid income tax	-793	-1,057
Cash flows from operating activities	871	365
Investing activities		
Fixed assets investment intangible assets	-1,256	-538
Fixed assets investment tangible assets	-1,442	-3,159
Investments in subsidiaries	0	0
Proceeds from disposal of a subsidiary	0	0
Proceeds from sale of equipment	1,030	3
Cash flows from investing activities	-1,668	-3,694
Financing activities		
Dividend payment to shareholders	-1,303	-1,084
Dividend payment to minorities	-272	0
Interest paid	-103	-84
Proceeds from issuance of share capital	0	1
Purchasing of own stock	0	0
Repayment convertible bond	-5	0
Costs of capital increase	0	0
Proceeds from short or long-term borrowings	300	960
Repayments long-time bank loans	-318	-193
Cash flows from financing activities	-1,701	-400
Changes in cash and cash equivalents		
Changes in cash and cash equivalents due to exchange rates	16	-44
Changes in cash and cash equivalents	-2,498	-3,729
Cash and cash equivalents as at 1.1.	5,156	8,564
Cash and cash equivalents as at 30.06.	2,674	4,791
Composition of cash and cash equivalent		
Cash	2,582	2,337
Short-term investments / securities	289	2,622
Bank overdraft	-197	-168
Cash and cash equivalents	2,674	4,791



3. Shortened annex

3.1 Details on the compilation of the semi-annual report

The interim report as at 30 June 2007 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.

In accordance with the AGM resolution dated 24 May 2007 a dividend payment of T€ 1,303 was made.

During the report period, the expenditure for R&D was T€ 2,337 (previous year: T€ 1,739).

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 30 June 2007. On 6 July 2007 the German Bundesrat approved the 2008 tax reform. The effects of this law will be reflected in the financial statements for Q3 2007 for the first time. LPKF Laser & Electronics AG anticipates the main effect of the tax reform, due to the reduction in the corporate tax rate, to be a one-off effect from the revaluation of deferred taxes.

This present interim six month 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€ 6 were purchased from this related party by Group companies or paid as interest.

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€ 225. In addition, Group companies carried out orders totalling T€ 24 for PMV d.o.o.

The loan granted by the managing director of LPKF Properties LLC in previous years was fully repaid during the reporting term.

In addition, secretarial services totalling T€ 9 were provided by a employees of a company in which the managing director of LPKF France S.A.R.L. has a share.

On balance sheet date, LPKF Laser & Electronics AG has liabilities due to members of the supervisory board totalling T€ 68.

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

	30.06.2007	31.12.2006
Board of managing directors		
Bernd Hackmann	217,800	212,800
Bernd Lange	6,010	4,510
Supervisory board		
Bernd Hildebrandt	871,746	871,746
Prof. Dr.-Ing. Erich Barke	1,000	1,000

4. Responsibility Statement by the Management Board

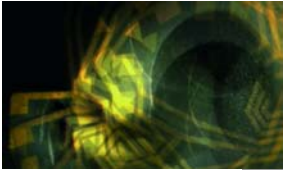
To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements for the first six months to 30 June 2007 give a true and fair view of the assets, liabilities, financial position and profit or loss 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, 15th August 2007

LPKF Laser & Electronics AG, Garbsen
Managing Board of directors

Bernd Hackmann

Bernd Lange



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