

REMUNERATION REPORT

REMUNERATION REPORT FOR THE MANAGEMENT BOARD

INTRODUCTION

The following remuneration report explains the remuneration system and individual remuneration for current and former members of the Management Board of LPKF Laser & Electronics AG in the 2021 financial year. The remuneration report is based in particular on the recommendations of the German Corporate Governance Code (GCGC) and the German Stock Corporation Act (Aktiengesetz). In addition, the remuneration report contains information pursuant to Section 162 of the German Stock Corporation Act in the version applicable under the German Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie).

THE REMUNERATION SYSTEM IN THE 2021 FINANCIAL YEAR

Resolution on the approval of the remuneration system for members of the Management Board

The Supervisory Board of LPKF Laser & Electronics AG adopted a resolution in April 2020 on a revised remuneration system for members of the Management Board in accordance with Sections 87 (1) and 87a (1) of the German Stock Corporation Act. The remuneration system was approved in its revised form by the shareholders of LPKF Laser & Electronics AG at the Annual General Meeting on 20 May 2021 with 79.26% of the votes. In view of the shareholders' voting behavior on the current remuneration system, it is currently being reviewed with the involvement of an independent remuneration consultant.

Application of the remuneration system for the Management Board in the 2021 financial year

The revised remuneration system applies to all Management Board employment contracts concluded or extended on or after 7 April 2021 with retroactive effect from the start of the 2021 financial year. That means that it applied only to Management Board member Christian Witt in 2021.

The former CEO, Dr. Goetz M. Bendele, received remuneration in accordance with the old system up until his departure on 30 April 2021.

Britta Schulz was appointed as interim member of the Management Board with effect from 1 May 2021. Her employment contract as an employee of LPKF Laser & Electronics AG was temporarily suspended with respect to her work duties for the period for which she was appointed to the Management Board. Her entitlement to variable, performance-related remuneration is largely based on the provisions of her previous employment contract. The revised remuneration system therefore did not apply to Britta Schulz in principle in the 2021 financial year.

The revised remuneration system at a glance

Remuneration for members of the Management Board of LPKF Laser & Electronics AG is geared towards the long-term and sustainable development of the company. As well as the duties and performance of the individual Management Board member, total remuneration for members of the Management Board takes into account the company's size, complexity and situation. It comprises non-performance-based salary and non-cash benefits, in addition to pension commitments and performance-based (variable) components. The non-performance-based components include a fixed annual salary (basic salary) as well as incidental benefits and benefits in kind.

The performance-based components consist of annual variable remuneration (STI), which relates to the achievement of economic targets within a year, and long-term variable remuneration (LTI), which is invested entirely in shares in LPKF Laser & Electronics AG, which must be held for a minimum period of three years. The financial, economic, social and environmental targets anchored in the performance-based remuneration components are in keeping with the business strategy and the company's sustainable long-term development. Both short-term and long-term variable remuneration includes incentives for members of the Management Board to ensure that the company's development is sustainable.

The Supervisory Board places an emphasis on the long term when looking at the company's development and has therefore given the long-term performance-based remuneration components a high weighting.

The remuneration system is also supplemented by appropriate regulations relating to the start and end of work as a member of the Management Board. Moreover, the employment contracts of all members of the Management Board contain a clause allowing the Supervisory Board to reduce the Management Board's salaries unilaterally within the meaning of Section 87 (1) of the German Stock Corporation Act in accordance with the statutory provision in Section 87 (2) of the German Stock Corporation Act.

The Supervisory Board was advised by an independent remuneration expert when designing the remuneration system. When the new remuneration system was drawn up, the appropriateness of remuneration for Management Board members was also reviewed. As part of this process, remuneration was compared with that of a few selected companies in the laser manufacturing and semiconductor industry, taking into account the parameters of revenue, profit and market capitalization. A vertical comparison in accordance with Section 87a (1) no. 9 of the German Stock Corporation Act was not carried out.

The remuneration system will be reviewed on an ongoing basis. It will be amended if, in connection with forthcoming personnel decisions, and particularly when employment contracts of Management Board members are to be concluded or extended, it becomes apparent that adjustments are necessary in order to attract or retain suitable candidates. In the event of significant changes to the remuneration system, and at least once every four years, the remuneration system will be presented to the Annual General Meeting again for approval.

In accordance with the statutory provisions in Section 87a (2) sentence 2 of the German Stock Corporation Act, the Supervisory Board can temporarily deviate from the remuneration

system if this is necessary in the interests of the company's long-term well-being. This may be the case in the event of exceptional and unforeseeable developments, for example.

Deviation from the remuneration system is possible only if a corresponding resolution is adopted by the Supervisory Board and after the need for the deviation has been carefully examined. The components of the remuneration system that it is possible to deviate from under the aforementioned circumstances are the procedure, the remuneration structure, the individual remuneration components and the performance criteria. Furthermore, the Supervisory Board can temporarily grant additional remuneration components in this situation or can replace individual remuneration components with other remuneration components if this is necessary in order to restore Management Board remuneration to an appropriate level in the specific situation.

