

**Written report by the Management Board in accordance with Section 71, para. 1, no. 8, sentence 5, AktG, in conjunction with Section 186, para. 4, sentence 2, AktG, regarding agenda item 8 on the reasons for authorizing the Management Board to disapply shareholders' option to sell when the Company is purchasing and their pre-emptive rights when the Company is using treasury shares**

The Company requires special authorization from the Annual General Meeting to acquire treasury shares, unless such purchases are expressly permitted by law. The authority granted by the Annual General Meeting of May 28, 2015, in accordance with Section 71, para. 1, no. 8, AktG, to acquire and use treasury shares is limited until May 27, 2020, and will have thus expired by the date of the Annual General Meeting. The proposed resolution below grants the Company new authority to acquire treasury shares, with said authority being limited until June 3, 2025, and to use treasury shares acquired on the basis of said authority.

The proposed resolution under Item 8 of the agenda allows the Management Board, subject to the Supervisory Board's prior approval, to acquire treasury shares, corresponding in total to up to 10% of the Company's share capital either on the date the resolution was adopted or on the date the authorization is exercised, whichever is lower. The shares must be acquired through the stock market, on the basis of a public offer to buy made to all shareholders or a public request for all shareholders to make offers to sell. The Company is required to observe the principle of equal treatment of shareholders pursuant to the German Stock Corporation Act at all times. In the case of a public request for all shareholders to make offers to sell, the individuals addressed with said request can decide how many shares they wish to offer the Company and at what price (if a price range has been set).

If the shares are acquired through a public offer to buy made to all shareholders or a public request for all shareholders to make offers to sell, a limit can be placed on the volume of the offer to buy or the request for offers to sell. This can cause the number of shares of the Company offered by shareholders to exceed the number of shares requested by the Company. In that case, the purchase must take place proportionately. The Company needs a way to conduct the buy-back based on the percentage of shares subscribed or offered (tender quotas) instead of ownership interest because this enables the technical aspects of the purchasing procedure to be executed better in an economically reasonable scope. In addition, it should be possible to make allowances for preferred acceptance of low numbers of shares, up to 100 per shareholder, offered for sale. This option helps avoid fractional shares when setting the purchase quotas as well as minor residual amounts, thereby making it easier to conduct the share buy-back from a technical aspect. This also prevents de facto discrimination of small shareholders. Finally, the process should allow for commercial rounding to avoid mathematical fractions of shares. Therefore, the purchase quota and the number of shares to be purchased from individual shareholders making offers to sell can be rounded as needed to produce whole numbers of shares acquired for purposes of settlement. The Management Board considers the disapplication of any additional right to sell by shareholders to be objectively justified.

The respective price offered or the limits of the range of purchase prices per share set by the Company (minus ancillary expenses) shall not be more than 10% above or below the arithmetic mean of the closing prices of the Company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange during the last three trading days before the date of the public announcement of the offer to buy or the public request for shareholders to make offers to sell. If, following announcement of a public offer to buy made to all shareholders or a public request for all shareholders to make offers to sell, there are significant deviations in the defining price, the offer to buy and/or the request for offers to sell can be adjusted. In that case, the Company will take into account the arithmetic mean of the closing prices during the last three trading days before public announcement of the adjustment. The offer to buy made to all shareholders or request for all shareholders to make offers to sell may be subject to further conditions. The Management Board shall determine the further details of the respective stock acquisition.

The option to sell or use treasury shares also being proposed can serve every lawful purpose. Pursuant to Section 71, para. 1, no. 8, sentence 5, AktG, the Annual General Meeting may also authorize the Management Board to sell shares by means other than through the stock exchange or based on an offer made to all shareholders. In certain cases, such means are meant to be carried out under the proposed authority to use treasury shares while disapplying shareholder's pre-emptive rights. According to the proposed resolution, the Management Board shall require the prior approval of the Supervisory Board even to use treasury shares.

The condition for doing so according to the alternative proposed under agenda item 8c, no. 2, is that the treasury shares are sold, pursuant to Section 186, para. 3, sentence 4, AktG, at a price that is not significantly lower than the stock exchange price of the Company's already listed shares having essentially the same features. The Company shall hereby avail itself of the lawful and commonly practiced option to conduct simplified disapplication of pre-emptive rights. The intent to protect shareholders from dilution is taken into account by allowing the shares to be sold only at a price that is not significantly lower than the defining price on the stock exchange. Final determination of the sale price for the treasury shares shall be made shortly before the sale. The Management Board shall — with the approval of the Supervisory Board — set the discount on the stock exchange price as low as possible based on the prevailing market conditions at the time that the shares are issued. The discount on the stock exchange price shall on no account exceed 5% of the stock exchange price. The option to sell treasury shares while disapplying pre-emptive rights and by means other than through the stock exchange or an offer made to all shareholders is, in light of the fierce competition on the capital markets, in the interest of the Company. Doing so provides the Company with the opportunity to offer treasury shares to national and international investors quickly and flexibly, expand its group of shareholders, and stabilize the value of its shares. Selling at a purchase price that is not significantly lower than the stock market price and limiting the total number of treasury shares that can be sold while disapplying pre-emptive rights to a maximum of 10% of the share capital (as of the effective date and upon exercising the authority) reasonably safeguards the shareholder's financial interests. The 10% limit also includes other shares sold or issued (e.g. from authorized capital) during the period of authorization in direct or corresponding application of Section 186, para. 3, sentence 4, AktG, while disapplying pre-emptive rights or that are created by exercising options and/or conversion rights and/or fulfilling obligations to exercise options or conversion rights based on bonds or profit participation certificates that were issued during the period of this authority while disapplying pre-emptive rights under Section 186, para. 3, sentence 4, AktG. Since the treasury shares are issued close to the stock exchange price, each shareholder can purchase shares on the market at almost the same conditions in order to maintain his or her ownership interest.

