ANNUAL REPORT 2001

LPKF Laser & Electronics


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MicroLine Drill

Message by the Chairman of the Board of Directors

Dear shareholders,

2001 was a very difficult financial year for LPKF Laser & Electronics AG. Although the first quarter was still characterised by optimism and relatively good levels of incoming orders, we were not able to distance ourselves from the strong general downturn in the electronics industry in the following quarters. This affected the various product segments in our range very differently.

In the Rapid PCB Prototyping segment, where our customers are primarily electronics development laboratories, we were able to generate a small increase in turnover despite some difficult months. The number of systems sold in this segment increased over-proportionally. This means that our customers have only purchased the systems that cover their current needs and therefore frequently chose the smallest version so that the average earnings per system has reduced overall. However, the increase in turnover in this segment shows that many customers are still investing in new developments despite the difficult economic background with the aim of generating sales in future from new product lines.

The market of the StencilLaser segment and lasers for new technologies proved to be much more difficult. Orders were only received after lengthy delays even though our customers in the StencilLaser segment hardly seem to have been affected by the crisis. This is explained by the fact that development laboratories continuously generated new products with the help of our stencil technology. This means that our StencilLaser customers generally maintained their turnover and some were even able to increase it. Naturally, major investments were generally avoided during these difficult times. The same also applies to the new technologies such as MicroLine Laser and our new MicroLine Drill.

We are therefore all the more delighted that despite the overall difficult global economic situation, and a slump in turnover of around 17.9 per cent, we were able to generate an overall profit of KEUR 814. And I wish to expressly state here that this result would not have been possible without the untiring commitment of our employees. I am therefore all the more delighted to say in this context that despite of the unfavourable environment, we were able to avoid dismissing staff for economic reasons.

We continued our research activities as planned in the reporting period. The main focus of our research and development work was on the laser drilling of microvias, ultra-fine structuring on circuit boards as well as three-dimensional “circuit boards”. We will continue this work in 2002. An important step in this context is the foundation of our own application centre in Lemgo. The main priority here is 3D circuits.

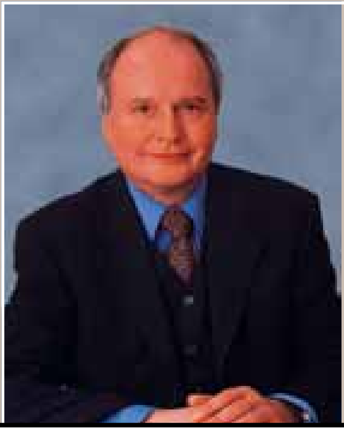
Even if the overall result is perhaps unsatisfactory, I think that we can still be proud of what we have achieved in 2001. My thanks here also to the members of the Supervisory Board who helped us with their experience, their advice and their support. Reflecting our philosophy of efficient corporate governance, LPKF has for a long time pursued very intensive collaboration with this board. My very special thanks in this context go to Bernd Hildebrandt, Chairman of the Supervisory Board, who ran the company for 25 years as Managing Director and subsequently as Chairman of the Board of Directors. He was appointed to the Supervisory Board at the annual general meeting in 2001, taking over from Klaus Sülter who is now his deputy. I myself have now been with LPKF AG for more than 18 years and have been a member of the management and later the Board of Directors for many years.

In 2002 we want to push ahead with launching our new laser systems. The new year has already begun satisfactorily for us with new orders. We consider this to be a sign of confidence in our product development and sales activities and therefore look into the future with optimism.

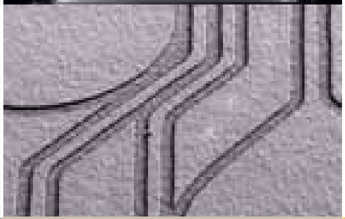
I look forward to continuing good co-operation in the future.

Bernd Hackmann
Garbsen, March 2002

Report of the Supervisory Board



Close collaboration with the Board of Directors underpins efficiency and streamlines decision-making paths.



The Supervisory Board presents its fourth report on the progress of our company since it became a stock corporation.

In 2001 there were personnel changes to the Supervisory Board. The author of this report, Bernd Hildebrandt, was appointed to the position of Supervisory Board chairman on the day of the annual general meeting. He previously held the position of chairman of the Board of Directors. Further members of the Supervisory Board are the former Supervisory Board chairman Klaus Sülter and Dr. Heino Büsching. The deputy Supervisory Board member is Udo B. Hartmann.

As already described in last year's annual report, the LPKF Supervisory Board works together with the Board of Directors in an unusually close and intense way.

It is already possible to say now that this management structure, which is unusual for Germany, has satisfactorily proven its worth.

The decision period is shorter and characterised by an extraordinarily effective preparation. This is not least thanks to the almost two decades of collaboration between members of the Supervisory Board and the Board of Directors.

The advisory segments are laid down in the procedure of the Supervisory Board. Bernd Hildebrandt has an advisory function for marketing, sales and R&D. Klaus Sülter is in charge of accounting, organisation and investor relations. Dr. Heino Büsching covers co-operations, contracts and legal and taxation issues.

Complex topics of strategic importance to the company are dealt with jointly.

The collaboration between the two company bodies does not interfere in any way with the responsibilities and decision-making authority of the Board of Directors.
This co-operation rather provides the basis for thorough and balanced decision making. The Board of Directors welcomes the involvement of Supervisory Board members in important negotiations with strategic partners where special issues are involved. This includes, e.g., holdings, co-operations, licence negotiations or discussions with investors.

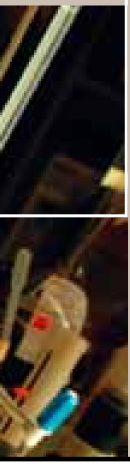
Seven formal meetings took place during the reporting period. In addition to various strategic decisions, the main subjects of these meetings were the Board of Directors' reports on the situation of the company accompanied by the associated figures.

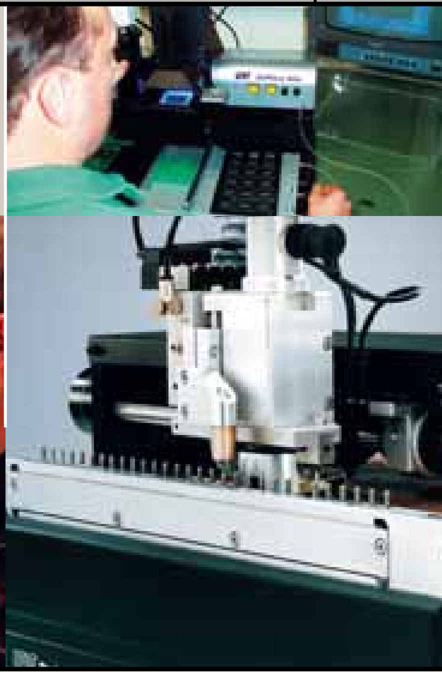
Problems and opportunities were analysed in open debates and their impact on the company discussed and evaluated. All resolutions were agreed unanimously. In addition to formal meetings, there were innumerable discussions between one or more members of the Supervisory Board and the Board of Directors to be available in an advisory role for discussions covering all of the above mentioned segments.

2001 was an extraordinarily difficult business year. The slump in the electronics industry in the spring and summer of the reporting period was unprecedented in the 25-year history of the company. The deterioration of the economic climate as a result of the events in the USA in September were responsible for the non-appearance of the usual revival in business towards the end of the year. This situation was regularly discussed in close contact with the Board of Directors since summer 2001. The objective was to repeatedly maintain a balance between cost-cutting on the one side and keeping the highly qualified staff on the other side.

The extraordinarily high level of incoming orders immediately after the end of 2001 confirmed that the decision to hold on to valuable staff was the right one.

The Supervisory Board thanks the Board of Directors and all of the employees for their successful work during these difficult months. The company has shown that it can generate profits even under the most difficult circumstances.





In addition to active co-operation on management issues, control measures were considerably expanded during the reporting period. The following are worthy of particular note:

- The company has been certified according to DIN EN ISO 9001:2000. All of the production companies in Garbsen, Suhl and Slovenia are now working according to this quality standard and have introduced the associated product and process engineering control standards.
- ELASER GmbH has been working according to DIN EN ISO 9002 since the first half of 2000 and passed the first control audit in 2001.
- Permanent optimisation of the risk manual.
  The manual is permanently updated to reflect the changing processes. A risk analysis was carried out together with an audit company.
  The risk management system comprises all company segments and is based on an early warning system as laid down by KonTraG.
- Corporate Governance in line with the draft "German Corporate Governance codes of the government commission"
  The active organisation of the relationship between the management of the company and its supervisory bodies is confirmed by the very close collaboration between the Supervisory Board and the Board of Directors. The Supervisory Board is informed about strategic projects at a very early stage and is involved in the decision making processes. Strategic development is organized by the management and the Supervisory Board in a way which far exceeds the reporting by the Board of Directors at the Supervisory Board meetings. The regular assessment of the risk management system should also be seen in this context.
- Reporting by the subsidiaries
  Development in turnover and outlook
  Quarterly reporting of results
- Technical, schedule and financial control of R&D projects
- Weekly management discussions involving the Board of Directors and the executive personnel with the aim of rapidly reaching decisions on all current operative events within the company. Early involvement of the works council should also be mentioned in this context.

In accordance with legal obligations, the Supervisory Board engaged Societäts Treuhand GmbH Gruppe Hanover on 20 January 2002 for the purpose of auditing the 2001 annual financial statements. Individual and group financial statements have now been audited and given unconditional approval by the auditor.

The auditor participated at the meeting of the Supervisory Board on 14 March 2002, reported on his audit of the annual financial statements and provided additional material. In accordance with the legislation, the Supervisory Board in turn reviewed the annual financial statements, the management report and the profit appropriation proposal and thus approved the annual financial statements. They are now authorised. The suggestion not to pay a dividend has also been approved. The net income for the year totalling KEUR 4,028 will be carried forward.

The consolidated financial statements, the management board report on the state of the company and the auditors' report were available for reference during discussions with the Board of Directors and the auditor. They were incorporated in the review and acknowledged.

The Supervisory Board thanks the Board of Directors, the works council and all of the employees for their commitment to the company and the work they have carried out in the reporting period. Our thanks also goes to those employees in companies and university institutes who work closely together with our group. This commitment has made it possible even under extremely difficult conditions to generate a positive result even though the planned targets could not be achieved.

Garbsen, March 2002

On behalf of the Supervisory Board

Bernd Hildebrandt

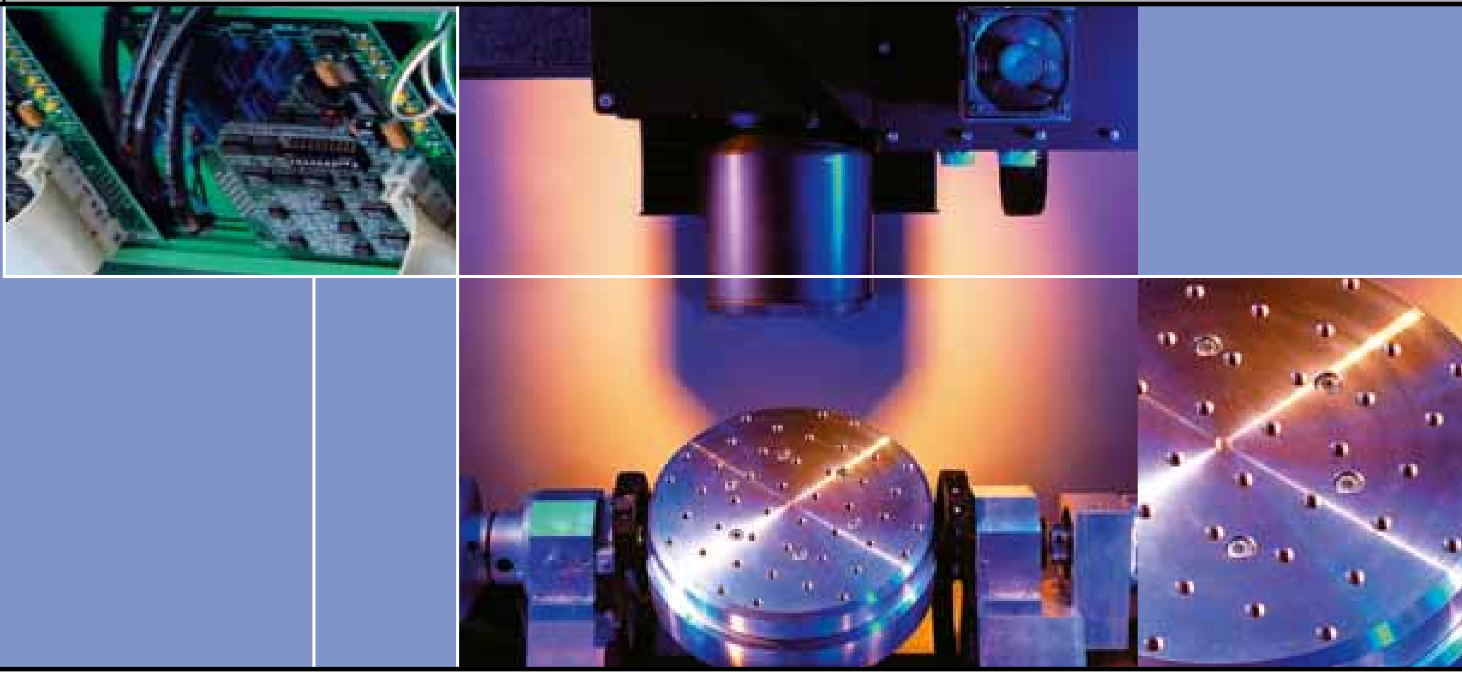
Chairman of the Supervisory Board


LPKF
StencilLaser

LPKF AG Group Management Report 2001

Christoph Wiese

Risk management becomes a decisive factor in a difficult financial year.



Development of business

1. Development of the sector and the overall economy

During the reporting period, the electronics market was characterised by the recessive trend in the global economy. An enormous decline in volumes spent on investment was already observed at the beginning of the second half and also affected LPKF. The dramatic events of 11 September 2001 then gave an added push to the slump in the global economy. For LPKF, the weeks immediately after the event were marked by the further slow down in the receipt of orders, a fact that is reflected in the annual financial statements.

The full benefit of the company's risk management and associated controlling was demonstrated under these very difficult macroeconomic conditions. As a result of the decline in the global economy, LPKF introduced cost-saving measures affecting all areas. These measures were aimed at stabilising the company's liquidity and the goal of generating a positive company result.

The global printed circuit board market serves as an indicator for the rapid decline in the electronics market during the reporting period: according to preliminary information from Walt Custer/Nakahara, this market shrank on average by 30 per cent in 2001. However, a bigger demand for printed circuit boards is expected in 2002 than in the reporting period. According to forecasts by VDMA (Verband Deutscher Maschinen und Anlagenbauer e.V. – German association of mechanical and plant engineering companies), growth will be generated from telecommunications and automobile electronics.

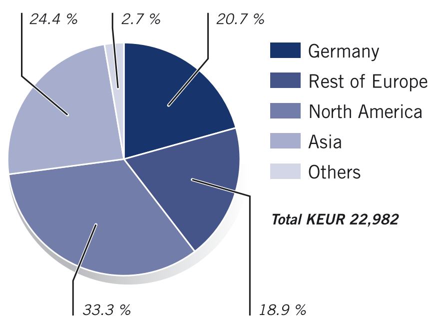
Despite the shrinking electronics market during the reporting period, there is still an unbroken trend towards new production technologies for innovative semi conductor-packaging alternatives. The enhanced use of CSPs (chip size packaging) will sustainably support the market for HDI (high density interconnect) circuits. This opens up good market opportunities for the MicroLine family in particular, and especially the MicroLine Drill.

2. Turnover and sales development

Turnover of all segments together has shrunk by 17.9 per cent to EUR 22.98 million.

In the Rapid PCB Prototyping product segment, a satisfactory growth in turnover of 12.8 per cent to EUR 12.02 million was generated in the reporting period. Despite the general hesitation to committing to investments, LPKF was able to sell more of these machines on the world market. One can see here that the global R&D activities have not been reduced in line with the recessive economic situation but, to the contrary, have been expanded. We think that this is an important indicator and the foundation for a future positive change of direction in the electronics sector. Not withstanding the considerable reduction in volume in 2001, all of the new products launched by LPKF have been welcomed by the market, and as soon as the electronics sector has made a real recovery, they present strong potential for the next possible surge in growth of our company.

Turnover in the laser systems segment shrank by 42.5 per cent. The drop in investment expenditure by our customers was most marked in this segment and in turn led to a drop in turnover. However, we are able to report a great deal of interest in our laser systems and the associated technology at all of the national and international trade fairs we attended. An order for another MicroLine Laser in the fourth quarter from the medical sensor sector is a clear indication for the high level of market acceptance. In the reporting period, newly developed products in all segments were sold at a level reflecting the economic situation. Of special note in this context is the rigorous continuation of the development strategy in the 3D-MID technology segment. At the world's largest electronics trade fair, Productronica in Munich, where LPKF participated with a great deal of success, one of the presentations was of a heat-resistant, and thus solderable material. LPKF will tackle the challenges of the market and energetically pursue the marketing of this segment. We are already involved in very promising negotiations with potential customers and granulate producers. Satisfactory was also the turnover in the stencil segment. It increased by 16.8 per cent to EUR 2.35 million.



Turnover distribution according to country

The turnover and risk distribution according to country continues to be well balanced. There are no major dependencies on countries or major customers.

The amount of orders received in the first months of this year has been very positive and is higher than in the previous year.

3. Production and procurement

LPKF Slovenia d.o.o./Kranj is the main supplier of circuit board plotters, laser sources and printed circuit board assembly technology for Rapid PCB Prototyping. Additional functions were established here during the reporting period aimed at boosting efficiency on the one hand, and strengthening market opportunities in the Balkans and in Italy on the other hand. Because of the experience with long replacement times in the previous year, master contracts were concluded aimed at safeguarding LPKF supplies of components. As a result of the reduced sales and turnover development in the reporting period, these orders resulted in an increase in inventories which were frozen by a reduction in forward supply planning in the second half. However, a large amount of capital is still tied up in inventories. On the positive side, these are young products, which as soon as there is a revival in the electronics market, will ensure short delivery times for LPKF.

The introduction of the DIN EN ISO 9001:2000 quality management system has been implemented with great success in Garbsen, Suhl and Slovenia. The certification audit took place as planned in the third quarter of the reporting period.

4. Investments

Because of the economic situation and the associated reduced turnover, LPKF adapted its investments to this situation and reduced them to the necessary minimum. The main objective of this strategic move was to protect liquidity without at the same time hindering the company's R&D dynamism. The investments in fixed and intangible assets amounted to KEUR 1,682. In the new financial year, investments are planned in the fields of laser system R&D and 3D-MID. This has the aim of putting into effect the knowledge gained by the R&D division and to continue the company's innovation dynamism to push customer-oriented products rapidly through the development pipeline and on to the market.

5. Financing measures

All of the R&D costs and investments were funded by liquid assets. The liquidity situation during the reporting period was also partially supported by using credit account limits. No other measures have to be mentioned for the reporting period. The cash flow situation reflects the tense course of the business year. The high capital lockup is one of the reasons for the outflow of funds from operations. The high accounts receivable also had a strong influence on business operations. It results from the course of turnover during the business year, however, it will contribute to an improved cash situation in the following year.

Against this background the assets and cash situation is sound. Valuation adjustments of the debts have been done on the basis of discounting of long-term transactions. LPKF has a good profit situation with an after-tax profit margin of 3.5 per cent.