Remuneration component	Basis for assessment/parameter	Objective
Non-performance-based remuneration		
Fixed remuneration	Fixed remuneration is paid in equal monthly installments at the end of each month.	Reflects the role on the Management Board, experience, area of responsibility and market conditions. Ensures adequate income, to prevent inappropriate risks from being taken.
Incidental benefits	Benefits in kind, company car (alternatively, cash allowance or flat rate for a rental car), insurance premiums	Absorption of costs and compensation for economic disadvantages
Performance-based remuneration		
Short-Term-Incentive (STI)	<p>Performance period: 1 year Target amount: 50% of fixed remuneration</p> <p>Performance criteria:</p> <ul style="list-style-type: none"> • 75% corporate targets: 25% revenue, 25% EBIT margin, 25% ROCE • 25% personal targets: <p>Supervisory Board sets corporate targets based on the approved budget and personal targets for each financial year.</p>	<p>The corporate targets are in keeping with the parameters used in corporate management. Personal targets may also take into account social and environmental aspects (as ESG criteria).</p> <p>The financial, economic, social and environmental targets are in keeping with the business strategy and promote the company's sustainable long-term development.</p>
Long-Term-Incentive (LTI)	<p>Total period: 4 years (one-year basis for assessment, followed by a three-year lock-up period for the shares)</p> <p>Target amount: 50% of fixed remuneration</p> <p>Limit: 300% of the target amount</p> <p>Performance criteria: as for STI</p>	Promotes long-term growth in the value of the company and links the interests of members of the Management Board with those of shareholders.
Other regulations on remuneration		

Maximum remuneration	Limit on the total remuneration provided for one financial year pursuant to Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act: EUR 1.1 million per person	Prevents inappropriately high payments
Severance payment cap	Maximum severance payments of two years' remuneration; may not exceed remuneration for the contract term	Prevents inappropriately high payments due to premature termination of the Management Board contract

The old remuneration system at a glance

As payments were made under the old remuneration system in the 2021 financial year, we will outline the structure of this system, and in particular the design of the performance-based components, below.

The remuneration structure under the old system also consists of fixed basic remuneration, two short-term variable components (with a clawback) and one long-term variable component, as well as incidental benefits (benefits in kind).

The fixed non-performance-based remuneration comprises both the basic salary, which is paid in equal monthly installments, and benefits. The benefits include a company car for both official and private use and health and care insurance contributions.

The variable remuneration components consist of a long-term remuneration component, the LTI options, and two short-term remuneration components with a clawback, the STI 1 ROCE and the STI 2 cash flow (STI 2).

STI 1 corresponds to the performance indicator ROCE. Payment for STI 1 is made in cash for the relevant financial year after approval of the consolidated financial statements. The amount of STI 1 is graded depending on target achievement; a payment is made only if a minimum ROCE figure of 8% (floor) is achieved. The target figure is ROCE of 18% and the cap is 30%.

STI 2 corresponds to the ratio of free cash flow to average total capital. Payment for this performance indicator is also made in cash following approval of the consolidated financial statements in the following year. The amount of STI 2 is graded; the target figure is 13%, the floor is 8% and the cap is 21%.

If there is a negative ROCE or cash flow the following year, this loss will subsequently be taken into consideration and STI 1 and STI 2 will be reassessed in light of the negative ROCE and/or cash flow for the following year. Any overpayments will be repaid by the Management Board members. Other than that, extraordinary developments are not generally included in the calculation of STI 1 and STI 2. This earnings-based clawback clause, which makes the final entitlement to STI 1 and STI 2 contingent upon a positive ROCE or cash flow figure in the following year, extends the assessment period for STI 1 and STI 2 to two years. This means that it essentially constitutes multi-year variable remuneration.

A long-term bonus plan has been created as LTI (Options) and is based on a value-oriented performance target. Fictitious shares, known as phantom stocks, are granted to the Management Board members annually in a contractually stipulated amount. The number of phantom stocks corresponds to the individual amount stated, divided by the average closing price of LPKF shares in the first quarter of the year in which the shares are allotted. The plan term is three years per tranche. Once the respective plan term elapses, the beneficiaries are entitled to a disbursement amount, the calculation of which depends on the final number of phantom stocks. The final number of phantom stocks is calculated by multiplying the number of phantom stocks originally allocated by a performance factor that is dependent on the average value added of the LPKF Group during the relevant performance period. The amount to be paid out is in turn calculated by multiplying the final number of phantom stocks by the average share price of LPKF Laser & Electronics AG for the first quarter following the end of the relevant performance period. A payout occurs only if the average share price on the payment date is greater than the average share price on the allotment date. The amount of the payment is limited to four times the allotment value.

REMUNERATION FOR THE MANAGEMENT BOARD IN THE 2021 FINANCIAL YEAR

The components of the remuneration system and their specific application in the 2021 financial year are explained in detail below.

Fixed annual salary

Members of the Management Board of LPKF Laser & Electronics AG receive remuneration in the form of a fixed annual salary (fixed remuneration). Fixed remuneration is paid in equal monthly installments at the end of each month. It is reviewed at regular intervals by the Supervisory Board and adjusted in future contracts if necessary.

As well as his fixed salary as CFO of the company, Mr. Witt received additional remuneration for temporarily acting as interim CEO.

Benefits in kind and other additional remuneration (incidental benefits)

In addition to fixed remuneration, incidental benefits are granted to each member of the Management Board. These benefits include benefits in kind provided by the company, the use of a company car, contributions to health and care insurance and other types of insurance and absorption of other costs as is customary for the market, including the conclusion of a D&O insurance policy by LPKF Laser & Electronics AG with a deductible for the Management Board member in accordance with the German Stock Corporation Act.

LPKF Laser & Electronics AG makes a company car available to members of the Management Board, including for personal use. When choosing a suitable company car and the type of engine, environmental aspects are taken into account alongside the requirements of the business. As an alternative to a company car, Management Board members may also be offered a cash allowance or a flat rate for a rental car. Furthermore, LPKF Laser & Electronics AG bears reasonable costs for expenses incurred by Management Board members in the course of their work.

Performance-based variable remuneration

Performance-based remuneration for the Management Board consists of performance-related remuneration that is paid annually (STI) and performance-related remuneration for

which the amount of the payment is initially invested in shares in LPKF Laser & Electronics AG (LTI), which must be held for a period of at least three years. The details of this are as follows:

Short-term variable remuneration (STI)

How it works

The amount of STI depends on the achievement of corporate targets, which are based on the Group's financial results, and on the achievement of personal targets, which can be set each year.

