

Quarterly financial report
1 January till 31 March 2010

Jump in turnover and earnings in the first quarter 2010

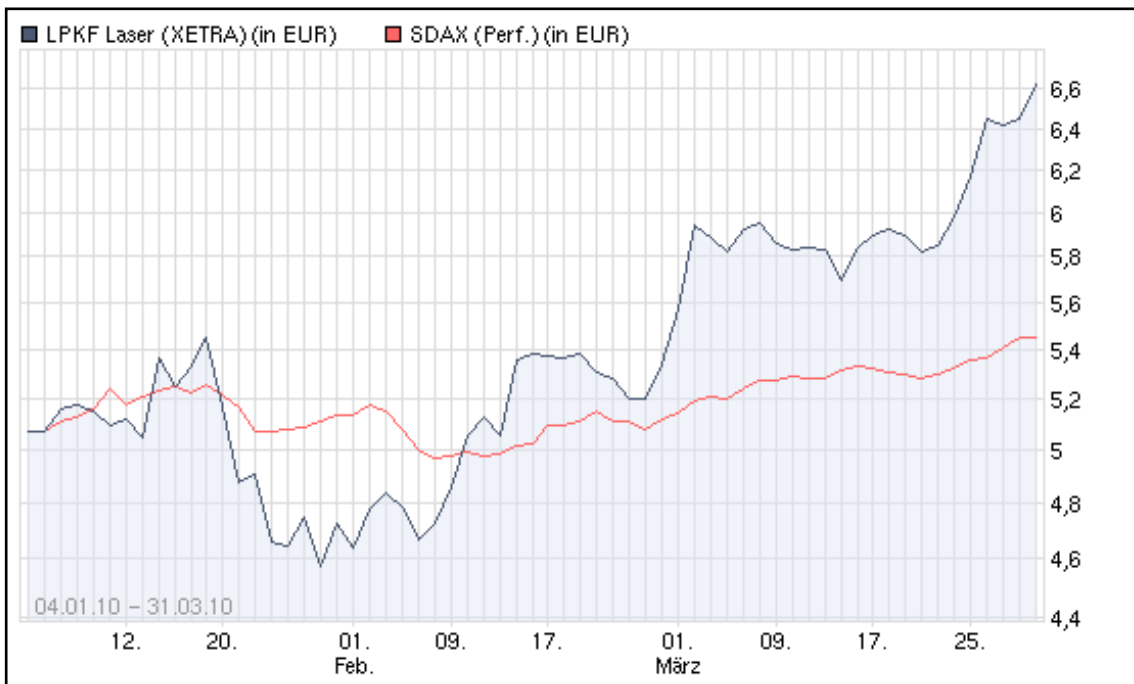
- Forecast turnover for 2010 raised to at least € 60 million
- Incoming orders up year-on-year in all segments



Key Group figures

| | 3 months 2010 | 3 months 2009 | Change (%) | Year 2009 |
|--|------------------|------------------|---------------|--------------|
| Turnover (€ million) | 17.6 | 10.1 | 74.6 | 50.7 |
| Net margin (%) | 17.3 | 7.4 | | 9.3 |
| EBIT (€ million) | 4.3 | 1.2 | 254.5 | 7.0 |
| EBIT margin (%) | 24.4 | 12.0 | | 13.7 |
| Net income after minority interests (€ million) | 3.2 | 0.6 | 474.7 | 4.7 |
| Net Working capital (€ million) | 22.9 | 21.8 | 4.8 | 20.4 |
| ROCE (%) | 9.0 | 2.8 | | 15.7 |
| EPS diluted (€) | 0.29 | 0.05 | 480.0 | 0.43 |
| Cash and cash equivalents (€ million) | 10.0 | 5.6 | 78.2 | 10.3 |
| Capital ratio (%) | 69.2 | 68.5 | | 69.7 |
| Orders in hand (€ million) | 14.9 | 11.5 | 29.1 | 14.7 |
| Orders received (€ million) | 17.8 | 11.2 | 58.4 | 56.0 |

Share price development in the first 3 months 2010



Source: www.ariva.de

Group Management Report

Sector-specific conditions

The first quarter 2010 experienced a significant improvement in the business climate for the private sector and the real order situation in the German machine tool manufacturing market. According to the German Machine Tool Industry Association (VDW), the level of orders has risen by more than 60 % since the middle of 2009. Nevertheless, only 68 % of the capacities in the sector were being used in January 2010.

