

Annual General Meeting of LPKF Laser & Electronics SE

on June 05, 2024

Written report by the Management Board on **agenda item 9** of the Annual General Meeting on the reasons for authorizing the Management Board to exclude subscription rights when issuing bonds with warrants and/or convertible bonds

The Annual General Meeting on 20 May 2021 authorized the Management Board, with the approval of the Supervisory Board, to issue registered or bearer bonds with warrants and/or convertible bonds (collectively "bonds") with a total nominal value of up to EUR 200,000,000.00 on one or more occasions until 19 May 2024 and to grant the holders or creditors of bonds option or conversion rights or option or conversion obligations on bearer shares. The company may grant or impose option or conversion rights or option or conversion obligations for no-par value bearer shares of the company with a pro rata amount of the share capital totaling up to EUR 4,899,309.00 on the holders or creditors of bonds in accordance with the terms and conditions of the bonds with warrants or convertible bonds. Conditional Capital 2021/I of up to EUR 4,899,309.00 was created to secure option or conversion rights or option or conversion obligations from bonds issued on the basis of the existing authorization. No use was made of the existing authorization to issue bonds. The existing authorization to issue bonds will have expired on 19 May 2024 and the Conditional Capital 2021/I will have become inoperative.

Under agenda item 9, the Management Board and Supervisory Board propose to the Annual General Meeting the authorization to issue bonds with warrants and/or convertible bonds (together "bonds") with a total nominal value of up to EUR 200,000,000.00 and the creation of associated conditional capital of up to EUR 4,899,309.00 by issuing up to 4,899,309 new no-par value bearer shares. If this authorization is exercised in full, bonds could be issued that would grant subscription rights (or obligations) to up to 20% of the current share capital. The possibility of excluding subscription rights when issuing bonds is to be limited to shares totalling 10% of the share capital, taking into account shares issued or sold on the basis of another authorization excluding subscription rights.

The proposed authorization to issue bonds for cash is intended to offer the company the opportunity to take advantage of attractive financing alternatives on the capital market, depending on the market situation, in addition to the traditional options of raising debt and equity. The issue of bonds enables the company to raise debt capital which, depending on the terms and conditions of the bond, can be classified as equity or equity-like for rating purposes as well as for accounting purposes. The option and conversion premiums achieved as well as the equity crediting benefit the company's capital base. The envisaged possibilities of

establishing option or conversion obligations in addition to granting option or conversion rights extend the scope for structuring these financing instruments. The authorization is intended to enable the company to issue bonds itself or through Group companies domiciled in Germany or abroad in which the company directly or indirectly holds a 100% interest and to tap the German or international capital market by allowing the bonds to be issued in the legal currency of an OECD country in addition to euros.

The option or conversion price for the shares to be subscribed upon exercise of option or conversion rights must correspond to at least 80% of the stock exchange price of the bearer shares of the company determined shortly before the issue of the bonds with option or conversion rights, with the exception of cases in which an option or conversion obligation, a right of substitution or a tender right of the issuer of the bonds to deliver shares is provided for. The possibility of a surcharge (which may increase depending on the term of the bond) ensures that the conditions of the bonds can take account of the respective capital market conditions at the time of issue. In the event of an option or conversion obligation, a right of substitution or a tender right of the issuer of the bonds to deliver shares, the option or conversion price of the new shares must be determined in accordance with more detailed provisions. conversion price of the new shares must, in accordance with the terms and conditions of the bonds, be at least either the above-mentioned minimum price or the volume-weighted average market price of the company's shares in the Xetra closing auction (or a comparable successor system) on the Frankfurt Stock Exchange on the ten trading days before or after the final maturity of the bonds, even if the last-mentioned average price is below the above-mentioned minimum price.

Shareholders are generally entitled to a statutory subscription right to the bonds (Section 221 para. 4 in conjunction with Section 186 para. 1 AktG). In order to facilitate processing, it is intended that the bonds can also be taken over by one or more banks or companies determined by the Management Board within the meaning of Section 186 para. 5 sentence 1 AktG with the obligation to offer them to the shareholders for subscription (so-called indirect subscription right).

However, the Management Board shall be authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board for the following purposes:

- to exclude fractional amounts from shareholders' subscription rights;
- if the bonds are issued for cash and the issue price of the bonds is not significantly lower than the theoretical market value of the bonds calculated using recognized actuarial methods. The number of shares to be issued to service bonds issued in this manner with the exclusion of subscription rights may not exceed a total of 10% of the share capital, either at the time this authorization becomes effective or at the time it is exercised. Shares that are 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 or conversion rights or option or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted, provided that these bonds or

profit participation rights are issued during the term of this authorization on the basis of another authorization with the exclusion of subscription rights in corresponding application of Section 186 para. 3 sentence 4 AktG;

- to the extent necessary to grant holders or creditors of bonds with warrants and/or convertible bonds with option or conversion rights or option or conversion obligations previously issued by the company or Group companies in which the company holds a direct or indirect 100% interest a subscription right to bonds to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or after fulfilling option or conversion obligations.