The corporate targets consist of three key economic figures. The extent to which the targets have been met is measured in relation to the annual approved budget. In line with the key financial indicators used in corporate management, the following parameters are specified for the achievement of targets:

- ROCE (return on capital employed) refers to the ratio of the consolidated operating EBIT to capital employed
- Revenue in accordance with the company's audited, consolidated annual financial statements
- Consolidated operating EBIT as a percentage of consolidated revenue in accordance with the company's audited, consolidated annual financial statements (EBIT margin)

The personal targets for the respective Management Board member are agreed each year. If an agreement has not been reached on personal targets by 31 March of a given year, the Supervisory Board shall set personal targets as it sees fit. Up to four personal targets may be set, which, among other factors, may also take into account social and environmental aspects (as ESG criteria).

Both personal and corporate targets may be achieved within a range agreed each year between the Supervisory Board and the Management Board, which has a floor and a cap. With regard to the achievement of targets, the following percentages of the agreed target bonus will be paid:

- Below the floor 0%
- Floor 25%
- Target 100%
- Cap 200%
- Above the cap 200% (maximum amount)

A linear adjustment will be carried out for figures in between.

To calculate overall target achievement, the average of the respective target achievement for personal and corporate targets is determined in each case. The average figures calculated in this way are then multiplied by a weighting factor and added together to determine overall target achievement. The weighting factor for personal targets is 0.25 and the weighting factor for corporate targets is 0.75. The Supervisory Board can adjust the weighting factors in light of specific influences on the business performance if this is in the company's interests. The weighting factor for corporate targets should not fall below 0.50.

If a member of the Management Board joins or leaves the company during the year, a proportionate share of their entitlement to STI will be deducted.

Graphic: Overview of STI

Target achievement (0% - 200% in each case)	Weighting			
ROCE	x	25%	Overall target achievement 0% - 200% in each case STI = payment amount (in cash)	
Revenue	x	25%		
EBIT margin	x	25%		
Personal targets	x	25%		
				Target amount 50% of fixed salary

Targets and extent to which targets were achieved for the 2021 financial year

The Supervisory Board set three equally weighted corporate and personal targets for Christian Witt and Britta Schulz for the 2021 financial year. The personal targets set for Britta Schulz as an interim member of the Management Board are based on the provisions of her employment contract that was temporarily suspended and therefore primarily comprise financial targets of the DevelopmentQuipment business unit. The target amount also comes to less than 50% of fixed remuneration.

With regard to the performance criteria that apply to the 2021 financial year, the Supervisory Board stipulated the following target figures and thresholds:

Performance criterion	Threshold for 25% target achievement	Target for 100% target achievement	Threshold for 200% target achievement
Revenue (in EUR thousand)	114,801	135,060	141,813
EBIT margin (in %)	10.7	15.3	16.8
ROCE (in %)	8	18	25

Personal targets for Christian Witt:

- Achievement of defined milestones in the market launch of LIDE technology
- Achievement of defined milestones in the ESG project
- Digitalization of the processing of incoming invoices at the German sites

Personal targets for Britta Schulz:

- Achievement of defined milestones in the ESG project
- EBIT of the DevelopmentQuipment business unit
- Capital employed of the DevelopmentQuipment business unit

Dr. Goetz M. Bendele received short-term variable remuneration in accordance with the old system for the financial year. Achievement of targets is measured based on the development of the key figures of return on capital employed (ROCE) and free cash flow in relation to average total capital. The targets and thresholds set out below apply to STI 1 and STI 2:

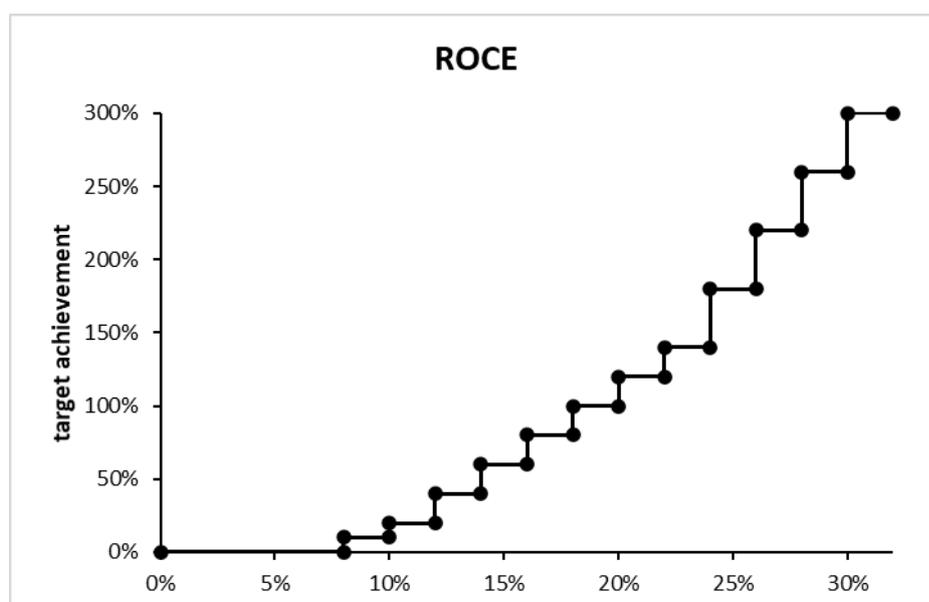
Performance criterion	Threshold for 10% target achievement	Target for 100% target achievement	Threshold for cap
ROCE (in %)	8	18	30
Cash flow / Ø Total capital (in %)	8	13	21

