



## Dear shareholders,

After a difficult 2001 financial year, the business performance of the first quarter of this financial year again gives cause for cautious optimism. We are especially satisfied with the development of the laser systems segment. With the sale of two MicroLine Laser systems, the company has achieved significant success. The use of these appliances for the first time in the medical sensor and ultra-fine conductor technology sectors demonstrates that we were right in our decision to implement miniaturisation strategies. The business development in the Rapid PCB Prototyping segment is currently not considered to be satisfactory. Due to the overall contradictory and unequivocal situation currently existing in the electronics sector, the willingness to invest is unfortunately still characterised by caution. It can be said that 2001, which proved a difficult year not only for the electronics market, is still clearly having an effect in this area. The sector is therefore still a long

way from posting the high levels of investment that characterised the first quarter of 2000.

The enthusiastic and continued interest in our products which is also repeatedly underlined at the trade fairs we attend, does, however, give us hope that things will improve here as well.

We are currently pushing ahead with our R&D activities at full speed. With regard to the sales of our products, we are forecasting a continued positive development on the laser market in the second quarter of the year and revitalisation in the Rapid PCB Prototyping segment.

Yours faithfully

Bernd Hackmann

## Major interest in LPKF products at Hanover Fair

The Minister President of Lower Saxony, Sigmar Gabriel, visits the company booth

The LPKF team welcomed a VIP at this year's industrial fair in Hanover. The Minister President of Lower Saxony, Sigmar Gabriel, used his tour of the fair to learn about the group and its technological performance.

The Minister President was particularly interested in the laser and micro systems technology segment. "The Minister President was surprised that there was such a high level of high-tech potential in Lower Saxony," says Board Member Dr. Jörg Kickelhain. In his dis-

cussions with the company management, Gabriel indicated his basic willingness to further intensify the initial impression he had gained at the trade fair by visiting the company in person. In addition to the Minister President, the chairman of the Economics and Transport Committee of the Lower Saxony Parliament, Dr. h.c. Wolfgang Schultze, also learnt more about the recent product developments by LPKF. Together with a high ranking delegation from the State Parliament, Schultze was informed on the booth about the products and systems in the laser and development technology segments. "Our presence at the Hanover Fair is an indispensable home game for LPKF," says LPKF CFO Christoph Wiese, "many customers who attend the trade fair in Hanover anyway use the opportunity to drop in and see us as well." This is one of the reasons why the quality of the contacts is so high even though the event is not really a technical trade fair in the strict sense of the word.

For the first time this year, the company was represented on the Hanover exhibition ground at two locations: the main booth provided visitors with an attractive showcase of information on how a complete production line for the development of a circuit board prototype functions. At the same time, the integration of the laser drilling system MicroLine Drill in micro system technology was demonstrated on the joint booth of the German Association of Mechanical and Plant Engineers r.s. (VDMA).



The trade fair in Hanover, which boasted around 250,000 visitors this year, is not only a market for exchanging information and experience, it is also an important gauge of the mood of the sector. As Christoph Wiese says: "This year's Hanover Fair demonstrated that the market continues to show unbroken interest in LPKF products. Even though the overall picture is still affected by last year's developments, we were able to draw an optimistic conclusion overall."



left to right: Dr. Jörg Kickelhain, Christoph Wiese, Dr. Gunter Blank, Sigmar Gabriel

### Contents

#### Page 2

- Leadership in precision and dynamics
- Dear shareholders
- Consolidated group
- Segment reporting

#### Page 3

- Consolidated statement of income
- Earnings per share
- Consolidated balance sheet
- Workforce
- Shareholdings held by board members

#### Page 4

- Consolidated cash flow statements
- Changes in shareholders' equity
- Imprint



## Leadership in precision and dynamics



Interview with Dr. Gunter Blank, managing director of LPKF Motion & Control in Suhl, Thuringia

**For over a decade, LPKF Motion & Control has been developing the drives and controls for LPKF laser systems and other devices. Would it not be more cost-effective for the company to make use of conventional solutions in this area?**