The recovery in demand is being driven by exports and project business. The emerging economies China and India have recovered quickly from the global economic crisis. And other important markets such as the USA, Russia and Brazil, are also reporting growth again. (Source: VDMA)

Development in turnover

Consolidated turnover in the first three months of 2010 rose from € 10.1 million to € 17.6 million. This corresponds to an increase of 75 % compared to the same quarter the previous year. This growth is almost exclusively attributable to two segments: Cutting & Structuring Lasers and Rapid Prototyping. The boost in turnover was also positively influenced by the processing of major orders for the Cutting & Structuring Lasers Segment. In the meantime, all segments are enjoying an increase in incoming orders, providing a tangible broadening of the platform for growth in turnover.

| External Sales (T€) | 3 months 2010 | 3 months 2009 |
|--------------------------------|---------------|---------------|
| Cutting and Structuring Lasers | 11,819 | 3,579 |
| Rapid Prototyping | 3,739 | 2,848 |
| Joining Technologies | 1,350 | 1,068 |
| Thin-film Technologies | 85 | 2,118 |
| Other segments | 611 | 472 |
| | 17,604 | 10,085 |

Development in earnings

At € 4.3 million and an EBIT margin of 24 %, earnings before interest and tax in the first quarter exceeded the forecast. The highly positive development in turnover, and the changed product mix made a major contribution to the improvement in earnings. The material usage ratio was successfully reduced to 26 % (previous year: 32 %).

The other operating income rose primarily because of an around € 0.2 million higher income from insurance refunds. The other work capitalized declined by € 0.6 million because more application systems and prototypes were capitalized in the same period last year as in 2010.

The recruitment of new development, production and service staff in recent months in our Garbsen facility, plus a large amount of overtime and an increase in profit-related remunerations, caused personnel costs to rise by € 0.9 million or 21 %. Depreciation rose by € 0.2 million mainly due to an increase in scheduled depreciation on capitalized development costs.

The other operating expenses have risen by € 1.7 million mainly due to the change in turnover. Advertising and sales & marketing costs, including travelling costs, have risen by € 0.7 million; sales commissions have risen by € 0.4 million; and allocations for warranty provisions have risen by € 0.3 million. In addition, a rise in the number of temporary staff has increased the costs for contracted work by € 0.1 million.

Segment report

EBIT is divided into the following segments:

| EBIT (T€) | 3 months 2010 | 3 months 2009 |
|------------------------------------|------------------|------------------|
| Cutting and Structuring Lasers | 4,625 | 485 |
| Rapid Prototyping | 471 | 301 |
| Joining Technologies | -114 | 28 |
| Thin-film Technologies | -452 | 442 |
| Other segments | -226 | -42 |
| EBIT acc. P&L-Statement | 4,304 | 1,214 |

The assets have changed as follows:

| Total assets (T€) | 31.03. 2010 | 31.12. 2009 |
|--------------------------------|----------------|----------------|
| Cutting and Structuring Lasers | 24,510 | 21,833 |
| Rapid Prototyping | 13,005 | 12,351 |
| Joining Technologies | 4,166 | 3,516 |
| Thin-film Technologies | 5,949 | 6,019 |
| Other segments | 15,331 | 13,904 |
| Total assets | 62,961 | 57,623 |

Asset situation

The increase in software reported under intangible assets (construction in process) primarily concern the new ERP system. The size of the tangible assets has hardly changed since the start of the year. The investment of free liquidity reserves has increased the value of securities reported under long-term assets by € 1.0 million. Liquid assets reported under short-term assets have declined by € 0.4 million. Inventories and trade accounts receivable have risen by € 1.6 million and € 1.9 million respectively in line with the increase in business activity.

Equity has risen by € 3.4 million primarily due to the positive quarterly earnings. The rise of € 0.9 million in short-term provisions for taxes is also attributable to the higher earnings. The change in short-term trade accounts payable also reflects the strong business activity in the 1st quarter 2010.

Financial situation

The capital ratio of 69 % remains higher than the sector average and highlights the robust financial structure of LPKF Laser & Electronics AG.

