



Dear shareholders,

The positive trend of the first quarter continued – slightly weaker – in the second quarter. Turnover in the cutting and drilling laser segments – the systems for manufacturing printing stencils, and for the drilling and structuring of ultra-fine circuit boards – remained satisfactory. Turnover in this segment further improved on the results of the weak first half of 2001.

The Rapid PCB Prototyping business, however, continues to be unsatisfactory also in the second quarter: it has not been proved possible to increase sales in this segment. Nevertheless, turnover overall as well as the Group profit are higher than the previous year.

The MicroLine Laser segment continues to develop positively. The production of the ordered systems is running on schedule. Our efforts to

launch the MicroLine Laser in the general sensor applications market is being rigorously pursued.

There is also good news concerning our precision tables which are manufactured by our subsidiary LPKF Motion & Control in Suhl: these have been used for some time by a measuring equipment manufacturer also outside the Group.

Despite the unfavourable economic situation with our current range of products, we can still look forward to the future with confidence.

Yours sincerely,

Bernd Hackmann

Marketing campaign for 3D-MID technology started

New 3D-MID Application Center clearly demonstrates the qualities of this highly promising technology.

LPKF launches the marketing of the 3D-MID technology by setting up its own center for the production of three-dimensional circuit carriers in Bad Salzuflen/Westphalia. This unique center has been established to demonstrate the convincing quality of this new technology to potential clients by providing services and supplying customers with samples. The strategy is to create the basis for the broad market launch of the production method and associated raw materials developed by LPKF.

LPKF has been intensively involved since 1996 in the development of laser-based production methods for MIDs – three-dimensional injection moulded circuit carriers capable



of completely or partially replacing conventional circuit boards. “The main advantage of 3D-MIDs compared to conventional circuit boards is the much greater freedom of design and the immense rationalisation potential associated with the shortening of the production chain,” says LPKF Board member R&D Dr. Jörg Kickelhain. Because this method also reduces the number of components needed, 3D circuit boards also make a major contribution to the targeted miniaturisation of electronic subassemblies.

In cooperation with the Fachhochschule Lippe in Lemgo, LPKF developed a method that makes it possible for the first time for high-resolution printed circuits to be written by laser onto a three-dimensional shape such as a mobile phone housing. The housing is injection moulded using a specially treated (doped) plastic. “The method is now ready for the market,” confirms Nils Heining, sales manager in Bad Salzuflen. “Setting up the 3D-MID Application Center was the obvious next step.”

Experts rate the outlook for 3D-MID technologies as extremely promising: with a total turnover of USD 105.9 million last year, three-dimensional circuit carriers may still only be a relatively small market, but it has enormous growth potential.

In Bad Salzuflen, prospective customers are able to see for themselves the whole process chain for the production of MIDs: from production of the pre-treated plastic granulate, the injection moulding stage, through to laser-structuring and subsequent metallization. “The main priority now,” says Dr. Jörg Kickelhain, “is to show the market the extraordinary potential of this technology.”

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Technical breakthrough for three-dimensional circuit carriers

3D-MID technology now ready for mass production

Injection moulded circuit carriers now open up the possibility of combining a device's electronics and mechanics. To use the possibilities of 3D-MID technology for mass production, raw materials are required which, after the assembly of components, can withstand conventional industrial soldering techniques without melting.

The design and application freedom of injection moulded circuit carriers (MIDs) appears almost unlimited: tiny hearing aids, wrist mobile phones, or sophisticated mechatronic systems that integrate optical, mechanical and electrical properties. With the LaserDirect-Structuring method (LDS) developed by LPKF, it is now possible to create high resolution circuit layouts on complex three-dimensional structures which effectively combine the functions of circuit board and housing.

The basis of this method are specially treated plastics (thermoplastics): the circuits are activated on the plastic by laser and then metallized in a chemical bath. The methods currently used have

not yet established themselves on the market because they are either uneconomic or have serious technical problems rendering them unsuitable for mass production.

Now, however, by modifying extra heat-resistant thermoplastics, LPKF has succeeded in producing 3D-MIDs using the LPKF-LDS method which can withstand reflow soldering and are therefore suitable for industrial series production. In the words of LPKF Board member R&D Dr. Jörg Kickelhain: "This has made it possible for the first time to create a technology which can be used for the development of prototypes as well as for series production."



People



In April 2002 Ulrike Thoms-von Meding took over Investor Relations at LPKF. The main task is to provide institutional analysts and investors as well as private investors with comprehensive corporate information.

Other responsibilities are the information management for the financial press as well as the organisation of the annual general meeting, various Investor Relations events, press conferences and the content of the company IR-website. A trained translator and commercial specialist, Ulrike Thoms-von Meding has already worked for the company for more than five years as an assistant to the Board of Directors.

