Quarterly Financial Report
1 January till 31 March 2011

Record order book in first quarter 2011

> Incoming order level of EUR 28.9 million up 63% year-on-year
> Orders in hand of EUR 27.1 million (+ 82%)
> Revenue at EUR 14.3 million down compared to previous year

BREAKTHROUGH

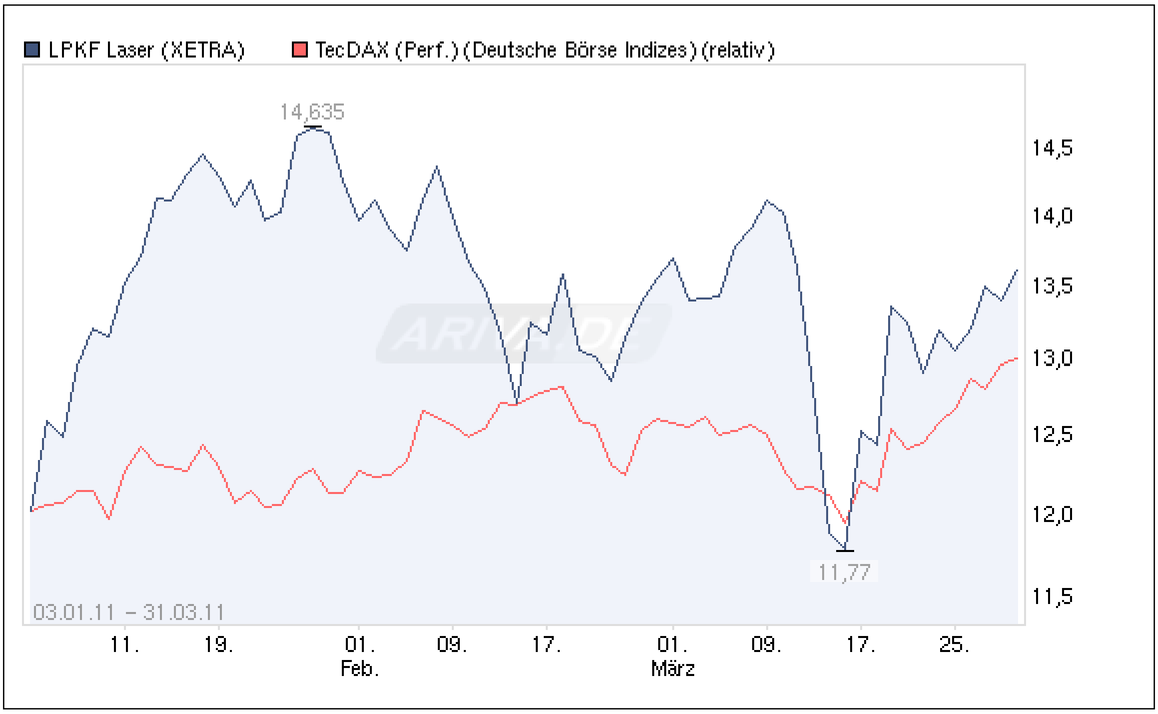
> LPKF enjoys continued success.

LPKF Laser & Electronics

Key Group Figures

	3 months 2011	3 months 2010	Veränderung (%)	year 2010
Revenue (EUR million)	14.3	17.6	-18.7	81.2
Net margin before non-controlling interest (%)	9.6	17.3	-44.2	15.5
EBIT (EUR million)	2.0	4.3	-54.5	17.3
EBIT margin (%)	13.7	24.4	-44.1	21.3
Consolidated net profit before non-controlling interest (EUR million)	1.4	3.2	-57.2	12.1
Free Cash Flow (EUR million)	-6.4	-0.3		5.7
Net Working Capital (EUR million)	27.9	22.9	+21.8	27.0
ROCE (%)	3.3	9.0	-63.3	31.6
EPS, diluted (EUR)	0.12	0.29	-57.2	1.10
Cash and cash equivalents (EUR million)	9.5	10.0	-4.9	13.0
Equity ratio (%)	66.3	69.2	-4.4	70.3
Orders on hand (EUR million)	27.1	14.9	+82.5	12.5
Incoming orders (EUR million)	28.9	17.8	+62.6	78.9

Share price development in Q1 2011



Source: www.ariva.de

Management report

Economic framework

In its April 2011 forecast, the International Monetary Fund (IMF) predicted global economic growth of 4.5% for 2011. Whilst there is strong growth in the performance of emerging and developing countries, the industrial economies in the USA, Europe and Japan have modest growth in general. The IMF has raised its forecast for economic growth in Germany: it expects German gross domestic product to grow by 2.5% in 2011, and 2.1% in 2012.

