



Invitation to the Annual General Meeting*

on May 31, 2018

LPKF Laser & Electronics Aktiengesellschaft, Garbsen, Germany

ISIN DE 0006450000

Dear Shareholders,

Our Annual General Meeting for this year, which you are hereby invited to, takes place on Thursday, May 31, 2018, at 10:00 am, in Hanover Congress Centrum, Theodor-Heuss-Platz 1-3, 30175 Hanover, Germany.

I. Agenda

- 1. Presentation of the adopted annual financial statements as of December 31, 2017, the approved consolidated financial statements as of December 31, 2017, the combined Management report and Group Management report and the Supervisory Board's report for the 2017 financial year, as well as the explanatory report of the Management Board on the disclosures under Sections 289a (1) and 315a (1) German Commercial Code (HGB).**

The documents provided for Item 1 of the agenda can be viewed as of the time the Annual General Meeting is convened on the Company's website at www.lpkf.de/investor-relations/hauptversammlung/index.htm. The documents will also be available at the Annual General Meeting and will be explained orally.

The Supervisory Board has approved the annual financial statements prepared by the Management Board and the consolidated financial statements under Sections 171 and 172 German Stock Corporation Act (Aktiengesetz). The annual financial statements are thus adopted. In accordance with the statutory provisions, a resolution of the Annual General Meeting on Item 1 of the Agenda is therefore not scheduled.

- 2. Resolution regarding the ratification of the acts of the Management Board for the 2017 financial year**

The Management Board and the Supervisory Board propose that the acts of the members of the Management Board be ratified for the 2017 financial year.

- 3. Resolution regarding the ratification of the acts of the Supervisory Board for the 2017 financial year**

The Management Board and the Supervisory Board propose that the acts of the members of the Supervisory Board be ratified for the 2017 financial year.

- 4. Resolution regarding the approval of the amended remuneration system for members of the Management Board**

In accordance with Section 120 (4) sentence 1 German Stock Corporation Act, the Annual General Meeting can pass a resolution on the approval of the remuneration system for members of the Management Board. Such a resolution shall not form the basis for any rights or obligations. In particular, it does not affect the Supervisory Board's obligation to determine the amount of remuneration for members of the Management Board on its own authority. Most recently, the Annual General Meeting on June 5, 2014 approved the current remuneration system for members of the Man-

agement Board, which has formed the basis for setting Management Board remuneration for financial years since 2014 and since 2015. After the Supervisory Board resolved on March 20, 2018 to amend the Management Board remuneration system with immediate effect, the Company would like to give the Annual General Meeting the opportunity once again to resolve upon the approval of the amended remuneration system.

The background to the amendment of the remuneration system for Management Board members is that variable remuneration and value creation are to be more closely interlinked. Only if a return is generated that is at least equal to the cost of capital will the first performance-related remuneration components become effective. At the same time, the generation of positive cash flow will also be rewarded in the variable remuneration. As well as sustainable value generation, a strong weighting will be given to the performance of the LPKF share in the long-term variable remuneration component, to further support orientation towards the capital market. This remuneration component is also intended to be growth-oriented. To support the Company's turnaround, a strong weighting will also be given to short-term implementation results, in the interests of all stakeholders. The Supervisory Board received support from an independent external remuneration consultant when reviewing the remuneration system. The new remuneration system complies with the provisions of the German Stock Corporation Act (Aktiengesetz) and the recommendations of the German Corporate Governance Code.

The new remuneration system for members of the Management Board, which was resolved upon by the Supervisory Board on March 20, 2018 and comes into effect from March 20, 2018, is described in detail in a separate presentation that can be accessed on the Company's website at http://www.lpkf.com/_mediafiles/4410-system-remuneration-management-board.pdf and will be available for inspection at the Annual General Meeting. The amended remuneration system will also be explained at the Annual General Meeting.

The Management Board and Supervisory Board propose that the remuneration system for members of the Management Board that was resolved upon by the Supervisory Board on March 20, 2018 with effect from March 20, 2018 should be approved in accordance with Section 120 (4) German Stock Corporation Act (Aktiengesetz).

5. Election of the auditors of the annual financial statements and the consolidated financial statements for the 2018 financial year

The Supervisory Board proposes that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, Germany, be elected auditor of the annual financial statements and the consolidated financial statements for the 2018 financial year.

6. Resolution regarding an amendment to Article 11 of the Articles of Incorporation to reduce the number of members of the Supervisory Board

The Company's Supervisory Board currently comprises, in accordance with Sections 95 sentence 1, 96 (1) last alternative and 101 (1) German Stock Corporation Act (Aktiengesetz), exclusively members to be elected by the Annual General Meeting, and, since the amendment to the Articles of Incorporation resolved by the Annual General Meeting on June 1, 2017 became effective, consists of four members in accordance with Article 11 (1) of the Articles of Incorporation.

The Vice Chairman of the Supervisory Board, Dr. Heino Büsching, has resigned from his office as member of the Supervisory Board taking into account the notice period stipulated in the Articles of Incorporation with effect from the end of the Annual General Meeting on May 31, 2018. Rather than electing a new Supervisory Board member, the Management Board and Supervisory Board consider it reasonable to reduce the number of members of the Supervisory Board from four at present back to three in future. The reduction of the number of members of the Supervisory Board to three is in the Company's interests, in view of the size of the Company and the cost savings associated with a reduction.

The Management Board and Supervisory Board propose the following:

Article 11 (1) of the Articles of Incorporation shall be amended to read as follows:

“(1) The Supervisory Board consists of three members.”

Otherwise, Article 11 of the Articles of Incorporation remains unaffected.

7. Resolution regarding the cancellation of the existing authorized capital and the creation of new authorized capital with the option to exclude shareholders' subscription rights and the corresponding amendment to the Articles of Incorporation

The Annual General Meeting on June 5, 2014 authorized the Management Board to increase the Company's share capital once or several times with the approval of the Supervisory Board by up to EUR 11,134,794.00 by issuing up to a total of 11,134,794 new no-par value bearer shares in return for contributions in cash and/or in kind. This authorization has not been utilized to date. The current authorization expires on June 4, 2019 and therefore probably before the Annual General Meeting in 2019. In view of this, new authorized capital is to be created in good time that is largely similar to the current authorized capital as regards content, but which will be limited to 25% of the share capital in terms of volume. The option to exclude shareholders' subscription rights in the event of capital increases from authorized capital will once again be limited to a total of 10% of the share capital, taking into account shares that will be issued or that are issued or sold on the basis of another authorization with exclusion of shareholders' subscription rights.

The Management Board and Supervisory Board propose the following:

a) Cancellation of the existing authorized capital

The authorization resolved upon by the Annual General Meeting on June 5, 2014, permitting the Management Board to increase the Company's share capital once or several times with the approval of the Supervisory Board by up to EUR 11,134,794.00 by issuing up to a total of 11,134,794 new no-par value bearer shares in return for contributions in cash and/or in kind up to June 4, 2019, shall, insofar as it has not yet been utilized, be canceled with effect from the time of entry of the new authorized capital specified below, and the corresponding amendment to the Articles of Incorporation, in the Company's commercial register.

b) Creation of new authorized capital

The Management Board is authorized to increase the share capital once or several times until May 30, 2023 with the approval of the Supervisory Board by up to a total of EUR 5,567,397.00 by issuing up to 5,567,397 new no-par value bearer shares in return for contributions in cash and/or in kind (authorized capital).

Shareholders shall generally be granted a subscription right. The shares can also be taken over by one or more banks or companies specified by the Management Board within the meaning of Section 186 (5) sentence 1 German Stock Corporation Act (Aktiengesetz) with an obligation to offer them to shareholders for subscription (indirect subscription right).