Dear Shareholders,

The second quarter 2002 was marked by a modest continuation of the positive trend experienced by LPKF Laser & Electronics AG in the first quarter of the year.

Compared to the same period last year, turnover has grown 9.1 % to TEUR 12,870 (TEUR 11,796). This corresponds to a consolidated result of TEUR 1,053 (TEUR 873) and a sales return after tax of 8.2 % (7.4 %).

The positive quarterly result is mainly attributable to the sale success in the company's Laser Systems segment. A positive contribution was made here by the sale of a MicroLine Laser for a biosensor application. Turnover in the Rapid PCB Prototyping and Stencils segments has not yet felt the benefit of a recovery in orders and is therefore still down on the previous year's results. The proportion of turnover generated by North America has fallen in line with overall economic and exchange rate influences, whilst growth was generated in Germany and Asia. The cash and cash equivalents was stabilised at the same

level as the first quarter and considerably improved compared to the same period of the previous year.

The current backlog of orders of LPKF Laser & Electronics AG totals EUR 3.41 billion (EUR 2.22 billion) and is therefore up 54 % year-on-year.

The MicroLine Laser segment is fully on schedule with the project to deliver a system for blood glucose analysis. The launch of the MicroLine Laser for other sensor applications is being pushed forward.

It is satisfying to be able to report that there is still unbroken interest in LPKF products despite the global economic uncertainties, although the effect is felt in the postponement of investment by our clients worldwide. LPKF AG's product range strategy is highly regarded around the world.

Short to medium term developments depend on the positioning and development of the international electronics and circuit board markets.

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
Laserequipment 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 30.06.2002

External sales	2002	2001
Laser Systems	6,992	4,134
Rapid PCB Prototyping	4,687	6,010
Stencils	959	1,308
Others	232	344
Not distributed	0	0
Total	12,870	11,796

Operating result	2002	2001
Laser Systems	834	119
Rapid PCB Prototyping	561	908
Stencils	260	587
Others	15	111
Not distributed	37	36
Total	1,707	1,761

Consolidated statement of income (in KEUR)

	01.04.- 30.06.2002	01.04.- 30.06.2001*	01.01.- 30.06.2002	01.01.- 30.06.2001*
Revenues	6,020	6,289	12,870	11,796
Other operating income	283	215	525	453
Changes in inventories of finished goods and work in progress	295	1,591	686	3,849
Production of own fixed assets capitalised	238	164	239	170
Cost of purchased materials and services	1,796	3,483	3,862	6,124
Personnel expenses	2,521	2,173	4,843	4,185
Depreciation and amortisation	565	578	1,105	1,180
Other operating expenses	1,470	1,512	2,786	2,991
Other taxes	6	13	17	27
Operating income / loss	478	500	1,707	1,761
Interest income	36	50	70	94
Interest expense	37	77	103	126
Income from investments and participations	0	-11	0	-11
Income / expense from investments accounted for by the equity method	0	0	0	0
Foreign currency exchange gains / losses	-23	0	-23	0
Other income / expense	0	0	0	0
Result before income taxes (and minority interest)	454	462	1,651	1,718
Income tax	342	72	736	569
Extraordinary income / expenses	0	0	0	0
Result before minority interest	112	390	915	1,149
Minority interest	277	-162	138	-276
Net income / loss	389	228	1,053	873

*Previous year without Laserquipment AG

Earnings per share

	01.04.- 30.06.2002	01.04.- 30.06.2001	01.01.- 30.06.2002	01.01.- 30.06.2001
Net income per share (basic)	0.04 EUR	0.02 EUR	0.10 EUR	0.08 EUR
Net income per share (diluted)	0.04 EUR	0.02 EUR	0.10 EUR	0.08 EUR
Weighted average shares outstanding (basic)	10,637,770	10,637,770	10,637,770	10,637,770
Weighted average shares outstanding (diluted)	10,659,380	11,000,000	10,705,013	11,000,000

Workforce

The breakdown of employee numbers is as follows per 30.06.2002:

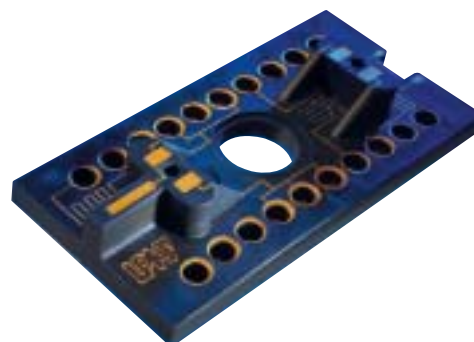
	30.06.2002	31.12.2001
Production	59	59
Distribution	41	37
Research & Development	45	39
Engineering and administration	69	70
	214	205

Shareholdings held by board members

	31.03.2002	30.06.2002
Board of directors		
Bernd Hackmann	150.000	150.000
Dr. Jörg Kickelhain	92.600	92.600
Christoph Wiese	50	50
Supervisory board		
Bernd Hildebrandt	884.250	884.250
Klaus Sülter	924.500	924.500