6. Human resources

During the reporting year, the number of staff increased from 186 to 205 on the closing date. There were increases in the following segments: sales/marketing, research and development and administration. Most of the recruitment took place in the first half. The rapid slump in the global market in the second half of the reporting period then led to a complete

Risk management proves effective

Unbroken trend towards new production techniques

Increase in low cost models

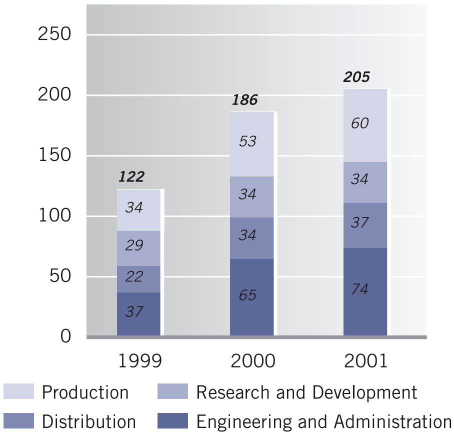
Major interest in 3D technology

Well balanced turnover distribution minimises risks

Increase in inventories because of drop in sales

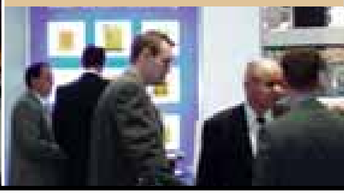
Conserving liquidity

Specialists and experts are important production factors



Personnel





change in human resources policy. LPKF put into effect all of the risk-minimising measures at its disposal with the aim of adjusting the human resources costs to the change in the market. We were even considering downsizing and short time working. However, the management was convinced that reductions in staff would only be put into effect as an extreme emergency measure because the specialists and experts within the company continue to be one of the company's most important production factors. This philosophy was supported by an adjustment of Christmas bonuses and management bonuses to the staff as well as the management with the aim of strengthening liquidity and stabilising the company's overall results.

7. Report on affiliated companies

Elaser GmbH

Turnover in 2001 overall was at the same level as 2000 but with a different mix. A slight reduction in turnover in stencil production was compensated by the growth in services in areas not involved in stencils. This precisely met the strategic approach of the company to only carry out stencil production as a service until the customer buys its own StencilLaser. This strategy is also applied rigorously to technologies other than stencils.

A-Laser Inc. (USA)

The company achieved its planned targets and is today an important supplier of all aspects of stencil technology on the North American market. The turnover mix has developed more towards services not including stencils in line with the change in the economic situation.

LPKF Laser & Electronics AG Headquarter · Garbsen	**EUR 10,637,770**
LPKF d.o.o. System Production · Kranj, Slovenia (75 %)	LPKF Laser & Electronics Inc. Sales USA · Wilsonville, Oregon/USA (60 %)
LPKF Motion & Control GmbH System Production · Suhl, Thuringia (50.94 %)	LPKF, Franklin Industries N.V Sales BeNeLux · Mechelen, Belgium (100 %)
ELASER GmbH Stencil Production · Suhl, Thuringia (100 %)	LPKF France S.A.R.L. Sales France · Lisses, France (94 %)
A-LASER Stencil Production · Beaverton, Oregon/USA (20 % · 80 %)	LPKF Tianjin Co., Ltd. Sales China · China (100 %)
LPKF Laser Components GmbH Research and Development · Garbsen (80 %)	LPKF Properties LLC Real Estate USA · Wilsonville, Oregon/USA (60 %)
Laserquipment AG Laser plastic welding · Erlangen (19.99 %)	PhotonicNet GmbH Competence Center · Hanover (9.09 %)

However, it could fortunately be increased by 32.5 per cent. An investment was made in a polymer StencilLaser in the last quarter of the reporting period to ensure that this market segment is also fully skimmed off. The extra room required was covered by renting additional space.

There are therefore further opportunities for growth in 2002 as soon as the macro-economic situation recovers.

LPKF Motion & Control GmbH

The turnover of LPKF Motion & Control GmbH was boosted by expanding external turnover. The very satisfying sales are a great success given the economic conditions alluded to earlier. They are a sign of the industry recognition of the technological know-how existing within the company. The new customers are involved in the marketing of measuring technology and LPKF Motion & Control GmbH won them as customers in the face of hard international competition. Currently in preparation are new control systems and drives for Rapid PCB Prototyping and laser systems. During the reporting period the company successfully passed the certification procedure for DIN EN ISO 9001:2000 quality management. Further growth is planned in 2002 although the situation on the world market will also have a major impact on the development of this company.

LLPKF d.o.o. (Slovenia)

Analogous to the macro-economic situation already referred to, the turnover of this company also shrank. As previously mentioned in the production and procurement report, additional functions have been established in this company with the aim of producing improvements in efficiency and opening up new market opportunities. During the reporting period, the company very successfully passed the DIN EN ISO 9001:2000 certification audit. LPKF d.o.o. is thus one of the leading companies in Slovenia who have passed the latest version of this standard.

When selecting the site for this company in 1994, the company chose a location with tax advantages. The subsequent cancellation of this favourable tax status lead to the demand for a high tax repayment in 2000. The group considers this demand unjustified and initiated legal action. This legal action continued through the reporting period. The proceedings which are being held by the highest administrative court in Slovenia are expected to be concluded by the end of 2002.

LPKF Laser Components GmbH
This company was founded in 1999 in co-operation with a partner in Russia to support the transfer of laser technology expertise. The activities developed as planned in 2001 and made a contribution to the company's R&D potential. Against this background, the company will continue in 2002 to concentrate on acquiring laser technology expertise.

LPKF Laser & Electronics Inc. (USA)
This company acts as a sales and service partner for the group in North America. The downturn in the North American economy also had a serious impact on LPKF USA. After an impressive start at the beginning of the first half, the overall economic situation became weaker and weaker during the course of the financial year. Many customers issued investment stops for laser systems in particular. However, the company still generated a profit and achieved the same turnover level as the previous year (at time of reporting).

LPKF Properties LLC (USA)
Business purpose of this company founded in 2000 is to provide LPKF Laser & Electronics Inc. with real estate. The company owns the company offices currently used by LPKF Laser & Electronics Inc.

LPKF France S.A.R.L. (France)
This company was initially involved in the sale of Rapid PCB Prototyping systems in France. LPKF France is now also increasingly involved in the acquisition of laser systems. During the reporting period, very promising discussions were held with potential customers, although they have not yet borne fruit because of the economic situation. By only generating a balanced result, it failed to meet the targets for the reporting period. However, the chances in 2002 are good of again generating good results if there is an economic upturn, especially when the marketing of laser systems generates its first successes.

LPKF Franklin Industries N.V. (Belgium)
The company generated a loss totalling KEUR 156. The restructuring measures introduced the previous year were not enough to at least produce a balanced result on a sustainable basis. This is also attributable to the economic downturn which gave rise to a poor development in turnover in the second half of the reporting period in particular and thus ultimately led to the generation of a loss. Additional restructuring measures will be introduced in 2002. Their effect in 2002 will be permanently checked and evaluated.

LPKF Tianjin Co. Ltd. (China)
LPKF Tianjin Co. Ltd. in China is involved in sales as well as the production of sample prototype circuit boards and stencil manufacture. Services such as maintenance and repair are also organised from this location. The decision to invest in China has proven to be correct during the reporting period. The turnover in the Chinese market was boosted and is a reflection of the special status of the Chinese economy. The growth strategy will be continued in 2002. The integration of China within the world trade organisation is expected to give a further impulse in this context.

Elaser GmbH:
sales slump compensated

A-Laser Inc./USA:
important supplier of stencil technology

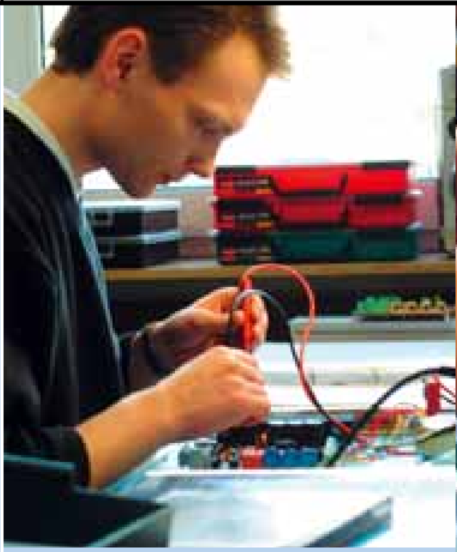
LPKF Motion & Control:
new clients in the measuring technology sector

LPKF d.o.o. in Slovenia:
ISO certification successfully completed

LPKF Laser & Electronics Inc./USA:
positive result despite the recession

LPKF Franklin Industries N.V.:
restructuring measures so far without durable success

LPKF Tianjin Co. Ltd.:
rise in turnover in the Chinese market



Laserquipment AG

LPKF has a 19.99 per cent holding in the share capital of Laserquipment AG. The company is a spin-off of the Bavarian Laser Centre in Nuremberg-Erlangen and markets two and three-dimensional system solutions for laser plastic welding. The company's strategy is to provide services to introduce potential clients to the technology and then support them to the purchase of the appropriate system. The company sold its first two systems at the end of the reporting period.

PhotonicNet GmbH

LPKF also has a holding of 9.09 per cent in PhotonicNet GmbH. This is a competence centre for optical technologies. The company is a public-private partnership involving several well-known companies and has the goal of accelerating the development of optical technologies in Germany. The strategy has proven successful in the reporting period and a good collaboration has been established in the field of optical technologies.

8. Research and development

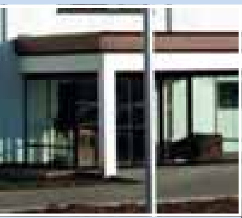
Independent of the economic situation, the research and development division has continued to work on customer-specific projects in the field of laser structuring for the ultra-fine conductor industry. The expenditure for R&D again was clearly more than ten per cent measured on the group turnover. The new developments of the previous year were continually improved during the reporting period and new ideas were developed for the next product generation. The sale of a third MicroLine Laser in the medical sensor segment can be directly credited to this expertise. It is also the benchmark for further R&D activities and thus forms the platform for future sales. Improved products and enhancements to the Rapid PCB Prototyping product range were presented at important national and international trade fairs. A typical example is the world's largest electronics trade fair, Productronica in Munich, where in addition to other innovations in the field of 3D-MID technology, a heat-resistant and thus solderable material was shown for the first time. The development of laser-activatable thermo-plastics for the additive, selective metallisation of polyamides and PBT, amongst others, makes the process more environmentally-friendly and is an important step in the industrial plastics sector – and thus represents a major stride forward. The development of granulates of relevance to the electronics industry is being advanced as part of a collaboration project with the applied science university FH Lippe in Lemgo, and aims to round off even further the spectrum of ready-for-market products.

In this context, a small-scale production centre for all 3D-MID technology processes is planned to demonstrate to potential customers the efficiency, high-performance, and opportunities opened up by the new granulate and the complete technology. In 2001, the trend towards miniaturisation of electronic circuits, and thus the use of high-precision laser systems, continued despite the global economic slump. Because of the downturn in the global electronics market, our aim is to create more benefits for our customers. And our research and development work in the form of the MicroLine Laser family for instance is a superb example of this endeavour. Of special note in this context are the opportunities opened up by the MicroLine Drill: the research investment of the last four to five years will be all the more valuable in the following years when the electronics market re-establishes its vigour whether this takes place in 2002 or at a later date. And this is precisely where the risk lies, because despite winning broad market approval, investments in this new technology could be delayed for numerous reasons with an associated impact on the development in turnover at LPKF. This also means that it is difficult to forecast the time at which all of the innovative technologies presented here can actually be put into practice.

9. Risk management system

The business environment in which LPKF operates is characterised by increasing market globalisation, further strengthening of the competitor situation, as well as an increasing technological complexity. The political events during the reporting period have also had an effect on the stability of the global economy.

With the "law on control and transparency in the business" (KonTraG) a move has been made to improve the legal basis for stock corporation risk management systems and internal control systems. The introduction of the DIN EN ISO 9001:2000 management system also means that the production sites in Garbsen, Suhl and Slovenia now work according to these quality standards and fulfil the stipulated



technical product and process control standards. The legislation as well as internal quality standards in all parts of the company play a part in enhancing the transparency of the numerous process-chains and preventative risk minimisation.

The establishment of a more efficient and forward-looking risk management structure is an important task for LPKF, and one which will add value. The primary objective is not to avoid all risks, but to identify and evaluate them, and thus to actively control the risks as part of our global risk strategy. As part of the risk identification and control procedure, existing instruments, such as the risk management manual, are continually further developed, at the same time as the continuous development of additional risk management tools.

Business risks

The global markets of the electronics and printed circuit board industries are subject to cycles marked by the introduction of new technologies, as well as associated changes in growth. The current global recession has clearly demonstrated that LPKF can also be affected by this negative trend. As a supplier to the electronics industry, the LPKF group's market is in the capital goods sector and therefore not directly affected by the cycles in semi-conductor technology. Investments in the technologies offered by the LPKF group are associated with rationalisation opportunities and competitive advantages. They are thus also in demand even in periods of recession. However, risks in business development can never be excluded such as when a stop has been put on worldwide investment expenditure as was the case in the reporting period.

Dependence on suppliers

The procurement of components and services from external suppliers is associated with basic risks involving longer delivery times and changes in prices. However, the benefit is that there is no direct dependence on one or more suppliers. Nevertheless, price changes are a parameter which have a special influence on business activities. The replacement time factor for components did not cause any bottlenecks during the reporting period. However, there could be a change here in 2002 as soon as the economy revives. This could have an effect on suppliers' pricing policies with associated risks for material costs.

Dependence on customers

The regional spread of our sales markets is balanced. This has been demonstrated by the distribution of our turnover according to region for several years so that there are no associated special risks. There is also no dependency on major clients involving significantly higher turnovers. LPKF has a very homogenous and very balanced client structure. The credit worthiness of new customers is always checked before going into business. If necessary, suitable measures are introduced to insure that any risks involved are minimised. In particular during the difficult economic conditions during the reporting period collaboration is carried out with reliable institutes to ensure the incasso.

PhotonicNet GmbH: fruitful collaboration in optical technologies

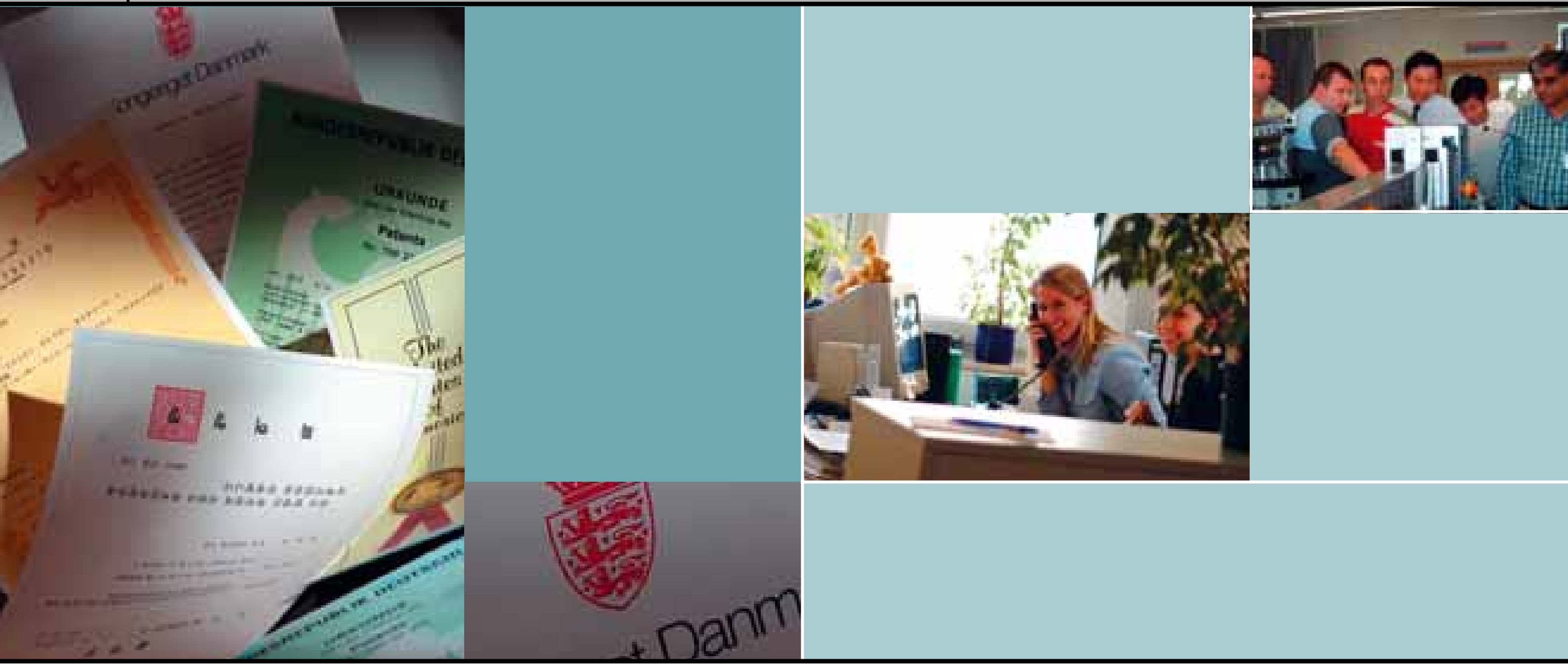
Improved products and rounding off the range

Miniaturisation trend continues

Risk minimisation through legislation and internal quality standards

LPKF products in demand even during recessions

Changes in price can affect business



Exchange rate fluctuations
For LPKF only the fluctuation of its own currency with the US dollar is of importance. Exchange rate hedging instruments are used to reduce risks as far as possible. To hedge against currency risks, currency safe hedging contracts have been concluded during the business year with a nominal value of KEUR 1,050. There were no further derivative or hedging products on 31 December 2001.

Research and development
The success of the LPKF group significantly depends on the speed with which new developments can be pushed through the production pipeline from prototypes to series production. Positive indicators are the first sales after a presentation of a new product. However, unitary concepts have to be elaborated with the potential customers to harness all of the benefits of the technology on offer.

Safeguarding the “expertise” advantage also involves applying for patents where relevant.

The time component is a basic risk-related parameter in all R&D projects aiming at the series production of new products. Risks are associated not only with the timing but also with the sale of the first products from the series production run.

Patent risks
LPKF aims to achieve technological leadership in all segments. It is therefore logical that this expertise is internationally safeguarded by protection rights and patents. Patents should be considered as instruments of corporate policy. LPKF owns a large number of patents and is continuously applying for new patents on the basis of its intensive research activities. LPKF considers the acquisition of the relevant protection rights to be the most effective means of safeguarding its R&D investments from depreciation. However, it is also possible that patent searches will reveal adequate patents and protection rights held by other institutions which have an impact on the company’s commercial success.

Human resource risks
The demand for highly-qualified staff is still very high even in periods of economic difficulty. Through its intensive contacts with universities and the growing level of awareness in the laser sector, LPKF has no problem in recruiting adequate staff. In addition, the company also runs a staff share participation scheme on the basis of convertible bonds to underpin the close association of the staff with the company. A new stock option plan will make an additional contribution to motivating staff and enhancing staff loyalty. This enables the special expertise of the top performers to be kept within the company.

