

## Commitment to transparency and value orientation

LPKF Laser & Electronics AG (LPKF) is firmly committed to good and transparent corporate governance and thereby makes a considerable contribution to building trust on the capital markets. The term “corporate governance” stands for modern corporate management and control that is focused on creating sustainable value. In this context, open and transparent communication with shareholders as well as employees, customers and suppliers is just as important as trust-based collaboration between the Company’s boards.

The Company therefore has implemented almost all of the guidelines defined by the [German Corporate Governance Code](#) and puts them into practice in its daily operations. However, in a few cases LPKF is deviating from the Government Commission’s recommendations.

## **Declaration of Compliance of LPKF Laser & Electronics AG for the 2014 financial year with the Corporate Governance Code in accordance with Section 161 German Stock Corporation Act (Aktiengesetz)**

The Management Board and the Supervisory Board of LPKF Laser & Electronics AG acknowledge and accept the recommendations of the Government Commission on the German Corporate Governance Code (GCGC) dated 15 June 2012, and declare that these recommendations have been observed since the last declaration was issued on 4 March 2013. LPKF has complied with the recommendations as amended on 13 May 2013 from 21 March 2014 and will continue to comply with them. The following exceptions apply:

### ***In part, no multi-year assessment basis for variable remuneration of Management Board members (Section 4.2.3 (2) GCGC)***

The Supervisory Board approved a new remuneration system for the Management Board on 24 June 2013. Up until the respective director's contracts were renegotiated, the Management Board received a profit-sharing bonus based on the Group EBIT with respect to a specific financial year. If a loss was reported in the following financial year, this loss would be subsequently taken into consideration under certain circumstances.

The new system complies fully with the recommendations of the current German Corporate Governance Code. It is applicable to three Management Board contracts as of 1 January 2014 and for all Management Board contracts as of 1 January 2015.

### ***No severance pay cap agreed for Directors' contracts in case of premature termination of a Director's contract (Section 4.2.3 (4) and (5) GCGC).***

Because they only run for three years, the Directors' contracts do not contain a cap on severance pay. If a Director's contract is terminated prematurely without cause, remuneration is limited to no more than the remaining contractual period. The Supervisory Board therefore considers it unnecessary to include in the Directors' contracts a cap on severance pay amounting to two years remuneration.

### ***No formation of Supervisory Board committees (Section 5.3.1 and 5.3.2 GCGC)***

Given that it has three members as required by German stock corporation law, the Supervisory Board of LPKF Laser & Electronics AG does not form any committees.

### ***No multi-year assessment basis for variable remuneration of Supervisory Board members (Section 5.4.6 (2) Clause 2 GCGC)***

A new Supervisory Board remuneration system, which also fully complies with the recommendations of the Corporate Governance Code, will be presented to the Annual General Meeting in 2014. Remuneration of Supervisory Board members currently comprises a fixed and a variable, performance-based component. The variable remuneration component for Supervisory Board members is based on the dividend paid for the respective financial year just ended and is in compliance with the legal provision stipulated in Section 113 (3) German Stock Corporation Act. Using the dividend as the basis for calculating variable remuneration ensures that the interests of both the Supervisory Board and the shareholders are aligned.

Garbsen, March 21, 2014

For the Supervisory Board

Dr. Heino Büsching

For the Management Board

Dr. Ingo Bretthauer