

REMUNERATION REPORT 2019

The Management Board consists of a Chairman of the Management Board (CEO) and a Chief Financial Officer (CFO). Dr. Goetz M. Bendele was appointed as Chairman of the Management Board on 1 May 2018. On 1 September 2018, Mr. Christian Witt was appointed as the Management Board member with responsibility for finance. In both cases, the contracts are for three years.

BASIC FEATURES OF THE REMUNERATION SYSTEM

The Supervisory Board of LPKF AG adopted a resolution regarding the current remuneration system for Management Board members on 20 March 2018. The remuneration system aims to align the interests of the shareholders and those of the Management Board more closely. This means that the Management Board's remuneration is closely linked to an increase in the company's value. In addition, the system is oriented toward return on investment, cash flow and long-term value increase. It combines profitability, liquidity and sustainable growth targets and is geared toward capital market requirements.

Criteria for the appropriateness of Management Board remuneration include the responsibilities of the respective Management Board members; personal performance; the economic situation, success, future prospects and sustainable development of the company; and the customary level of remuneration under consideration of the level of executive remuneration at peer companies and the remuneration structure in place in other parts of the company. The relationship between the remuneration of the Management Board and that of senior management and the workforce overall is taken into account also in terms of its development over time, whereby the Supervisory Board determines how senior managers and the workforce are to be defined for the purposes of comparison. The remuneration of the Management Board is based on performance and calculated such that it is both appropriate and competitive, offering a strong incentive for committed and successful work.

The remuneration structure consists of a fixed basic remuneration, two short-term and one long-term variable components, as well as incidental benefits (benefits in kind). As stipulated in the German Stock Corporation Act and the Corporate Governance Code, the higher proportion of the remuneration is allotted to variable remuneration components, which have a predominantly perennial assessment base.

NON-PERFORMANCE-BASED COMPONENTS

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, health and care

insurance contributions and, for Management Board member Christian Witt, a contractually agreed contribution toward trips home.

PERFORMANCE-BASED COMPONENTS

The variable remuneration components comprise both long-term incentives (LTI) and short-term incentives (STI).

Remuneration component Options (LTI) is designed as a long-term incentive and remuneration components ROCE (STI 1) and Cash Flow (STI 2) are designed as short-term incentives (STI). The variable remuneration components are based on different performance indicators, which incentivize a swift reorientation of the company and, at the same time, reward sustainable value creation in particular. The LTI, STI 1 and STI 2 remuneration components are based on ambitious targets, independent of budget planning, the achievement of which is the deciding factor for the amount of the remuneration component in question.

SHORT-TERM INCENTIVES (STI)

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 a ROCE of 18% and the cap is 30%.

STI 2 corresponds to the ratio of 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. Any overpayments will be repaid by the Management Board members. In addition, extraordinary developments are not included in the calculation of STI 1 and STI 2.

LONG-TERM INCENTIVES (LTI)

A long-term bonus plan has been created as LTI (Options) and is a value-oriented performance target. Details are given in the plan's terms and conditions, which are part of the contractual arrangements with the Management Board members. Decisive factors for the amount of LTI are the development of the LPKF Group's value added and share price performance. LTI is therefore directly tied to the achievement of profitable growth and to a long-term increase in company value. The method used to calculate the ROCE figure used is identical to that of the target figure in STI 1.

In detail, LTI is designed as follows: 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 scheme runs for three years. Once this performance period 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 num-

ber of originally allocated phantom stocks 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. This is capped at four times the amount to be granted; this is the maximum shown in the benefits table. Advance payments are not available. There is also no minimum agreed bonus.

BENEFIT AMOUNTS IN THE REPORTING YEAR

The benefits for the 2019 reporting year are presented in the tables below, alongside the minimum and maximum amounts that can be reached. The amount to be granted is stated for LTI Options.

BENEFITS GRANTED (PLANNED)

in EUR thousand	Dr. Goetz M. Bendele Chief Executive Officer Since 1 May 2018				Christian Witt Chief Financial Officer Since 1 September 2018				Total
	2018	» 2019	(Min)	(Max)	2018	» 2019	(Min)	(Max)	» 2019
Fixed remuneration	160	240	240	240	67	200	200	200	440
Incidental benefits	8	13	13	13	7	24	24	24	37
Total	168	253	253	253	74	224	224	224	477
One-year variable remuneration									
STI 1 ROCE	33	90	0	150	17	90	0	150	180
STI 2 Cash flow	33	130	0	150	17	130	0	130	260
Multi-year variable remuneration									
LTI options 2018 (3 years)	50	n/a	0	200	22	n/a	0	87	72
Number of phantom stocks (units)	5,550	n/a	0	n/a*	2,405	n/a	0	4,810	7,905
LTI options 2019 (3 years)	n/a	75	0	300	n/a	65	0	260	140
Number of phantom stocks (units)	n/a	11,111	0	22,222	n/a	9,630	0	19,260	20,741
Other									
Total	116	295	0	780	56	285	0	627	652
Cost of benefits	0	0	0	0	0	0	0	0	0
Total remuneration	284	548	253	1,033	130	509	224	851	1,129

* n/a: no cap on the number of phantom shares

BENEFITS RECEIVED FOR THE REPORTING YEAR

In compliance with the recommendations of the GCGC, the benefits received for the reporting year and the previous-year period are stated in the tables below.