However, the Management Board is authorized with the approval of the Supervisory Board to exclude the subscription rights of shareholders

- to exclude fractional amounts from shareholders' subscription rights;
- if the new shares are issued in return for cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price of the shares currently listed when the issue price is finally determined. The number of shares issued with such exclusion of shareholders' subscription rights may not exceed a total of 10% of the share capital, neither at the time when this authorization takes effect nor when it is exercised. Other shares that were issued or sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights in direct or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz) are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from convertible bonds or bonds with warrants or profit participation rights are also to be counted toward this limit if such debt securities or profit participation rights are issued during the period in which this authorization is in effect with exclusion of shareholders' subscription rights in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz);

- if the capital increase is carried out in return for contributions in kind for the purpose of acquiring entities, business divisions, equity investments, other assets related to an intended acquisition or in connection with mergers or for the purpose of acquiring industrial property rights, including copyrights and know-how or rights to use such rights;
- to the extent it is necessary to grant subscription rights for new shares to the bearers or creditors of bonds with warrants and/or convertible bonds or profit participation rights with option rights or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company directly or indirectly owns 100% of the shares in the volume to which they would be entitled after exercising the option rights or conversion rights or after the option or conversion obligations are fulfilled;
- if the new shares are issued to individuals who are in an employment relationship with the Company or one of its affiliated companies. The number of shares thus issued with exclusion of shareholders' subscription rights may not exceed a proportionate amount of the share capital in the total amount of EUR 200,000.00.

In any case, the authorization to exclude shareholders' subscription rights is limited insofar as after exercising the authorization the sum of shares issued with exclusion of shareholders' subscription rights in exchange for contributions in cash and/or in kind under this authorized capital may not exceed a total of 10% of the share capital, neither at the time that this authorization takes effect nor when it is exercised. The following count toward the aforementioned 10% limit:

- treasury shares that are sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights, as well as
- new shares that are to be issued on the basis of bonds with warrants or convertible bonds or profit participation rights issued during the period in which this authorization is in effect with exclusion of shareholders' subscription rights and
- new shares that are issued during the period in which this authorization is in effect on the basis of any other authorized capital with exclusion of shareholders' subscription rights.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the contents of the share rights, the further details of the capital increase, and the terms and conditions under which the shares are issued, in particular the issue price.

The Supervisory Board is authorized to amend the Articles of Incorporation accordingly after utilization of the authorized capital or the expiration of the period for utilizing the authorized capital.

c) Amendment of the Articles of Incorporation

Article 4 (6) of the Articles of Incorporation shall be rescinded and amended to read as follows:

"(6) The Management Board is authorized to increase the share capital once or several times until May 30, 2023 with the approval of the Supervisory Board by up to a total of EUR 5,567,397.00 by issuing up to 5,567,397 new no-par value bearer shares in return for contributions in cash and/or in kind (authorized capital).

Shareholders shall generally be granted a subscription right in that connection. The shares can also be taken over by one or more banks or companies specified by the Management Board within the meaning of Section 186 (5) sentence 1 German Stock Corporation Act (Aktiengesetz) with an obligation to offer them to shareholders for subscription (indirect subscription right).

However, the Management Board is authorized with the approval of the Supervisory Board to exclude the subscription rights of shareholders

- to exclude fractional amounts from shareholders' subscription rights;
- if the new shares are issued in return for cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price of the shares currently listed when the issue price is finally determined. The number of shares issued with such exclusion shareholders' subscription rights may not exceed a total of 10% of the share capital, neither at the time when this authorization takes effect nor when it is exercised. Other shares that were issued or sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights in direct or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz) are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from convertible bonds or bonds with warrants or profit participation rights are also to be counted toward this limit if such debt securities or profit participation rights are issued during the period in which this authorization is in effect

with exclusion of shareholders' subscription rights in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz);

- if the capital increase is carried out in return for contributions in kind for the purpose of acquiring entities, business divisions, equity investments, other assets related to an intended acquisition or in connection with mergers or for the purpose of acquiring industrial property rights, including copyrights and know-how or rights to use such rights;
- to the extent it is necessary to grant subscription rights for new shares to the bearers or creditors of bonds with warrants and convertible bonds or profit participation rights with option rights or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company directly or indirectly owns 100% of the shares in the volume to which they would be entitled after exercising the option rights or conversion rights or after the option or conversion obligations are fulfilled;
- if the new shares are issued to individuals who are in an employment relationship with the Company or one of its affiliated companies. The number of shares issued with exclusion of shareholders' subscription rights may not exceed a proportionate amount of the share capital in the total amount of EUR 200,000.00.

In any case, the authorization to exclude shareholders' subscription rights is limited insofar as after exercising the authorization the sum of shares issued with exclusion of shareholders' subscription rights in exchange for contributions in cash and/or in kind under this authorized capital may not exceed a total of 10% of the share capital, neither at the time that this authorization takes effect nor when it is exercised. The following count toward the aforementioned 10% limit:

- treasury shares that are sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights, as well as
- new shares that are to be issued on the basis of bonds with warrants or convertible bonds or profit participation rights issued during the period in which this authorization is in effect with exclusion of shareholders' subscription rights and
- new shares that are issued during the period in which this authorization is in effect on the basis of any other authorized capital with exclusion of shareholders' subscription rights.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the contents of the share rights, the further details of the capital increase, and the terms and conditions under which the shares are issued, in particular the issue price.

The Supervisory Board is authorized to revise the Articles of Incorporation accordingly after utilization of the authorized capital or the expiration of the period for utilizing the authorized capital."

The written report by the Management Board in accordance with Section 203 (2) sentence 2 German Stock Corporation Act (Aktiengesetz) in conjunction with Section 186 (4) sentence 2 German Stock Corporation Act (Aktiengesetz) on the reasons for authorizing the Management Board to exclude shareholders' subscription rights when utilizing the authorized capital is printed below the agenda under II.

We would like to point out that, other than the new authorized capital proposed above upon cancellation of the existing authorized capital and the contingent capital proposed under agenda item 8 below, the Company will not have any further authorized or contingent capital. On the basis of the resolution of the Annual General Meeting on May 28, 2015, there is an authorization to acquire treasury shares up to a volume of EUR 2,226,958.80 that will run until May 27, 2020. Treasury shares acquired on the basis of this authorization can be sold in the same volume with exclusion of shareholders' subscription rights. Treasury shares sold during the period of the new authorized capital with exclusion of shareholders' subscription rights would count towards the above capital limit of 10% for excluding shareholders' subscription rights from the new authorized capital.

8. Resolution regarding the establishment of authorization to issue bonds with warrants and/or convertible bonds with the option to exclude shareholders' subscription rights and regarding the creation of Contingent Capital 2018/I and the corresponding amendment to the Articles of Incorporation

The Company believes it is reasonable to be able to have recourse to bonds with warrants and/or convertible bonds as a financing instrument with the option to exclude shareholders' subscription rights. To give the Company the necessary flexibility when raising capital in this way, authorization is therefore to be granted to issue bonds with warrants and/or convertible bonds with the option to exclude shareholders' subscription rights and, to safeguard this, Contingent Capital 2018/I in the amount of 25% of the share capital is to be resolved upon. The option to exclude shareholders' subscription rights when issuing bonds with warrants and/or convertible bonds will be limited to shares representing a total of 10% of the share capital, taking into account shares that are issued or sold on the basis of another authorization with exclusion of shareholders' subscription rights.

The Management Board and Supervisory Board propose the following:

a) Authorization to issue bonds with warrants and/or convertible bonds and to exclude shareholders' subscription rights

aa) Period of authorization, scope of authorization, term

The Management Board is authorized, with the approval of the Supervisory Board, to issue registered or bearer bonds with warrants and/or convertible bonds (referred to collectively as "bonds") once or several times up to May 30, 2023, with or without a limit on the term, up to a total nominal amount of EUR 80,000,000.00, and to grant/impose on the bearers or creditors of bonds option or conversion rights or option or conversion obligations on no-par value bearer shares of the Company with a proportionate amount of the share capital of up to a total of EUR 5,567,397.00, in accordance with the more detailed provisions of the terms and conditions of the bonds with warrants and/or convertible bonds (referred to collectively as the "bond conditions").

The bonds can be issued only in exchange for cash payments. Other than in euros, the bonds can also be issued in the legal currency of an OECD country, whereby they shall be limited to the equivalent value in euros. With regard to the limit on the total nominal amount for this authorization, when bonds are issued in foreign currencies the respective nominal amount of the bonds must be converted into euros on the date on which it is decided to issue them.

Bonds can also be issued by Group companies based in Germany or abroad in which the Company directly or indirectly owns 100% of shares. In such a case, the Management Board is authorized, with the approval of the Supervisory Board, to assume the guarantee for the bonds on behalf of the Company and to grant/impose on the bearers or creditors of such bonds option or conversion rights or option or conversion obligations on no-par value bearer shares in the Company.

