

Remuneration report of LPKF Laser & Electronics AG

The Board of Managing Directors receive performance-related remuneration consisting of a fixed amount and variable performance-related salary components.

In the 2007 financial year, the Board of Managing Directors received a total remuneration of T€ 1.193 (T€ 1.292). Fixed salaries totalled T€ 355 (T€ 318) including fringe benefits such as employer's pension contributions, medical insurance contributions, and company car. The fixed salary components are as follows:

	2007	2006
Bernd Hackmann	T€ 166	T€ 166
Bernd Lange	T€ 154	T€ 152
Kai Bentz*	T€ 35	

*Member of the Board of Managing Directors since October 4th, 2007

The performance-related components in the 2007 financial year and the previous year are oriented to the Group EBT and only come into effect when a minimum net profit for the year of EUR 1.0 million has been generated. Retroactive revision of the success targets is excluded.

The profit situation meant that variable salary components for the 2006 financial year totalling T€ 973 were paid at the beginning of 2007. Bernd Hackmann and Bernd Lange each received an equal share of this amount.

The variable salary for the financial year 2007 will be paid in the financial year 2008. Reserves were set aside for this purpose for Bernd Hackmann totalling T€ 406 (T€ 487), and for Bernd Lange totalling T€ 406 (T€ 487) and for Kai Bentz totalling T€ 26 (T€ 0).

The presiding Chairman of the Board of Managing Directors and two retired members of the Board of Managing Directors were awarded the following benefits:

1. Pension
2. Occupational disability allowance
3. Widows pension

The pension is paid upon stepping down from the company, generally upon reaching the age of 65 (age limit) or after receiving a pension from the German national pension scheme upon reaching the age limit, whereby the number of years of service must comply with a minimum period. This benefit comprises a monthly pension defined in the pension undertaking, which is reduced pro rata when leaving the company early. The pension provision made for Bernd Hackmann has been increased by T€ 6 in 2007 (previous year: T€ 4). A support fund for two further active members of the Board of Managing Directors was set up, into which the company has to pay a fixed annual amount. No provisions for pensions are required in these cases.

In addition, Bernd Hackmann was assigned 15,500 share options (previous year: 14,000) and Bernd Lange was assigned 15,500 share options (previous year: 14,000) in the 2007 financial year as salary components aimed at long-term motivation within the framework of the Stock Option Programme 2001. The share options were assigned at an exercise price of € 5.71 (previous year: € 5.35).

The following table shows the options already granted to each member of the Board of Managing Directors.

	31.03.07	30.06.07	30.09.07	31.12.07
Bernd Hackmann	38,000	38,000	53,500	53,500
Bernd Lange	21,726	21,726	37,226	37,226
Kai Bentz				9,825

The intrinsic values of the options on 31 December 2007 were T€ 20 (previous year: T€ 20) for Bernd Hackmann and T€ 7 (previous year: T€ 7) for Bernd Lange.

In the 2007 financial year the Board of Managing Directors did not acquire any new shares by exercising share options.

The details of the Stock Option Programme 2001 are as follows:

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

The recipients of Option Rights with respect to the total volume of 600,000 Option Rights are members of the company Board of Managing Directors with maximum 120,000 Option Rights (20 per cent of the total volume); company employees including the remaining management of the company with maximum 300,000 Option Rights (50 per cent); members of the management of current or future affiliated companies with maximum 60,000 Option Rights (ten per cent); employees of current or future affiliated companies with maximum 120,000 Option Rights (20 per cent)

The legal subscription rights of the shareholders are excluded.

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

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

The new shares acquired by exercising the Option Rights are entitled to a share in the profits for the financial year in which the Option Rights were effectively exercised. The bearer shares required to meet the exercised Option Rights shall be made available by contingent capital increases. The share capital of the company shall be conditionally increased by up to € 600,000 by the issue of up to 600,000 bearer shares. The contingent capital increase shall only be implemented as part of the Stock Option Programme 2001, and only to meet the number of granted Option Rights. Article 4 of the Memorandum and Articles of Association of LPKF Laser & Electronics AG shall be supplemented accordingly.

The period during which Option Rights can be exercised in each case covers a period of 30 working days starting with the end of the first bank working day after the quarterly figures have been made

public. The issued tranche for each group of option holders must not exceed 25 per cent of the total volume per year.

The option holders can exercise the Option Rights in general up to 50 per cent not earlier than two years, an additional 25 per cent not earlier than three years, and the remaining 25 per cent not earlier than four years after their issue. The Option Rights lapse when the active employment relationship terminates for a reason attributable to the option holder. Moreover, the Option Rights can only first be exercised when the relative development in the price of LPKF Laser & Electronics AG shares (closing price in XETRA trading) is higher than the relative stock performance of the Nemax-All-Share (Neuer Markt Index) – or the Technology All Share Index which succeeds the Nemax-All-Share Index in accordance with the resolution passed at the annual general meeting on 5 June 2003 – during the period from the day of the receipt to the day of exercising the right (performance target in the sense of § 193 Paragraph 2 Number 4 German Stock Corporation Law).

The Option Rights can only be exercised four times in each financial year and in each case within a four week period. These exercise periods begin in each case with the end of the first bank working day after publication of the quarterly reports or annual figures. Exercising the Option Rights is excluded from the day on which the company makes public an offer to the shareholders with respect to new shares or debentures with conversion or Option Rights by writing to all shareholders or by publication in the Bundesanzeiger of the Federal Republic of Germany, up until the day the shares of the company with entitlement to subscribe are officially quoted for the first time as "ex Option Rights" at the stock exchange at which the company shares were admitted to official trading.

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

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

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

Within the framework of this authorisation, the Board of Managing Directors with the approval of the Supervisory Board resolved the Option Conditions 2002 on 13 June 2002.

From 1 January 2004 onwards, the remuneration of the Supervisory Board of LPKF Laser & Electronics AG was fixed at a total of T€ 135 p.a. which was split up as follows in 2007:

	2007	2006
Bernd Hildebrandt	T€ 70	T€ 70
Klaus Sülter	---	T€ 18
Dr. Heino Büsching	T€ 40	T€ 33
Prof. Dr. Erich Barke	T€ 25	T€ 14

The remuneration of the Supervisory Board contains an additional variable component oriented to the payment of a dividend for the financial year ended in each case. The size of any potential remuneration in this regard cannot be defined at present because the payment of a dividend and the size of a potential dividend has not yet been decided for the 2007 financial year. Variable components for the 2006 financial year were paid in 2007 with a total value of T€ 24 (previous year: T€ 18) which were split up as follows:

	2007	2006
Bernd Hildebrandt	T€ 8	T€ 6
Klaus Sülter	T€ 4	T€ 6
Dr. Heino Büsching	T€ 8	T€ 6
Prof. Dr. Erich Barke	T€ 4	---