TOMORROW'S TECHNOLOGY **TODAY**

ANNUAL REPORT 2023

LPKF
Laser & Electronics

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LPKF LASER & ELECTRONICS SE

Key Group Figures and Profile of the LPKF Group

GROUP KEY FIGURES

LPKF LASER & ELECTRONICS SE

CONSOLIDATED REVENUE AS OF 31 DECEMBER 2023

in EUR million	2019	2020	2021	2022	**2023**
Revenue	140.0	96.2	93.6	123.7	124.3
Revenue by region					
Germany	9.7	8.6	11.2	9.9	11.7
Rest of Europe	29.2	12.2	19.9	17.7	16.2
North America	37.5	19.0	17.0	42.3	46.6
Asia	60.8	55.5	43.5	51.2	47.8
Other	2.8	0.9	2.0	2.6	2.0
Revenue by segment					
Development	24.5	22.5	22.1	28.2	29.0
Electronics	43.7	31.7	32.0	31.5	32.7
Welding	27.7	17.7	27.4	25.6	23.1
Solar	44.1	24.3	12.1	38.4	39.5

CONSOLIDATED FINANCIAL KEY FIGURES AS OF 31 DECEMBER 2023

in EUR million	2019	2020	2021	2022*	**2023**
EBIT	19.2	7.5	0.1	6,5	3.7
EBIT-Margin (in %)	13.7	7.8	0.1	5,3	3.0
Consolidated net profit after non-controlling interest	13.1	5.3	-0.1	1,4	1,8
Diluted EPS (in EUR)	0.54	0.22	0.00	0.06	0.07
Dividend per share** (in EUR)	0.1	0.1	0.00	0.00	0.00
ROCE (in %)	25.5	9.0	0.1	7.1	3.5
Equity ratio (in %)	71.0	76.4	69.7	67,9	64.1
Investment in property, plant and equipment and intangible net assets	5.8	10.2	8.6	8,2	7,7
Free cash flow	42.2	-5.5	-0.7	0,3	-11,1
Orders on hand	32.3	38.3	62.6	63,2	58,9
Incoming orders	114.0	102.2	117.8	124,3	120,1
Employees*** (Number)	682	689	746	740	761

* Adjusted in accordance with IAS 8.41ff. (see Notes section B.)
** 2023: Annual General Meeting recommendation
*** not including trainees and marginal employees

PROFILE OF THE LPKF GROUP

LPKF Laser & Electronics SE is a global technology company from Garbsen near Hanover, Germany. As a laser specialist, LPKF has unique expertise in the fields of laser technology, precision mechanics and software. The company continuously invests in developing innovative processes to create competitive advantages for its customers and tapping new growth markets.

PIONEER AND SOLUTION PROVIDER

LPKF has been gradually developing new technologies and processes and continually opening up new markets since the company was founded in 1976. The company now provides solutions for the design and manufacture of printed circuit boards, microchips, automotive parts, batteries and solar panels. LPKF has also developed a system for the analysis of biological materials in the nanoliter dimension for pharmaceutical research. LPKF technologies allow its customers to manufacture smaller and/or higher-precision components. At the same time, the functionality of the components can be increased and new design options used.

MEGATRENDS IN THE TARGET MARKETS OFFER GOOD GROWTH OPPORTUNITIES

The megatrends of miniaturization, carbon neutrality, connectivity and demographic change require technological transformations. LPKF offers its customers solutions for becoming more resource efficient, reducing hazardous materials and waste, and saving energy.

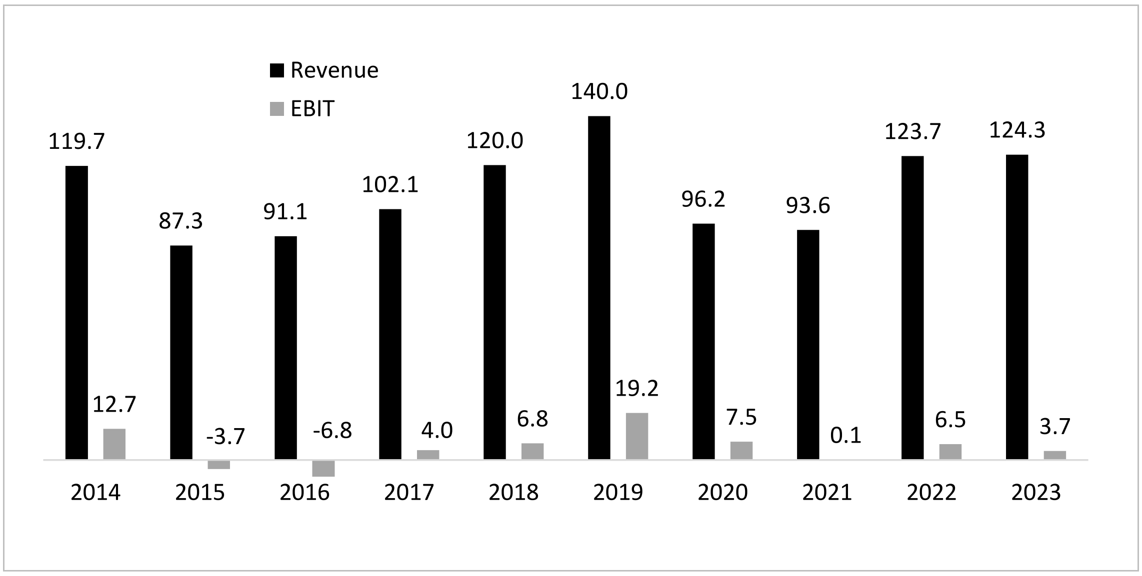
LPKF Laser & Electronics SE is headquartered in Garbsen near Hanover, Germany. The company is represented in more than 70 countries, has eleven branches in Europe, Asia and North America and is broadly positioned worldwide with a total of 761 employees. A global service network ensures its machines are ready for customers around the clock. The shares of LPKF Laser & Electronics SE are listed in the Prime Standard segment of Deutsche Börse.

SEGMENTS

DEVELOPMENT	ELECTRONICS
Systems for printed circuit board development and research, Systems for biotechnology	Systems for electronics production and the manufacture of glass components
WELDING	**SOLAR**
Systems for plastic welding	Systems for the production of solar cells and for laser transfer printing

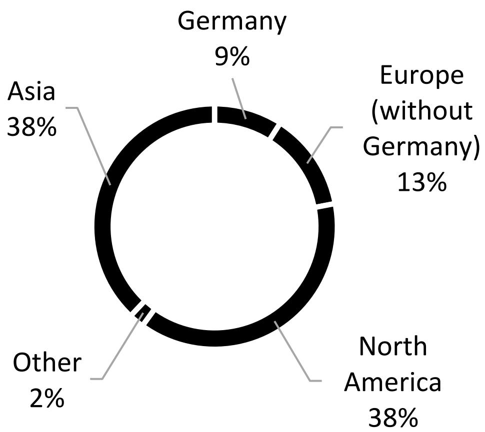
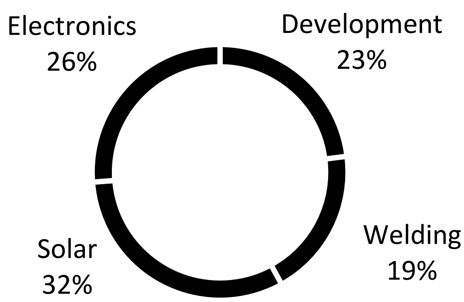
REVENUE AND EBIT

in EUR million



SEGMENT INFORMATION

1 January – 31 December 2023

REVENUE BY REGION	REVENUE BY SEGMENTS
	

LETTER TO OUR SHAREHOLDERS

Garbsen, 21 March 2024

Dear Ladies and Gentlemen,

We are today presenting our report for the 2023 financial year. Despite a strong fourth quarter, we did not achieve our objectives for the year as a whole. At EUR 124.3 million, revenue was only slightly higher than the previous year's figure of EUR 123.7 million, primarily the result of delays in project and order processing. Weak revenue growth was the main reason that earnings before interest and taxes (EBIT) also fell short of both our and your expectations at EUR 3.7 million. At the same time, we made important strategic progress in several areas in 2023, confirming our position as a technology leader and the commercialization of our products in key markets, and underpinning our growth potential for the years ahead.

Non-recurring effects reduced operating earnings by about EUR 0.7 million in 2023. These include severance costs and the change in the value of virtual share options issued in 2023. EBIT adjusted for these non-recurring effects came to EUR 4.4 million, with an adjusted EBIT margin of 3.5%. We have already introduced targeted measures to increase operating performance and reduce costs in 2023. We will continue to intensify these in the current financial year.

Order intake in the 2023 financial year came to EUR 120.2 million, down 3.3% year on year (2022: EUR 124.2 million), and the order backlog declined from EUR 63.2 million in the previous year to EUR 58.9 million as of 31 December 2023. In addition, LPKF received a major order with a volume of over EUR 15 million in the solar business in the current first quarter, which had originally been expected at the end of 2023. We therefore continue to see a solid order situation for 2024 and beyond.

In line with our strategic objectives, we significantly accelerated our integration in the semiconductor market in the 2023 financial year thanks to a major order, entered the biotech market for the first time by launching a promising new product and massively stepped up our market penetration for the high-precision depaneling of printed circuit boards.

Our profitability took a hit in the 2023 financial year because we failed to achieve the planned revenue growth. Extensive cost-cutting measures offset the main impact of low revenue growth, but we were unable to fully offset additional capacity expansion costs for our new

ARRALYZE product line as well as higher wage and material costs. In 2024, we will continue and further enhance structural measures to improve efficiency and the fixed cost base, also drawing on external support. The results of these measures will begin to boost LPKF's currently unsatisfactory profitability in the second half of 2024.

The negative free cash flow of EUR -11.1 million is mainly the result of an increase in net working capital from EUR 26.0 million to EUR 40.0 million over the course of the year. On the one hand, this is due to seasonal factors such as the record quarter Q4 2023 and pre-production in the Solar segment for the first quarter of 2024. On the other hand, the aforementioned delays in project execution also contributed to the increase in working capital. These developments were partially offset by successful projects to reduce inventories in other segments and higher trade payables. We expect significant improvements in the current financial year as we aim to make further progress in operating performance and working capital management. As of 31 December 2023, LPKF has a nearly balanced net cash position and a solid equity ratio of 64.1%.

STRATEGIC ORIENTATION

We revised our mission statement for the LPKF Group as a whole in the 2023 financial year. As a high-tech mechanical engineering company, we are pioneers of technological advances that push the limits of what is possible and bring about lasting positive change in the world. To this end, we consistently focus our core business on scalable products with technology-driven customer benefits. In parallel, we will continue to develop and commercialize disruptive technologies. Through the markets addressed by the new strategic business initiatives in the semiconductor, display and biotechnology sectors, in the medium term we aim for annual revenue contributions in the low three-digit million range.

Performance is a key company value. As a technology leader, we understand our customers' future requirements, provide innovative solutions and scale new technology standards on our markets. We want to drive scalability and the use of Group-wide synergies and increase profitability in the Group to an attractive double-digit EBIT margin in the medium term.

To bring our technologies to market more quickly and flexibly, we devote considerable efforts to advancing modular production and standardizing the design-for-manufacturing approach. These measures will already bring tangible operational improvements in the current financial year.

CORE BUSINESS PERFORMANCE IN THE 2023 FINANCIAL YEAR

In the Electronics segment, our business with laser systems for printed circuit board depaneling was extremely positive in 2023, partly thanks to the launch of our Tensor technology. The significantly better performance of our depaneling systems has given us a clear competitive edge. We achieved our objectives for 2023 here and expect further business growth moving forward.

The Development segment also performed well in 2023 as a whole. Our product range meets the needs of our customers around the world, and we are always working on further expanding our market leadership. We are satisfied with the constant and very sound business performance in this segment and will maintain this profitable growth trajectory.

Thanks to high global demand for renewable energies, the Solar segment is continuing to enjoy strong growth. LPKF is the market leader in structuring thin-film solar modules and also plays a leading role in developing and producing methods for processing new semiconductors such as perovskites. We successfully collaborate with a broad base of international customers. The over EUR 15 million major order published in March 2024 is evidence of this good market performance. At operating level, there were significant challenges in 2023. The market launch of multiple new technologies tied up significant resources, in turn resulting in delays to follow-up projects and late deliveries. We therefore decided to fundamentally redesign our development process to ensure smooth and dynamic performance in this segment.

Performance in the Welding segment fell short of our expectations in 2023. This stemmed primarily from delays in follow-up orders from various medical technology customers and the sales organizational structure in individual regions. Here, too, we took specific action to actively address the problems where we could. We also began key collaboration projects with customers in cutting-edge markets in 2023, including in e-mobility, batteries and medical technologies.

DEVELOPMENT OF NEW TECHNOLOGIES

A pioneering spirit is part of our DNA. Harnessing our creativity, perseverance and passion for innovation, we have repeatedly opened up new markets. And we will continue to do so in the future. Together with our customers, we want to be the first to set new technology standards. We are delighted to be able to tell you about some major progress made in our new technologies.

Several LIDE systems are in operational use and are being tested in detail by our partners in the semiconductor and display sectors. The trend towards the use of glass substrates in the future is gaining momentum and being actively driven by leading chip manufacturers. We believe that LIDE technologies will play a major role in the planned use of glass in high-performance chips. We are seeing growing interest in glass-based solutions for semiconductor packaging applications on the market. At the start of 2023, we received and reported on a major and strategically relevant development and production order from a well-known semiconductor manufacturer.

At the Vitrion Foundry (LIDE) in Garbsen, we produce an increasing number of customer samples in the low million-euro range. In 2023, we also produced the first small series for customers. The Foundry also plays a key role in helping customers integrate LIDE technology into their manufacturing processes. Our service accelerates customer development.

By developing and establishing ARRALYZE as an independent business area within the Development segment, we once again demonstrated our commitment to disruptive innovation and pioneering work. Part of this is having the courage to tap new growth markets and serve these in the long term. CellShepherd® was developed in response to growing demand for technologies capable of studying small and large cell populations at the single-cell level and isolating target cells. On 5 February 2024, we announced the commercial availability of CellShepherd® at the SLAS International Conference in Boston. After a successful beta-testing phase in 2023, this platform is now ready to revolutionize cell-based research and development across biomedical and various life science fields. It should be noted that the beta-testing phase took far longer than we had originally anticipated and so ARRALYZE did not generate any revenue in the 2023 financial year.

ESG AS AN OPPORTUNITY FOR LPKF

As part of society, we are aware of our responsibility towards the environment, our employees and future generations. We want our solutions to bring about lasting positive change in the world. Using our modern and precise production processes, our customers can ensure energy-efficient practices that help conserve resources. At the same time, we also focus on doing business in a way that is sustainable and reduces resource consumption. ESG is an integral part of our strategy and already firmly anchored in many key processes such as product development, supplier selection and qualification or facility management. We regularly review our ESG activities and set medium and long-term goals. We report on this in detail in our non-financial Group report, which we will publish at the end of April 2024. LPKF’s consistently high ESG ratings reflect our efforts and show that we are on the right track with our sustainability strategy.

We place great value on retaining our highly qualified employees and encouraging their professional development. One example is the JUMP project, a program where selected employees can receive training, network with each other and prepare for future senior management positions.

The LPKF share closed the financial year at a price of EUR 9.94, slightly higher than the previous year’s EUR 9.67. This development meets neither our own ambitions as management nor the expectations of our shareholders. We are convinced that we can generate more value for our shareholders in the future through further growth in our core business areas and the consistent pursuit of our strategic business initiatives.

Our dividend policy sets out to distribute 30% to 50% of LPKF Laser & Electronics SE’s free cash flow as a dividend. LPKF did not generate any positive free cash flow in the 2023 financial year. In the view of the Board of Managing Directors and the Supervisory Board, further investments in the commercialization of LPKF's technologies are essential in the current situation to enable sustainable and profitable growth in the coming years. For this reason, the Board of Managing Directors will propose to the Annual General Meeting on 5 June 2024 that no dividend be paid for the 2023 financial year.

OUTLOOK

We made important strategic progress in the financial year in our integration in the semiconductor market, entering the biotech market and establishing laser technology in the depaneling business. At the same time, we began the steps necessary to reduce our fixed costs and ensure a more efficient and flexible response to market requirements. The company is financially strong and has a broad portfolio of innovative technologies which we target at growth markets. Based on this, our aim in 2024 is to invest further and gain a foothold in our strategic core markets, grow our core business and bolster profitability in the long term by focusing on reducing fixed costs.

In the still uncertain environment, we expect Group revenue of EUR 130–140 million and an adjusted EBIT margin of between 4–8% for the 2024 financial year.

For the first quarter of 2024, we expect revenue between EUR 23 - 26 million and adjusted EBIT in the range of EUR -6 to -3 million.

In the medium term, we aim at delivering an attractive average growth rate in the upper single-digit percentage range for the core business, a low three-digit million-euro revenue for the new business areas, and an attractive double-digit EBIT margin for the Group.

Faced with a challenging financial year, our dedicated employees have worked tirelessly to ensure the success of our customers, technologies and company. We are proud of LPKF's unique team spirit and would like to thank all of our employees for their commitment and dedication.

Our thanks also go to our Supervisory Board members for their support and valuable advice. We also thank the works councils at all locations for their good cooperation in the past financial year.

We would also like to thank you, our shareholders, for your trust, and hope that you will continue to accompany our company in the future.

We will do our utmost to ensure long-term growth and improved profitability at LPKF in the next few years. Our innovative strength, pioneering spirit and strong global team will help us achieve this.

Continue to accompany us on this path!

With kind regards,

Dr. Klaus Fiedler

Chief Executive Officer

Christian Witt

Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

2023 has proven to be another challenging year for LPKF despite having made significant progress in various areas.

The company felt short of its targets both in terms of revenue and profitability despite a record fourth quarter. Whilst overall demand for the company’s leading technology remains strong, LPKF couldn’t capitalize on this. Ongoing operational challenges in supply chain, logistic and the need to deploy further resources to deliver new products to customers put significant pressure on the company and subsequently led to revenue shortfalls.

The Management Board put a lot off efforts into resolving operational issues in addition to implementing organizational changes within specific sales areas. These changes having been fundamental to putting LPKF back on track but did not materialize in time to make those visible to the top line.

During 2023, the Supervisory Board further challenged the Management Board to address the fixed cost structure of LPKF which continues to be disproportionate to its short to medium term revenue growth. Whilst this remains on course, the Management Board, with the full support of the Supervisory board, plans to mandate an external consultancy firm to spur on the transformation of the company especially around its fixed cost structure and ability to respond to an increasingly dynamic environment. This will accelerate the release to production of new technologies, enable the company to adopt a more standardized design for manufacturing approach and fuel its needs for flexibility and scalability.

These actions will lead to increased profitability which should become increasingly visible in the second half of 2024.

2023 was a year of significant change for the Supervisory Board of LPKF SE with the election of Alexa Hergenröther and Anka Wittenberg to the Supervisory Board and the departure of Julia Kranenberg.

This has enabled us to restructure our committee structure to better serve LPKF going forward. Alexa Hergenröther has taken over as Chairwoman of the renamed Audit, Risk and ESG Committee, whilst Anka Wittenberg has been appointed Chairwoman of the now combined Remuneration and Nomination Committee. We also took this opportunity to create a Strategy Committee and appointed Dr. Dirk Rothweiler to chair it.

These changes have enabled the Supervisory Board to better focus on important matters such as ESG, risk management, the quality of auditing activities, the composition and skills profile of the Supervisory Board, the company's succession planning for the Management Board, the need to further accelerate growth and the mass adoption of new technologies.

As the committees act as working groups, this enables the Supervisory Board to spend additional valuable time to go deeper and broader to then be better equipped to provide insightful inputs and sound recommendations to the Supervisory and Management Boards.

The Supervisory Board values the high level of interaction it has with the Management Board, the transparency that comes with it and the nimbleness with which it is able to make key decisions, particularly in challenging times.

The Supervisory Board and I would like to thank the Management Board for their hard work in 2023 in light of continuous challenges. We also wish to pay tribute to all of LPKF's employees for their efforts, commitment and contributions. The interests of our employees were constructively represented by the works councils, which continue to pay due attention to the overall situation of the company. We are grateful to the works councils for the valuable contributions they make.

Finally, we would like to thank our shareholders for their continued support, patience and trust they continue to place in us all despite the lack of visible results in 2023.

MONITORING AND COUNSELING

The Supervisory Board, with full scrutiny, monitored the company's business development during the reporting period and performed the duties incumbent upon it according to the law and the Articles of Incorporation.

The Supervisory Board held a total of eight meetings in the 2023 financial year. Seven of these meetings were held together with the members of the Management Board. At each of these meetings, the Supervisory Board also held closed discussions without the participation of Management Board members. An additional Supervisory Board meeting was held without the Management Board in attendance. Six of the Supervisory Board meetings were held in person (with certain members participating online at some of them) and two in a virtual format via video conference. Additionally, one resolution was also passed outside of the meetings by telephone.

The Supervisory Board regularly monitored the activities of the Management Board during the financial year and advised it in various areas of corporate management, including sustainability issues. The Management Board informed the Supervisory Board in a timely manner about issues of strategy, planning, business development, the financial situation, the risk situation, risk management and compliance. The Supervisory Board was involved at an early stage in significant decisions for the Group, closely monitoring the performance of the company through regular business updates and discussions with the Management Board. The Management Board reports to the Supervisory Board in writing on a monthly basis about the earnings and liquidity situation, together with an overview of the business and risk situation.

The members of the Supervisory Board were able to critically examine the submitted documents and draft resolutions and, with the support of the relevant committees, make their own suggestions. For this purpose, the Supervisory Board had numerous discussions with the Management Board in addition to the official Supervisory Board meetings. In addition, the Supervisory Board, in particular the Chairman of the Supervisory Board, regularly exchanged information with the members of the Management Board, in particular the Chief Executive Officer. Measures requiring approval were submitted to the members of the Supervisory Board for approval in accordance with the Articles of Incorporation and the Rules of Procedure and the recommendations of the relevant committee chairperson where appropriate. Furthermore, the Supervisory Board regularly monitors and checks the legality, regularity and expediency of the Management Board's actions. Where necessary, the Supervisory Board was given access to the relevant information and business records.

TOPICS ADDRESSED BY THE SUPERVISORY BOARD/CONSULTATIONS

Throughout the year, the Supervisory Board, supported by its committees, had in depth discussions with the Management Board on various operational, strategic, and organizational matters. These included identifying and resolving operational issues in the Solar and Welding business units, unlock supply chain constrains, drive cost optimization, the allocation of internal resources to best support the development of various disruptive technologies such as LIDE and ARRALYZE, support the investment and subsequent implementation of a new CRM system and ERP upgrade to enable better planning and scalability.

In addition, considerable time was spent in the early part of 2023 to finalize the details of the new compensation plan that will enable LPKF to attract and retain key talent in a highly competitive labor market. This new remuneration plan was successfully passed through at the May 2023 Annual General Meeting.

The Management Board kept the Supervisory Board well-informed about the business development and the monitoring of agreed key performance metrics, in particular order backlog, incoming orders, working capital, liquidity and profitability. Where appropriate, the Supervisory Board recommended improvements or further measures within the scope of its mandate.

Furthermore, the Supervisory Board discussed in detail growth options as well as the market launch of the developed technologies and progress on customer diversification. During this reporting period, a strategy meeting was again held with the Management Board and the division heads. The Supervisory Board was able to review and discuss the corporate strategy in detail. The strategy meeting serves as a basis for corporate planning.

Internal audit measures are an integral part of the corresponding Supervisory Board meetings. Internal auditing at LPKF Laser & Electronics SE is outsourced to BDO AG Wirtschaftsprüfungsgesellschaft, Hanover. The external auditor examines selected areas of the company based on a fixed schedule and predetermined audit plan. The scope of work includes walkthroughs to test the efficiency of controls but also training and development for continuous improvements. BDO prepares a report, which is presented to the Supervisory Board. Recommendations were discussed in detail, reviewed with the Management Board and subsequently approved.

Following the Annual General Meeting on 17 May 2023, a constituent meeting of the Supervisory Board was held at which Jean-Michel Richard and Dr. Dirk Michael Rothweiler were re-elected as Chairman and Deputy Chairman of the Supervisory Board, respectively. A restructuring of the Supervisory Board committees was also initiated and committee members elected. At its meeting on 20 July 2023, the Supervisory Board completed the restructure and appointment of the committees, resolving on the relevant amendments to its Rules of Procedure.

WORK IN THE SUPERVISORY BOARD COMMITTEES

The committees were restructured in the 2023 financial year and some new members were appointed.

Until the Annual General Meeting on 17 May 2023, the Supervisory Board had set up the following committees, the composition of which is outlined below:

	Audit and Risk Committee	Nomination Committee	Remuneration and ESG Committee
Chair	Jean-Michel Richard	Dr. Dirk Rothweiler	Julia Kranenberg
Member	Dr. Dirk Rothweiler	Julia Kranenberg	Dr. Dirk Rothweiler
Member	Prof. Dr.-Ing. Ludger Overmeyer	Jean-Michel Richard	Jean-Michel Richard

At its constituent meeting following the Annual General Meeting on 17 May 2023, the first thing the Supervisory Board did was to reelect Jean-Michel Richard, Dr. Dirk Rothweiler and Prof. Ludger Overmeyer to the Audit and Risk Committee. In place of the Nomination Committee and the Remuneration and ESG Committee, the Supervisory Board resolved to form a Remuneration and Nomination Committee, to which the duties of the former Nomination Committee and Remuneration and ESG Committee were transferred for the time being, electing Anka Wittenberg, Jean-Michel Richard and Dr. Dirk Rothweiler as members and Anka Wittenberg as the chairperson of the Remuneration and Nomination Committee.

At its meeting on 20 July 2023, the Supervisory Board completed the restructure and appointment of its committees. Since then, the Supervisory Board has had the following committees, the composition of which is outlined below:

	Audit, Risk and ESG Committee	Remuneration and Nomination Committee	Strategy Committee
Chair	Alexa Hergenröther	Anka Wittenberg	Dr. Dirk Rothweiler
Member	Jean-Michel Richard	Jean-Michel Richard	Prof. Dr.-Ing. Ludger Overmeyer
Member	Anka Wittenberg	Dr. Dirk Rothweiler	Alexa Hergenröther

Terms of Reference are clearly defined for each committee. The role of each committee is generally to review, debate and make recommendations to the Supervisory Board, which then passes resolutions if and when needed. The committees support the Supervisory Board in its efficient performance of duties. The duties of the committees are described in detail in the Corporate Governance Declaration and in the Supervisory Board Rules of Procedure.

The Audit and Risk Committee held four regular meetings before the committee restructure on 20 July 2023. One was held in person and three in a virtual format via video conference. Following the committee restructure, the Audit, Risk and ESG Committee held two regular meetings. Both were held virtually via video conference. In the presence of the independent auditors, the CEO, the Chief Financial Officer, the Head of Accounting and the Head of Corporate Audit, the Audit and Risk Committee dealt with the financial statements and the combined management report for the company and the LPKF Group. As part of the preparation and implementation of the audit, the Audit and Risk Committee regularly exchanged views with the independent auditors without the Management Board in attendance. In addition, it met regularly in closed sessions without the Management Board and the independent auditors in attendance. Outside its meetings, the Chairman of the Audit and Risk Committee regularly exchanged views with the independent auditors regarding the progress of the audit and reported to the Audit Committee thereon.

The Audit and Risk Committee carried out a selection procedure as defined in Article 16 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC ("Statutory Audit Regulation"). On this basis, it recommended to the Supervisory Board to propose to the Annual General Meeting on 17 May 2023 to elect either Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft or Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as auditor and Group auditor for the 2023 financial year. In doing so, the Audit Committee communicated and justified its preference for Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft. Based on this recommendation, the Supervisory Board proposed to the Annual General Meeting to elect Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Dortmund, as the company's auditor and group auditor for the 2023 financial year.

The Audit, Risk and ESG Committee prepared the Supervisory Board's decision on the determination of key audit areas, on the award of the audit contract to the auditor and on the fee agreement. It defined the audit plan and set out the Audit and Risk Committee's focus areas. It monitored the selection, independence, qualification, rotation and efficiency of the independent auditors as well as their services.

The meetings covered not only discussions on the company's business development and cost efficiency but also the matter of the quarterly reports and the half-year financial report. Another focal point of the committee's work was to review the internal monitoring system (internal control system, internal risk management system, internal auditing and compliance). During this process, the committee members gathered extensive information on its methodology and effectiveness. The Audit, Risk and ESG Committee also focused on current and future regulatory requirements on sustainability reporting and its implementation, including the requirements under EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD).

Until the new Remuneration and Nomination Committee was formed on 17 May 2023, the Nomination Committee held two meetings. The two formal meetings, both of which were held virtually via video conference, were attended by all the members of the Nomination Committee. The formal meetings were each held on the same days as the ordinary Supervisory Board meetings and the closed sessions of the Supervisory Board. This allowed the Supervisory Board to be briefed on the work of the Nomination Committee, which led to the Supervisory Board passing resolutions based on proposals prepared by the Nomination Committee relating directly to these meetings. In particular, the Nomination Committee:

a) held a critical discussion on the applicable resolution on the composition and competence profile of the Supervisory Board within the context of an annual review and recommended increasing the size of the Supervisory Board from four to five members to represent the key competencies in the company's best interests and ensuring compliance with the relevant recommendations – including those of the German Corporate Governance Code,

b) prepared a detailed qualification matrix for the Supervisory Board and recommended it for adoption,

c) critically discussed the targets for women quotas for the Supervisory Board, the Management Board and the two management levels below the Management Board and recommended options for next steps to the Supervisory Board,

d) discussed at length the options for the impending reelection of the Supervisory Board (as a result of the conversion to a European stock corporation – SE) and recommended that the Supervisory Board propose staggered mandates to the Annual General Meeting in order to enable the most consistent succession planning in the best interests of the company and its shareholders,

e) structured – with the help of an external personnel consultant – a qualified nomination process for the election of a new female Supervisory Board member, as the previous one was not standing for reelection and for an additional member to extend the Supervisory Board's composition from four to five members, holding extensive preparatory talks on the matter and expressing recommendations to the Supervisory Board,

f) proactively continued the discussion on joint succession planning for the Management Board in line with the cornerstones defined last year, conducted an annual review of the diversity concept for the Management Board and recommended that the Supervisory Board undertake an annual review of the role profiles, and

g) proactively continued the conversation with the Management Board on the ongoing professionalization of the processes and methodology underpinning the Principles of Personnel Planning beyond the Management Board.

Outside of formal committee meetings, the Nomination Committee met informally in order to prepare formal meetings and for the Chairman of the Nomination Committee to regularly brief the Supervisory Board and the Management Board on the status and next steps of respective ongoing activities.

The Chairman of the Nomination Committee (and the Chairwoman of the Remuneration and Nomination Committee after its formation on 17 May 2023) also reached out to the Management Board regularly, particularly the CEO, for continued sharing of information and coordination throughout the financial year.

The Remuneration and ESG Committee met twice until the formation of the new Remuneration and Nomination Committee on May 17, 2023. Under the leadership of Julia Kranenberg, both meetings were held virtually via video conference. The Remuneration and ESG Committee prepared decisions for the Supervisory Board regarding the determination and review of the appropriateness of the remuneration of the Management Board and the approval of the remuneration report. Extensive efforts were made to address the concerns raised at last year's Annual General Meeting regarding the remuneration report and to redesign the remuneration system for the Executive Board. The Committee continued to engage with the external consultant that was employed in 2022 to support this critical initiative. This entailed extensive consultations that went beyond the two formal meetings of the full committee. The new remuneration plan was successfully approved at the Annual General Meeting held on the 17th of May 2023. In addition, particular attention was paid to the development of further initiatives to support LPKF's ESG agenda. These include a further reduction in CO2 emissions, employee engagement in the communities in which LPKF operates and continued transparency in governance disclosures, following the revamped 2022 Remuneration Report.

The new Remuneration and Nomination Committee formed on 17 May 2023 met three times throughout the remainder of 2023. In March 2023, the Supervisory Board adopted a new remuneration system for the members of the Management Board, which the Annual General Meeting approved on 17 May 2023. Following this, the relevant amendments to the Management Board contracts were discussed, prepared and submitted to the Supervisory Board for approval. The committee engaged the services of an external consultant specializing in labor law to finalize these key amendments. In addition, the members of the Remuneration and Nomination Committee specifically prepared decisions of the Supervisory Board regarding the adjustment of performance criteria definitions and targets for variable remuneration.

Furthermore, the newly formed Remuneration and Nomination Committee critically discussed the applicable resolution on the composition and competence profile of the Supervisory Board within the context of an annual review and made adjustments to the new composition of the Supervisory Board. An updated qualification matrix was prepared for the Supervisory Board and recommended for adoption.

The new Strategy Committee formed on 20 July 2023 met twice in 2023. Both meetings were held virtually via video conference. At its inaugural meeting, the Strategy Committee held detailed consultations on key issues and its working methods, working closely with the

Management Board and setting targets for short- and medium-term priorities and time frames for the committee's work. The other meeting entailed a discussion of ad hoc issues relating to the corporate strategy.

ATTENDANCE OF THE SUPERVISORY BOARD MEMBERS AT THE MEETINGS IN 2023

The attendance of all the individual members of the Supervisory Board at the Supervisory Board and committee meetings is disclosed below:

Attendance at the plenary meetings

Name	Member since	Meeting attendance (8, of which 6 in person)	in %
Mr. Jean-Michel Richard (Chair)	2020	8[1]/8	100
Dr. Dirk Michael Rothweiler	2017	8[1]/8	100
Prof. Dr.-Ing. Ludger Overmeyer	2019	8[2]/8	100
Ms. Julia Kranenberg	2021 - 17 May 2023	3[2]/3	100
Ms. Alexa Hergenröther	8 June 2023	4[3]/4	100
Ms. Anka Wittenberg	17 May 2023	5[4]/5	100
Average participation rate			**100**

[1] Of which 4 virtually / [2] Of which 3 virtually / [3] Of which 1 virtually / [4] Of which 2 virtually

Attendance at the committee meetings up to the restructure

Name	Audit and Risk Committee (4, of which 1 in person)	Remuneration and ESG Committee (2, of which 0 in person)	Nomination Committee (3, of which 1 in person)	in %
Mr. Jean-Michel Richard (Chair)	4[1]/4	2[2]/2	3[1]/3	100
Dr. Dirk Michael Rothweiler	4[1]/4	2[2]/2	3[1]/3	100
Prof. Dr.-Ing. Ludger Overmeyer	4[1]/4			100
Ms. Julia Kranenberg (up to 17 May 2023)		2[2]/2	2[2]/2	100
Ms. Alexa Hergenröther (from 8 June 2023)				
Ms. Anka Wittenberg (from 17 May 2023)			1[3]/1	100
Average participation rate				**100**

[1] Of which 3 virtually / [2] Of which 2 virtually / [3] Of which 0 virtually

Attendance at the committee meetings since the restructure

Name	Audit, Risk and ESG Committee	Remuneration and Nomination Committee	Strategy Committee	in %
	(2, of which 0 in person)	(2, of which 0 in person)	(2, of which 0 in person)	
Mr. Jean-Michel Richard (Chair)	2[1]/2	2[1]/2		100
Dr. Dirk Michael Rothweiler		2[1]/2	2[1]/2	100
Prof. Dr.-Ing. Ludger Overmeyer			2[1]/2	100
Ms. Julia Kranenberg (up to 17 May 2023)				100
Ms. Alexa Hergenröther (from 8 June 2023)	2[1]/2		2[1]/2	
Ms. Anka Wittenberg (from 17 May 2023)	2[1]/2	2[1]/2		100
Average participation rate				**100**

[1] Of which 2 virtually

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

The Supervisory Board continued to focus intensively on the implementation of corporate governance standards in 2023. LPKF Laser & Electronics SE's corporate governance is outlined in detail in the Corporate Governance Declaration. On 16 February 2023, the Management Board and the Supervisory Board issued the current annual Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG). This Declaration of Compliance was updated on 24 October 2023. Since then, the company has complied with all the recommendations of the German Corporate Governance Code. The current Declaration of Compliance and all previous declarations are available to the public online at www.lpkf.com/de/investor-relations/corporate-governance.