Individual issues can be divided into partial issues, each of which will bear equal rights.

bb) Shareholders' subscription rights and excluding shareholders' subscription rights

Shareholders are in principle entitled to subscription rights to bonds. The statutory subscription right can also be granted to shareholders in such a way that the bonds are taken over by one or more banks or companies specified by the Management Board within the meaning of Section 186 (5) sentence 1 German Stock Corporation Act (Aktiengesetz) with an obligation to offer them to shareholders for subscription (indirect subscription right). If the bonds are issued by Group companies in which the Company directly or indirectly owns 100% of shares, the Company must ensure that shareholders are granted a subscription right in accordance with the above clauses.

However, the Management Board is authorized to exclude the subscription rights of shareholders with the approval of the Supervisory Board for the following purposes:

- to exclude fractional amounts from shareholders' subscription rights;
- if the bonds are issued in exchange for cash payments and the issue price of the bonds is not significantly lower than the theoretical market value of the bonds, calculated in accord-

ance with recognized actuarial methods. The number of shares issued in order to service bonds issued in this way with exclusion of shareholders' subscription rights may not exceed a total of 10% of the share capital, neither at the time when this authorization takes effect nor when it is exercised. Shares that are issued or sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights in direct or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz) are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or option or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted toward this limit if such debt securities or profit participation rights are issued during the period in which this authorization is in effect on the basis of another authorization with exclusion of shareholders' subscription rights in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz);

- to the extent it is necessary to grant subscription rights for bonds to the bearers or creditors of bonds with warrants and/or convertible bonds with option rights or conversion rights or option or conversion obligations that have previously been issued by the Company or Group companies in which the Company directly or indirectly owns 100% of the shares in the volume to which they would be entitled as shareholders after exercising the option rights or conversion rights or after the option or conversion obligations are fulfilled.

In any case, the authorization to exclude shareholders' subscription rights is limited insofar as the sum of new shares issued in order to service option or conversion rights or obligations on such bonds with warrants and/or convertible bonds issued with exclusion of shareholders' subscription rights may not exceed a total of 10% of the share capital, neither at the time that this authorization takes effect nor when it is exercised. The following count toward the aforementioned 10% limit:

- treasury shares that are sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights, as well as
- new shares issued from authorized capital during the period in which this authorization is in effect with exclusion of shareholders' subscription rights and
- new shares issued on the basis of bonds with warrants or convertible bonds or profit participation rights issued during the period in which this authorization is in effect on the basis of another authorization in which shareholders' subscription rights are excluded.

cc) Option rights/obligations, conversion rights/obligations

In the event that bonds with warrants are issued, one or more warrants shall be attached to each partial issue, which shall entitle the bearer or creditor, in accordance with the more detailed provisions of the option conditions specified by the Management Board, to purchase no-par value bearer shares in the Company. The option conditions can stipulate that the option price may be fulfilled in whole or in part through the transfer of partial bond issues and if applicable through an additional cash payment. The subscription ratio can be rounded up or down to whole numbers; furthermore, an additional payment to be made in cash can also be stipulated. It can also be stipulated that any fractional amounts will be added together and/or settled in cash. The proportionate amount of the share capital of the shares to be purchased for each partial bond issue must not exceed the nominal amount of the partial bond issue. Section 9 (1) in conjunction with Section 199 (2) German Stock Corporation Act (Aktiengesetz) must be observed. The bond conditions can also stipulate an option obligation at the end of the term (or at another time) or the right of the Company upon maturity of the bond (this also includes maturity due to the bond being called in) to grant the bearers or creditors of bonds with warrants shares in the Company or another listed company in lieu of all or part of the sum of money that is due. In this case, the proportionate amount of the share capital of the shares to be issued for each partial bond issue must once again not exceed the nominal amount of the partial bond issue. Section 9 (1) in conjunction with Section 199 (2) German Stock Corporation Act (Aktiengesetz) must be observed.

In the event that convertible bonds are issued, their bearers or creditors shall be given the right to exchange their partial bonds for no-par value bearer shares in the Company, in accordance with the more detailed provisions of the convertible bond conditions specified by the Management Board (conversion right). The exchange ratio is calculated by dividing the nominal amount or the issue price if lower than the nominal amount of a partial bond issue by the conversion price set for one no-par value bearer share in the Company. It can be stipulated that the exchange ratio is variable and/or that the conversion price will be set within a specified range, depending on the per-

formance of the Company's share price during the term of the convertible bond, or that it may change as a result of provisions to protect against dilution. The exchange ratio can be rounded up or down to whole numbers; furthermore, an additional payment to be made in cash can also be stipulated. It can also be stipulated that any fractional amounts will be added together and/or settled in cash. The proportionate amount of the share capital of the shares to be issued for each partial bond issue in the event of conversion must not exceed the nominal amount of the partial bond issue. Section 9 (1) in conjunction with Section 199 (2) German Stock Corporation Act (Aktiengesetz) must be observed. The bond conditions can also stipulate a conversion obligation at the end of the term (or at another time) or the right of the Company upon maturity of the bond (this also includes maturity due to the bond being called in) to grant the bearers or creditors of convertible bonds shares in the Company or another listed company in lieu of all or part of the sum of money that is due. In this case, the proportionate amount of the share capital of the shares to be issued for each partial bond issue must once again not exceed the nominal amount of the partial bond issue. Section 9 (1) in conjunction with Section 199 (2) German Stock Corporation Act (Aktiengesetz) must be observed.

The bond conditions can stipulate that the Company or the Group company issuing the bond has a right, in the event of conversion or exercising of the option, to pay a sum of money instead of granting no-par value bearer shares (including as part payment), which shall be determined in accordance with dd) for the number of shares that would otherwise be delivered. The bond conditions can also stipulate that, in the event of conversion or the exercising of options, the bonds can be serviced, as the Company or the Group company issuing the bond chooses, with no-par value bearer shares from authorized capital or with existing or acquired treasury no-par value bearer shares in the Company or with shares in another listed company, instead of with new no-par value bearer shares from contingent capital.

dd) Option and conversion price

The option/conversion price to be stipulated for a share must – including in the event of a variable option or conversion price and subject to the regulation below on bonds with an option or conversion obligation, a substitution right or a right to tender of the bond issuer for the delivery of shares – amount to at least 80% of the volume-weighted average stock exchange price of shares in the Company at close of trade on Xetra (or a comparable successor system) on the Frankfurt Stock Exchange,

- (i) on the ten trading days prior to the date on which a final resolution is passed by the Management Board regarding the issuing of the respective bonds or
- (ii) if subscription rights to the bonds are traded, on the days on which subscription rights are traded, with the exception of the last two days of trading in subscription rights, or, if the Management Board has already stipulated the amount of the option or conversion price before the start of trading in subscription rights, in the period specified under (i).

In the case of bonds with an option or conversion obligation, a substitution right or a right to tender of the bond issuer for the delivery of shares, the option or conversion price to be stipulated must amount to at least either the above minimum price or the volume-weighted average stock exchange price of shares in the Company at close of trade on Xetra (or a comparable successor system) on the Frankfurt Stock Exchange on the ten trading days before or after the date of maturity of the bonds, even if the aforementioned average price is below the minimum price referred to above.