10. Business report
The development of business in 2001 did not run according to plan and was a long way from meeting the forecasts made in previous years. The brilliant euphoria from the turn of the millennium was replaced by a global recession during the reporting period which affected the results of LPKF. The speed with which the global economic climate changed demonstrated that growth in the electronics sector is not a never ending story and that the company always has to have concepts and strategies at its fingertips to actively minimise risks when events such as those described here occur. The reporting period was marked by permanently rationalising the expenditure side and to maintain the balance on the sales side with the goal of generating a positive company result. Moreover, another priority was to stabilise the liquidity situation by implementing suitable measures.

The company’s asset and financial situation is weaker because of the economic situation previously described but can still be considered solid. Investment was concentrated on R&D projects, although this was also affected by the clear cost-saving strategy put into effect by LPKF.

The company’s earnings situation is still respectable given the background situation.

11. Outlook

The company's innovation dynamism and the technological harnessing of synergy effects with positive consequences on the contribution margins targeted for LPKF products will be the basis for business in the following financial years. Numerous potential customers and trade journals repeatedly confirmed the good range and future-oriented structure of our products. This forms the vital foundation for the future strengthening of our turnover and an increase in profitability when growth in the electronics sector regains its former viguour. The optimisation measures carried out in the reporting period on the previous year's new developments, and the ambition to vigorously maintain our technical leadership even during periods of economic difficulty, are important parameters for realising growth strategies and have therefore been taken into consideration accordingly in shaping our corporate policy. An important break-through worthy of reporting is the sale of another MicroLine Laser in December at the end of the reporting period. The largest electronics trade fair in the world which ran extremely successfully in Munich in November was also a major forward-looking event promising for 2002. The introduction of the DIN EN ISO 9001:2000 quality management system obliges the company to pursue a course of continuous improvement which is audited annually by a neutral party.

The future position of the company will be emphatically influenced by highly innovative development work and the increasing creation of world-wide acceptance for our corporate strategy. The first successful sales of innovative products in the Rapid PCB Prototyping, MicroLine Laser and MicroLine Drill segments are excellent indicators. In addition to the risks discussed previously, this is also where LPKF's enormous opportunities lie: to be able to support new dynamically growing segments such as HDI technology (high density interconnect) and to supply LPKF systems which provide our customers with direct benefits. The customer-orientation of our company is an important foundation for good profitability – the ultimate goal upon which all of the technological activities at LPKF are focused.

Events after the balance sheet date

Another MicroLine Laser was sold in January 2002. This will be used for the series production of medical sensors. With this installation, LPKF has a good opportunity of gaining new customers within the broad-based sensor engineering market for the ultra-fine structuring of flexible circuits. Moreover, the first eight-axis-3D-MID-laser-system was sold in February. This is another segment opening up major opportunities in the industrial plastics sector from a combination of a dosed material and the associated laser system. LPKF has both researched and developed the material and the laser system.

No significant proportion of turnover tied to one company

Protection via currency hedging instruments

Share participation scheme strengthens staff loyalty

Change in the global economic climate requires new concepts and strategies

Asset and financial situation remains solid

Product improvements and expertise important factors for future growth

A promising sign: first sales of innovative products

Successes for MicroLine and 3D lasers

The annual general meeting

The Supervisory Board
Bernd Hildebrandt · Chairman
Klaus Sülter · Deputy Chairman
Dr. Heino Büsching

The Board of Directors
Bernd Hackmann · Chairman
Dr. Jörg Kickelhain
Christoph Wiese

Company bodies

LPKF Laser & Electronics AG   Garbsen, March 2002

Bernd Hackmann
Chairman of the Board

Dr. Jörg Kickelhain
Board of Directors, R&D

Christoph Wiese
Board of Directors, CFO

Corporate philosophy

The expertise and skill of our specialists is our most important asset.

Success factor: know-how

The past year has shown: it is not always possible to forecast economic trends. But it is precisely during difficult times such as these that a strategically-oriented corporate policy proves its worth. As a consequence of the global economic crisis whose depth probably no one could have predicted, there was a rapid slump in demand for electronic products – and as a technology and system supplier for the printed circuit board production, this situation has also not left our company unscathed.

However, today we can confidently look into the future. Thanks to a corporate policy with a long-term outlook, based particularly on the know-how of our specialists, LPKF has succeeded in recent years in securing leadership in a number of market segments – potential which we now need to build on.

In the Rapid PCB Prototyping and laser-supported stencil cutting technology, our company today is in an excellent position as world market leader. And when it comes to the miniaturisation of electronic sub-assemblies – probably the most burning question in electronics development today – we are one of the most important opinion-formers world-wide. In our view, such a situation is not a coincidence.

Discovering our own innovative solutions

Right from the start, it went without saying that LPKF does not copy the approaches pursued by the competition but searches for its own innovative solutions. The main priority here – supported by maintaining continuous contact with our customers – is to identify those problems challenging electronics designers and producers now and in the future. In addition to the miniaturisation of electronic subassemblies, this primarily concerns the trend to ever shorter product life cycles and the associated increasingly shorter development times. These aspects are reflected generally in our product portfolio.

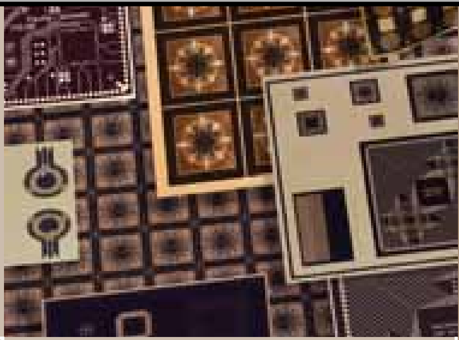
It is extremely characteristic that the product segments in which LPKF dominates the world market are all based on innovative technologies which we ourselves developed. This created completely new markets, e.g. for circuit board plotters or laser applications for the production of stencils. The golden rule here is that once one has succeeded in establishing a new process, the technological superiority automatically leads to economic dominance. Technological leadership results in market leadership.

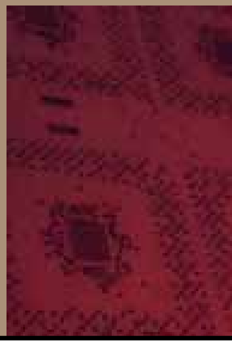
Where we identify opportunities for an already existing product, we also strive to give a new impetus to the market. The main priority is the search for previously unused technical approaches which will again give us technological leadership.

Keeping core skills in-house

The successful pursuit of such a strategy is impossible without a dynamic R&D Division. One of our priorities has therefore always been to build up the expertise in-house for the core elements of a product: from mechanical and drive engineering, electronics and optics, all the way to operating software. The advantage of this strategy is that expertise of this kind gives rapid access to in-depth experience and already existing sub-technologies which can be incorporated in targeted further and new developments. Interfaces for the integration of various technologies can be optimally controlled. Development times are dramatically reduced, and products can be speedily launched on the market at attractive prices. Only this way we have succeeded in the past in frequently being able to provide tailor-made solutions to meet our customers' special requests.

Our service companies have proven to be the golden key to unlocking and filtering out our customers' wishes in a targeted way. It has often been these companies which have launched a new LPKF product onto the market for the first time. Potential investors can convince themselves as clients or from a pilot plant of the qualities of the process and at the same time can make suggestions for improvements. This knowledge then directly influences the further development. In some cases, it leads to completely new products such as the laser drilling technology.





International-orientation and diverse client structure

One of the principles of our corporate philosophy is: all activities are always aimed at the world market. This is the only way a sufficiently large market volume can be created for the highly innovative products delivered by our company. Today, around 80 per cent of the LPKF Group's turnover is accounted for by exports. In addition to Europe, the most important sales markets for LPKF are the USA and Asia. The most important engines for this success in past years were the contracts with exclusive representative offices, and increasingly also the establishment of our own sales organisations such as in Belgium, France, the USA, Slovenia, and most recently, in China. This is a development which is also echoed in our human resources policy: staff whose roots are in Spain or in East Asia make it easier for headquarters to establish and maintain contacts with our partners and clients overseas.

Our diverse client structure guarantees that even during phases of economic downturn, we can still achieve a stable market volume. Our customers include major production companies as well as small development laboratories. Machines with the LPKF logo can be found in multinational groups such as Siemens, Motorola and DaimlerChrysler, as well as in medium-sized companies and two-men operations. Moreover, more and more public-sector research and educational establishments are learning to appreciate the quality of LPKF products. This is not least attributable to the superb after-sales service which we provide to our customers: maintenance contracts and training on-site provide a solid foundation for reliably building up customer loyalty.

A flexible location policy

With such a performance profile, it is only natural that the location policy has to continually adapt to the increasing demands challenging the company. Wage-intensive mass production has been shifted as far as possible to other countries. In addition to the company headquarters in Garbsen, there are also other LPKF locations. LPKF Motion & Control in Suhl/Thuringia is concerned with the development and production of drive technology. LPKF d.o.o. in Slovenia specialises in Rapid PCB Prototyping, laser technology and SMT assembly. And this is also typical of our corporate philosophy: both production sites were founded on the basis of independently established local expertise.

Daily experience has shown that new ideas can be realised most effectively within a strong network. In addition to our own committed employees, it has regularly also been co-operations in sales or technological know-how as well as the creation of skills networks, that made and continue to make it possible for us to develop innovative products and to market them successfully.

Market leadership through strategically-oriented corporate philosophy

Creating new markets with new technologies

Rapid access to in-house expertise underpins the integration of sub-technologies

80 per cent of profits from exports

Public sector research institutes also appreciate the quality of our products

New production sites with reputations in their own right

The fast will eat up the slow

Interview with LPKF research director Dr. Jörg Kickelhain and Dr. Marc Hüske, project manager in the laser structuring segment.

2001 was a difficult year for the whole electronics sector. Nevertheless, LPKF is looking forward optimistically. What makes you so confident?
Kickelhain: It is true that the business performance last year was lower than our forecasts. The slumps which has affected us as well as the whole electronics sector, did not just set in after 11 September. Before this date there had also been a noticeable reduction in demand for electronic products. However, we are still confident, that the company will survive this difficult phase in good shape. We have an optimal product range. The products are tuned to the needs of our customers and reflect the most important technological market trends – attributable in part to the fact that LPKF identified these trends early and has rigorously pursued them. I therefore think that it is only a matter of time before demand increases again.

Your company has a strong R&D division. More than ten per cent of your turnover, and as much as one fifth of your human resources are invested in this segment. How do you justify this expenditure?
Kickelhain: In my opinion, it will not be long before it is not the big that eat up the small, but the fast that eat up the slow. It is therefore extremely important to identify at an early stage which technological problems require intelligent solutions in the near future. One of the key objectives of our corporate policy is to develop, mature and launch solutions of this kind on the market.

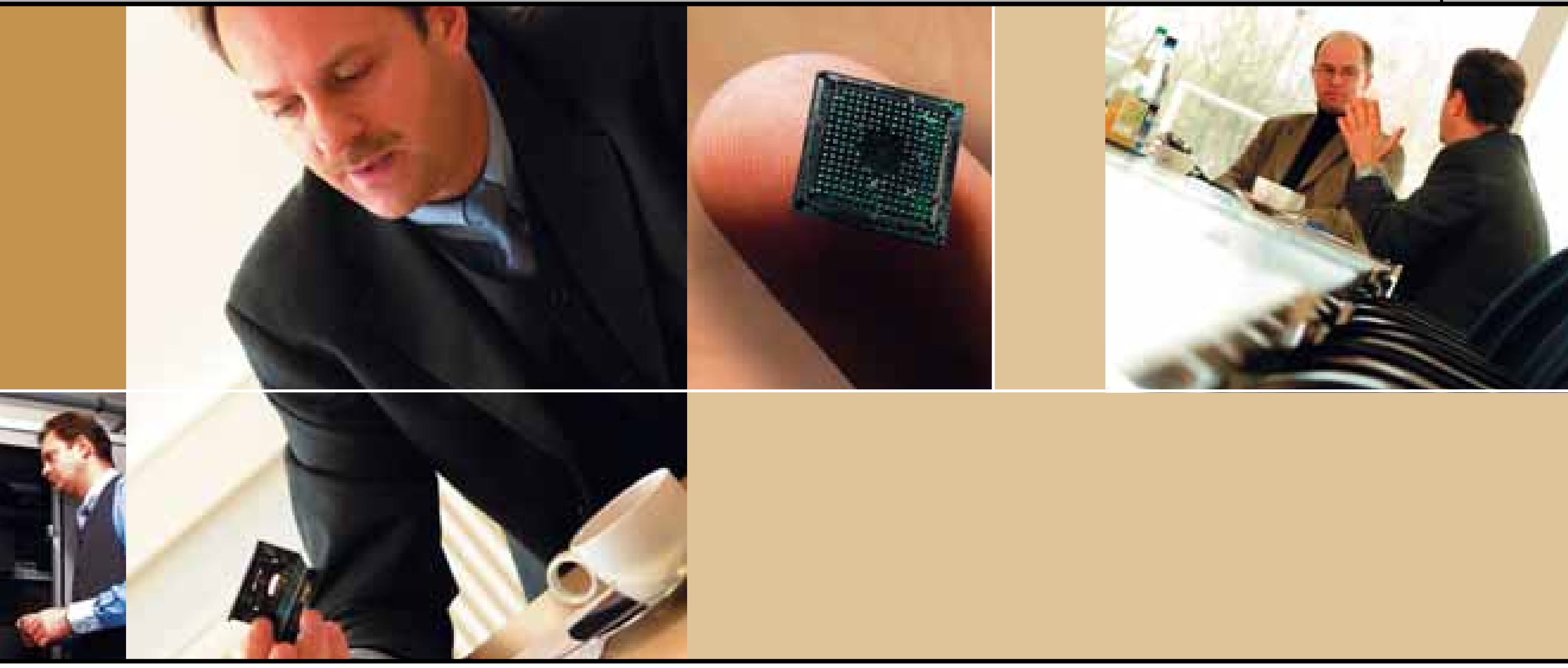
A policy which also has its risks?
Kickelhain: It is true that it is not merely adequate to keep an eye on the market and to identify the right trends. This does not work without accompanying measures aimed at minimising the financial risk. However, if one succeeds in being the first to establish a new technology on the market, it is practically impossible for the competition to catch up on this advantage. LPKF succeeded in doing this in the Eighties with the introduction of the circuit board plotters for Rapid PCB Prototyping, and again in the last decade with the StencilLasers. Today, we are the world market leader in both technologies which have now established themselves as the industry standard.

This continuous search for new solutions must be an exhausting process?
Kickelhain: That's true. One must not slacken off for a minute in the face of the competition. This demands the highest level of commitment and willingness to take part in further training on the part of our employees whom I would like to sincerely thank for all their efforts.

Hüske: The more expertise one has at hand the easier it is to carry out the work that is required to achieve and maintain global technological leadership. An important factor here is the focused interdisciplinary work of complementary scientific fields within the overall R&D division, for instance, linking processes for printed circuit board production with laser technology. As we have shown, this makes it possible to create completely new technologies. At the same time, they also allow synergy effects to be harnest to maximise their economic benefits. Our company provides the optimum platform to achieve this because in many areas which are important for our products we have built up a wide spectrum of expertise in recent years.

What role do patents play in this context?
Kickelhain: It is almost impossible to express how important they are. Patents are a vital instrument in corporate policy. On the one hand, they help to protect innovation – they establish a position in a specific field of technology. Patents demonstrate expertise. And finally, they also generate profits from licence fees. Registering patents is the best way of insuring against the devaluation of investments in the R&D sector.

One sometimes gained the impression that LPKF's innovations were so far ahead of their time that more than the usual amount of work was required in convincing potential customers of the value of the new technologies?
Kickelhain: It is true, we have often been very early in launching our products. Some would say "too early!". But one must remember that it takes many years to develop an idea in a way that it is ready for launch at exactly the right time. It is true that LPKF had to put in real pioneering work with many of its products, such as the circuit board plotters, in order to convince the market of their value. But it is now clear that the effort was worth it. Our strategy with new technologies is to link them with partners within strategic alliances – partners who are already well established within their particular segment. In a way we have entered a new league with these technologies – which are all based on laser applications – and are just in the process of learning how best to play in this league. A good example is the co-operation with the TotalFinaElf subsidiary Atotech in the field of ultra fine line structuring. And in my opinion, LPKF should also make use of major distribution partners when marketing the 3D-MID technology.



It appears that LPKF has placed great hopes on this technology?
Hüske: The ability to create three-dimensional circuit carriers using injection moulding opens up unimaginable opportunities for the miniaturisation of electronic components. For the first time, mechanical, magnetic, electrical and optical components of a product can be completely integrated. The totally new factor here is that a housing can also simultaneously be the circuit carrier.

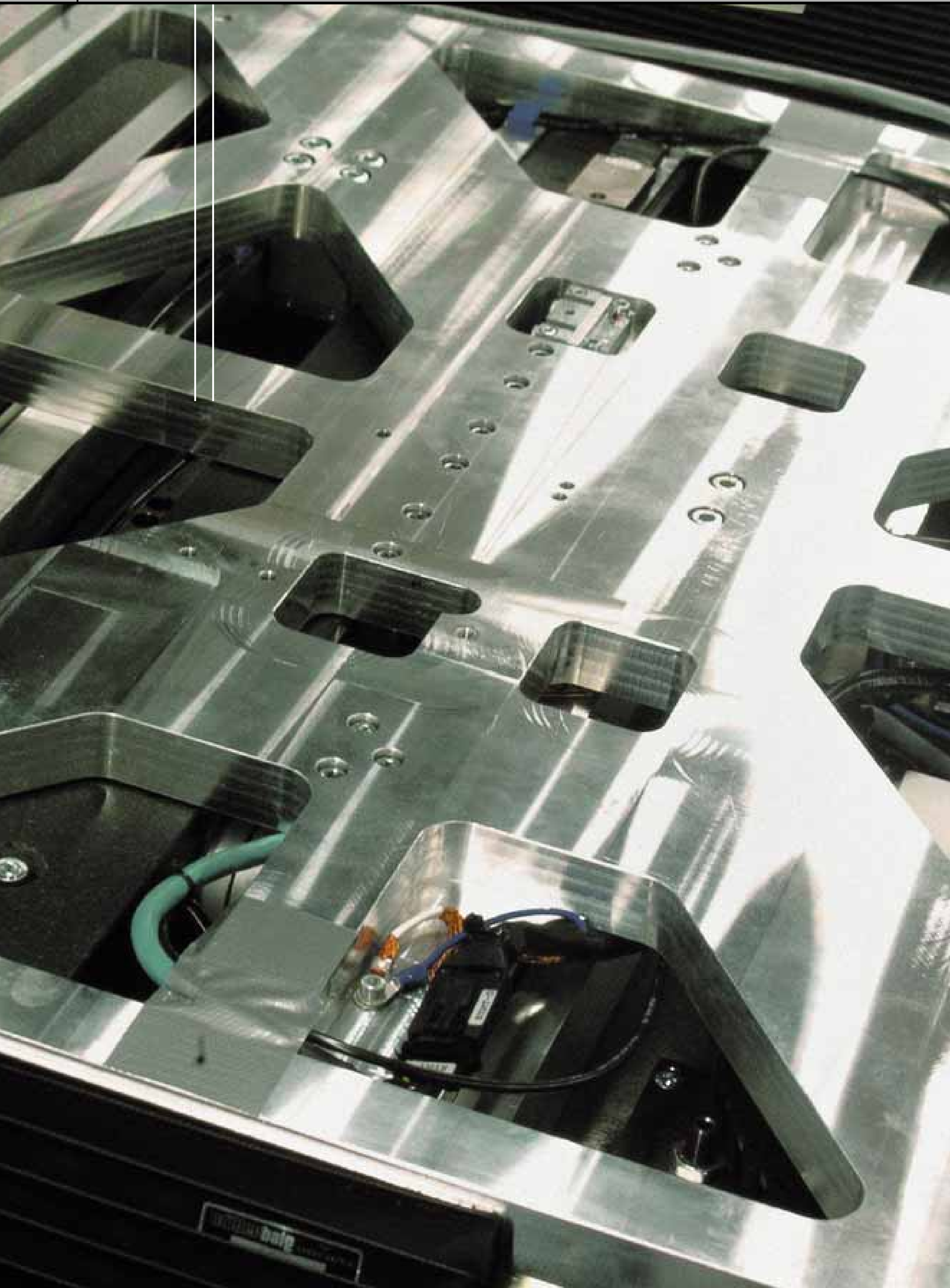
What is LPKF's plan here for protecting its lead from the competition?
Hüske: With the laser direct structuring process developed by LPKF we are able to create ultra-fine structures on complex three-dimensional geometries. The applications for which such high-density circuit layouts are required are incredibly diverse and range from automobile engineering, telecommunications, the production of mobile phones, all the way to medical technology. This process was developed within the framework of a number of government-funded joint research projects for which LPKF was the main project manager. We are currently planning to set up our own application centre exclusively focusing on 3D applications.