No conflicts of interest arose in the year under review.

The members of the Supervisory Board are responsible for completing the training and educational measures necessary for performing their roles independently. That would include matters such as changes to the legal framework or accounting rules and emerging tools and technologies. Where necessary, internal information events are also offered to provide targeted further training. Extensive personal introductions were made at LPKF in Garbsen to the new members of the Supervisory Board, Alexa Hergenröther and Anka Wittenberg. During this time, the designated Chairwoman of the Audit, Risk and ESG Committee Ms. Hergenröther also talked to those responsible for the various areas of finance, internal control systems, risk management and ESG. In addition, Ms. Hergenröther attended an external training event covering the basics of Supervisory Board activities and an internal compliance training session. While she was on site, Ms. Wittenberg also talked at length to those responsible for Group HR in particular. She also attended an external training event covering the basics of Supervisory Board activities and the internal compliance training session. The Chairman of the Supervisory Board Mr. Richard attended external advanced training sessions on various issues of compliance. Dr. Rothweiler also completed the internal compliance training.

SUSTAINABILITY

Sustainability is an important part of the Group's strategy. In 2023, the members of the Audit, Risk and ESG Committee shared their views on the ESG strategy and its operational implementation during an internal workshop. The Audit, Risk and ESG Committee and the Supervisory Board are constructively supporting these activities and are pleased to see progress in various areas presented in the sustainability report. The LPKF Laser & Electronics SE sustainability report for the 2022 financial year was pre-reviewed by the former Remuneration and ESG Committee and discussed and approved by the Supervisory Board at its meeting on 20 April 2023. The sustainability report for the 2023 financial year will be available at www.lpkf.com/en/company/lpkf-group/sustainability by the end of April 2024.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The Management Board prepared the annual financial statements for the 2023 financial year in accordance with the provisions of the German Commercial Code (HGB) and the consolidated financial statements in accordance with the provisions of IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e HGB, as well as the combined management and group management report.

The Annual General Meeting on 17 May 2023 saw the first appointment of Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Dortmund, as the auditor and group auditor for the 2023 financial year. The change of auditor was necessary because the former auditor had increased its auditing costs considerably in the 2022 financial year to the point where they were no longer in line with the market. On top of this, there had been multiple personnel changes within the auditing team between 2019 and 2022.

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Dortmund, has been auditing the annual and consolidated financial statements of LPKF Laser & Electronics SE since the 2023 financial year; the German Public Auditor responsible as of the 2023 financial year is Mr. Marco Brokemper.

The Supervisory Board engaged Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Dortmund, to audit the annual and consolidated financial statements for 2023 and, in doing so, set out the key audit matters at its meeting on 19 October 2023.

Following the audit of the annual financial statements and the consolidated financial statements, the auditor issued an unqualified audit opinion on the financial statements, including the combined management report and group management report.

The group auditors attended the meetings of the Audit, Risk and ESG Committee in February 2024, the committee meeting on 11 March 2024 and on 18 March 2024, where they reported on the audit of the 2023 annual and consolidated financial statements and focused specifically on key audit matters. At these meetings, they explained the net assets, financial position and results of operations of the company and the Group and the internal control framework. They were available to answer questions from the members of the Audit, Risk and ESG Committee and the Supervisory Board. In addition, after examining the early risk detection system, Baker Tilly confirmed that the Management Board had taken the measures required of it under the German Stock Corporation Act (AktG) to identify any risks that might jeopardize the company's existence.

The Audit, Risk and ESG Committee reported to the Supervisory Board on the essential content and findings of its preliminary audit, and issued recommendations for the Supervisory Board's resolutions.

The documents relating to the annual financial statements of LPKF SE and the consolidated financial statements as well as the reports by Baker Tilly and the Management Board's proposal for the appropriation of profit were made available to the members of the Audit, Risk and ESG Committee and to the Supervisory Board in good time for inspection and examination. There were no circumstances that gave rise to concerns of bias on the part of the auditor. The auditor reported to the Audit, Risk and ESG Committee and the Supervisory Board on the other engagement in addition to the audit services as agreed. The Supervisory Board discussed the financial statements including the combined management and group management report and the reports of Baker Tilly at length with the auditor and examined the Management Board's submissions in consideration of the audit reports.

Following the findings of the Audit, Risk and ESG Committee's examination on 11 March 2024 and based on its own examination, the Supervisory Board came to the conclusion that the reports in particular met the legal requirements set out in Sections 317 and 323 HGB. During the meeting that took place on 19 March 2024, the Supervisory Board – taking into account the Audit, Risk and ESG Committee's report – concurred with the results of the auditor's audit and approved the annual financial statements of LPKF SE and the consolidated financial statements prepared by the Management Board for the 2023 financial year. The annual financial statements of LPKF Laser & Electronics SE have thus been adopted.

At the meeting on 19 March 2024, the Supervisory Board also resolved on the remuneration report for the 2023 financial year, which had been pre-reviewed in draft form at the Remuneration and Nomination Committee meeting on 14 March 2024 and audited in final form by the auditor.

The Audit, Risk and ESG Committee and the Supervisory Board also examined and discussed the Management Board's proposal for the appropriation of retained profit. On the basis of its own review, the Supervisory Board concurred with the Management Board's proposal for the appropriation of retained profit.

The dividend policy sets out to distribute 30% to 50% of LPKF Laser & Electronics SE's free cash flow as a dividend. LPKF did not generate any positive free cash flow in the 2023 financial year. The Management Board and the Supervisory Board believe that investments in LPKF's innovative technologies and their commercialization continue to be essential in the current climate to enable sustainable and profitable growth in the years to come. For this reason, the Management Board and the Supervisory Board will propose to the Annual General Meeting on 5 June 2024 that no dividend be distributed for the 2023 financial year. The financial resources from the unappropriated profit are to be used specifically for the development and commercialization of future technologies.

PERSONNEL MATTERS

There were no changes to the Management Board in the year under review.

The composition of the Supervisory Board changed as follows in the 2023 reporting year: The Annual General Meeting on 17 May 2023 resolved to increase the size of the Supervisory Board to five members, which became effective upon entry in the commercial register on 8 June 2023. The members of LPKF Laser & Electronics SE's first Supervisory Board, Jean-Michel Richard, Dr. Dirk Michael Rothweiler and Prof. Ludger Overmeyer, were elected to the Supervisory Board of LPKF SE by the Annual General Meeting. Julia Kranenberg stepped down from the Supervisory Board as of the close of the Annual General Meeting on 17 May 2023. Anka Wittenberg and Alexa Hergenröther (the latter with effect from the entry into force of the amendment to the Articles of Incorporation regarding the enlargement of the Supervisory Board) were elected as new members of the Supervisory Board by the Annual General Meeting on 17 May 2023. Supervisory Board member key competencies are outlined in the qualification matrix, which can be found in the Corporate Governance Declaration.

Garbsen, March 2024

On behalf of the Supervisory Board

Jean-Michel Richard

Chair

CORPORATE GOVERNANCE

LONG-TERM VALUE CREATION AND EFFICIENT COOPERATION

The principles of responsible and good corporate governance guide the actions of the LPKF Group’s management and supervisory bodies. The following statements apply to LPKF Laser & Electronics SE (also referred to below as “LPKF SE”) and its Group companies unless otherwise stated below. This chapter contains the corporate governance declaration pursuant to Sections 289f and 315d of the German Commercial Code (HGB). The corporate governance declaration for the company and the Group is part of the combined management and Group management report. The Management Board and the Supervisory Board also report on corporate governance at LPKF in this chapter.

DECLARATION ON CORPORATE MANAGEMENT

Declaration of compliance pursuant to Section 161 of the German Stock Corporation Act dated 16 February 2023

The Management Board and the Supervisory Board declare that LPKF Laser & Electronics SE (hereinafter "LPKF") has complied with all recommendations of the German Corporate Governance Code (hereinafter "Code") in the version dated April 28, 2022, as published by the Federal Ministry of Justice in the official section of the Federal Gazette since the update of its last regular Declaration of Conformity dated February 16, 2023, on October 24, 2023, and will continue to comply with them in the future.

In the period between the last regular Declaration of Conformity dated February 16, 2023 and the update of the Declaration of Conformity on October 24, 2023, LPKF complied with the recommendations of the Code with the following exceptions:

RECOMMENDATION ON THE CHAIRMANSHIP OF THE AUDIT COMMITTEE (CODE ITEM D.3, SENTENCE 5)

The Supervisory Board had established an Audit and Risk Committee, which complied with all but one of the Code's recommendations regarding the Audit Committee. There was one deviation from the recommendation that the Chairman of the Supervisory Board should not chair the Audit Committee.

In the opinion of the Supervisory Board, the Chairman of the Supervisory Board, Jean-Michel Richard, fully met the special professional requirements of the role of Chairman of the Audit Committee due to his professional background and practical experience and was best suited to this role among the incumbent members of the Supervisory Board until the election of Ms. Alexa Hergenröther.

The deviation from Code item D.3 sentence 5 no longer applies because the Chair of the Audit, Risk and ESG Committee is no longer held by the Chair of the Supervisory Board, but by Alexa Hergenröther since July 20, 2023.

RECOMMENDATIONS ON THE REMUNERATION OF THE MANAGEMENT BOARD (CODE ITEMS G.1 TO G.16)

The remuneration system for the Management Board approved by the Annual General Meeting on May 20, 2021 and the Management Board contracts concluded on this basis complied with the recommendations of the Code in sections G.1 to G.16 with the following exceptions:

- Contrary to section G.1, the remuneration system did not specify the relative share of fixed remuneration on the one hand and short-term variable and long-term variable remuneration components on the other in the target total remuneration. With regard to the long-term variable remuneration, the remuneration system only stipulated a basic amount of 50% of the annual fixed salary (excluding fringe benefits). A relative share for the short-term variable remuneration was not defined in the remuneration system, but in the service contracts of the current members of the Management Board. The target amount of the short-term variable remuneration was also set at 50% of the annual fixed salary (excluding fringe benefits). In accordance with the service contracts, the short-term variable and long-term variable remuneration - measured against the target direct remuneration - were therefore equally weighted.

- Contrary to section G.6, the variable remuneration resulting from the achievement of long-term targets did not exceed the share of short-term targets and, contrary to section G.10, sentence 1, the variable remuneration amounts were not predominantly invested in shares or granted on a share-based basis. In accordance with the employment contracts of the members of the Management Board, the short-term variable remuneration and the long-term variable remuneration to be invested in shares were each weighted equally at 50% - measured against the target direct remuneration. Due to the incentive effect, the Supervisory Board considered an equal weighting of the short-term and long-term variable remuneration components to be appropriate.

- The recommendation in section G.11 to take account of extraordinary developments within an appropriate framework and to be able to withhold or reclaim variable remuneration in justified cases, was taken into account by the reduction option in accordance with Section 87 (2) AktG and, in financial terms, in the case of long-term remuneration, by the obligation to invest granted tranches of the long-term bonus in full in shares of the company after deduction of taxes and to hold them for at least three years. The previous remuneration system thus also created a stronger link between the variable long-term remuneration and the company's performance. The financial value of the variable long-term remuneration for the Management Board was directly linked to the value of the company as measured by the share price. Any further possibility of reclaiming the remuneration granted in this way was deemed impracticable, as the Management Board would have had to sell the acquired shares again in order to be able to implement a corresponding reclaim claim. Due to this special feature of the long-term bonus program, the Supervisory Board decided not to include an additional claw-back option in the narrower sense in order to avoid double discrimination.

The remuneration system for the members of the Management Board approved by the Annual General Meeting on May 17, 2023 and the Management Board service contracts updated since September 15, 2023 now fully comply with the recommendations in Code sections G.1 to G.16.

RECOMMENDATION ON SEPARATE REMUNERATION FOR MEMBERSHIP OF SUPERVISORY BOARD COMMITTEES (CODE ITEM G.17)

The provisions of the Articles of Association on the remuneration of Supervisory Board members took into account the greater time commitment of the Chairman and Deputy Chairman of the Supervisory Board and the chairmen of the committees. However, in deviation from item G.17, simple membership of the committees was not taken into account separately in the remuneration, as it was initially not possible to adequately estimate the time required for this.

On May 17, 2023, the Annual General Meeting resolved a remuneration for Supervisory Board members that also takes into account the separate remuneration for membership of Supervisory Board committees, meaning that there has been no deviation from the recommendation in Code item G.17 since it came into force.

Garbsen, 20 February 2024

On behalf of the Supervisory Board

Jean-Michel Richard

On behalf of the Management Board

Dr. Klaus Fiedler

REMUNERATION REPORT AND REMUNERATION SYSTEMS

The remuneration report for the 2023 financial year, the auditor's report on the audit of the remuneration report, the applicable remuneration systems for the members of the Management Board and Supervisory Board, and the most recent resolutions of the Annual General Meeting on the remuneration systems of the Management Board and Supervisory Board and the remuneration of the Supervisory Board are available on LPKF Laser & Electronics SE’s website at www.lpkf.com/en/investor-relations/corporate-governance.

INFORMATION ON RELEVANT CORPORATE GOVERNANCE PRACTICES

RISK MANAGEMENT

The Management Board of LPKF SE has set up a Group wide reporting and control system to record, assess, monitor and manage risks. The internal control system and the risk management system also cover sustainability-related objectives including processes and systems for collecting and processing sustainability related data and comprise a compliance management system. The system is continuously evolving and adapted to changing conditions and periodically reviewed by the auditor. The Management Board regularly informs the Supervisory Board and more specifically its Audit, Risk and ESG Committee about existing risks and their development. Details on risk management in the LPKF Group are presented in the risk report as part of the Group management report. This contains the report on the entire internal control and risk management system, including a statement on the appropriateness and effectiveness of these systems.

COMPLIANCE – FUNDAMENTALS OF ENTREPRENEURIAL ACTION AND MANAGEMENT

Sustainable economic, environmental and social action that complies with applicable law is an essential element of LPKF’s corporate culture. This includes trust, respect and integrity in dealing with each other. It is expressed in exemplary conduct towards employees, business partners, shareholders and the public. LPKF defines compliance as adherence to the law, the Articles of Association and internal regulations as well as voluntary commitments. LPKF SE attaches particular importance to raising awareness of compliance among all employees in the Group. Compliance is anchored in internal processes and a Group-wide compliance structure has been established. Employee training is provided on the Group-wide Compliance Code and on general compliance topics. In this way, potential breaches in compliance can be prevented for the benefit of the entire Group. The Compliance Office holds regular meetings in which current topics are discussed, if necessary also with the specialist officers. Reliable reporting channels for internal and external stakeholders help to ensure that possible irregularities can be reported confidentially, also anonymously if desired. In order to uncover any breaches in compliance, LPKF provides internal and external whistleblower communication channels for contacting the company, which are listed on the homepage (www.lpkf.com/en/company/compliance-management). Both the Compliance Officer and an independent lawyer can be reached through these channels in total confidence and confidentiality if this is required. Other contact points for employees can be found in the Compliance Code, on the intranet and on notice boards in the company. Group auditing, which is carried out by a reputable and internationally recognized auditing company as an external service provider, also plays an important role in ensuring compliance. The corresponding audits are also used with regard to the further development of the internal control system.

WORKING METHODS AND COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND THEIR COMMITTEES

LPKF SE is a publicly listed European Company (Societas Europaea, SE) and has a dual management system with a Management Board and a Supervisory Board.

The Management Board and the Supervisory Board of LPKF SE work closely together in managing and monitoring the company.

MANAGEMENT BOARD

The Management Board of LPKF SE consists of two members with one acting as Chief Executive Officer (CEO). The specific composition of the Management Board in the 2023 financial year as well as the disclosures pursuant to Section 285 no. 10 of the German Commercial Code can be found in the combined management and group management report in this Annual Report. As the management body, it is the responsibility of its members to manage the company’s business with the aim of creating long-term sustainable value and in the company’s best interests. The Management Board systematically identifies and assesses the risks and opportunities associated with social and environmental factors, as well as the ecological and social impacts of the activities of LPKF SE. In addition to long-term economic objectives, the corporate strategy also gives appropriate consideration to ecological and social objectives. Corporate planning includes corresponding financial and sustainability-related objectives.

The Management Board performs its management duties as a collegial body. Notwithstanding the overall responsibility, the individual Management Board members manage the departments assigned to them on their own responsibility within the framework of the Management Board resolutions. The allocation of responsibilities between the Management Board members is set out in the business distribution plan. Information on areas of responsibility as well as curricula vitae of the Management Board members are available on the company’s website at www.lpkf.com/en/company/management. The Management Board meets regularly for joint meetings.

The rules of procedure for the Management Board are available on the company’s website (www.lpkf.com/en/investor-relations/corporate-governance).

SUPERVISORY BOARD

The Supervisory Board consists of five members elected by the Annual General Meeting by way of individual election. The specific composition of the Supervisory Board in the 2023 financial year as well as the disclosures pursuant to Section 285 no. 10 of the German Commercial Code can be found in the combined management and group management report in this Annual Report. CVs of the Supervisory Board members are available on the company’s website at www.lpkf.com/en/company/management.

The Supervisory Board advises and monitors the Management Board in the management of the company, including sustainability issues. It is involved in strategy and planning as well as in all issues of fundamental importance to the company. The Articles of Association and the rules of procedure require the Management Board to obtain the approval of the Supervisory Board for major business transactions. The chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the interests of the board externally.

The Management Board informs the Supervisory Board promptly and comprehensively in writing as well as in the regular meetings about the planning, the business development and the situation of the Group, including matters related to risk management and compliance. In the event of significant incidents and if required, an extraordinary meeting of the Supervisory Board is convened. The Supervisory Board has established rules of procedure for its own work. The rules of procedure for the Supervisory Board are available on the company's website (www.lpkf.com/en/investor-relations/corporate-governance).

As a matter of principle, on an annual basis, the Supervisory Board reviews how effectively the Supervisory Board and its committees perform their duties. A survey is prepared with detailed questions and sent to all members of the Supervisory Board. The survey contains questions on the organizational, personnel and content-related performance of the body and on the structure and processes of cooperation in the Supervisory Board and its committees, as well as on the provision of information, in particular by the Management Board. The last self-assessment of the work of the Supervisory Board and its committees took place by means of a survey in December 2023. The results of the review were presented and discussed in the Supervisory Board and confirmed professional, constructive cooperation within the Supervisory Board and its committees as well as with the Management Board. The results also confirmed the efficient organization and conduct of meetings and appropriate provision of information.

LPKF SE has taken out directors' and officers' liability insurance (D&O insurance) for all members of the Management Board and Supervisory Board.

When proposing candidates for election to the Supervisory Board, attention shall be paid to the knowledge, skills and professional experience required to perform the duties, as well as to diversity in composition in line with the objectives for the composition of the Supervisory Board set out below. For its proposals for the election of new Supervisory Board members to the Annual General Meeting, the Supervisory Board shall ascertain from the respective candidate that he/she is able to devote the expected amount of time.

Detailed CVs of all Supervisory Board members are published on the company's website.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has formed an Audit, Risk and ESG Committee, a Remuneration and Nomination Committee and a Strategy Committee.

The Audit, Risk and ESG Committee consists of three Supervisory Board members, currently Alexa Hergenröther (Chairwoman), Jean-Michel Richard and Anka Wittenberg.

The members of the Audit, Risk and ESG Committee are, as a group, familiar with the sector in which the company operates.

Alexa Hergenröther is independent and, due to her training in business administration and as a tax advisor, her professional background as a manager and, in particular, her experience as Chairwoman of the Audit and Risk Committee of listed company SMA Solar Technology AG, is a recognized financial expert with particular knowledge and experience in the areas of auditing and accounting, including specific knowledge and experience in applying accounting principles and internal control and risk management systems, and in the area of ESG, with accounting and auditing also including sustainability reporting and its audit and assurance.

Jean-Michel Richard is also independent and a recognized financial expert who, due to his professional background and his practical experience as Chairman of the Audit Committee of other international enterprises and, inter alia, former CFO of Dialog Semiconductor Plc, has extensive expertise in the area of accounting, including specific knowledge and experience in applying accounting principles and internal control and risk management systems, and in the area of auditing of financial statements, with accounting and auditing also including sustainability reporting and its audit and assurance.

As a chair and non-executive director in various national, international and global roles and due to her degree in economics, Anka Wittenberg, who is also independent, has particular knowledge in the area of auditing. She also has many years of experience in the areas of sustainability, ESG and CSR, both in terms of implementation as well as from a strategic and financial perspective.

Meetings of the Audit, Risk and ESG Committee take place at least once every calendar quarter.

The Audit, Risk and ESG Committee deals with the review of the accounting, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the financial statements and compliance, and prepares the resolutions of the Supervisory Board required in this context. The accounting includes in particular the consolidated financial statements and the Group management report (including any CSR reporting), any interim financial information and the separate financial statements in accordance with the German Commercial Code (HGB).

The Audit, Risk and ESG Committee prepares the Supervisory Board's proposal to the Annual General Meeting on the election of the auditor and the Supervisory Board's decision on the determination of key audit areas, the award of the audit contract to the auditor and the fee agreement. To this end, it also deals with the prescribed independence of the auditor. The Audit, Risk and ESG Committee decides on whether to approve the provision of permissible non-audit services by the auditor and regularly assesses the quality of the audit. It also prepares the selection and commissioning of any external audit of any non-financial (Group) statement or separate non-financial (Group) report by the Supervisory Board. The Audit, Risk and ESG Committee discusses with the auditor the audit risk assessment, the audit strategy and audit planning, and the audit results. The Chairwoman of the Audit, Risk and ESG Committee regularly discusses the progress of the audit with the auditor and reports thereon to the committee. The Audit, Risk and ESG Committee consults with the external auditors on a regular basis without the Management Board.

The Audit, Risk and ESG Committee issues recommendations to the Supervisory Board to facilitate and prepare the decision of the Supervisory Board on the approval of the annual financial statements and the approval of the consolidated financial statements.

Furthermore, the Audit, Risk and ESG Committee also deals with environmental, social, governance, sustainability, health and safety, and social responsibility topics (together the "ESG topics"). It advises the Supervisory Board and the Management Board on ESG topics, and monitors and mentors the measures taken by the Management Board to implement them. In particular, it is responsible for preparing for the Supervisory Board's audit of reporting on ESG topics, particularly as part of the non-financial (Group) statement or the separate non-financial (Group) report.

The Remuneration and Nomination Committee consists of three Supervisory Board members, currently Anka Wittenberg (Chairwoman), Jean-Michel Richard and Dr. Dirk Rothweiler. Meetings of the Remuneration and Nomination Committee are held at least twice per calendar year. The Remuneration and Nomination Committee facilitates and prepares the Supervisory Board's decisions on Management Board members, in particular by making proposals for the appointment, reappointment and dismissal of Management Board members. In addition, the Remuneration and Nomination Committee prepares long-term succession planning for the Management Board on behalf of the Supervisory Board, deals with personnel policy and the principles and structures of personnel development and planning in the area of executives and consults with the Management Board and the Supervisory Board on these issues.

The Remuneration and Nomination Committee prepares the Supervisory Board's resolution on the remuneration system for the Management Board and reviews it regularly. It also reviews and assesses the appropriateness of the total remuneration of the individual members of the Management Board as well as the determination and review of the targets for variable remuneration by the Supervisory Board and prepares the respective resolutions of the Supervisory Board as well as the Supervisory Board’s resolution on the remuneration report to be prepared annually. The Remuneration and Nomination Committee nominates suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members.

The Strategy Committee consists of three Supervisory Board members, currently Dr. Dirk Rothweiler (Chairman), Prof. Ludger Overmeyer and Alexa Hergenröther. Meetings of the Strategy Committee are held at least twice per calendar year. The Strategy Committee advises the Management Board on fundamental issues pertaining to corporate strategy and the company’s ongoing strategic development as well as on projects of strategic relevance and prepares Supervisory Board resolutions on such matters, particularly Supervisory Board resolutions on acquisitions, investments, divestments or changes in company structure requiring the approval of the Supervisory Board in accordance with the Articles of Association or Management Board rules of procedure or as determined by the Supervisory Board.

SETTING TARGETS FOR THE PROPORTION OF FEMALE MEMBERS ON THE SUPERVISORY BOARD, THE MANAGEMENT BOARD AND THE TWO MANAGEMENT LEVELS BELOW THE MANAGEMENT BOARD

As a listed European Company not subject to the German Co-Determination Act, LPKF SE is legally obliged to set targets for the proportion of women on the Supervisory Board, the Management Board and the two management levels below the Management Board.

On 27 February 2019 the Supervisory Board set a target of 1/3 (or 33.33%) for the proportion of women on the Supervisory Board and a target of 0% for the proportion of women on the Management Board. The deadline for achieving both targets was 26 February 2024. On this date, the proportion of women on the Supervisory Board reached 40% and thus exceeded the target set. The proportion of women on the Management Board was 0% on the reporting date, thus corresponding to the target.

With effect from 20 February 2024, the Supervisory Board set new targets of 40% for the proportion of women on the Supervisory Board and a target of zero (corresponding to a target rate of 0%) for the proportion of women on the two-member Management Board. The proportion of women on the Supervisory Board also reached 40% on this date, thus exceeding the target set. The proportion of women on the Management Board was 0% on that date, thus corresponding to the target. Should the Management Board be expanded in future, the Supervisory Board will review the targets and intends in such a case to set a new target of at least one woman on any Management Board with more than two members. On March 18, 2024, the Supervisory Board extended the resolution of February 20, 2024 to the effect that it will review the target figure for the proportion of women on the Management Board again if there is a new appointment within the two-member Executive Board.

The deadline for achieving both new targets is 19 February 2029.

When setting the target of zero for the Management Board, the Supervisory Board was guided by the following considerations and provides the following reasons for setting this target: The Supervisory Board respects the objectives pursued via the introduction of a women quota and attaches importance to equal treatment of and equal opportunities for women and men as well as further diversity. At present, the Management Board has two male members whose current Management Board employment contracts run until 31 December 2024 (Dr. Klaus Fiedler) and 30 April 2025 (Christian Witt); a decision will be made during the course of 2024 regarding extension of these contracts. The Supervisory Board would like to appoint the most suitable candidates in the best interests of the company, taking into account their professional qualifications and personal suitability and independent of the matter of their gender. In the case of a Management Board consisting of just two persons, however, that would be virtually impossible to achieve with a target for the proportion of women of more than 0%. The Supervisory Board does not currently see the necessity to increase the number of Management Board members. However, the Supervisory Board will continue to monitor business requirements. Should the Management Board be expanded in future, the Supervisory Board will review the targets and intends in such a case to set a new target of at least one woman on any Management Board with more than two members. In the event of a new appointment within the two-member Management Board, the Supervisory Board will review the target figure for the proportion of women again.

In 2022, the Management Board defined targets for the future proportion of women in the two management levels below the Management Board to be reached by 30 June 2027. They amount to 30% for the first and 20% for the second management level below the Management Board, based on projected employee figures in the management levels by 30 June 2027. On 31 December 2023, the proportion of women was 36% in the first management level and 12% in the second management level.

LONG-TERM SUCCESSION PLANNING FOR THE MANAGEMENT BOARD, DIVERSITY CONCEPT

One of the duties of the Supervisory Board is to work on the long-term succession planning for the Management Board together with the Management Board. In addition to the requirements of the German Stock Corporation Act and the Code, the succession planning takes into account the diversity concept as adopted by the Supervisory Board for the composition of the Management Board. Taking into account the specific qualification requirements and the aforementioned criteria, the Supervisory Board develops an ideal candidate profile and draws up a shortlist of available professionals. Structured interviews are conducted with these candidates. If necessary, the Supervisory Board is supported by external consultants in the development of the candidate briefs and the selection of candidates.

With regard to the composition of the Management Board, the Supervisory Board pursues a diversity concept and fully embraces diversity, taking into account the following aspects:

- The members of the Management Board shall, as a whole, possess the knowledge, skills and professional experience necessary for the proper performance of their duties.
- The members of the Management Board must be familiar with the relevant industrial environment. At least individual members of the Management Board should also have knowledge in the Laser Technology business field and in the area of capital markets and financing. At least the member of the Management Board responsible for finance must have expertise in the fields of accounting or auditing and individual members of the Management Board should have experience in managing a medium-sized company.
- Diversity shall also be considered in the search for qualified personnel for the board. The extent to which different, mutually complementary professional profiles, professional and life experiences as well as an appropriate representation of both genders benefit the work of the board should also be appreciated.
- As a rule, only those who have not yet reached the age of 65 shall be members of the Management Board. The age of the Management Board members shall therefore also be taken into account in the appointment.
- For the proportion of women on the Management Board, the Supervisory Board has set the target described above and the above deadline for achieving it.

Diversity is intended to benefit the work of the board as a whole. The Supervisory Board decides with which individual a specific Management Board position should be filled in the best interest of the company and under consideration of all circumstances of the individual case.

In the reporting period the Management Board of LPKF SE had two members with professional and personal qualifications in different areas. In the opinion of the Supervisory Board, the diversity concept for the Management Board was complied with during the reporting period and also currently.

OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD, COMPETENCE PROFILE, DIVERSITY CONCEPT

The Supervisory Board, with the support of the Remuneration and Nomination Committee, has set objectives regarding its composition and has prepared a competence profile including diversity that is taken into account when proposing new candidates for the Supervisory Board.

The Supervisory Board as a whole shall have the knowledge, skills and professional experience necessary to perform its duties. The members of the Supervisory Board as a whole shall be familiar with the sector in which the company operates. At least one member of the Supervisory Board must have expertise in the field of accounting and least one further member of the Supervisory Board must have expertise in the field of auditing.

a) Independence and avoidance of potential conflicts of interest

The Supervisory Board shall include an appropriate number of independent members on the shareholder side within the meaning of Recommendation C.6 of the German Corporate Governance Code of 28 April 2022 (GCGC 2022). A member of the Supervisory Board shall be considered independent within the meaning of this recommendation if he or she is independent of the company and its Management Board and independent of a (possible) controlling shareholder. The Supervisory Board has set the following lower thresholds for an appropriate number of independent members:

More than half of the shareholder representatives shall be independent of the company and the Management Board. According to the definition of recommendation C.7 GCGC 2022, a Supervisory Board member is independent of the company and its Management Board if he or she has no personal or business relationship with the company or its Management Board that could constitute a material and not merely temporary conflict of interest. In assessing independence, the Supervisory Board takes into account the indicators listed in recommendation C.7 GCGC 2022.

At least one shareholder representative shall be independent of a (possible) controlling shareholder. According to recommendation C.9 GCGC 2022, a Supervisory Board member is independent of the controlling shareholder if he or she or a close family member is neither a controlling shareholder nor a member of the controlling shareholder’s executive body nor has a personal or business relationship with the controlling shareholder that may give rise to a material and not merely temporary conflict of interest.

No member shall be a member of the Supervisory Board who exercises an executive or advisory function at a significant third-party competitor of the company or the Group or who has a personal relationship with a significant third-party competitor.

The Supervisory Board shall not include more than one former member of the Management Board.

b) Setting an age limit

The age limit for the members of the Supervisory Board was set in the rules of procedure of the Supervisory Board at not older than 72 years at the time of election.

c) Determination of a standard limit for the length of membership in the Supervisory Board

In order to ensure a balanced mix of experience and renewal on the Supervisory Board, the Supervisory Board has set a standard limit for the average length of service on the Supervisory Board of ten years from the date of taking office.

d) Consideration of diversity

In the search for qualified individuals for the Supervisory Board, attention shall also be paid to diversity. The extent to which different, mutually complementary professional profiles, professional and life experience as well as an appropriate representation of both genders on the Supervisory Board benefit the work of the Supervisory Board shall also be acknowledged. For the proportion of women on the Supervisory Board, the Supervisory Board has set the target described above and the above deadline for achieving it.

e) Further requirements

With regard to the requirements of individual Supervisory Board members, the Supervisory Board determined the following in its competence profile:

- Supervisory Board members shall have entrepreneurial or operational experience.
- They shall be able to assess the economic efficiency, expediency and legality of the business decisions to be evaluated in the course of the Supervisory Board’s work as well as the material accounting documents, where appropriate with the support of the auditor. They should be in a position to assess any economic challenges faced by the company so as to be able to make well-informed decisions.
- The shall be prepared to engage substantively to a sufficient degree.
- LPKF Laser & Electronics SE’s international activities have been taken into account in the composition of the Supervisory Board to date and will continue to be taken into account in the Supervisory Board’s election proposals to the Annual General Meeting. In addition to knowledge of spoken and written English, professional experience gained in other internationally active German or foreign companies, whether in management or in supervisory bodies, as well as an understanding of global economic contexts is essential. The criterion of internationality for the composition of the Supervisory Board does not necessarily require one or more Supervisory Board members with a foreign nationality, as German nationals can also contribute the desired level of experience. This said, the Supervisory Board should have at least one member with international experience.
- At least one member of the Supervisory Board should have expertise in the environmental, social, governance (ESG) field including, in particular, in the key sustainability matters affecting the company.

- At least one member of the Supervisory Board should have knowledge of the Laser Technology business field and at least one member of the Supervisory Board should have knowledge in the electronics market/semiconductor market business field. It is sufficient for one member of the Supervisory Board to have the relevant knowledge.

The implementation status regarding the profile of skills and expertise for the entire Supervisory Board and other objectives for the composition of the Supervisory Board is set out in following qualification matrix. According to this, in its current composition the Supervisory Board as a whole meets the targets set and fulfills the diversity concept as well as the competency profile. At least one Supervisory Board member has relevant knowledge and/or experience in each of the competency fields.

In particular, the Supervisory Board considers all of its current members – Jean-Michel Richard, Alexa Hergenröther, Anka Wittenberg, Dr. Dirk Michael Rothweiler and Prof. Ludger Overmeyer – to be independent, so that the Supervisory Board has the required number of independent members.