In any case, the proportionate amount of the share capital of the shares to be issued for each partial bond issue must not exceed the nominal amount of the partial bond issue. Section 9 (1) in conjunction with Section 199 (2) German Stock Corporation Act (Aktiengesetz) must be observed.

ee) Protection against dilution

The option or conversion price can, notwithstanding Section 9 (1) German Stock Corporation Act (Aktiengesetz), be reduced on the basis of a dilution protection clause, in accordance with the more detailed provisions of the bond conditions, through the payment of a corresponding amount in cash upon exercising of the option or conversion right or the fulfillment of an option or conversion obligation or by reducing the additional payment, if the Company increases the share capital or issues or guarantees further bonds with warrants or convertible bonds or profit participation

rights during the option or conversion period and grants subscription rights to its shareholders, and the bearers or creditors of option or conversion rights or option or conversion obligations are not granted subscription rights in the volume to which they would be entitled after exercising the option or conversion right or fulfilling an option or conversion obligation. Instead of a cash payment or a reduction in the additional payment, the subscription or exchange ratio can also – where possible – be adjusted by dividing it by a reduced option or conversion price. Furthermore, the bond conditions can also provide for an adjustment to the option or conversion rights or the option or conversion obligations in the event of a capital reduction or other extraordinary measures or events (e.g. unusually high dividends, acquisition of control by third parties). In the event of an acquisition of control by third parties, it can be stipulated that the option or conversion price shall be adjusted in line with the market.

ff) Further details of issuing and features

The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the issuing and features of the bonds, particularly the volume, timing, interest rate, type of interest, issue price, term and denomination, dilution protection provisions and option/conversion price and option/conversion period, or to decide on these in consultation with the corporate bodies of the Group companies issuing the bonds.

b) Creation of Contingent Capital 2018/I

The share capital is conditionally increased by up to EUR 5,567,397.00 through the issue of up to 5,567,397 new no-par value bearer shares (Contingent Capital 2018/I). The contingent capital increase shall be used to grant new, no-par value bearer shares to the bearers/creditors of bonds with warrants and/or convertible bonds (referred to collectively as "bonds"), in each case with option or conversion rights or option or conversion obligations, issued by the Company or by a Group company in which the Company directly or indirectly owns 100% of shares up to May 30, 2023 on the basis of the authorization resolved upon by the Annual General Meeting on May 31, 2018 in accordance with agenda item 8. The new shares shall be issued at the option or conversion price to be determined in accordance with the authorization referred to under a) above. The contingent capital increase shall be carried out only insofar as bearers or creditors of bonds exercise option or conversion rights or fulfill their option or conversion obligation or insofar as the Company or the Group company issuing the bond exercises an option to grant no-par value shares in the Company in lieu of all or part of payment of the sum of money due and in each case insofar as a cash settlement is not granted and treasury shares or shares from authorized capital or shares in another listed company are not used to service the bonds. The new shares shall be entitled to a share in the profits from the beginning of the financial year in which they are created through the exercising of option or conversion rights or through the fulfillment of option or conversion obligations. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of how the contingent capital increase will be implemented.

The Supervisory Board is authorized to adjust the wording of the Articles of Incorporation in accordance with the respective issue of new shares and to make all other associated adjustments to the Articles of Incorporation that affect only the wording. The same applies in the event of the non-utilization of the authorization to issue bonds after the period of the authorization has expired and in the event of the non-utilization of the Contingent Capital 2018/I after expiry of the periods for exercising option or conversion rights or for the fulfillment of option or conversion obligations.

c) Amendment of the Articles of Incorporation

A new paragraph (7) is to be inserted into Article 4 of the Articles of Incorporation, which reads as follows:

"(7) The share capital is conditionally increased by up to EUR 5,567,397.00 through the issue of up to 5,567,397 new no-par value bearer shares (Contingent Capital 2018/I). The contingent capital increase shall be used to grant new, no-par value bearer shares to the bearers/creditors of bonds with warrants and/or convertible bonds (referred to collectively as "bonds"), in each case with option or conversion rights or option or conversion obligations, issued by the Company or by a Group company in which the Company directly or indirectly owns 100% of shares up to May 30, 2023 on the basis of the authorization resolved upon by the Annual General Meeting on May 31, 2018 in accordance with agenda item 8. The new shares shall be issued at the option or conversion price to be determined in accordance with the authorization referred to under a) above. The

contingent capital increase shall be carried out only insofar as bearers or creditors of bonds exercise option or conversion rights or fulfill their option or conversion obligation or insofar as the Company or the Group company issuing the bond exercises an option to grant no-par value shares in the Company in lieu of all or part of payment of the sum of money due and in each case insofar as a cash settlement is not granted and treasury shares or shares from authorized capital or shares in another listed company are not used to service the bonds. The new shares shall be entitled to a share in the profits from the beginning of the financial year in which they are created through the exercising of option or conversion rights or through the fulfillment of option or conversion obligations. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of how the contingent capital increase will be implemented.

The Supervisory Board is authorized to adjust the wording of the Articles of Incorporation in accordance with the respective issue of new shares and to make all other associated adjustments to the Articles of Incorporation that affect only the wording. The same applies in the event of the non-utilization of the authorization to issue bonds after the period of the authorization has expired and in the event of the non-utilization of the Contingent Capital 2018/I after expiry of the periods for exercising option or conversion rights or for the fulfillment of option or conversion obligations."

The written report by the Management Board in accordance with Sections 221 (4) and 186 (4) sentence 2 German Stock Corporation Act (Aktiengesetz) on the reasons for authorizing the Management Board to exclude shareholders' subscription rights when issuing bonds with warrants and/or convertible bonds is printed below the agenda under II.

We would like to point out that, other than the contingent capital proposed above upon the new authorized capital proposed above under agenda item 7 with cancellation of the existing authorized capital, the Company will not have any further authorized or contingent capital. On the basis of the resolution of the Annual General Meeting on May 28, 2015, there is an authorization to acquire treasury shares up to a volume of EUR 2,226,958.80 that will run until May 27, 2020. Treasury shares acquired on the basis of this authorization can be sold in the same volume with exclusion of shareholders' subscription rights. Treasury shares sold during the period of the authorization under agenda item 8 with exclusion of shareholders' subscription rights would count towards the above capital limit of 10% for excluding shareholders' subscription rights when issuing bonds with warrants and/or convertible bonds.

II. Reports

1. **Written report by the Management Board in accordance with Sections 203 (2) sentence 2 and 186 (4) sentence 2 German Stock Corporation Act (Aktengesetz) regarding agenda item 7 on the reasons for authorizing the Management Board to exclude shareholders' subscription rights when utilizing the authorized capital**

The Annual General Meeting on June 5, 2014 authorized the Management Board to increase the Company's share capital once or several times with the approval of the Supervisory Board by up to EUR 11,134,794.00 by issuing up to a total of 11,134,794 new no-par value bearer shares in return for contributions in cash and/or in kind. This authorization has not been utilized to date. The current authorization expires on June 4, 2019 and therefore probably before the Annual General Meeting in 2019. In view of this, new authorized capital is to be created in good time that is largely similar to the current authorized capital as regards content, but which will be limited to 25% of the share capital in terms of volume. The option to exclude shareholders' subscription rights in the event of capital increases from authorized capital will once again be limited to a total of 10% of the share capital, taking into account shares that will be issued or sold on the basis of another authorization with exclusion of shareholders' subscription rights.

The Management Board and Supervisory Board therefore propose to the Annual General Meeting with regard to agenda item 7 that new authorized capital of up to EUR 5,567,397.00 be created. This corresponds to 25% of the Company's current share capital. To ensure flexibility, it will be possible to use the authorized capital for both cash capital increases and capital increases through contributions in kind.

In the case of capital increases from authorized capital, shareholders of the Company in principle have subscription rights. The shares can also be taken over by one or more banks or companies specified by the Management Board within the meaning of Section 186 (5) sentence 1 German Stock Corporation Act (Aktengesetz) with an obligation to offer them to shareholders for subscription ("indirect subscription right").

However, the Management Board will also be authorized, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders

- to exclude fractional amounts from shareholders' subscription rights;
- if the new shares are issued in return for cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price of the shares currently listed when the issue price is finally determined. The number of shares issued with such exclusion of shareholders' subscription rights may not exceed a total of 10% of the share capital, neither at the time when this authorization takes effect nor when it is exercised. Other shares that were issued or sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights in direct or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktengesetz) are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from convertible bonds or bonds with warrants or profit participation rights are also to be counted toward this limit if such debt securities or profit participation rights are issued during the period in which this authorization is in effect with exclusion of shareholders' subscription rights in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktengesetz);
- if the capital increase is carried out in return for contributions in kind for the purpose of acquiring entities, business divisions, equity investments, other assets related to an intended acquisition or in connection with mergers or for the purpose of acquiring industrial property rights, including copyrights and know-how or rights to use such rights;
- to the extent it is necessary to grant subscription rights for new shares to the bearers or creditors of bonds with warrants and convertible bonds or profit participation rights with option rights or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company directly or indirectly owns 100% of the shares in the volume to which they would be entitled after exercising the option rights or conversion rights or after the option or conversion obligations are fulfilled;
- if the new shares are issued to individuals who are in an employment relationship with the Company or one of its affiliated companies (employee shares). The number of shares thus

issued with exclusion of shareholders' subscription rights may not exceed a proportionate amount of the share capital in the total amount of EUR 200,000.00.