What position do you think LPKF will have in future?
Kickelhain: Firstly, we need to further expand the market leadership in those segments where we already enjoy this status. This primarily involves Rapid PCB Prototyping and StencilLaser technology. With the new technologies such as ultra-fine structuring and 3D-MID technology, we are already the technological leaders. However, we still need to shape the market for these products. Our ultimate goal here is to also achieve global market leadership.

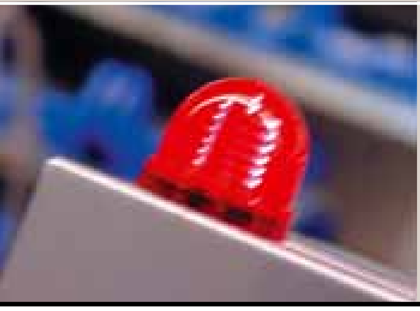
That sounds almost like a monopoly.
Kickelhain: Not at all. It would be desirable if more competitors were able to market similar technologies because this would simplify marketing considerably. With respect to the competitive situation, the electronics market with its extremely short-lived products differs fundamentally from other markets. Only if several companies make use of the available technologies it is possible to rapidly generate a high level of turnover.

Where are the main challenges from a technical point of view?
Hüske: Without laser technology it will either be impossible or only partially possible to realise the circuit board of the future with the ultra-fine structures it requires. Chip technology and circuit boards will come closer and closer together in line with the continuous process of further miniaturisation. It is our objective to make cost-effective and high-performance laser systems available for this purpose. The key factors in a cost-effective process chain are the software, the drive technology and the machine output. This is precisely where our current R&D efforts are focused.

Kickelhain: In a nutshell, our strategy can be summarised as follows: the name LPKF should always be heard wherever in the world people are concerned with circuit boards, prototyping, miniaturisation and lasers.



Ideas which create opportunities



A perfectly coordinated product portfolio meets the current demands in production and development. Forward-looking techniques create the platform for tomorrow’s technology.

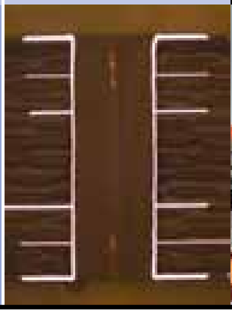
In-house PCB Prototyping

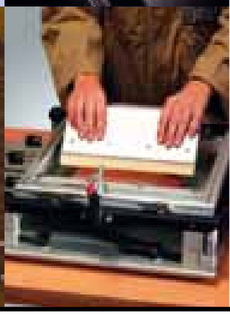
An unbroken trend

The business idea which LPKF first launched onto the market a quarter of a century ago was as simple as it was brilliant: producing printed circuit board prototypes using cutting technology opened up a time-saving and environmentally-friendly alternative to the conventional etching technology which was then also used in development laboratories. The principle: an innovative inversion technique meant that the insulation channels were actually cut out around the circuit layout. This dispensed with the difficult and time-consuming gluing-on of the layouts by hand.

Today, the method has long established itself as the standard in prototype production, and has been expanded by LPKF into a complete in-house prototype production line. The data on the circuit layout created in the computer can be directly converted into control data for automatic prototype production. The subsequent production steps, through-contacting in a galvanic bath, application of the solder by fine-pitch printing, assembly of SMD components, and soldering in a standard reflow oven, can all be carried out quickly in-house with the appliances specially developed for laboratory use.

Today's designers are more dependent than ever on these technical possibilities because the increasingly short lifetimes of electronic products have dramatically reduced production numbers and development times in recent years. Time-to-Market and Time-To-Profit are increasingly turning out to be the crucial make-or-break factors. Week-long waiting times associated with contracting the work out to service companies are no longer acceptable. The continuous improvement and expansion of LPKF's product portfolio is precisely tuned to the needs arising from this trend. The unbroken demand for Rapid PCB Prototyping products is the best evidence for the success of this strategy.

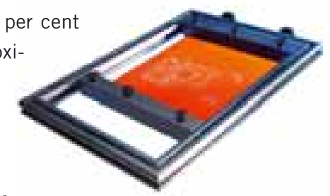




Rapid PCB Prototyping

Market and technology leader for 25 years

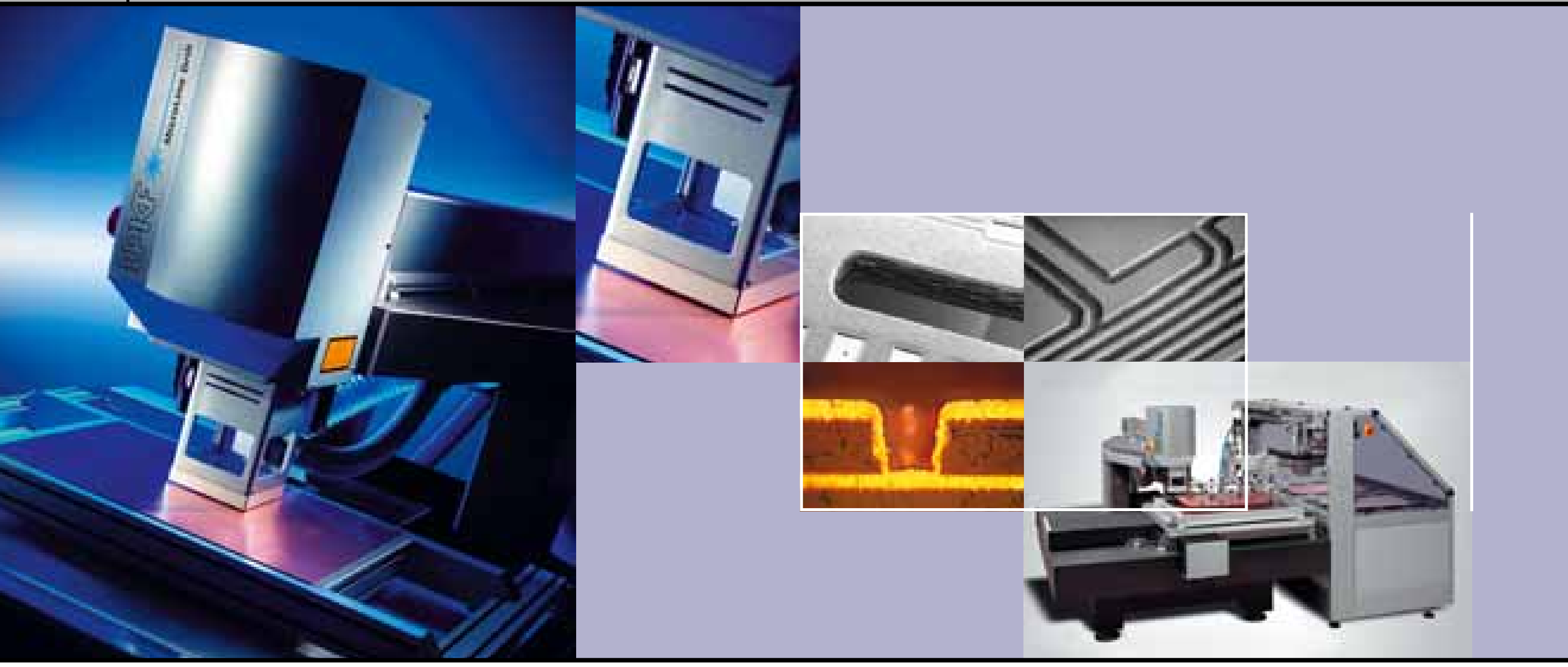
The Rapid PCB Prototyping segment is a success story which has continued uninterrupted for a quarter of a century. Since LPKF launched the first circuit board plotter on the market 25 years ago it is still possible to improve results even during a difficult financial year. This is because new product developments are more in demand than ever during economically weak periods. Nevertheless, the impact of the world economy is still noticeable even here. In times of planning uncertainty, our customers in case of doubt tend to go for the cheaper version of a model. This explains why the turnover in this segment has not risen in proportion to the sale of machines. The potential of the Rapid Prototyping market in which LPKF has a 65 per cent share does, however, continue to be very promising. Currently, only approximately 17,000 of the around half a million computer CAD systems on which circuit board layouts are designed around the world are equipped with a Rapid PCB Prototyping system. There is thus an enormous demand in the sector for upgrading.



The dramatic pace of change which marks today's electronics market forces more and more circuit designers to produce their prototypes themselves. In-house prototyping is becoming the industrial standard. As the only supplier, we provide our clients with a complete product line and the necessary process know-how for this purpose: from the conversion of EDA/CAD data, the milling of conductor tracks and insulation channels, right though to assembly and soldering. As is becoming increasingly clear, in the long term the trend in electronics laboratories is to enlarge and upgrade the Rapid PCB Prototyping lines.

Still more improvement in Rapid PCB Prototyping

The trend is towards complete production lines



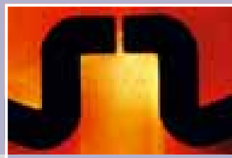
MicroLine Drill

MicroLine Drill – integrating core skills

A unique result of the integration of core skills within LPKF is the MicroLine Drill, a laser drilling and structuring system. This development, which is completely based on in-house technology, was initiated by inquiries from several printed circuit board manufacturers for a combined laser system. A laser system with the ability to create ultra-fine structures and to drill microvias (extremely small drill holes which connect the different levels of multi-layer circuits).

Market pressure today even forces small and medium-sized circuit board manufacturers to start on microvia technology which is an indispensable prerequisite for the realisation of high density interconnects (HDIs). They are particularly necessary for the production of hand-held products such as mobile phones or palm tops. The greatest barrier to investment in this sector has so far been high purchasing costs for the available systems on the market.

Due to the integration of two technologies for the first time which were precisely tuned to the needs of the target market segment, not to mention an attractive price, the sales opportunities for MicroLine Drills are considered to be well above average. This is underlined by the high degree of interest shown by the market as well as the first sales figures even though the downturn in the economy has put a damper on the willingness to invest in this sector as it has almost everywhere in the past year.



MicroLine Laser

Ultra-fine structuring creates opportunities

The MicroLine technology is an impressive example of how a strategic R&D policy can result in technological leadership. The increasing miniaturisation of electronic components and the connection of future chip generations to circuit boards will soon demand for conductor track sizes which are hardly possible to create using the current structuring techniques. The MicroLine Laser which can achieve structures down to 20 µm is the only technology world-wide that can fulfil these new standards.

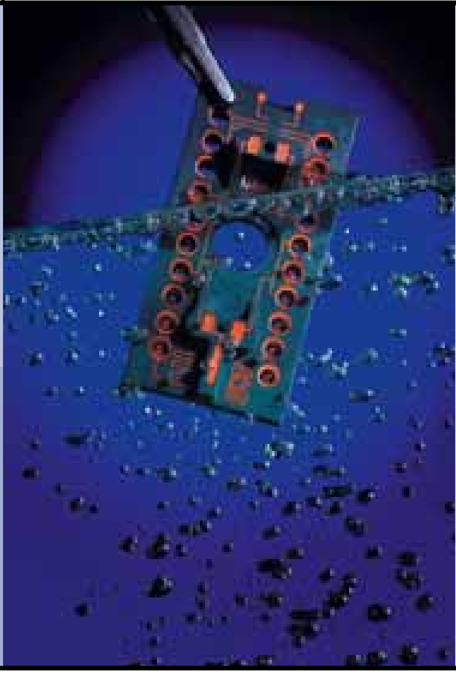
This machine has attracted a great deal of interest not least because of the wide range of its possible applications. In addition to additive structuring techniques for which the laser was originally constructed, it is also possible to integrate it with conventional etching technology. As a result of our collaboration with Atotech Deutschland GmbH, we were able to develop a process for the mass production of high density interconnects (HDIs) which effectively combines both technologies. This enables clients to continue to use their existing plant at the same time as opening their door for the urgently required entry into the field of HDI technology. Other areas of application of the MicroLine Laser currently include the production of disposable medical sensors.

As in the laser drilling segment, the market opportunities for the MicroLine technology are aimed at the long term. As is so often the case with highly innovative products, a great deal of patience is required before a technological lead gives rise to larger numbers of sales.

Laser drilling and structuring:
a new market segment is being won

The MicroLine Laser creates
the miniaturisation standards

Long term market opportunities



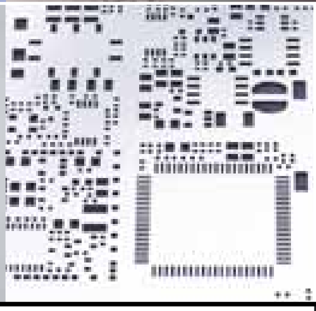
3D-MID

Integration of electronics and mechanics

Smaller, lighter, more functional – the 3D-MID technology for the first time enables circuit board carriers to be produced using injection moulding techniques; the mechanical and electrical functions of an appliance can thus be merged. With the laser direct structuring process (LDS) developed by LPKF it is possible to produce high-resolution circuit layouts on complex three-dimensional carrier structures. Most promising applications include the merging of circuit board and housing, motor production using injection moulding techniques, and sophisticated mechatronics applications which integrate optical, mechanical and electrical properties.

The basis for the technique is formed by specially pre-treated (seeded) plastics (thermoplastics) capable of targeted activation by lasers. The essential advantages of this method compared to competing technologies are, that on the one hand, it is the only means possible want to create ultra-fine structures down to 100 μm. In addition the developed material for the first time enables further processing in a conventional resoldering oven. LPKF is thus the first provider to create the conditions necessary for integrating 3D-MID technology into industrial mass production processes.

Increasing sales in this segment highlight the growing market interest in this forward-looking technology. The most important objective in addition to adapting new interesting materials for the electronics industry is now to create an independent market for this product. An objective which we aim to achieve by collaborating with competent partners.



StencilLaser

“State-of-the-art” in mass production

Small to medium-sized companies form the main customer base for LPKF StencilLasers. With this technology, LPKF established a process for producing high quality metal and polymer stencils for solder paste printing. Stencils are used in circuit board production for the precise application of solder paste to the circuit carriers. Unlike the previous standard etching process, lasers enable the production of far more precise and finer stencils which drastically reduce the number of rejects.

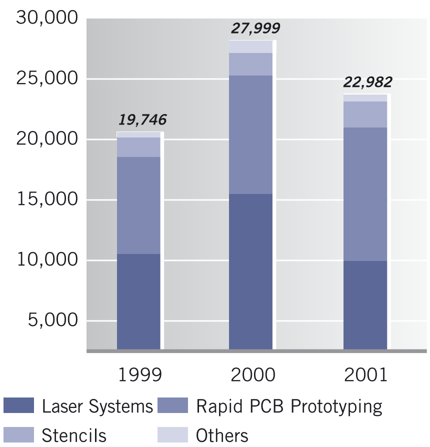
Unexpectedly, we suffered a slump in sales in this segment in 2001 because although our clients were able to stabilise their order books in this segment, the poor economic outlook lead to a far-reaching stop on investments. The only increase in turnover was in the maintenance sector.

As a direct consequence, there is an increasing pressure building up in numerous companies on the investment side because of the current hesitation to invest. The ever increasing trend towards miniaturisation, i.e. the bundling of more and more functions on less and less space means that there is a need today for ever finer structures which sometimes already lie below 50 µm. Structures as fine as this are virtually impossible to create without laser-cut stencils. In our opinion, this means that it is only a question of time before investments in this sector have to be made again.