According to the German Mechanical Engineering Federation, the German mechanical engineering sector will continue to profit from the strong rise in investment intentions in key client sectors. Incoming orders in February 2011 rose by 116%; revenues climbed by 61%.

Development in revenue

The LPKF Group generated revenue of EUR 14.3 million in the first three months, a drop of 19% compared to the revenue in the same quarter last year. The difference results mainly from a major order received by the Cutting & Structuring Laser segment which was reported in Q1 revenue last year. The largest share of revenue in the first three months was reported by the Cutting & Structuring Technologies segment.

External Sales (EUR THSD.)	3 months 2011	3 months 2010
Rapid Prototyping	3,805	3,739
Cutting and Structuring Lasers	8,363	11,819
Joining Technologies	928	1,350
Thin Film Technologies	395	85
All other segments	816	611
	14,307	**17,604**

Development in earnings

At EUR 2.0 million and an EBIT margin of 14%, earnings before interest and tax (EBIT) in the first quarter were down year-on-year. The relevant figures for the first quarter in the previous financial year were an EBIT of EUR 4.3 million and an EBIT margin of 24%. Note that the earnings in the same quarter last year were hallmarked by the realization of a major order. The implementation of a new ERP system at the beginning of 2011 means that the manufacturing wages are now reported in more detail in the production costs of work in progress. This reduced costs by around EUR 0.6 million. The material usage ratio was 31% in the first three months of 2011 (previous year: 26%), with the change in inventories having a significant impact on the ratio.

The other operating income sank primarily due to lower income from insurance refunds and exchange rate differences (EUR 0.2 million and EUR 0.1 million respectively). The capitalized production of own plant and services rose by EUR 0.1 million because of the more intense development activity.

The recruitment of new staff in the last twelve months, particularly in Garbsen, Erlangen and Suhl in the development, production and service departments, together with many hours of overtime, and lower earnings-related remuneration payments, resulted in a rise in staff costs of EUR 1.2 million or 24%. Depreciation and amortization rose by EUR 0.1 million primarily due to the intense investment activity.

The other operating costs declined mainly because of the drop in revenue. Advertising and sales & marketing costs, including sales commissions and travel costs, dropped by EUR 0.3 million. The costs for warranty provisions dropped by EUR 0.3 million. But EUR 0.2 million more was spent on repairs and maintenance.

Segment reporting

EBIT is split into the following segments:

EBIT (EUR THSD.)	3 months 2011	3 months 2010
Rapid Prototyping	859	471
Cutting and Structuring Lasers	1,964	4,625
Joining Technologies	-145	-114
Thin Film Technologies	-451	-452
All other segments	-270	-226
EBIT acc. P&L-Statement	**1,957**	**4,304**

Total assets developed as follows:

Total assets (EUR THSD.)	31.03. 2011	31.12. 2010
Rapid Prototyping	12,069	12,894
Cutting and -Structuring Lasers	27,946	26,703
Joining Technologies	6,910	5,862
Thin Film Technologies	5,087	5,511
All other segments	27,031	22,172
Total assets	**79,043**	**73,142**

Financial position

There has been a rise in particular in the property, plant and equipment item in the non-current assets. This is due to the expansion measures implemented at the Garbsen site. Of the current assets, the inventories in particular have risen in the face of the excellent order book levels. In addition, inventories have been increased in some segments to safeguard the company’s capacity to supply its customers.

Equity has risen by EUR 1.0 million mainly as a result of the positive earnings. Additional loans to finance the expansion measures at the Garbsen site are reported under liabilities due to banks. The advance payments reported under other current liabilities have risen by EUR 1.3 million, and the trade payables have risen by EUR 1.4 million. This development is attributable to the good order book.

Cash flows

The capital ratio of 66% remains above the average for the sector and highlights the robust financial structure of LPKF Laser & Electronics AG.

The reported cash outflow generated by current operating activities is EUR 1.0 million (previous year: inflow of EUR 2.1 million).

This change is largely attributable to the significant expansion in inventories, Income taxes and the lower net profit. Investment costs on balance totaled EUR 5.5 million (previous year: EUR 2.3 million). This includes EUR 1.0 million of liquid assets invested in securities in the previous year. Against the background of cash inflow from financial activities totaling EUR 2.9 million (previous year: cash outflow of EUR 0.2 million), the level of cash and cash equivalents reported for the quarter was down by EUR 3.6 million.