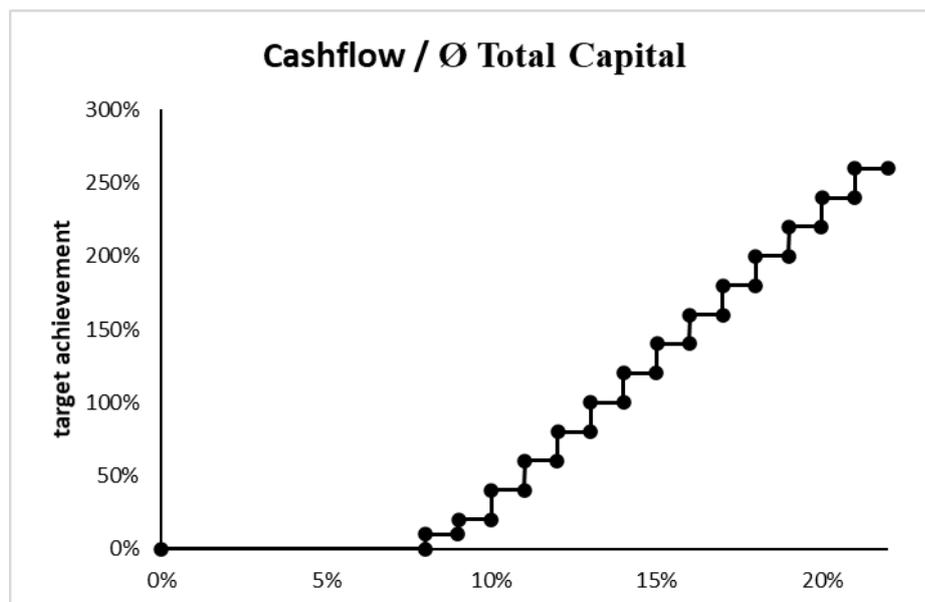
The amounts calculated based on the respective overall target achievement for short-term variable remuneration will be paid to current and former members of the Management Board in April 2022. They will therefore count towards the remuneration granted and owed in the 2022 financial year within the meaning of Section 162 (1) sentence 2 no. 1 of the German Stock Corporation Act.

Payments from the short-term incentive (STI) for the 2020 financial year

The remuneration granted and owed in the 2021 financial year in accordance with Section 162 (1) of the German Stock Corporation Act, on the other hand, includes the STI for the 2020 financial year, which was paid out in April 2021. The STI for the 2020 financial year is based on the remuneration system that was in place at that time. Achievement of targets is measured based on the development of the key figures of return on capital employed (ROCE) and free cash flow in relation to average total capital.

The target achievement curves set out below apply to STI for the 2020 financial year:





LPKF’s business performance was severely impacted by the coronavirus pandemic in the 2020 financial year, meaning that only the threshold for the key figure of ROCE was achieved. After the end of the financial year, the Supervisory Board determined that the achievement of targets for the 2020 STI was as follows:

Performance criterion	Threshold for 10% target achievement (in %)	Target for 100% target achievement (in %)	Target amount for 100% target achievement (in EUR thousand)	Threshold for cap (in %)	Result for 2020 (in %)	Target achievement (in %)
ROCE	8	18	50	30	9	10
Cashflow / Ø Total capital	8	13	50	21	-4.4	0

The resulting STI payment for the 2020 financial year thus comes to EUR 5 thousand for each of the members of the Management Board who were in office at that time, Dr. Goetz M. Bendele and Christian Witt.

Britta Schulz was not yet a member of the Management Board of LPKF Laser & Electronics AG in the 2020 financial year and did not therefore receive any payment from the STI for the 2020 financial year.

Long-term variable remuneration (LTI)

How it works

A long-term incentive plan has been established as a second performance-based remuneration component, which, with a total period of four years, is intended to provide long-term motivation. The shares granted under the LTI allow Management Board members to participate in the relative and absolute performance of the share price, bringing management’s goals and the interests of shareholders more closely into line with each other.

This gives the Management Board an incentive to increase the company's value sustainably and over the long term.

The LTI is issued in annual tranches and is linked to overall target achievement for the STI for the financial year concerned and to the performance of the share price for the following three years.

The target amount for the LTI should in principle be a fixed portion of the basic salary (50%). The target amount for the respective year of allocation is multiplied by a performance factor corresponding to the overall target achievement for the STI in the year of allocation (performance amount). The LTI is then measured based on the performance of shares in LPKF Laser & Electronics AG. To do this, the average share price of LPKF Laser & Electronics AG in the first quarter of the year in which the targets were achieved is calculated (opening share price). The average share price of LPKF Laser & Electronics AG in the first quarter of the year after the year in which the targets were achieved is also calculated (closing share price). The payment amount is calculated based on these figures in accordance with the following formula:

Payment amount = performance amount x closing share price / opening share price

This is paid to the Management Board member immediately after achievement of targets has been determined. However, the net amount received must be invested in shares in LPKF Laser & Electronics AG immediately afterwards. These shares must be held for at least three years after purchase. Only after that can the Management Board members do as they wish with the shares. In a few exceptional cases, entitlement to remuneration that has already been granted will be forfeited in the event of extraordinary termination. This ensures that remuneration is appropriately aligned with long-term growth in the value of the company. The payment amount is also subject to a share price exercise threshold. If the average share price of LPKF Laser & Electronics AG in the fourth quarter of the year in which the targets are achieved and the first quarter of the year after the year in which the targets are achieved (threshold share price) drops below 90% of the opening share price, no LTI will be paid. Consequently, the Management Board does not have to purchase any shares in LPKF Laser & Electronics AG in such a year. The payment amount of the LTI at the end of the first year is limited to a maximum of three times the target amount. If a member of the Management Board leaves the company during the year, a proportionate share of their entitlement to LTI will be deducted.

$$\begin{aligned}
 & \text{LTI target amount} && \text{Performance factor} && \text{Closing share price} && \text{Payment amount} && \text{Purchase of LPKF shares} \\
 & 50\% \text{ of fixed salary} & \times & \text{Overall target achievement for STI} & \times & \frac{\text{Q1 in t2}}{\text{Opening share price Q1 in t1}} & = & \text{max. 300\% of target amount} & - & \text{Holding period: 3 years} \\
 & & & & & & & & & \text{If} \\
 & & & & & & & \text{Threshold share price} & & \text{Q4 in t1 and Q1 in t2} \\
 & & & & & & & / & & \text{Opening share price} \\
 & & & & & & & \text{Q1 in t1} & & \geq 0.9
 \end{aligned}$$

Allocations from the long-term incentive (LTI) in the 2021 financial year

The table below shows the LTI allocation to Christian Witt in the 2021 financial year in accordance with the new remuneration system. The performance factor used to determine the payment amount corresponds to overall target achievement for the STI for the 2021 financial year. With regard to performance criteria, targets and thresholds and the extent to which targets have been achieved, see also the detailed description under point “Short-term variable remuneration (STI)”.