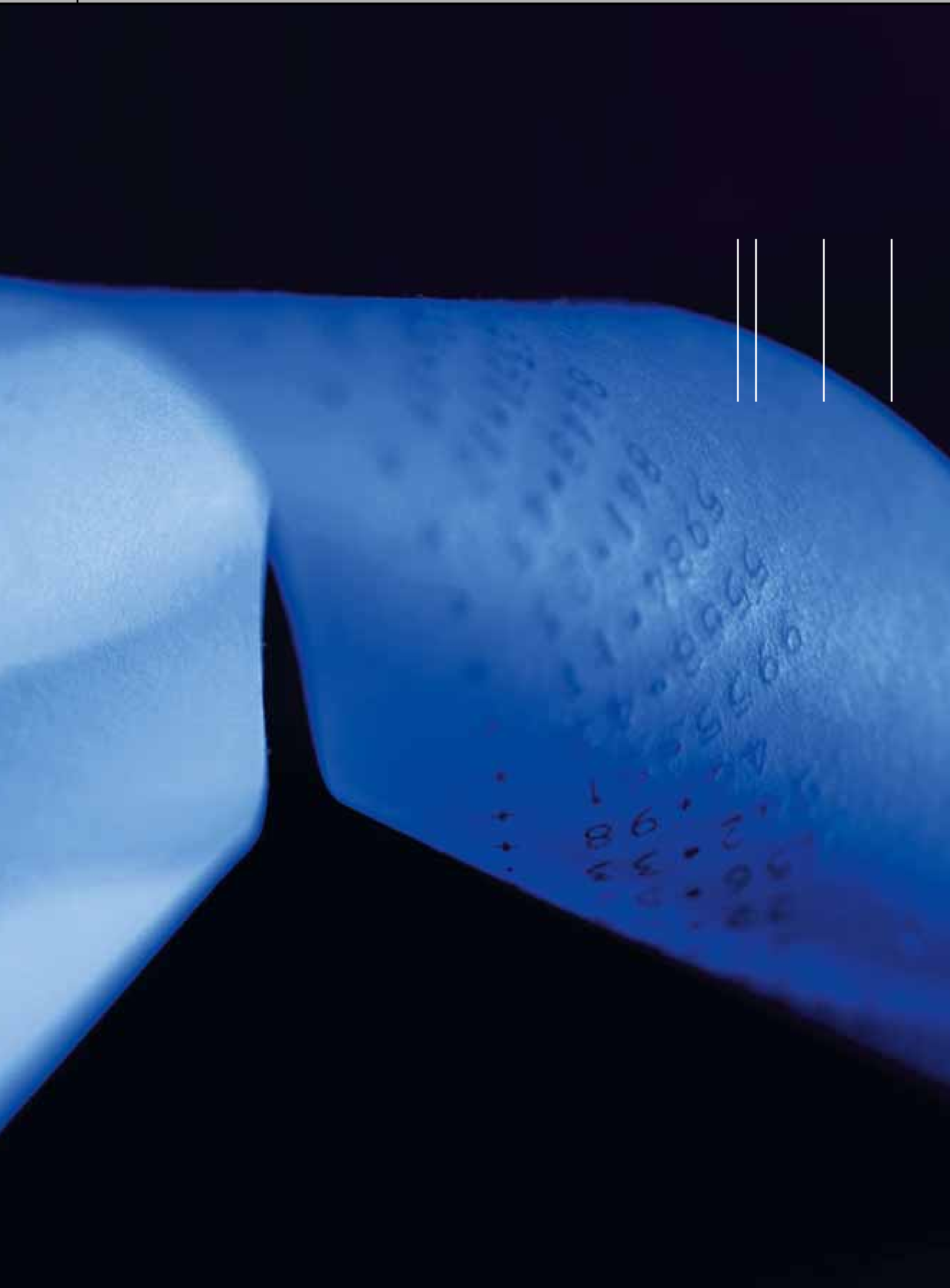
Visionary technology: three dimensional circuit carriers produced by injection moulding

Integrating optical, mechanical and electronic functions for the first time

Laser-cut stencils revolutionise solder printing

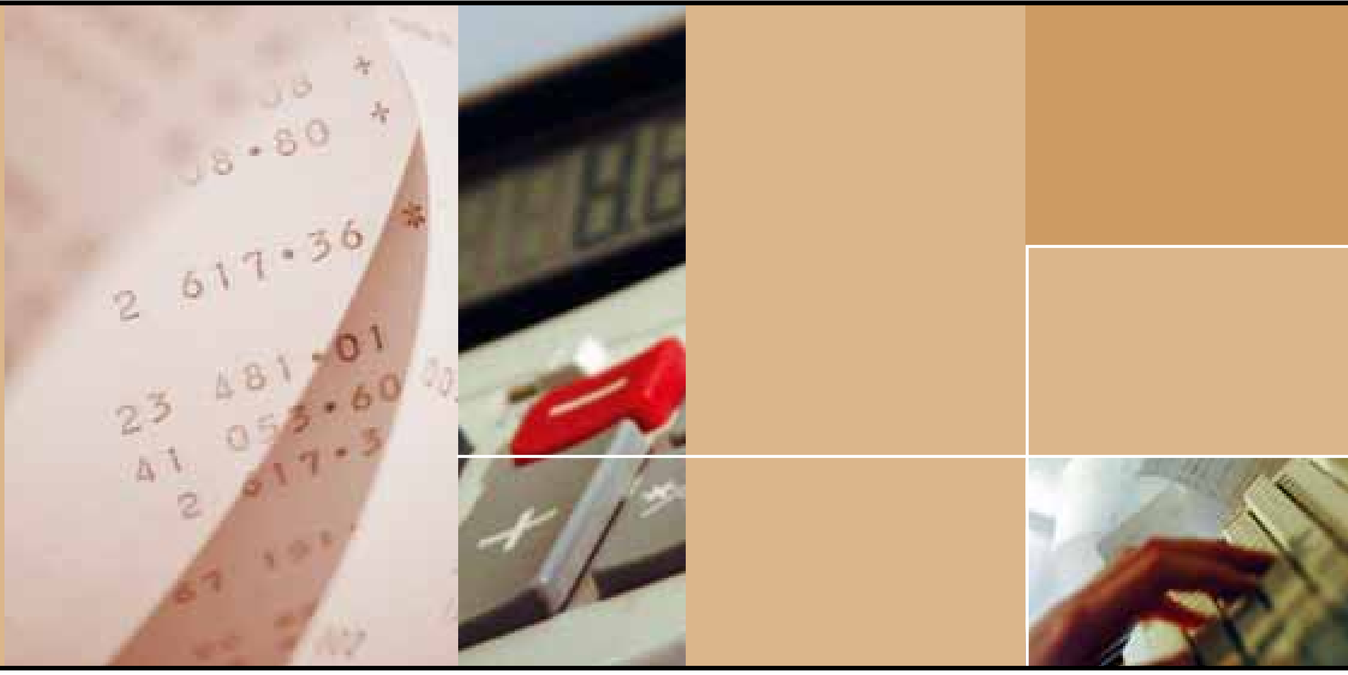


Turnover distribution according to segments



Annual group balance

Annual group balance for the business year 2001 considering the standards of the International Accounting Standards Board (IASB).



Statement of income

	Notes	01.01.-31.12.2001 KEUR	01.01.-31.12.2000 KEUR
Sales	1	22,982	27,999
Changes in inventories of finished goods and work-in-process		2,563	1,023
Own work capitalised	2	481	1,448
Other operating income	3	1,189	1,395
		27,215	31,865
Cost of materials	4	7,646	8,780
Personnel expenses	5	8,782	7,971
Depreciation and amortisation	6	2,645	2,149
Other operating expenses	7	6,134	6,678
Operating profit		2,008	6,287
Earnings from associated companies	8	-41	0
Other interest and similar income	8	160	188
Interest and similar expenses	8	294	293
Result from ordinary activities		1,833	6,182
Income tax	9	625	2,816
Group result before minority interest		1,208	3,366
Minority interest		394	183
Net income		814	3,183
Net income per share (basic, in EUR)	25	0.08	0.30
Net income per share (diluted, in EUR)		0.08	0.29

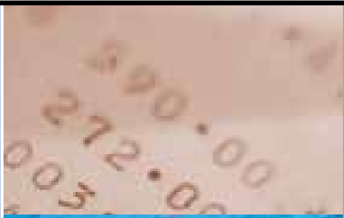
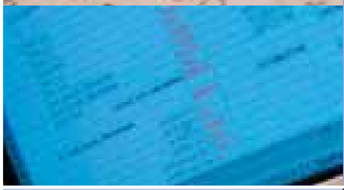
Consolidated statement of the changes in shareholders' equity

Consolidated statement of the changes in shareholders' equity for the financial year ended 31 December 2001 (previous year in brackets)

	Subscribed capital *KEUR*	*Capital reserve* *KEUR*	*Retained earnings* *KEUR*	*Foreign currency translation adjustment* *KEUR*	*Total* *KEUR*
As at 1.1.2001	10,500	3,622	6,982	270	21,374
As at 1.1.2000	(5,369)	(8,753)	(4,428)	(170)	(18,720)
Adaptation of the opening balance sheet figures not affecting net income	-	-697	697	-	-
	(-)	(-)	(-92)	(-)	(-92)
Capital increase out of company funds	-	-	-	-	-
	(5,131)	(-5,131)	(-)	(-)	(-)
Buying back own stock	-	-133	-	-	-133
	(-)	(-)	(-)	(-)	(-)
Issuing own stock	-	30	-	-	30
	(-)	(-)	(-)	(-)	(-)
Payments resulting from capital increase	138	908	-	-	1,046
	(-)	(-)	(-)	(-)	(-)
Dividend payment to shareholders	-	-	-644	-	-644
	(-)	(-)	(-537)	(-)	(-537)
Net result	-	-	814	-	814
	(-)	(-)	(3,183)	(-)	(3,183)
Foreign currency translation adjustment	-	-	-	202	202
	(-)	(-)	(-)	(100)	(100)
As at 31.12.2001	10,638	3,730	7,849	472	22,689
As at 31.12.2000	(10,500)	(3,622)	(6,982)	(270)	(21,374)

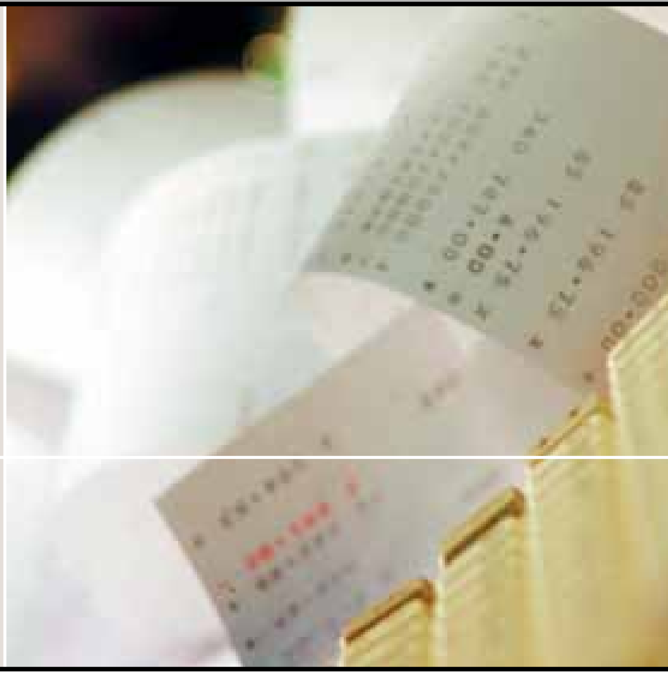
Balance sheet: Assets

	Notes	31.12.2001 KEUR	31.12.2000 KEUR
Fixed assets	10		
Intangible assets			
Software		88	67
Goodwill		386	557
Development costs		2,089	2,574
Rights to use		187	481
		2,750	3,679
Tangible assets	10		
Land and buildings		5,904	6,055
Technical equipment and machinery		1,175	949
Other equipment, factory and office equipment		1,675	1,882
Prepayments and construction in process		11	0
		8,765	8,886
Financial assets	10		
Shares in affiliated companies		0	18
Participations in associated companies		0	11
Participations		3	3
Loans on participations		190	0
Other loans		0	3
		193	35
Total fixed assets		11,708	12,600
Current assets	11		
Inventories			
(System) components		831	1,110
Work-in-process		1,119	174
Finished goods and merchandise		8,374	6,093
Prepayments		200	161
		10,524	7,538
Accounts receivable and other assets			
Trade accounts receivable	12	7,163	7,410
Accounts due from other group companies		6	0
Other assets	13	1,120	522
		8,289	7,932
Securities		10	61
Cash on hand, Bank balances	14	2,240	3,757
Total current assets		21,063	19,288
Deferred charges and pre-paid expenses	15	86	119
Deferred tax assets	16	601	421
Total assets		33,458	32,428

Balance sheet: Liabilities and shareholders' equity

	Notes	*31.12.2001 KEUR*	*31.12.2000 KEUR*
Shareholders' equity	17		
Share capital		10,638	10,500
Capital reserve	17	3,730	3,622
Net income for the year			
Retained earnings		7,035	3,799
Net income		814	3,183
Foreign currency translation adjustment		472	270
		22,689	21,374
Minority interests	18	1,741	1,305
Provisions			
Provisions for pensions	19	179	191
Tax provisions	20	321	1,389
Other provisions	20	984	927
		1,484	2,507
Liabilities			
Bonds	21	180	248
Liabilities due to banks	21	3,842	3,183
Trade accounts payable	21	20	18
Payment received on account of orders	21	1,130	1,299
Payments to companies in which participations are held	21	0	3
Accounts due to affiliated companies	21	0	11
Other liabilities	21	1,116	900
		6,288	5,662
Deferred income		9	65
Deferred grants		404	530
Deferred tax liabilities	23	843	985
Total liabilities		33,458	32,428



Cash flow statements

	Notes	*2001 KEUR*	*2000 KEUR*
Operating activities	24		
Net income for the year		1,208	3,366
Depreciation and amortisation of fixed assets		2,645	2,148
Other non-payment income/expenses		14	73
Changes in inventories and accounts receivables and other assets		-3,435	-5,145
Changes in provisions and accrued liabilities		-1,022	322
Changes in liabilities and deferred income		-44	790
Cash flows from operating activities		-634	1,554
Investing activities			
Fixed asset investments intangible assets		-365	-1,529
Fixed asset investments tangible assets		-1,317	-3,724
Investments in affiliated companies		-220	0
Proceeds from sale of equipment		104	23
Cash flows from investing activities		-1,798	-5,230
Financing activities			
Dividends paid		-644	-537
Dividends paid to minority interests		0	-48
Payments of parties		975	0
Equity portion of convertible bond		-133	0
Payments change-bond		-1	0
Change in long-term bank borrowings		0	2,019
Repayments long-term bank borrowings		-337	-142
Cash flows from financing activities		-140	1,292
Changes in cash and cash equivalents			
Changes in cash and cash equivalents due to exchange rates		59	-57
Changes in cash and cash equivalents		-2,572	-2,384
Cash and cash equivalents as at 1.1.2001		3,757	6,198
Cash and cash equivalents as at 31.12.2001		1,244	3,757
Composition of cash and cash equivalents			
Cash		2,240	3,757
Bank overdraft		-996	0
Cash and cash equivalents		1,244	3,757

Notes to the consolidated statements 2001

Basis of preparation

The consolidated financial statements of LPKF Laser & Electronics AG, Garbsen, for the year ended 31 December 2001, have been prepared using uniform accounting policies. All of the standards of the International Accounting Standards Committee (IASC) and interpretations of the Standing Interpretations Committee (SIC) were observed on the balance sheet date. The adaptation of deferred taxes in accordance with the revised IAS 12 was incorporated for 2000 in the past financial year. IAS 39 and 40 were valid from 1 January 2001. Investment properties in the sense of IAS 40 were not present on the balance sheet date of 31 December 2001.

The financial year corresponds to the calendar year. The consolidated financial statements have been prepared in EUR.

Consolidated group

In addition to the group parent company, LPKF Laser & Electronic AG, Garbsen, the following subsidiaries have also been included in the consolidated statements:

Name	*Domicile*	*Holding %*	*Acquisition/Founding*
Full consolidation			
ELASER Gesellschaft für Elektronik, Laser und Automation GmbH	Suhl/Thuringia	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/Thuringia	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/Lower Saxony	80.0	1999
LPKF (Tianjin) Co. Ltd.	Tianjin/China	100.0	2000

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

Name	*Domicile*	*Holding %*	*Acquisition*
Laserquipment AG	Erlangen/Bavaria	19.99	2000
PhotonicNet GmbH	Hanover/Lower Saxony	9.09	2000

The consolidated group did not change in 2001.

Because the group has the power to participate in the financial and operating policy making processes (significant influence), Laserquipment AG has been consolidated according to the equity method.

Consolidation principles

The basis for the consolidated financial statements are the financial statements prepared according to standard rules as at 31 December 2001 of those companies included in the consolidated financial statements.

For the purposes of capital consolidation, the acquisition costs of investments are offset against the proportionate share of the share values of the equity at the date of acquisition.

Any differences which arise are assigned to the assets and liabilities to the extent to which the fair value differs from the book value. Any remaining positive balance is shown as goodwill and is amortised over five years.

Inter-company profits and losses, expenses and income, accounts receivables and accounts payable between the group companies have been eliminated. Inter-company profit and losses with associated companies have been eliminated on a proportional basis.

Deferred taxes are accounted according to the liability method on all of the temporary differences between the tax values and the book values of the assets and liabilities. The income taxes are calculated in compliance with the valid laws and directives.

Foreign currency translation

The translation of the foreign companies' financial statements is effected according to the functional currency method. All foreign companies are considered according to IAS 21 as independent sub-units. In effecting this translation into EUR, the assets and debts were translated at a middle exchange rate at the balance sheet date. Expenses and income were translated at the average annual rate. The conversion differences are shown under shareholders' equity as foreign currency translation adjustments without any effect on net income. The consolidated figures were calculated on the basis of the exchange rates detailed in the following table.

in EUR	*Reporting date rate*		*Average rate*	
(1 € = x currency)	*31.12.2001*	*31.12.2000*	*31.12.2001*	*31.12.2000*
French Francs	6.55957	6.55957	6.55957	6.55957
Belgian Francs	40.3399	40.3399	40.3399	40.3399
Slovenian Tolar	218.83640	213.40021	217.96518	206.54431
US-Dollar	0.88132	0.93080	0.89565	0.92152
Chinese Renminbi Yuan	7.30705	7.70558	7.41985	7.64952

Statement of income

1. Sales

Sales are recognised when the service has been rendered or when the goods and products have been delivered. The break-down of sales according to product groups and regional markets is presented in the following segment reporting.

Segment reporting

Annual financial statement data must be segmented according to divisions and regions in compliance with IAS 14 (Reporting Financial Information by Segment). The segmentation is based on the internal reporting. The aim of segment reporting is to make the profitability and potential of each of the groups' activities more transparent.

The business segments comprise the following activities:

- Rapid PCB Prototyping involves the further development, production and marketing of circuit board plotters for the world market.
- Laser systems includes all systems such as the StencilLaser, MicroLine Laser and other new laser technologies.
- The Stencils business segment includes all the activities carried out by ELASER and A-Laser which manufacture stencils for conductor path printing.
- The Others segment involves all of the smaller activities such as marketing special software packages in Belgium etc.

Individual activities which cannot be allocated to any particular business segment are reported in the "not distributed" column. There are no internal sales between the segments.

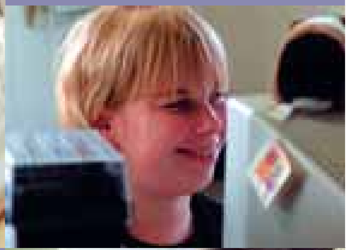
The segment data was determined as follows:

- The segment results were determined taking into consideration goodwill depreciation, but without taking into consideration the financial results or taxes.
- The investments and depreciations refer to tangible and intangible assets including goodwill.
- The operating segment assets and the segment liabilities comprise the attributable assets necessary for the operation and/or the debt but excluding any interest-bearing entitlements, liabilities, financial resources or taxes.

		Laser systems	Rapid PCB Prototyping	Stencils	Others	Not distributed	Total
External sales	2001 K€	8,167	12,017	2,353	445	0	22,982
	2000 K€	14,207	10,653	2,014	1,125	0	27,999
Operating income	2001 K€	64	967	711	135	131	2,008
	2000 K€	2,731	2,495	622	244	195	6,287
Assets	2001 K€	13,354	12,534	1,205	0	6,365	33,458
	2000 K€	12,187	11,892	943	0	7,406	32,428
Liabilities	2001 K€	863	1,183	70	115	6,797	9,028
	2000 K€	1,324	1,184	82	89	7,070	9,749
Investments	2001 K€	432	621	344	0	285	1,682
	2000 K€	3,320	1,858	18	0	57	5,253
Depreciations	2001 K€	1,281	796	277	0	291	2,645
	2000 K€	1,036	696	242	0	175	2,149
Non-cash expenses	2001 K€	0	0	0	0	1,259	1,259
	2000 K€	0	0	0	0	2,242	2,242

		Germany	Rest of Europe	North America	Asia	Others	Total
External sales	2001 K€	4,751	4,343	7,664	5,607	617	22,982
	2000 K€	7,147	4,946	7,927	7,181	798	27,999
Assets	2001 K€	24,333	3,042	5,593	490	0	33,458
	2000 K€	23,804	3,552	5,021	51	0	32,428
Investments	2001 K€	820	457	252	153	0	1,682
	2000 K€	4,834	334	81	4	0	5,253

Last year's numbers have been adjusted to the current basis for assessment for reasons of a better comparability.



2. Own work capitalised

The own work capitalised reported in the financial statements are assets totalling KEUR 268 used by affiliated companies as technical equipment and machinery for production operations. During 2001 development projects were activated to the amount of KEUR 213. The depreciation of ongoing projects reported in previous years which are valued at material and personnel costs takes place over five years.

3. Other operating income (in KEUR)

	2001	2000
Grants for research and development	528	538
Reversal of deferred item for grants	126	45
Exchange gains	229	526
Utilisation of warranty reserves	0	130
Gains from reversal of other provisions	127	4
Others	179	152
	1,189	1,395

The grants for research and development concern government grants for costs incurred in the financial year. The reversal of deferred item for grants is based on the useful life of the associated capitalised development costs. The same accounting treatment was applied to a grant for building costs in Suhl totalling KEUR 413.

