



Dear Shareholders,

is the economic trend finally changing? We don't know yet. However, there are indications that LPKF Laser & Electronics AG could experience better times next year. We have not only managed to positively stabilize our result within the first nine months, but also to clearly reduce the decline in turnover from -25.9% after six months to -11.3% year-on-year! The third quarter performance was especially attributable to the sale of two MicroLine Lasers. These systems are mainly used by the customers in North America and Germany for the production of sensors for blood glucose analysis. We assume that additional orders of this type can be acquired in the 2004 financial year, even though the worldwide market for these very special systems is difficult to assess.

In addition, the cost-cutting measures launched at the beginning of the financial year made an effective contribution to the positive 9-month performance. Especially the third quarter highlights LPKF's potential for producing excellent returns on sales against the background of increasing turnover and stable fixed costs.

However, the 11.3% decline in turnover to K€ 16,200 (K€ 18,266) compared to the same period last year indicates that investment in the global electronics market is still depressed. The Laser Systems segment is the most strongly affected by this trend although it still managed to generate a turnover of K€ 9,068 (K€ 9,986). Despite a slight improvement in business, the Rapid PCB Prototyping segment was not quite able to match last year's figures and generated a turnover of K€ 6,047 (K€ 6,638). The sale of the stencils production in Germany resulted in a turnover of K€ 804 (K€ 1,388) in the Services segment.

Good news to date is the development of business in USA – in the StencilLaser segment in particular – even though LPKF's figures continued to be depressed also in the third quarter by the weakness of the dollar. Financial resources improved compared to the previous year's 9-month figures by 18.0% to total K€ 5,627. The capital ratio is 72.2% (68.4%). LPKF Laser & Electronics AG's current orders in hand total € 3.16 million (€ 5.48 million).

The last months of each year always had a fundamental influence on the year's result. Therefore LPKF is not predicting any major reduction in turnover for 2003 compared to the previous year's level. Measures have been introduced throughout the Group to reduce fixed costs. These have already

taken hold and will continue to show considerable effect during the further course of the second half of 2003.

We have received additional positive signals following our participation at Productronica. This is one of the most important trade fairs for the electronics industry worldwide and took place in Munich from 11-14 November. It promises a good follow-up business which will contribute to our sales figures in 2004. In any case we were able to impress with our innovative dynamism showing our latest developments in all segments.

In good time for the end of the year, we are able to offer our clients new laser systems for the 3D-MID production. Currently, a considerable number of samples are being produced and pre-series production is taking place in this product segment. In the Laser Cutting and Drilling segment we can offer a new laser to cut flexible PCBs, a new stencil scanner and other new developments.

Events after 30 September 2003

Following the licence agreements with Degussa AG, Bayer AG and Ticon GmbH, LPKF has now signed a cooperation agreement with the Harting Technology Group during the Productronica which will be followed by the installation of a 3D-MID laser system. LPKF's strategy behind this agreement is to qualify the LPKF-LDS process especially for micro-packaging and to consequently continue the 3D-MID marketing strategy.

Following the sale of the stencil business, ELASER GmbH has changed its name to LaserMicronics GmbH. All service activities are now bundled within this company. LaserMicronics' main service lies in laser machining and electronic components.

Yours faithfully,

Bernd Hackmann

Christoph Wiese

Dr. Jörg Kickelhain

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 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
Laserquipment AG	Erlangen / Germany	65.3	2000/2002/2003

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 30.09.2003

External sales	2003	2002
Laser Systems	9,068	9,986
Rapid PCB Prototyping	6,047	6,638
Services	804	1,388
Others	281	254
Not distributed	0	0
Total	16,200	18,266

Operating result	2003	2002
Laser Systems	1,033	1,945
Rapid PCB Prototyping	590	523
Services	281	292
Others	108	103
Not distributed	-880	-1,240
Total	1,132	1,623

Consolidated statement of income (in K€)

	01.07.- 30.09.2003	01.07.- 30.09.2002	01.01.- 30.09.2003	01.01.- 30.09.2002
Turnover	6,662	5,396	16,200	18,266
Other operating income	429	558	990	1,060
Changes in inventories of finished goods and work in progress	-295	-53	175	321
Production of own fixed assets capitalized	275	131	406	370
Cost of purchased materials and services	1,594	1,722	4,290	5,272
Personnel expenses	2,229	2,540	6,869	7,383
Depreciation on plant (and intangible assets)	484	515	1,452	1,538
Amortisation of goodwill	51	41	152	123
Other operating expenses	1,289	1,275	3,876	4,078
Operating income / loss	1,424	-61	1,132	1,623
Interest income	33	42	97	112
Interest expense	54	51	162	154
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	-3	0	-3	0
Result before income taxes (and minority interest)	1,400	-70	1,064	1,581
Income tax	568	33	433	769
Extraordinary income / expenses	0	0	0	0
Result before minority interest	832	-103	631	812
Minority interest	-3	-128	99	10
Net income / loss	829	-231	730	822

Earnings per share

	01.07.- 30.09.2003	01.07.- 30.09.2002	01.01.- 30.09.2003	01.01.- 30.09.2002
Net income per share (basic)	0.08 EUR	-0.02 EUR	0.07 EUR	0.08 EUR
Net income per share (diluted)	0.08 EUR	-0.02 EUR	0.07 EUR	0.08 EUR
Weighted average shares outstanding (basic)	10,647,895	10,647,895	10,647,895	10,641,145
Weighted average shares outstanding (diluted)	10,724,601	10,999,450	10,673,464	10,842,220