The cash inflow from ongoing operating activities totaled € 2.1 million (previous year: € 1.0 million). This primarily reflects the rise in consolidated earnings, in addition to an increase in inventories and trade receivables. Investment costs on balance totaled € 2.3 million (previous year: € 1.0 million), including € 1.0 million invested in liquid assets. Investment focused on development work. Against the background of a cash outflow from financial activities totaling € 0.2 million (previous year: € 0.3 million) the level of cash and cash equivalents rose during the course of the year by € 0.3 million.

Investments

The high capacity utilization level at our facility in Garbsen in particular, and the expected growth demand investment – particularly in development, service and production. Processes and workflows are also to be optimized in Garbsen and Erlangen by the ongoing roll out of an ERP system. Total investments without investments in financial assets of € 1.3 million were therefore up € 0.3 million on the previous year's level. The Board of Managing Directors plans to set up a subsidiary in Japan in the course of the ongoing financial year in order to respond to the increasing demand from Asia.

Employees

The following table shows the change in the number of employees in the first three months of 2010:

| Department | 31.03.2010 | 31.12.2009 |
|----------------|------------|------------|
| Production | 87 | 79 |
| Sales | 84 | 80 |
| Development | 86 | 82 |
| Service | 71 | 66 |
| Administration | 77 | 77 |
| | 405 | 384 |

Opportunities and risks

There have been no substantial changes in the opportunities and risks affecting the LPKF Group compared to the end of 2009 – the statements made in the 2009 annual report are therefore still applicable. No risks which could jeopardize the future of the company existed on 31 March 2010.

Business development per segment

Rapid Prototyping

The Rapid Prototyping segment was particularly badly hit by the global recession in 2009, but enjoyed a significant increase in turnover and earnings in the first quarter 2010, as well as boasting a rising trend in the level of incoming orders. A completely renewed range of products is scheduled for launch in autumn 2010 and is expected to have a positive effect on business.

Cutting & Structuring Lasers Segment

The Cutting & Structuring Lasers Segment includes laser systems for manufacturing stencils, printed circuit board processing, and the production of three dimensional circuit carriers (MID) using the LDS method.

The strong growth in turnover in this segment is mainly due to the business with the patented LDS technology. On 18 April 2010, the Fusion3D system won the prestigious "Hermes Award" – a major industrial prize sponsored by the Hannover Messe (the world's biggest industrial trade fair) for outstanding technological innovation. On 27 April 2010, LPKF reported another major order of more than € 5 million for systems for the production of cellphone antennae. Additional growth potential is also seen in broadening the areas of application for the LDS technology to other markets. This segment currently boasts an unusually high level of orders in hand.

Business also developed positively in the Stencil and Printed Circuit Board Processing divisions in the first three months.

Joining Technologies Segment

The business with laser systems for plastic welding has developed positively despite the profound crisis affecting the automotive sector. Turnover in the first quarter 2010 rose by 26 %. The internationalization strategy initiated over a year ago is bearing fruit, with a continuous rise in the export share.

Thin-film Technologies Segment

The business with laser systems for scribing thin-film solar panels has not yet recovered from the dramatic slump in demand in 2009. Very few new orders were received across the sector in 2009.

The overall outlook continues to be uncertain, and business is forecast to develop poorly in general in 2010. Nevertheless, the Board of Managing Directors still considers the Thin-film Technologies Segment to be a future growth market, with good opportunities for expansion in the medium-term.

