

## **Update of the Declaration of Compliance in accordance with Section 161 German Stock Corporation Act (Aktiengesetz - AktG)**

On February 9, 2021, the Management Board and the Supervisory Board of LPKF Laser & Electronics AG (hereinafter: LPKF) issued a declaration on the extent to which LPKF currently complies and will comply in the future with the recommendations of the German Corporate Governance Code as amended on December 16, 2019 ("Code"). The Management Board and the Supervisory Board are updating their declaration issued on February 9, 2021 in the following respects:

### **Recommendations on the compensation of the Management Board**

(Code sections G.1 to G.16)

The compensation system for the Management Board has been adjusted taking into account the recommendations of the Code in sections G.1 to G.16. On April 7, 2021, the Supervisory Board adopted a compensation system for the Management Board which will be submitted to the Annual General Meeting on May 20, 2021 for approval in accordance with section 120a AktG. This compensation system and the Management Board contracts concluded after the Code came into force comply with the recommendations of the Code in sections G.1 to G.16 with the following exceptions:

- Contrary to section G.1, the compensation system does not specify the proportion of fixed compensation on the one hand and short-term variable and long-term variable compensation components on the other hand in the target total compensation. The short-term variable compensation of the incumbent CFO is based on a percentage of the fixed salary and amounts to a maximum of 100% of his annual fixed salary. Entitlements from the long-term variable compensation components must be invested in full, after deduction of tax, in shares of the Company, which must be held for at least three years. Due to the direct dependence on the Company's share price, the value thus remaining to the Management Board is realized at the earliest after expiry of the holding period and can therefore not be determined as a relative share of the target total compensation.
- Contrary to section G.4, no vertical comparison was made between the compensation of the Management Board and that of senior management and the workforce as a whole. This was waived due to the particular situation of the Company, as the position of CEO has not yet been reoccupied. However, when concluding contracts with members of the Management Board in the future, the Supervisory Board intends to also take into account the wage and salary structure within the LPKF Group when assessing usual levels in line with the recommendation in section G.4 of the Code, also in terms of its development over time.
- The recommendation in section G.10 that variable compensation should be predominantly share-based or invested in shares of the Company is taken into account by obliging the

members of the Management Board to invest a bonus paid out as an LTI at the end of a one-year assessment period in full in shares of the Company and to hold these for at least three years. As the value of the long-term variable compensation finally accruing to the Management Board depends on the Company's share price, there may be a deviation from the recommendation in section G.10 if the Company's share price develops unfavorably during the respective holding period and the share-based compensation no longer predominates.

- The recommendation in section G.11 to take account of extraordinary developments to an appropriate extent and, in justified cases, to be able to retain or reclaim variable compensation, is taken into account by the possibility of reduction in accordance with section 87 (2) AktG and, in economic terms, in the case of long-term compensation by the obligation to invest tranches of the long-term bonus received in full, after deduction of taxes, in shares of the Company and to hold these for at least three years. In this way, the compensation system achieves a stronger link between the variable long-term compensation and the development of the Company. The economic value of the variable long-term compensation for the Management Board is directly linked to the value of the Company embodied in the share price. Any further possibility of reclaiming the compensation granted in this way is not practicable: the Management Board would have to sell the acquired shares in order to be able to service a corresponding claim for repayment. Due to this special feature of the long-term bonus program, the Supervisory Board has refrained from including an additional claw-back option in the narrower sense in order to avoid a double disadvantage.

The compensation system shall be reviewed on an ongoing basis. It shall be amended if it becomes apparent in connection with forthcoming personnel decisions, in particular when new Management Board employment contracts are concluded, that adjustments are necessary to attract or retain suitable candidates.

For the member of the Management Board appointed on an interim basis, due to the expected short term of appointment until a new CEO is appointed, the Supervisory Board has agreed principles for compensation that deviate from the compensation system and further recommendations in sections G.1 to G.16, in order to take account the interim nature of the appointment, which does not require long-term compensation.

## **Recommendation on compensation of Supervisory Board members**

(Code section G.17)

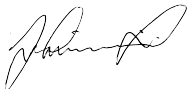
The provision on the compensation of Supervisory Board members in the Articles of Incorporation proposed to the Annual General Meeting on May 20, 2021 for resolution takes into account the greater time commitment of the Chairmen of committees to be formed in the future. However,

simple membership of committees is currently not taken into account separately in the compensation, as the time required in this respect cannot yet be estimated. The compensation of the Chairman and Vice Chairman of the full Supervisory Board, which already takes into account their greater time requirements, remains unchanged.

In all other respects, the declaration of conformity dated February 9, 2021 remains unchanged.

Garbsen, May 10, 2021

For the Supervisory Board



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For the Management Board



Christian Witt