	LTI target amount	Opening share price
Christian Witt	121,666	EUR 27.35

The payment amount for long-term variable remuneration calculated from the respective overall target achievement and the applicable share prices, which must be invested in shares in LPKF Laser & Electronics AG, will be paid to Christian Witt in April 2022. This amount will therefore count towards the remuneration granted and owed in the 2022 financial year within the meaning of Section 162 (1) of the German Stock Corporation Act.

As an interim member of the Management Board, Britta Schulz received an allocation from the LTI plan for executives at the first level below the Management Board in the 2021 financial year. This LTI plan is equivalent to the phantom performance share plan based on the old remuneration system for Management Board members. The performance criteria are the average value added during the three-year performance period and the performance of the LPKF share. The term of the tranche began on 1 January 2021 and covers a total of three financial years (2021 to 2023). With this LTI plan, the beneficiaries receive a contingent commitment for a defined number of phantom stocks, depending on the target, at plan inception. The number of shares evolves over the term in line with the average value added.

The profit is calculated from the number of phantom stocks obtained multiplied by the share price, and is paid out in cash at the end of the term.

The former CEO, Dr. Goetz M. Bendele, did not receive any further allocation from the LTI plan under the old remuneration system in the financial year. All entitlements under outstanding and current tranches of the LTI lapsed upon his departure on 30 April 2021.

	Allotment value (EUR)	Ø Share price Q1 2021 (€)	Number of provisional shares	Maximum possible number of shares
Britta Schulz	15,000	27.35	548	1,096

Remuneration granted and owed from the long-term incentive (LTI) in the 2021 financial year

The 2018 tranche of the LTI, which is based on the remuneration system that was in place at that time, became due for payment in the 2021 financial year. The performance criteria here were the average value added during the three-year performance period and the performance of the LPKF share. The term of the tranche began on 1 January 2018 and covered a total of three financial years (2018 to 2020). The table below shows details of how the total payment amount is calculated:

Performance criteria	Value added Performance of the LPKF share
Performance period for value added	2018 - 2020
Relevant share price	Ø Share price Q1 2018 compared with Ø share price Q1 2021
Possible target achievement	0% to 400%
Number of phantom stocks provisionally granted	Target amount: EUR 71,666.67 Ø Share price Q1 2018: EUR 9.01 → 7,955 provisional phantom stocks
Target achievement for value added	The average value added actually achieved was EUR 5,004 thousand below the target value added. This corresponds to target achievement of 40%.
Phantom stocks ultimately granted	40% * 7,955 phantom stocks = 3,182 phantom stocks
Payment	3,182 phantom stocks Ø Share price Q1 2021: EUR 27.35 → EUR 87,028

Based on the performance factor achieved and the share price performance, the following amounts were paid to the current and former members of the Management Board listed below in April 2021:

	Allotment value (EUR)	Ø Share price Q1 2018 (EUR)	Number of provisional shares	Target achievement	Final number of shares	Ø Share price Q1 2021 (EUR)	Payment amount (EUR)
Christian Witt Götz	21,666.67	9.01	2,405	40%	962	27.35	26,311
M.Bendele	50,000.00	9.01	5,550	40%	2,220	27.35	60,717

Britta Schulz received a payment from the 2017 tranche of the LTI plan for executives at the first level below the Management Board in the 2021 financial year. This is also a phantom performance share plan with the performance criteria of average EBIT margin during the four-year performance period and performance of the LPKF share. The term of the tranche began on 21 July 2017 and covered a total of four financial years (2017 to 2020). The table below shows details of how the payment amount is calculated:

Performance criteria	EBIT margin Performance of the LPKF share
Performance period for EBIT margin	2017 - 2020
Relevant share price	Ø Share price for the 30 trading days prior to 21 July 2017 compared with Ø share price for the 30 trading days prior to 21 July 2021
Possible target achievement	0% to 300%
Number of phantom stocks provisionally granted	Target amount: EUR 5,000 Ø Share price for the 30 trading days prior to 21 July 2017: EUR 9.58 → 522 provisional phantom stocks
Target achievement for EBIT margin	The average EBIT margin actually achieved was 7.8%, compared with a target EBIT margin of 11%. This corresponds to target achievement of 60%.
Phantom stocks ultimately granted	60% * 522 phantom stocks = 313.2 phantom stocks
Payment	313.2 phantom stocks Ø Share price for the 30 trading days prior to 21 July 2021: EUR 23.77 → 7.445 €

Based on the performance factor achieved and the share price performance, the following amount was paid to Britta Schulz in December 2021:

	Allotment value (EUR)	Ø Share price 2017 (EUR)	Number of provisional shares	Target achievement	Final number of shares	Ø Share price 2021 (EUR)	Payment amount (EUR)
Britta Schulz	5,000	9.58	522	60%	313.2	23.77	7,445

Upper limits on remuneration (“cap”) and maximum remuneration

Remuneration for members of the Management Board is limited in two respects. Firstly, upper limits are specified for each of the performance-based components, which, in the current remuneration system, are 200% of the target amount for the STI and 300% of the target amount for the LTI. For the performance-based remuneration promised on the basis of the old remuneration system, the maximum payment is 300% of the target amount for the STI ROCE, 260% of the target amount for the STI cash flow and 400% of the target amount for the LTI. The table on target remuneration under point “Individual Remuneration for the Management Board” shows the maximum remuneration that can be achieved by individuals. The upper limits for remuneration granted and owed in the 2021 financial year were complied with in all cases, as shown above.