The authorization to exclude shareholders' subscription rights shall be limited insofar as after exercising the authorization the sum of shares issued with exclusion of shareholders' subscription rights in exchange for contributions in cash and/or in kind under this authorized capital may not exceed a total of 10% of the share capital, neither at the time that this authorization takes effect nor when it is exercised. The following count toward the aforementioned 10% limit:

- treasury shares that are sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights, as well as
- new shares that are to be issued on the basis of bonds with warrants or convertible bonds or profit participation rights issued during the period in which this authorization is in effect with exclusion of shareholders' subscription rights and
- new shares that are issued during the period in which this authorization is in effect on the basis of any other authorized capital with exclusion of shareholders' subscription rights.

The Management Board has submitted the following report in accordance with Sections 203 (2) sentence 2 and 186 (4) sentence 2 German Stock Corporation Act (Aktiengesetz) regarding this authorization to exclude shareholders' subscription rights with the approval of the Supervisory Board:

(1) Exclusion of subscription rights for fractional amounts

Firstly, it shall be possible to exclude subscription rights for fractional amounts. This authorization serves to ensure that a practicable subscription ratio can be shown with regard to the amount of the respective capital increase. Without excluding subscription rights with regard to fractional amounts, the technical implementation of a capital increase would become considerably more difficult, particularly in the case of a capital increase involving a round sum. The Company will do its best to sell new shares to which shareholders' subscription rights are excluded because they constitute fractional amounts, either by selling them via the stock market or in other ways. For these reasons, the Management Board and Supervisory Board believe that the authorization to exclude subscription rights is appropriate.

(2) Exclusion of subscription rights when the issue price of the new shares is not significantly lower than the stock exchange price and the shares issued in this way with exclusion of subscription rights do not exceed 10% of the share capital in total

It shall also be possible to exclude subscription rights if the new shares in accordance with Sections 203 (1) and 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz) are issued in exchange for cash at an amount that is not significantly lower than the stock exchange price and if the total proportionate amount of the share capital attributable to the issued shares does not exceed 10% of the share capital, either at the time that this authorization takes effect or when it is exercised. The authorization enables the Company to meet its capital requirements in the short term and thus to take advantage of market opportunities quickly and flexibly. Excluding subscription rights allows the Company to act very quickly without having to go through the process associated with subscription rights, which is more costly and time-consuming, and enables it to place the shares close to the stock exchange price, i.e. without the discount that is usual with issues in which subscription rights apply. The Company is also able to attract new investors in Germany and abroad with such capital increases. When utilizing the authorization, the Management Board shall – with the approval of the Supervisory Board – set the discount on the stock exchange price as low as is possible based on the prevailing market conditions at the time that the issue price is finally determined. The discount on the stock exchange price shall on no account exceed 5% of the stock exchange price.

The scope of a cash capital increase with exclusion of subscription rights in accordance with Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz) is also limited to 10% of the share capital at the time the authorization comes into effect or, if lower, at the time the authorization to exclude subscription rights is exercised. Those shares that were issued or sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights in direct or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz), e.g. treasury shares, are to be counted toward this limit of 10%. Shares that are issued to service option rights and/or conversion rights or conversion obligations from convertible bonds or bonds with warrants or profit participation rights are also to be counted toward this limit if such debt securities

or profit participation rights are issued during the period in which the authorization is in effect with exclusion of shareholders' subscription rights in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz). This limit takes into account the shareholders' need to protect their shareholdings against dilution. As the new shares are placed close to the stock exchange price, each shareholder can purchase shares on the market at almost the same conditions in order to maintain the percentage of shares held.

(3) Exclusion of subscription rights in the case of capital increases through contributions in kind

In addition, there shall be an option to exclude shareholders' subscription rights insofar as a capital increase through contributions in kind is carried out for the purpose of acquiring entities, business divisions, equity investments or other assets related to an intended acquisition or in connection with mergers. This gives the Company the necessary scope to take advantage of opportunities that arise to acquire other companies, equity investments or divisions of companies, as well as opportunities for mergers and to acquire other material assets that are important to the Company and assets related to an intended acquisition, quickly, flexibly and in a way that protects liquidity, to improve its competitive position and strengthen its profitability. It shall also be possible to exclude shareholders' subscription rights insofar as a capital increase through contributions in kind is carried out for the purpose of acquiring industrial property rights, including copyrights and know-how or rights to use such rights. This is also intended to enable the Company to acquire such rights quickly, flexibly and in a way that protects liquidity in order to improve its competitive position.

The amount of consideration that must be provided in return for such transactions is often very high, which means that it should not or cannot be provided in cash. The owners of attractive companies or other attractive acquisition objects (including the aforementioned rights) often also demand shares in the buyer's company that carry voting rights as consideration. To ensure that the Company can also acquire such companies or other acquisition objects, it must be able to offer shares as consideration. As such acquisitions usually take place at short notice, they cannot generally be resolved upon by the Annual General Meeting, which as a rule is held only once a year. This requires the creation of authorized capital that the Management Board – with the approval of the Supervisory Board – can access quickly. In such cases, the Management Board shall ensure when stipulating the pricing ratios that the interests of shareholders are adequately protected. In doing this, the Management Board shall bear in mind the stock exchange price of shares in the Company. The Management Board shall utilize this authorization only if it is in the Company's best interests to exclude subscription rights in the individual case. There are no specific acquisition plans at present for which the Company intends to utilize the option to carry out capital increases through contributions in kind with exclusion of shareholders' subscription rights in accordance with the proposed authorization.

(4) Exclusion of subscription rights to the extent it is necessary in order to grant subscription rights for new shares to the bearers or creditors of bonds with warrants and convertible bonds or profit participation rights with option or conversion rights and/or conversion obligations in the volume to which they would be entitled after exercising the option rights or conversion rights or after the option or conversion obligations are fulfilled

Furthermore, it shall be possible to exclude subscription rights to the extent it is necessary in order to grant subscription rights for new shares to the bearers or creditors of bonds with warrants and convertible bonds or profit participation rights issued by the Company or its wholly owned subsidiaries or sub-subsidiaries at the time that the authorized capital is utilized in the volume to which they would be entitled after exercising the option rights or conversion rights or after an option or conversion obligation arising from these bonds is fulfilled. To make it easier to place bonds and/or profit participation rights on the capital market, the corresponding option or bond conditions generally include protection against dilution. One option for protecting against dilution is to grant the bearers or creditors of bonds or profit participation rights a subscription right to new shares in subsequent share issues in the same volume to which shareholders are entitled. That will put them in the same position as if they were already shareholders. To be able to provide bonds or profit participation rights with such protection against dilution, shareholders' subscription rights must be excluded for new shares. This serves to make it easier to place bonds/profit par-

ticipation rights, and thus serves the shareholders' interests in ensuring an optimum financing structure for the Company.

Alternatively, only the option or conversion price could be reduced, insofar as the option, bond or profit participation conditions allow this, for the purposes of protecting against dilution. However, this would be more complicated and costly for the Company to implement. It would also reduce the inflow of capital from the exercising of option and conversion rights and obligations. It would also be possible to issue bonds or profit participation rights without protection against dilution. However, these would be considerably less attractive to the market. At the time of convening the Annual General Meeting taking place on May 31, 2018, LPKF Laser & Electronics AG has not issued any bonds with warrants and/or convertible bonds and/or profit participation rights.

(5) Exclusion of subscription rights if the new shares are issued to individuals who are in an employment relationship with the Company or one of its affiliated companies (employee shares)

It shall also be possible to exclude subscription rights if the new shares are issued to individuals who are in an employment relationship with the Company or one of its affiliated companies (employee shares). The number of shares thus issued with exclusion of shareholders' subscription rights may not exceed a proportionate amount of the share capital in the total amount of EUR 200,000.00. This allows shares to be used as a remuneration component for employees of the Company or its affiliated companies and encourages employees to participate in the Company's share capital, thereby strengthening employees' identification with the Company in the interests of the Company and its shareholders. Issues of employee shares are therefore intended to be used in individual cases as a means of rewarding and motivating employees. The limit on the proportionate amount of the share capital to a total of EUR 200,000.00 takes into account the shareholders' need to protect their shareholdings against dilution.