Cheaper may be! The trouble is, these "off the peg" solutions are barely adequate to meet the demands of LPKF laser systems. The laser applications in which we are specialised require a degree of precision in path guidance that cannot be achieved by the conventional drive tables available on the market. Our systems are specially developed for the appropriate applications and in close collaboration with the R&D department in Garbsen. Important is not only extreme precision down to one thousandth of a millimetre, but also speed. It is in the combi-

nation of these characteristics – which ultimately define the productivity of the equipment – that LPKF Motion & Control is the leader world-wide.

**Could you occupy other market niches with these qualities?**

Certainly! The highly precise motion platforms which we develop can not only be used for the operation of industrial lasers or circuit board plotters, they are also excellent for the precise measurement of two and three-dimensional objects. The range of applications is universal and extends from semiconductor technology right through to biology. It is often possible for customers to make direct use of solutions originally developed for LPKF. But we can also provide them with customised solutions for special applications.

**Does this work carried out for external clients also benefit internal projects?**

In some cases, yes. For instance, in the current project involving the MF 100 UV MultifunctionLaser.

The task was to develop a drive and control system which would also allow special materials such as ceramics to be processed. Through the work we carried out for other customers, we had already gathered experience in this area which we could effectively put to use for this project as well.

**In which direction will LPKF Motion & Control develop?**

Our future is naturally strongly linked to the development at headquarters in Garbsen. We will continue to make our contribution to the new technologies which are created there. Our objective is to further improve the accuracy and dynamics of our drive systems and to enhance the range of functions of our control technology even further. In addition to measuring technology, which is becoming increasingly important in the context of quality control, I see a future for micro system technology in other interesting areas of application involving precision positioning systems.

## Dear shareholders,

The development of the global economy in the first quarter 2002 is in line with the modest optimism expressed by LPKF Laser & Electronics AG. Compared to the same period last year, turnover has risen slightly by 24.4% to KEUR 6,850 (KEUR 5,507). This results in a consolidated profit of KEUR 664 (KEUR 645) which corresponds to a return on sales after tax of 9.7% (11.7%).

Laserquipment AG has been fully consolidated for the first time because of an option right on 51.01% of the shares in accordance with SIC 33 in combination with IAS 22. Laserquipment AG produces innovative laser plastic welding technology for 3-dimensional plastic components. The company successfully sold several systems in recent months. Following the introduction period in 2002, there are good opportunities in coming years to positively influence group turnover and profit with this additional market segment.

The success of the laser systems was mainly responsible for the positive quarterly result. Most of this turnover has been realised out of the stock on hand. The capital lockup in stock, however, could only be reduced slightly by orders.

Payment receipts from the receivables at the year-end 2001 had a positive effect on cash-flow.

The current orders in hand of LPKF Laser & Electronics AG total EUR 3.5 (2.4) million.

All R&D activities are on schedule and are being pursued intensively. The MicroLine Laser and MicroLine Drill systems are particularly worthy of note in this context. In this segment of electronic miniaturisation, LPKF offers and markets an excellent range of laser system products. The forecast for the economic development in the ongoing financial year remains cautiously optimistic because many economic experts are forecasting the second half of the year to be much more positive than the same period the previous year.

For LPKF Laser & Electronics AG, the recovery of the global electronics market and the continuing trend to implement miniaturisation strategies remain important indicators.