At the same time, the Supervisory Board has stipulated an absolute maximum limit on total annual remuneration in the current remuneration system in accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act. This is EUR 1,100,000 gross for the individual Management Board member. Based on the remuneration system, the level of remuneration for Management Board members may also vary in future, bearing in mind the absolute maximum limit. The specific maximum remuneration depends in particular on the basic monthly salary negotiated with the Management Board member.

In derogation from the provisions outlined above, the Management Board contract of Christian Witt, which comes under the new remuneration system, does not specify an absolute maximum limit on total annual remuneration. As can be seen from the table for the compensation granted and owed, the maximum compensation of EUR 1,100,000 provided for in the new compensation system was nevertheless complied with for all members of the Management Board for the financial year 2021. Furthermore, a comparison with the table for target compensation for 2021 also shows that the maximum compensation will not be exceeded if the maximum values are reached.

Benefits upon departure

When appointing Management Board members and with regard to the duration of Management Board employment contracts, the Supervisory Board complies with the provisions of Section 84 of the German Stock Corporation Act and with the recommendations of the German Corporate Governance Code. Management Board employment contracts are concluded for the period of the respective appointment. Initial appointments are generally for three years, while the maximum period for a reappointment is five years. Management Board employment contracts can include an ordinary option of termination on both sides. The mutual right to terminate Management Board employment contracts without notice for cause always remains unaffected.

In detail, the following benefits apply in the event of departure for Management Board members who come under the remuneration system agreed in the 2021 financial year. The Management Board contracts of Dr. Goetz M. Bendele and Britta Schulz, which do not fall within the scope of the new remuneration system, do not contain any provisions on severance payment or a change of control in particular.

a) Severance payment

In the event that the company gives ordinary notice of termination of the employment contract and the Management Board member is not responsible for the reason for termination, the Management Board member shall receive compensation of one year's fixed compensation plus an STI bonus based on target achievement of 100% (in total two years' fixed compensation gross), but no more than the remuneration due for the remaining term of the contract after the end of the notice period.

This severance payment will count towards compensation provided in connection with the post-contractual non-competition clause.

The components of the STI and LTI that relate to the period until the contract actually ends will be paid in accordance with the due dates or holding periods stipulated in the STI and LTI plan.

b) Change of control

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 6 months, to end at the end of a month, and to step down from their post on the termination date. If the contract is terminated in this way, the Management Board member is entitled to the severance payment described under a).

c) Release from duties

In the event of termination of an appointment as a member of the Management Board or as CEO for cause in accordance with Section 84 (3) of the German Stock Corporation Act or in the event of resignation, the company may immediately release the Management Board member from the obligation to perform their duties while continuing to pay their salary.

d) Post-contractual non-competition clause – compensation

All members of the Management Board must observe a post-contractual non-competition clause lasting for a minimum of six months (Christian Witt) and a maximum of 12 months (Goetz M. Bendele) after the end of their employment contract. LPKF Laser & Electronics AG has an obligation to pay Management Board members monthly compensation of 50% (gross) of the average fixed monthly remuneration they received in the last 12 months prior to their departure for the duration of the post-contractual non-competition clause. Other payments made by LPKF Laser & Electronics AG to Management Board members, such as temporary allowances and severance payments, shall count towards this compensation.

The compensation system provides that the income that Management Board members earn or refrain from earning during the period of the post-contractual non-competition clause from self-employed, employed or other work shall count towards this compensation insofar as the compensation, taking into account this income, exceeds the amount of the contractual payments most recently received. Income shall also include any unemployment benefit received by Management Board members. Members of the Management Board have a duty to provide the company with information about the level of their income and to furnish proof

of this on request. No corresponding contractual provision was made in the Management Board contracts of Christian Witt and Goetz M. Bendele.

LPKF Laser & Electronics AG can waive compliance with the non-competition clause, observing a time limit of one year.

A post-contractual non-competition clause was waived in Britta Schulz's interim employment contract. However, she is also subject to a post-contractual non-competition clause in her function as an employee of LPKF Laser & Electronics AG.

e) Provisions on pensions and early retirement

The company does not offer any pension or early retirement schemes for members of the Management Board.

There were no pension commitments for members of the Management Board who were in office in the 2021 financial year.

f) Continued payment of remuneration in the event of death

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.

Penalty/clawback

The old remuneration system includes an option to reclaim variable remuneration under the STI if the underlying performance criteria are negative in the following year. In accordance with this option, variable remuneration under the STI for the financial year concerned is recalculated, taking into account any negative ROCE or cash flow in the following year. If too much variable remuneration has been paid, this must be refunded.

Even taking into account the negative cash flow for the 2021 financial year, however, there was no reason to reduce or reclaim variable remuneration components in the 2021 financial year.

Payments from third parties

No members of the Management Board were promised or granted payments from a third party in respect of their work as a member of the Management Board in the past financial year.

Remuneration for work on supervisory boards or similar bodies

The tasks of Management Board members also include the fulfillment of executive duties at affiliated companies within the meaning of Section 15 et seq. of the German Stock Corporation Act. The performance of such activities is fully covered by the remuneration provided.

INDIVIDUAL REMUNERATION FOR THE MANAGEMENT BOARD

Target remuneration for members of the Management Board in office in the 2021 financial year

The respective target remuneration for members of the Management Board in office in the 2021 financial year is shown below. This comprises the target remuneration promised for the

financial year, which will be granted in the event of 100% target achievement, along with information about the minimum and maximum remuneration that can be achieved by individuals.