(6) Utilization of authorizations, limiting the exclusion of subscription rights to a total of 10% of the share capital

Furthermore, the Management Board is authorized to exclude shareholders' subscription rights in accordance with (1) to (5) above when utilizing the authorized capital only insofar as the proportionate amount of the share capital attributable to shares issued on the basis of this authorization with exclusion of shareholders' subscription rights does not exceed a total of 10% of the share capital, either at the time that this authorization takes effect or when it is exercised. The following count toward the aforementioned 10% limit:

- treasury shares that are sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights, as well as
- new shares that are to be issued on the basis of bonds with warrants or convertible bonds or profit participation rights issued during the period in which this authorization is in effect with exclusion of shareholders' subscription rights and
- new shares that are issued on the basis of any other authorized capital during the period in which this authorization is in effect with exclusion of shareholders' subscription rights.

This capital limit restricts the total volume of a share issue without subscription rights. In this way, shareholders receive additional protection against dilution of their shareholdings.

The Management Board and Supervisory Board will consider carefully in each individual case whether to utilize one of the authorizations to carry out a capital increase with exclusion of shareholders' subscription rights. This option will be utilized only if the Management Board and the Supervisory Board believe it is in the best interests of the Company and thus of its shareholders.

The Management Board shall inform the next Annual General Meeting of any utilization of the above authorizations to exclude subscription rights.

The report on Item 7 of the agenda can be viewed as of the time the Annual General Meeting is convened on the Company's website at www.lpkf.de/investor-relations/hauptversammlung/index.htm.

2. Written report by the Management Board in accordance with Sections 221 (4) and 186 (4) sentence 2 German Stock Corporation Act (Aktiengesetz) regarding agenda item 8

on the reasons for authorizing the Management Board to exclude shareholders' subscription rights when issuing bonds with warrants and/or convertible bonds

The Management Board and Supervisory Board propose to the Annual General Meeting with regard to agenda item 8 that authorization should be granted to issue bonds with warrants and/or convertible bonds (referred to collectively as "bonds") up to a total nominal amount of EUR 80,000,000.00 and that associated contingent capital of up to EUR 5,567,397.00 should be created by issuing up to 5,567,397 new no-par value bearer shares. If this authorization is fully utilized, bonds could be issued that would grant subscription rights (or obligations) on up to 25% of the current share capital. The option to exclude shareholders' subscription rights when issuing bonds will be limited to shares representing a total of 10% of the share capital, taking into account shares that are issued or sold on the basis of another authorization with exclusion of shareholders' subscription rights.

The proposed authorization to issue bonds in exchange for cash is intended to offer the Company, in addition to the classic options for raising external capital or equity, the option to use attractive financing alternatives on the capital market depending on the market situation. Issuing bonds allows the Company to raise external capital that can be classified as equity or as similar to equity both for rating purposes and for accounting purposes, depending on how the bond conditions are structured. The option/conversion premiums achieved and the inclusion in equity benefit the Company's capital base. The envisaged options for establishing option or conversion obligations as well as granting option or conversion rights extend the scope for structuring these financing instruments. The authorization is intended to enable the Company to issue bonds itself or through Group companies based in Germany or abroad in which the Company directly or indirectly owns 100% of shares and to utilize the German or international capital market by being able to issue these bonds not only in euros but also in the legal currency of an OECD country.

The option/conversion price for shares purchased when option or conversion rights are exercised must, except in cases where an option or conversion obligation, a substitution right or a right to tender of the bond issuer for the delivery of shares is envisaged, amount to at least 80% of the stock exchange price of no-par value bearer shares in the Company, calculated close to the time at which the bonds with option or conversion rights are issued. The possibility of adding a premium (which can increase depending on the term of the bond) means that the bond conditions can take into account the prevailing situation on the capital market at the time the bonds are issued. In cases where there is an option or conversion obligation, a substitution right or a right to tender of the bond issuer for the delivery of shares, the option or conversion price for the new shares, in accordance with the more detailed provisions of the bond conditions, must amount to at least either the above minimum price or the volume-weighted average stock exchange price of shares in the Company at close of trade on Xetra (or a comparable successor system) on the Frankfurt Stock Exchange on the ten trading days before or after the date of maturity of the bonds, even if the aforementioned average price is below the minimum price referred to above.

Shareholders are in principle entitled to a statutory subscription right to bonds (Section 221 (4) in conjunction with Section 186 (1) German Stock Corporation Act (Aktiengesetz). To make implementation easier, it is envisaged that the bonds can also be taken over by one or more banks or companies specified by the Management Board within the meaning of Section 186 (5) sentence 1 German Stock Corporation Act (Aktiengesetz) with an obligation to offer them to shareholders for subscription ("indirect subscription right").

However, the Management Board shall be entitled to exclude the subscription rights of shareholders with the approval of the Supervisory Board for the following purposes:

- to exclude fractional amounts from shareholders' subscription rights;
- if the bonds are issued in exchange for cash payments and the issue price of the bonds is not significantly lower than the theoretical market value of the bonds, calculated in accordance with recognized actuarial methods. The number of shares issued in order to service bonds issued in this way with exclusion of shareholders' subscription rights may not exceed a total of 10% of the share capital, neither at the time when this authorization takes effect nor when it is exercised. Shares that are issued or sold during the period in which this authorization is in effect with exclusion of shareholders' subscription rights in direct or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz) are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to

service option rights and/or conversion rights or option or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted toward this limit if such debt securities or profit participation rights are issued during the period in which this authorization is in effect on the basis of another authorization with exclusion of shareholders' subscription rights in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz);

- to the extent it is necessary to grant subscription rights for bonds to the bearers or creditors of bonds with warrants and/or convertible bonds with option rights or conversion rights or option or conversion obligations that have previously been issued by the Company or Group companies in which the Company directly or indirectly owns 100% of the shares in the volume to which they would be entitled as shareholders after exercising the option rights or conversion rights or after the option or conversion obligations are fulfilled.

The Management Board has submitted the following report in accordance with Sections 221 (4) and 186 (4) sentence 2 German Stock Corporation Act (Aktiengesetz) regarding this authorization to exclude shareholders' subscription rights with the approval of the Supervisory Board:

(1) Exclusion of subscription rights for fractional amounts

Firstly, it shall be possible to exclude subscription rights for fractional amounts. This authorization serves to ensure that the authorization can be utilized for round sums and that a practicable subscription ratio can be shown. Without excluding subscription rights with regard to fractional amounts, the technical implementation of bond issues would become considerably more difficult. Excluding subscription rights makes it easier in these cases to carry out issues. The Company will do its best to sell fractional amounts to which shareholders' subscription rights are excluded, either by selling them via the stock market or in other ways. For these reasons, the Management Board and Supervisory Board believe that the authorization to exclude subscription rights is appropriate.

(2) Exclusion of subscription rights when the issue price is not significantly lower than the theoretical market value of the bonds and the shares issued in this way with exclusion of subscription rights do not exceed 10% of the share capital in total

Furthermore, it shall be possible to exclude subscription rights if the bonds are issued in exchange for cash payments and at a price that is not significantly lower than the theoretical market value of the bonds, calculated in accordance with recognized actuarial methods.

This allows the Company to take advantage of favorable market situations very quickly and at very short notice and to obtain better conditions in terms of interest rates and option/conversion prices for bonds, by stipulating conditions that are close to the market. This would not be possible if statutory subscription rights were maintained. Section 186 (2) German Stock Corporation Act (Aktiengesetz) allows the subscription price (and, in the case of bonds, the conditions) to be published up to the third-last day of the subscription period. In view of volatility on the stock markets, however, the market risk over several days would cause safety margins to be deducted when determining the conditions for bonds, and would thus result in conditions that are less close to the market. Furthermore, maintaining statutory subscription rights would jeopardize the successful placement of the bonds with third parties or would involve additional expenses, as the extent to which these rights would be exercised would be uncertain. Ultimately, the length of the minimum subscription period of two weeks that must be observed if statutory subscription rights are maintained would prevent the Company in responding to favorable or unfavorable market conditions, which could prevent it from raising capital in the optimum way.

