Annual General Meeting of LPKF Laser & Electronics SE

on June 05, 2024

Written report by the Management Board on **agenda item 8** of the Annual General Meeting on the reasons for authorizing the Management Board to exclude subscription rights in the event of capital increases from authorized capital

The Annual General Meeting on 20 May 2021 authorized the Management Board, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 4,899,309.00 by issuing new no-par value bearer shares against cash and/or non-cash contributions on one or more occasions. No use has been made of this authorization to date. The authorization will expire on 19 May 2024. A new authorization is to be created. The content of the new authorized capital should largely correspond to the previous authorized capital and its volume should be limited to 20% of the share capital. The possibility of excluding subscription rights in the event of capital increases from the authorized capital is again to be limited to a total of 10% of the share capital, taking into account shares that are to be issued or are issued or sold on the basis of another authorization excluding subscription rights.

The Management Board and Supervisory Board therefore propose to the Annual General Meeting under agenda item 8 that new authorized capital of up to EUR 4,899,309.00 be created. For reasons of flexibility, it should be possible to use the authorized capital for both cash and non-cash capital increases.

In the case of capital increases from authorized capital, the company's shareholders generally have subscription rights. The shares can also be acquired by one or more banks or companies specified by the Management Board within the meaning of Section 186 (5) sentence 1 AktG with the obligation to offer them to shareholders for subscription (so-called indirect subscription right).

However, the Management Board is also to be authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights,

- to exclude fractional amounts from shareholders' subscription rights;

- if the new shares are issued against cash contributions and the issue price of the new shares is not significantly lower than the stock market price of the shares already listed at the time of the final determination of the issue price. The total number of shares issued in this manner with the exclusion of subscription rights may not exceed 10% of the share capital, neither at the time this authorization becomes effective nor at the time it is exercised. Other shares issued or sold during the term of this authorization with the exclusion of subscription rights in direct or analogous application of Section 186 para. 3 sentence 4 AktG are to be counted towards the maximum limit of 10% of the share capital. Shares that are to be issued to service option and/or conversion rights or obligations from convertible bonds or bonds with warrants or profit participation rights are also to be included, provided that these bonds or profit participation rights were issued during the term of this authorization with the exclusion of subscription rights in corresponding application of Section 186 para. 3 sentence 4 AktG;

- if the capital increase in return for a non-cash contribution is made for the purpose of acquiring companies, parts of companies, interests in companies, other assets associated with an acquisition project or as part of business combinations or for the purpose of acquiring industrial property rights including copyrights and know-how or rights to use such rights;

- to the extent necessary to grant holders or creditors of bonds with warrants and/or convertible bonds with option or conversion rights or obligations, which were or will be issued by the company or companies in which the company directly or indirectly holds a 100% interest, a subscription right to new shares to the extent to which they would be entitled after exercising the option or conversion rights or after fulfilling option or conversion obligations;

- if the new shares are issued to persons who are in an employment relationship with the company or one of its affiliated companies (employee shares). The number of shares issued in this way with the exclusion of subscription rights may not exceed a proportionate amount of the share capital totaling EUR 200,000.00.

The authorization to exclude shareholders' subscription rights shall be limited to the extent that, after the authorization has been exercised, the sum of the shares issued against cash and/or non-cash contributions under this authorized capital, excluding shareholders' subscription rights, may not exceed a total of 10% of the share capital, neither at the time this authorization becomes effective nor at the time it is exercised. The following are counted towards the aforementioned 10% limit

- treasury shares that are sold during the term of this authorization with the exclusion of subscription rights, and

- new shares to be issued on the basis of bonds with warrants or convertible bonds or profit participation rights issued during the term of this authorization with the exclusion of subscription rights and

- new shares issued during the term of this authorization on the basis of any other authorized capital with the exclusion of subscription rights.

However, shares that are to be issued to service subscription rights from a share option plan of the company (Performance Stock Option Plan) in favor of members of the Management

Board as well as employees of the company and employees and members of the management of affiliated companies are excluded from inclusion.