General outlook

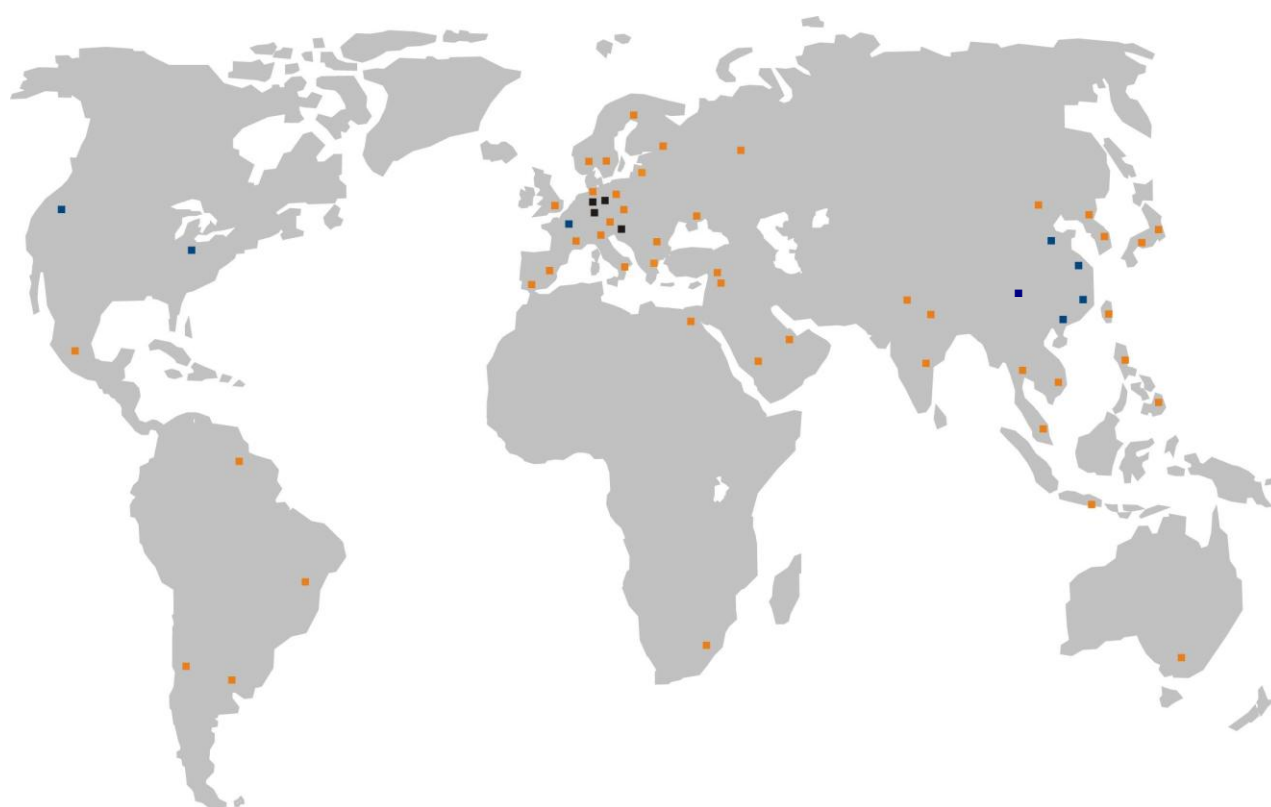
LPKF boosted the dynamic growth it already enjoyed in the previous year even further in the first three months of 2010. Unlike the positive trend in the previous year which was almost exclusively generated by the LDS business, activity in all of the other segments is now experiencing a satisfactory recovery. This broadening of the base for turnover and earnings has not dented the impressive boom in the LDS division. The continuing excellent level of orders in hand has caused the Board of Managing Directors on 27 April 2010 to raise its turnover forecast for 2010 to at least € 60 million, and to substantiate the minimum target of 14 % for the EBIT margin. This would make the 2010 financial year the most successful in the whole of LPKF's corporate history.

Interim Group financial statements

Consolidated Group

In addition to the parent company LPKF Laser & Electronics AG, Garbsen, the following subsidiaries are also included in the consolidated financial statements:

| Company Name | Domicile | Country | Holding | Acquired |
|---|-----------|----------|---------|----------------|
| LaserMicronics GmbH | Garbsen | Germany | 100.0 % | 1989 |
| LPKF Laser & Elektronika d.o.o. | Naklo | Slovenia | 75.0 % | 1995 |
| LPKF Distribution, Inc. | Tualatin | USA | 85.0 % | 1994/1999/2005 |
| LPKF Motion & Control GmbH | Suhl | Germany | 50.9 % | 1991/1999 |
| LPKF France S.A.R.L. | Créteil | France | 100.0 % | 1999/2007 |
| LPKF (Tianjin) Co. Ltd. | Tianjin | PR China | 86.0 % | 2000 |
| LPKF Laser & Electronics Hong Kong Ltd. | Hong Kong | PR China | 100.0 % | 2005 |
| LPKF SolarQuipment GmbH | Suhl | Germany | 83.7 % | 2007 |