Qualification matrix of the Supervisory Board of LPKF Laser & Electronics SE, 2023

		Jean-Michel Richard (Chairman)	Dr. Dirk Rothweiler (Deputy Chairman)	Alexa Hergen-röther	Prof. Ludger Overmeyer	Anka Wittenberg
Affiliation	Member since	2020	2017	2023	2019	2023
	Elected until	2025	2026	2027	2024	2027
Personal suitability	Independece					
	of the Company and the Management Board*	✓	✓	✓	✓	✓
	of any controlling shareholder**	✓	✓	✓	✓	✓
	No overboarding***	✓	✓	✓	✓	✓
Diversity	Year of birth	1963	1963	1970	1964	1963
	Gender	m	m	w	m	w
	Nationality	Swiss	German	German	German	German
	International experience	✓	✓	✓	✓	✓
Professional suitability (company-specific)	Knowledge					
Business areas	Laser technology		✓		✓	
	Electronics market / semiconductor market	✓	✓		✓	
General	Environment, Social, Governance (ESG)	✓	✓	✓		✓
	Legal, Corporate Governance & Compliance	✓		✓		✓
	Business Administration, Financing & Investment	✓	✓	✓		✓
	Human Resources / Compensation		✓			✓
Special knowledge	Financial Experts					
	Accounting expert****	✓	✓	✓		
	Audit expertise****	✓		✓		✓
Committees						
	Audit, Risk and ESG Committee	✓		Chair		✓
	Remuneration and Nomination Committee	✓	✓			Chair
	Strategy Committee		Chair	✓	✓	

*within the meaning of C. 7 GCGC
**within the meaning of C. 9 GCGC
***within the meaning of C. 4 and C. 5 GCGC
****within the meaning of Section 100 (5) AktG, D. 3 GCGC

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of LPKF SE exercise their co-determination and control rights at the Annual General Meeting, which is held at least once a year. This resolves on all matters determined by law. Each share entitles the holder to one vote.

Every shareholder who registers in good time is entitled to attend the Annual General Meeting. Shareholders who are unable to attend in person have the option of having their voting rights exercised by a bank, a shareholders' association, the proxies appointed by LPKF SE who are bound by instructions, or another proxy of their choice. Shareholders can follow the Annual General Meeting or parts thereof via the internet. The Management Board may provide for shareholders to cast their votes in writing or by way of electronic communication (postal vote) and, in case of General Meetings with physical attendance in general, for shareholders to participate in the Annual General Meeting without being present on site and to exercise all or some of their rights in whole or in part by way of electronic communication. The invitation to the Annual General Meeting and the reports, documents and information required by law for the Annual General Meeting are published in accordance with the provisions of the German Stock Corporation Act and made available on LPKF SE's website in German and English.

TRANSPARENCY

LPKF regularly informs capital market participants and the interested public about the Group's economic situation and important developments. The annual report, the half-yearly financial report and the quarterly financial reports are published within the prescribed deadlines. Press releases and, if necessary, ad hoc announcements provide information on current events and new developments. All information is published via suitable electronic media such as e-mail and the internet. The website www.lpkf.com also provides extensive information on the LPKF Group and LPKF shares.

The planned dates of the main recurring events and publications – such as the Annual General Meeting, annual report, quarterly financial reports and analysts' conferences – are compiled in a financial calendar. The calendar is published sufficiently in advance and made available on LPKF SE's website.

SHARE TRANSACTIONS OF THE MEMBERS OF THE GOVERNING BODIES

Information on directors' dealings is published by LPKF SE on the internet (www.lpkf.com/en/investor-relations/publications/mandatory-publications) and reported to the relevant supervisory authorities.

ACCOUNTING AND AUDITING

LPKF SE prepares its consolidated financial statements and the interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements of LPKF SE are prepared in accordance with the German Commercial Code (HGB). The annual and consolidated financial statements are prepared by the Management Board, reviewed by the Audit, Risk and ESG Committee and the Supervisory Board and audited by externally appointed auditors. The interim reports and the half-year financial report are discussed by the Supervisory Board, its Audit, Risk and ESG Committee and with the Management Board prior to publication. There was a change of auditor in 2023. From the company's perspective it was necessary to change the auditor because the audit costs charged by the auditor increased significantly in the 2022 financial year and no longer conformed to the market rate. This was in addition to several changes to the audit team from 2019 to 2022. The consolidated financial statements and annual financial statements of LPKF SE were audited by Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf, which was elected by the Annual General Meeting on 17 May 2023 as the auditor of the company's annual financial statements and consolidated financial statements for the 2023 financial year. Baker Tilly GmbH & Co. KG has audited the annual financial statements and consolidated financial statements of LPKF SE since the 2023 financial year. Since the 2023 financial year, the German Public Auditor responsible for the engagement has been Marco Brokemper. The audits were conducted in accordance with German auditing regulations and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). They also covered risk management and compliance with corporate governance declaration requirements pursuant to Section 161 of the German Stock Corporation Act (AktG).

It was also contractually agreed with the auditors that they would inform the Supervisory Board immediately of any possible grounds for disqualification or partiality as well as of any significant findings and occurrences during the audit. There was no reason to do so during the audits for the 2023 financial year.

Garbsen, 19 March 2024

JEAN-MICHEL RICHARD
the Supervisory Board

KLAUS FIEDLER
the Management Board

COMBINED MANAGEMENT REPORT

for the LPKF Group and LPKF Laser & Electronics SE

BASIC INFORMATION ON THE GROUP

GROUP STRUCTURE AND BUSINESS MODEL

LPKF Laser & Electronics SE (LPKF) is a global technology company with an export share of 90% and customers in over 70 countries. The company primarily develops laser-based solutions for dynamic markets such as the electronics industry, the automotive supply industry, the solar industry, the semiconductor industry, medical technology, biotechnology, research institutions and universities.

LPKF was established in 1976 and has more than 45 years of experience as a developer and supplier of innovative capital goods for industrial companies and research institutions.

Research and development are of paramount importance for LPKF. Many of its innovations and further developments are created in close partnership with customers. To maintain its ability to innovate, every year the company invests approx. 10% of its revenue in in-house R&D activities. Development and production activities are based in Europe.

The LPKF Group has four business segments and maintains a broad-based product portfolio. The company’s mission is to give its customers a competitive advantage through the use of innovative technology. With this in mind, LPKF is spearheading the transition from traditional to laser-based production methods in specific markets and is enabling the development of innovative end products in several areas.

LPKF Laser & Electronics SE is headquartered in Garbsen near Hanover, Germany. The company has a broad global presence, with a workforce of 761 people based at locations in Europe, Asia and North America. LPKF’s shares are listed in the Prime Standard of the German Stock Exchange.

LEGAL STRUCTURE OF THE GROUP

As of 31 December 2023, LPKF had 10 subsidiaries, which, together with the parent company, form the group of consolidated companies.

LPKF Laser & Electronics SE
Garbsen/Germany
(Production/Sales/Service)

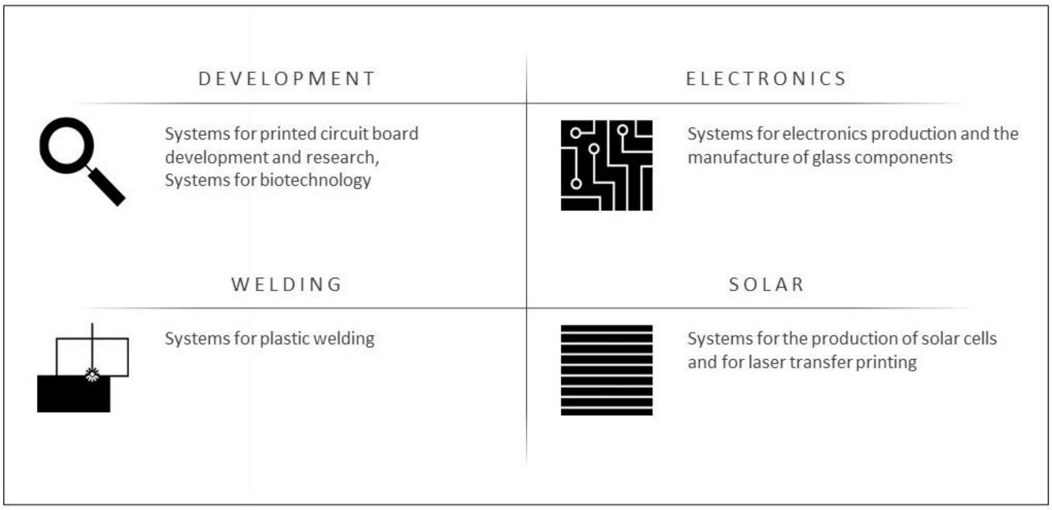
Production subsidiaries	Sales and Service companies
LPKF WeldingQuipment GmbH Fürth/Germany (100 %)	LPKF Distribution Inc. Tualatin (Portland)/USA (100%)
LPKF SolarQuipment GmbH Suhl/Germany (100%)	LPKF Shanghai Co., Ltd. Shanghai/China (100%)
LPKF Laser & Electronics d.o.o. Naklo/Slovenia (100%)	LPKF (Tianjin) Co. Ltd. Shanghai, Tianjin, Suzhou, Shenzhen/China (100%)
	LPKF Laser & Electronics Trading (Shanghai) Co., Ltd. Shanghai/China (100%)
	LPKF Laser & Electronics K.K. Tokyo/Japan (100%)
	LPKF Laser & Electronics Korea Ltd. Seoul/Korea (100%)
	LPKF Laser & Electronics Vietnam Co., Ltd. Bac Ninh/Vietnam (100%)

Operating segments

The management and control of the LPKF Group is independent of the Group’s legal structure. Top-level Group functions include strategic business development, innovation management and core activities in the areas of controlling, investor relations, HR, accounting, risk management, compliance, marketing, procurement and management systems (quality, occupational safety and environment).

Sales, service, production and development activities are handled by separate segments. In LPKF’s most important markets outside Germany, sales and service functions are also provided through regional sales companies in close collaboration with segment management.

In the 2023 financial year, LPKF operated in the following segments:



Development

In the **Development** segment, LPKF supplies practically all the electronic equipment that developers require to rapidly manufacture and assemble printed circuit board prototypes in house and largely without the use of chemicals. In addition to the development departments of industrial companies, the company primarily supplies public organizations such as research institutes, universities and schools. Since 2021, LPKF has been developing systems and solutions for biomedical research under the name ARRALYZE. The ARRALYZE product range covers systems, consumables, and software applications. The first systems from the ARRALYZE division will be available for purchase from the first half of 2024. The solutions provided by ARRALYZE will address customers from the research, biotechnology and pharmaceutical sectors.

Electronics

LPKF’s **Electronics** segment manufactures systems that are primarily used in production in the electronics industry. These include laser systems for cutting print stencils (StencilLasers) and laser systems for cutting and drilling rigid and flexible printed circuit boards. The Electronics segment also includes LIDE technology (Laser Induced Deep Etching) developed by LPKF. The LIDE business encompasses both the development and sale of laser systems for high-precision structuring of very thin glass and the production of glass components using the company’s own LIDE systems.

LPKF’s Active Mold Packaging (AMP) technology enables electrical circuits to be placed directly on the surface of and inside epoxy mold compounds (EMC). This contributes to cost and space savings in the production of advanced packaging and to a higher functional density of the finished circuits. The process is based on LDS (Laser Direct Structuring) technology for manufacturing three-dimensional circuit carriers.

Welding

The **Welding** segment comprises laser systems, thermal process monitoring and software for welding plastics. The business unit develops and sells standardized standalone and integration systems, but also offers tailored solutions for customers. These systems are used mainly in the automotive supply industry, medical technology and in the production of consumer electronics.

Solar

In the **Solar** segment, LPKF develops and produces laser systems (LaserScribers) that are used for structuring thin-film solar cells for various thin-film technologies. The customer base of this segment includes international solar cell manufacturers. This segment also includes laser systems for the digital printing of functional pastes and inks (Laser Transfer Printing, LTP).

LPKF competes with a different set of competitors in each segment and in each product group. These competitors range from multinational corporations to smaller, regional providers who often operate in just one market.

Production and procurement

Production takes place exclusively at the German locations and in Slovenia. Rapid prototyping equipment and other equipment for the Development segment, as well as some of the laser sources used within the Group, are produced by the subsidiary LPKF Laser & Electronics d.o.o.

in Naklo (Slovenia). Systems for the Electronics segment are manufactured in Garbsen, Germany. Welding segment production takes place in Fürth, Germany. Solar and LTP systems are produced in Suhl, Germany. At LPKF, production generally comprises the assembly of machinery and equipment.

Almost all components including complex assemblies for machinery are purchased from external suppliers. Group procurement is organized through a central strategic purchasing department, with operational purchasing activities mainly carried out on a local basis at the production sites. Whenever it purchases external components, the company specifically looks for multiple sources in order to reduce dependence on individual suppliers and ensure its own competitiveness through high availability.

Sales

Global cross-segment sales in important regions such as China, Japan, North America and South Korea are handled by subsidiaries. Overall, the Group is represented by subsidiaries and more than 45 distributors in over 70 countries, which acquire and serve customers all over the world.

PRODUCTION COMPANIES

Country	**City**	**Function**	**Focus area**
	Garbsen	Group headquarters, production, procurement, development, sales and services	Electronics segment • Cutting and drilling systems, LIDE, LDS, AMP, production services Development segment • Prototyping systems • ARRALYZE systems for biomedicine
	Fürth	Production, development, sales and services	Welding segment • Plastic welding systems
Germany	Suhl	Development, sales, production and services	Solar Segment • Systems for structuring large surfaces • Systems for digital printing of functional pastes
Slovenia	Naklo	Production, development and services	Development segment • Prototyping systems • Laser sources

MANAGEMENT AND CONTROL

Organization of management and control

The Management Board represents the company and is responsible for running it. The members of LPKF SE’s Management Board are appointed by the Supervisory Board. The Supervisory Board may withdraw appointments for good cause.

The Supervisory Board has determined that certain transactions require its approval.

The Annual General Meeting may make decisions on management issues only if requested to do so by the Management Board. Any amendment to the Articles of Incorporation requires a resolution by the Annual General Meeting to be passed by a majority of the share capital represented at the adoption of the resolution. Article 24 (1) of the company's Articles of Incorporation stipulates that, in cases where the law requires a resolution to be passed by a majority of the share capital represented, a simple majority of the share capital represented will suffice, unless the law mandates a larger majority.

The following persons were members of the Management Board of LPKF SE in the 2023 financial year:

- Dr. Klaus Fiedler (CEO)
- Christian Witt (CFO)

In the 2023 financial year, the Supervisory Board consisted of the following members:

- Jean-Michel Richard (Chairman)
- Dr. Dirk Rothweiler (Deputy Chairman)
- Prof. Dr.-Ing. Ludger Overmeyer
- Julia Kranenberg (until May 17th, 2023)
- Anka Wittenberg (since May 17th, 2023)
- Alexa Hergenröther (since June 8th, 2023)

RELEVANT LEGAL FACTORS

The company and each of its segments are subject to the legal requirements for a domestic listed European stock corporation (Societas Europaea). Beyond this, no special legal provisions apply.

STRATEGY

Strategic framework

Megatrends

The following megatrends play a decisive role in LPKF's sustainable growth:

- Miniaturization: as more and more electronic components have to fit into the same amount of space or less, things are getting tight. Precision tools for production are becoming indispensable, and methods for high-precision plastic welding are increasingly being used. Innovative solutions for semiconductor housings are being actively sought.
- Carbon neutrality: Renewable energies are the key factor on the road to carbon neutrality. The growing importance of solar energy in power generation requires precise and efficient manufacturing equipment. Electromobility is driving demand for battery module manufacturing tools. Overall, the importance of energy efficiency in manufacturing processes and end products is increasing.

- Connectivity: Continuous innovations in mobile devices demand innovative manufacturing solutions for displays and designs. Growth and increasing complexity in high-frequency technology increase the need for rapid prototyping.
- Aging population: Demographic change is leading to higher demand for medical technology and accessories worldwide. Drug development and personalized medicine require efficient solutions for single cell analysis.

VISION

LPKF is an expert and pioneer in the fields of laser technology, materials technology, precision mechanics and software. As an innovation leader, the company taps into new growth markets by enabling its customers to achieve technological breakthroughs.

LPKF has derived three central functions from this vision for the Group:

1. Pioneer: LPKF is spearheading the transformation from traditional production and development methods to laser technology, thereby opening up new opportunities in product design and production.
2. Solution provider: LPKF delivers high precisionsolutions for manufacturing and development. This includes solutions with disruptive advantages for the customers.
3. Production provider: LPKF manufactures serial components based on its innovative process technology.

SUCCESS FACTORS

The Management Board believes that the company’s success is based on a deep understanding of customer requirements that has been cultivated from years of experience and on in-house process expertise that has been developed over time. Expertise in engineering, software, physics, chemistry and Group-wide machine software platforms are equally important contributing factors to the company’s success. Added to this are its high capacity for innovation and its understanding of the laser microprocessing of different materials.

Another key success factor is LPKF’s focus on the following core competencies and the interaction between them:

CORE COMPETENCIES

1. Laser technology and optics
2. Precision mechanics
3. Control technology and software
4. Materials technology

CORPORATE RESPONSIBILITY

For the LPKF Group, sustainability means acting responsibly, achieving business success as well as ecological and social progress, and working to secure the future of the company. LPKF takes responsibility for the health and quality of life of its employees, customers and consumers, and for protecting the environment. LPKF systems help customers become more resource efficient, reduce hazardous materials and waste, and save energy.

Independence of individual markets as a result of broad positioning

By addressing a range of markets, LPKF reduces its dependence on the cycles of individual industries. This makes it much easier to compensate for economic fluctuations.

MISSION STATEMENT

All activities of the LPKF Group are geared toward the success of its customers. All major activities and decisions are aimed at improving the competitiveness of the Group's customer base through technological advancement and efficiency gains. Strengthening LPKF in the long term serves the interests of all customers, business partners, employees and shareholders. For this reason, strong emphasis is placed on strengthening the Group's innovation resources and ensuring profitability.

LPKF is a technology group. By focusing on its core competencies, the company aims to shape technological progress and achieve top market positions through a sound understanding of customer needs. A sense of professional partnership and fair treatment characterizes relationships with customers, suppliers and representatives as well as the working relationships among employees within the LPKF Group. As an international group, LPKF strives for understanding of other cultures and philosophies.

Product quality is one of the keys to customer satisfaction. LPKF encourages employee training as a way of sustaining the high quality of its products and ensures that its employees recognize their direct and indirect responsibility for customer satisfaction.

LPKF makes an active contribution to reducing waste by using largely laser-based production methods. LPKF aims to design its products and internal processes to be as environmentally friendly as possible. Health and well-being are the foundations for a successful business. LPKF places significant emphasis on promoting the health of its employees and on occupational safety at the company. Its ambition to be a technology leader means that LPKF always strives to optimize its products and product development processes. It goes without saying that this requires a corporate culture that is open and encourages learning and constructive criticism. LPKF's responsibility extends to its customers, employees, business partners, shareholders and society. The company's sense of corporate responsibility also includes the fact that LPKF employees are required to obey applicable laws whenever and wherever appropriate, respect ethical principles and pursue sustainability. The LPKF Compliance Code supports the company's employees in this endeavor.

Corporate objective

LPKF's objective is to achieve long-term business success through sustainable, profitable growth. This success is underpinned by a long-term business orientation and near-term business management. The Group's business activities place just as much emphasis on the long-term development of the Group as they do on short-term monitoring of key figures so that it can act quickly in the event of any undesirable developments.

A key factor for LPKF is permanently strengthening its ability to innovate so that it can carry on developing and commercializing ever more new and innovative solutions for its customers. The organization is systematically aligned toward serving its customers. In addition to operational strength and speed, research and development work and alignment to commercial use and application are of primary importance.

Strategic alignment of the operating business

STRATEGIC ALIGNMENT OF THE COMPANY

The megatrends of miniaturization, CO2 neutrality, connectivity and the aging population are each leading to strong demand for precise, high-performance and clean manufacturing methods. This makes lasers as a tool a key technology for many growth markets. The company's broad portfolio of products and services contributes to boosting efficiency and conserving resources. Alongside the traditional solutions business, LPKF also supplies production services through its foundry. The company uses its own systems to produce high-precision components for customers in the semiconductor and electronics industries. LPKF is a strategic partner for international customers, with whom it works closely to design advanced solutions.

LPKF is positioned as a global laser specialist. This positioning gives LPKF many advantages over competitors who often operate in just one market or as regional suppliers. It makes LPKF more independent of cyclical fluctuations in the individual sectors. This approach requires the integration of all business processes with potential synergies.

In the LPKF Group, central group functions are provided and shared across all the segments in areas such as procurement and innovation management or in administrative departments such as HR and accounting. In its core regional markets, LPKF organizes sales and service support for all the segments via its own subsidiaries. Shared use of infrastructure also simplifies market entry while helping to ensure optimization of the cost base by exploiting synergy effects.

STRATEGIC ALIGNMENT OF THE SEGMENTS

The Development segment offers its customers the entire value chain for the manufacture of printed circuit board prototypes. Its activities are centered around mechanical and increasingly laser-based systems that undergo continuous development. In the Development segment, LPKF addresses a global market with many individual customers from the industrial sector and universities. The Development segment can draw on a global network of distributors, who in many cases are long-time partners of the company and able to secure outstanding options for market entry. Despite already having a high market share, the Management Board is seeing solid growth rates in this segment due to new products and applications. With its new ARRALYZE systems, LPKF is addressing the market for high precision analysis of biological materials in the nanoliter range. The systems work with glass arrays produced using LIDE technology. There is potential here to build an attractive new business area in the life science sector through disruptive innovations.

The Electronics segment caters to markets that are associated with the production and processing of electronic components as well as the semiconductor industry. The Electronics segment offers its customers systems for cutting, structuring and drilling a wide variety of materials with a high level of precision and speed. The Electronics segment operates in highly dynamic markets where there are opportunities for short-term major orders from individual customers.

The LIDE technology (Laser Induced Deep Etching) developed by LPKF is a basic technology for a wide range of applications in microsystems technology. It enables customers to process Combined Management Report Basic Information on the Group 43 thin glass quickly, precisely, and without damage such as micro-cracks. This makes the LIDE process an enabling technology for many areas of microsystems technology, such as the manufacture of display components, highly integrated processor modules, and semiconductor components. LPKF also offers LIDE technology as a production service (foundry) in addition to selling equipment. The company thus offers all potential LIDE customers an easy, barrier-free entry into the technology. In all important key markets for this segment, LPKF has a presence with its own subsidiaries and partners.

In the Welding segment, LPKF develops, produces and markets laser systems for welding plastics. This segment primarily targets the automotive supply industry and here increasingly the e-mobility sector. Other important customers are medical technology and manufacturers of consumer electronics. Laser welding can be used to replace traditional joining material methods used in various industries. This opens up a large market potential. Qualities that set LPKF apart include its broad range of products, its superior product quality, its wealth of process expertise and its global service network.

The Solar segment includes all activities in connection with the high-precision laser machining of large surfaces. This is where LPKF develops, manufactures and markets systems for structuring thin-film solar modules. The precision and processing speed of the solar systems set LPKF apart as a specialist on the solar market. LPKF has continuously broadened the customer base for its solar systems and systematically pushed ahead with the development of new markets outside the solar industry. With its LTP technology LPKF is targeting the market for digital printing on large format glass. One of the aims here is to replace the predominant screen printing method in some areas.

LPKF’s strategy for growth also includes the continuous development and optimization of its product portfolio. To this end the company is not only guided by input from customers and markets, but also explores its own ideas for innovations that present relevant benefits for customers. All existing products are reviewed at least once a year to see if their continuation makes sense from a commercial point of view.

Service is a core component of the corporate strategy and of what the company offers its customers and, as such, is supplied and reported within each segment. LPKF offers its customers a broad spectrum of services via its global service network.

Corporate management

LPKF GROUP KEY FIGURES

LPKF manages its business performance using key figures and ratios at various reporting levels. The following section outlines the most important key figures that LPKF uses:

- Revenue
- EBIT (earnings before interest and taxes) and EBIT margin
- Net working capital and net working capital ratio
- Free cash flow (FCF)
- ROCE (return on capital employed)

EBIT: The Group's goal of sustainable profitable growth can be reviewed by analyzing revenue in conjunction with EBIT. The EBIT margin is given as a ratio for the Group's goal and is calculated using the following formula: EBIT margin = EBIT/revenue x 100.

Net working capital: It is calculated from inventories plus trade receivables less trade payables and advances received. It reflects the net capital tied up in the reported items.

Net working capital ratio: This key figure gives net working capital as a proportion of revenue, as in a changing business scenario the net capital tied up generally changes as well.

Free cash flow: FCF is an indicator of a company's self-financing capability and its ability to pay a dividend from the cash flow for the period. Free cash flow is the sum of cash flow from operating activities and cash flow from investing activities.

ROCE (return on capital employed): EBIT/(intangible assets + property, plant and equipment + net working capital).

For LPKF SE, the key financial performance indicators are sales and earnings before interest and taxes.

Further information on non-financial targets and key figures (e.g. the error rate) can be found in the non-financial consolidated report to be published at the end of April 2024 www.lpkf.com/en/company/sustainability).

The following table shows the changes in the Group's key financial figures over the past five years and the original target figures:

		2023 target	**2023**	2022	2021	2020	2019
Revenue	in EUR million	125 - 135	124.3	123.7	93.6	96.2	140.0
EBIT	in EUR million	3,7 - 9,5	3.7	6.5	0.1	7.5	19.2
EBIT margin	in %	3 - 7	3.0	5.3	0.1	7.8	13.7
ROCE	in %	Same as EBIT and capital employed	3.5	7.1	0.1	9.0	25.5
Net working capital	in EUR million	< 26	40.0	26.0	19.3	20.5	17.1
Net working capital ratio	in %	< 21	32.2	21.0	20.6	21.3	12.2
Free cash flow	in EUR million	> 0.3	-11.1	0.3	-0.7	-5.5	42.2

Target/actual comparison of planning and implementation

On March 23, 2023, the company issued its first quantitative forecast for the full year 2023. According to this, consolidated revenue should be between EUR 125 million and EUR 140 million and the EBIT margin between 3 - 7 %.

On July 27, 2023, LPKF specified its full-year forecast to revenue of between EUR 125 million and EUR 135 million.

With sales of EUR 124.3 million, the Group is just below the most recent forecast. The EBIT margin of 3.0% is within the range of the most recent forecast. At 3.5%, ROCE follows the earnings trend.

Due to strong year-end business, the Group had higher receivables at the end of the year, which had a negative impact on operating cash flow and the targetted working capital ratio. At EUR 40.0 million or 32.2% of sales, the Group was above the stated target range.

Free cash flow developed negatively and, at EUR -11.1 million, was below the previous year's figure (EUR 0.3 million).

The error rate is measured by the ratio of error costs to sales. Error costs include expenses in connection with the fulfillment of warranty obligations and quality assurance. The error rate is calculated by comparing the current warranty costs to rolling sales with an initial value consisting of the warranty costs to sales at a defined point in time. The error rate has changed from 27 in the previous year to 36 and is therefore within the target of < 50.

The company's non-financial key figures are presented and explained in the non-financial statement. This will provide in the non-financial performance indicators for 2024.

NON-FINANCIAL STATEMENT

LPKF SE’s separate non-financial consolidated report will be published on the company’s website under Company /Sustainability (https://www.lpkf.com/en/company/sustainability) within the legally stipulated period by no later than 30 April 2024.

RESEARCH AND DEVELOPMENT

Focus of R&D activities

Research and development (R&D) is of particular importance for LPKF as a technology company. Innovations decisively influence future product performance and hence the business success of the LPKF Group.

The primary strategic aim of R&D activities is the position as an innovation leader within the relevant sectors. New products are designed to exhibit differentiators, which are then secured via patents. The benchmark for development activities is always strengthening the customers' profitability.

In the 2023 financial year, several existing products were upgraded to a new technological level, entirely new products were completed and technology developments were initiated, which in turn are expected to lead to new competitive products in the short to medium term. This is explained below for the individual areas.

Pre-competitive collaboration with research institutions and industry partners, organized as consortium projects, continues to underpin technological development at the LPKF Group.

R&D expenses, investments and key figures

Continuous investment in near-to-market developments is crucial to a technology-oriented group such as LPKF.

In 2023, expenses of EUR 16.7 million (previous year: EUR 16.5 million) were incurred in this area, which corresponds to 13.4% (previous year: 13.4%) of revenue.

Of the expenses for development, LPKF capitalized EUR 5.0 million (previous year: EUR 5.5 million) as intangible assets in the reporting year, corresponding to a capitalization rate of 23% (previous year: 25%). Capitalized development costs were amortized in the amount of EUR 4.2 million in 2023 (previous year: EUR 4.3 million).

The following multi-period overview of R&D shows the development of essential key figures over time:

in EUR million	**2023**	2022	2021	2020	2019
R&D expenses *	16.7	16.5	13.3	11.0	12.5
As % of revenue	13.4	13.4	14.2	11.4	8.9
R&D employees	215	211	207	177	143

* Current R&D expenses include amortization of capitalized development expenses of EUR 4.3 million (previous year: EUR 3.5 million)

R&D results

The "Rapid Prototyping" area of the Development segment initiated development projects for several new products in 2023, including new generations of existing products and completely new developments, e.g. in the area of additive manufacturing.

Building on last year's developments, the first machine for printing, analyzing and removing individual cells was prepared for market launch in the ARRALYZE division. Beta tests with laboratory systems were carried out with various partners to better understand the requirements of the system technology. In discussions with potential customers, the functions of the systems were validated in terms of their usefulness in application scenarios. In Boston, USA, some colleagues moved into a laboratory as part of an incubator in order to establish networks at the center of biotech research, carry out applications and develop closer to key customers.

The Electronics segment has several new systems under development for the SMT area. The 3rd generation of the StencilLaser will enable higher throughput and greater precision for microapertures in wafer stencils. For laser depaneling, an integrated system with panel handling without workpiece carriers has been developed for greater flexibility. A new high-power laser source for depaneling has also been established. The first system with ultrashort pulse laser and tensor technology was completed.

The Vitrion product group was expanded last year to include a system for processing larger formats. A development project in the area of advanced packaging was launched in close cooperation with a key customer from the semiconductor industry. Further development capacities have been invested in scanning optics to increase throughput and in concepts for multi-head systems.

More and more applications are being developed for the LIDE process. Development activities here cover display, high-frequency and other technologies.

In the Solar segment, the new generation of the Allegro series for larger formats and shorter cycle times was launched on the market. Systems for processing perovskite layers were also installed at customers' premises in order to work together on this pioneering technology.

In the Laser Transfer Printing (LTP) product area, the "LPKF NOVAPRINT" printing machine was demonstrated ready for series production to the first customers. The development of processes for printing different types of inks was started in order to significantly increase the system's range of applications.

REPORT ON ECONOMIC POSITION

COURSE OF BUSINESS

Macroeconomic environment

The following section describes the macroeconomic conditions in those aspects that are of particular importance to the company's business development. These include, in particular, the developments and influencing factors of the global sales markets.

The global economy performed better than expected in 2023 under the given conditions of high inflation and tighter monetary policy. In China, economic development remains subdued, while the picture in the advanced economies is mixed.

According to the Institute for the World Economy (IfW), global gross domestic product (GDP) is expected to have grown by 3.1% last year and is forecast to increase by 2.9% in 2024.

According to the IfW, economic growth of 0.6% in the G7 economies in 2023 was weaker than in the global economy as a whole. At 5.4%, China only achieved a low growth rate by historical standards .

According to the Federal Statistical Office, Germany's economy only shrank by 0.3% last year. In addition to the continuing high price level, the main reasons for the comparatively poorer performance were weaker demand from Germany and abroad as well as uncertainties and high interest rates.

Strong inflation has led to interest rate adjustments by global central banks. The European Central Bank raised the interest rate for main refinancing operations from 2.5% to 4.5% during 2023. The US Federal Reserve had already made significant interest rate adjustments in 2022, with the key interest rate rising from 0.25% to 4.5%. In 2023, there was a moderate increase to 5.5%. Rising key interest rates have led to higher capital costs, which generally have a negative impact on the propensity to invest.

Sector-specific general conditions

LPKF Laser & Electronics SE's business performance is influenced both by the macroeconomic environment and by developments in individual sectors. These include the electronics industry with a focus on consumer electronics, the automotive industry, the solar industry and the plastics processing industry. Their developments over the past year are outlined below.

The VDMA predicts a 12% decline in incoming orders for the German mechanical and plant engineering industry in 2023, which will have an impact on sales in 2024.

According to the International Data Corporation, global sales of smartphones in the electronics industry fell by 3.2% to 1.17 billion smartphones in 2023, the lowest volume in the last 10 years .

According to statista, around 74.4 million passenger cars were sold worldwide in 2023, which corresponds to an increase of 10.5% compared to 2022. Global sales figures were therefore roughly on a par with 2019.

In 2023, the European automotive market recorded solid growth of around 7% compared to 2022, although it is still 24% below the pre-crisis level of 2019. China remains a major player in the global automotive market with an increase of around 10.6%.

As a key component of renewable energies, the importance of the solar industry continues to grow. The International Energy Agency (IEA) expects a significant increase in installed capacity of around 400 gigawatts, with global capacity reaching around 1,000 gigawatts in 2022. According to the German Engineering Federation (VDMA), German manufacturers of photovoltaic machines and systems recorded a significant increase in sales over the course of 2022.

According to the VDMA, development in the German plastics industry in 2023 was subdued and characterized by a decline in orders.

The German mechanical and plant engineering industry recorded a challenging development in 2023. For 2023, German mechanical and plant engineering companies are forecasting a sales decline of -2.9% for the industry as a whole. The main reason for the negative trend is the high cost pressure on companies.

Effects on the LPKF Group and LPKF SE

The global economy developed very differently from region to region in 2023. It was notable that the European Union recorded exceptionally low growth of just 0.5%, whereas the USA achieved growth of 2.4%.

The key sectors for the LPKF Group presented a mixed picture in 2023. While the solar industry continued its upswing, sales and incoming orders in the plastics and electrical industries declined significantly.

Overall, the company recorded solid business development in 2023 despite the challenges described above and just achieved its own full-year forecast.

At the same time, increased prices and wage costs had a negative impact on profitability. Thanks to successfully implemented price increases, active cost management and the continuous optimization of processes, the negative impact on earnings was cushioned.

The strategy of targeting different growth markets based on core competencies once again had a stabilizing effect against the backdrop of cyclical markets in the 2023 financial year. This is shown by the different developments in the segments in the 2023 financial year.

With revenue stagnating overall and business remaining profitable even under the difficult conditions and with the high upfront expenditure for growth areas, the Management Board believes that LPKF is well positioned and also has sufficient cash reserves consisting of cash and cash equivalents and available credit lines.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE GROUP

Result of operations

Development of revenue

In the 2023 financial year, the LPKF Group generated revenue of EUR 124.3 million, up 0.5% on the previous year (EUR 123.7 million).