Workforce

The breakdown of employee numbers is as follows:

	30.09.2003	31.12.2002
Production	54	62
Distribution	39	40
Research & Development	44	47
Engineering and administration	63	70
	200	219

Numbers of shares held by board members

	31.03.2003	30.06.2003	30.09.2003
Board of directors			
Bernd Hackmann	190,000	190,000	190,000
Dr. Jörg Kickelhain	92,600	92,600	92,600
Christoph Wiese	3,050	3,050	3,050
Supervisory board			
Bernd Hildebrandt	904,150	904,150	905,150
Klaus Sülter	926,800	926,800	908,800

Consolidated balance sheet (in K€)

Assets	30.09.2003	31.12.2002
Current assets		
Cash and cash equivalents	4,538	5,188
Short-term investments / marketable securities	1,157	198
Trade accounts receivable	4,457	4,603
Accounts receivable due from related parties	0	0
Inventories	9,874	9,700
Prepaid expenses and other current assets	894	1,636
Total current assets	20,920	21,325
Non-current assets		
Property, plant and equipment	8,258	8,588
Intangible assets	1,205	1,814
Goodwill	197	348
Investments	2	2
Investments accounted for by the equity method	0	0
Notes receivables / loans	11	13
Deferred taxes	1,111	772
Trade accounts receivable	273	321
Other assets	140	140
Total non-current assets	11,197	11,998
Total assets	32,117	33,323
Liabilities and shareholders' equity	30.09.2003	31.12.2002
Current liabilities		
Current portion of finance lease obligation	29	0
Short-term debt and current portion of long-term debt	721	539
Trade accounts payable	939	1,017
Accounts payable due to related parties	0	0
Advanced payments received	72	1,284
Accrued expenses	1,348	1,553
Deferred revenues	0	0
Income tax payable	0	0
Deferred taxes liability	0	0
Other current liabilities	590	1,005
Deferred income	300	354
Total current liabilities	3,999	5,752
Non-current liabilities		
Long-term debt, less current portion	2,552	2,328
Finance lease obligations, less current portion	96	0
Deferred revenues	0	0
Deferred taxes liability	577	676
Pension accrual	221	203
Total non-current liabilities	3,446	3,207
Minority interest	1,487	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	0	0
Retained earnings	9,211	8,481
Foreign currency translation adjustments	-442	-238
Total shareholders' equity	23,185	22,659
Total liabilities and shareholders' equity	32,117	33,323

Consolidated cash flow statement (in K€)

	01.01.-30.09.2003	01.01.-30.09.2002
Cash flows from operating activities		
Net profit	730	822
Minority interest	-99	-10
Depreciation and amortisation of fixed assets	1,604	1,661
Increase in provisions and accruals	-140	145
Gains on the disposal of fixed assets	-156	-111
Changes in inventories and accounts receivables and other assets	377	1,987
Changes in liabilities and other deferred income	-2,181	-129
Other non-payment expense / income	307	168
Cash flows from operating activities	442	4,533
Cash flows from investing activities		
Fixed asset investment intangible assets	-21	-88
Fixed asset investment tangible assets	-688	-980
Investment in subsidiaries	0	0
Investment in other financial assets	0	-1
Proceeds from disposal of a subsidiary	0	0
Proceeds from sale of equipment	184	294
Cash flows from investing activities	-525	-775
Cash flows from financing activities		
Proceeds from issuance of share capital	0	43
Repayments of convertible bonds	-3	0
Proceeds from short or long-term borrowings	672	0
Repayments long-time bank borrowings	-313	-209
Proceeds of capital lease liabilities	125	0
Cash flows from financing activities	481	-166
Changes in cash and cash equivalents		
Changes in cash and cash equivalents due to exchange rates	-136	-166
Changes in cash and cash equivalents	398	3,592
Cash and cash equivalents as at 01.01.2003	5,365	1,342
Cash and cash equivalents as at 30.09.2003	5,627	4,768
Composition of cash and cash equivalents		
Cash	4,538	4,529
Short-term investments	1,157	402
Bank overdraft	-68	-163
Cash and cash equivalents	5,627	4,768

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

Consolidated statement of the changes in shareholders' equity for the financial year ended 30. September 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
	(10)	(38)	(0)	(0)	(0)	(48)
Fair value cash flow hedges	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)
Net result	0	0	0	730	0	730
	(0)	(0)	(0)	(822)	(0)	(822)
Foreign currency translation adjustment of net invest- ments in economically-independent foreign subunits	0	0	0	0	-1	-1
	(0)	(0)	(0)	(0)	(0)	(0)
Other foreign currency translation adjustment	0	0	0	0	-203	-203
	(0)	(0)	(0)	(0)	(-570)	(-570)
per 30.09.2003	10,648	3,768	0	9,211	-442	23,185
per 30.09.2002	(10,648)	(3,768)	(0)	(8,669)	(-98)	(22,987)

Shortened Annex

The 30 September 2003 interim report has been prepared in accordance with IAS. It reflects the interpretations of the Standard Interpretations Committee (SIC). 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.

As part of a capital increase, additional Laserquipment AG shares were acquired in the second quarter for K€ 191, so that 65.3% of the share capital of this company is now held.

With effect from 3 June 2003, LaserMicronics GmbH sold the in-house generated intangible assets associated with the Stencils segment for K€ 165.

R&D expenses in the reporting period were K€ 2,393 (previous year K€ 2,406).

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

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