The interests of shareholders are protected when subscription rights are excluded in this way in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz) by ensuring that the bonds may not be issued significantly below their theoretical market value, whereby the notional value of subscription rights drops to almost zero. Shareholders who wish to maintain their stake in the share capital can achieve this by making additional purchases via the market. In assessing the question of what issue price would correspond to the theoretical market value of the bond and would guarantee that the issue of the bonds would not lead to any significant dilution of the value of existing shares, the Management Board can obtain support from experts, e.g. by consulting the syndicate banks oversee-

ing the issue or an expert, if it believes this is appropriate in the given situation. The issue price can also be set in a book building process if necessary.

This method of excluding subscription rights is also limited in terms of volume: the number of shares issued in order to service bonds issued in this way during the period in which this authorization is in effect with exclusion of shareholders' subscription rights (whether on the basis of this authorization or another authorization) may not exceed a total of 10% of the share capital, neither at the time when this authorization takes effect nor, if lower, when it is exercised. The proportionate amount of the share capital attributable to shares that, during the period in which this authorization is in effect, are either issued on the basis of an authorization for the Management Board to exclude shareholders' subscription rights in direct or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz) or sold as purchased treasury shares in corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz), is to be counted toward the aforementioned upper limit of 10% of the share capital. By counting these shares toward the limit, it shall be ensured that no bonds are issued if this would cause shareholders' subscription rights to be excluded in direct or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz) for more than 10% of the share capital in total.

(3) Exclusion of subscription rights to the extent it is necessary in order to grant subscription rights for bonds to the bearers or creditors of bonds with warrants and convertible bonds with option or conversion rights or option or conversion obligations in the volume to which they would be entitled as shareholders after exercising the option rights or conversion rights or after the option or conversion obligations are fulfilled

Finally, it shall be possible to exclude subscription rights to the extent it is necessary in order to grant subscription rights for bonds to bearers or creditors of bonds with warrants and/or convertible bonds issued by the Company or its Group companies upon utilization of the authorization, in the volume to which they would be entitled after exercising the option rights or conversion rights or after an option or conversion obligation is fulfilled. To make it easier to place bonds on the capital market, the corresponding bond conditions shall generally include protection against dilution. One option for protecting against dilution is to grant the bearers or creditors of bonds a subscription right to bonds in subsequent issues in the same volume to which shareholders are entitled. That will put them in the same position as if they were already shareholders. To be able to provide bonds with such protection against dilution, shareholders' subscription rights must be excluded for the bonds. This serves to make it easier to place bonds, and thus serves the shareholders' interests in ensuring an optimum financing structure for the Company.

Alternatively, only the option or conversion price could be reduced, insofar as the bond conditions allow this, for the purposes of protecting against dilution. However, this would be more complicated and costly for the Company to implement. It would also reduce the inflow of capital from the exercising of option and/or conversion rights or the fulfillment of option and/or conversion obligations. It would also be possible to issue bonds without protection against dilution. However, these would be considerably less attractive to the market.

Shareholders have the option to maintain their stake in the Company's share capital by making additional purchases of shares via the stock market at any time, even after option or conversion rights or obligations have been exercised. On the other hand, the authorization to exclude subscription rights allows the Company to stipulate conditions that are close to the market, gives it maximum certainty with regard to placements with third parties and enables it to take advantage of favorable market situations at short notice.

(4) Utilization of authorizations, limiting the exclusion of subscription rights to a total of 10% of the share capital

In addition, in the interests of shareholders the authorizations to exclude subscription rights outlined under (1) to (3) above are limited to a total of 10% of the Company's share capital at the time this authorization takes effect or, if lower, when it is exercised, taking into account all other authorizations to exclude subscription rights. This capital limit provides shareholders with additional protection against dilution of their shareholdings. In calculating this capital limit, the Management Board shall also take into account any issues of new shares or sales of treasury

shares and of bonds or profit participation rights with option or conversion rights and/or option or conversion obligations that take place on the basis of other authorizations granted to the Management Board with exclusion of subscription rights of shareholders during the period in which this authorization is in effect.

There are no specific plans at present to exercise the authorization to issue bonds. Corresponding anticipatory resolutions granting the option to exclude subscription rights are usual in Germany and other countries. The Management Board and Supervisory Board will consider carefully in each individual case whether to utilize one of the authorizations to issue bonds with exclusion of shareholders' subscription rights. This option will be utilized only if the Management Board and the Supervisory Board believe it is in the best interests of the Company and thus of its shareholders.

The Management Board shall inform the next Annual General Meeting in each case of any utilization of the above authorizations to exclude subscription rights.

The report on Item 8 of the agenda can be viewed as of the time the Annual General Meeting is convened on the Company's website at www.lpkf.de/investor-relations/hauptversammlung/index.htm.

III. Further details regarding the convening of the meeting

Conditions for participating in the Annual General Meeting and exercising the right to vote

Only shareholders who have registered for the Annual General Meeting and have submitted satisfactory evidence of their shareholdings shall have the right to participate in the Annual General Meeting and exercise their right to vote. The evidence of shareholdings must be provided by means of a confirmation in text form prepared by the depository bank in German or English. Such evidence of the shareholding must refer to the beginning of the twenty-first day before the General Meeting, which in this case is

Thursday, May 10, 2018, 00:00 a.m.

(the "Record Date").

Both the registration and the evidence of shareholdings must be received by the Company no later than six days prior to the Annual General Meeting (not including the day of the Annual General Meeting or the day on which the evidence is received), i.e. by no later than

Thursday, May 24, 2018, 12:00 p.m.

at the address specified below:

LPKF Laser & Electronics Aktiengesellschaft
c/o DZ Bank AG
represented by dwpbank
– DSHVG –
Landsberger Str. 187
80687 Munich, Germany
Fax: +49 (0) 69 5099 1110
E-mail: hv-eintrittskarten@dwpbank.de

The significance of the Record Date

The Record Date is the date that governs both the scope and the exercise of a shareholder's right to participate in and vote at the Annual General Meeting. In relation to the Company, a person shall only be considered a shareholder for the purposes of participating in and exercising the voting right at the Annual General Meeting if they have verified their shareholdings. The right to participate in the Annual General Meeting and the scope of the right to vote shall be governed solely by the shareholder's shareholding as of the Record Date. The Record Date does not imply any limitation on the sale of shareholdings. Even if shareholdings are partially or completely sold after the Record Date, the ownership of shares on the Record Date shall be the only relevant factor enabling participation and the scope of the right to vote; in other words, the sale of shares or any other form of transfer of the shares after the Record Date has no influence on the right to

participate in the Annual General Meeting and the scope of the right to vote. The same applies to the acquisition of shares after the Record Date. Persons who do not own any shares on the Record Date and who only become shareholders after this date are not authorized to participate and vote in the Annual General Meeting unless they are authorized by way of a proxy to participate and vote on behalf of someone else or to exercise such a person's rights.

Total number of shares and voting rights at the time the Annual General Meeting is convened

The Company's share capital at the time the Annual General Meeting is convened amounts to EUR 22,269,588.00 and is divided into 22,269,588 no-par value bearer shares which all have the same voting rights and each grant one vote. The total number of shares and voting rights at the time the Annual General Meeting is convened is therefore 22,269,588.

Procedure for voting by proxy

Shareholders who do not wish to attend the Annual General Meeting themselves may exercise their right to vote at the Annual General Meeting by appointing a proxy, e.g. a bank, a shareholders' association, or any other person of their choice. Timely registration for the Annual General Meeting and timely submission of evidence of shareholdings in accordance with the foregoing provisions are required in these cases as well.

Granting and revoking proxies and presenting the Company with evidence of appointing a proxy shall be made in text form pursuant to Article 23 (2) of the Articles of Incorporation, although the proxy may also be revoked by showing up in person at the Annual General Meeting. Different rules may apply to appointing credit institutions, shareholders' associations and other equivalent persons and institutions as proxies pursuant to Section 135 (8) and (10) in conjunction with Section 125 (5) German Stock Corporation Act (Aktiengesetz), as well as to the revocation and the confirmation of such proxies; shareholders are requested in such cases to agree at a timely date on the form and procedure for appointing the proxy with the person or institution to be appointed.