The **Solar segment** delivered additional laser systems for structuring solar modules as part of a major order in 2023. Turnover of EUR 39.5 million was achieved, EUR 1.1 million more than in the previous year.

The **Electronics segment** achieved sales of EUR 32.7 million, a slight increase compared to the previous year (EUR 31.5 million).

The **Welding segment** closed the year with a decline in sales to EUR 23.1 million compared to the previous year (EUR 25.6 million).

The **Development segment**, with sales of EUR 29.0 million, was above the previous year's sales of EUR 28.2 million.

The following table shows the revenue by region:

in %	**2023**	Prior year
North America	37.5	34.2
Asia	38.5	41.4
Europe excl. Germany	13.0	14.3
Germany	9.4	8.0
Other	1.6	2.1
Total	**100.0**	100.0

The Group's export ratio fell slightly compared to the previous year (92.0%) and now stands at 90.6%. As in the previous year, the regional distribution is only informative to a limited extent, as some of the machines for globally active customers are installed at their production sites, which are often set up in other regions. This year the share of sales to North America increased significantly.

Segment performance

The following table provides an overview of the operating segments' performance:

	External revenue		EBIT	
in EUR million	**2023**	2022	**2023**	2022
Electronics	32.7	31.5	-2.5	-2.2
Development	29.0	28.2	2.9	3.9
Welding	23.1	25.6	-1.0	1.3
Solar	39.5	38.4	4.3	3.5
Total	**124.3**	123.7	**3.7**	6.5

Development of orders

At EUR 120.1 million, incoming orders during the reporting period were 3.3% lower than in the previous year. Orders on hand of EUR 58.9 million at the end of the year were EUR 4.2 million lower than in the previous year.

Development of main income statement items

Own work capitalized included EUR 5.0 million in development work for products and software. At EUR 4.2 million, other income was at the previous year's level (EUR 4.2 million). The value in general consists of income from exchange rate differences amounting to EUR 0.9 million (prior year: EUR 1.1 million), as well as grants for research and development activities amounting to EUR 2.3 million (prior year: EUR 1.6 million).

The cost of materials ratio - calculated from the cost of materials and changes in inventories in relation to turnover - is 33.9 % and thus below the previous year's value of 35.0 %.

At EUR 52.4 million, personnel expenses were above the previous year's figure of EUR 49.5 million. The increase is explained by regular adjustment of salaries and a higher average number of employees. Personnel expenses in the current year contain restructuring expenses of EUR 0.6 million. The personnel expense ratio as a ratio of personnel expenses to sales rose from 40.0% in the previous year to 42.1% in the current year.

Depreciation and amortization increased to EUR 9.1 million in 2023 (previous year: EUR 8.6 million, adjusted). Of this, amortization of capitalized development expenses accounted for EUR 4.2 million.

At EUR 26.5 million, other expenses were 0.6 % higher than in the previous year. The expenses mainly consist of travel expenses (EUR 3.3 million, prior year: EUR 2.7 million), expenses for repair, maintenance and operating supplies (EUR 2.9 million, prior year: EUR 2.8 million), legal and consulting expenses (EUR 2.7 million, prior year: EUR 2.3 million) and rent and building expenses (EUR 2.2 million, prior year: EUR 1.3 million). Significant changes resulted from higher energy costs, travel costs and exchange rate losses. The costs for third party work and for research and development activities dropped.

EBIT (earnings before interest and taxes) sank from EUR 6.5 million in the previous year to EUR 3.7 million. The EBIT margin was 3.0 % after a margin of 5.3 % in 2022.

Multi-period overview of results of operations

		2023	2022	2021	2020	2019
Revenue	in EUR million	124.3	123.7	93.6	96.2	140.0
EBIT	in EUR million	3.7	6.5	0.1	7.5	19.2
Material cost ratio	in %	33.9	35.0	31.6	33.1	38.9
Staff cost ratio	in %	42.1	40.0	47.4	43.1	32.0
Tax ratio	in %	43.1	77.4	32.9	26.9	29.9
EBIT/employee	in EUR thousand	4.9	8.8	0.1	10.9	28.3

Financial position

Principles and goals of financial management

External funding sources available to LPKF SE include the issue of shares and the raising of short- and longterm borrowed capital. As part of its internal financing, the Group mainly draws financial resources from the use of its own surpluses, and also from the non-distribution of generated depreciation and amortization values. The European companies optimize their liquidity via a cash pool, while the non-European companies are integrated here via operational liquidity management.

LPKF in general finances using a syndicated loan concluded in the reporting year in the amount of EUR 40.0 million with a duration of three years and extension and increase options. The syndicated loan is divided into a cash facility and a guaranteed credit line. For collateral purposes, only mortgages and guarantees of the main subsidiaries were used. Important financial indicators of the loan contract are debt ratio, equity ratio and EBITDA. Financing is handled centrally for the LPKF Group.

In the LPKF Group, hedging of currency and, if necessary, other risks is carried out by the parent company LPKF SE. Derivatives are used exclusively for hedging transactions, this came to execution in 2023.

Statement of cash flows

The following statement of cash flows shows the origin and use of financial resources:

in EUR million	**2023**	Prior year
Cash flow from operating activities	-3.4	8.5
Cash flow from investing activities	-7.7	-8.2
Cash flow from financing activities	8.7	-3.1
Change in cash and cash equivalents	-2.4	-2.8
Change in cash and cash equivalents due to changes in foreign exchange rates	0.3	0.5
Cash and cash equivalents on 1 Jan.	12.8	15.2
Cash and cash equivalents on 31 Dec.	10.7	12.8
Composition of cash and cash equivalents:		
Cash on hand, bank balances	10.7	12.8
Overdrafts	0.0	0.0
Cash and cash equivalents on 31 Dec.	**10.7**	12.8

The group's cash and cash equivalents fell from EUR 12.8 million at the end of the previous year to EUR 10.7 million. This is mainly due to a lower operating cash flow while continuing to have a high level of investment activities.

At EUR -3.4 million, cash flow from operating activities was below the previous year's level of EUR 8.5 million. Especially an increase in inventory and closingdate related lower prepayments received had an effect on the figure.

The financial requirements in the operating business are covered by working capital credit lines.

Multi-period overview of the financial position

The LPKF Group has credit lines with core banks. Loans amounting to EUR 12.0 million were drawn down from this line on the reporting date.

Due to the high equity ratio, the Group's net cash position and the free credit lines, the Board of Managing Directors considers the LPKF Group's earnings position, net assets and financial position to be very solid. The Group can realize investment activities to a large extent from its own funds.

in EUR million	**2023**	2022	2021	2020	2019
Free cash flow	-11,1	0,3	-0,7	-5,5	42,2
Net cash position = Net credit (+) / net debt (-) to banks	-0,7	11,7	12,1	15,2	-24,5

Net assets

Analysis of net assets and capital structure

The company’s net assets and capital structure developed as follows year-on-year:

	12/31/2023		12/31/2022*	
	in EUR million	in %	in EUR million	in %
Non-current assets	65.7	44.2	67.1	48.5
Current assets	82.8	55.8	71.3	51.5
Assets	**148.5**	**100.0**	138.4	100.0
Equity	95.1	64.0	93.9	67.9
Non-current liabilities	4.7	3.2	4.9	3.5
Current liabilities	48.7	32.8	39.6	28.6
Equity and liabilities	**148.5**	**100.0**	138.4	100.0

*Prior year values adjusted, see note B for further details.

Compared to 31 December 2022, non-current assets decreased by EUR 1.4 million to EUR 65.7 million. The change resulted from an increase in capitalized development costs (+ 0.8 million euros) and a decrease in property, plant and equipment (-2.0 million euros). Deferred tax assets fell by EUR 0.7 million.

The increase in current assets from EUR 71.3 million in the previous year to EUR 82.8 million as at 31 December 2023 is mainly due to the increase in trade receivables by EUR 9.0 million and in inventories by EUR 3.6 million. The increase in trade receivables is due to the reporting date and results from a December with strong sales. In contrast, cash and cash equivalents fell by EUR 2.1 million to EUR 10.7 million. Other assets rose by EUR 0.7 million to EUR 3.5 million compared to the previous year.

Non-current liabilities decreased by EUR 0.2 million due to the premature repayment of long-term loans (EUR - 0.3 million). The adjustment of the previous year values of leasing liabilities and pension provisions lead to an EUR 0.6 million higher reporting of non-current liabilities and a reduction of net profit by the same amount as of 31 December 2023. Current liabilities rose by EUR 9.1 million to EUR 48.7 million. This is mainly due to the utilization of short-term loans (EUR 12.0 million) and an increase in accounts payable (+ EUR 2.3 million). Advance payments received sank by EUR 3.1 million.

Net working capital increased from EUR 26.0 million in the previous year to EUR 40.0 million. Higher trade receivables due to a December with strong sales, higher inventories and lower prepayments received could not fully be compensated by rising trade payables. The net working capital ratio increased accordingly from 21.0% to 32.2%.

The equity ratio fell from 67.9 % in 2022 to 64.1 % as of 31 December 2023.

Beyond that, the balance sheet structure has not changed significantly.

Multi-period overview of net assets

in EUR million		**2023**	2022	2021	2020	2019
ROCE	in %	3.5	7.1	0.1	9.0	25.5
Net working capital	in EUR million	40.0	26.0	19.3	20.5	17.1
Net working capital ratio	in %	32.2	21.0	20.6	21.3	12.2
Days sales outstanding	days	79	67	57	55	44

Days sales outstanding are calculated on the basis of the average receivables balances of the last four quarterly reporting dates divided by annual sales.

Capital expenditure

In the 2023 financial year, the Group continued to invest specifically in future growth. In addition to investments in LIDE production at the Garbsen site and in IT/software, an additional EUR 5.0 million (previous year: EUR 5.5 million) in development work was capitalized. Furthermore, replacement investments were made in property, plant and equipment. In total, investments in intangible assets and property, plant and equipment amounted to EUR 7.7 million (previous year: EUR 8.3 million). There are no investment obligations.

	Development services	Other assets	**Total**	Development services	other assets	Total
in EUR million			**2023**			2022
Electronics	2.0	1.4	3.4	1.8	0.7	2.5
Development	1.6	0.6	2.2	2.3	1.6	3.9
Welding	0.3	0.1	0.4	1.0	0.4	1.4
Solar	1.1	0.6	1.7	0.4	0.1	0.5
Total	5.0	2.7	**7.7**	5.5	2.8	8.3

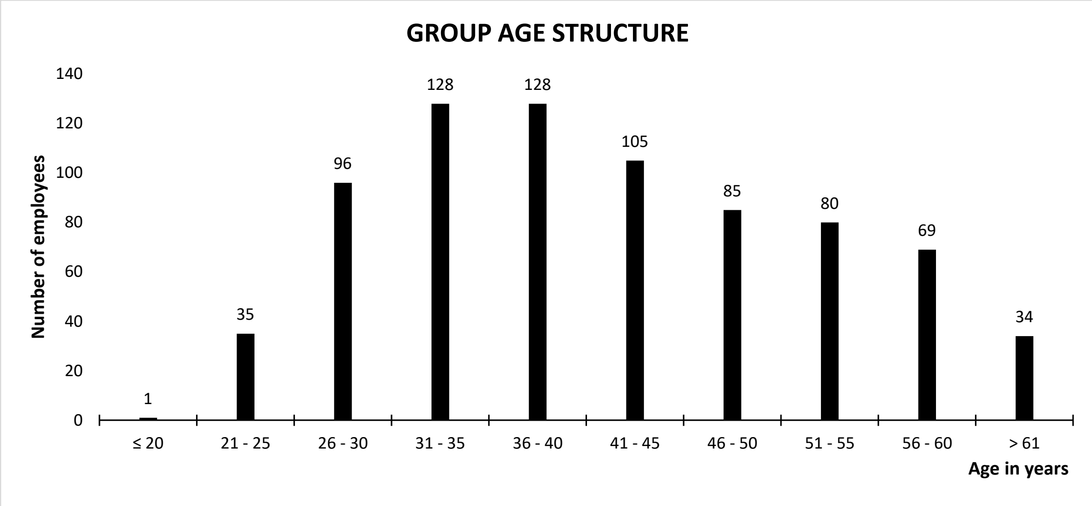
Employees

For a technology group like LPKF, highly qualified and motivated employees are a key to success. LPKF therefore pursues the goal of attracting motivated and well-trained employees and retaining them in the Group for the long term. Within the framework of human resources development, activities were continued in order to be well prepared for the requirements of the future. Since the 2022 business year, a Group-wide potential carrier system is implemented to identify and develop talents for filling management and key positions. LPKF trains electronics technicians for devices and systems, electronics technicians for automation technology, IT specialists for system integration, IT specialists for application development, industrial clerks, mechatronics technicians, microtechnologists and technical product designers to recruit qualified junior staff. On the balance sheet date, the Group employed 33 apprentices (2022: 32).

Sick leave and fluctuation rates are important indicators of employee motivation and loyalty to the company. The sickness rate in the LPKF Group decreased year-on-year from 6.1% to 5.6%. The staff turnover rate in the Group rose in 2023, from 9.8% in the previous year to 11.1%.

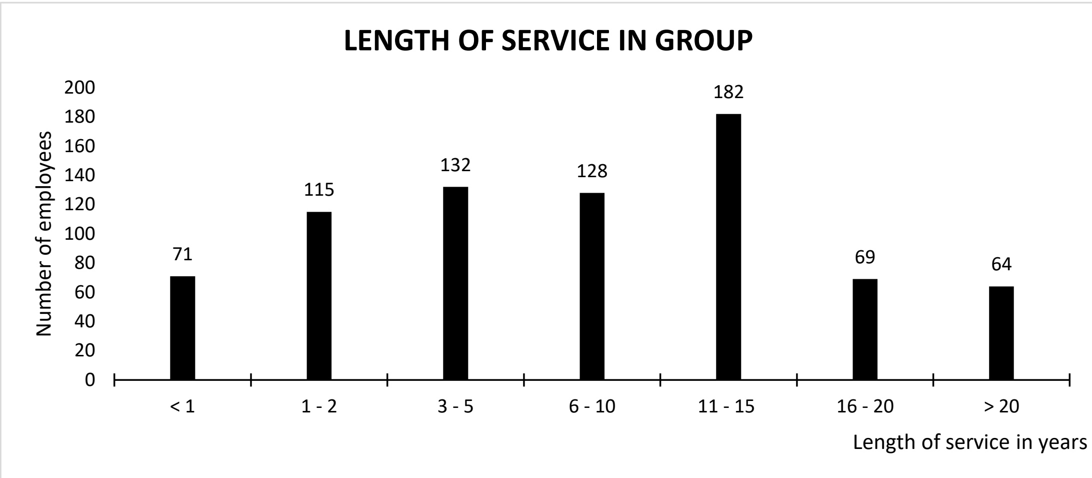
The average age of the workforce for the LPKF Group was 41.5 years (previous year: 41.3).

Age structure analysis in years, LPKF Group (excluding trainees)



Based on the current age structure and a balanced mix of years of service, LPKF is well positioned to face the challenges posed by demographic trends.

Distribution of length of service in years, LPKF Group (excluding trainees)



An analysis of the length of service of LPKF Group employees shows an average of 9.0 years (previous year: 8.9 years). LPKF has a healthy mix of experienced and new employees.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF LPKF SE (SINGLE ENTITY)

The annual financial statements of LPKF SE are prepared in accordance with the provisions of the German Commercial Code (HGB) and are published in the register of companies. The single entity is managed based on the same principles as the Group, on the basis of the IFRSs. By contrast, the disclosures in the net assets, financial position and results of operations are based on the HGB figures stated in the financial statements. On account of the single entity's large share of the value creation in the Group, LPKF refers to the statements in the "Corporate management" section and in the report on expected developments, which can also be extrapolated for the parent company.

Results of operations of LPKF SE

In the 2023 financial year, LPKF AG generated revenue of EUR 53.6 million (previous year: EUR 48.3 million). The Electronics segment generated revenue of EUR 28.9 million in 2023 (previous year: EUR 26.8 million); the Development segment achieved EUR 23.6 million (previous year: EUR 20.0 million). The percentage of revenue generated internationally was 85% (previous year: 86%).

Other operating income fell from EUR 4.6 million in the previous year to EUR 3.5 million and, in addition to income from affiliated companies, mainly includes income from funding for research and development projects of EUR 2.2 million (previous year: EUR 2.0 million).

The cost of materials ratio increased from 40.3% in the previous year to 40.4%.

Personnel expenses increased to EUR 23.9 million in the current business year (previous year: EUR 22.0 million). The number of employees increased slightly. While LPKF SE had an average of 302 employees in 2022, it had an average of 311 employees in 2023. The personnel expense ratio increased from 45.6 % in the previous year to 44.6 %.

Depreciation of fixed assets increased slightly compared to the previous year and amounted to EUR 2.5 million (previous year: EUR 2.1 million). Other operating expenses rose to EUR 17.7 million after EUR 17.2 million in the previous year. Especially the energy costs increased (+ EUR 0.4 million).

Despite the increased revenues, LPKF SE 2023 generated a negative EBIT of EUR 8.5 million (previous year: EUR -7.6 million). The financial result includes marginal distributions by LPKF (Tianjin) Co. Ltd., Tianjin / China (previous year: EUR 9.7 million). As a result of profit and loss transfer agreements with LPKF SolarQuipment GmbH and LPKF WeldingQuipment GmbH, LPKF SE assumed a positive contribution to earnings of EUR 7.9 million (previous year: EUR 6.4 million). Of this, a positive earnings contribution of EUR 7.0 million (previous year: EUR 3.6 million) is attributable to SolarQuipment and EUR 0.9 million (previous year: EUR 2.8 million) to WeldingQuipment.

After tax, the net loss for the year was EUR -1.2 million (previous year: net profit of EUR 4.4 million).

LPKF SE income statement

in EUR million	**2023**	2022
Revenue	53.6	48.3
Changes in inventory	0.3	-0.5
Other own work capitalized	0.0	0.6
Other operating income	3.5	4.6
Cost of materials	-21.8	-19.3
Personnel expenses	-23.9	-22.0
Depreciation, amortization and write-downs	-2.5	-2.1
Other operating expenses	-17.7	-17.2
Operating result	**-8.5**	-7.6
Financial result	**7.4**	18.3
Income taxes	-0.1	-6.2
Earnings after taxes	**-1.2**	4.5
Other taxes	0.0	-0.1
Net profit/ loss	**-1.2**	4.4
Accumulated losses brought forward from the previous year	23.6	19.2
Net retained profits	**22.4**	23.6

Net assets and financial position of LPKF SE

On 31 December 2023, LPKF SE's balance sheet total was EUR 108.8 million, up EUR 15.7 million on the previous year (EUR 93.1 million). EUR 3.5 million was invested in property, plant and equipment, intangible assets and investments in 2023, primarily in IT/software (previous year: EUR 3.0 million).

Inventories decreased by EUR -1.3 million to EUR 8.7 million. Receivables from affiliated companies amounted to EUR 43.9 million on the reporting date (previous year: EUR 27.8 million). They essentially comprise financial receivables, which are mainly due to profit transfers and loans extended to subsidiaries. Trade receivables fell from EUR 5.9 million to EUR 5.5 million compared to the previous year's reporting date.

Cash and cash equivalents increased slightly from EUR 7.7 million to EUR 8.4 million on the reporting date. Equity amounted to EUR 74.3 million as of 31.12.2023, EUR 1.2 million below the previous year's level. The equity ratio decreased to 68.3 % (previous year: 81.1 %). Two loans secured by land charges amounting to a total of EUR 0.5 million were repaid prematurely in 2023. The company utilized short-term draws from the syndicate loan concluded in 2023. Liabilities to banks therefore amounted to EUR 12.0 million on the balance sheet date after EUR 0.5 million in the previous year. Other liabilities mainly include liabilities to affiliated companies resulting from trade relationships as well as financing. After EUR 14.4 million in the previous year, the total amount of liabilities was EUR 28.5 million.

The company’s net assets and capital structure developed as follows year-on-year:

	12/31/2023		12/31/2022	
	in EUR million	in %	in EUR million	in %
Long-term assets	38.5	35.4	38.9	41.8
Short-term assets	70.3	64.6	54.2	58.2
Assets	**108.8**	**100.0**	93.1	100.0
Equity	74.3	68.3	75.5	81.1
Current liabilities	34.5	31.7	17.6	18.9
Equity and liabilities	**108.8**	**100.0**	93.1	100.0

Based on the high equity ratio, the Group's net cash position and the unutilized credit facilities, the Management Board considers LPKF SE's earnings position, net assets and financial position to be very solid.

Investments by LPKF SE

In the 2023 financial year, in addition to investments in IT/software, mainly replacement investments were made in property, plant and equipment. In total, investments in fixed assets amounted to EUR 3.5 million. Research and development expenses at LPKF SE amounted to EUR 7.9 million in 2023 (previous year: EUR 8.9 million).

Employees

LPKF SE had 319 employees on the reporting date, 24 more than in the previous year.

Dividend

LPKF SE's dividend policy is to distribute 30 - 50 % of the free cash flow as a dividend, although the current situation of the company, economic developments and possible investments, acquisitions or the sale of assets may lead to deviations from this principle.

LPKF did not generate positive free cash flow in the 2023 financial year. In the view of the Management Board and the Supervisory Board, further investments in LPKF's innovative technologies are essential in the current situation to enable sustainable and profitable growth in the coming years. For this reason, the Management Board will propose to the Annual General Meeting on June 5, 2024 that no dividend be distributed for the 2023 financial year. The financial resources from the retained earnings will be used specifically for the development and commercialization of future technologies. The company also did not distribute a dividend for 2022.

Risk Report

The development of LPKF SE's business is essentially subject to the same risks as the LPKF Group. These risks are explained in the risk report of the combined management report.

OVERALL ASSESSMENT OF THE GROUP'S ECONOMIC SITUATION

LPKF anticipates a mixed overall economic environment and further cost inflation in 2024.

LPKF continues to monitor the effects of the Russian war of aggression in Ukraine with concern. As in the previous year, LPKF has no business activities, receivables, employees or significant known risks in Russia and Ukraine in the reporting year.

LPKF counters potential liquidity risks with forward-looking, currency-differentiated liquidity and working capital planning. Currency-differentiated liquidity planning enables the LPKF Group to manage liquidity at an early stage. In addition to the main influences on cash flows, risks that could have an impact on the future liquidity situation are also taken into account. The LPKF Group is only moderately indebted. In addition to its own cash and cash equivalents, LPKF also has liquidity reserves of EUR 25.0 million in cash following the conclusion of a new syndicated loan in October 2023. In addition to cash, the syndicated loan also includes a guarantee facility of EUR 15.0 million. The syndicated loan is provided by five global financing partners, has a term of three years and can be adjusted in terms of both amount and term with the approval of the financing partners.

The Management Board considers the earnings, net assets and financial position to be solid and orderly. The Management Board continues to assume that the Group has sufficient resources to continue its business activities for at least another twelve months and that the going concern assumption is appropriate as the basis for accounting.

REPORT ON EXPECTED DEVELOPMENTS

MANAGEMENT'S ASSESSMENT OF THE GROUP'S EXPECTED DEVELOPMENT

Economic environment

Global economic growth is expected to weaken in the current year. Accumulated savings in private consumption will decrease and higher interest rates will dampen credit-financed consumption. In industry, high interest rates and the high risks on the sales side are having a dampening effect on demand for capital goods. For the current year, the Institute for the World Economy (IfW) is forecasting global economic growth of just 2.9%, followed by a slightly better figure of 3.2% in 2025. The International Monetary Fund (IMF) is forecasting slightly better growth of 3.1% for the current year.

For the advanced economies, the IfW is forecasting an increase in economic output of only 1.3% for the current year and 1.9% in 2025. The largest economy, the USA, is expected to grow moderately by 1.5% in 2024 and by 2.0% in 2025. For the European Union, the IfW forecasts growth of 0.9% in 2024 and 1.6% in 2025.

In the current year, the German economy is expected to develop moderately. The IfW forecasts low growth of 0.9% for 2024.

In contrast, significantly higher economic growth is expected for the emerging markets. The IfW is forecasting growth of 4.2% for 2024 and 4.3% for 2025, a subdued growth rate compared to the 4.6% in 2023. China is the biggest contributor here with forecast growth of 5.4%.

In addition to the general economic environment, the LPKF Group's business success is also influenced by developments in the electronics industry with a focus on consumer electronics, the automotive industry, the solar industry and the plastics processing industry. In addition to medical technology, biotechnology will also become increasingly important in the current financial year.

According to a study by Gartner, sales of smartphones will increase again in the electronics industry. The research firm expects an increase of 4.2% to 1.2 billion units in 2024.

According to IEA expectations, global electricity generation from photovoltaics will increase to an output of around 3,700 terawatt hours by 2028, mainly from photovoltaics. This means that the expansion of renewable energies will receive a further boost as a result of the global energy crisis. New technologies and products play an important role in this.

According to a study by IHS Markit, annual global consumption of plastics is set to double by 2030. The demand for new lightweight materials in automotive construction and new applications in medical and electrical engineering will contribute to this.

Within biotechnology, research firms estimate that the market for cell therapy in particular will grow strongly. According to Precedence Research, the global market for single-cell analysis will grow at a CAGR of 17.2% in the forecast period from 2023 to 2032.

Group performance

Despite higher forecasts, 2024 will be a challenging year for the advanced economies in particular. Declining order backlogs and continued high financing and energy costs in Europe will lead to weak and possibly fragile growth in the advanced economies.

Despite the uncertain economic outlook, LPKF sees growth opportunities for the Group in the current financial year.

LPKF's strategic focus is on developing innovative, less cyclical technologies that have the potential to permanently change products, components and manufacturing in the electronics, semiconductor and other industries.

In the opinion of the Management Board, the company is financially stable and sustainably profitable despite the current economic situation thanks to the strategic and operational measures successfully implemented in recent years. LPKF is in a position to expand its business activities by focusing even more strongly on customer needs and operational improvements. Investments in the development of new technologies and applications are being made in full despite the difficult economic conditions. The LPKF Group's significantly increased diversification in recent years has considerably reduced its dependence on individual market segments and customers. Only one major customer accounted for more than 10% of turnover.

The Management Board continues to see great potential to sustainably increase the company's turnover and earnings. This potential stems from the technologies mastered by LPKF, its ability to integrate these into high-performance solutions, the exceptional expertise of its employees and the resulting value added for its customers.

The Management Board anticipates the following developments for the future:

- Megatrends such as miniaturization, connectivity, CO2 neutrality and demographic change will result in high-precision manufacturing and analysis methods becoming more prevalent.
- Customer demand for efficient solutions to manufacture high-precision components and products remains high. The number of applications continues to increase. New product developments and distribution channels are proving their worth.
- LIDE technology is being used for volume production, e.g. in the semiconductor industry, and has good chances to establishing itself as a key technology in this area.
- Green energy will continue to gain importance, especially against the backdrop of the current energy crisis, and increase demand for efficient solar modules.
- Arralyze gives LPKF access to the growth market of biotechnology, which is developing very dynamically due to the aging population and the trend towards individual therapies.

The Management Board will continue to drive the company's growth in the current financial year with targeted measures:

- LPKF continues to invest in technology development to expand its leading position in laser micromaterial processing. In doing so, the company focuses on the specific parameters that are decisive for the economic success of its customers, giving its clients a concrete competitive advantage. LPKF also develops disruptive applications for new growth markets along its core competencies.
- The scalability of solutions for customers is being strengthened systematically; non-scalable solutions will not be pursued further in the long term.
- LPKF will specifically drive forward technologies that help customers save resources and produce more energy-efficiently.
- The LIDE technology and related applications in the field of advanced packaging will be further expanded and its establishment in various fields of application will be pushed forward.
- The company will strengthen its sales activities and further expand its market penetration in the individual segments.
- After-sales service will be further expanded as an additional growth platform.
- The organization, processes and systems will become scalable and aligned for future growth.
- The Management Board will also pursue possible growth through M&A activities, but only where the resulting increase in value is clearly visible.

LPKF will remain agile and flexible as a company in order to be able to react quickly to any changes in the economic environment. Overall, LPKF expects further profitable growth in the medium term even in a volatile economic environment. Financially, the company is and will remain well positioned and has the necessary funds for investments and further growth.

Development of significant indicators and outlook

Financial year 2023

Revenue in the 2023 financial year amounted to EUR 124.3 million, up 0.5% on the previous year. At EUR 3.7 million, EBIT was below the previous year's figure of EUR 6.5 million. The EBIT margin fell from 5.3% to 3.0%. EBIT in 2023 was negatively impacted by one-off effects of around EUR 0.7 million. These include severance costs and changes in the value of the long-term incentive (LTI) due to fluctuations in the performance factor or the share price. Adjusted for these special effects, EBIT* amounted to EUR 4.4 million, which corresponds to an adjusted EBIT margin of 3.5%.

ROCE reached 3.5% (previous year: 7.1%) and was therefore below the target value.

Due to the strong fourth quarter of 2023, capital tied up in working capital increased to EUR 40.0 million as at the reporting date (previous year: EUR 26.0 million). Higher customer receivables, higher inventories and lower advance payments received could not be offset by increased trade payables. The net working capital ratio rose from 21.0% in the previous year to 32.2%.

At EUR 120.1 million, incoming orders in the reporting period were 3.3% below the previous year's level of EUR 124.2 million. At EUR 58.9 million, the order backlog at the end of the year was 6.7% below the previous year's figure.

Forecast for the 2024 financial year

In an environment that remains uncertain, LPKF expects consolidated revenue of EUR 130 - 140 million and an adjusted EBIT margin of between 4% and 8% for the 2024 financial year, which corresponds to an adjusted EBIT of EUR 5.2 million to EUR 11.2 million.

The Management Board expects a moderate to strong reduction in net working capital and net working capital ratio for the Group. ROCE will essentially follow the earnings trend, while a strong increase in free cash flow is expected.

LPKF SE's revenue and earnings before interest and taxes are expected to increase slightly to moderately.

Ambition for the years ahead

In the medium term, the company continues to expect sustainable growth in all segments. LPKF expects mid to high single-digit growth rates for its core business. The markets addressed by the new strategic business initiatives in the semiconductor, display and biotechnology sectors are targeted to generate annual revenue contributions in the low three-digit million range. In addition, LPKF aims to achieve an attractive double-digit EBIT margin in the Group through scaling effects.

*Adjusted EBIT is EBIT adjusted for restructuring and severance costs and changes in the long-term incentive (LTI) due to fluctuations in the performance factor or the share price. LPKF expects these costs to amount to 0.5 - 1.5% of revenue in the 2024 financial year. Adjusted EBIT is reported in order to be able to compare operating profitability between periods by eliminating special items.

REPORT ON OPPORTUNITIES

OPPORTUNITY MANAGEMENT

As a technology company, LPKF does business in a dynamic market environment. New opportunities constantly arise from a changing technology landscape and new market requirements. Systematically identifying and leveraging these opportunities is a major factor for the sustainable growth of the LPKF Group. Opportunity management involves closely monitoring new markets, trends and applications, evaluating market analyses and regularly reviewing the product portfolio.

The business units and specialist product and innovation managers (Group Development) systematically seek out new technologies and applications. The responsibility for identifying opportunities in the product groups and markets lies with the product managers and international subsidiaries. In some cases, external consultants are also brought in. Results are regularly reported to the company’s management.

Opportunities also arise from improved market penetration, the ongoing dialog with existing customers and the evaluation of new possibilities of collaboration, the service and further operating improvements. These opportunities are systematically collected, analyzed and addressed by a customer relationship management tool.

If it is likely that opportunities will materialize, they are included in the planning and outlook for the coming years. The opportunities listed below focus on future trends or events that could result in a positive deviation for LPKF from the outlook given in the report on expected developments. Taking into account the existing estimation uncertainty, the opportunities presented below can make a substantial positive contribution to earnings. The opportunity profile for the Group and LPKF SE is identical. The following opportunities are listed in descending order of importance.

OPPORTUNITIES

1. New technology breakthroughs/expansion into new markets

In addition to its established markets, LPKF also focuses on adjacent growth areas and attractive new markets that offer promising growth and income opportunities. Moreover, LPKF aims to open up new markets and further cement its presence in existing markets by developing new products. The purpose of continuous market and technology monitoring is to identify market opportunities at an early stage. Based on this monitoring, technology studies are conducted, which provide an opportunity to register industrial property rights on novel solutions, among others.

2. Impact of megatrends

Dynamic megatrends such as miniaturization, connectivity, CO2 reduction and demographic change are driving business. The key factor in all these trends is that high-precision, clean and energy-efficient production methods are needed to enable innovation and progress. When customers choose to replace established processes, above-average growth is possible.

Miniaturization: Almost all electronic devices are becoming smaller and/or more powerful. Accordingly, more and more electronic components have to be integrated in the same amount or less space. Precision tools for manufacturing are becoming indispensable, and methods for high-precision plastic welding are increasingly used. Innovative solutions for semiconductor housings are being actively sought.

CO2 neutrality: Renewable energies are the key factor on the road to CO2 neutrality. The growing importance of solar energy in power generation requires precise and efficient manufacturing equipment. Electromobility is driving demand for battery module manufacturing tools. Overall, the importance of energy efficiency in manufacturing processes and end products is increasing.

Connectivity: Continuous innovations in mobile devices demand innovative manufacturing solutions for displays and designs. Growth and increasing complexity in high-frequency technology increase the need for rapid prototyping.

Aging population: Demographic change is leading to higher demand for medical technology and accessories worldwide. Drug development and personalized medicine require efficient solutions for single cell analysis.

3. Further development of the existing product portfolio

LPKF updates its product portfolio on an ongoing basis, aligning this activity with signals from customers, technological progress outside the company and changing markets. At the same time, it also pursues its own research and development to fuel innovations. The company thus aims to always be prepared to meet future customer needs, anticipate trends and actively create new market demand through its own innovative processes. LPKF ensures its ability to innovate for the future by closely networking its development departments with product managers, sales and service as well as investing approx. 10% of revenue p.a. in research and development. The continuous development of the product portfolio can lead to changes in the product mix. These changes present risks as well as opportunities.

4. Improving market penetration

LPKF works to continuously improve its market penetration in different regions and sectors, and for potential applications and customer groups. Experience and customer relationships are exploited to find additional areas of application and sales potential. Going forward, LPKF intends to further expand and generally professionalize this systematic, often comprehensive market development approach in order to achieve more profitable growth with both new and successfully established products. This includes the sale of machinery, services and – increasingly – production services as well.

5. Operating improvements

Potential for improvements in costs and use of the company’s capital is continuously monitored and actively pursued. This includes improving working capital and cash flow over the long term. The level of overall cost discipline throughout the company viewed as high by the Management Board is being maintained. This also applies to programs to reduce inventories and trade receivables. Sub-projects in the area of inventory optimization were initially interrupted due to the tense procurement situation and resumed at the end of the year. The company also aims to achieve a higher degree of operational efficiency, thereby increasing scalability and reducing costs in the long term. These measures make a significant contribution to maintaining and enhancing the company's competitiveness and profitability.