4. Cost of materials (in KEUR)

	2001	2000
Costs of (system) components and purchased merchandise	6,798	8,061
Costs of purchased services	848	719
	7,646	8,780

For consolidation reasons, various companies reclassified cost of materials into increase/decrease in finished/unfinished goods. This provides a better presentation of the inventories of finished and unfinished goods at a group level. This reclassification which does not affect net income causes a numerical increase in the material input ratio.

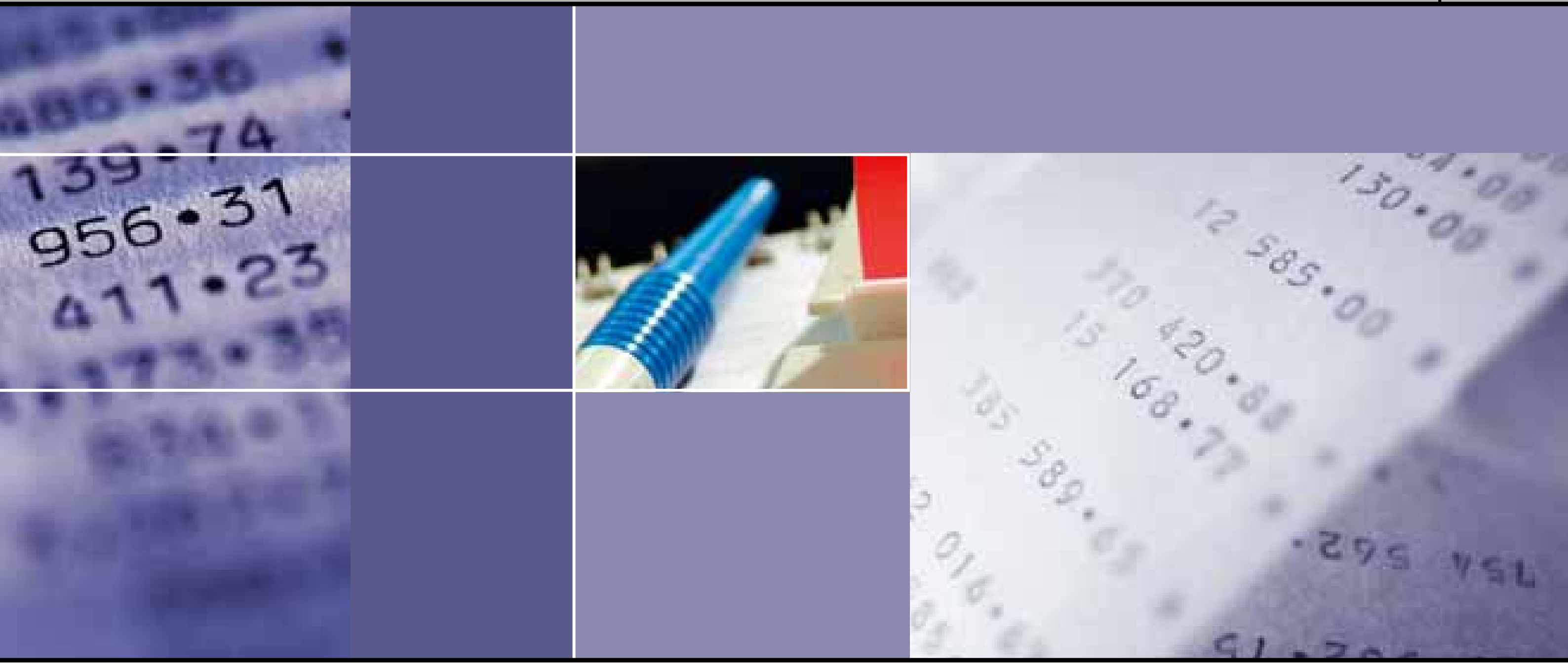
5. Personnel expenses and employees

	2001	2000
Wages and salaries (in KEUR)		
Salaries	6,329	5,890
Wages	914	778
Other	178	95
	7,421	6,763
Social security and pension costs		
Employer's contribution to social security	1,154	1,079
Workmen's compensation board	33	26
Pension costs	174	103
	1,361	1,208
	8,782	7,971

The number of employees in each department was as at 31 December:

	2001	2000
Production	59	53
Distribution	37	34
Research and development	39	34
Engineering and administration	70	65
	205	186

Nine part-time employees and five trainees continued to be employed by LPKF Laser & Electronics AG as at 31 December 2001.



6. Depreciation and amortisation of intangible and tangible fixed assets
The depreciation and amortisation of the different groups of fixed assets are shown in the fixed assets movement schedule (10).

7. Other operating expenses (in KEUR)

	2001	2000
Investor relations	345	303
Advertising and distribution expenditure	1,773	1,751
Supervisory Board expenses	187	47
Research and development	429	386
Services	87	370
Real estate and building costs	16	27
Vehicle costs	132	118
Insurance, contributions, levies	231	198
Postage, telephone, facsimile	226	215
Office materials, books	111	114
Legal and consultancy costs	182	241
Financial statements, publicity and auditing fees	175	153
Patents and licences	108	146
Rent, leasing	215	265
Bank charges	75	142
Exchange losses	182	581
Losses for disposal of assets	14	39
Business gifts, entertainment expenses, travel	647	802
Allocation to bad debts	88	56
Voluntary social expenses	316	81
Others	595	643
	6,134	6,678

The total expenses for research and development in 2001 were KEUR 2,568, made up of the reported material costs totalling KEUR 429 plus other costs including personnel costs and depreciation totalling KEUR 2,139.

Existing leasing agreements entered into by the company are classified as operate leases. The leasing payments are expensed in the statement of income.

Significant agreements reported under leasing mainly include leasing agreements for vehicles.

8. Financial results (in KEUR)

	2001	2000
Income from associated companies	-41	0
Other interest and similar income	160	188
Interest and similar expenses	-278	-278
Interest on convertible bond		
Changes in present value	-7	-2
Payment to subscribers	-9	-13
	-175	-105

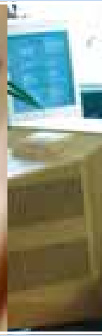
9. Income taxes (in KEUR)

	2001	2000
Corporate tax and solidarity surcharge	917	2,046
Trade tax	260	670
Deferred taxes	-552	100
	625	2,816

In the balance, tax claims of KEUR 59 were formed for so-far unused tax losses of subsidiaries. The amount of yet unused tax losses from subsidiaries, for which no deferred tax claim was calculated, is KEUR 235. For the preparation of the consolidated financial statements, the individual corporate tax rates in the countries were used for the calculation of the deferred taxes.

Reconciliation between anticipated and effective expenses

	2001	2000
Consolidated net income before income taxes	1,833	6,183
Anticipated tax expense 38 % (previous year 39 %)	697	2,411
Tax increase as a result of retention of earnings	-145	397
Tax expenses unrelated to the accounting period	28	0
Tax rate variances amongst the subsidiaries	62	9
Other variances	-17	-1
Effective tax expense 34 % (previous year 46 %)	625	2,816



Notes to the consolidated financial statements: balance sheet asset

10. Fixed assets

The following schedule shows the development of the individual fixed asset items:

	Acquisition/manufacturing costs					
	Balance 01.01.2001 KEUR	*Currency differences KEUR*	*Additions transfers KEUR*	*Reclassifi-cation KEUR*	*Disposals transfers KEUR*	*as at 31.12.2001 KEUR*
Fixed assets						
I. Intangible assets						
1. Software	405	0	74	0	0	479
2. Goodwill	896	0	0	0	0	896
3. Development costs	3,073	0	213	0	0	3,286
4. Rights to use	870	-19	78	0	0	929
5. Prepayments	0	0	0	0	0	0
	5,244	-19	365	0	0	5,590
II. Tangible assets						
1.Land and buildings	6,672	49	58	0	0	6,779
2. Technical equipment and machinery	3,293	34	714	-86	99	3,855
3. Other equipment, factory and office	4,819	17	534	86	286	5,171
4. Prepayments and construction in process	0	0	11			11
	14,784	100	1,317	0	385	15,816
III. Financial assets						
1. Shares in affiliated companies	18	0	0	0	18	0
3. Associated companies	11	0	30	0	41	0
2. Participations	3	0	0	0	0	3
3. Loans on participation	0	0	190	0	0	190
4. Other loans	3	0	0	0	3	0
	35	0	220	0	63	193
	20,063	81	1,902	0	448	21,598

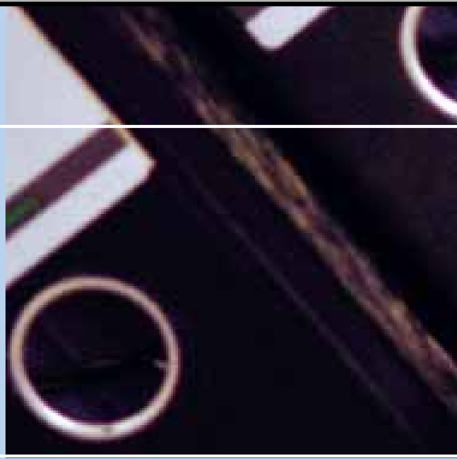
The goodwill arising from company acquisitions (capitalised differences arising from capital consolidation) were reported on the assets' side in preceding periods and are reduced by scheduled straight-line amortisation over the probable useful life. The amortisation of goodwill from the acquisition of companies is reported in the "deprecations" entry.

Software is valued as an intangible asset at the acquisition cost reduced by scheduled depreciations.

The development services shown in the assets' section of the balance sheet from preceding periods is also reduced by straight-line amortisation.

The rights of use are valued on the basis of the cost of acquisition and depreciated linearly.

The tangible assets are valued at acquisition or production costs reduced by scheduled straight-line depreciation. Land is not depreciated.



Accumulated depreciation						Net book value	
as at 01.01.2001 KEUR	*Currency differences KEUR*	*Additions KEUR*	*Reclassifi-cations KEUR*	*Disposals KEUR*	*as at 31.12.2001 KEUR*	*as at 31.12.2001 KEUR*	*Previous year KEUR*
338	0	52	0	0	390	88	67
339	0	170	0	0	510	386	557
499	1	697	0	0	1,197	2,089	2,574
389	21	331	0	0	741	187	481
0	0	0	0	0	0	0	0
1,565	22	1,250	0	0	2,838	2,750	3,679
617	3	255	0	1	875	5,904	6,055
2,344	17	495	-49	128	2,680	1,175	949
2,937	21	644	49	155	3,496	1,675	1,882
0	0	0	0	0	0	11	0
5,899	41	1,395	0	284	7,051	8,765	8,886
0	0	0	0	0	0	0	18
0	0	0	0	0	0	0	11
0	0	0	0	0	0	3	3
0	0	0	0	0	0	190	0
0	0	0	0	0	0	0	3
0	0	0	0	0	0	193	35
7,464	64	2,645	0	284	9,889	11,708	12,600

The production costs cover the costs of direct materials and material overheads and the manufacturing costs and manufacturing overheads, as well as production-related pro rata administration costs. Outside capital costs are not capitalised.

The interest in Franklin Industries B.V., Netherlands, shown under the financial investments in previous years has been sold.

The following probable useful lives are assumed:	*years*
Software	3
Goodwill	5
Development costs	5
Rights to use	5
Buildings	25
Outside facilities	10
Technical equipment and machinery	3-10
Other equipment, factory and office	3-10

11. Inventories

The inventories are valued at the acquisition or manufacturing costs or the lower net sales values at the balance sheet date.

The manufacturing costs of finished goods and work-in-process include manufacturing costs, manufacturing overheads, direct material costs and material overheads, as well as production-related pro rata administration costs. In line with the benchmark method, borrowing costs were not capitalised.

The lower net sales values were applied to KEUR 51 of the total inventories.

12. Trade accounts receivable (in KEUR)

	2001	2000
Nominal amount of accounts receivable	7,249	7,470
Provision for doubtful accounts	./. 2	./. 6
Lump-sum amounts including discounting	./. 84	./. 54
Accounts receivable after provisions and discounting	7,163	7,410

The trade accounts receivables are generally shown in the balance sheet at the nominal value, those with a longer term are reported in accordance with their cash value. Adequate provision has been made for concrete and latent risks of non-payment.

13. Other assets (in KEUR)

	2001	2000
Input VAT refunds	207	143
Income tax refund	583	57
Reinsurance	115	93
Outstanding investment grants	0	29
Others	215	200
	1,120	522

KEUR 115 fall due after more than one year.

14. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand of KEUR 7 (previous year: KEUR 21) as well as cash in other banking accounts of KEUR 2,233 (previous year: KEUR 3,736).

15. Prepaid expenses

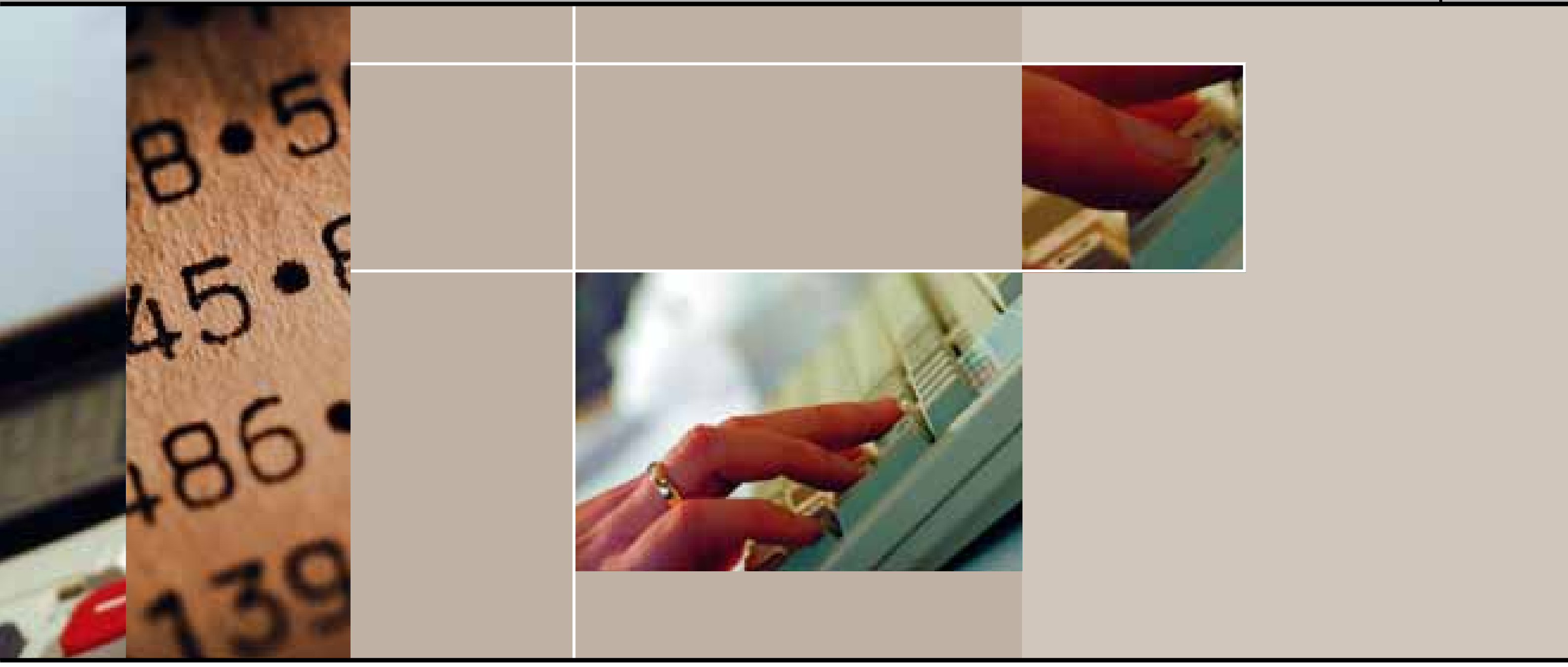
The deferred charges and prepaid expenses primarily comprise prepaid insurance premiums totalling KEUR 86 (previous year: KEUR 119).

16. Deferred tax asset

The capitalised deferred tax asset encompasses deferred taxes primarily on the basis of tax loss carry forwards, inter-company profits and the additions of a special entry for grants. Deferred taxes were measured in line with the retention of earnings tax rates valid for the individual countries. The deferred taxes were solely set up with respect to capitalised development cost. The development of the deferred taxes is as follows:

Deferred tax cost assets (in KEUR)	*2001*	*2000*
Tax loss carry forwards	59	59
Special item for grants	25	44
Inter-company profit elimination and other deductible temporary differences	517	318
	601	421

Deferred tax liabilities (in KEUR)	*2001*	*2000*
Capitalised development costs and other deductible temporary differences	843	985
	843	985



Notes to the consolidated financial statements: Balance sheet liabilities

17. Subscribed capital

In accordance with the resolutions passed by the annual general meeting on 15 June 2000, the share capital and other DM amounts in the Memorandum and Articles of Association were converted to EUR. There was also a capital increase from company funds according to § 207 AktG i.V.m. § 4 EGAktG, the reclassification of the share capital, as well as an adaptation and modification of the contingent capital, which was also associated with a change in the Memorandum and Articles of Association.

The authorisation of the Board of Directors according to § 4 section 6 of the Memorandum and Articles of Association, to increase the share capital with the authorisation of the Supervisory Board (authorised capital) in the period up to 13 October 2003 was annulled. Instead, the Board of Directors was authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 5,250,000 (authorised capital) by one or more issues of up to 5,250,000 new shares for cash or contributions in kind up to 14 June 2005.

The conditional capital according to § 4 section 7 of the Memorandum and Articles of Association, was adapted in accordance with § 218 AktG to enable the share capital to be contingently raised by up to EUR 500,000. The conditional capital increase shall only be realised in proportion to the extent to which the holders of convertible bonds, issued by the company on the basis of the resolution passed by the annual general meeting on 13 October 1998, exercise their conversion rights to convert the bond for new shares. The new shares participate in the profits from the beginning of the financial year in which the option to utilise the conversion rights was exercised. The EUR 1 nominal value bonds entitle their owners to exercise a conversion right to acquire 1 new share in LPKF Laser & Electronics AG with a numeracy share of the share capital of LPKF Laser & Electronics AG of EUR 1. The conversion price for the acquisition of such a share will be calculated on the basis of a formula reflecting a comparison of the increase in value of LPKF's shares compared to the German share index (DAX). When exercising the conversion right to acquire a share, a cash payment must be made corresponding to the amount the conversion price exceeds the proportional nominal amount of a bond being converted.

The term of the convertible bond is five years (maturity date 29 December 2003) with an annual interest rate of 5 %. The first conversion took place after the annual general meeting on 17 May 2001. 137,770 new shares were created.

The share capital of the company after conversion was EUR 10,637,770 and is divided into 10,637,770 shares belonging to the shareholders with a numeracy value of EUR 1.00 each.

The resolution at the annual general meeting of 15 June 2000 allows the Board of Directors of LPKF Laser & Electronics AG the option to repurchase its shares via the stock market. This authorisation according to § 71 section 1 number 8 AktG, was not exercised in the 2001 financial year.

However, 5000 shares (0.05 % of the share capital) were repurchased according to § 71 section 1 number 2 AktG at two different times: on 3 January 2001, 1500 shares at EUR 28.00 and at 22 January 2001, 3500 shares at EUR 26.00 which were issued free of charge during the course of 2001 to valued employees to bind them more strongly to the company.