### 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 Franklin Industries N.V.	Mechelen / Belgium	100.0	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	19.99 (50.01)	2000

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

Name	Domicile	Holding %	Acquired
PhotonicNet GmbH	Hanover / Germany	9.09	2000

### Segment reporting (in KEUR)

according to product lines per 31.03.2002

External sales	2002	2001
Laser Systems	3,839	1,690
Rapid PCB Prototyping	2,448	3,002
Stencils	516	663
Others	47	152
<b>Total</b>	<b>6,850</b>	<b>5,507</b>

Operating result	2002	2001
Laser Systems	365	79
Rapid PCB Prototyping	652	804
Stencils	158	299
Others	15	46
Not distributed	39	33
<b>Total</b>	<b>1,229</b>	<b>1,261</b>

## Consolidated statement of income (in KEUR)

	01.01.- 31.03.2002	01.01.- 31.03.2001
Revenues	6,850	5,507
Other operating income	242	238
Changes in inventories of finished goods and work in progress	391	2,258
Production of own fixed assets capitalised	1	6
Cost of purchased materials and services	2,067	2,641
Personnel expenses	2,322	2,012
Depreciation and amortisation	319	432
Amortisation (and impairment) of goodwill	221	170
Other operating expenses	1,326	1,493
Other taxes	0	0
<b>Operating income / loss</b>	<b>1,229</b>	<b>1,261</b>
Interest income	34	44
Interest expense	66	49
Income from investments and participations	0	0
Income/expense from investments accounted for by the equity method	0	0
Exchange gains/losses	0	0
Other income/expense	0	0
<b>Result before income taxes (and minority interest)</b>	<b>1,197</b>	<b>1,256</b>
Income tax	394	497
Extraordinary income/expenses	0	0
<b>Result before minority interest</b>	<b>803</b>	<b>759</b>
Minority interest	139	114
<b>Net income/loss</b>	<b>664</b>	<b>645</b>

## Earnings per share

	01.01.- 31.03.2002	01.01.- 31.03.2001
Net income per share (basic)	0.06 EUR	0.06 EUR
Net income per share (diluted)	0.06 EUR	0.06 EUR
Weighted average shares outstanding (basic)	10,637,770	10,500,000
Weighted average shares outstanding (diluted)	10,729,036	11,000,000

## Workforce

The breakdown of employee numbers is as follows per 31.03.2002:

	31.03.2002	31.12.2001
Production	59	59
Distribution	37	37
Research & Development	42	39
Engineering and administration	70	70
	<b>208</b>	<b>205</b>

## Shareholdings held by board members

	31.03.2002
<b>Board of directors</b>	
Bernd Hackmann	150,000
Dr. Jörg Kickelhain	92,600
Christoph Wiese	50
<b>Supervisory board</b>	
Bernd Hildebrandt	884,250
Klaus Sülter	924,500

## Consolidated balance sheet (in KEUR)

Assets	31.03.2002	31.12.2001
<b>Current assets</b>		
Cash and cash equivalents	3,923	2,328
Short-term investments / marketable securities	319	10
Trade accounts receivable	6,611	7,175
Accounts receivable due from related parties	0	0
Inventories	10,633	10,693
Deferred tax assets	0	0
Prepaid expenses and other current assets	1,031	1,207
<b>Total current assets</b>	<b>22,517</b>	<b>21,413</b>
<b>Non-current assets</b>		
Property, plant and equipment	8,636	8,818
Intangible assets	2,218	2,373
Goodwill	346	386
Investments	3	3
Investments accounted for by the equity method	0	0
Notes receivable / loans	0	0
Deferred taxes	811	778
Other assets	0	0
<b>Total non-current assets</b>	<b>12,014</b>	<b>12,358</b>
<b>Total assets</b>	<b>34,531</b>	<b>33,771</b>