6. **Independence of individual markets as a result of broad positioning**

LPKF's strategy to build on its core competencies and expand into different markets has a potentially stabilizing effect against the backdrop of cyclical markets. The various markets served by LPKF often have asynchronous and different industry cycles. This strategy also offers low sensitivity to the technological cycles of LPKF's own products.

7. **Business organization**

The consistent alignment of the corporate structure to the corporate strategy has created one of the key conditions for exploiting opportunities for further growth. The Group's organization and internal processes are continually future-proofed, made leaner and faster, and focused on market proximity and profitable growth. Going forward, LPKF intends to use economies of scale more intensively and, at the same time, make general and administration functions leaner and more productive.

8. **Takeover of external companies with strategically relevant expertise**

In the Management Board's opinion, LPKF has a broad product portfolio and many ideas for further developing products and uncovering new market opportunities. This is why organic growth is at the forefront of its corporate strategy. Nonetheless, the company also pursues opportunities for anorganic growth that could come from acquiring patents, companies or personnel with strategically relevant expertise.

RISK REPORT

DESCRIPTION OF THE INTERNAL CONTROL SYSTEM

Overview

The internal control system (ICS for short) comprises the principles, procedures and measures introduced by LPKF management that focus on the organizational implementation of management decisions and legal requirements with the aim of safeguarding the company's assets and boosting its operating efficiency.

The ongoing development of the ICS involves analyzing the company's functional areas on an ongoing basis, for example through audits, workshops, and internal audits, and assessing the probability of losses occurring in these areas and the extent of potential losses.

The Management Board organizes the structure of the individual units and constantly adjusts workflows based on the findings gathered from the ICS. Essential principles that apply include separation of functions, the principle of dual control and restricted access to IT systems. Examples of these can be seen in signature regulations, process workflows, approval requirements for significant transactions and IT access authorizations.

The results of internal audits are presented to the Supervisory Board and are processed in a timely manner. Follow-up audits ensure that the agreed implementation of the findings is monitored and documented regularly. Implementation is the responsibility of the Management Board. The risk profile of the Group and LPKF SE is identical.

Risk management system*

Opportunity and Risk management is pursued actively at LPKF. Different reporting tools are implemented for this purpose.

Risk management at LPKF involves the formulation and implementation of measures suitable for identifying existing risks, hedging them, reducing the probability of their occurring, mitigating them, or consciously accepting them to a reasonable extent. Risks in this sense are positive as well as negative deviations from corporate planning, which have a material character. Repeated opportunity and risk management ensures anticipatory and recurring identification and control of opportunities and risks. The opportunity and risk management system is interlinked with the ICS and compliance management.

* The disclosures in this paragraph (overall statement on the effectiveness of the risk management and internal control system) were made in accordance with the new requirements of the German Corporate Governance Code 2022. They are to be classified as "unrelated to the management report" as they go beyond the statutory requirements and are therefore not part of the substantive audit by the auditor.

The main features of the compliance management system are published at www.lpkf.com/de/unternehmen/compliance-management. Information on the integration of ESG objectives and risks into the ICS and risk management system can be found in the separate non-financial Group report to be published at the end of April 2024 (https://www.lpkf.com/en/company/sustainability).

The risk early warning in particular is a fundamental element in the planning and implementation of LPKF's business strategy. Strategic planning and the associated reporting system are particularly important.

The Management Board of LPKF SE is responsible for risk policy and the internal control and risk management system. The second- and third-level local management staff implement these control functions in each of the Group's organizational units. In this way, the responsible employees can use suitable and effective means to identify new risks quickly and directly where they arise and then report them to the risk manager. A central database is used for reporting.

A risk report is submitted to the Management Board on a monthly basis and to the entire Supervisory Board on a quarterly basis. In addition to regular reporting on identified risks, ad hoc reports must be prepared as needed on all risks that occur unexpectedly. The risk manager reports directly to the Management Board. The risk management system is subject to regular audits by internal auditing.

Based on this, the Board of Management has no indication that the internal control system or the risk management system in their respective entirety were not adequate or effective as of 31 December 2023.

In the 2023 financial year as in previous years, existing and potential opportunities and risks were reassessed, and the reporting system was reviewed to ascertain its efficiency in managing risks. This is particularly the case in view of the increased requirements resulting from the IDW PS 340 auditing standard. A database-supported reporting system has been installed.

An international firm of public auditors performs internal auditing tasks for the entire LPKF Group. These audits are based on a multiyear audit plan agreed with the Supervisory Board or the Audit, Risk and ESG Committee.

Description of internal control and risk management system relevant to the accounting process

The internal control system with regard to the accounting process pursues the objective of securing the correctness and effectiveness of accounting and financial reporting. It is designed on the basis of the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control - Integrated Framework), is continuously developed further and is an integral part of the accounting and financial reporting processes in the organizational units and companies.

The control system includes policies, procedures, and preventive and detective controls. The effectiveness of the internal control system with regard to the accounting process is systematically assessed. It is initiated by a risk analysis and a control definition with the aim of identifying significant control weaknesses for the accounting and financial reporting processes in the main companies, organizational units and corporate functions. The necessary controls are defined in accordance with central requirements and documented at the organizational unit level. To assess the effectiveness of the controls, tests are performed regularly on the basis of random samples. These form the basis for a self-assessment of whether the controls are appropriately designed and effective. The results of this self-assessment are documented and reported by a central unit and identified control weaknesses are addressed. Non-accounting-related controls are also documented at central level. The assessed organizational units regularly confirm the effectiveness of the internal control system with regard to the accounting process.

The Management Board, the Audit, Risk and ESG Committee and the Supervisory Board are regularly informed about potential material control weaknesses and the effectiveness of the controls in place.

Internal Auditing checks at (irregular) intervals whether the legal framework and internal Group guidelines for the Group's control and risk management system are being complied with. If necessary, measures are initiated in cooperation with the respective management.

The auditor reviews the risk early warning system integrated into the risk management system to determine whether it is fundamentally suitable for identifying any risks at an early stage that might jeopardize the continued existence of the company. In addition, the auditor reports to the Audit Committee and the Supervisory Board as part of the audit of the financial statements on any significant weaknesses identified in the accounting-related internal control and risk management system.

SPECIFIC RISKS

The risk management process currently involves dealing in detail with the specific risks listed in the table below, which could have a significant impact on the LPKF Group's business, as well as its net assets, financial position and results of operations.

The following risks in particular are given high priority and are shown in the table according to risk-minimizing measures (net presentation)*:

Specific risk (segment)	Qualitative probability of occurrence		Possible financial effects	
	Category	in %	Category	Loss amount
Market acceptance of new technologies (Solar, Development)	POSSIBLE	over 25% and up to 50%	MODERATE	up to EUR 5 million
Personnel risks relating to key functions (all segments)	LESS LIKELY	up to 25%	MODERATE	up to EUR 5 million
Supply shortage (all segments)	LESS LIKELY	up to 25%	MODERATE	up to EUR 5 million
Recession (all segments)	Reviewed and assessed regularly outside the control system schematic			

* Previous year's figures are shown in parentheses if they have changed. The loss amount corresponds to the expected value, i.e. the maximum net loss amount multiplied by the probability of occurrence.

The company reviews the potential impact of the risks on all business segments on a continuous basis. In particular, the risk of a recession could lead not only to supply problems, but also to a sales risk if customers become more restrained for financial reasons. Order and sales risks are therefore discussed regularly by the Management Board individually with all business unit managers and appropriate measures are derived.

Credit risk management to assess potential customer default risks is being performed in detail. LPKF is protected against material payment defaults by a broad-based trade credit insurance policy. Further safeguards have been put in place through a combination of credit checks, agreement of specific payment terms and a policy requiring customers to make advance payments before delivery, particularly where trade credit insurance policies are not effective.

Neither from a Group perspective nor from the perspective of LPKF SE the company sees any risks that jeopardize its continued existence at present, and no such risks for the future can currently be identified.

General business risks are monitored regularly along with all other risks and reassessed where necessary. To provide an overview of the possible general business risks, they are set out below alongside the high priority risks.

Other risks that are currently unknown or that are currently (still) considered negligible could also have a negative impact on business.

Market acceptance

Cause

As a technology company, LPKF primarily supplies manufacturing solutions and laboratory systems for current and future technical issues. There is a risk that the demand for LPKF's manufacturing technologies will be adversely affected by changes in end customer markets or that markets will not accept the new technologies developed by LPKF at all or only to a limited degree. In the markets, some of which can be quite cyclical, there is an additional risk when the capacity and willingness to invest in new technology diminishes temporarily in response to the state of the economy. The emergence of competing techniques can lead to declining revenue and income, particularly if these techniques prove to be technologically and/or economically advantageous.

The competitive situation and rapidly changing technological requirements are associated with risks that apply to all the segments. LPKF's success depends significantly on the speed and quality with which new products can be developed to market readiness and customers can be convinced of the developed technologies.

Measures

Permanent follow-up by the Management Board is an integral part of the risk management system to review the sustainable value of new developments and integrate these findings in the product strategy. This follow-up also involves the business unit heads and technology management. The development of high-quality products in a structured, expeditious flow of development projects is underpinned by a structured idea generation and development process. In addition to frequently achieving cost benefits by investing in LPKF's technology, the company's customers can also receive competitive benefits and harness the associated market opportunities. This requires continuous engagement with the market and close contact with end customers. This approach has made it possible to repeatedly replace established technologies with laser-based processes. New applications are developed and promoted for existing technologies. The technologies are also protected by patents.

Effects on economic situation

On the whole, innovation is critically important for the LPKF Group. The competitive situation and rapidly changing technological requirements call for a flexible and dynamic development process. The probability of occurrence of market acceptance risks is currently viewed as possible, and the financial effects are considered moderate (see table on specific risks).

Personnel risks

Cause

Demand for qualified technical and non-technical personnel in the mechanical engineering and manufacturing industry in general – especially for high-tech companies – is extremely high. The situation with regard to finding suitable candidates to fill positions has become more demanding in recent years as a result of the growing skills shortage even though, from the Management Board's point of view, LPKF's reputation and technology still make it an attractive employer – particularly for engineers and software developers.

Due to the fact that LPKF's staff are highly qualified, all segments are exposed to the risk of losing key employees with important expertise as a result of headhunting and not being able to fill vacancies in a timely manner.

Measures

An attractive working environment and development opportunities within the LPKF Group are offered to employees to retain top performers at the company. Particular emphasis is placed on individual flexibility, remuneration that reflects performance and a good working environment. Executives have an important role to play in maintaining employee satisfaction and retaining staff. Leadership issues have been the focal point of many discussions and meetings, including at management events. Training for junior managers and managers prepares future and current managers for this task.

LPKF conducted an employee share program for the fifth time in succession during the reporting year. The high participation rate of around 36% reflected the strong employee loyalty. HR marketing was continued over the reporting period, particularly on social media, but was also intensified at job and product fairs once again to enhance LPKF's profile on the labor market as an attractive employer among small and medium-sized high-tech mechanical engineering firms.

Effects on economic situation

A steadily increasing shortage of skilled workers, especially in the German labor market, presents LPKF with the challenge of recruiting qualified personnel. Although LPKF has been able to fill the majority of vacancies thanks to an attractive working environment, university contacts and a growing level of awareness in the laser industry, a longer time horizon is often required than before.

There is also a cross-segment risk of losing personnel with key qualifications and important know-how through headhunting. The probability of occurrence is currently assessed as less likely. The financial impact can be described as moderate (see table on specific risks).

Supply shortage

Cause

Originally owing to the COVID pandemic, but also as a consequence of the war in Ukraine and most recently due to the escalation of violence in the Middle East, there is the risk that suppliers will not be able to make deliveries on schedule or at all. This could lead to delays in the manufacture of machinery and thus in the fulfillment of customer orders.

Measures

LPKF can generally source most components via several suppliers. In line with this aim, work has been done over recent years to develop the supplier base further. There is close communication with suppliers in order to obtain information on potential supply shortages at an early stage and thus maintain a better planning horizon. In parallel to this, a concept for alternative components has been worked on in close cooperation with research and development in order to be able to bypass potential supply shortages. Where necessary and expedient, certain particularly heavy components can be switched from the usual sea freight to air freight.

Effects on economic situation

The procurement situation has a significant impact on the revenue and profits the Group is able to realize. However, thanks to the extensive measures taken, the probability of occurrence of this risk is currently viewed as less likely, and the financial effects are considered moderate (see table on specific risks).

General business risks

Cause

LPKF operates internationally in a fast-paced and ever-changing environment. The company's customers are exposed to considerable cost and competitive pressures as well as curtailed investment budgets. Business in LPKF's target markets is cyclical and project-driven, with particularly strong fluctuations in the electronics industry as well as the automotive and solar industries.

Economic fluctuations have a strong impact on investment in production equipment. Customers' risk appetite and willingness to expand capacities or introduce new technologies is limited, especially in markets outside Asia. New investments are often only made when future utilization of such equipment appears assured by tangible orders from customers.

LPKF is also exposed to risks associated with a rapidly changing technological environment. The availability of high-quality components enables new players to bring to market cost-efficient competitive products or alternative techniques.

The systematic development of new technologies and business segments is generally associated with the risk that the planned business model may fail to meet its targets. There is also the risk that new technologies may not be accepted by the market overall or may be accepted only after a considerable time lag.

Product liability risks in connection with patents and warranty of title arise to different degrees in all segments. There is also the risk that recall costs may be incurred.

Last but not least, risks may also arise from possible changes in laws, e.g. with respect to the import of capital goods to China or other important markets such as the US.

Measures

To continue expanding the various business areas, it is important to have a robust innovation and product management system with state-of-the-art technology and to be in close contact with customers in close proximity to the market. Overall, at least 10% of revenue will continue to be invested in research and development in the future.

To compensate for fluctuations in the utilization of capacities, LPKF is focusing on flexible structures in production and on collaboration between the LPKF production locations. In addition, peak capacity utilization levels are covered by way of external production service providers and recourse to temporary workers. In the case of lower capacity utilization levels, the depth of production can be increased.

Existing product liability risks are covered by insurance policies where possible. The same applies to potential product recalls.

Effects on economic situation

On account of the measures already in place and in the pipeline, occurrence of the risks described above is classed as very low, such that these general business risks are not considered a high priority.

Other risks

In addition to the significant risks described above, the Group is also exposed to the following risks, among others:

Exchange rate fluctuations

Cause

LPKF is exposed to foreign currency risks on account of its strong export focus and its international customer base. The exchange rates between foreign currencies and the euro can undergo major fluctuations. For LPKF, the main fluctuations are those with regard to the US dollar (USD) and the Chinese renminbi (CNY). This risk also includes obligations from hedging relationships entered into that arise from delays in the underlying transaction (e.g., late receipt of a foreign currency payment). As a rule, the LPKF Group endeavors to conclude contracts in euros, but some businesses transactions with international customers are also billed in foreign currencies. If business transactions are invoiced in euros, exchange rate volatility can have an indirect impact on LPKF's competitiveness because most of its competitors are not from the eurozone and material costs at LPKF are incurred in euros.

Measures

Foreign currency risks in the operating and financial areas of the company are identified, monitored and reported on continuously. To protect itself against exchange rate risks from foreign currency transactions, where possible LPKF creates natural hedges through corresponding sourcing in these currencies. To cover any residual material foreign currency exposure, LPKF also engages in hedging in the form of forward exchange transactions. This part of risk management is handled centrally by LPKF SE in Garbsen, Germany, and where required also on behalf of subsidiaries. Most of the foreign currency cash flow is used either for procuring materials in the same currency or hedged by engaging in forward exchange transactions.

Effects on economic situation

Fluctuations in exchange rates can have a moderately positive or negative effect on earnings and on competitiveness. Counter measures are permanently reviewed and implemented as far as possible.

Explanations on risks from the use of financial instruments can also be found in the notes to the consolidated statements in the "Other disclosures" section.

Financing

Cause

The LPKF Group is exposed to a liquidity risk due to its business model. LPKF finances a significant part of its research, development and market development, as well as the manufacture of its own products. The company's liquidity situation varies depending on the amount of its working capital. Besides running costs, liquidity outflows are largely determined by the order situation in combination with the procurement of materials. Liquidity inflows depend on advance payments received from customers as well as payment terms. Delays in cash flows primarily result from the delayed acceptance of products or complaints. In October 2023, LPKF concluded a syndicated loan agreement for EUR 40.0 million to offset this liquidity risk. The syndicated loan enables LPKF to access liquidity of EUR 25.0 million and a further EUR 15.0 million via guarantee lines. The agreement has a term of three years and by agreement with the lender can be extended on two occasions by one year at a time. It is necessary to meet various financial ratios in order to have continuous access to the liquidity under the loan agreement during the term of the agreement. Compliance with these ratios is checked at regular intervals. This involves the regular exchange of information between departments. Under certain circumstances, not meeting the financial ratios can lead to termination of the loan agreement.

Measures

A liquidity shortage can be averted through regular liquidity planning in order to identify potential deficits at an early stage. In addition, receivables and liabilities are regularly checked for payability. Receivables management includes recurring dunning runs and consultation with the relevant sales units regarding overdue trade receivables. In addition, a worldwide cash status is prepared and sent to the Chief Financial Officer on a weekly basis.

Unplanned liquidity outflows are offset by the working capital lines under the syndicated loan agreement. In order to ensure the syndicated loan agreement can be utilized on a continuous basis, compliance with the financial covenants is regularly checked in forecast and planning scenarios.

Furthermore, LPKF continually evaluates different financing options such as factoring and reverse factoring. In terms of capital market access via the company's listed shares, there is also the option to increase authorized capital in the form of new shares or to issue a convertible bond.

Effects on economic situation

Solvency is a key factor for the LPKF Group. Care is taken to meet financial obligations at all times. Failure to meet payment obligations can lead to a deterioration in the company's credit rating, shorter payment terms, increasing financing costs and even termination of contractual relationships. The liquidity situation is therefore checked regularly and monitored on an ongoing basis.

IT risks

Cause

As an international company with extensive information and advanced IT systems, the Group considers itself potentially exposed to risks such as industrial espionage or disruptions by internal or external factors, similarly to other innovative companies.

Measures

In order to counter such risks, LPKF has a redundant IT infrastructure that is largely implemented using Cloud solutions. Further security measures include restrictive granting of access rights, maintaining distributed backups of critical data and using various IT security technologies. A new development is the introduction of a 24/7 Security Operations Center (SOC) that continuously monitors for and responds rapidly to security incidents. LPKF also conducts training for all employees and subjects the IT security measures to regular internal and external testing aligned with national and international standards. The results of these tests are structured for management reporting and are used by management as a basis for planning and decision-making on future risk management. IT security technology has been specifically optimized for remote working and all the required services are accessible to employees remotely and securely.

Effects on economic situation

Although many security measures are costly to implement, they make it possible to classify risks and possible losses as moderate. LPKF is insured against cyberrisks. Despite the continuous further development of IT security, there remains a small residual risk that cannot be fully excluded.

MANAGEMENT’S ASSESSMENT OF THE GROUP’S RISK SITUATION

The global political situation remains strained at the start of 2024, while economic development is expected to be modest. The financial situation is stable due to LPKF’s solid financial and earnings position and good market position, which continues to allow the company to carry out its planned investments. The various individual risks only have a limited influence on the overall risk situation of the Group.

The review of LPKF's overall risk situation has led to the conclusion that there are currently no concrete risks to the Group's continued existence as a going concern.

Pursuant to Section 317 (4) of the German Commercial Code (HGB) in conjunction with Section 91 (2) of the German Stock Corporation Act (AktG), the auditor of LPKF SE also examines whether the existing risk early warning system can fulfill its task with regard to potential risks to the company as a going concern.

SUPPLEMENTARY REPORT

DISCLOSURES ON PARTICULARLY SIGNIFICANT EVENTS

No events occurred after the end of the 2023 financial year that are of particular significance for the Group's net assets, financial position and results of operations.

CORPORATE GOVERNANCE DECLARATION

The corporate governance declaration pursuant to Sections 289f and 315d of the German Commercial Code is part of the combined management report. The declaration is available for the public on LPKF SE's website and included in the corporate governance report.

TAKEOVER-RELATED DISCLOSURES

The takeover-related disclosures required under Section 289a and Section 315a of the German Commercial Code are shown below. The subsequent explanation of these disclosures also meets the requirements of an explanatory report as defined in Section 176 (1) sentence 1 of the German Stock Corporation Act.

COMPOSITION OF SUBSCRIBED CAPITAL

On 31 December 2022, LPKF SE's subscribed capital was EUR 24,496,546.00. The share capital is made up of 24,496,546 no-par value ordinary bearer shares (no-par shares). No preferred shares have been issued. One no-par share represents a pro-rata interest of EUR 1.00 in the share capital and (with the exception of own shares) one vote at the Annual General Meeting. The rights and obligations of the no-par shares comply with the relevant requirements of the German Stock Corporation Act, specifically in Sections 12, 53a et seq., 118 et seq. and 186 in conjunction with Article 9 (1) c) (jj) and Article 5 of the SE Regulation. Both the exercising of voting rights and the transfer of shares are subject solely to legal limits.

DIRECT AND INDIRECT INTERESTS IN THE SHARE CAPITAL EXCEEDING 10% OF THE VOTING RIGHTS

To the best of LPKF's knowledge, there are no direct or indirect interests in the share capital exceeding 10% of the voting rights as of the reporting date.

LEGAL REGULATIONS AND PROVISIONS OF THE ARTICLES OF INCORPORATION ON APPOINTING AND DISMISSING MEMBERS OF THE MANAGEMENT BOARD AND ON AMENDING THE ARTICLES OF INCORPORATION

The provisions on appointing and dismissing members of the Management Board and on amending the Articles of Incorporation comply with the respective requirements of the SE Regulation, the SE Implementation Act, the German Stock Corporation Act and the Articles of Incorporation. Complementing Articles 39 (2) and 46 of the SE Regulation and Sections 84 and 85 of the German Stock Corporation Act, Article 6 of the company's Articles of Incorporation governs the Management Board's composition as follows: The Management Board shall comprise one or more persons. The Supervisory Board shall determine the number of Management Board members. The members of the Management Board shall be appointed and dismissed by the Supervisory Board (Section 84 of the German Stock Corporation Act, Article 39 (2) subparagraph 1 of the SE Regulation). If the Management Board comprises more than one person, the Supervisory Board may appoint a chairperson. The Supervisory Board is entitled to appoint deputy members of the Management Board. They have the same rights as the regular members of the Management Board when representing the company vis-a-vis third parties. Members of the Management Board shall be appointed for a maximum of five years. Reappointments are permissible for a maximum of five years in each case.

Subject to other overriding legal provisions, amendments to the Articles of Incorporation require a majority of two thirds of the votes cast or, if at least half the share capital is represented, a simple majority of the votes cast (Article 59 (1) and (2) of the SE Regulation in conjunction with Section 51 of the SE Implementation Act and Section 24 (1) of the Articles of Incorporation). In cases where the law also requires resolutions to be passed by means of a majority of the share capital represented, a simple majority of the share capital represented in the passing of the resolution shall suffice, unless the law mandates a larger majority (Article 24 (1) of the Articles of Incorporation).

The Supervisory Board is authorized under Article 11 (2) of the Articles of Incorporation to make amendments that relate solely to their wording.

MANAGEMENT BOARD AUTHORIZATIONS TO ISSUE AND BUY BACK SHARES

The Management Board is authorized by resolution of the scheduled Annual General Meeting on 4 June 2020, subject to the Supervisory Board’s prior approval, to buy back own shares until 3 June 2025 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 higher. Together with other own shares held by the company or attributable to it in accordance with Sections 71d and 71e of the German Stock Corporation Act, the shares acquired may at no time account for more than 10% of the share capital. The authorization may not be used for the purpose of trading in own shares. The authorization may be exercised in whole or in part, on one or more occasions, in pursuit of one or more purposes by the company or companies dependent upon it or majority-owned by it, or by third parties acting on their behalf or on behalf of the company. The Management Board is authorized, with the prior approval of the Supervisory Board, to disapply shareholders’ put options when acquiring or their pre-emption rights when using their own shares in certain cases.

In November 2023, LPKF bought back a total of 20,335 shares via a middleman under an employee participation program pursuant to Section 71 (1) no. 2 of the German Stock Corporation Act. The shares were transferred to employees in line with the program terms and conditions.

By the resolution adopted by the scheduled Annual General Meeting on 20 May 2021, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital once or repeatedly until 19 May 2024 by up to a total of EUR 4,899,309.00 by issuing up to 4,899,309 new no-par value bearer shares in return for contributions in cash or in kind (Authorized Capital 2021). Shareholders shall generally be granted a pre-emption right. However, the Management Board was authorized, in certain cases and within certain capital limits, to disapply shareholders' pre-emption rights. This authorization was not utilized in the past financial year.

In connection with the authorization resolved by the Annual General Meeting on 20 May 2021 to issue warrant bonds and/or convertible bonds up to 19 May 2024 with a total nominal value of up to EUR 200,000,000.00, with the option to disapply pre-emption rights in certain cases and within certain capital limits, the company's share capital is contingently increased by up to EUR 4,899,309.00 by issuing up to 4,899,309 new no-par value bearer shares (Contingent Capital 2021/I). The contingent capital increase will only be implemented to the extent that the bearers or creditors of warrant bonds and/or convertible bonds utilize their warrant or conversion rights or fulfill their conversion obligations or the company exercises an option instead of paying the amount of money due for no-par value shares of the company. The Management Board did not utilize this authorization in the past financial year.

More detailed information can be found in the relevant authorization resolution.

CHANGE-OF-CONTROL PROVISIONS

Some of the financing agreements and other contractual obligations of the LPKF Group contain change-of-control clauses. These contractual clauses govern the rights of the contracting parties with respect to a change of control in the ownership structure of the LPKF Group. In the event of a significant change in the ownership structure, the contracting party often has a special right of termination.

The employment contracts of the current Management Board members each include a change-of-control clause. Accordingly, in the event of a change of control, Management Board members have a one-time special right to terminate their employment contract with a notice period of six months, to end at the end of a month, and to step down from their post on the termination date.

In the event that the Company terminates the employment contract without due cause for the termination attributable to the Management Board, the Management Board member shall receive a compensation payment of up to two year's fixed compensation (gross), but not exceeding the compensation for the remaining term of the contract after expiry of the notice period. This compensation shall be offset against the compensation in connection with the post-contractual non-competition clause.

The other disclosures required by Sections 289a and 315a of the German Commercial Code relate to circumstances that do not exist at LPKF SE.

CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

For the LPKF Group and LPKF Laser & Electronics SE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM 1 JANUARY TO 31 DECEMBER 2023

in EUR thousand	Note	**2023**	2022* Adjusted
Revenue	1	124,337	123,699
Changes in inventory		1,529	-5,209
Other own work capitalized	2	5,328	6,282
Other income	3	4,214	4,235
Cost of materials	4	-43,724	-38,026
Staff costs	5	-52,357	-49,484
Depreciation, amortization and write-downs*	6	-9,114	-8,597
Impairment expenses (including reversals) on financial assets and contract assets	30	-61	-77
Other expenses*	7	-26,459	-26,308
Operating Result (EBIT)	8	**3,693**	6,515
Finance income	9	12	25
Finance costs*	9	-620	-399
Earnings before tax		**3,085**	6,141
Income taxes	10	-1,331	-4,753
Period result		**1,754**	1,388
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluations of defined benefit plans	21	-338	83
Tax effects		0	-15
Items that will be reclassified to profit or loss			
Currency translation differences		-219	585
Other comprehensive income after taxes		**-557**	653
Total comprehensive income		**1,197**	2,041
Earnings per share (basic)	26	0.07	0.06
Earnings per share (diluted)	26	0.07	0.06

* After adjustments in accordance with IAS 8.41ff. (see note B.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2023

in EUR thousand	Note	**12/31/ 2023**	12/31/ 2022* Adjusted	01/01/ 2022* Adjusted
ASSETS				
Intangible assets and goodwill	11	22,043	20,731	19,072
Property, plant and equipment*	12	43,040	45,018	46,395
Trade receivables	14	23	27	696
Other financial assets*	15	301	355	387
Other non-financial assets	16	20	21	24
Deferred tax assets	18	245	916	2,766
Non-current assets		**65,672**	67,068	69,340
Inventories	13	31,269	27,677	28,536
Trade receivables	14	36,394	27,423	16,486
Income tax receivables		955	674	1,511
Other financial assets		0	0	13
Other non-financial assets	16	3,505	2,767	1,495
Cash and cash equivalents	17	10,678	12,785	15,167
Current assets		**82,801**	71,326	63,208
Total		**148,473**	138,394	132,548

* After adjustments in accordance with IAS 8.41ff. (see note B.)

in EUR thousand	Note	**12/31/ 2023**	12/31/ 2022* Adjusted	01/01/ 2022* Adjusted
EQUITY				
Subscribed capital		24,497	24,497	24,497
Capital reserve		15,463	15,463	15,463
Other reserves		12,174	12,731	12,078
Net retained profits		42,982	41,228	39,840
Equity	19	**95,116**	93,919	91,878
LIABILITIES				
Provisions for pensions and similar obligations*	21	346	363	599
Other financial liabilities*	23	1,391	1,705	2,834
Deferred income	20	374	383	676
Contract liabilities	1	99	227	141
Trade payables		172	0	0
Other provisions	22	185	30	68
Deferred tax liabilities	18	2,114	2,153	327
Non-current liabilities		**4,681**	4,861	4,645
Other provisions	22	3,067	3,476	2,270
Other financial liabilities*	23	12,216	1,742	2,768
Deferred income	20	88	88	0
Trade payables		9,790	7,505	7,213
Contract liabilities	1	17,647	21,347	19,081
Other liabilities	24	5,868	5,456	4,693
Current liabilities		**48,676**	39,614	36,025
Liabilities		**53,357**	44,475	40,670
Total		**148,473**	138,394	132,548

* After adjustments in accordance with IAS 8.41ff. (see note B.)

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM 1 JANUARY TO 31 DECEMBER 2023

in EUR thousand	Note	**2023**	2022* Adjusted
Cash flow from operating activities			
Period result*		1,754	1,388
Adjustments:			
Tax expenses		1,331	4,753
Financial expenses*		620	399
Financial income		-12	-25
Depreciation/amortization of non-current assets*		9,114	8,597
Gains/losses on the disposal of property, plant and equipment		2	0
Impairment losses/reversals	13, 14	1,156	1,444
Other non-cash expenses and income		-338	-58
Changes:			
Inventories (before depreciation)		-5,014	-325
Trade receivables		-9,335	-10,336
Other assets		-802	-1,376
Provisions		-149	1,081
Trade payables		2,291	280
Other liabilities		-2,995	2,894
Other:			
Income from interest		12	25
Income taxes paid		-1,001	-242
Cash flow from operating activities		**-3,366**	8,499
Cash flow from investing activities			
Investments in intangible assets		-5,933	-6,164
Investments in property, plant and equipment		-1,770	-2,134
Revenue from the disposal of assets		6	56
Other		-45	0
Cash flow from investing activities		**-7,742**	-8,242

in EUR thousand	Note	**2023**	2022* Adjusted
Cash flow from financing activities			
Dividends paid		0	0
Interest paid		-621	-399
Payments of lease liabilities*		-952	-827
Proceeds from the raising of (financial) loans		12,000	0
Payments for repaying loans		-1,712	-1,909
Cash flow from financing activities		**8,715**	-3,135
Change in cash and cash equivalents			
Increase (decrease) in cash and cash equivalents		**-2,393**	-2,878
Cash and cash equivalents as of 1 January		12,785	15,167
Effects of exchange rate changes on cash and cash equivalents*		286	496
Cash and cash equivalents as of 31 December	**17, 25**	**10,678**	12,785

* After adjustments in accordance with IAS 8.41ff. (see note B.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY TO 31 DECEMBER 2023

in EUR thousand	Subscribed capital	Capital reserve	Other retained earnings
As of 01/01/2023	24,497	15,463	10,529
Earnings after tax			
Other comprehensive income after taxes			
Total comprehensive income	0	0	0
Transactions with shareholders			
As of 12/31/2023	24,497	15,463	10,529

in EUR thousand	Subscribed capital	Capital reserve	Other retained earnings
As of 01/01/2022	24,497	15,463	10,529
Earnings after tax			
Other comprehensive income after taxes			
Total comprehensive income	0	0	0
Transactions with shareholders			
As of 12/31/2022	24,497	15,463	10,529

	Other reserves				
	Revaluations of defined benefit plans	Share-based payment reserve	Foreign currency translation reserve*	Net retained profits*	**Total equity**
	-208	490	1,920	41,228	**93,919**
				1,754	1,754
	-338		-219		-557
	-338	0	-219	1,754	**1,197**
	-546	490	1,701	42,982	**95,116**

	Other reserves				
	Revaluations of defined benefit plans	Share-based payment reserve	Foreign currency translation reserve*	Net retained profits*	**Total equity**
	-276	490	1,335	39,840	**91,878**
				1,388	1,388
	68		585		653
	68	0	585	1,388	**2,041**
	-208	490	1,920	41,228	**93,919**

* After adjustmentss in accordance with IAS 8.41ff. (see Note B.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2023 CONSOLIDATED FINANCIAL STATEMENTS

A. BASIC INFORMATION

LPKF Laser & Electronics SE and its subsidiaries (hereinafter the LPKF Group) develop and produce equipment and systems for electronics development and production. New laser-based technologies are particularly aimed at customers in the automotive, electronics and solar industries. The group also offers solutions for analyzing biological materials in the nanoliter range and produces glass components for customers from various industries in the LPKF Glass Foundry. LPKF Laser & Electronics SE is entered in the Commercial Register of the Hanover Local Court (Reg. No. 110740 B).

The company is a stock corporation under European law that was established and is headquartered in Germany. Its registered office is at:

Osteriede 7

30827 Garbsen

These consolidated financial statements were approved for publication by the Management Board on 18 March 2023.

B. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of LPKF Laser & Electronics SE, Garbsen, were prepared using uniform accounting policies. They take into account all International Financial Reporting Standards (IFRSs) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable on the reporting date and in the form applicable in the EU.

The consolidated financial statements were prepared on the basis of historical cost, limited by the measurement at fair value through profit or loss of financial assets and financial liabilities, including derivative financial instruments, and using the effective interest method.

The Management Board is maintaining its realistic expectation that the Group has sufficient resources to continue its operating activities for at least another twelve months and that the going concern assumption remains appropriate as a basis of accounting.

For the financial year ending 31 December 2023, the Group reported consolidated net profit of EUR 1,754 thousand. The Group recorded net working capital of EUR 39,979 thousand as of 31 December 2023. It is calculated from inventories plus trade receivables less trade payables and advances received. It reflects the net capital tied up in the reported items. As at the reporting date of 31 December 2023, the Group had cash and cash equivalents of EUR 10,678 thousand. In addition, as of 31 December 2023, there are commitments for credit facilities with the core banks of the LPKF Group totaling EUR 40.0 million that can be utilized in the event of additional liquidity requirements. EUR 15.0 million is allocated to a guarantee line and EUR 25.0 million to a credit line that is used for general corporate financing.

