

Corporate Governance

The Board of Managing Directors and the Supervisory Board of LPKF Laser & Electronics AG passed the following declaration of compliance in accordance with Section 161 German Stock Corporation Act on December 9th, 2011.

Declaration of compliance

of LPKF Laser & Electronics AG for the 2011 financial year

with the Corporate Governance Code in accordance with Section 161
German Stock Corporation Act (Aktengesetz)

The Board of Managing Directors and the Supervisory Board of LPKF Laser & Electronics AG acknowledge and accept the recommendations of the Government Commission on the German Corporate Governance Code (DCGK) dated May 26th, 2010 have been observed since the last declaration was issued on December 20th, 2010 and will be observed in the future. The following exceptions apply:

- **Formation of committees**
The Supervisory Board of LPKF Laser & Electronics AG consists of three persons. The size of the Supervisory Board ensures the efficient functioning of the board. This is why no Supervisory Board committees are formed. The same also applies to the formation of an auditing and nominating committee. (Subsection 5.3.2 DCGK).
- **Severance pay cap**
Because they only run for three years, the management contracts have no cap on severance pay (Section 4.2.3 Para. 4 and 5 GCGC). If the management activities are terminated prematurely without an important reason, remuneration is limited to no more than the remaining contractual period. The Supervisory Board therefore considers it unnecessary to include in the management contracts a cap on severance pay amounting to two years remuneration.

- **Multi-year assessment basis for bonuses**
The Board of Managing Directors receives a profit-sharing bonus based on the Group EBIT with respect to a financial year. If a loss is reported in the following financial year, this loss may be subsequently taken into consideration under certain circumstances (Section 4.2.3 Para. 2 Clause 2 GCGC).
- **Remuneration cap for extraordinary developments**
Unlike the profit-sharing bonuses for the Board of Managing Directors, the current option regulations contain no caps for unforeseen developments (Section 4.2.3 Para. 3 Clause 4 GCGC).
- **Diversity**
The Supervisory Board has stipulated objectives regarding its composition on December 20th, 2010. These objectives take into account the importance of diversity. The Supervisory Board has not stipulated a concrete figure or percentage for the participation of women. With regard to its size (three members), decisions when filling Supervisory Board positions are mainly guided by functional objectives. This is to ensure that the composition of the Supervisory Board reflects the interests of LPKF Laser & Electronics AG as best as possible.

Specific details on the share option scheme and similar securities-oriented motivation schemes practised by the company are described in the Notes to the Consolidated Financial Statements (Subsection 7.1.3 DCGK). A D&O insurance for the Supervisory Board in accordance with the recommendations of the DCGK (Section 3.8 Para. 2 and 3 GCGC) exists since January 1st, 2011.

Specific details on the directors' dealings in accordance with Section 15 a German Securities Trading Act (WpHG) and the direct or indirect ownership of shares are also described in the Notes to the Consolidated Financial Statements (Subsection 6.6 Para. 2 DCGK).

Garbsen, December 9th, 2011



Dr. Ingo Bretthauer
CEO



Bernd Hildebrandt
Supervisory Board Chairman