The authorization to exclude shareholders' subscription rights is in any case limited to the extent that the total of new shares to be issued to service option or conversion rights or obligations of such bonds with warrants and/or convertible bonds issued under exclusion of 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 issued from authorized capital during the term of this authorization with the exclusion of shareholders' 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, the issue of which was carried out with the exclusion of subscription rights on the basis of another authorization.

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.

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 221 (4) and 186 (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 be able to utilize the authorization by round amounts and to represent a practicable subscription ratio. Without the exclusion of subscription rights for fractional amounts, the technical implementation of the issue of bonds would be considerably more difficult. Excluding subscription rights in these cases facilitates the processing of the issue. The free fractions excluded from shareholders' subscription rights will either be sold on the stock exchange or otherwise utilized 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 is not significantly lower than the theoretical market value of the bonds and the shares created 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 bonds are issued for cash and the bonds are issued at a price that is not significantly lower than the theoretical market value of the bonds calculated using recognized actuarial methods.

This gives the company the opportunity to take advantage of favorable market situations quickly and at very short notice and to achieve better conditions for the interest rate and option or conversion price of the bonds by setting the conditions close to the market. This would not be possible if the statutory subscription right were maintained. Section 186 para. 2 of the German Stock Corporation Act (AktG) allows the subscription price (and, in the case of bonds, the conditions) to be published by the third-last day of the subscription period. In view of the volatility on the stock markets, however, the market risk existing over several days would lead to safety discounts when determining the conditions of the bonds and thus to conditions that are less close to the market. Furthermore, if the statutory subscription right is maintained, the successful placement of the bonds with third parties is jeopardized or associated with additional expenses due to the uncertainty of the extent of the exercise. Finally, the length of the minimum subscription period of two weeks to be observed if the statutory subscription right is maintained prevents the Company from reacting to favorable or unfavorable market conditions, which may lead to less than optimal capital procurement.

The interests of the shareholders are safeguarded in this exclusion of subscription rights provided for in analogous application of Section 186 para. 3 sentence 4 AktG by the fact that the bonds may not be issued significantly below their theoretical market value, which reduces the notional value of the subscription right to almost zero. Shareholders who wish to maintain their share in the share capital can do so by purchasing additional shares on the market. When assessing the question of which issue price corresponds to the theoretical market value of the bond and guarantees that the issue of the bonds will not lead to a significant dilution of the value of the existing shares, the Management Board may seek the assistance of experts, e.g. the underwriters accompanying the issue or an expert, if it deems it appropriate in the respective situation. The issue price may also be determined in a bookbuilding process.

This type of exclusion of subscription rights is also limited in terms of volume: The number of shares to be issued to service bonds issued in this manner during the term of this authorization with the exclusion of subscription rights (whether on the basis of this authorization or another authorization) may not exceed a total of 10% of the share capital, either at the time the authorization becomes effective or, if this amount should be lower, at the time the authorization is exercised. The aforementioned maximum limit of 10% of the share capital shall include the proportionate amount of the share capital attributable to shares issued during the term of this authorization either on the basis of an authorization of the Management Board to exclude subscription rights in direct or analogous application of Section 186 para. 3 sentence 4 AktG or sold as acquired treasury shares in analogous

application of Section 186 para. 3 sentence 4 AktG. These offsets ensure that no bonds are issued if this would lead to the exclusion of shareholders' subscription rights for more than 10% of the share capital in direct or analogous application of Section 186 para. 3 sentence 4 AktG.

(3) 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 option or conversion obligations a subscription right to bonds to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or after fulfilling option or conversion obligations

Finally, it should be possible to exclude the subscription right to the extent necessary to give the holders or creditors of bonds with warrants and/or convertible bonds issued by the company or its Group companies a subscription right to bonds to which they would be entitled after exercising the option or conversion right or after fulfilling an option or conversion obligation when exercising the authorization. In order to facilitate the placement of bonds on the capital market, the corresponding 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 bonds in subsequent 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 bonds 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 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 or conversion rights or the fulfillment of option or conversion obligations. It would also be conceivable to issue bonds without dilution protection. However, these would be much less attractive to the market.

Shareholders have the opportunity to maintain their share in the company's share capital at any time, even after exercising option or conversion rights or obligations, by purchasing shares on the stock exchange. In contrast, the authorization to exclude subscription rights enables the company to set the conditions close to the market, to ensure the greatest possible security with regard to placement with third parties and to take advantage of favourable market situations at short notice.

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

Furthermore, in the interests of the shareholders, the authorizations to exclude subscription rights discussed under (1) to (3) above are limited to a total share volume of 10% of the company's share capital existing at the time this authorization becomes effective or, if lower, at the time this authorization is exercised, even taking into account all other authorizations to exclude subscription rights.

This capital limit additionally protects shareholders against a dilution of their shareholding. When calculating this capital limit, the Management Board will also take into account the issue of new shares or the sale of treasury shares as well as bonds or profit participation rights with option or conversion rights or option or conversion obligations that are issued on the basis of other authorizations granted to the Management Board excluding shareholders' subscription rights during the term of this authorization. However, shares 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.

There are currently no concrete plans to exercise the authorization to issue bonds. Corresponding anticipatory resolutions with the option to exclude subscription rights are common practice both nationally and internationally. The Management Board and Supervisory Board will carefully examine in each individual case whether they will make use of one of the authorizations to issue bonds with the exclusion of 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.