	Dr. Götz M. Bendele CEO 1 May 2018 to 30 April 2021				Christian Witt Regular member of the Management Board 1 September 2018 - 30 April 2021 CEO 1 May 2021 to 31 December 2021				Britta Schulz Interim member of the Management Board 1 May 2021 to 31 December 2021				Total			
in EUR thousand	2020	2021	in %	Min	Max	2020	2021	in %	Min	Max	2020	2021	in %	Min	Max	2021
Fixed remuneration																
1)	240	80	57	80	80	200	331	55	331	331	-	188	77	188	188	599
Incidental benefits ²⁾	8	3	2	3	3	15	25	4	25	25	-	7	3	7	7	35
Total	248	83	59	83	83	215	356	59	356	356	-	195	80	195	195	634
One-year variable remuneration																
STI	100	33	23	0	93	100	122	20	0	243	-	40	16	0	80	195
Multi-year variable remuneration																
LTI 2021	-	25	18	0	100	-	122	20	0	365	-	10	4	0	40	157
LTI 2020	75	-	-	-	-	65	-	-	-	-	-	-	-	-	-	-
Total	175	58	41	0	193	165	244	41*	0	608	-	50	20	0	120	352
Total remuneration	423	141	100	83	276	380	600	100	356	964	-	245	100	195	315	986

¹⁾ Christian Witt was granted additional fixed remuneration for acting as interim CEO.

²⁾ Compensation pursuant to Section 162 (1) AktG does not include employer contributions to social security. In this respect, the figures for fringe benefits differ from the figures in the GCGC inflow table from the previous year.

*Rounding difference

The individual target remuneration corresponds to the relevant remuneration system presented.

Remuneration granted and owed to current and former members of the Management Board in accordance with Section 162 of the German Stock Corporation Act

The table below shows the fixed and variable remuneration components granted and owed to current and former Management Board members in the 2021 financial year, including the respective relative share in accordance with Section 162 of the German Stock Corporation Act. Remuneration “granted” and “owed” in accordance with Section 162 (1) sentence 1 of the German Stock Corporation Act is stated in the tables below in the financial year in which

it accrued (“granted”) or became due but has not yet been fulfilled (“owed”). This includes the fixed remuneration paid in the financial year, incidental benefits accrued in the financial year, the STI for 2020 paid in the financial year and the tranches of the LTI paid in the financial year. This information essentially corresponds to the information that was previously to be reported as benefits received within the meaning of the definition provided in the German Corporate Governance Code in the version dated 7 February 2017.

The relative shares stated here relate to the remuneration components granted and owed in the respective financial year in accordance with Section 162 (1) sentence 1 of the German Stock Corporation Act. That means that they include all benefits actually received in the financial year concerned, irrespective of which financial year the members of the Management Board received them for. The relative shares stated here are therefore not comparable to the relative shares in the description of the remuneration system in accordance with Section 87a (1) no. 3 of the German Stock Corporation Act. The shares stated in the remuneration system relate to the respective targets.

Dr. Götz M. Bendele
CEO
1 May 2018 to 30 April
2021

Christian Witt
Regular member of the
Management Board
1 September 2018 - 30
April 2021
CEO
1 May 2021 to 31
December 2021

Britta Schulz
Interim member of the
Management Board
1 May 2021 to 31
December 2021

	2020		2021		2020		2021		2020		2021	
	in EUR thousa nd	in %	in EUR thousa nd	in %	in EUR thousa nd	in %						
Fixed remuneration	240	49	80	54	200	44	331	86	-	-	188	91
Incidental benefits ¹⁾	8	2	3	2	15	3	25	6	-	-	7	3
Other ²⁾	0	0	0	0	0	0	0	0	-	-	5	2
Total	248	51	83	56	215	47	356	92	-	-	200	96

One-year

variable remuneration

STI 2019	240	49	-	-	240	53	-	-	-	-	-	-
STI 2020	-	-	5	3	-	-	5	1	-	-	-	-

Multi-year

variable remuneration

LTI 2018-2020	-	-	61	41	-	-	26	7	-	-	-	-
LTI 2017-2020	-	-	-	-	-	-	-	-	-	-	7	4
Total	240	49	66	44	240	53	31	8	-	-	7	4

Total

remuneration	488	100	149	100	455	100	387	100	-	-	207	100
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¹⁾ Compensation pursuant to Section 162 (1) AktG does not include employer contributions to social security. In this respect, the figures for fringe benefits differ from the figures in the GCGC inflow table from the previous year.

²⁾ Britta Schulz received a bonus payment for her work anniversary, based on her employment contract as an employee.

	Bernd Hildebrandt			
	Former members of the Management Board			
	CEO until 17 May 2001 Chairman of the Supervisory Board until 31 May 2012			
	2020		2021	
	in EUR thousand	in %	in EUR thousand	in %
Fixed remuneration	-	-	-	-
Incidental benefits	-	-	-	-
Total	-	-	-	-
One-year variable remuneration	-	-	-	-
Multi-year variable remuneration	-	-	-	-
Total	-	-	-	-
Receipt of pensions	17	100	17	100
Total remuneration	17	100	17	100

REMUNERATION REPORT FOR THE SUPERVISORY BOARD

The remuneration system for the Supervisory Board takes account of the responsibilities and the scope of activities of the members of the Supervisory Board. By monitoring the Management Board's management of the company as incumbent upon it, the Supervisory Board helps to promote the business strategy and the company's long-term development.

The remuneration system for the Supervisory Board is regulated in Article 20 of the Articles of Incorporation. This states that, as well as having all expenses and any VAT payable on remuneration and expenses reimbursed, members of the Supervisory Board shall each receive fixed annual remuneration. There is no provision for variable remuneration or financial or non-financial performance criteria. This takes account of the Supervisory Board's independent control and advisory function, which is geared not towards short-term business success but towards the long-term development of the company. The respective level of fixed remuneration takes into account the specific role and responsibility of members of the Supervisory Board. The greater amount of time required by the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board and the chairs of committees is adequately reflected in higher remuneration. A distinction is made here between the Audit Committee and other committees.