■ Production site

■ Branch

■ Representation

Consolidated balance sheet

| Assets | | |
|--|---------------|---------------|
| T€ | 31.03.2010 | 31.12.2009 |
| NON-CURRENT ASSETS | | |
| Intangible assets | | |
| Software | 717 | 709 |
| Goodwill | 74 | 74 |
| Development costs | 4,378 | 4,278 |
| Construction in process | 237 | 0 |
| | 5,406 | 5,061 |
| Tangible assets | | |
| Land and building | 10,401 | 10,401 |
| Technical equipment and machinery | 1,694 | 1,648 |
| Other equipment, factory and office equipment | 1,151 | 1,067 |
| Construction in process | 448 | 297 |
| | 13,694 | 13,413 |
| Financial assets | | |
| Securities of the fixed assets | 1,001 | 0 |
| Other loans | 63 | 20 |
| | 1,064 | 20 |
| Assets subject to disposal restrictions | | |
| | 238 | 236 |
| Accounts receivable and other assets | | |
| Tax refund claims | 293 | 293 |
| Other assets | 1 | 0 |
| | 294 | 293 |
| Deferred taxes | | |
| | 649 | 550 |
| | 21,345 | 19,573 |
| CURRENT ASSETS | | |
| Inventories | | |
| (System) components | 8,484 | 7,894 |
| Work-in-process | 1,829 | 1,236 |
| Finished goods and merchandise | 5,231 | 5,214 |
| Prepayments | 540 | 148 |
| | 16,084 | 14,492 |
| Accounts receivable and other assets | | |
| Trade accounts receivable | 12,821 | 10,929 |
| Tax refund claims | 472 | 230 |
| Other assets | 1,844 | 1,627 |
| | 15,137 | 12,786 |
| Cash on hand | | |
| | 10,395 | 10,772 |
| | 41,616 | 38,050 |
| | 62,961 | 57,623 |

| Liabilities and shareholders' equity | | |
|---|-------------------|-------------------|
| T€ | 31.03.2010 | 31.12.2009 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 10,858 | 10,858 |
| Additional paid-in capital | 3,953 | 3,953 |
| Other earnings reserves | 7,000 | 7,000 |
| Market value of securities | -23 | -18 |
| Reserves for share-based payments | 465 | 460 |
| Foreign currency translation adjustments | -874 | -1,379 |
| Net income for the year | 18,952 | 15,791 |
| Minority interests | 3,243 | 3,509 |
| | 43,574 | 40,174 |
| NON-CURRENT LIABILITIES | | |
| Provisions for pensions | 0 | 14 |
| Liabilities due to banks | 2,700 | 2,752 |
| Deferred grants | 448 | 483 |
| Other liabilities | 134 | 134 |
| Deferred taxes | 1,329 | 1,332 |
| | 4,611 | 4,715 |
| CURRENT LIABILITIES | | |
| Tax provisions | 2,096 | 1,188 |
| Other provisions | 2,615 | 1,869 |
| Liabilities due to banks | 1,180 | 1,324 |
| Trade accounts payable | 3,085 | 2,162 |
| Other liabilities | 5,800 | 6,191 |
| | 14,776 | 12,734 |
| | 62,961 | 57,623 |

Consolidated statement of income

| T€ | 01-03/2010 | 01-03/2009 |
|--|--------------|--------------|
| Sales | 17,604 | 10,085 |
| Changes in inventories of finished goods and work-in-process | 344 | 286 |
| Other work capitalized | 456 | 1,011 |
| Other operating income | 622 | 409 |
| Costs of materials | 4,710 | 3,333 |
| Personnel expenses | 5,131 | 4,236 |
| Depreciation and amortization | 809 | 649 |
| Other operating expenses | 4,072 | 2,359 |
| Results from ordinary activities | 4,304 | 1,214 |
| Financial income | 26 | 34 |
| Financial expenditure | 45 | 82 |
| Result before income taxes | 4,285 | 1,166 |
| Income tax | 1,244 | 422 |
| Net income | 3,041 | 744 |
| Net income thereof | | |
| Shareholders of parent company | 3,161 | 550 |
| Minority interests | -120 | 194 |
| Earnings per share | | |
| Earnings per share - basic (in €) | 0.29 € | 0.05 € |
| Earnings per share - diluted (in €) | 0.29 € | 0.05 € |
| Weighted average shares outstanding (basic) | 10,858,052 | 10,858,052 |
| Weighted average shares outstanding (diluted) | 11,001,302 | 10,858,052 |
| Consolidated statement of comprehensive income | (T€) | (T€) |
| Profit after tax | 3,041 | 744 |
| Available-for-sale financial assets | -7 | -9 |
| Expenditure for granted option rights | 7 | 17 |
| Exchange differences | 359 | 70 |
| Deferred taxes | 0 | 0 |
| Total comprehensive income | 3,400 | 822 |
| Net income thereof | | |
| Shareholders of parent company | 3,666 | 569 |
| Minority interests | -266 | 253 |