Investments

The good order position and the expected growth demands investment, especially in development, service and production activity. This was the reason for acquiring a building immediately adjacent to the company's site in Garbsen, in addition to other expansion measures on the existing site. Extensive conversion work is currently underway to set up a development center. Concentrating the development activities in the new building frees up space that can then be used to expand production capacities. The minority shares in LPKF (Tianjin) Co. Ltd. were acquired during the reporting period. This acquisition has not yet come into force due to some outstanding authorizations required from government agencies.

Investments overall in intangible assets and property, plant and equipment in the first three months totaled EUR 5.5 million, up EUR 3.2 million year-on-year.

Staff

The following table shows the development in staff numbers in the first three months of 2011:

Area	31.03. 2011	31.12. 2010
Production	135	118
Development	102	96
Administration	95	89
Sales	93	88
Service	77	75
	502	**466**

Opportunities and risks

There have been no substantial changes in the opportunities and risks affecting the LPKF Group compared to the end of 2010. The statements made in the 2010 financial report are therefore still valid. No risks which could jeopardize the future of the company were identified on 31 March 2011.

Business development per segment

Rapid Prototyping

The business with ProtoMats for the production of prototype printed circuit boards started the 2011 financial year with a 2% rise in revenue. The Rapid Prototyping segment is the oldest segment in the LPKF Group. LPKF is the market leader in this sector with a market share of over 70%. The Rapid Prototyping segment is one of the Group's basic business activities, and is intended to grow moderately in the future as well.

Cutting and Structuring Lasers

The Cutting & Structuring Technologies segment includes laser systems for cutting stencils (StencilLasers), laser systems for cutting printed circuit boards (PCB Production Systems), and laser systems for the production of three dimensional circuit carriers (MIDs) using the LDS method (Laser-Direct-Structuring).

The revenue generated by LDS systems has declined year-on-year. However, revenue in the first quarter of the preceeding year included EUR 4.6 million from a major order. Incoming orders on the other hand have grown strongly. The conquering of the antennae market for products such as cellphones, notebooks and similar electronic goods still has a great deal of potential. Success in penetrating other market segments will considerably boost the growth potential of the LDS product segment.

PCB Production Lasers has enjoyed a considerable rise in revenue in the first quarter. The customers for these systems are printed circuit board manufacturers and PCB assemblers working as subcontractors for major electronics producers. LPKF intends to establish itself as the preferred supplier of leading electronics manufacturers, and has already made progress in achieving this objective. The growth potential here is rated as high.

The business with StencilLasers also boasts a significant increase in revenue in the current financial year, with a rise in incoming orders compared to the previous year. LPKF is the world market leader in systems for the production of solder paste stencils.

Joining Technologies

The business with laser systems for plastic welding on the reporting date at the end of the first quarter was down on the previous year. However, the level of incoming orders has risen 54% above the previous year's level. This segment therefore boasts a large order book. This positive development continued after the reporting date.

Thin Film Technologies

On 30 March 2011, LPKF received a major order for laser systems for scribing solar cells, and issued an ad hoc statement accordingly. With a volume of almost EUR 7 million, this is the biggest order in LPKF's history. This order marks the predicted upswing in the LPKF Group's LaserScriber business. The order will be reported in full in the 2011 revenue. Additional orders were also received after the Q1 reporting date.

General outlook

Following the record-breaking 2010 financial year, the Management Board is looking forward optimistically. The overall guidance for the LPKF Group if the global economy continues to develop positively, is for revenue in 2011 to remain at around the same level as the previous year. Internal structures will be expanded significantly in the light of the expected further expansion of the company. There will therefore be a related rise in operating costs. The EBIT margin in 2011 is accordingly expected to lie between 15 and 19%. There are still opportunities however for much stronger growth in business on the strength of potential major orders which have not been included in the planning.

The management is forecasting an average growth in revenue in the 2012 and 2013 financial years of around 10% per annum, and a slight rise in EBIT margin if the economic framework remains stable.