Remuneration and the remuneration system for the Supervisory Board are reviewed regularly by management. In particular, the demands on the time of Supervisory Board members and Supervisory Board remuneration granted by other similar companies are decisive here. Owing to the specific nature of Supervisory Board remuneration and the fact that it is granted for Supervisory Board work, which is fundamentally different from the activities of employees of the company and the Group, a vertical comparison with employee remuneration is not possible.

Design and application of the remuneration system in the 2021 financial year

Each member of the Supervisory Board continues to receive fixed basic remuneration of EUR 32,000 for each full financial year of membership of the Supervisory Board. The Chairman of the Supervisory Board continues to receive double (EUR 64,000) and the Deputy Chairman continues to receive one-and-a-half times the amount (EUR 48,000) of the fixed basic remuneration. The chair of the Audit Committee receives additional remuneration of EUR 5,000, while the chair of the Nomination Committee and the chair of the Remuneration and ESG Committee each receive additional remuneration of EUR 3,500.

Members of the Supervisory Board who do not belong to the board for a full financial year or who have been Chair or Deputy Chair of the Supervisory Board or the chair of a committee receive remuneration on a pro rata basis.

In addition, members of the Supervisory Board shall have all expenses and any VAT payable on their remuneration and expenses reimbursed.

Liability insurance can be taken out to protect Supervisory Board members from risks arising in connection with the performance of their duties as members of the Supervisory Board (directors' and officers' liability insurance - D&O insurance) with a total premium of up to EUR 30,000.

The remuneration system for the Supervisory Board was applied in full as regulated in Article 20 of the Articles of Incorporation in the 2021 financial year.

Individual remuneration for the Supervisory Board

The fixed and variable remuneration components granted and owed to current and former Supervisory Board members in the 2021 financial year, including the respective relative share in accordance with Section 162 of the German Stock Corporation Act, are shown below. The introduction of the revised remuneration system was accompanied by a change in the deadlines for payment. While Supervisory Board remuneration for the 2020 financial year was paid as a total amount after the end of the financial year in spring 2021, remuneration will in future be paid in accordance with Article 20 (3) of the Articles of Incorporation in two equal installments, one six months after the start of the financial year and one after the end of the financial year. The remuneration paid in spring 2021 for the full 2020 financial year and the remuneration paid in fall 2021 for the first half of 2021 is therefore reported as remuneration granted and owed for the 2021 financial year. To provide a better overview, the table shows the period for which the remuneration components have been granted.

	Fixed remuneration ¹⁾			total	Remuneration for	Total remuneration	in %	
	for 2020	for 1st half of 2021			work on committees ²⁾			
	in EUR thousand	in EUR thousand	in EUR thousa nd		in EUR thousand			in EUR thousand
Current members of the Supervisory Board								
Jean-Michel Richard (since 24 November 2020)	6.0	32.0	38.0	100	0	0	38.0	100
Dr. Dirk Michael Rothweiler	48.0	24.0	72.0	100	0	0	72.0	100
Prof. Ludger Overmeyer	32.0	16.0	48.0	100	0	0	48.0	100
Julia Kranenberg (since 14 June 2021)	0.0	2.7	2.7	100	0	0	2.7	100
Former members of the Supervisory Board								
Dr. Markus Peters (until 14 November 2020)	55.8	0.0	55.8	100	0	0	55.8	100
Total	141.8	74.7	216.5		0		216.5	

¹⁾ The change in payment deadlines means that fixed remuneration includes remuneration received in the 2021 financial year for 2020 and for the first half of 2021.

²⁾ Committees were established for the first time in October 2021. Pro rata remuneration for work on committees will be paid with remuneration for the second half of 2021 after the end of the financial year. This amount will therefore count towards the remuneration granted and owed in the 2022 financial year within the meaning of Section 162 (1) of the German Stock Corporation Act.

COMPARATIVE PRESENTATION OF THE DEVELOPMENT OF REMUNERATION AND INCOME

The table below shows a comparison of the percentage changes in remuneration for the Management Board and Supervisory Board with development of the income of LPKF Laser & Electronics AG and with average remuneration for employees on a full-time equivalents basis, compared with the previous year. The percentage changes shown in the table for the Management Board and Supervisory Board are based on the remuneration granted and owed within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act (see "Individual remuneration of the Management Board").

The comparison with the development of average remuneration for employees is based on average remuneration for staff of the LPKF Group in Germany. To ensure comparability, only employees and executives within the meaning of Section 5 (3) of the German Works Constitution Act (Betriebsverfassungsgesetz) who are employed in Germany were taken into account. In addition, remuneration for part-time staff has been extrapolated into full-time equivalents.

On the basis of Section 26j (2) sentence 2 of the Introductory Act to the German Stock Corporation Act (EgAktG) and the interpretation variants of the Institute of Public Auditors in Germany (IDW), a vertical comparison will gradually be established for all three benchmarks in the first few years.

Annual change 2021 ggü. 2020

Management Board remuneration

Management Board members in office as of 31 December 2021

Christian Witt	14.8%
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Britta Schulz	-
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Management Board members who left in the 2021 financial year

Dr. Goetz M. Bendele	-69.6%
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Supervisory Board remuneration

Supervisory Board members in office as of 31 December 2021

Jean-Michel Richard	-
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Dr. Dirk Michael Rothweiler	75.6%
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Prof. Ludger Overmeyer	166.7%
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Julia Kranenberg	-
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Former members of the Supervisory Board

Dr. Markus Peters	-12.9%
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Development of income

LPKF Laser & Electronics AG ¹⁾	-63.5%
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Average remuneration for employees on a full-time equivalents basis

Employees in Germany	-2.1%
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¹⁾ Result for the year within the meaning of Section 275 (2) no. 17 of the German Commercial Code