The Management Board submits the following report on this authorization to exclude shareholders' subscription rights with the approval of the Supervisory Board in accordance with Sections 203 para. 2 sentence 2 and 186 para. 4 sentence 2 AktG:

(1) Exclusion of subscription rights for fractional amounts

It should initially be possible to exclude subscription rights for fractional amounts. This authorization serves to ensure that a practicable subscription ratio can be presented with regard to the amount of the respective capital increase. Without the exclusion of subscription rights for fractional amounts, the technical implementation of the capital increase would be considerably more difficult, particularly in the case of a capital increase by round amounts. The new shares excluded from shareholders' subscription rights as fractional amounts will either be sold on the stock exchange or otherwise disposed of by the company in the best possible way. For these reasons, the Management Board and Supervisory Board consider the authorization to exclude subscription rights to be appropriate.

(2) Exclusion of subscription rights if the issue price of the new shares is not significantly lower than the stock market price and the shares issued in this way with the exclusion of subscription rights do not exceed a total of 10% of the share capital

It should also be possible to exclude the subscription right if the new shares are issued in accordance with Sections 203 para. 1 and 186 para. 3 sentence 4 AktG against cash contributions at an amount that is not significantly lower than the stock market price and if the total pro rata amount of the share capital attributable to the shares issued does not exceed 10% of the share capital, either at the time the authorization becomes effective or at the time it is exercised. The authorization enables the company to cover capital requirements, even at short notice, and thus to take advantage of market opportunities quickly and flexibly. The exclusion of subscription rights enables the company to act very quickly without the more costly and time-consuming subscription rights procedure and enables a placement close to the market price, i.e. without the usual discount for subscription issues. The company will also be able to attract new investors in Germany and abroad with such capital increases. If the authorization is exercised, the Management Board - with the approval of the Supervisory Board - will set the discount on the market price as low as possible in accordance with the market conditions prevailing at the time of the final determination of the issue price. Under no circumstances will the discount on the market price exceed 5% of the market price.

The scope of the cash capital increase with the exclusion of subscription rights in accordance with Section 186 para. 3 sentence 4 AktG is also limited to 10% of the share capital when the authorization takes effect or, if this amount is lower, when the authorization to exclude subscription rights is exercised. Shares that have been issued or sold during the term of the authorization with the exclusion of subscription rights in direct or analogous application of Section 186 para. 3 sentence 4 AktG, e.g. treasury shares, are to be counted towards this 10% limit. Shares that are to be issued to service option and/or conversion rights or obligations from convertible bonds or bonds with warrants or profit participation rights are also to be included, provided that these bonds or profit participation rights were issued during the term of the authorization with the exclusion of subscription rights in corresponding application of Section 186 para. 3 sentence 4 AktG. This limitation takes into account the shareholders' need for protection against dilution of their shareholdings. As the new shares are placed close to the market price, every shareholder can acquire shares on the market at approximately the same conditions in order to maintain their shareholding.

(3) Exclusion of subscription rights for capital increases against contributions in kind

It should also be possible to exclude shareholders' subscription rights if the capital increase against contributions in kind is carried out for the purpose of acquiring companies, parts of companies, interests in companies or other assets associated with an acquisition project or as part of business combinations. This will give the company the necessary room for maneuver to be able to take advantage of opportunities that arise to acquire other companies, interests in companies or parts of companies as well as mergers, but also to acquire other tangible assets that are essential for the company and assets related to an acquisition project, quickly, flexibly and in a way that preserves liquidity in order to improve its competitive position and strengthen its earning power. It should also be possible to exclude shareholders' subscription rights if the capital increase against non-cash contributions is carried out for the purpose of acquiring industrial property rights, including copyrights and know-how, or rights to use such rights. This should also enable the company to acquire such rights quickly, flexibly and in a way that protects liquidity in order to improve its competitive position.

As part of such transactions, very high consideration often has to be paid that should not or cannot be paid in cash. The owners of attractive companies or other attractive acquisition targets (including the rights referred to) often demand voting shares in the buyer as consideration. In order for the company to be able to acquire such companies or other acquisition targets, it must be able to offer shares as consideration. As such an acquisition usually takes place at short notice, it cannot usually be approved by the Annual General Meeting, which generally only takes place once a year. This requires the creation of authorized capital, which the Management Board - with the approval of the Supervisory Board - can access quickly. In such a case, the Management Board ensures that the interests of the shareholders are adequately safeguarded when determining the valuation ratios. In doing so, the Management Board takes into account the market price of the company's shares. The Management Board will only make use of this authorization if the exclusion of subscription rights in individual cases is in the well-understood interests of the company. There are currently no specific acquisition plans for which the option to increase capital in kind with the exclusion of subscription rights granted by the proposed authorization is to be used.