According to the resolution proposed in agenda Item 8 c), no. 3, the Company also has the option of having treasury shares available so they can be offered in exchange for payments in kind when acquiring companies, parts of companies, shareholdings in companies, other assets in connection with such planned acquisitions, accounts payable by the Company or as part of corporate mergers if this form of payment is required. The proposed authorization will provide the Company with the necessary freedom and flexibility to take advantage of available opportunities to carry out such acquisitions and mergers quickly. Furthermore, the Company should also be able to use the treasury shares when 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 proposed disapplication of pre-emptive rights is in line with this objective. When determining valuation ratios, the Management Board and Supervisory Board shall take care to ensure that shareholder interests are adequately protected. In particular, they shall base their valuation of the treasury shares offered as payment on the price of the Company's shares on the stock market. However, the Company does not intend to systematically link the valuation to a stock market price so that the outcome of negotiations, once reached, will not be jeopardized by any fluctuations in the share price on the stock market.

The authorization proposed under agenda item 8 c), no. 4, is intended to give the Company or its affiliated companies the opportunity to use shares of the Company in connection with compensation and/or employee stock purchase programs and to issue them to individuals who are or were employed by the Company or one of its affiliated companies as well as to members of corporate bodies of companies affiliated with the Company. The number of treasury shares thus used may not exceed a proportionate amount of the share capital totaling EUR 200,000.00. The shares of the Company can be offered for sale, promised, and transferred to the above named individuals and members of corporate bodies of companies affiliated with the Company, especially in exchange for payment or free of charge, but the employment relationship or position as a member of the Company's corporate bodies must exist as of the date the offer, promise, or transfer is made. This will allow shares acquired by the Company to be used, generally with blackout dates imposed, as a component of compensation for the previously named individuals, encourages employees to invest in the Company's share capital, thereby strengthening the identification of employees and members of corporate bodies of the Company's affiliated companies with the Company, which is in the interest of the Company and its shareholders. Issuing employee shares is therefore intended to be used in individual cases as a means of rewarding and motivating employees. The authorized capital stipulated under Article 4, para. 6, of the Articles of Incorporation also allows for issuance of employee shares. However, to achieve the greatest possible flexibility and cost-effectiveness, the Company should also have the option of buying back shares on the basis of Section 71, para. 1, no. 8, AktG, and offer them or issue them to employees. This may be more cost effective than performing a capital increase and admission of shares from authorized capital, which involve a certain amount of effort and expense, especially when only small numbers of shares are expected to be needed for an employee stock purchase program. For the same reasons, the authorization also allows for issuing shares to members of the corporate bodies of affiliated companies as well.

Furthermore, the Management Board should be authorized under agenda item 8 c), no. 5, subject to the approval of the Supervisory Board, to use the treasury shares acquired under the proposed authorization, to service options and/or conversion rights or obligations created by exercising and/or converting warrants and/or convertible bonds and/or profit participation certificates issued by LPKF Laser & Electronics Aktiengesellschaft or a Group company within the meaning of Section 18 of the AktG in which LPKF Laser & Electronics Aktiengesellschaft directly or indirectly holds a majority of shares on the basis of appropriate authority granted by the Annual General Meeting. The proposed resolution does not create the authority to issue warrant bonds or convertible bonds or profit participation certificates. The authority to be granted under agenda item 8 c), no. 5, merely serves the purpose of giving management the possibility to service options or conversion rights and/or obligations granted/imposed as a result of other authorizations with treasury shares instead of utilizing the otherwise normally available contingent capital. An advantage of using existing treasury shares is that the shareholders do not suffer any negative effects beyond the dilution that may be associated with the disapplication of pre-emptive rights when warrants and/or convertible bonds or profit participation certificates are issued. Instead, such action increases the Management Board's flexibility by not forcing it to service warrant bonds and/or convertible bonds or profit participation certificates from contingent capital. Instead, it can also make use of treasury shares when doing so appears less costly and in the interest of the company and its shareholders based on the specific situation. At the time the Annual General Meeting on June 4, 2020, was convened, LPKF Laser & Electronics AG had not issued any warrant bonds and/or convertible bonds or profit participation certificates. However, the Management Board is authorized to issue registered or bearer bonds with warrants and/or convertible bonds (referred to collectively as "bonds") on one or more occasions before 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 to receive 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. If the Company issues such bonds in the future, increased flexibility in servicing them is in the interest of the Company and its shareholders.