BENEFITS RECEIVED (ACTUAL)

in EUR thousand	Dr. Goetz M. Bendele Chief Executive Officer Since 1 May 2018		Christian Witt Chief Financial Officer Since 1 September 2018		Total
	2018	» 2019	2018	» 2019	» 2019
Fixed remuneration	160	240	67	200	440
Incidental benefits	8	13	7	24	37
Total	168	253	74	224	477
One-year variable remuneration					
STI 1 ROCE	0	0	0	0	0
STI 2 Cash flow	0	0	0	0	0
Multi-year variable remuneration					
LTI options 2018 (3 years)	0	0	0	0	0
LTI options 2019 (3 years)	0	0	0	0	0
Other		0			
Total	0	0	0	0	0
Cost of benefits	0	0	0	0	0
Total remuneration as per GCGC (benefits received)	168	253	74	224	477

The members of the Management Board received total remuneration of EUR 477 thousand in the 2019 financial year (2018: EUR 1,296 thousand). EUR 477 thousand of this was attributed to fixed remuneration components, including incidental benefits that were fully paid out in the 2019 reporting year. The significant reduction in Management Board remuneration is due to the departure of the Management Board members Lange, Bentz and Dr. Bieniek in 2018.

COMMITMENTS TO MEMBERS OF THE MANAGEMENT BOARD UPON DEPARTURE

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.

The company did not make any performance-based pension commitments to the current members of its Management Board in the 2019 financial year.

TOTAL REMUNERATION OF FORMER MEMBERS OF THE MANAGEMENT BOARD
Provisions were recognized for EUR 617 thousand (previous year: EUR 573 thousand) in pension commitments (pension plan, disability pension and widow's pension) to former members of the Management Board and their survivors.

A total of EUR 17 thousand (previous year: EUR 17 thousand) in retirement pensions was paid to a former member of the Management Board in 2019.

In addition, non-competition payments of EUR 81 thousand were paid in 2019 to former Chairman of the Management Board Dr. Ingo Bretthauer as part of his

post-contractual non-competition clause. According to the contractual agreement, this corresponds to 50% of the last average monthly basic salary paid. Former member of the Management Board Bernd Lange received a non-competition payment of EUR 94 thousand for a post-contractual non-competition clause. In April 2019, departing Management Board members received their bonuses for 2018; this amounted to a total payout of EUR 297 thousand. Mr. Lange was paid EUR 123 thousand, Dr. Bieniek, was paid EUR 85 thousand and Mr. Bentz was paid EUR 89 thousand.

REMUNERATION OF THE SUPERVISORY BOARD
Each member of the Supervisory Board receives fixed basic remuneration for each full financial year of membership on the Supervisory Board, which is specified by resolution of the Annual General Meeting and is payable after the end of the financial year. If the appointment period does not correspond to a financial year, the remuneration is payable pro rata temporis. The Chairman of the Supervisory Board receives double and the Deputy Chairman receives one-and-a-half times the amount of the fixed basic remuneration. By resolution of the Annual General Meeting on 2 June 2016, the fixed basic remuneration of each member of the Supervisory Board was set at EUR 32 thousand effective from 1 January 2017.

The remuneration of the Supervisory Board is as follows:

in EUR thousand	» 2019	2018
Dr. Markus Peters (Chairman)	64	64
Dr. Dirk Rothweiler (Deputy Chairman from 6 June 2019)	41	32
Prof. Dr.-Ing. Erich Barke (Deputy Chairman until 6 June 2019)	21	41
Prof. Dr.-Ing. Ludger Overmeyer (from 6 June 2019)	18	n / a
Total	144	137

SUPERVISORY BOARD

Dr. Markus Peters (Chairman)

- Head of Finance and Investment of German Technology AG, Hanover, Germany
- Member of the Board of Directors of LPKF Distribution Inc., Portland, US

Prof. Dr.-Ing. Erich Barke (Deputy Chairman from 1 June 2018) until 6 June 2019

- Retired professor of Leibniz University Hanover, Germany, Formerly: President of Leibniz University Hanover, Germany

- Member of the Supervisory Board of the following companies:

- Esso Deutschland GmbH, Hamburg, Germany
- ExxonMobil Central Europe Holding GmbH, Hamburg, Germany
- hannoverimpuls GmbH, Hanover, Germany

Dr. Dirk Rothweiler (Deputy Chairman from 6 June 2019)

- CEO of First Sensor AG, Berlin, Germany

Prof. Dr.-Ing. Ludger Overmeyer (from 6 June 2019)

- University professor and head of the Institute of Transport and Automation Technology at Leibniz University Hanover, Germany
- Member of other statutory supervisory boards:
 - Member of the Supervisory Board of Viscom AG, Hanover, Germany (listed company)

FINAL MANAGEMENT BOARD DECLARATION CONCERNING THE REPORT ON RELATIONS WITH AFFILIATED COMPANIES AS PER SECTION 312 OF THE GERMAN STOCK CORPORATION ACT

We hereby declare that LPKF AG received an appropriate payment for each of the legal transactions listed in the report on its relations with affiliated companies according to the circumstances that were known to us at the time the legal transactions were performed. Other measures subject to mandatory disclosure have neither been taken nor omitted.

Garbsen, Germany, 20 March 2020



DR. GOETZ M. BENDELE



CHRISTIAN WITT