(4) Exclusion of subscription rights to the extent necessary to grant holders or creditors of bonds with warrants and convertible bonds with option or conversion rights or obligations a subscription right to new shares to the extent to which they would be entitled after exercising the option or conversion rights or after fulfillment of option or conversion obligations

In addition, it should be possible to exclude the subscription right to the extent necessary to give the holders or creditors of bonds with warrants and convertible bonds issued by the company or its wholly owned subsidiaries or sub-subsidiaries at the time the authorized capital is utilized a subscription right to new shares to which they would be entitled after exercising the option or conversion right or after fulfilling an option or conversion obligation arising from these bonds. In order to facilitate the placement of bonds on the capital market, the corresponding option or bond conditions generally include protection against dilution. One way of protecting against dilution is to grant the holders or creditors of the bonds a subscription right to new shares in subsequent share issues, as shareholders are entitled to. This puts them in the same position as if they were already shareholders. In order to provide the bonds with such protection against dilution, shareholders' subscription rights to the new shares must be excluded. This serves to facilitate the placement of the bonds and thus the interests of shareholders in an optimal financial structure for the company.

Alternatively, only the option or conversion price could be reduced for the purpose of dilution protection, insofar as the option or bond conditions permit this. However, this would be more complicated and cost-intensive for the company in terms of processing. It would also reduce the inflow of capital from the exercise of option and conversion rights or obligations. It would also be conceivable to issue bonds without dilution protection. However, these would be much less attractive to the market. At the time of convening the Annual General Meeting to be held on June 5, 2024, LPKF Laser & Electronics AG had not issued any bonds with warrants and/or convertible bonds.

(5) Exclusion of subscription rights if the new shares are issued to persons in an employment relationship with the company or one of its affiliated companies (employee shares)

In addition, subscription rights may be excluded if the new shares are issued to persons who are employed by the company or one of its affiliated companies (employee shares). The number of shares issued in this way with the exclusion of subscription rights may not exceed a proportionate amount of the share capital totaling EUR 200,000.00. In this way, shares can be used as a remuneration component for employees of the company or its affiliated companies, the participation of employees in the share capital of the company can be promoted and thus the identification of employees with the company can be strengthened in the interests of the company and its shareholders. The issue of employee shares should therefore be able to be used in individual cases as an instrument of employee remuneration and motivation. The limitation to a pro rata amount of the share capital totaling EUR 200,000.00 takes account of the shareholders' need for protection against dilution of their shareholdings.

(6) Utilization of the authorizations while limiting the exclusion of subscription rights to a total of 10% of the share capital

The Management Board is also only authorized to exclude subscription rights in accordance with (1) to (5) above when utilizing the authorized capital to the extent that the proportionate amount of the share capital attributable to the shares issued under exclusion of subscription rights on the basis of this authorization does not exceed 10% of the share capital, either at the time the authorization becomes effective or at the time it is exercised. The following are counted towards the aforementioned 10% limit

- treasury shares that are sold during the term of this authorization with the exclusion of subscription rights, and
- new shares to be issued on the basis of bonds with warrants or convertible bonds or profit participation rights issued during the term of this authorization with the exclusion of subscription rights and
- new shares issued on the basis of any other authorized capital during the term of this authorization with the exclusion of subscription rights.

However, shares that are to be issued to service subscription rights from a share option plan of the company (Performance Stock Option Plan) in favor of members of the Management Board and employees of the company and employees and members of the management of affiliated companies are excluded from inclusion.

This capital limit restricts the total volume of shares that can be issued without subscription rights. In this way, shareholders are additionally protected against a dilution of their shareholdings.

The Management Board and Supervisory Board will carefully examine in each individual case whether they will make use of one of the authorizations to increase capital while excluding shareholders' subscription rights. This option will only be utilized if, in the opinion of the Management Board and Supervisory Board, this is in the well-understood interests of the company and therefore its shareholders.

The Management Board will inform the next Annual General Meeting of any use of the above authorizations to exclude subscription rights.

Garbsen, April 2024

LPKF Laser & Electronics SE
The Management Board

Dr. Klaus Fiedler	Christian Witt
Chief Executive Officer	Chief Financial Officer

This document is a convenience translation of the German original. In case of any discrepancy between the English and the German versions, the German version shall prevail.