Economic development is currently uncertain and difficult to predict. In recent years, macroeconomic factors have changed again and again, depending on various influences. In the recent past, we have experienced a global pandemic, strong inflation, trade conflicts, war in Europe and the middle East, and geopolitical tension. The aforementioned factors may have a temporary negative impact on the LPKF Group's business performance.

The appropriateness of the going concern assumption as a basis of accounting is dependent on the Group’s ability to meet its loan conditions to ensure continued availability of capital. At the time of approval of the financial statements, the Group has sufficient headroom with regard to its credit facilities.

In response to a severe negative scenario, the Management Board can also take the following measures to reduce costs, optimize the Group’s cash flows and preserve liquidity:

- non-essential investments can be reduced and discretionary expenses can be postponed or canceled,
- hiring of employees that is not absolutely necessary can be suspended, and
- marketing expenses can be reduced.

Based on these factors, the Management Board expects that the Group has adequate resources at its disposal.

Preparing IFRS consolidated financial statements requires the use of estimates. Furthermore, the application of Group-wide accounting policies requires assessments by management. Areas that permit greater leeway in terms of assessments or exhibit greater complexity, or where assumptions and estimates are of critical significance to the consolidated financial statements, are discussed in the notes under E “Material Accounting and Measurement Estimates and Assumptions.”

The financial year corresponds to the calendar year. The consolidated financial statements have been prepared in euros. Unless indicated otherwise, all amounts are shown in thousands of euros (EUR thousand). All financial information presented in euro has been rounded to the nearest thousand unless otherwise stated.

The following standards that were amended, revised or issued prior to the reporting date were applied in the 2023 financial year. They have no material effects on the consolidated financial statements.

First-time application	New or amended standards and interpretations
1 January 2023	IFRS 17 Insurance Contracts
	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
	Definition of Accounting Estimates (Amendments to IAS 8)
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
	International Tax Reform—Pillar Two Model Rules (IAS 12)

The following standards that were amended, revised or issued prior to the reporting date were not yet applied in the 2023 financial year. The Group is not currently planning to apply these standards at an early date. The effects of the following new or amended standards and interpretations on the LPKF Group are currently being examined.

First-time application	New or amended standards and interpretations
1 January 2024	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	Lease Liability in a Sale and Leaseback Amendments to IFRS 16
1 January 2025	„Lack of Exchangeability (Amendments to IAS 21)

ADJUSTMENT OF PRIOR-YEAR FIGURES IN ACCORDANCE WITH IAS 8.41 FF.

In the course of the work on the annual financial statements, it was determined that the method of determination previously used in the context of IFRS 16 lease accounting led to an inadequate presentation of the right-of-use assets, lease liabilities and related items in the statement of comprehensive income. Furthermore, in 2023 it was found that netting non-pledged backcover insurance contracts with pension provisions led to improper disclosure of existing financial assets. Both items were properly presented in the 2023 consolidated financial statements and corrected in the 2022 comparative period. An overview of the adjustments made is shown in the table below.

		Impact of correction of error	
in EUR thousand	01/01/ 2022 as reported	Adjustments	01/01/ 2022 as restated
BALANCE SHEET			
ASSETS			
Property, plant and equipment[1)]	46,317	78	46,395
Other longterm financial asstes[2)]	0	387	387
Other non-financial assets[2)]	181	-158	23
EQUITY			
Currency translation reserve[1)]	1,278	57	1,335
Net retained profits[1)]	40,222	-382	39,840
LIABILITIES			
Provisions for pensions and similar obligations[2)]	370	229	599
Other longterm financial liabilities[1)]	2,630	205	2,835
Other shortterm financial liabilities[1)]	2,568	200	2,768

[1)] Correction IFRS 16

[2)] Correction IAS 19

in EUR thousand	12/31/ 2022 as reported	Impact of correction of error Adjustments	12/31/ 2022 as restated
BALANCE SHEET			
ASSETS			
Property, plant and equipment[1)]	45,088	-70	45,018
Other longterm financial asstes[2)]	0	355	355
Other non-financial assets[2)]	292	-271	21
EQUITY			
Net retained profits[1)]	41,881	-653	41,228
LIABILITIES			
Provisions for pensions and similar obligations[2)]	279	84	363
Other longterm financial liabilities[1)]	1,216	489	1,705
Other shortterm financial liabilities[1)]	1,704	38	1,742
STATEMENT OF COMPREHENSIVE INCOME			
Depreciation, amortization and write-downs[1)]	-8,338	-259	-8,597
Other expenses[1)]	-26,303	-5	-26,308
Finance costs[1)]	-392	-7	-399

1) Correction IFRS 16
2) Correction IAS 19

After adjustment, earnings per share for 2022 amount to EUR 0.06 (published 2022: EUR 0.07). The prior-year figures have been adjusted in all relevant and material places in the consolidated financial statements.

BASIS OF CONSOLIDATION

As of 31 December 2023, LPKF Laser & Electronics SE had ten (PY: nine) subsidiaries, which, together with the parent company, form the group of consolidated companies. In addition to the Group’s parent company, LPKF Laser & Electronics SE, Garbsen, the following subsidiaries have also been included in the consolidated financial statements:

Name **Full consolidation**	Registered office	Equity interest (previous year) in %
LPKF SolarQuipment GmbH	Suhl, Germany	100.0 (100.0)
LPKF WeldingQuipment GmbH	Fürth, Germany	100.0 (100.0)
LPKF Laser & Electronics d.o.o.	Naklo, Slovenia	100.0 (100.0)
LPKF Distribution Inc.	Tualatin (Portland), US	100.0 (100.0)
LPKF (Tianjin) Co. Ltd.	Tianjin/China	100.0 (100.0)
LPKF Laser & Electronics Trading (Shanghai) Co. Ltd.	Shanghai, China	100.0 (100.0)
LPKF Shanghai Co., Ltd.	Shanghai/China	100.0 (100.0)
LPKF Laser & Electronics K.K.	Tokyo, Japan	100.0 (100.0)
LPKF Laser & Electronics Korea Ltd.	Seoul, Korea	100.0 (100.0)
LPKF Laser & Electronics Vietnam Co., Ltd.	Bac Ninh/Vietnam	100.0 (n.a.)

In February 2023, LPKF Laser & Electronics Vietnam Co., Ltd. based in Bac Ninh, Vietnam, was founded to strengthen local and Asian sales and service activities and included in the consolidated financial statements for the first time as of December 31, 2023.

There were no other changes to the LPKF Group's legal structure during the financial year.

With the approval of the Annual General Meeting on 28 May 2015, a profit transfer agreement exists between LPKF Laser & Electronics SE and LPKF SolarQuipment GmbH that became effective retrospectively from the beginning of the 2015 calendar year. With the authorization of the Annual General Meeting on 2 June 2016, LPKF WeldingQuipment GmbH signed a profit transfer agreement with LPKF Laser & Electronics SE that became effective retrospectively from the beginning of 2016. Both contracts were concluded for a minimum term of five years and are extended indefinitely without termination of the contract. There was no termination. Due to their inclusion in the consolidated financial statements, LPKF WeldingQuipment GmbH and LPKF SolarQuipment GmbH met the requirements of Section 264 (3) of the German Commercial Code and made use of the exemption rule in the form of simplified preparation and disclosure.

C. CONSOLIDATION PRINCIPLES

The consolidated financial statements are based on the financial statements as of 31 December 2023 of the companies included in the consolidated financial statements, which were prepared in accordance with uniform accounting policies.

Subsidiaries include all entities that are controlled by LPKF Laser & Electronics SE. LPKF Laser & Electronics SE controls an associate company when it has power over the associate company, risk exposure or rights to variable returns arise from its investment in the associate company and LPKF Laser & Electronics SE has the ability to use its power over the associate company such that this affects the amount of the associate company's variable returns. Consolidation of an associate company begins on the day on which LPKF Laser & Electronics SE gains control over the entity. It ends when LPKF Laser & Electronics SE loses control over the associate company.

Subsidiaries acquired are accounted for using the purchase method. The acquisition costs correspond to the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed at the acquisition date.

Identifiable assets, liabilities and contingent liabilities in connection with a business combination are remeasured upon initial consolidation, irrespective of the scope of the non-controlling interests. The excess of the cost of acquisition over the Group's interest in the fair value of the net assets acquired is recognized as goodwill. If the cost of acquisition is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intra-Group transactions, balances and unrealized gains and losses from transactions between Group companies are eliminated. Deferred taxes are formed on consolidation measures affecting profit or loss in accordance with IAS 12.

The accounting policies used by subsidiaries were adjusted as necessary to the Group's uniform accounting policies to ensure uniform accounting.

If the Group loses either its control or significant influence over an entity, its remaining equity interest is remeasured at fair value and the resulting difference is recognized as profit or loss. The fair value of an associate, joint venture or financial asset is the fair value determined upon initial recognition. In addition, all amounts recognized in other comprehensive income in relation to that entity are accounted for on the same basis as would be required if the parent company had directly disposed of the related assets or liabilities. This means that any gain or loss previously shown in other comprehensive income must be reclassified from equity to profit or loss.

D. CURRENCY TRANSLATION

Annual financial statements are prepared in the functional currency of each entity; this is defined as the currency of the economic environment in which the entity mainly operates. For LPKF Laser & Electronics SE's subsidiaries, the functional currency is the same as the local currency in the country in which the subsidiary is domiciled.

If the annual financial statements of a subsidiary are prepared in a different functional currency to the euro, the assets and liabilities are translated into euros at an average exchange rate at the reporting date and equity is translated at the historic exchange rate. Expenses and income are translated at the average annual exchange rate. Translation differences are recognized directly in equity as a currency translation reserve until the subsidiary is disposed of. Foreign currency effects from the translation of transactions are recognized either in other operating expenses (exchange rate losses) or in other operating income (income from currency translation differences).

The exchange rates of the material currencies that were applied in the preparation of these consolidated financial statements are listed below:

1 euro = currency x	Closing rate		Average rate	
	12/31/2023	12/31/2022	**2023**	2022
US dollar	1,1050 USD	1,0666 USD	1,0816 USD	1,0539 USD
Chinese renminbi yuan	7,8509 CNY	7,3582 CNY	7,6591 CNY	7,0801 CNY
Vietnam dong	26,955.05 VND	25,290.86 VND	25.760.81 VND	24,679.76 VND
Japanese yen	156,33JPY	140,66 JPY	151,94JPY	138,01 JPY
South Korean won	1433,66 KRW	1344,09 KRW	1413,26 KRW	1358,07 KRW

E. MATERIAL ACCOUNTING AND MEASUREMENT ESTIMATES AND ASSUMPTIONS

All estimates and assessments are continuously updated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes assessments and assumptions that concern the future. Estimates based on these assessments and assumptions often do not correspond to actual events in the future. The estimates and assumptions associated with a significant risk of triggering material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed in the following.

(A) INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Material assumptions and estimates relate to determining the useful lives and the recoverable residual values of intangible assets and items of property, plant and equipment. The development costs relate to development projects for equipment and related software. Development costs are capitalized if the requirements of IAS 38 are met. Research costs are recorded as expenses. The examination of the capitalization requirements under IAS 38 for projects under development is complex and based on a number of discretionary assumptions. These include, in particular, the forecast cash flows, technical feasibility, the discount rates used and the allocation of costs by origin. More details regarding useful lives are presented under note 11 “Intangible Assets and Property, Plant and Equipment” and under note 12 “Property, Plant and Equipment” in Section H “Consolidated Statement of Financial Position.”

(B) PROVISIONS

Accounting for provisions involves making assumptions regarding probability, maturity and risk level. Actuarial calculations are used to determine the obligation from defined benefit pension commitments and termination benefits paid to employees as well as the obligation from a long-term bonus program. The amount of the pension obligations is largely dependent on the life expectancies on which it is based and the choice of discount rate, which is recalculated every year. The discount rate is based on the interest rate paid on high-quality corporate bonds in the currency in which the benefits are paid and the maturities of which correspond to the pension obligations. Key parameters in the calculation of provisions for anniversary payments and termination benefits are employee turnover and salary growth. Detailed information is provided in note 21 describing pension provisions. An option pricing model is used to calculate the value of the obligation arising from the long-term bonus programs settled in cash due to the influence exerted by LPKF’s share price. Another key component in the tranches issued in previous years is the development of the value contribution. From 2023, in the addition to the development of the value contribution. selected ESG criteria and the relative TSR (Total Shareholder Return) to a defined comparison group during the performance period will also have a significant, value-influencing character. Except for the TSR, the components can be derived from group planning. External data providers are used for the TSR. Detailed information is described in the explanations in section 22.

(C) INCOME TAXES

The Group is subject to income tax payments in various countries. Material assumptions are therefore required to determine income tax provisions on a global scale.

There are numerous business transactions and calculations for which the ultimate level of taxation cannot be definitively determined during the course of normal business activities. The company determines the amount of the provisions for expected tax payments based on best estimates of whether and to what extent additional income taxes may become payable. If the final level of taxation of these business transactions deviates from the initial assumptions, this will have an impact on the actual taxes and deferred taxes in the period in which taxation is definitively determined.

Deferred tax assets are recognized at the amount at which it is probable that future tax benefits will be realized. The assessment of recoverability is based on five-year planning, expected business performance and taxable temporary differences, if there exists no history of losses. The actual extent to which earnings in future periods must be taxed, and thus the actual extent to which the tax benefits will be usable, may deviate from the assessment at the time the deferred tax assets are recognized.

(D) FAIR VALUE OF DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments not traded on an active market is determined by applying suitable valuation techniques selected from a large number of methods. The assumptions applied in this context are based on the market conditions existing on the reporting date.

(E) ESTIMATES USED FOR DETERMINING IMPAIRMENT LOSSES ON RECEIVABLES AND INVENTORIES

The determination of impairment losses on receivables and inventories is based on estimates regarding the amount of the impairment loss or the amount and probability of future payment defaults. In addition to past experience, current information on markets, industries, individual customers and current market developments is used to determine impairment losses.

(F) RECOGNITION OF REVENUE

In the sale of equipment and systems, the performance obligation is generally fulfilled upon delivery at the time of the transfer of control to the customer. According to the Company's assessment, this is usually the transfer of risk in accordance with Incoterms.

F. SEGMENT REPORTING

In accordance with the provisions of IFRS 8 (Operating segments), selected information in the annual financial statements is presented by operating segment and region, with segmentation based on internal reporting to the chief operating decision maker. The chief operating decision maker is responsible for determining the allocation of resources to segments and reviewing their performance. The Management Board of LPKF Laser & Electronics SE has been defined as the Group’s chief operating decision maker. Segment reporting aims to lend greater transparency to both the performance and potential of the Group’s individual activities.

Primary segment reporting is based on the following segments:

Development

In the Development segment, LPKF supplies almost everything that developers of electronic devices need to produce and assemble PCB prototypes quickly, in-house and largely without the use of chemicals. LPKF has been developing systems and solutions for biomedical research under the name ARRALYZE.

Electronics

Within the Electronics segment, LPKF manufactures systems that are mainly used in production in the electronics industry. The Electronics segment also includes the LIDE (Laser Induced Deep Etching) technology developed by LPKF.

LPKF's Active Mold Packaging (AMP) technology enables the placement of electrical circuits directly on the surface and inside epoxy mold compounds (EMC).

Welding

The Welding segment includes laser systems, thermal process monitoring and software for welding plastics. The business unit develops and sells standardized standalone and integration systems, but also offers customized solutions for customers. These systems are mainly used in the automotive supply industry, medical technology and in the manufacture of consumer electronics.

Solar

In the Solar segment, LPKF develops and produces laser systems for structuring thin-film solar cells (LaserScribers) for various thin-film technologies. This segment also includes laser systems for digital printing of functional pastes and inks (Laser Transfer Printing, LTP).

There is insignificant inter-segment revenue according to IFRS 8.23 (b), that is shown in the following table as “revenue (before consolidation)”. The existing goodwill (EUR 74 thousand) is allocated to the Welding segment.

The segment information was determined as follows:

- The segment result (EBIT) is determined by taking into account any impairment losses on goodwill, but without taking into account the financial result and taxes.
- The investments, depreciation and amortization including impairment losses refer to property, plant and equipment and intangible assets including goodwill.

Unless indicated otherwise, the figures reported are the figures after consolidation.

in Mio. EUR	Revenue (before consolidation)		External revenue		Operating result (EBIT)	
	2023	2022	**2023**	2022	**2023**	2022
Electronics	32.7	31.5	32.7	31.5	-2.5	-2.2
Development	31.2	30.6	29.0	28.2	2.9	3.9
Welding	23.1	25.6	23.1	25.6	-1.0	1.3
Solar	39.5	38.4	39.5	38.4	4.3	3.5
Total	**126.5**	126.1	**124.3**	123.7	**3.7**	6.5

in Mio. EUR	Investments		Depreciation and amortization (non-current assets)*		Write-downs (inventories)	
	2023	2022	**2023**	2022	**2023**	2022
Electronics	3.4	2.5	-3.5	-2.7	-0.7	-0.8
Development	2.2	3.9	-1.1	-1.3	-0.1	-0.2
Welding	0.4	1.4	-1.4	-1.3	-0.3	-0.1
Solar	1.7	0.5	-0.8	-0.9	0.0	-0.2
Total	**7.7**	8.3	**-6.8**	-6.2	**-1.1**	-1.3

*only direct allocated amortization

EUR 2.3 million (previous year: EUR 2.4 million) relates to depreciation not directly attributable to the segments. These are distributed to the segments via allocations. Total depreciation of the Group’s fixed assets amounted to EUR 9.1 million (previous year: EUR 8.6 million).

Assets, liabilities and cash flows are not allocated to segments.

In the 2023 financial year, revenue of EUR 32.9 million (previous year: EUR 21.3 million) was generated in the Solar segment from a single customer.

Write-downs on inventories are shown under cost of materials.

GEOGRAPHICAL INFORMATION

Reporting reflects information on a geographical basis. Revenue is based on the geographical locations of customers.

	External revenue			
	2023		2022	
	in EUR million	in %	in EUR million	in %
Germany	11.7	9.4	9.9	8.0
Rest of Europe	16.2	13.0	17.7	14.3
North America	46.6	37.5	42.3	34.2
China	20.8	16.7	26.6	21.5
Rest of Asia	27.0	21.7	24.6	19.9
Other	2.0	1.7	2.6	2.1
Total	**124.3**	**100.0**	123.7	100.0

The following table provides information on the geographical locations of non-current assets in accordance with IFRS 8.33 (b).

	2023	2022
Germany	58.6	58.5
Rest of Europe	3.7	4.0
USA	1.8	1.9
China	0.8	1.0
Rest of Asia	0.2	0.3
Total	65.1	65.7

G. CONSOLIDATED INCOME STATEMENT

1. REVENUE

Revenue breakdown

The core business of the LPKF Group is the sale of equipment and systems used by customers in production and development as well as service components. In the sale of equipment, systems, production services (Foundry) and service components, mainly spare parts, revenue is generated at a specific time and is thus recognized on transfer of control.

Revenue recognized over time stems from service contracts, which mainly include maintenance contracts and warranty extensions.

in EUR million	External revenue (total)		Time point of revenue recognition: Equipment and systems (at a specific time)		Service contracts (over time)	
	2023	2022	**2023**	2022	**2023**	2022
Electronics	32.7	31.5	27.3	30.0	5.4	1.5
Development	29.0	28.2	27.8	27.3	1.2	0.9
Welding	23.1	25.6	22.5	25.4	0.6	0.2
Solar	39.5	38.4	37.4	38.4	2.1	0.0
Total	**124.3**	123.7	**115.0**	121.1	**9.3**	2.6

Contract balances

The following table provides information on contract assets and contract liabilities from contracts with customers.

in EUR million	**12/31/2023**	12/31/2022
Contract assets	0.0	0.0
Contract liabilities (by term)	17.7	21.5
Breakdown by maturity:		
Current	17.6	21.3
Non-current	0.1	0.2
Breakdown by type:		
Revenue recognized over time from service contracts	1.8	2.6
Services rendered at a specific point in time (advance payments received)	15.9	18.9

Contract assets arise from the right to consideration for services rendered but not yet invoiced. There were no contract assets in the 2023 financial year. Accordingly, there has been no impairment of contract assets.

The contract liabilities result from advance payments received under both revenue recognized over time and at a specific time. Once the contracted service has been performed, contract liabilities are recognized as revenue.

The amount of EUR 21.3 million included in contract liabilities as of 31 December 2022 was recognized as revenue in the 2023 financial year (previous year: EUR 19.2 million). In the 2023 reporting period, as in prior year, there was no recognized revenue from performance obligations that were settled or partially settled in prior periods.

During the 2023 financial year, there were no significant or substantial changes to the balances of contract assets and contract liabilities other than those listed in the table. The decrease of EUR 3.8 million in contract liabilities compared with the previous year is mainly due to lower advance payments received for the sale of equipment and systems as of the reporting date.

Performance obligations

LPKF Group performance obligations arise from the sale of equipment and systems and from service contracts with customers. In older contracts and individual cases where promised services or warranty extensions were sold to customers as a complete package with a system, the transaction prices and the amounts attributable to performance obligations are determined based on individual calculations.

In the sale of equipment and systems, the performance obligation is generally fulfilled upon delivery at the time of the transfer of control to the customer. According to the Company's assessment, this is usually the transfer of risk in accordance with Incoterms. Any subsequent costs that are immaterial in terms of amount, such as installation, are deferred.

Service contracts with customers mainly comprise maintenance contracts and warranty extensions. LPKF uses the output-based method to determine the progress of performance of maintenance contracts, based on the hours worked by employees. Warranty extensions are recognized in revenue over time.

LPKF employs the IFRS 15.121 practical expedient if the original expected duration of the contract is one year or less. This applies to both the sale of equipment and service contracts with a duration of one year or less. The transaction price of unsatisfied (or partially unsatisfied) performance obligations with a duration of more than one year amounts to EUR 99 thousand (previous year: EUR 227 thousand) and corresponds to contract liabilities with an identical duration. The revenue for these will be recognized from 2025 onwards.

The payment received generally corresponds to the invoice price and does not contain significant financing components. The terms of payment are generally between 30 and 45 days.

2. OTHER OWN WORK CAPITALIZED

Own work capitalized by the Group concerned equipment of EUR 5,328 thousand (previous year: EUR 6,282 thousand). This comprised own work for technical equipment and machinery used by Group companies for production as well as prototype development projects capitalized during 2023, which are intended for permanent use in Group operations. Research costs, on the other hand, are immediately expensed when they are incurred. Costs incurred in the context of development projects (in connection with the design and test runs of new or improved products) are recognized as intangible assets if the criteria of IAS 38 are met. Other development costs that do not meet these criteria are expensed on an accrual basis. Development costs expensed in prior periods are not capitalized in subsequent reporting periods. Capitalized development costs are reported as intangible assets and amortized on a straight-line basis over their useful life, not exceeding five years, from the date on which they become usable. This is reported under depreciation and amortization on intangible assets and property, plant and equipment.

3. OTHER INCOME

in EUR thousand	**2023**	2022
Research and development grants	2,296	1,634
Income from currency translation differences	903	1,091
Reversal of deferred item income from grants	33	36
Other	982	1,474
Total	**4,214**	4,235

Research and development grants amounting to EUR 2.296 thousand (prior year: EUR 1.634 thousand) are recognized in accordance with IAS 20 and exclusively concern government grants – in some cases with the involvement of private project companies. Grants are granted for costs actually incurred in connection with a specific purpose during the financial year (expenditure grant) and are shown as income in the period the corresponding expenses that the grant shall compensate are allocated to. Payments are generally made in line with project progress. Grants received for capitalized development costs and other non-current assets are recognized as deferred income items in short-term and long-term liabilities and are reversed on a straight-line basis in accordance with the useful life of the associated capitalized development costs and other assets. The same applies to government grants for building costs in Suhl totaling originally EUR 943 thousand. The periodic reversal of these government grants for building costs is reported in the item “Reversal of deferred item income from grants” in the amount of EUR 33 thousand (previous year: EUR 36 thousand). There are no unfulfilled conditions and other contingencies related to government assistance recognized in the financial statements.

In the sum of other income included income from the reversal of provisions mainly results from the reversal of provisions for guarantees and warranties in the amount of EUR 97 thousand (previous year: EUR 243 thousand).

4. COST OF MATERIALS

in EUR thousand	**2023**	2022
Cost of (system) parts and purchased goods	-41,192	-35,805
Cost of purchased services	-1,392	-953
Write-downs on inventories	-1,140	-1,268
Total	**-43,724**	-38,026

Write-downs on inventories relate to write-downs to the lower net realizable value and scrapping.

5. STAFF COSTS AND EMPLOYEES

in EUR thousand	**2023**	2022
Wages and salaries		
Expenses for wages	-43,569	-40,885
Other	-1,028	-999
	-44,597	-41,884
Social security costs and pension costs		
Employer's contribution to social security	-7,559	-7,277
Employer`s liability insurance association	-201	-323
	-7,760	-7,600
Total	**-52,357**	-49,484

There were ongoing pension payments of EUR 17 thousand (previous year: EUR 17 thousand) arising from pension obligations in the 2023 financial year (also see note 21).

The workforce is distributed as follows:

	As of reporting date		Annual average	
	12/31/2023	12/31/2022	**2023**	2022
Development	215	211	212	212
Production	150	136	146	134
Service	102	98	102	97
Sales	142	138	143	138
Administration	152	157	152	158
Total	**761**	740	**755**	739

6. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

The depreciation and amortization for various groups of non-current assets is shown under the reconciliations of the carrying amounts at the beginning and end of the period under notes 11 and 12.

7. OTHER EXPENSES

in EUR thousand	**2023**	2022
Travel, meals/entertainment	-3,277	-2,693
Repairs, maintenance, operating materials	-2,917	-2,767
Legal and consulting expenses	-2,685	-2,258
Third-party work, temporary work costs	-2,518	-3,098
Advertising and sales expenses	-2,425	-2,363
Rent, ancillary rental costs, leases, land and building costs	-2,197	-1,349
Exchange rate losses	-1,577	-1,036
Consumables, development and purchased development services	-1,537	-2,197
Insurance, contributions, duties	-1,346	-1,170
Sales commissions	-971	-672
Trade fair costs	-915	-844
Voluntary benefits, training and further education	-731	-674
Vehicle costs	-710	-798
Financial statement preparation, publication and auditing costs	-374	-572
Telecommunications costs	-354	-565
Supervisory Board remuneration incl. reimbursement of expenses	-290	-192
Other	-1,635	-3,060
Total	**-26,459**	-26,308

Expenses for R&D/effect on income statement

in EUR thousand	**2023**	2022
Materials and other costs	-3,041	-4,489
Other costs (including staff costs and D&A)	-13,626	-12,042
Total expenses for R&D	**-16,667**	-16,531

8. OPERATING RESULT (EBIT)

The operating result or EBIT (Earnings Before Interest and Taxes) is the profit or loss from operating activities from the continuing revenue-generating main activities of the LPKF Group plus other income and expenses from operating activities. The operating result does not include the financial result and income taxes.

9. FINANCIAL RESULT

in EUR thousand	**2023**	2022
Finance income		
Other interest and similar income	12	25
Finance costs		
Interest and similar expenses	-620	-399
	-608	-374

Other interest and similar income mainly arose from overnight and time deposits totaling EUR 12 thousand (previous year: EUR 25 thousand). Other interest expense of EUR 524 thousand (previous year: EUR 351 thousand) was incurred in connection with long-term loans and short-term money market loans. In addition, interest expenses of EUR 47 thousand (previous year: EUR 48 thousand) from leases were recognized. For materiality reasons, borrowing costs are recognized as an expense in the period in which they are incurred.

10. INCOME TAXES

Current tax is the expected tax payable on the taxable income or tax loss for the year, based on tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The amount of the expected tax liability or tax receivable is subject to the best possible estimate, taking into account tax uncertainties, if any.

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities for Group accounting purposes and the amounts used for tax purposes. A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available.

Income tax liabilities are offset against income tax assets in the same tax jurisdiction to the extent that they relate to the same taxable entity and there is a legally enforceable right to offset the recognized amounts.

Income taxes are calculated on the basis of applicable laws and regulations.

Current and deferred taxes are recognized in the income statement unless they relate directly to items recognized in equity or in other comprehensive income. In this case, the taxes are recognized directly in equity or in other comprehensive income.

in EUR thousand	**2023**	2022
Corporate income tax and solidarity surcharge	-609	-1,037
Trade tax	-109	-126
	-718	**-1,163**
of which related to prior period	-59	0
Deferred taxes	-613	-3,590
	-1,331	**-4,753**

In the previous year, other comprehensive income includes a tax effect from the remeasurement of defined benefit pension plans in the amount of EUR -15 thousand (2023: EUR 0 thousand).

The German companies of the LPKF Group are subject to trade tax of between 14.8 % and 15.7 % depending on the applicable trade tax multiplier. The corporate income tax rate is unchanged from the previous year at 15.0 % plus a solidarity surcharge of 5.5 % on corporate income tax. The calculation of foreign income taxes is based on the laws and regulations applicable in the individual countries. The income tax rates applied to foreign companies vary from 9.9 % to 34.6 % (previous year: 11.0 % to 34.6 %) for deferred taxes and from 9.9 % to 34.6 % (previous year: 11.0 % to 34.6 %) for current taxes.

In preparing the consolidated financial statements, the individual income tax rate of the countries concerned was applied to the measurement of deferred tax assets and liabilities.

Reconciliation of anticipated to current tax expense:

in EUR thousand	**2023**	2022
Consolidated profit/loss before income taxes	3,085	6,141
Anticipated tax expenses 31.5% (previous year: 31.5%)	-972	-1,934
Effect of different tax rates	180	314
Effect from unrecognized and impaired deferred tax assets	0	-1,990
Effect from the non-recognition of current losses	-573	-584
Tax-free income	282	227
Tax effect of non-deductible operating expenses	-210	-597
Prior-period tax effects	-59	0
Other differences	21	-189
Effective tax expenses 43.1 % (previous year: 74.1 %)	**-1,331**	-4,753

The tax rate applied for the reconciliation presented above corresponds to the corporate tax rate of 31.5 % (previous year: 31.5 %) payable by the Company in Germany on taxable profits in accordance with German tax law.

The effect of unrecognized and value-adjusted deferred tax assets results on the one hand from the effect of not recognizing tax losses and temporary differences in the current year in the amount of EUR 573 thousand (previous year: EUR 584 thousand) and the value adjustment of deferred tax assets on tax loss carryforwards and temporary differences in the amount of EUR 0 thousand (previous year: EUR 2,008 thousand) and on the other hand from the opposing effects resulting from the use of previously unrecognized tax losses and temporary differences in the amount of EUR 0 thousand (previous year: EUR -18 thousand).

H. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Reconciliation of the carrying amount at the beginning and end of the period:

in EUR thousand	Goodwill	Development costs	Other intangible assets	**Total**
Acquisition and production costs				
As of 01/01/2022	74	56,096	11,500	**67,670**
Additions	0	5,544	620	6,164
Disposals	0	-20	-6	-26
Reclassification	0	0	0	0
Currency differences	0	0	-2	-2
As of 12/31/2022	74	61,620	12,112	**73,806**
Additions	0	4,991	942	5,933
Disposals	0	0	-2	-2
Reclassification	0	0	0	0
Currency differences	0	0	-3	-3
As of 12/31/2023	74	66,611	13,049	**79,734**
Accumulated depreciation				
As of 01/01/2022	0	-37,761	-10,837	**-48,598**
Additions	0	-4,259	-245	-4,504
Disposals	0	20	6	26
Reclassification	0	0	0	0
Currency differences	0	0	1	1
As of 12/31/2022	0	-42,000	-11,075	**-53,075**
Additions	0	-4,230	-391	-4,621
Disposals	0	0	2	2
Reclassification	0	0	0	0
Currency differences	0	0	3	3
As of 12/31/2023	0	-46,230	-11,461	**-57,691**
Carrying amount as of 12/31/2022	74	19,620	1,037	**20,731**
Carrying amount as of 12/31/2023	**74**	**20,381**	**1,588**	**22,043**

Goodwill

Goodwill arising on the acquisition of companies (goodwill arising on consolidation) is not amortized. The carrying amount of the goodwill is compared with the recoverable amount at each reporting date. The goodwill is depreciated if its carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. It is assigned to a cash-generating unit for an impairment test. Based on the Welding segment, a detailed planning period of five years and an appropriate rate of return on capitalization are applied. Based on this, there was no impairment in 2023, as in previous years.

Development costs

Own capitalized development costs are also amortized over their useful life on a straight-line basis. For materiality reasons, borrowing costs are not capitalized, but are expensed in the period in which they are incurred. The item is broken down by segment as follows:

in EUR thousand	**2023**	2022
Electronics	6,716	7,333
Development	4,559	3,822
Welding	1,484	1,826
Solar	7,622	6,639
Total	**20,381**	19,620

Both the residual carrying amounts and the useful lives of the intangible assets are tested for impairment, at a minimum, as of the end of every financial year. Intangible assets are amortized in accordance with IAS 36 if the recoverable amount of the respective asset has dropped below its carrying amount. Capitalized development costs not yet available for use are tested for impairment annually.

Development costs for which an impairment loss was recognized in the past are reviewed at each reporting date to determine whether a write-up is required. No other impairment losses or write-ups were necessary in the reporting year.

For development costs, a useful life of three years was assumed as planned. For the development of a new basic technology in 2023, a scheduled useful life of five years was assumed.

Other intangible assets

The other intangible assets consist mainly of software and to a lower extent of patents and other rights.

As an intangible asset, purchased software is recognized at cost less straight-line amortization. For software, a useful life of three years was assumed as planned.

Purchased software is valued as an intangible asset at acquisition cost less scheduled straight-line amortization. A useful life of between 3 and 5 years is assumed for software.

For other intangible assets amortized in the past, a review is performed at each reporting date to determine whether a write-up is required. No other impairment losses or write-ups were necessary in the reporting year.

12. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of the carrying amount at the beginning and end of the period:

in EUR thousand	Land and buildings	Technical equipment	Other equipment, operating and office equipment	PPE in con-struction	Right-of-use assets*	**Total**
Acquisition and production costs						
As of 01/01/2022*	**52,115**	**14,646**	**17,412**	**916**	**3,572**	**88,661**
Additions	1	1,407	608	116	571	2,703
Disposals	0	-493	-149	0	-73	-715
Reclassification	15	864	64	-943	0	0
Currency differences	154	17	3	0	-43	131
As of 12/31/2022*	**52,285**	**16,441**	**17,938**	**89**	**4,027**	**90,780**
Additions	12	320	819	618	854	2,623
Disposals	-55	-364	-118	0	-754	-1,291
Reclassification	183	7	-64	-46	0	80
Currency differences	-91	-75	-23	0	-97	-286
As of 12/31/2023	**52,334**	**16,329**	**18,552**	**661**	**4,030**	**91,906**
Accumulated depreciation						
As of 01/01/2022*	**-16,205**	**-11,420**	**-13,616**	**0**	**-1,024**	**-42,265**
Additions	-1,396	-911	-971	0	-815	-4,093
Disposals	0	448	138	0	73	659
Reclassification	0	0	0	0	0	0
Currency differences	-41	-19	-10	0	5	-65
As of 12/31/2022*	**-17,642**	**-11,902**	**-14,459**	**0**	**-1,761**	**-45,764**
Additions	-1,386	-1,247	-916	0	-936	-4,485
Disposals	51	409	115	0	754	1,329
Reclassification	-144	0	64	0	0	-80
Currency differences	27	65	12	0	28	132
As of 12/31/2023	**-19,094**	**-12,675**	**-15,184**	**0**	**-1,915**	**-48,868**
Carrying amount as of 12/31/2022*	34,645	4,539	3,479	89	2,266	**45,018**
Carrying amount as of 12/31/2023	**33,242**	**3,654**	**3,368**	**661**	**2,115**	**43,040**

* After adjustments acc. IAS 8.41ff. (see Notes B.)

Property, plant and equipment are measured at cost less accumulated straight-line depreciation. For materiality reasons, borrowing costs are not capitalized, but are expensed in the period in which they are incurred. Land is not depreciated. Property, plant and equipment is tested for impairment if certain events or changes in circumstances indicate it.

Property, plant and equipment is depreciated in accordance with IAS 36 if the recoverable amount of the respective asset has dropped below its carrying amount. The recoverable amount is the higher of its value in use and fair value less costs to sell. Corresponding write-ups are made if the reasons for an earlier depreciation no longer apply.

Production costs cover the costs of materials and related overheads as well as the manufacturing costs and related overheads.

They are deemed to have the following useful lives:

	years
Buildings	25 or 33
External facilities	10
Plant and machinery	3-10
Other equipment, operating and office equipment	3-10
Right-of-use assets	2-5

EUR 12,000 thousand of the credit lines used are secured by land and buildings with a carrying amount of EUR 29,360 thousand as of December 31, 2023 and guarantees from the main subsidiaries.

Leases

LPKF Laser & Electronics SE acts solely as a lessee. Additional information is provided to indicate the effects of this on net assets, financial position and results of operations. This is outlined in the following table.

in EUR thousand	**2023**	2022
Write-downs of right-of-use assets	**-935**	-815
of which für property leases	-328	-265
of which for movable asset leases	-607	-550
Additions to right-of-use assets	**854**	571
of which for property leases	228	129
of which for movable asset leases	626	442
Carrying amount of right-of-use assets on 12/31	**2,116**	2,266
of which for property leases	1,178	1,346
of which for movable asset leases	938	920
Expenses for short-term leases	0	0
Expenses for leasing low-value assets	-115	-78
Interest expense on lease liabilities	-47	-48
Total cash outflow for leases	-999	-875

LPKF leases immobile leasing goods such as office space and warehouses, and mobile leasing goods such as motor vehicles. The contract term for mobile goods is three to four years.

Some real estate leases contain extension options. Where possible, the Group seeks to include extension options when entering into new leases to ensure operational flexibility. The extension options are exercisable only by the Group and not by the lessor. At the commencement date, the Group assesses whether the exercise of extension options is reasonably certain. The Group reassesses whether the exercise of an extension option is reasonably certain upon the occurrence of a significant event or a significant change in circumstances within its control.

LPKF makes use of an IFRS 16 rule with regard to the non-recognition of right-of-use assets and lease liabilities under low-value leases (i.e. the value of the underlying asset is EUR 5,000 or less when new) and short-term leases (shorter than twelve months and the lease does not include a purchase option). The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term of the lease.

13. INVENTORIES

in EUR thousand	**2023**	2022
Raw, auxiliary and operating materials	15,531	13,024
Unfinished products and services	9,575	7,007
Finished products and goods	5,926	7,396
Advance payments	237	250
Total	**31,269**	27,677

Inventories are recognized at the lower of cost and net realizable value at the reporting date.

The costs of conversion of inventories include costs directly related to the units of production (such as production costs and directly attributable material costs). They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. For materiality reasons, borrowing costs are not capitalized, but are expensed in the period in which they are incurred. Inventories are measured using the weighted average cost formula. Inventories were written down below cost to their net realizable value and scrapped in the amount of EUR 1,140 thousand (previous year: EUR 1,268 thousand).

14. TRADE RECEIVABLES

in EUR thousand	**2023**	2022
Nominal amount of receivables	36,727	27,744
Loss allowances for non-credit-impaired receivables	-113	-162
Loss allowances for credit-impaired receivables	-197	-132
Receivables after loss allowances, discounts and currency losses	**36,417**	27,450
of which receivables with a remaining term of more than one year	23	27
of which receivables with a remaining term of less than one year	36,394	27,423

Items recognized in foreign currencies are measured at the middle spot foreign exchange rate as of the reporting date.

As in the previous year, there was no income from the receipt of derecognized receivables in the 2023 financial year. The valuation allowances for receivables increased by EUR 16 thousand in the financial year. For further information on the default risks of trade receivables, please refer to the disclosures on risk management in Note 30.

15. OTHER FINANCIAL ASSETS

Other financial assets amounting to EUR 301 thousand (previous year: EUR 355 thousand) include the asset values of pension reinsurance policies that are not pledged.

Derivatives products are measured at fair value through profit or loss.

16. OTHER NON FINANCIAL ASSETS

in EUR thousand	**2023**	2022
Deferred income	1,356	1,201
Other	2,149	1,566
Current other non-financial assets	**3,505**	2,767

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash accounts and short-term deposits with banks. They have a remaining term of up to three months upon addition and are measured at amortized cost. The estimated value adjustment on cash and cash equivalents was calculated on the basis of expected losses within the respective maturities. Due to the short-term availability of demand deposits and the first-class credit rating of the banks, it is assumed that cash and cash equivalents have a low default risk. Cash and cash equivalents in foreign currencies are translated at the respective closing rate.

in EUR thousand	**2023**	2022
Cash and cash equivalents on the statement of financial position	10,678	12,785
Overdraft facilities used for cash management	0	0
Cash and cash equivalents shown in the statement of cash flows	**10,678**	12,785

18. DEFERRED TAXES

Deferred taxes are calculated using the liability method in accordance with IAS 12, under which deferred taxes are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxes are not recognized for:

- temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit.
- temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- taxable temporary differences on initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses and temporary differences if it is probable that future taxable profit will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and reduced, if appropriate, to the extent that it is no longer probable that the related tax benefit will be realized.

Temporary differences relating to a right-of-use asset and a lease liability for a specific lease are considered together for the purpose of recognizing deferred tax.

As deferred tax assets, deferred taxes were mainly recognized on temporary differences relating to inventories and loss carryforwards. Deferred tax liabilities were mainly recognized on capitalized development costs. Deferred taxes are composed as follows:

DEFERRED TAX ASSETS

in EUR thousand	**2023**	2022
Tax loss carryforwards	3,724	3,724
Intangible assets	42	42
Trade receivables	149	130
Provisions	58	530
Inventory	329	398
Other liabilities	45	47
Other	85	132
Offsetting with deferred tax liabilities	-4,187	-4,087
Total	**245**	916

DEFERRED TAX LIABILITIES

in EUR thousand	**2023**	2022
Capitalized development costs	6,292	6,026
Property, plant and equipment	9	10
Other	0	204
Offsetting with deferred tax assets	-4,187	-4,087
Total	**2,114**	2,153

The remeasurement of defined benefit pension plans resulted in tax adjustments of EUR 0 thousand (previous year: EUR -15 thousand), which are recognized directly in OCI.

The Group reports deferred tax liabilities related to leasing contracts in the amount of EUR 606 thousand (previous year: EUR 585 thousand) für rights of use and deferred tax assets for leasing liabilities in the amount of EUR 632 thousand (previous year: EUR 603 thousand) that are offset against each other.

Due to the geopolitical situation, LPKF Laser & Electronics SE was forced in 2022 to recognize a valuation allowance on deferred tax assets from loss carryforwards and longer-term temporary differences in accordance with IAS 12 despite the positive earnings outlook due to a loss history of the German companies in 2020-2022.

The deferred tax assets for the German companies are due to the history of losses only recognized in the amount of the deferred tax liabilities, taking into account the minimum taxation.

Deferred tax assets and deferred tax liabilities are offset by maturity under certain conditions, provided that the offsetting requirements of IAS 12 are met.

The effect of the non-recognition of tax losses and temporary differences in the current year amounts to EUR -573 thousand (previous year: EUR -584 thousand).

The amount of impaired and unused tax losses and temporary differences for which no deferred tax asset has been recognized in the balance sheet is EUR 23,013 thousand (previous year: EUR 19,745 thousand), of which EUR 12,082 thousand relates to corporate income tax, EUR 9,180 thousand to trade tax and EUR 1,751 thousand to temporary differences.

Of these tax loss carryforwards, EUR 1,664 thousand (previous year: EUR 2,486 thousand) will expire within the next 5 years and EUR 622 thousand (previous year: EUR 548) within the next 6 to 10 years.

No deferred tax liabilities were recognized for temporary differences of EUR 759 thousand (previous year: EUR 717) relating to investments in subsidiaries and branches, as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that these temporary differences will reverse in the foreseeable future.

19. EQUITY

Subscribed capital

The company's subscribed capital is EUR 24,496,546 and is divided into 24,496,546 no-par value ordinary bearer shares (no-par shares), each with a pro-rata interest of EUR 1.00.

Capital reserve

The capital reserves comprise only a capital reserve pursuant to Section 272 (2) no. 1 of the German Commercial Code.

Other reserves

Other reserves include other retained profits, remeasurements of defined benefit plans, a reserve for share-based payment, and the currency translation reserve.

Authorized capital / Contingent capital

By the resolution adopted by the Annual General Meeting on 20 May 2021, the Management Board is authorized to increase the share capital once or repeatedly until 19 May 2024 with the approval of the Supervisory Board by up to a total of EUR 4,899,309.00 by issuing up to 4,899,309 new no-par value bearer shares in return for contributions in cash or in kind (Authorized Capital 2021). Shareholders shall generally be granted a pre-emption right. However, the Management Board was authorized, in certain cases and within certain capital limits, to disapply shareholders' pre-emption rights. This authorization was not utilized in the past financial year.

The company's share capital is contingently increased by up to EUR 4,899,309.00 through issuing up to 4,899,309 new no-par value bearer shares (Contingent Capital 2021/I) in connection with the authorization resolved by the Annual General Meeting on 20 May 2021 to issue warrant bonds and/or convertible bonds up to 19 May 2024 with a total nominal value of up to EUR 200,000,000.00, with the option to disapply pre-emption rights in certain cases and within certain capital limits. The contingent capital increase will only be implemented to the extent that the bearers or creditors of warrant bonds and/or convertible bonds utilize their warrant or conversion rights or fulfill their conversion obligations or the company exercises an option instead of paying the amount of money due for no-par value shares of the company. The Management Board did not utilize this authorization in the past financial year.

Own shares

The Management Board is authorized by resolution of the scheduled Annual General Meeting on 4 June 2020, subject to the Supervisory Board’s prior approval, to buy back own shares until 3 June 2025 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 higher. Together with other own shares held by the company or attributable to it in accordance with Sections 71d and 71e of the German Stock Corporation Act (AktG), the shares acquired may at no time account for more than 10% of the share capital. The authorization may not be used for the purpose of trading in own shares. The authorization may be exercised in whole or in part, on one or more occasions, in pursuit of one or more purposes by the company or companies dependent upon it or majority-owned by it, or by third parties acting on their behalf or on behalf of the company. The Executive Board is authorized, with the prior approval of the Supervisory Board, to exclude shareholders' tender rights when acquiring or their subscription rights when using treasury shares in certain cases.

2023 employee participation program

In November 2023, LPKF Laser & Electronics SE bought back a total of 20,335 no-par value treasury shares with a notional share of EUR 1.00 each in the share capital on the capital market as part of an employee share program and passed these on to the participating employees through an intermediary. The average repurchase price was EUR 9.2958 per share for 17,338 shares on November 14, 2023, 9.4274 per share for 1,980 shares on November 15, 2023 and 9.3627 per share for 1,017 shares on November 16, 2023. The total value amounted to EUR 189,358,87.

The shares are subject to a two-year lock-up period.

LPKF Laser & Electronics SE created an incentive to participate in the employee share program by subsidizing the acquisition of shares per employee up to a maximum amount of EUR 720.00 by 50 %. The resulting expense of EUR 95 thousand was recognized as personnel expense.

2022 employee participation program

On 15 November 2022, LPKF Laser & Electronics SE repurchased a total of 19,220 no-par value own shares, each with a pro-rata interest of EUR 1.00 in the share capital as part of an employee share program and transferred them to the participating employees through an intermediary. The average buyback price was EUR 11.0694 per share. The total amount came to EUR 212,752.77.

The shares have a two-year lock-up period.

LPKF Laser & Electronics SE created an incentive to participate in the employee participation program by fully subsidizing employee acquisition of shares up to a maximum amount of EUR 720.00 per employee. The resulting expense of EUR 106 thousand was recognized under staff costs.

20. DEFERRED INCOME

Deferred income was recognized for grants for capitalized development costs and other non-current assets. The components are released on an accrual basis in accordance with the useful lives of the assets. The same applies to government grants for building costs at the Suhl site.

21. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Post-employment pension benefits

Germany has a statutory defined contribution national pension scheme for employees that pay pensions contingent on income and contributions made. The company has no benefit obligations other than the payment of its contributions to the statutory pension insurance entity. Some of the Group’s employees have also taken out policies with a private insurer as part of the company pension plan and based on a shop agreement. In this case, too, the company has no other benefit obligations above and beyond the cost of contributions that are reported in current staff costs.

The provisions reported as pension benefits in the statement of financial position comprise only defined benefit obligations to former Management Board members of the parent company for which fixed pension benefits have been stipulated. The plan is financed through payments to a fund and to insurance companies. The promised benefits comprise payments for retirement pensions, disability pensions and widow’s and orphan’s pensions. Once the age threshold has been attained by reaching the end of the 65th year of life, or if eligibility to receive a disability pension is established prior to reaching the end of the 65th year of life, a commitment is made to pay the beneficiary a monthly pension payment for life. The widow’s pension paid to a surviving wife amounts to 60% or 70% of the relevant retirement pension entitlement. The weighted average term of the defined benefit plans is 17.5 years.

There is longevity and interest rate risk with regard to the pension provision. Reinsurance policies were obtained for hedging purposes and pledged partially to the beneficiaries. The fair value amounts are reported in the offsetting and reconciliation of the excess of plan assets over post-employment benefit liability.

The carrying amount in the statement of financial position of the net liabilities (assets) for defined benefit plans in accordance with IAS 19 corresponds to the present value of the defined benefit obligation (DBO) on the reporting date less the fair value of the plan assets. The DBO is calculated annually by an independent actuary using the projected unit credit method. The DBO’s present value is determined by discounting the expected future cash outflows at the interest rate of high-quality corporate bonds. The resulting revaluations (actuarial gains and losses) in connection with the remeasurement of net liabilities and net assets are recognized directly in other comprehensive income (OCI) due to IAS 19.

The following amounts were reported in the statement of financial position for defined benefit plans:

in EUR thousand	**2023**	2022* Adjusted
Present value of the defined benefit obligation at beginning of period	**540**	773
Current service cost	0	0
Interest expense	20	8
Pension payments	-17	-17
Actuarial gains (-) and losses (+)	32	-224
Present value of the defined benefit obligation at the end of period	**575**	540
Plan assets		
Reinsurance cover	-185	-179
Securities	-351	-357
shown in the statement of financial position (net liability (+)/Excess (net asset (-))	**39**	4

* After adjustments in accordance with IAS 8.41ff. (see note B.)

Development of net liabilities/assets:

in EUR thousand	**2023**	2022
Net assets at beginning of period	**271**	158
Total amount in the income statement	11	2
Total revaluations recognized in OCI	-337	95
Benefit payments	0	0
Employer contributions	16	16
Net assets at end of period	**-39**	271

All defined benefit plans are covered; there are no unfunded plans. The fair value of the cover assets developed as follows:

in EUR thousand	**2023**	2022
At beginning of period	**811**	932
Interest income from plan assets	31	10
Cost of/income on plan assets without interest income	-306	-130
Payments from plan assets	-17	-17
Funded by the employee	16	16
At end of period	**535**	811

The cover assets are made up as follows:

	2023	
in EUR thousand	Absolute	Percentage
Equity instruments	0	0%
Debt securities	351	65%
Other	185	35%
Total	**536**	100%

	2022	
in EUR thousand	Absolute	Percentage
Equity instruments	0	0%
Debt securities	356	44%
Other	454	56%
Total	810	100%

The debt securities include mixed fund shares that are primarily invested in fixed-income securities. Insurance plans are reported under Other. As in the previous year, the cover assets do not contain any financial instruments.

The following amounts were recognized in the income statement:

in EUR thousand	**2023**	2022
Interest income from plan assets	31	10
Interest expenses on the obligation	-20	-8
Total effect on earnings in the income statement	**11**	2

The provisions for pensions were determined based on the following assumptions:

in %	**2023**	2022
Discount rate as of 12/31	3.29	3.78
Future salary increases	0.00	0.00
Future pension increases	1.75	1.75
Expected return on plan assets	3.29	3.78
Employee turnover	0.00	0.00

The determination of the expected return on the plan assets was based on the estimated return on the assets, taking into account the changes in the yields of non-current fixed-income instruments. The allocations to plans for post-employment benefits and pension payments payable in the financial year ending 31 December 2023 are estimated to total EUR 32 thousand.

The undiscounted pension payments based on the average life expectancy of 17.5 years result in the following maturity analysis:

12/31/2023 in EUR thousand	Up to 1 year	Between 1 and 5 years	Between 5 and 10 years	**Total**
Pension benefits	29	56	118	**203**

Regarding possible changes in the significant actuarial assumptions made, the following sensitivities were determined:

Baseline values	
Discount rate	3.29%
Pension trend	1.75%
DBO	574

Sensitivities	Revalued DBO	Percentage change in the DBO
Discount rate plus 0.5%	543	5.46%
Discount rate minus 0.5%	609	5.99%
Pension trend plus 0.25%	590	2.67%
Pension trend minus 0.25%	560	2.57%

Anniversary payments and benefits similar to pensions

One Group company is obligated to pay its employees a benefit equal to three months of an employee’s salary based on the most recently paid salary when employment is terminated due to the employee reaching the maximum age threshold. In addition, the company is required to pay a benefit calculated based on the attainment of a certain number of years of service with the company. The company, which is included in the consolidated financial statements, meets these obligations itself as soon as they become due. These obligations are measured annually by an independent actuary. No plan assets are maintained for this purpose. The amount of the obligation is therefore reported in the statement of financial position under provisions for employee benefits.

Payments totaling EUR 109 thousand are expected in the next five years.

The amounts recognized in the statement of financial position are comprised as follows:

in EUR thousand	**2023**	2022
Present value of the defined benefit obligation at the beginning of period	**279**	370
Current service cost	17	24
Interest expense	13	5
Benefit payments	-6	-11
Employees left	-3	-10
Benefit changes	0	0
Actuarial gains (-) and losses (+)	7	-99
Present value of the defined benefit obligation at end of period	**307**	279

The following amounts were recognized in the income statement:

in EUR thousand	**2023**	2022
Current service cost	17	24
Interest expense on the obligation	13	5
Total amount in the income statement	**30**	29

Regarding possible changes in the significant actuarial assumptions made, the following sensitivities were determined:

Baseline values	
Discount rate	4.07%
Salary trend	2.50%
DBO	307

Sensitivities	Revalued DBO	Percentage change in the DBO
Discount rate plus 0.5%	291	-5.21%
Discount rate minus 0.5%	324	5.54%
Salary trend plus 0.5%	325	5.86%
Salary trend minus 0.5%	291	-5.21%

22. OTHER PROVISIONS

Provisions are recognized for legal or constructive obligations resulting from past events if it is probable that settling the obligation will lead to an outflow of Group resources and that a reliable estimate of the amount of the obligation can be made. Other provisions are recognized at their estimated settlement value in accordance with IAS 37.

in EUR thousand	Guarantees and warranties	Bonuses	LTI	Other	**Total**
As of 01/01/2023	936	1,547	47	975	**3,505**
Utilization	-548	-1,496	-14	-954	-3,012
Reversals	-97	-102	-17	-1	-217
Additions	472	1,378	211	963	3,024
Currency differences	-1	-36	-1	-10	-48
As of 12/31/2023	762	1,291	226	973	**3,252**
Long-term	0	0	185	0	185
Short-term	762	1,291	41	973	3,067

Guarantees and warranties

The provisions for guarantees and warranties cover potential statutory or financial obligations under guarantee and goodwill cases.

Variable remuneration

A provision for variable remuneration components that will be paid out after the end of the current financial year was recognized. It includes short-term bonus components for the Management Board and senior management as well as other short-term variable remuneration components for other employees and functions. Detailed information on Management Board remuneration can be found in the remuneration report.

LTI for executives: 2012 – 2018 tranches

In 2012, a long-term incentive program (LTI) was launched in which a selected group of LPKF Group executives could participate. The beneficiaries were entitled to a long-term bonus. This is paid to the beneficiaries depending on the long-term bonus allotment granted to each individual, the average EBIT margin of the LPKF Group during a four-, five- or six-year performance period and the performance of LPKF's share price. The program does not stipulate settlement by granting of equity instruments. Payment requires beneficiaries to have an unterminated employment contract as of 20 July of the year in which the payment is made.

At plan inception, a preliminary number of phantom stocks corresponding to the allotment value were specified, which were representing the starting point for calculating the bonus payment. The final number of phantom stocks is determined at the end of the performance period. The performance period amounts to at least four years, but can be extended to five, or no more than six years, upon the request of an individual beneficiary. The final number of phantom stocks is determined based on an in-house measure of the company's success, the EBIT margin. If the target is exceeded or the actual figure falls short of the target, the preliminary number of phantom stocks at the time of the allotment is increased or decreased accordingly. The payment amount is determined by measuring the value of the phantom stocks using the average XETRA closing price for LPKF shares on the 30 trading days prior to 21 July after the end of the four-, five- or six-year performance period. The amount of the payment is limited to no more than 300% of the individual allotment value. The last payments from the 2017 and 2018 tranches were made in 2023 with a total of EUR 8 thousand.

LTI for executives: 2020 – 2022 tranches

In 2020, the LTI program for key executives was largely aligned with the program for Management Board members applicable in 2020. The beneficiaries are entitled to a long-term bonus. This is paid to the beneficiaries depending on the long-term bonus allotment granted to each individual, the average value contribution of the LPKF Group during a three-year performance period, and the performance of LPKF's share price, subject to compliance with further requirements in accordance with the long-term bonus plan. The individual performance periods begin on 1 January of each year. The program does not stipulate settlement by granting of equity instruments. Payment requires beneficiaries to have an unterminated employment contract at the end of the three-year performance period.

At plan inception, a preliminary number of phantom stocks corresponding to the allotment value is specified, which represents the starting point for calculating the bonus payment. The final number of phantom stocks is determined at the end of the performance period. The final number of phantom stocks is determined based on an in-house measure of the average value contribution of the LPKF Group over the respective three-year performance period.

If the target is exceeded or the actual figure falls short of the target, the preliminary number of phantom stocks at the time of the allotment is increased or decreased accordingly. The final number of phantom stocks is limited to twice the number of phantom stocks originally allocated. The amount to be paid out is calculated by multiplying the final number of phantom stocks by the average XETRA closing price for LPKF shares for the first quarter following the end of the three-year performance period. The average XETRA closing share price is increased by the sum of all dividends per share paid out during the performance period. The maximum amount of the payment is limited to four times the individual allotment value.

In 2023, a payment totaling EUR 12 thousand was made from the 2021 tranche. Due to the LPKF Group's failure to meet its average value added target during the three-year performance period, no payment will be made from the 2021 tranche. The provision for the 2022 tranche amounts to EUR 13 thousand as at 31 December 2023.

LTI for executives: 2023 tranches

In 2023, the LTI program for key executives was adjusted to the program for members of the Management Board, which will apply from 2023. The beneficiaries are entitled to a long-term bonus. This is paid out to the beneficiaries depending on the individual allocation value of the long-term bonus, the overall target achievement during a three-year performance period and the performance of the LPKF share price, provided that further conditions are met in accordance with the long-term bonus plan. The individual performance and waiting periods begin on January 1 of each year. The program does not provide for compensation through the issue of equity instruments. The main prerequisite for payment is that the participant's employment contract is not terminated before the vesting date (good leaver).

At the start of the plan, a provisional number of virtual share options (PSOs) corresponding to the allocation value is determined, which represents the starting value for calculating the payout amount. The final number of virtual PSOs is determined at the end of the performance period. The final number of virtual PSOs is determined by the overall target achievement of the ESG, ROCE and TSR targets set at the beginning of the performance period. In accordance with the terms of the plan, the Executive Board determines the relevant ESG criteria, ROCE targets and peer companies for measuring relative TSR at the beginning of the three-year performance period. The number of PSOs that vest is calculated by multiplying the number of vested PSOs by the total target achievement. The final number of PSOs is limited to 150% of the PSOs granted.

The payout amount is calculated by multiplying the final number of virtual PSOs by the excess of the closing price of LPKF Laser & Electronics SE shares in Xetra trading on the Frankfurt Stock Exchange on the day the exercise notice is received. Subject to any insider trading rules and any black-out periods, vested PSOs can only be exercised after the waiting period has expired. The vesting period is four years, starting from the grant date. The PSOs can only be exercised within four years of the end of the respective vesting period. The profit per share is limited to EUR 20.00 at the time of exercise.

LTI for members of the Management Board: 2020 tranche

The LTI program for members of the Management Board served as a template for the LTI program for executives relaunched in the 2020 financial year and described above. A key difference is that the amount to be paid out for the Management Board is not increased by the dividends per share paid out during the performance period.

Furthermore, no payment will be made if the average closing share price in the first quarter after the end of the three-year performance period is lower than the average closing share price at the time of allocation. In 2023, a provision of 3 thousand for the 2020 tranche was reversed due to the LPKF Group's failure to meet its share price target.

LTI for members of the Management Board: 2022 tranche

At the Annual General Meeting of 20 May 2021, the remuneration system for members of the Executive Board was approved in a revised form. The revised remuneration system applies to all Executive Board service contracts to be newly concluded or extended from 7 April 2021. As part of the revision, there was an adjustment to the long-term remuneration component. The new LTI is issued in annual tranches and is linked to the overall achievement of the Short Term Incentive ("STI") target for the respective financial year as well as to the share price performance of the subsequent three years. The LTI is based on the development of the LPKF Laser & Electronics SE share price. For this purpose, the average share price of LPKF Laser & Electronics SE in quarter 1 of the year in which the target is achieved is determined (starting share price). In addition, the average share price of LPKF Laser & Electronics SE in quarter 1 of the year following the year in which the target is achieved is determined (final share price). These values are used to calculate a payout amount, which is paid out to the member of the Board of Managing Directors directly after it is determined that the target has been achieved. The net amount received must be invested immediately afterwards in shares of LPKF Laser & Electronics SE. These shares must be held for at least three years after purchase. Only then can the members of the Board of Managing Directors freely dispose of the shares. If the average share price of LPKF Laser & Electronics SE in quarter 4 of the year in which the target is achieved and in quarter 1 of the year following the year in which the target is achieved falls below 90 % of the starting share price (hurdle share price), no LTI will be paid out. For the 2022 tranche, there was no entitlement to payment of the LTI bonus due to the share price falling below the hurdle rate.

LTI for members of the Management Board: 2023 tranche

At the Annual General Meeting on May 17, 2023, the new remuneration system for the members of the Executive Board was approved in a revised form. The revised remuneration system applies retroactively from January 1, 2023. As part of the revision, the long-term remuneration component was adjusted. The 2023 LTI program for members of the Executive Board served as a template for the LTI program for other managers, which was adjusted in the 2023 financial year and described above. One key difference is that the cap on the amount paid out is based on the capped total remuneration of the Executive Board members.

LTI accounting

Reporting of share-based payment transactions settled in cash is governed by IFRS 2 Share-based Payment. The expense expected to arise from the long-term bonus program is estimated at fair value at each reporting date using an option pricing model. The expected total expense from the program is distributed pro rata temporis across the time period up to the first possible exercise date.

The following parameters were used in the option pricing model (modified Black Scholes (Merton) model) for determining the fair value of the 2022 tranches for executives as of 31 December 2023:

LTI (executives)	Tranche 2022
Expected volatility	46%
Risk-free interest rate	2.7% p. a.
Allotment value	EUR 185 thousand
Expected remaining maturity	1 year
LPKF share price as of 12/31/2023	9,95 EUR
Initial price of LPKF shares	EUR 16.05
Number of phantom stocks at the allotment date	11,527

The following parameters were included in the option price model (Monte Carlo simulation) to determine the fair value of the 2023 tranche for December 31, 2023:

- Risk-free interest rate: government bonds with matching maturities as at the valuation date
- Annualized volatility: based on daily yields with matching maturities
- Share price: Xetra closing price in euros for the specified period
- Assumed term: 6 years
- Allocation value: EUR 562 thousand
- Number of performance stock options (PSOs): 475,303

A statistically derived quota of bad leavers based on the past three years was taken into account when calculating the provision.

As at the reporting date, the LTI provision for the management tranches amounted to EUR 85 thousand (previous year: EUR 47 thousand) and EUR 141 thousand (previous year: EUR 0 thousand) for the 2023 tranche for members of the Management Board.

The expenses and income from share-based payments recognized in the 2023 financial year amount to:

in EUR thousand	**2023**	2022
Other income	17	97
Personnel expenses	-211	-31
Total	**-194**	66

The currently valid program of the Executive Board members is explained in detail in the compensation report as part of the management report.

Other

Other provisions mainly include provisions for the installation of customer systems delivered as well as inventor compensation.

23. OTHER FINANCIAL LIABILITIES

Upon initial recognition, financial liabilities are measured at fair value after deduction of transaction costs. They are subsequently measured at amortized cost. Any difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is amortized over the term of the liability in the income statement using the effective interest rate method.

	2023			
in EUR thousand	**Total**	of which current	of which non-current	Secured amounts
Liabilities to banks	**11,407**	11,407	0	11,407
Liabilities from leases	**2,200**	809	1,391	
Other financial liabilities	**13,607**	12,216	1,391	

	2022* Adjusted			
in EUR thousand	**Total**	of which current	of which non-current	Secured amounts
Liabilities to banks	1,120	874	246	1,120
Liabilities from leases	2,327	868	1,459	
Other financial liabilities	3,447	1,742	1,705	

* After adjustments in accordance with IAS 8.41ff. (see note B.)

A syndicated loan was concluded in the fourth quarter of 2023 to replace the previous financing agreements. The syndicated loan was used to finance working capital requirements in 2023. As agreed, the agreed interest margin on the EURIBOR varies with the company's earnings situation. EBITDA, the leverage ratio and the Group's equity ratio were agreed with the syndicate as covenants. All covenants were complied with as at the balance sheet date.

The lines from the syndicated loan are secured by land and buildings as well as guarantees from the main subsidiaries.

24. OTHER LIABILITIES

Other liabilities of EUR 5,868 thousand (previous year: EUR 5,456 thousand) mainly include accrued liabilities that are fixed in principle but subject to residual uncertainties in terms of amount and timing of EUR 1,575 thousand (previous year: EUR 1,443 thousand). Also included are short-term employee benefits due from wages, salaries and social security contributions in the amount of EUR 1,095 thousand (previous year: EUR 981) as well as from compensated absences such as holidays and overtime reduction in the amount of EUR 2,270 thousand (previous year: EUR 2,184 thousand). In addition, EUR 207 thousand (previous year: EUR 97 thousand) in liabilities to the Supervisory Board are reported in this item.

I. OTHER DISCLOSURES

25. STATEMENT OF CASH FLOWS

Cash flow from operating activities is derived from the consolidated financial statements using the indirect method; pursuant to IAS 7, it presents the changes in cash flows broken down by inflows and outflows for operating activities. Cash flows from investing and financing activities, on the other hand, are calculated using the direct method. The total is the change in cash and cash equivalents. This comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

RECONCILIATION FOR LIABILITIES FROM FINANCING ACTIVITIES AS PER IAS 7

			Non-cash changes			
2023 in EUR thousand	01/01/2023	Cash changes	Acquisitions	Currency-exchange-related changes	Fair value changes	**12/31/2023**
Non-current loans	246	-246	0	0	0	0
Current loans	874	10,533	0	0	0	11,407
of which overdraft facilities	0	0	0	0	0	0
Lease liabilities	2,327	-999	854	18	0	2,200
Total	3,447	9,288	854	18	0	**13,607**

			Non-cash changes			
2022 in EUR thousand	01/01/2022	Cash changes	Acquisitions	Currency-exchange-related changes	Fair value changes	**12/31/2022**
Non-current loans	1,221	-975	0	0	0	246
Current loans	1,808	-934	0	0	0	874
of which overdraft facilities	0	0	0	0	0	0
Lease liabilities	2,573	-875	571	58	0	2,327
Total	5,602	-2,784	571	58	0	**3,447**

26. EARNINGS PER SHARE

According to IAS 33, basic earnings per share are determined by dividing the consolidated net profit for the year attributable to the shareholders of LPKF Laser & Electronics SE by the weighted number of shares outstanding during the financial year. There are currently no transactions that would trigger dilution.

in EUR thousand	**2023**	2022* Adjusted
Number of shares, undiluted	24,496,546	24,496,546
Number of shares, diluted	24,496,546	24,496,546
Consolidated net profit/loss (in EUR thousand)*	1,754	1,388
Basic earnings per share (in EUR)*	0.07	0.06

*see note B. to the consolidated financial statements for prior-year figures

27. DIVIDEND PER SHARE

LPKF did not generate positive free cash flow in the 2023 financial year. In the view of the Management Board and the Supervisory Board, further investments in LPKF's innovative technologies are essential in the current situation to enable sustainable and profitable growth in the coming years. For this reason, the Management Board will propose to the Annual General Meeting on June 5, 2024 that no dividend be distributed for the 2023 financial year. The financial resources from the retained earnings will be used specifically for the development and commercialization of future technologies. The company also did not distribute a dividend for 2022.

28. TRANSACTIONS WITH RELATED PARTIES

As of the reporting date, LPKF Laser & Electronics SE had EUR 207 thousand in liabilities to members of the Supervisory Board (previous year: EUR 94 thousand), which result from the remuneration of the Supervisory Board activities as well as the chairmanship of committees.

Apart from these, there are no other receivables or liabilities, and no remuneration paid or benefits granted to related parties or to LPKF Group companies. Notes 32 and 33 provide details on the corporate bodies of LPKF Laser & Electronics SE.