Consolidated statement of the changes in shareholders' equity

| | Share capital (T€) | Additional paid-in- capital (T€) | Other earnings reserves (T€) | Market value of securities (T€) | Reserves for share- based payments (T€) | Foreign currency translation (T€) | Net income for the year (T€) | Minority interests (T€) | Total (T€) |
|---|-----------------------|--|------------------------------------|---------------------------------------|--|---|------------------------------------|----------------------------|---------------|
| Per 01.01.2010 | 10,858 | 3,953 | 7,000 | -18 | 460 | -1,379 | 15,791 | 3,509 | 40,174 |
| Additions from market valuation of securities | | | | -7 | | | | | -7 |
| Allocation to reserves | | | | | | | | | |
| Dividend payment to shareholders | | | | | | | | | |
| Net result | | | | | | | 3,161 | -120 | 3,041 |
| Expenditure for granted option rights | | | | | 7 | | | | 7 |
| Deferred taxes | | | | 2 | -2 | | | | 0 |
| Foreign currency translation adjustments | | | | | | 505 | | -146 | 359 |
| Per 31.03.2010 | 10,858 | 3,953 | 7,000 | -23 | 465 | -874 | 18,952 | 3,243 | 43,574 |
| Per 01.01.2009 | 10,858 | 3,953 | 7,000 | -42 | 394 | -1,344 | 11,107 | 3,322 | 35,248 |
| Additions from market valuation of securities | | | | -9 | | | | | -9 |
| Allocation to reserves | | | | | | | | | |
| Dividend payment to shareholders | | | | | | | | | |
| Net result | | | | | | | 550 | 194 | 744 |
| Expenditure for granted option rights | | | | | 17 | | | | 17 |
| Deferred taxes | | | | | | | | | |
| Foreign currency translation adjustments | | | | | | 11 | | 59 | 70 |
| Per 31.03.2009 | 10,858 | 3,953 | 7,000 | -51 | 411 | -1,333 | 11,657 | 3,575 | 36,070 |

Consolidated cash flow statement

| T€ | 3 months 2010 | 3 months 2009 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Net income for the year | 3,041 | 744 |
| Income tax | 1,244 | 422 |
| Interest charges | 45 | 82 |
| Interest income | -26 | -34 |
| Depreciation and amortization of fixed assets | 809 | 649 |
| Changes in provisions and accrued liabilities | 1,079 | -371 |
| Profit/loss from sale of assets, including reclassification into current assets | 0 | 13 |
| Cashless currency differences in fixed assets | -159 | -102 |
| Changes in inventories, accounts receivable and other assets | -4,040 | -782 |
| Changes in liabilities and deferred income | 848 | 309 |
| Other non-payment income/expenses | -119 | 266 |
| Payments from interest | 26 | 34 |
| Paid income tax | -682 | -242 |
| Net cash flow from operating income | 2,066 | 988 |
| INVESTING ACTIVITIES | | |
| Fixed assets investments intangible assets | -773 | -517 |
| Fixed assets investments tangible assets | -504 | -443 |
| Fixed assets investments financial assets | -1,047 | -24 |
| Payment from sale of financial assets | 3 | 0 |
| Receipts on sale of equipment | 1 | 1 |
| Cash flow from investing activities | -2,320 | -983 |
| FINANCING ACTIVITIES | | |
| Dividends paid | 0 | 0 |
| Interest paid | -45 | -82 |
| Change in long-term bank loans | 0 | 500 |
| Repayments long-term bank loans | -105 | -725 |
| Cash flow from financing activities | -150 | -307 |
| CHANGES IN CASH AND CASH EQUIVALENTS | | |
| Changes in cash and cash equivalents due to exchange rates | 118 | -88 |
| Changes in cash and cash equivalents | -404 | -302 |
| Cash and cash equivalents per 01.01. | 10,263 | 5,989 |
| Cash and cash equivalents per 31.03. | 9,977 | 5,599 |
| COMPOSITION CASH AND CASH EQUIVALENTS | | |
| Cash | 10,395 | 5,891 |
| Short-term investments | 0 | 0 |
| Bank overdraft | -418 | -292 |
| Cash and cash equivalents per 31.03. | 9,977 | 5,599 |