Consolidated balance sheet (in KEUR)

Assets	30.06.2002	31.12.2001
Current assets		
Cash and cash equivalents	3,899	2,328
Short-term investments / marketable securities	496	10
Trade accounts receivable	5,585	7,175
Accounts receivable due from related parties	0	0
Inventories	10,769	10,693
Deferred tax assets	0	0
Prepaid expenses and other current assets	0	1,207
Total current assets	20,749	21,413
Non-current assets		
Property, plant and equipment	8,865	8,818
Intangible assets	2,018	2,373
Goodwill	304	386
Investments	3	3
Investments accounted for by the equity method	0	0
Notes receivable / loans	0	0
Deferred taxes	883	778
Other assets	976	0
Total non-current assets	13,049	12,358
Total assets	33,798	33,771
Liabilities and shareholders' equity	30.06.2002	31.12.2001
Current liabilities		
Current portion of capital lease obligation	0	0
Short-term debt and current portion of long-term debt	807	1,930
Trade accounts payable	1,381	1,130
Accounts payable due to related parties	0	0
Advance payments received	638	20
Accrued expenses	1,270	1,327
Deferred revenues	0	0
Income tax payable	0	0
Deferred tax liability	0	0
Other current liabilities	1,342	1,495
Deferred income	470	413
Total current liabilities	5,908	6,315
Non-current liabilities		
Long-term debt, less current portion	1,919	2,092
Capital lease obligations, less current portion	0	0
Deferred revenues	0	0
Deferred tax liability	645	843
Pension accrual	193	180
Total non-current liabilities	2,757	3,115
Minority interest	1,868	1,654
Shareholders' equity		
Share capital	10,638	10,638
Additional paid-in capital	3,730	3,730
Treasury stock	0	0
Accumulated other comprehensive income / loss	8,859	7,847
Foreign currency translation adjustment	38	472
Total shareholders' equity	23,265	22,687
Total liabilities and shareholders' equity	33,798	33,771



Consolidated cash flow statements (in KEUR)

	01.01.-30.06.2002	01.01.-30.06.2001*
Cash flows from operating activities:		
Net profit/loss	915	1,149
Depreciation and amortisation	1,105	1,180
Losses and gains on the disposal of fixed assets	6	0
Increase/decrease in provisions and accruals	-45	0
Other non solvent effects of gains/losses	0	-100
Foreign exchange gains/losses	0	0
Changes in inventories and accounts receivables and other assets	1,641	-3,935
Changes in provisions	0	-1,147
Changes in liabilities and other deferred income	251	618
Others	356	0
Cash flows from operating activities	4,229	-2,235
Cash flows from investing activities:		
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	-732	-1,003
Advance payments for investments	0	0
Proceeds from sales of equipment	25	57
Cash flows from investing activities	-707	-946
Cash flows from financing activities:		
Dividends paid	0	-644
Proceeds from issuance of share capital	0	0
Proceeds from convertible bonds	20	975
Other lendings	0	0
Changes in long-term borrowings	-129	-202
Cash flows from financing activities	-109	129
Changes in cash and cash equivalents		
Net effect of currency translation in cash and cash equivalents	-369	113
Changes in cash and cash equivalents	3,413	-3,052
Cash and cash equivalents per 01.01.2002	1,342	3,757
Cash and cash equivalents per 30.06.2002	4,386	818
Composition of cash and cash equivalents		
Cash and cash equivalents	3,899	2,714
Short-term investments	496	0
Bank overdraft	-9	-1,896
Cash and cash equivalents	4,386	818

*Previous year without Laserquipment AG

Changes in shareholders' equity (in KEUR)

Consolidated statement of the changes in shareholders' equity for the financial year ended 30 June 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	7,806	472	22,646
per 01.01.2001	(10,500)	(3,622)	(7,035)	(270)	(21,427)
Profit-neutral adjustment of OA figures	0	0	0	0	0
	(0)	(0)	(0)	(0)	(0)
Capital increase from shareholders' funds	0	0	0	0	0
	(138)	(211)	(0)	(0)	(349)
Proceeds from capital increase (Convertible bond)	0	0	0	0	0
	(0)	(0)	(0)	(0)	(0)
Dividend payment to shareholders	0	0	0	0	0
	(0)	(0)	(0)	(0)	(0)
Net result	0	0	1,053	0	1,053
	(0)	(0)	(873)	(0)	(873)
Foreign exchange translation adjustments	0	0	0	-434	-434
	(0)	(0)	(0)	(311)	(311)
per 30.06.2002	10,638	3,730	8,859	38	23,265
per 30.06.2001	(10,638)	(3,833)	(7,908)	(581)	(22,960)

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