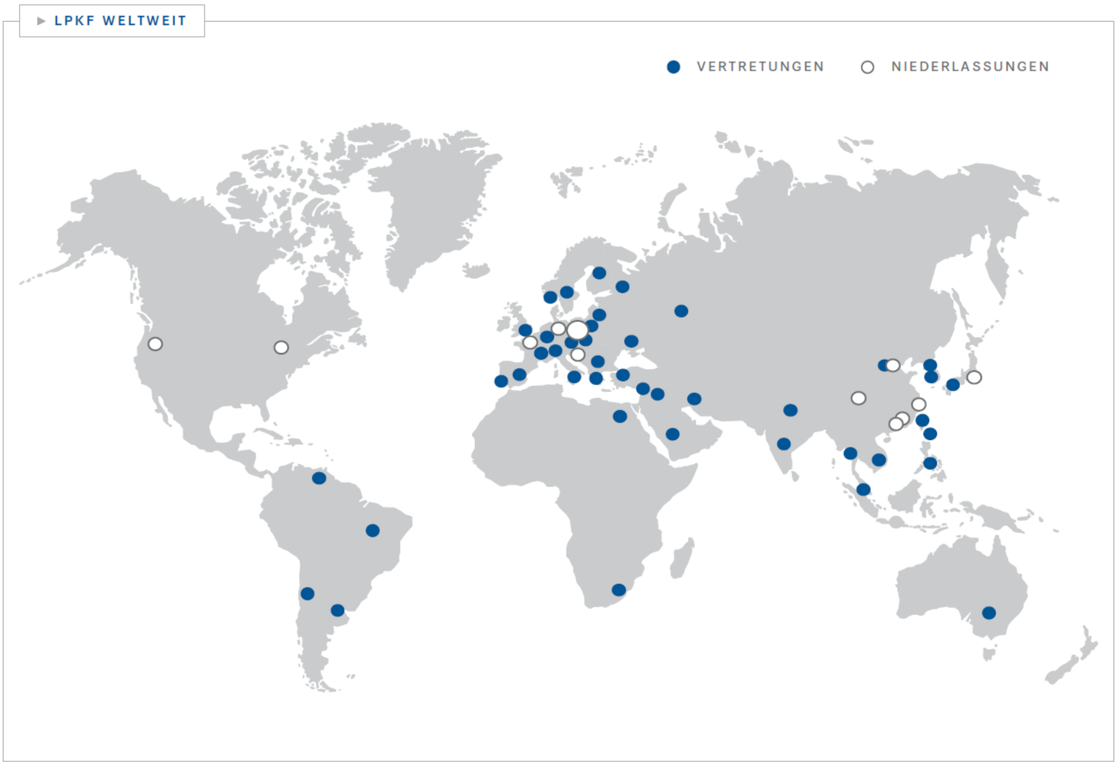
Interim Group financial statements

Consolidated Group

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

Company Name	Domicile	Country	Holding
LaserMicronics GmbH	Garbsen	Germany	100.0 %
LPKF Laser & Elektronika d.o.o.	Naklo	Slovenia	75.0 %
LPKF Distribution, Inc.	Tualatin	USA	85.0 %
LPKF Motion & Control GmbH	Suhl	Germany	50.9 %
LPKF (Tianjin) Co. Ltd.	Tianjin	PR China	86.0 %
LPKF Laser & Electronics Hong Kong Ltd.	Hong Kong	PR China	100.0 %
LPKF SolarQuipment GmbH	Suhl	Germany	83.7 %
LPKF Laser & Electronics KK	Yokohama	Japan	100.0 %

LPKF France S.A.R.L. was sold as per January 1st, 2011.



Laser & Electronics

Consolidated statement of financial position

Assets		
EUR thousand	31.03.2011	31.12.2010
Non-current assets		
Intangible assets		
Software	1,690	731
Goodwill	74	74
Development costs	4,182	3,913
Advences paid	0	811
	5,946	**5,529**
Property, plant and equipment		
Land, similar rights and buildings	10,691	10,914
Plant and machinery	3,104	2,668
Other equipment, operating and office equipment	1,584	1,592
Advances paid and construction in progress	5,565	1,794
	20,944	**16,968**
Financial assets		
Other borrowings	44	44
	44	**44**
Restricted securities	**241**	**245**
Recceivables and other assets		
Trade receivables	166	241
Income tax receivables	255	255
Other assets	98	90
	519	**586**
Deferred taxes	**1,606**	**1,186**
	29,300	**24,558**
Current assets		
InventoriesVorräte		
(System-) parts	11,323	10,045
Work in progress	3,233	2,347
Finished products and goods	8,440	6,149
Advances paid	367	252
	23,363	**18,793**
Receivables and other assets		
Trade receivables	11,242	12,237
Income tax receivables	741	472
Other assets	1,999	1,276
	13,982	**13,985**
Available-for-sale financial instruments	**1,997**	**1,993**
Cash and cash equivalents	**10,401**	**13,671**
	49,743	**48,442**
Assets held for sale	**0**	**142**
	79,043	**73,142**