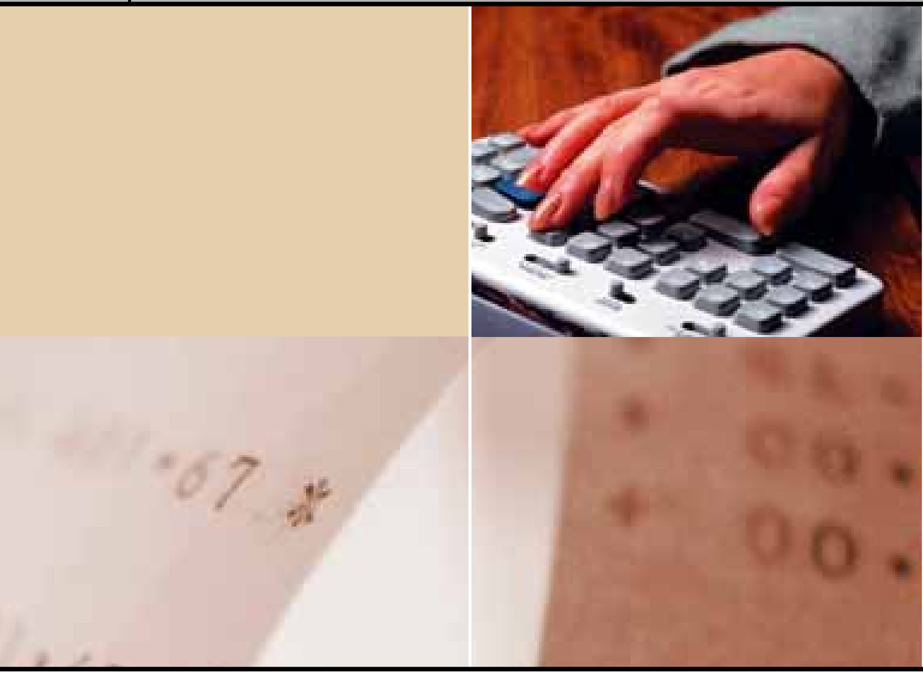
The Board of Directors was authorised at the annual general meeting on 17 May 2001, with the approval of the Supervisory Board, to issue up to 600,000 option rights by 16 May 2011 to members of the Board of Directors, as well as managers and other employees of the company and/or current and future affiliated companies under the following conditions (hereinafter referred to as the "Stock Option Programme 2001"):

Beneficiaries of the 600,000 options available are members of the company Board of Directors with a maximum of 120,000 option rights (20 % of the total volume), company employees including the remaining management of the company with a maximum of 300,000 option rights (50 %), members of the management of affiliated companies with a maximum of 60,000 option rights (10 %) and employees of affiliated companies with a maximum of 120,000 option rights (20 %).

The legal subscription rights of the shareholders are excluded.

The term of the Stock Option Programme 2001 is five years. The option rights issued can be exercised within this time period. By exercising the option rights, shares at a ratio 1:1 can be acquired by paying the exercise price. Purchase takes place subject to the individual conditions formulated by the company Board of Directors in agreement with the Supervisory Board and subject to all revisions arising from capital measures or conversion of the company.

The exercise price is derived from the average closing price of the shares in the company in XETRA trading at the Frankfurt stock exchange in the 10 stock trading days prior to the issue of the option. The exercise price is at least EUR 1.00.



The new shares which are acquired by exercising the option rights are entitled to a share of the profits for the financial year in which the option rights were exercised. The shares required to fulfil the exercised option rights will be made available by a contingent capital increase. The share capital of the company currently totalling EUR 10,637,770 will be contingently increased by up EUR 600,000 by the issue of up to 600,000 shares. The contingent capital increase will only be implemented for the purposes of the Stock Option Programme 2001 and only to the extent corresponding to the assigned option rights. The Memorandum and Articles of Association of LPKF Laser & Electronics AG have thus been supplemented accordingly in § 4.

The potential acquisition periods cover a period of 30 working days starting with the first bank working day after publishing the quarterly figures. The issued tranch for each group of option holders must not exceed 25 % of the total volume per year.

The option holders can exercise the option rights in general up to 50 %, not earlier than 2 years; and an additional 25 % not earlier than three years; and the remaining 25 % not earlier than four years after their issue. Moreover, the option rights can only first be exercised when the relative development in the price of LPKF Laser & Electronics AG shares (closing price XETRA trading) is higher than the relative stock performance of the Nemax-All-Share index (Neuer Markt index) during the period from the day of the receipt to the day of exercising the right (performance target in the sense of § 193 section 2 Number 4 AktG).

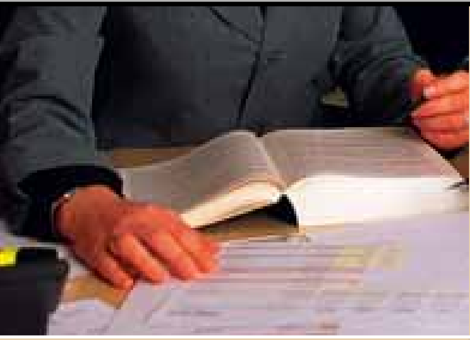
Four time periods each lasting four weeks are scheduled for exercising the options. These begin in each case with the end of the first bank working day after publication of the quarterly reports and/or figures. Exercising the option rights is excluded from the day on which the company makes public an offer to its shareholders with respect to new shares or debentures with conversion or option rights by writing to all shareholders or by publication in the Bundesanzeiger of the Federal Republic of Germany, up until the day the shares of the company with entitlement to subscribe are officially quoted for the first time as "ex option rights" at the stock exchange at which the company shares were admitted to official trading.

All taxes including church tax and solidarity tax arising from the granting or exercising of option rights must be borne entirely by the option holder.

The company Board of Directors – and in so far as it is itself affected, the Supervisory Board – is authorised to determine the remaining details of the formulation of the Stock Option Programme 2001. This entails in particular:

- determining the number of option rights assigned to an individual or a group of option holders as well as the granting periods within the acquisition periods in each case;
- excluding or guaranteeing the transferability and/or tradability of the option rights;
- the details of the procedure involved in the programme as well as the terms of distribution and exercising, and in addition, the making available of the shares offered under conversion options in agreement with the listing requirements;
- the regulations concerning the treatment of option rights in special cases (e.g. the death or parental leave of an option holder);
- to determine reasons for termination in the interests of the company as well as regulating the terms of termination in detail, and in particular, to determine more precisely when the employment relationship terminates for reasons for which an option holder is responsible (see (1));
- any revisions to the programme required to safeguard the economic basis of the Stock Option Programme 2001 in the light of changes in the law.

In accordance with SIC 17, KEUR 697 of the flotation costs were transferred from capital reserves to net income for the year.



18. Minority interests (in KEUR)

The minority interest with respect to shares in subsidiaries has developed as follows:

	2001	*2000*
As at 1 January	1,305	1,106
Additions/disposals	436	199
As at 31 December	1,741	1,305

The changes result from the share in the group's year end results accruing to outside shareholders, from currency translation, from initial consolidation measures as well as payments with respect to minority interests.

19. Provisions for pensions

Germany has a statutory contribution-based basic pension system for employees which pays out pensions dependent upon income and effected contributions. The company has no other payment obligations once it has paid its contributions to the state pension insurance institution.

The provisions for pensions reported in the balance sheet refer exclusively to the performance-related pension commitments to the executive members of the parent company. The calculation has been effected in accordance with the standard international method (projected unit credit method) on the basis of the "guidelines" issued by Dr. Klaus Heubeck. Future pension adjustments at the rate of 2 % were taken into consideration. The discount factor stands at 7 %, the same level as the previous year. Actuarial profits and losses are immediately reported in full in the LPKF AG balance sheets with an effect on net income. The ongoing length of service costs for the 2001 financial year totalled KEUR 14 (previous year KEUR 9), the interest charge was KEUR 13 (previous year KEUR 13).

20. Tax provisions and other provisions

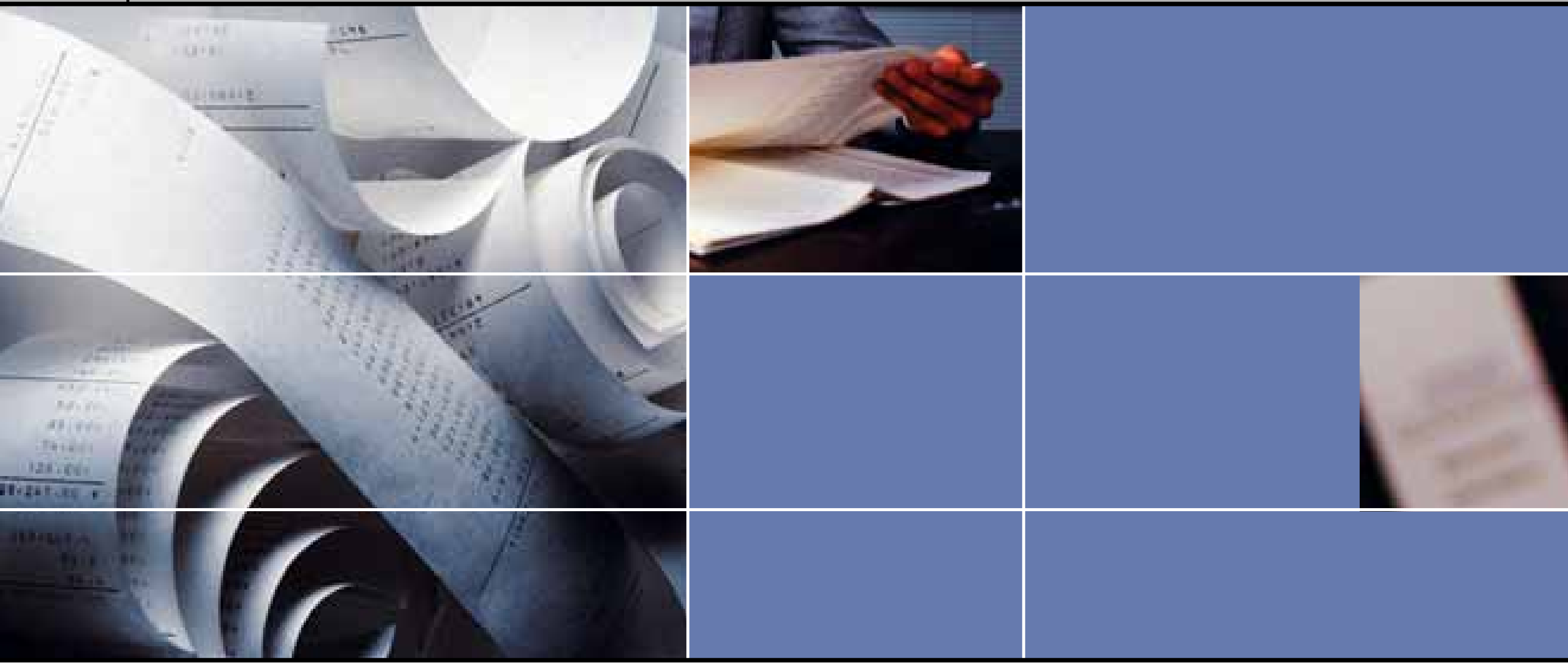
Provisions are set up for legal or effective obligations which arose in the past when it appears possible that the fulfilment of the obligations could lead to an outflow of group resources, and when it is possible to make a reliable estimate of the size of the obligations.

With the exception of the provisions for pensions and tax provisions, all of the provisions referred to are due within one financial year.

Tax provisions (in KEUR)	*2001*	*2000*
Corporation tax and solidarity surcharge	52	896
Trade tax	208	432
Other taxes on the basis of auditing	61	61
	321	1,389

Other provisions (in KEUR)	*2001*	*2000*
Bonuses and Christmas bonuses	157	320
Guarantees	310	120
Vacation	108	162
Annual financial statements costs	122	125
Legal and consulting fees	6	78
Workmens' compensation board	24	22
Others	257	100
	984	927

Provisions (in KEUR)	*As at 01.01.2001*	*Utilisation*	*Releases*	*Additions*	*As at 31.12.2001*
Provisions for pensions	191	-	33	21	179
Accrued taxes	1,389	1,152	-	84	321
Bonuses/Christmas bonuses	320	320	-	157	157
Vacations	162	162	-	108	108
Guarantees	120	120	-	310	310
Other	325	325	-	409	409
Total	2,507	2,079	33	1,089	1,484



21. Liabilities

The table below shows a summary of the liabilities broken down according to remaining terms:

Type of liability (in KEUR)	*Total amount*	*with a remaining term of up to 1 year*	*1 to 5 years*	*more than 5 years*	*secured amount*	*type of security*
Convertible bond	180	180	-	-	-	-
	(248)	(248)	(-)	(-)	(-)	(-)
Liabilities due to banks	3,842	1,750	995	1,097	2,342	*
	(3,183)	(336)	(1,032)	(1,815)	(3,116)	(*)
Prepayments received on orders	20	20	-	-	-	-
	(18)	(18)	(-)	(-)	(-)	(-)
Trade accounts payable	1,130	1,130	-	-	-	-
	(1,299)	(1,299)	(-)	(-)	(-)	(-)
Liabilities with respect to participations	-	-	-	-	-	-
	(3)	(3)	(-)	(-)	(-)	(-)
Liabilities with respect to associated companies	-	-	-	-	-	-
	(11)	(11)	(-)	(-)	(-)	(-)
Other liabilities	1,116	1,116	-	-	-	-
	(900)	(900)	(-)	(-)	(-)	(-)
	6,288	4,196	995	1,097	2,342	
	(5,662)	(2,815)	(1,032)	(1,815)	(3,116)	

** land charge*

Further note on liabilities:
The amount due to banks includes fixed interest loans to the amount of KEUR 2,342, which are subject to interest at a rate of 3.75 % p.a. to 5.85 % p.a.

Original loan (in KEUR)	*Interest rate p.a.*	*Term*
62	4.50%	09/99 – 09/04
658	3.75%	09/99 – 09/09
1,150	5.85%	09/99 – 09/09
1,585	5.41%	09/99 – 09/09

22. Bond

The debenture loan involves a convertible bond discussed in Note 17. The share capital proportion was determined on the basis of the net present value method. Discounting was carried out using a standard market interest rate.

23. Deferred taxes

Deferred tax liability based on the capitalisation of development costs. The deferred taxes were calculated using the tax rate stipulated for each of the countries involved (cf. Note 16).

Other information

24. Cash flow statement

The cash flow from operating activities includes tax payments to the amount of KEUR 1,680 (previous year: KEUR 1,427) as well as interest paid totalling KEUR 293 (previous year: KEUR 268) and interest received of KEUR 160 (previous year: KEUR 188).

25. Profit per share

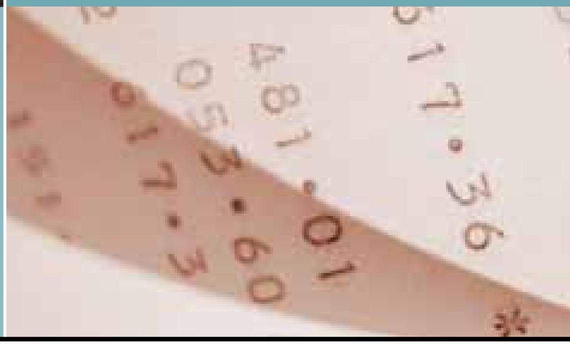
The undiluted earnings per share is determined according to IAS 33 as a quotient of the consolidated net income attributable to the shareholders of LPKF Laser & Electronics AG and the number of shares in circulation in the financial year.

Dilution of the earnings per share applies when the average number of shares in circulation is increased by including the issue of potential shares in connection with the LPKF Laser & Electronics AG convertible bond issue. Convertible bonds always dilute the earnings.

	2001	*2000*
Number of shares undiluted	10,564,302	10,500,000
Effect of the issue of potential shares from convertible bond	152,662	500,000
Number of shares diluted	10,716,964	11,000,000
Consolidated earnings (in KEUR)	814	3,183
Elimination of the interest expense for the convertible bond	9	13
Elimination of the taxation effect on the interest expenditure for the convertible bond	-3	-5
Adjusted net result	820	3,191
Net income per share (basic, in EUR)	0.08	0.30
Net income per share (diluted, in EUR)	0.08	0.29

26. Dividend per share

Dividends are only taken into consideration after resolution on profit appropriation by the annual general meeting. There are no plans for the payment of a dividend to be proposed for 2001 at the annual general meeting on 13 June 2002.



27. Related parties transactions

Related parties	*KEUR*
Zeltra Naklo d.o.o., Slovenia Purchased deliveries and services as well as licence agreements	102
PMV d.o.o., Slovenia Purchased services	513
Franklin Trading, N.V., Belgium, payments for rented property	15
Laserquipment AG, Germany, loan	190

The shareholder of a subsidiary owns 100 % of Zeltra Naklo d.o.o. shares. Materials and equipment, merchandise and services to the sum of KEUR 102 were purchased from this related party in 2001.

The shareholder of the subsidiary LPKF d.o.o. has a 50 % shareholding in PMV d.o.o.. In 2001, business relations with this company covered development and production services and rentals totalling KEUR 513. This company also provided advisory services totalling KEUR 19 in the 2001 financial year.

The managing director of LPKF Franklin Industries N.V. and the Supervisory Board members Klaus Sülter and Bernd Hildebrandt are shareholders of Franklin Trading N.V., from whom Franklin Industries N.V. leases office space.

Laserquipment AG (associated company) was issued with a loan. The loan totalled KEUR 190 on the balance sheet date. The details given in Note 28, Derivative financial instruments, are referred to with respect to an existing option right (call option on Laserquipment AG shares).

A managing director of LPKF Inc. in the USA has an account due from LPKF Properties LLC totalling KEUR 272.

On the balance sheet date, LPKF AG had liabilities due to members of the Supervisory Board of KEUR 21. There are no other accounts receivable or liabilities due from the companies in the LPKF group with respect to associated persons.

In addition, two close relatives of the management in the parent company were also employed as salaried members of staff.

28. Other disclosures

Other financial commitments

LPKF AG is obliged during the course of the 2002 financial year to transfer to Laserquipment AG subscribed capital in the form of loans and subscribed capital totalling KEUR 200 in accordance with § 272 section 2 Number 4 HGB. After achieving set milestones, there are additional investor obligations arising from the participation involving the payment of another KEUR 361 to the company in the period up to max. 31 December 2002.

If the milestones are reached, the company will waive the whole of the loan in 2004. The waiver will then be allocated to the capital reserve.

Long term real estate and building lease contracts exist for the offices of A-Laser, LPKF Franklin, LPKF d.o.o., LPKF France, as well as a car leasing contract at LPKF Franklin.