In accordance with agenda item 8 c), no. 6, the Company should also be able to use the treasury shares acquired on the basis of the authorization, to the extent necessary, to give bearers of warrant bonds and/or convertible bonds or profit participation certificates issued by the Company or companies in which it holds a majority interest a pre-emptive right to shares as they would be entitled upon exercising their option or conversion rights or fulfilling their obligation to exercise their options or conversion rights based on the bonds or profit participation rights. To make it easier to place bonds and profit participation certificates on the capital market, the corresponding bond conditions generally include protection against dilution. One option for protecting against dilution is to grant the bearers of bonds or profit participation certificates pre-emptive rights to new (or existing) shares during 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 certificates with such protection against dilution, which can also be serviced using treasury shares, shareholders' pre-emptive rights to treasury shares must be disapplied. This makes it easier to place bonds and profit participation certificates and thus serves the shareholders' interests in ensuring an optimum financing structure for the Company. At the time the Annual General Meeting on June 4, 2020, was convened, LPKF Laser & Electronics AG had not issued any warrant bonds and/or convertible bonds and/or profit participation certificates. However, it does have the authority outlined above to issue bonds.

When selling treasury shares by way of an offer to all shareholders, the Management Board should also be authorized to disapply shareholders' pre-emptive rights to fractional shares. This exclusion of pre-emptive rights to fractional shares is necessary to facilitate the technical handling of the sale of treasury shares acquired by way of a public offer to all shareholders. The fractions of treasury shares excluded from the subscription rights of the shareholders will be sold to the Company's greatest possible advantage either via the stock exchange or in some other way.

The use of treasury shares while disapplying pre-emptive rights under the authority granted according to agenda item 8 c), nos. 2 through 6, shall be considered only to the extent that the proportion of the share capital accounted for by the treasury shares used in this way, taking into account the new shares issued from authorized capital during the term of this authority while disapplying pre-emptive rights as well as the new shares to be issued based on convertible bonds and/or warrant bonds or profit participation certificates issued during the term of this authority while disapplying pre-emptive rights, does not exceed a total of 10% of the share capital. The determining factor shall be either the share capital as of the effective date of said authority or the share capital existing as of the date the said treasury shares are sold, depending on the date on which the amount of share capital is lower. This ensures in the interest of the shareholders that the option to use treasury shares while disapplying pre-emptive rights is also limited to a total share volume of 10% of the share capital while taking into account all other authority to disapply pre-emptive rights.

We wish to point out that the Company, in addition to the authority to acquire and use treasury shares proposed under agenda item 8, still has authorized capital of as much as EUR 3,340,439.00 pursuant to Article 4, para. 6, of the Articles of Incorporation and contingent capital of as much as EUR 5,567,397.00 for servicing convertible bonds and/or warrant bonds pursuant to Article 4, para. 7, of the Articles of Incorporation as of the date of the Annual General Meeting. The authority to disapply pre-emptive rights when conducting capital increases from authorized capital and when issuing convertible bonds and/or warrant bonds is limited to a total of 10% of the share capital and has already been completely exhausted.

The authorities to use treasury shares can be exercised on one or more occasions, in full or in part, individually or collectively. The authorities under agenda item 8 c), nos. 2 through 6, may also be exercised by affiliated companies or companies in which the Company holds a majority stake or by third parties acting for their account or the account of the Company.

Finally, the treasury shares acquired on the basis of the authority granted in accordance with the proposed resolution under agenda item 8 c), no. 1 can be canceled by the Company without the need for a new resolution by the Annual General Meeting. Pursuant to Section 237, para. 3, no. 3, AktG, the annual general

meeting of a company can decide to cancel its fully paid no-par value bearer shares without requiring a reduction in the company's share capital. The authorization proposed here expressly allows for this alternative in addition to cancellation with a reduction in capital. Retiring treasury shares without a capital decrease automatically increases the notional amount of the remaining no-par value bearer shares as a proportion of the Company's share capital. The Management Board should therefore be authorized to amend the Articles of Incorporation as needed concerning the change in the number of no-par value bearer shares as a result of the cancellation.

When deciding to acquire and use treasury shares, the Management Board shall be guided solely by the best interests of the shareholders and the Company.

In each instance, the Management Board shall inform the next Annual General Meeting of any utilization of the above authorization.

Garbsen, in April 2020

Goetz M. Bendele

Christian Witt