The declaration of proxy authorization may be made either to the proxy or the Company. Evidence of a proxy authorization issued to the proxy can be provided by presenting the proxy authorization at the admission checkpoint on the day of the Annual General Meeting. For submitting evidence of proxy authorizations by mail, fax or by an electronic channel (by e-mail) the Company provides the following address:

LPKF Laser & Electronics Aktiengesellschaft
Osteriede 7
30827 Garbsen, Germany
Fax: +49 (0) 5131 7095-9111
E-mail: investorrelations@lpkf.com

The aforementioned communication channels may also be used if the declaration of proxy authorization is submitted directly to the Company; no separate evidence of the proxy authorization is required in this case. The revocation of a previously issued proxy may also be submitted directly to the Company by using the aforementioned communication channels.

In order to facilitate organization, we ask our shareholders, to submit proxies, evidence of proxies, and the revocation of proxies, insofar as they are submitted by mail or by fax, no later than May 30, 2018, 6:00 p.m. (time of receipt by the Company).

A form that can be used for appointing a proxy is on the back of the admission ticket that is sent to shareholders who have registered in due time. This form is also available for download at www.lpkf.de/investor-relations/hauptversammlung/index.htm. If a shareholder appoints more than one person to serve as their proxy, the Company may reject one or more of these appointments.

Procedure for voting by proxies nominated by the Company

The Company offers its shareholders the option of authorizing proxies nominated by the Company prior to the Annual General Meeting. Shareholders who wish to authorize proxies nominated by the Company must register to attend the Annual General Meeting in due time and provide evidence of their shareholdings in accordance with the aforementioned provisions. The proxies nominated by the Company exercise the voting rights according to the shareholder's instructions. The proxies nominated by the Company are not authorized to vote without receiving prior instructions from the shareholders. A form for issuing authorizations and voting instructions to the proxies nominated by the Company is attached to every admission ticket. The same form is available for download at www.lpkf.de/investor-relations/hauptversammlung/index.htm. Proxies and in-

structions issued to proxies nominated by the Company must also be submitted to the Company in text form.

In order to facilitate organization, shareholders who wish to appoint proxies nominated by the Company prior to the Annual General Meeting are asked to submit the proxies and the instructions to the following address no later than May 30, 2018, 6:00 p.m. (time of receipt by the Company) either by mail, fax or e-mail:

LPKF Laser & Electronics Aktiengesellschaft
Osteriede 7
30827 Garbsen, Germany
Fax: +49 (0) 5131 7095-9111
E-mail: investorrelations@lpkf.com

More detailed information on transferring voting rights to proxies will be sent to shareholders along with the admission ticket. Relevant information is also available on the Internet at www.lpkf.de/investor-relations/hauptversammlung/index.htm.

In addition, shareholders who have registered to participate in the Annual General Meeting in due time and have submitted evidence of their shareholdings in accordance with the aforementioned provisions, and who attend the Annual General Meeting in person, may also appoint proxies nominated by the Company at the Annual General Meeting to exercise the voting right.

Shareholders' rights

Proposals to add items to the Agenda pursuant to Section 122 (2) German Stock Corporation Act (Aktiengesetz)

Shareholders whose total shareholdings are equivalent to 1/20th of the Company's share capital or the pro rata amount of EUR 500,000.00 may request to have items placed on the Agenda and published in accordance with Section 122 (2) German Stock Corporation Act (Aktiengesetz). Every request for a new Agenda item must be accompanied by an explanation of the reasons for it or a proposed resolution. The request must be sent in writing to the Management Board and must be received by the Company at least thirty days prior to the date of the Annual General Meeting (excluding the day of the Annual General Meeting and the day the communication is received), in other words, by no later than

Monday, April 30, 2018, 12:00 p.m.

Please send such requests to the following address:

LPKF Laser & Electronics Aktiengesellschaft
Management Board
Osteriede 7
30827 Garbsen, Germany

Counterproposals and proposals for candidates submitted by shareholders pursuant to Sections 126 (1) and 127 German Stock Corporation Act (Aktiengesetz)

Shareholders may submit to the Company counterproposals to proposals of the Management Board and/or the Supervisory Board concerning specific items on the Agenda. They may also submit proposals for the election of Supervisory Board members or auditors if such elections are part of the Agenda. Prior to the Annual General Meeting, counterproposals and proposed candidates pursuant to Sections 126 (1) and 127 German Stock Corporation Act (Aktiengesetz) must be sent to exclusively the following address:

LPKF Laser & Electronics Aktiengesellschaft
Osteriede 7
30827 Garbsen, Germany
Fax: +49 (0) 5131 7095-9111
E-mail: investorrelations@lpkf.com

In accordance with Section 126 (1) German Stock Corporation Act (Aktiengesetz) the Company publishes counterproposals including the name of the shareholder, the reason(s) for the counterproposal and any comment by the management on the Company's website at www.lpkf.de/investor-relations/hauptversammlung/index.htm if it receives the counterproposals, including the reason(s), at least fourteen days prior to the date of the Annual General Meeting (excluding the day of the Annual General Meeting and the day the submission is received), in other words, by no later than

Wednesday, May 16, 2018, 12:00 p.m.

at the aforementioned address. Applications not sent to this address will be disregarded. The Company may refuse to publish a counterproposal if the conditions specified in Section 126 (2) German Stock Corporation Act (Aktiengesetz) apply, for instance, if the counterproposals could lead the Annual General Meeting to pass a resolution which violates the law or the Articles of Incorporation. It is not mandatory to publish the reasons provided for a counterproposal if they exceed 5,000 characters. Pursuant to Section 127 German Stock Corporation Act (Aktiengesetz), the aforementioned applies analogously to proposals submitted by shareholders for the election of Supervisory Board members or auditors. Election proposals submitted by shareholders do not, however, require a reason, and in addition to those cases specified in Section 126 (2) German Stock Corporation Act (Aktiengesetz), publication may also be refused when the proposal does not include the name, profession and place of domicile of the proposed candidate. There is also no obligation to publish proposals for the election of Supervisory Board members if the proposal does not include any details of their membership in any other mandatory supervisory boards.

Please note that counterproposals and proposals for candidates, even if they have been submitted in due time to the Company, will only be dealt with at the Annual General Meeting if they are presented or submitted verbally at the Meeting. This shall not affect any shareholder's right to submit counterproposals or election proposals with regard to any item on the Agenda during the Annual General Meeting.

Right to obtain information pursuant to Section 131 (1) German Stock Corporation Act (Aktiengesetz)

Section 131 (1) German Stock Corporation Act (Aktiengesetz) requires the Management Board to provide every shareholder with information on matters pertaining to the Company, upon request, provided such information is necessary for making a reasonable assessment of an Agenda item. This obligation to provide information also applies to the Company's legal and commercial relationships to affiliated companies, as well as to the situation of the Group and the companies included in the consolidated financial statements, because the Annual General Meeting is also presented with the consolidated financial statements and the Group management report as part of Item 1 on the Agenda.

The Management Board may refuse to answer individual questions for reasons specified in Section 131 (3) German Stock Corporation Act (Aktiengesetz), for instance because, based on prudent business judgment, providing the information could cause significant negative consequences for the Company or for an affiliated company. Pursuant to Article 24 (2) of the Articles of Incorporation, the chairperson of the General Meeting may set appropriate time limits in regard to shareholders' rights to ask questions and speak. In particular, the chairperson of the General Meeting may reasonably determine at the start or during the General Meeting the amount of time to be made available for the whole of the General Meeting, the time available to discuss each of the Agenda items, and/or the time available to raise and express individual questions and opinions.

Additional explanations and information available on the Company website

As from the time the Annual General Meeting has been convened, information pursuant to Section 124a German Stock Corporation Act (Aktiengesetz) will be made available to shareholders on the Company's website at

www.lpkf.com/investor-relations/annual-general-meeting/index.htm.

Additional information regarding the rights of shareholders pursuant to Section 122 (2), Section 126 (1), Section 127 and Section 131 (1) German Stock Corporation Act (Aktiengesetz) is also published at

www.lpkf.de/investor-relations/hauptversammlung/index.htm.

Garbsen, Germany, April 2018

LPKF Laser & Electronics Aktiengesellschaft

The Management Board

* This version of the Invitation to the Annual General Meeting of LPKF Laser & Electronics Aktiengesellschaft is a translation of the German original, prepared for the convenience of English-speaking readers. For purposes of interpretation the German text shall be exclusively authoritative and final.