Financial Instruments IAS 39

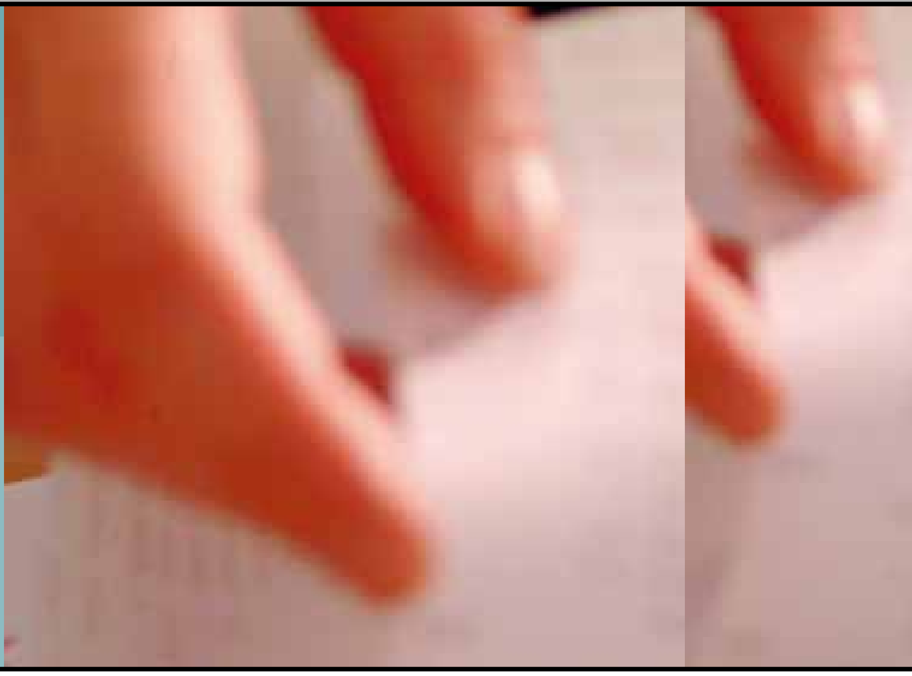
LPKF Laser & Electronics AG incorporated IAS 39 in its consolidated financial statements from the 2001 financial year onwards. No retrospective adaptation to 31 December 2000 was involved with respect to IAS 39.

1. Original financial instruments

IAS 39 fundamentally differentiates between original and derivative financial instruments. The original financial instruments are divided up into the following categories:

- Financial instruments held for trading purposes
- Financial investments held until reaching maturity
- Issued loans and claims
- Financial assets available for sale.

Financial instruments belonging to the “Financial instruments held for trading purposes” and “Financial investments held until reaching maturity” do not exist.



With respect to the “Issued loans and credits” these are primarily loans and trade accounts payables, other assets, liquid assets, payables associated with the convertible bond, liabilities due to banks, and other liabilities. Evaluation was based on continued acquisition costs.

The “Financial assets available for sale” include, amongst others, the securities reported under current assets. This is a Dresdner Bank money market fund which was valued at the price existing on the settlement date (market value). Changes in the attributable market value were reported with an effect on net income.

The participation in Photonic Net GmbH should also be mentioned in this context and should also be considered as a “Financial asset available for sale”. This is a strategic holding acquired with the aim of establishing a platform in the optical segment (lasers) for the exchange of expertise. This company does not have the intention of maximising profits. Because no active market exists for these shares and the market value cannot be reliably determined at acceptable cost, they are reported at the level of their acquisition costs.

2. Derivative financial instruments

In addition to original financial instruments, IAS 39 also regulates the reporting in the balance sheet of derivative financial instruments and hedging transactions. LPKF AG included a call option with Mr. Klaus Sülter and Mr. Bernd Hildebrandt according to which they can acquire their shares in Laserquipment AG up to 31 December 2003. This would increase the shareholding in Laserquipment AG to 51%. Because no active market exists for these call options and the market value cannot be reliably determined at acceptable cost, they are reported at the level of their acquisition costs.

No other derivative or hedging transactions took place up to 31 December 2001. During the course of the year, currency hedging contracts with a nominal value totalling KEUR 1,050 were entered into to hedge against currency risks.

3. Hedging policy and risk management

Around 75 % of the group turnover was generated with customers outside of Germany. Because of its activities, the company is exposed to various risks. In general, the group risk management system is designed to cover uncertainties from future developments in the financial markets, and has the aim of minimising negative consequences for the financial power of the group. Risk management is handled by the Board of Directors which sets the general principles for risk management and lays down the procedures involved. Implementation is carried out by the technical departments through compliance with the authorised business principles.

The main risks to which the LPKF group is exposed are explained in the following:

Liquidity risk

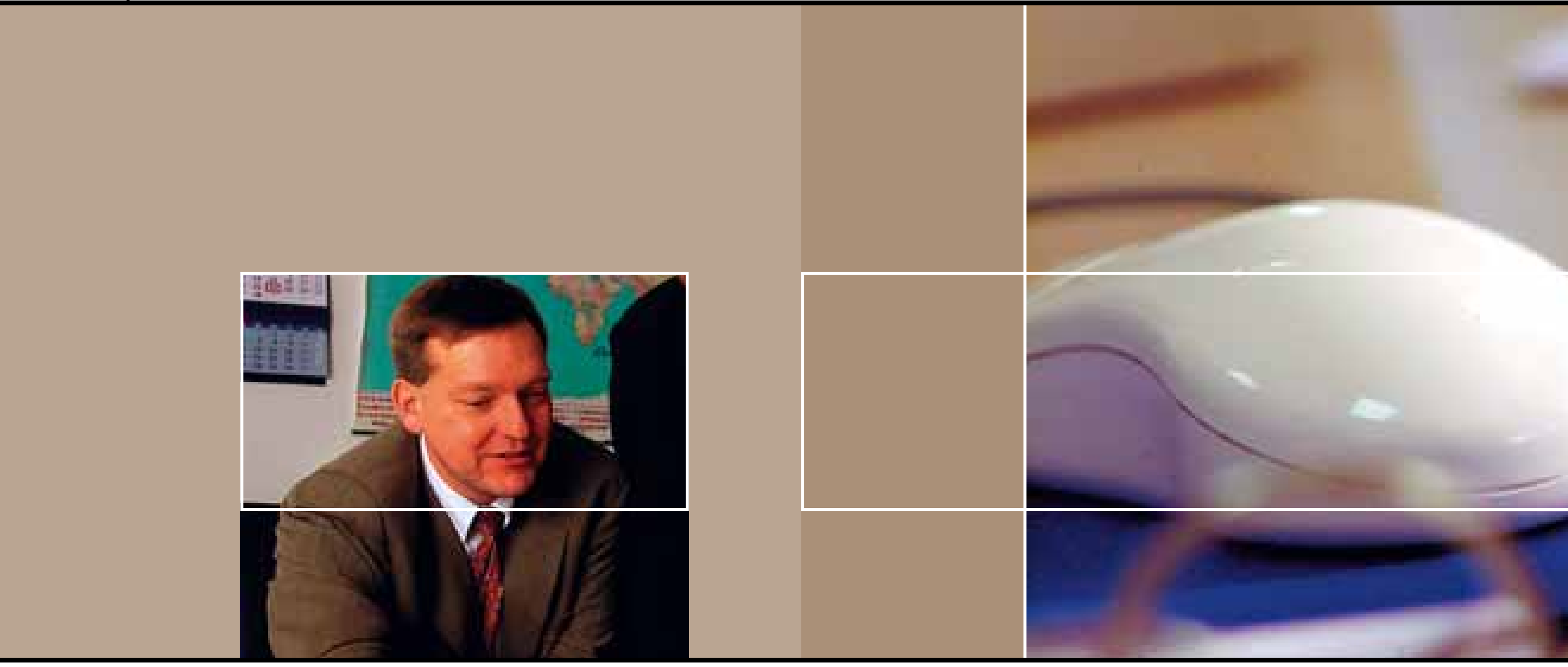
Minimising the liquidity risk is achieved through continuous liquidity planning. In addition to existing liquid assets, credit lines are also available from various banks. Long-term bank credits are only used to finance the buildings in Suhl and Garbsen.

Currency translation risk

Because of its international business activities, the LPKF group is subject to currency risks, especially with respect to the US Dollar. Hedging transactions are concluded during the year to hedge against currency risks.

Change in interest risks

The net result and the cash flow from ongoing business activities are largely independent of changes in market interest level. The credits taken out for construction finance are of a long-term nature and have fixed interest rates.



29. Others

The conditions according to § 292a HGB to exempt a company from the obligation of preparing consolidated annual financial statements according to German accounting standards have been fulfilled. The consolidated annual financial statements follow the rules in accordance with DRS 1 of the German Accounting Standards Committee, and in particular, the European guidelines on consolidated accounting (directive 83/349/EU). In this context, there were in particular the following variances from the German commercial code regulations with respect to accounting methods, valuation methods and consolidation methods:

- Capitalisation of development costs
- Accounting the convertible bond at present value
- Capitalisation of deferred taxes on tax loss carry forwards, if their use was considered to be probable.
- Treatment in a way not affecting net income of the costs arising from subscribed capital transactions.
- Securities are reported in the balance sheet at their market value even if this exceeds the acquisition costs.

LPKF Laser & Electronics AG has thus been exempted from the obligation of preparing its annual financial statements according to the German commercial code.

The members of the Board of Directors are:
Mr. Bernd Hildebrandt, chairman (to 17 May 2001)
Dipl.-Ing. Bernd Hackmann, chairman (from 25 June 2001)
Dr.- Ing. Jörg Kickelhain
Dipl.-Wirt.-Ing. Christoph Wiese (from 29 January 2001)

The remuneration of the Board of Directors totalled KEUR 805 (KEUR 990). As at 31 December 2001, the members of the Board of Directors held 242,650 (1,142,100) shares which are broken down as follows. The changes are mainly associated with the move by Mr. Hildebrandt to the Supervisory Board.

Number of shares held by board members	*31.03.01*	*30.06.01*	*30.09.01*	*31.12.01*
Board of Directors				
Bernd Hildebrandt	884,250			
Bernd Hackmann	160,000	160,000	160,000	150,000
Dr. Jörg Kickelhain	92,600	92,600	92,600	92,600
Christoph Wiese	50	50	50	50
Supervisory Board				
Bernd Hildebrandt		884,250	884,250	884,250
Klaus Sülter	924,500	924,500	924,500	924,500

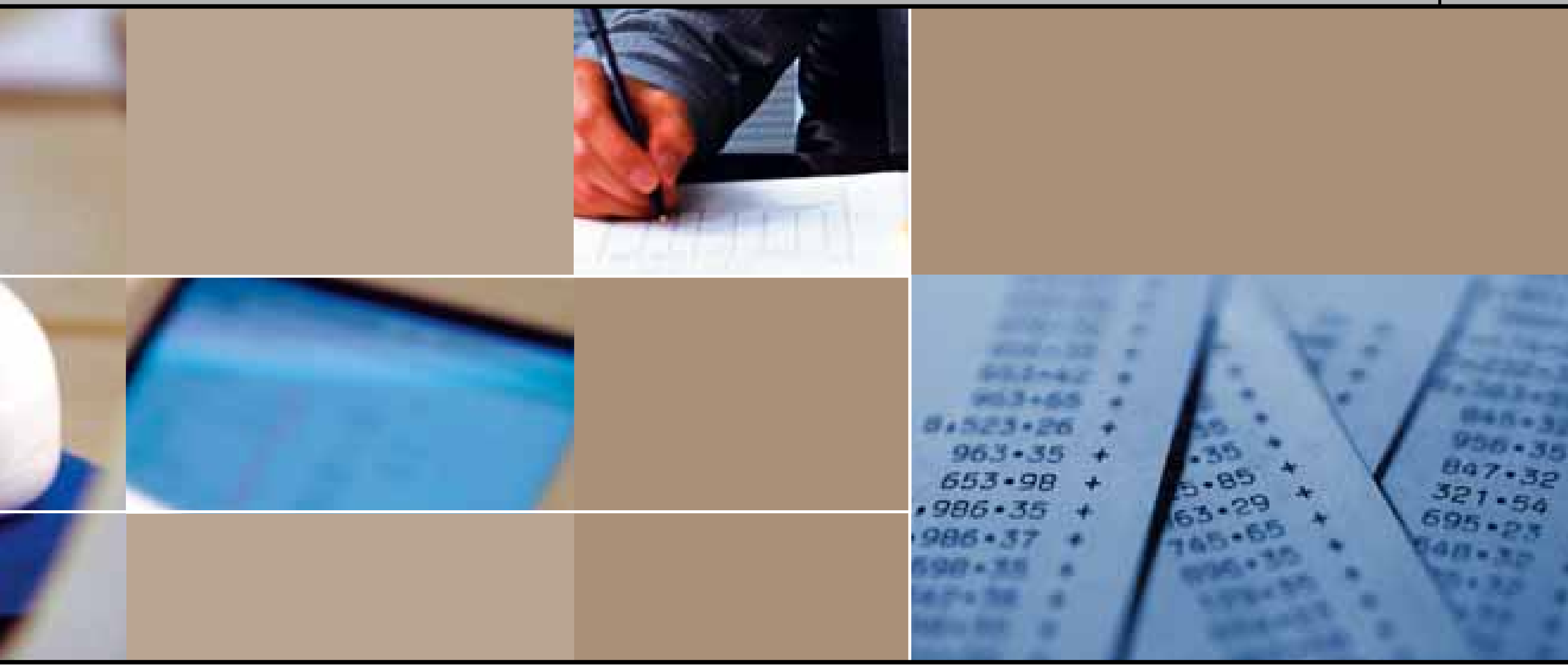
The members of the Supervisory Board are:

Bernd Hildebrandt	Businessman (chairman) (from June 2001)
Klaus Sülter	Power of attorney for Cura Consult GmbH (deputy chairman). (Chairman to 24 June 2001) Supervisory Board member Bankverein Werther
Dr. Heino Büsching	Lawyer/tax advisor ISR AG, Braunschweig (Supervisory Board chairman)
Udo B. Hartmann	Businessman (to 17 May 2001)

Udo B. Hartmann was voted onto the board at the annual general meeting on 17 May 2001 to replace Bernd Hildebrandt.

The remuneration of the Supervisory Board totalled KEUR 187 (KEUR 47). The members of the Supervisory Board held 1,808,750 (924,500) shares as at 31 December 2001.

The Board of Directors and the Supervisory Board of the parent company proposed that no dividend be paid and that the remaining net income for the year be carried forward.



30. Events after the balance sheet date
Another MicroLine Laser was sold in January 2002. This will be used in the series production of medical sensors. This installation opens up good opportunities for LPKF of winning new customers for the fine structuring of flexible circuits in the broad-based sensor engineering sector.

In addition, the first 8-axle-3D-MID-laser-system was sold in February. There are also good opportunities for this segment in the technical synthetics sector through the combination of seeded material with an associated laser system.

The material and the laser system were both researched and developed by LPKF.

Garbsen, 11 March 2002 LPKF Laser & Electronics AG

sgn. Bernd Hackmann sgn. Dr. Jörg Kickelhain sgn. Christoph Wiese

Auditor's Report

We have audited the consolidated financial statements of LPKF Laser & Electronics AG consisting of the balance sheets, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements for the business year from 1 January to 31 December 2001. The preparation and the content of the consolidated financial statements according to the International Accounting Standards of the IASC (IAS) are the responsibility of the Board of Managing Directors. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statement are in accordance with IAS.

We conducted our audit of the consolidated financial statement in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test based within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financing statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the LPKF Laser & Electronics AG group for the business year in accordance with IAS.

Our audit, which according to German auditing regulations also extends to the group management report prepared by the Board of Managing Directors for the business year from 1 January to 31 December 2001, has not led to any reservations. In our opinion, on the whole the group management report provides a suitable understanding of the group's position and suitably presents the risk of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from 1 January to 31 December 2001 satisfy the conditions required for the Company's exemptation from its duty to prepare consolidated financial statements and the group management report in accordance with German accounting law.

Hanover, 22 March 2002

SOCIETÄTS TREUHAND GRUPPE GMBH
Wirtschaftsprüfungsgesellschaft

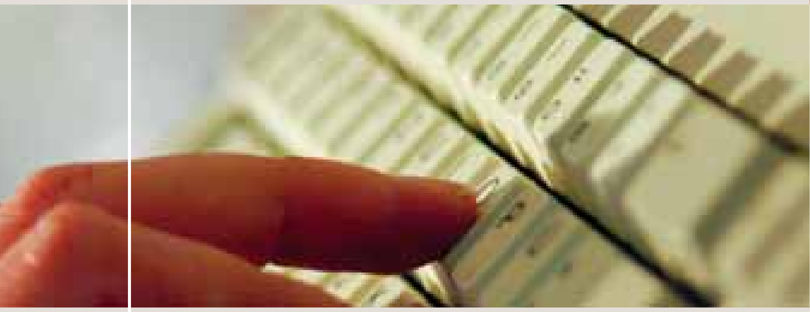
T. Stieve
German Public Accountant

Dr. M. Schellhorn
German Public Accountant

Annual financial statements of LPKF Laser & Electronics AG

Assets	*31.12.2001 KEUR*	*31.12.2000 KEUR*
Fixed assets		
Intangible assets		
Software	62	38
Rights to use	36	54
	98	92
Tangible assets		
Land and buildings	3,886	4,002
Technical equipment, plant and machinery	415	387
Other equipment, factory and office equipment	966	1,102
Prepayments and construction in process	11	0
	5,278	5,491
Financial assets		
Shares in affiliated companies	1,242	1,242
Loans to affiliated companies	472	524
Participations	44	14
Loans due from other group companies	190	0
	1,948	1,780
Total fixed assets	7,324	7,363
Current assets		
Inventories		
Raw materials and supplies	43	39
Finished goods	6,562	4,912
Advanced payments	584	838
	7,189	5,789
Accounts receivable and other assets		
Trade accounts receivable	5,653	5,887
Accounts due from affiliated companies	3,729	3,100
Accounts due from other group companies	6	0
Other assets	717	123
	10,105	9,110
Securities	0	0
Cash on hand, bank balances	255	1,730
Total current assets	17,549	16,629
Deferred charges and prepaid expenses	50	63
Total assets	24,923	24,055

Liability and shareholders' equity	*31.12.2001 KEUR*	*31.12.2000 KEUR*
Shareholders' equity		
Subscribed capital	10,638	10,500
Capital reserve	4,530	3,622
Net income for the year		
Retained earnings	2,966	1,638
Net income	1,062	1,972
	19,196	17,732
Provisions		
Provisions for pensions	213	194
Tax provisions	247	865
Other provisions	703	758
	1,163	1,817
Liabilities		
Bonds (of which convertible KEUR 256)	184	255
Liabilities due to banks	3,185	2,451
Payments received on account of orders	20	0
Trade accounts payable	330	482
Accounts due to affiliated companies	567	1,072
Payables to companies in which participations are held	0	14
Other liabilities	278	232
	4,564	4,506
Total liabilities	24,923	24,055



Annual financial statements of LPKF Laser & Electronics AG

	31.12.2001 *KEUR*	*31.12.2000* *KEUR*
Sales	17,477	22,829
Changes in inventories of finished goods and work-in-process	313	-479
Own work capitalised	139	0
Other operating income	1,059	940
	18,988	23,290
Cost of materials		
Cost of raw materials and supplies	7,604	9,376
Personnel expenses		
Wages and salaries	4,423	4,109
Social security and pension costs	741	642
of which pension costs: KEUR 64 (previous year: KEUR 56)		
Depreciation and amortisation costs and other write-offs on current assets	720	838
Other operating expenses	4,619	4,670
	18,107	19,635
Income from investments	113	87
Income from profit and loss transfer agreements	591	73
Municipal trade tax participation passed on to a subsidiary	38	17
Other interest and similar income	91	176
there of from affiliated companies: KEUR 57 (previous year: KEUR 50)		
Other interest and similar expenses	213	160
there of from affiliated companies: KEUR 0 (previous year: KEUR 0)		
Profit/loss from ordinary operations	1,501	3,848
Taxes on income	428	1,806
Other taxes	11	70
Net income	1,062	1,972
Retained earnings brought forward from the previous year	2,966	1,638
Net income for the year	4,028	3,610

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