29. GERMAN CORPORATE GOVERNANCE CODE

The declaration of compliance by the Supervisory Board and the Management Board required under Section 161 of the German Stock Corporation Act on the application of the recommendations of the Government Commission of the German Corporate Governance Code, as well as the disclosures of any non-compliance with the recommendations, were made permanently available to the public on the company's website (https://www.lpkf.com/de/investor-relations/corporate-governance).

30. FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities

The financial instruments reported in the LPKF consolidated statement of financial position comprise trade receivables, cash and cash equivalents, derivatives, trade payables, liabilities to banks as well as other assets and liabilities under contractual agreements.

Financial assets are measured at fair value, net of any transaction costs, at the settlement date. Trade receivables, on the other hand, are initially recognized at the transaction price. Subsequent measurement of financial assets varies depending on classification.

Within the classification of financial assets, IFRS 9 differentiates between debt instruments and equity instruments. LPKF Laser & Electronics SE's consolidated financial statements do not include any equity instruments.

The first step in classifying debt instruments is to analyze how the entity manages the relevant financial instruments in order to realize cash flows from them (business model test). The cash flows to be realized are analyzed to determine whether they originate primarily from the **HOLDING** or **SELLING** of financial assets or from a **COMBINATION OF THE TWO**. The second step is to analyze the contractual cash flows to determine whether the financial asset meets the core principle of a normal lending arrangement. This is the case when the contractual cash flows of a financial asset give rise to payments on specified dates that are solely payments of **PRINCIPAL** and **INTEREST** on the principal amount outstanding.

Based on the business model test and the cash flow criterion, the Group's financial assets are predominantly classified under the "at amortized cost" category. On the other hand, derivatives do not meet the cash flow criterion and should therefore be assigned to the "at fair value through profit or loss" category. Income and expenses related to the financial assets are recognized in profit or loss.

At initial recognition, financial liabilities are measured at fair value plus any transaction costs. They are subsequently measured at amortized cost using the effective interest rate method. Transaction costs are taken into account when calculating the effective interest rate. Income and expenses related to the financial liabilities are recognized in profit or loss.

2023 in EUR thousand	Measure-ment category as per IFRS 9	Carrying amount as of 12/31/ 2021	IFRS 9 carrying amount Amortized cost	IFRS 9 carrying amount Fair Value through other compre-hensive income	IFRS 9 carrying amount Fair value through profit or loss	Fair Value as of 12/31/ 2021	FVH*
Assets							
Other financial liabilities	AC	10,678	10,678	-	-	10,678	-
Trade receivables	AC	36,417	36,417	-	-	36,417	-
Derivatives - without hedge accounting	FVtPL	301	-	-	301	301	3
Total		**47,396**	**47,095**	**-**	**301**	**47,396**	**-**
EQUITY AND LIABILITIES							
Trade payables	FLAC	9,962	9,962	-	-	9,962	-
Liabilities to banks	FLAC	11,407	11,407	-	-	11,407	-
Other interest-free liabilities	FLAC	1,160	1,160	-	-	1,160	-
Lease liabilities	n.a.	2,200	-	-	-	-	-
Total		**24,729**	**22,529**	**-**	**-**	**22,529**	**-**

* FVH: Fair Value Hierarchy level

Aggregated by measurement category as of IFRS 9	in EUR thousand	Carrying amount
Amortized cost	(AC)	47,095
Fair value through profit or loss	(FVtPL)	301
Financial liabilities at amortized cost	(FLAC)	22,529
not to be classified	(n.a.)	2,200

2022 in EUR thousand	Measure-ment category as per IFRS 9	Carrying amount as of 12/31/ 2020	IFRS 9 carrying amount Amortized cost	Fair Value through other compre-hensive income	Fair value through profit or loss	Fair Value as of 12/31/ 2020	FVH*
Assets							
Other financial liabilities	AC	12,785	12,785	-	-	12,785	-
Trade receivables	AC	27,450	27,450	-	-	27,450	-
Derivatives - without hedge accounting	FVtPL	355	-	-	355	355	3
Total		**40,590**	**40,235**	**-**	**355**	**40,590**	**-**
EQUITY AND LIABILITIES							
Trade payables	FLAC	7,505	7,505	-	-	7,505	-
Liabilities to banks	FLAC	1,120	1,120	-	-	1,120	
Other interest-free liabilities	FLAC	875	875	-	-	875	-
Lease liabilities	n.a.	2,327	-	-	-	-	-
Total		**11,827**	**9,500**	**-**	**-**	**9,500**	**-**

* FVH: Fair Value Hierarchy level

Aggregated by measurement category as of IFRS 9	in EUR thousand	Carrying amount
Amortized cost	(AC)	40,235
Fair value through profit or loss	(FVtPL)	355
Financial liabilities at amortized cost	(FLAC)	9,500
Not to be classified	(n.a.)	2,327

Determination of the fair value – fair value hierarchy

As far as possible, the LPKF Group uses observable market data to determine the fair value of an asset or liability. Based on the inputs used in the measurement, the fair values are assigned to different levels of the fair value hierarchy:

- Level 1: Quoted (unadjusted) prices on active markets for identical assets or liabilities.
- Level 2: Measurement parameters other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Measurement parameters for assets or liabilities not based on observable market data.

The LPKF Group recognizes reclassifications between different levels of the fair value hierarchy as of the end of the reporting period in which the change occurred. There were no transfers between different levels of the fair value hierarchy in 2023 or the year before.

Because of short remaining maturities, the fair values of cash and cash equivalents, current receivables, trade payables as well as current financial assets and liabilities closely correspond to the respective carrying amounts. The fair value of derivatives is determined externally by banks using a mid-market valuation. The fair value of the reinsurance contracts is determined externally by insurance companies in consideration of the smoothed increase in value and the stock market value of the securities held by the underlying fund at the reporting date.

The net gains/losses from financial instruments are as follows:

in EUR thousand		**2023**	2022
Amortized cost	(AC)	-674	-22
Fair value through profit or loss	(FVtPL)	27	0
Financial Liabilities at amortized cost	(FLAC)	-621	-392
		-1268	-414

The net gains and losses from financial instruments measured at amortized cost include changes in loss allowances, gains and losses on disposal, payments received, reversals of write-downs on receivables as well as currency translation.

Hedging policy and risk management

If necessary, the LPKF Group uses derivative financial instruments to hedge future transactions and cash flows. Derivatives such as forward transactions with short-term maturities are primarily used as hedging instruments.

Risk management principles

The assets, liabilities and planned transactions of LPKF Laser & Electronics SE are exposed, in particular, to risks from fluctuations in foreign exchange rates and interest rates. The aim of financial risk management is to limit these risks. Depending on the nature of the risk, this primarily involves the use of derivative financial instruments. These instruments are exclusively used for hedging, i.e. they are not used for trading or speculative purposes.

Risk management is handled by the Management Board, which fixes the general guidelines for risk management and determines the relevant procedures. It is implemented by the specialist departments and subsidiaries subject to compliance with authorized business guidelines and coordinated by the Group Risk Officer. The Audit Committee of the Supervisory Board of the Company monitors compliance with the guidelines and processes issued by the Management Board as well as the effectiveness of the risk management system.

The material risks from financial instruments and the attendant risk management system of the LPKF Group are disclosed below:

Currency risk

The currency risks to which the LPKF Group is exposed mainly arise from receivables, liabilities, cash and future transactions in foreign currencies. Assets recognized in currencies with declining exchange rates decline in value. Liabilities reported in currencies with rising exchange rates increase in value. From the Group’s point of view, only the difference between income and expense in a foreign currency is exposed to risk.

As a rule, risks are hedged only if they have an impact on the Group’s cash flows. Foreign currency risks that have no impact on the Group’s cash flows are not hedged. These include risks from the translation of the assets and liabilities reported in the annual financial statements of foreign subsidiaries into euros, the Group’s reporting currency. Most invoices related to operations are issued in euros. Sales in North America are invoiced in US dollar. Cash flows in other foreign currencies are required in some cases. As far as possible, the Group pays for its procurement in US dollar, thus applying a natural hedge philosophy. In net terms, however, this does give rise to US dollar cash inflows. For hedging purposes, forward exchange contracts are used when the need arises to cover contracted net foreign currency inflows for up to twelve months.

The disclosure of market risks requires sensitivity analyses pursuant to IFRS 7. They show the effects of hypothetical changes in the relevant risk variables on performance and equity. Currency risks arising from changes in the US dollar exchange rate have priority for LPKF in this respect. The periodic effects are determined by relating the hypothetical changes in the risk variables to the holdings of financial instruments as of the reporting date. The assumption is that the value of the holdings as of the reporting date is representative for the whole year. Differences from foreign currency translation of the annual financial statements of foreign subsidiaries into euros, the Group’s functional currency, are not taken into account.

The currency sensitivity analysis is based on the following assumptions:

Pursuant to IFRS 7, the analysis shows only the effects of exchange rate changes on financial instruments held by the Group as of the reporting date.

Based on a net foreign currency exposure of EUR 3,971 thousand, if the euro had risen by 10% against the US dollar, earnings before income taxes would have decreased by EUR 327 thousand. A 10% decline in the euro would have resulted in a positive effect on earnings (before income taxes) of EUR 399 thousand.

Interest rate risk

Variable interest rates give rise to cash flow risks that affect cash and cash equivalents. Based on a risk exposure of EUR 11,732 thousand, an increase in interest rates by 50 basis points yields a gain of EUR 59 thousand, while a decrease in interest rates by 25 basis points yields a loss of EUR 29 thousand. The low interest rate sensitivities relative to cash and cash equivalents largely stem from low-interest cash and cash equivalents.

The loans taken out in previous years to finance buildings in the LPKF Group had fixed interest rates and were repaid in 2023.

Liquidity risk

The liquidity risk concerns the risk of not being able to satisfy existing or future payment obligations due to a lack of cash. The Group's objective in managing liquidity is to ensure that, as far as possible, sufficient cash is available under both normal and stressed conditions to meet payment obligations as they fall due without incurring unacceptable losses or causing damage to the Group's reputation.

LPKF counters liquidity risks with forward-looking, currency-differentiated liquidity and working capital planning.

Liquidity planning

Currency-differentiated planning enables the Group to initiate measures at an early stage with regard to the required liquidity resources. In addition to the main influences on cash flows, contingencies that could have an impact on the future liquidity situation are also taken into account. Because the LPKF Group is only moderately indebted, it also has adequate liquidity reserves of EUR 25.0 million available through a syndicated loan.

In addition, as a part of the syndicated financing, there is a guarantee facility of EUR 15.0 million with internationally reputable insurance companies.

Working capital

As of the balance sheet date, working capital increased due to higher inventories and receivables. This is due to a high turnover at the end of the year and delays in the delivery of projects in the solar segment. Higher trade payables and lower advance payments received on the reporting date could not offset this effect. Nevertheless, the working capital and the working capital ratio are higher than originally planned.

This risk is managed centrally within the LPKF Group.

The liquidity risk is minimized through continuous liquidity planning. In addition to existing cash and cash equivalents, a syndicated loan agreement with 5 reputable financing partners is available. The European companies of the LPKF Group pool their liquidity peaks by way of cash pooling in EUR and USD. All other companies carry out their ongoing cash management locally. LPKF is continually reviewing whether to expand cash pooling to other international companies. In the event of a significant financing requirement, reviews are performed to determine whether to utilize local financing or financing via LPKF Laser & Electronics SE. All long-term bank loans to finance the buildings at the Garbsen and Fürth locations were repaid in 2023.

FINANCIAL LIABILITIES MATURITY BREAKDOWN

The contractual remaining maturities of the financial liabilities at the reporting date, including estimated interest payments, are presented below. These are undiscounted gross amounts including contractual interest payments, but without presentation of the effect of offsetting.

	2023				
in EUR thousand	**Carrying amount as of 12/31**	Total amount	Up to 1 year	Between 1 and 5 years	More than 5 years
Trade payables	**9,962**	9,962	9,790	172	0
Financial obligations and loans	**11,407**	11,407	11,407	0	0
Other interest-free liabilities	**1,160**	1,160	1,160	0	0
Lease liabilities	**2,200**	2,329	829	1,500	0

	2022				
in EUR thousand	**Carrying amount as of 12/31**	Total amount	Up to 1 year	Between 1 and 5 years	More than 5 years
Trade payables	7,505	7,505	7,505	0	0
Financial obligations and loans	1,120	1,132	885	247	0
Other interest-free liabilities	875	875	875	0	0
Lease liabilities	2,327	2,398	882	1,516	0

Credit risk

The LPKF Group’s operating business and some of its financing activities expose it to default risks. Outstanding receivables from the operating business are monitored on an ongoing, decentralized basis by the segments and subsidiaries. Default risks are accounted for by appropriate loss allowances. There are no significant counterparty credit risks by customer group or geographical region. Receivables are hedged in part through credit insurance or bank guarantees (LC).

The maximum default risk for financial assets normally corresponds to the carrying amount. There is also EUR 1,305 thousand in payment commitments from banks (letters of credit) to cover trade receivables. This leaves solely the credit risk of the collateral provider. In addition, EUR 17,626 thousand in trade receivables is securitized through credit default insurance. 52% of the trade receivables are securitized and 48% are not.

Impairment model for financial assets

Impairment is based on the expected loss model. The amount of the impairment is measured as the difference between the carrying amount of a financial asset and the present value of the estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognized directly in profit or loss under respective impairment loss items. The expected credit losses are adjusted as of the end of each reporting period to reflect changes in the credit risk since initial recognition of the respective instrument.

Trade receivables are managed on a rolling basis. With a few exceptions, trade receivables from third parties are covered by trade credit insurance.

General approach:

The general approach to the impairment model as per IFRS 9 contains three stages:

Stage 1 (low default risk)

At the date of addition, all financial instruments are categorized as stage 1. An exception to this is financial instruments that are already impaired at the date of addition. These financial instruments do not exist at LPKF. The loss allowance is based on the value of the expected credit losses over the next 12 months. The expected credit risk is based on historic and current information as well as future-oriented estimates.

Stage 2 (significant default risk)

If a stage 1 financial instrument is subject to a significant increase in its credit risk, then it is reclassified as stage 2. As long as there is no rebuttable presumption, contractually agreed payments that are more than 30 days past due constitute a significant increase in credit risk. The loss allowance is based on the value of the expected losses over the remaining maturity. The expected credit risk is based on historic default rates and is adjusted by individual expectations.

Stage 3 (credit impairment)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset occur. Indicators of this might be significant financial difficulties on the part of the debtor or an enhanced probability that the debtor will become bankrupt. If there are no other indications in the relevant case, the LPKF Group assumes that a financial asset is credit-impaired when it is more than 90 days past due.

Depreciation, amortization and write-downs

The LPKF Group assumes that a financial asset has defaulted if the receivable is unrecoverable, e.g. if the given debtor is bankrupt. The gross carrying amount of a defaulted financial asset is subsequently written down when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Within the LPKF Group, the general approach to the impairment model as per IFRS 9 is used for cash and cash equivalents. The losses that may be incurred as a result are immaterial to the LPKF Group.

Simplified approach:

In accordance with IFRS 9, the LPKF Group exercises the option to apply a simplified approach to current trade receivables. Accordingly, the receivables are to be assigned to stage 2 on initial recognition and an assessment of a significant increase in credit risk is not required.

The LPKF Group uses an impairment matrix to determine the expected losses for current trade receivables. The default rates used in this matrix are based on historic default rates and are adjusted by future-oriented estimates. Forward-looking information includes, but is not limited to, information from trade credit insurers and available press information about customers as well as information about the future prospects of the industries in which the Group's debtors operate obtained from various sources. The historic default rates are updated and the future-oriented estimates are reanalyzed on each reporting date.

The time bands used in the impairment matrix to determine the expected losses are as follows:

	Gross value of receivables in EUR thousand					
Days past due	**12/31/2023**	Failure rate	Credit-impaired	12/31/2022	Failure rate	Credit-impaired
Current	33,874	0.2%	No	23,785	0.3%	No
1-30 days past due	1,923	1.4%	No	2,237	1.5%	No
31-60 days past due	326	3.6%	No	971	3.5%	No
61-90 days past due	105	7.2%	No	559	5.6%	No
More than 90 days past due	499		Yes	192		Yes
Total	**36,727**			27,744		

The changes in loss allowances on trade receivables were as follows in the reporting year:

Loss allowances recognized on trade receivables and loans in EUR thousand	**2023**	2022
As of 01/01	**-294**	-118
- Stage 2 loss allowances	0	-77
+Stage 2 reversal of impairment losses	49	0
- Stage 3 loss allowances	-65	-99
- Depreciation, amortization and write-downs	0	0
As of 12/31	**-310**	-294

Capital management disclosures

The Group's capital management serves to secure the company's existence as a going concern and pursue opportunities for growth with the aim of continuing to funnel profits to its shareholders and provide other interested parties with services due to them. Maintaining the best possible capital structure to reduce capital costs is another objective. To maintain or modify its capital structure, depending on the given situation, the Group adjusts dividend payments to its shareholders, repays capital to its shareholders, issues new shares or sells assets in order to discharge liabilities.

Equity available in EUR thousand	**12/31/2023**	12/31/2022* Adjusted
Equity	95,116	93,919
Debt securities	53,357	44,475

* After adjustments in accordance with IAS 8.41ff. (see note B.)

31. OTHER FINANCIAL OBLIGATIONS

There are framework agreements for purchase orders with the aim of fixing prices for a larger quantity that will not be accepted until after the reporting date, amounting to EUR 313 thousand (previous year: EUR 387 thousand). For annually recurring maintenance contracts, mainly for software applications, there are contracts amounting to EUR 1,921 thousand (previous year: EUR 1,811 thousand) beyond the reporting date. There are no other significant financial obligations.

32. DISCLOSURES PURSUANT TO SECTION 315E OF THE GERMAN COMMERCIAL CODE

The requirements of Section 315e of the German Commercial Code for the preparation of consolidated financial statements according to IFRS, as applicable in the EU, have been fulfilled. In addition to IFRS disclosure obligations, LPKF also publishes details and explanations required under the German Commercial Code.

33. DISCLOSURES ON MANAGEMENT BOARD REMUNERATION

Dr. Klaus Fiedler (CEO)	Strategy, Sales & Marketing, Human Resources, Production, Research & Development, Innovation
Christian Witt (CFO)	Finance & Controlling, Investor Relations, Compliance & Legal, Organization & IT, Purchasing, ESG

The remuneration of the Management Board is performance-based and consists of a fixed component and variable, performance-based salary components. Details regarding the remuneration system and individual disclosures are presented in the remuneration report.

In the 2023 financial year, the members of the Executive Board received total remuneration of EUR 770 thousand (previous year: EUR 915 thousand) for their work in accordance with section 162 of the German Stock Corporation Act (AktG). Of this, EUR 664 thousand (previous year: EUR 631 thousand) was accounted for by the fixed salary components including fringe benefits, which were paid out in full in the 2023 reporting year. The variable remuneration components that are granted and owed to the members of the Executive Board in the 2023 financial year accounted for a total of EUR 106 thousand (previous year: EUR 284 thousand).

In the financial year, EUR 142 thousand (previous year: EUR 0 thousand) was accrued for members of the Management Board for share-based payments within the meaning of IAS 24.17 (e). A provision of EUR 112 thousand (previous year: EUR 222 thousand) was recognized for the STI 2023. The fair value of the share-based remuneration at the allocation point amounted to a total of EUR 375 thousand.

Commitments to members of the Management Board upon departure

A post-contractual non-competition clause for a period of twelve months after departure is in place for members of the Management Board irrespective of whether the departure was ordinary or extraordinary.

If the appointment of a member of the Management Board ends early on account of his death while in office, the fixed monthly remuneration shall still be paid to his heirs for a period of three months.

The company did not make any performance-based pension commitments to the current members of its Management Board in the reporting period.

Total remuneration of former members of the Management Board

Provisions were recognized for EUR 685 thousand (previous year: EUR 693 thousand) in pension commitments (pension plan, disability pension and widow's pension) to former members of the Management Board and their survivors. A total of EUR 17 thousand (previous year: EUR 17 thousand) in pensions was paid to a former member of the Management Board in 2023.

The interest income from the plan assets in the amount of EUR 31 thousand (previous year: EUR 10 thousand) exceeds the interest expense on the obligation in the amount of EUR 20 thousand (previous year: EUR 8 thousand), resulting in a positive effect on the income statement in the amount of EUR 11 thousand.

34. DISCLOSURES ON SUPERVISORY BOARD REMUNERATION

Jean-Michel Richard	
(Chairman)	Founder and independent senior advisor at Fisadis Consulting Ltd, London, UK
	Member of Supervisory Board committees: - Audit, Risk and ESG Committee - Compensation and Nomination Committee
Dr. Dirk Rothweiler	
(Deputy Chairman)	Independent management consultant, Weimar, Germany
	Member of Supervisory Board committees: - Strategy Committee (Chairman) - Compensation and Nomination Committee
Julia Kranenberg	
(Member of the Supervisory Board) until 17.05.2023	Member of the Executive Board (CHRO & COO Ground Handling) of Fraport AG, Frankfurt, Germany (since November 2022) Membership in comparable German and foreign supervisory bodies of business enterprises: - Fraport Ausbau Süd GmbH, Member of the Supervisory Board (not listed) - Airport Cater Service GmbH, Member of the General Meeting (not listed) - Zusatzversorgungskasse für die Gemeinden und Gemeindeverbände in Wiesbaden, Member of the Management Committee (not listed) - Vereinigung der kommunalen Arbeitgeberverbände, Member of the Presiding Board (not listed)
	Member of Supervisory Board committees: - Nomination Committee - Compensation and ESG Committee (Chair)
Prof. Dr.-Ing. Ludger Overmeyer	
(Member of the Supervisory Board)	University professor and Head of the Institute of Transport and Automation Technology at Leibniz University Hanover, Germany Member of other statutory supervisory boards: Member of the Supervisory Board of Viscom AG, Hanover, Germany (listed company)
	Member of Supervisory Board committees: - Strategy Committee

Anka Wittenberg	
(Member of the Supervisory Board) since 17.05.2023	Senior Vice President of SAP SE, Walldorf
	Member of Supervisory Board committees: - Compensation and ESG Committee (Chair) - Audit, Risk and ESG Committee
Alexa Hergenröther	
(Member of the Supervisory Board) since 08.06.2023	CEO of Sýn Consulting und Beteiligungsgesellschaft UG, Witzenhausen Membership in comparable German and foreign supervisory bodies of business enterprises: - SMA Solar Technology AG, Niestetal (börsennotiert) - K-UTEC AG Salt Technologies, Sondershausen (nicht börsennotiert)
	Member of Supervisory Board committees: - Audit, Risk and ESG Committee (Chair) - Strategy Committee

In addition to reimbursement of all expenses and any sales tax payable on remuneration and expenses, the members of the Supervisory Board each receive fixed annual remuneration, which is determined by resolution of the Annual General Meeting. Since May 18, 2023, each member of the Supervisory Board receives a fixed basic remuneration of EUR 35,000 for each full financial year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives double and the Deputy Chairman one and a half times the amount of the fixed basic remuneration. The Chairman of the Audit Committee receives additional remuneration of EUR 7,500 and the Chairman of the Nomination Committee and the Chairman of the Remuneration and ESG Committee each receive additional remuneration of EUR 5,000. The chairmen of the respective committees receive double the additional remuneration. In addition, the members of the Supervisory Board receive EUR 1,000 for each meeting they attend - whether in person, by telephone or virtually - for a meeting of the Supervisory Board and EUR 500 for a committee meeting. The attendance fee is only paid once for several meetings held on the same day.

Members of the Supervisory Board who have not belonged to the Supervisory Board for a full financial year or who have chaired or deputy chaired the Supervisory Board or chaired a committee receive pro rata remuneration. The remuneration is payable in two equal installments after 6 months from the beginning of the financial year and after the end of the financial year.

The remuneration of the Supervisory Board’s active members solely concerns short-term benefits as defined in IAS 24.17 (a). Further disclosures regarding the remuneration of the Supervisory Board, particularly individual disclosures, are set out in the remuneration report, which is part of the Group management report.

35. AUDITOR FEES INVOICED DURING THE FINANCIAL YEAR

In accordance with German commercial law (Section 314 (1) no. 9 HGB), the company is obliged to disclose the auditor's fees charged as expenses in the financial year. Of this amount, EUR 237 thousand is attributable to Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft accounts for EUR 237 thousand for the 2023 financial year and EUR 458 thousand for the 2022 financial year for KPMG AG Wirtschaftsprüfungsgesellschaft. In addition to the audit of the consolidated and annual financial statements including the ESEF audit, the services in 2023 include an IT migration audit in connection with the software conversion of the ERP system to a cloud-based solution and the content audit of the remuneration report. The other services include the ongoing audit of ESG reporting with limited assurance.

in EUR thousand	**2023**	2022
Audits of financial statements	208	425
of which prior-period	0	39
Other assurance services	0	0
Other services	29	33
Total	**237**	458

36. EVENTS AFTER THE REPORTING PERIOD

No events occurred after the end of the 2023 financial year that are of particular significance for the Group’s net assets, financial position and results of operations.

Garbsen, 18 March 2024

LPKF Laser & Electronics Societas Europaea

The Management Board

DR. KLAUS FIEDLER CHRISTIAN WITT

RESPONSIBILITY STATEMENT

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

Garbsen, 18 March 2024

LPKF Laser & Electronics Societas Europaea

The Management Board

Klaus Fiedler Christian Witt

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To LPKF Laser & Electronics SE, Garbsen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

AUDIT ASSESSMENTS

We have audited the consolidated financial statements of LPKF Laser & Electronics SE, Garbsen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group (hereinafter "combined management report") of Laser & Electronics SE for the financial year from January 1 to December 31, 2023. In accordance with the German legal requirements, we have not audited the content of the non-financial statement referred to in the "Basis of preparation" section of the combined management report and the components of the combined management report listed in the "Other information" section of our auditor's report.

In our opinion, based on the findings of our audit:

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2023 and of its financial performance for the financial year from January 1 to December 31, 2023, and
- the accompanying combined management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the non-financial statement referred to above or the content of the components of the combined management report listed in the "Other information" section.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Group companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue from the delivery of goods in the correct period

Facts and problem definition

The Group's revenue in the 2023 financial year amounted to EUR 124.3 million. Revenue is mainly generated from the sale of machines and the provision of services in connection with the machines sold.

The Group recognizes revenue from the sale of products at a point in time when the customer obtains control of the product and the Group has fulfilled its performance obligation.

The Group's main markets are in Europe, the USA and Asia. The Group concludes various supply and service agreements with customers for the worldwide delivery of products.

Due to the use of different contractual supply and service agreements in the various markets worldwide, there is a risk for the financial statements that revenue will be recognized prematurely as at the reporting date, even though control over a delivered product has not yet been transferred to the customer and the Group has not yet fulfilled its performance obligation.

Audit approach and findings

For the audit of revenue recognition on an accrual basis, we assessed the design and implementation of the internal controls for all material sub-areas and, for selected sub-areas, the functioning of the internal controls with regard to the correct accrual basis.

Based on the results of the audit of the design, establishment and functioning of internal controls with regard to the recognition of revenue from the delivery of goods in the appropriate period, we assessed substantive audit procedures by comparing invoices with the related purchase orders, contracts, external proof of delivery or acceptance records and, where applicable, other documents. This was based on sales transactions selected according to risk-oriented criteria (amount of sales, agreed Incoterm, proximity to reporting date) with a focus on December. In addition, balance confirmations were obtained for trade receivables not yet settled as at the balance sheet date, which were selected on the basis of a mathematical-statistical procedure. Alternative audit procedures were carried out for outstanding confirmations of balances by reconciling the sales revenue with the underlying purchase orders, contracts, invoices, proof of delivery and acceptance reports.

Based on the audit procedures we have performed and the knowledge we have obtained, the Company's procedure for recognizing revenue on an accrual basis is appropriate and not objectionable.

Reference to further information

Please refer to section G.1 of the notes for information on sales.

OTHER INFORMATION

The Management Board or the Supervisory Board is responsible for the other information. The other information comprises the following non-audited parts of the combined management report:

- the separate non-financial Group report within the meaning of Section 289b (3) HGB, which is expected to be made available to us after the date of the auditor's report and to which reference is made in the combined management report,
- the combined corporate governance statement of the company and the Group, to which reference is made in the combined management report, and
- the information contained in the combined management report that is not part of the management report and is marked as unaudited.

The other information also includes the annual report expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements, the audited content of the combined management report and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information and, accordingly, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information referred to above and, in doing so, consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITY OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the Executive Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. Furthermore, it is responsible for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, the Executive Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore, we:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the Executive Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to address independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SECTION 317 (3A) HGB

AUDIT OPINION

We have performed an assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter also referred to as "ESEF documents") contained in the provided document “lpkf-2023-12-31-de.zip” (SHA256-Hashwert: 79164ce73a42ef6785fa614f1be7a903cb1627dda228258626354be20cfae797) and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned provided file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from January 1 to December 31, 2023 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the reproduction of the consolidated financial statements and of the combined management report contained in the above-mentioned provided file in accordance with Section 317 (3a) HGB and IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibilities under those requirements are further described in the "Auditor's responsibilities for the audit of the ESEF documents" section. Our auditing practice has complied with the requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1) have been applied.

Responsibility of the Management Board and the Supervisory Board for the ESEF documents

The company's Management Board is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain professional skepticism. In addition, we

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- obtain an understanding of internal control relevant to the audit of the ESEF documentation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.
- assess the technical validity of the ESEF documents, i.e. whether the file provided containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815 in the version applicable as of the reporting date for the technical specification for this file.
- evaluate whether the ESEF documents enable a consistent XHTML reproduction of the audited consolidated financial statements and the audited combined management report.
- assess whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Other information pursuant to Article 10 EU-APrVO

We were elected as auditor by the annual general meeting on May 17, 2023. We were engaged by the supervisory board on August 18, 2023. We have been the auditor of LPKF Laser & Electronics SE without interruption since the financial year 2023.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (audit report).

OTHER MATTERS - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format - including the versions to be filed in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Marco Brokemper.

Dortmund, March 19, 2024

Baker Tilly GmbH & Co KG

Auditing company

(Düsseldorf)

Brokemper	Dr. Sommerhoff
German Public Auditor	German Public Auditor

EXTRACT FROM INDIVIDUAL FINANCIAL STATEMENTS – INCOME STATEMENT

from 1 January to 31 December 2023

in EUR thousand	**2023**	2022
1. Revenue	53,557	48,329
2. Change in inventories of finished and unfinished products	323	-528
3. Other own work capitalized	0	642
4. Other operating income	3,515	4,591
	57,395	53,034
6. Cost of materials Costs for raw, auxiliary and operating materials and purchased goods	-21,750	-19,284
6. Staff costs		
a) wages and salaries	-20,397	-18,693
b) social security costs and pension costs (of which pension costs: EUR 110 thousand; previous year: EUR 115 thousand)	-3,508	-3,349
7. Depreciation and amortization of non current assets and property, plant and equipment	-2,531	-2,107
8. Other operating expenses	-17,727	-17,197
	-65,913	-60,630
9. Income from investments (of which fom affiliated companies: EUR 11,694 thousand; previous year: EUR 2,599 thousand)	66	11,694
10. Other interest and similar income (of which from affiliated companies: EUR 491 thousand; previous year: EUR 471 thousand)	1,276	496
11. Income from profit transfers	7,949	6,413
12. Costs of loss absorption	0	0
13. Depreciation of financial assets	-1,278	0
14. Interest and similar expenses	-569	-318
15. Taxes on income and earnings	-81	-6,201
16. Earnings after tax	**-1,155**	4,488
17. Other taxes	-55	-50
18. Net profit	**-1,210**	4,438
19. Accumulated profits/losses brought forward from the previous year	23,581	19,143
20. Retained profit	**22,371**	23,581

EXTRACT FROM INDIVIDUAL FINANCIAL STATEMENTS – BALANCE SHEET

as of 31 December 2023

ASSETS (in EUR thousand)	**12/31/2023**	12/31/2022
A. NON-CURRENT ASSETS		
I. Intangible assets		
1. Software	1,326	169
2. Rights of use	52	102
3. Advance payments	39	476
	1,417	747
II. Property, plant and equipment		
1. Land, similar rights and buildings	15,166	15,898
2. Techinical equipment	2,649	3,346
3. Other equipment, operating and office equipment	2,745	2,997
4. Advance payments made on assets under construction	657	52
	21,217	22,293
III. Financial Assets		
Shares in affiliated companies	15,907	15,860
	38,541	38,900
B. CURRENT ASSETS		
I. Inventories		
1. Raw, auxiliary and operating materials	5,113	6,071
2. Unfinished products	1,697	1,668
3. Finished products and goods	1,842	2,209
4. Advance payments	24	40
	8,676	9,988
II. Receviables and other assets		
1. Trade receivables (of which with remaining maturities of more than one year: EUR 23 thousand; previous year: EUR 27 thousand)	5,478	5,944
2. Receivables from affiliated companies	43,861	27,817
3. Other assets	2,571	2,171
	51,910	35,932
III. Cash on hand, bank balances and checks	**8,365**	7,659
	68,951	53,579
C. Deferred Income	**1,196**	516
E. Capitalized differences from assets offsetting	**124**	119
	108,812	93,114

EQUITY AND LIABILITIES (in EUR thousand)	**12/31/2023**	12/31/2022
A. EQUITY		
I. Subscribed Capital	**24,497**	24,497
(Contingent capital: EUR 0 thousand; previous year: EUR 0 thousand)		
II. Capital reserves	**16,160**	16,160
III. Retained earnings		
1. Statutory reserve	41	41
2. Other retained earnings	11,200	11,200
	11,241	11,241
IV. Retained profit	**22,371**	23,581
	74,269	75,479
B. PROVISIONS		
1. Tax provisions	357	0
2. Other provisions	4,843	2,926
	5,200	2,926
C. LIABILITIES		
1. Liabilities to banks	12,000	519
2. Advances received	4,833	1,744
3. Trade payables	3,113	2,601
4. Liabilities to affiliated companies	7,447	8,703
5. Other liabilities	1,096	805
(of which taxes: EUR (266 thousand; previous year: EUR 252 thousand)		
(of which in conjunction with social security: EUR 15 thousand; previous year: EUR 13 thousand)		
	28,489	14,372
D. Accruals and deferred income	**854**	337
	108,812	93,114

FINANCIAL CALENDAR

25 April 2024	Publication of the three-months report
05 June 2024	Annual General Meeting
25 July 2024	Publication of the six-months report
24 October 2024	Publication of the nine-months report

More dates and publications can be found on the LPKF website at

www.lpkf.com/en/investor-relations/financial-calendar

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Text

LPKF Laser & Electronics SE

Cover Layout

Microstructured glass membrane
for MEMS, manufactured
with LPKF's LIDE technology

Internet

For more information on LPKF Laser & Electronics SE and the addresses of our subsidiaries, please go to www.lpkf.com. This financial report can also be downloaded from our website.