Liabilities and shareholders' equity	31.03.2002	31.12.2001
<b>Current liabilities</b>		
Current portion of capital lease obligation	0	0
Short-term debt and current portion of long-term debt	430	1,930
Trade accounts payable	1,162	1,130
Accounts payable due to related parties	0	0
Advance payments received	984	20
Accrued expenses	1,430	1,327
Deferred revenues	0	0
Income tax payable	0	0
Deferred tax liability	0	0
Other current liabilities	1,058	1,495
Deferred income	481	413
<b>Total current liabilities</b>	<b>5,545</b>	<b>6,315</b>
<b>Non-current liabilities</b>		
Long-term debt, less current portion	2,703	2,092
Capital lease obligations, less current portion	0	0
Deferred revenues	0	0
Deferred tax liability	705	843
Pension accrual	186	180
<b>Total non-current liabilities</b>	<b>3,594</b>	<b>3,115</b>
<b>Minority interest</b>	<b>2,221</b>	<b>1,654</b>
<b>Shareholders' equity</b>		
Share capital	10,638	10,638
Additional paid-in capital	3,730	3,730
Treasury stock	0	0
Accumulated other comprehensive income/loss	8,511	7,847
Foreign currency translation adjustment	292	472
<b>Total shareholders' equity</b>	<b>23,171</b>	<b>22,687</b>
<b>Total liabilities and shareholders' equity</b>	<b>34,531</b>	<b>33,771</b>



## Consolidated cash flow statements (in KEUR)

	01.01.-31.03.2002	01.01.-31.03.2001
<b>Cash flows from operating activities:</b>		
Net profit / loss	803	759
Depreciation and amortisation	540	602
Increase / decrease in provisions and accruals	110	0
Other non solvent effects of gains / losses	3	-64
Foreign exchange gains / losses	0	0
Changes in inventories and accounts receivables and other assets	768	-2,655
Changes in provisions	0	-471
Changes in liabilities and other deferred income	735	440
Others	-4	0
<b>Cash flows from operating activities</b>	<b>2,955</b>	<b>-1,389</b>
<b>Cash flows from investing activities:</b>		
Acquisition of subsidiaries, net of cash acquired	0	0
Proceeds from disposal of a subsidiary, net of cash transferred	0	0
Purchase of property, plant and equipment	-165	-494
Advance payments for investments	0	0
Proceeds from sales of equipment	0	22
<b>Cash flows from investing activities</b>	<b>-165</b>	<b>-472</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of share capital	0	0
Other lendings	0	0
Changes in long-term borrowings	-80	-149
<b>Cash flows from financing activities</b>	<b>-80</b>	<b>-149</b>
<b>Changes in cash and cash equivalents</b>		
Net effect of currency translation in cash and cash equivalents	3	90
Changes in cash and cash equivalents	2,710	-2,010
Cash and cash equivalents per 01.01.2002	1,342	3,869
<b>Cash and cash equivalents per 31.03.2002</b>	<b>4,055</b>	<b>1,949</b>
<b>Composition of cash and cash equivalents</b>		
Cash and cash equivalents	3,923	2,579
Short-term investments	319	112
Bank overdraft	-187	-742
<b>Cash and cash equivalents</b>	<b>4,055</b>	<b>1,949</b>

## Changes in shareholders' equity (in KEUR)

Consolidated statement of the changes in shareholders' equity for the financial year ended 31 March 2002 (previous year in brackets)

	Shared Capital	Additional paid-in capital	Retained Earnings	Foreign exchange translation adjustments	Total
per 01.01.2002	10,638	3,730	7,847	472	22,687
per 01.01.2001	(10,500)	(3,622)	(6,983)	(270)	(21,375)
Profit-neutral adjustmet of OA figures	0	0	0	0	0
Capital increase from shareholders' funds	(0)	(0)	(0)	(0)	(0)
Proceeds from capital increase (Convertible bond)	0	0	0	0	0
Dividend payment to shareholders	(0)	(0)	(0)	(0)	(0)
Net result	0	0	664	0	664
	(0)	(0)	(645)	(0)	(645)
Foreign exchange translation adjustments	0	0	0	-180	-180
	(0)	(0)	(0)	(181)	(181)
per 31.03.2002	10,638	3,730	8,511	292	23,171
per 31.03.2001	(10,500)	(3,622)	(7,628)	(451)	(22,201)

Imprint	Publisher	Numbers of Copies / Status	Layout
	LPKF Laser & Electronics AG · Osteriede 7 · D-30827 Garbsen Internet: www.lpkf.de · Phone +49 (0) 51 31-70 95-0	1,500 German, 500 English 28.05.02	ad home