Equity and liabilities

EUR thousand	31.03.2011	31.12.2010
Equity		
Subscribed capital	11,006	11,006
Capital reserves	4,556	4,556
Other retained earnings	7,000	7,000
Revaluation surplus	2	4
Share-based payment reserve	486	484
Currency translation reserve	-1,151	-741
Net retained profits	27,103	25,751
Non-controlling interest	3,408	3,373
	52,410	**51,433**
Non current liabilities		
Non current liabilities to banks	4,679	2,215
Deferred income from grants	424	431
Other non-current liabilities	60	64
Deferred taxes	1,494	1,290
	6,657	**4,000**
Current liabilities		
Tax provisions	2,175	3,224
Other provisions	3,900	4,266
Current liabilities to banks	1,633	941
Trade payables	3,311	1,912
Other liabilities	8,957	7,224
	19,976	**17,567**
Liabilities related to non-current assets held for sale	**0**	**142**
	79,043	**73,142**

Consolidated income statement

EUR thousand	01-03/2011	01-03/2010
Revenue	14,307	17,604
Changes in inventories of finished goods and work in progress	3,358	344
Other own work capitalized	589	456
Other operating income	380	622
Cost of materials	5,469	4,710
Staff costs	6,374	5,131
Depreciation and amortization	937	809
Other operating expenses	3,897	4,072
Operating profit	**1,957**	**4,304**
Finance income	29	26
Finance costs	31	45
Earnings before tax	**1,955**	**4,285**
Income taxes	577	1,244
Consolidated net profit	**1,378**	**3,041**
Of which attributable to:		
Shareholders of the parent company	1,352	3,161
Non-controlling interests	26	-120
Earnings per share		
Earnings per Share-basic (in EUR))	0.12	0.29
Earnings per share-diluted (in EUR)	0.12	0.29
Weighted average shares outstanding (basic)	11,005,613	10,858,052
Weighted average shares outstanding (diluted)	11,083,052	11,001,302

Consolidated statement of comprehensive income

	(EUR thousand)	(EUR thousand)
Consolidated net profit	**1,378**	**3,041**
Gains and losses on remeasuring available-for-sale financial assets	-3	-7
Expenditure for granted option rights	2	7
Currency translation differences	-401	359
Deffered Taxes	1	0
Total comprehensive income	**977**	**3,400**
Of which attributable to		
Shareholders of the parent company	968	3,666
Non-controlling interests	9	-266

Consolidated statement of changes in equity

	Subscribed capital (T€)	Papital reserves (T€)	Other retained earnings (T€)	Revaluation surplus (T€)	Share-based pay-ment reserveerte Vergütung (T€)	Currency translation reserve (T€)	Net retained profits (T€)	Equity non-controlling interests (T€)	Non-controlling interests (T€)	Total (T€)
Balance 01.01.2011	**11,006**	**4,556**	**7,000**	**4**	**484**	**-741**	**25,751**	**48,060**	**3,373**	**51,433**
Consolidated total comprehensive income										
Consolidated net profit							1,352	1,352	26	1,378
Additions from market val-uation of securities				-3				-3		-3
Deffered taxes on changes recognized directly in equity				1	-1					0
Currency translation differ-ences						-410		-410	9	-401
Consolidated total com-prehensive income	**0**	**0**	**0**	**-2**	**-1**	**-410**	**1,352**	**939**	**35**	**974**
Transactions with own-ers										
Expenses for options granted					3			3		3
Balance 31.03.2011	**11,006**	**4,556**	**7,000**	**2**	**486**	**-1,151**	**27,103**	**49,002**	**3,408**	**52,410**
Balance 01.01.2010	**10,858**	**3,953**	**7,000**	**-18**	**460**	**-1,379**	**15,791**	**36,665**	**3,509**	**40,174**
Consolidated net profit							3,161	3,161	-120	3,041
Additions from market val-uation of securities				-7				-7		-7
Deffered taxes on changes recognized directly in equity				2	-2					0
Currency translation differ-ences						505		505	-146	359
Consolidated total com-prehensive income	**0**	**0**	**0**	**-5**	**-2**	**505**	**3,161**	**3,659**	**-266**	**3,393**
Transactions with owners										
Expenses for options granted					7			7		7
Balance 31.03.2010	**10,858**	**3,953**	**7,000**	**-23**	**465**	**-874**	**18,952**	**40,331**	**3,243**	**43,574**