Details on the compilation of the quarterly financial report

The interim financial report per 31 March 2010 has been prepared in accordance with IFRS. It reflects the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All past figures have been determined using the same principles.

The same accounting methods and evaluation methods were used in the interim accounts as in the last annual financial statements.

Estimates of amounts reported in earlier interim reporting periods of the current financial year, the last annual financial statements, and in previous financial years remain unchanged in this interim report.

During the reporting period, the expenditure for R&D was € 1.5 million (previous year € 1.4 million).

Since the last balance sheet date, there have been no changes to contingent liabilities and receivables.

On 27 April the group received a major contract in the segment cutting- and structuring lasers amounting to approx. € 5 million, which is supposed to show up in the 2010 figures. No events of significance with substantial impacts on the asset, financial and earnings situation have taken place since the reporting date 31 March 2010.

This quarterly financial report has not been audited and has not been subject to an examining review.

Related parties transactions

A shareholder of the subsidiary LPKF Laser & Elektronika d.o.o. holds 100 % of the shares in Zeltra Naklo d.o.o.. Services totaling T€ 2 were received from this related company in the first 3 months of 2010.

50 % of the shares in PMV d.o.o. are held by a shareholder of the subsidiary LPKF Laser & Elektronika d.o.o., and 50 % by other related parties. In the first three months of 2010, business relations with this company covered purchase of material and production services totaling T€ 2, services totaling T€ 3 were provided. For remaining receivables of T€ 75 a long term payment target with usual interest rates has been granted.

A shareholder of the subsidiary LPKF Laser & Elektronika d.o.o. holds 50 % of the shares in Detel plus d.o.o.. This company purchased materials and services totaling T€ 93 to and received T€ 5 from group companies.

The managing director of LPKF Distribution, Inc. granted the company a long-term loan totaling TUS\$ 350 in the 2007 financial year to finance construction measures. The interest rates and the provision of security are at prevailing market rates.

On the reporting date, LPKF Laser & Electronics AG had liabilities due to members of the Supervisory Board totaling T€ 34.

With the exception of the aforementioned, there are no other significant claims or liabilities against LPKF Group companies with respect to paid remunerations or benefits granted to related parties.

Number of shares held by Board members

| Managing Directors | 31.03. 2010 | 31.12. 2009 |
|----------------------------|------------------------|------------------------|
| Dr. Ingo Bretthauer | 25,000 | 25,000 |
| Bernd Lange | 11,010 | 11,010 |
| Kai Bentz | 3,000 | 3,000 |
| Supervisory Board | | |
| Bernd Hildebrandt | 871,746 | 871,746 |
| Prof. Dr. Ing. Erich Barke | 1,000 | 1,000 |

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Garbsen, May 12, 2010

LPKF Laser & Electronics AG

The Board of Managing Directors

Dr. Ingo Bretthauer

Bernd Lange

Kai Bentz

Calendar

12 May 2010

Publication of Q1 interim financial report
Internet Chat cancelled

10 June 2010

Annual General Meeting
Hannover Congress Centrum

13 August 2010

Publication of Q2 interim financial report
Internet Chat at 18:00 hrs on
www.lpkf.com/investor-relations

09 November 2010

Publication of Q3 interim financial report
Internet Chat at 18:00 hrs on
www.lpkf.com/investor-relations

Imprint

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Internet

For further information on LPKF Laser & Electronics AG please visit our website at www.lpkf.com.

You can download this interim report and other financial information from our website under Investor Relations.

Languages

This interim report is also available in German.