Consolidated statement of cash flows

EUR thousand	3 months 2011 (T€)	3 months 2010 (T€)
Operating activities		
Consolidated net profit	1,378	3,041
Income taxes	577	1,244
Interest expenses	31	45
Interest income	-28	-26
Depreciation and amortization	937	809
Gains from the disposal of non-current assets including reclassi-fication to current assets	-44	0
Non-cash currency differences in non-current assets	184	-159
Changes in inventories, receivables and other assets	-4,308	-4,040
Changes in provisions	134	1,079
Changes in liabilities and other equity and liabilities	2,780	848
Other non-cash expenses and income	-517	-119
Interst receivad	26	26
Income taxes paid	-2,126	-682
Net cash flows from operating activities	**-976**	**2,066**
Investing activitiest		
Investments in intangible assets	-915	-773
Investments in property, plant and equipment	-4,596	-504
Investments in financial assets	0	-1,047
Proceeds from disposal of financial assets	0	3
Proceeds from disposal of non-current assets	57	1
Interst received	2	0
Net cash used in investing activities	**-5,452**	**-2,320**
Financing activities		
Dividend payment	1	0
Interest paid	-31	-45
Proceeds from borrowings	2,929	0
Proceeds from issue of capital	0	0
Cash repayments borrowings	-51	-105
Net cash used in financing activities	**2,848**	**-150**
Change in cash and cash equivalents		
Change in cash and cash equivalents due to changes in foreign exchange rates	-82	118
Change in cash and cash equivalents	-3,580	-404
Cash and cash equivalents on 1 jan..	13,152	10,263
Cash and cash equivalents on **31 march.**	**9,490**	**9,977**
Composition of cash and cash equivalents		
cash and cash equivalentsl	10,401	10,395
Overdrafts	-911	-418
Cash and cash equivalents on **31 march**	**9,490**	**9,977**

Details on the compilation of the interim financial report

The interim financial report per 31 March 2011 fully complies with the provisions of IAS 34. It reflects the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All past figures have been determined using the same principles.

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

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

During the reporting period, the expenditure for R&D was EUR 2.1 million (previous year EUR 1.5 million).

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

No events of significance with substantial impacts on the assets, cash flows or results of operations have taken place since the reporting date 30 September 2010.

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

Related parties transactions

A shareholder of the subsidiary LPKF Laser & Elektronika d.o.o. holds 100 % of the shares in Zeltra Naklo d.o.o.. Services totaling EUR thousand 2 were received from this related company in the first 9 months of 2011.

50 % of the shares in PMV d.o.o. are held by a shareholder of the subsidiary LPKF Laser & Elektronika d.o.o., and 50 % by other related parties. In the first three months of 2011, business relations with this company covered purchase of material and production services totaling EUR thousand 3, services totaling EUR thousand 7 were provided. For remaining receivables of EUR thousand 75 a long term payment target with usual interest rates has been granted.

A shareholder of the subsidiary LPKF Laser & Elektronika d.o.o. holds 50 % of the shares in Detel plus d.o.o.. This company purchased materials and services totaling EUR thousand 71 to and received EUR thousand 6 from group companies.

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

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

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

Number of shares held by members of the Company's corporate bodies

Management Board	**31.03. 2011**	**31.12. 2010**
Dr. Ingo Bretthauer	25,000	25,000
Bernd Lange	32,010	32,010
Kai Bentz	4,500	4,500
Supervisory Board		
Bernd Hildebrandt	721,177	721,177
Prof. Dr. Ing. Erich Barke	1,000	1,000

Responsibility statement by the Management Board

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

Garbsen, May 13th, 2011

LPKF Laser & Electronics AG

The Management Board

Dr. Ingo Bretthauer   Bernd Lange   Kai Bentz

Calendar

13 May 2011
Publication of Q1 interim financial report
Internet Chat at 18:00 hrs on
www.lpkf.com/investor-relations

01 June 2011
Annual General Meeting
Hannover Congress Centrum

12 August 2011
Publication of Q2 interim financial report
Internet Chat at 18:00 hrs on
www.lpkf.com/investor-relations

11 November 2011
Publication of Q3 interim financial report
Internet Chat at 18:00 hrs on
www.lpkf.com/investor-relations

Imprint

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Internet

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

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

Languages

This interim report is also available in German.

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