

REMUNERATION REPORT

Introduction

The remuneration report outlines the principles and the structure of remuneration for the Management Board and Supervisory Board of LPKF Laser & Electronics SE (“LPKF”) and reports on the remuneration granted and owed to current and former members of the Management Board and the Supervisory Board in the 2022 financial year. The report was prepared by the Management Board and the Supervisory Board in accordance with the requirements of Section 162 of the German Stock Corporation Act (Aktiengesetz – AktG).

A material audit of the remuneration report was conducted by KPMG AG Wirtschaftsprüfungsgesellschaft in accordance with the requirements of Section 162 (3) of the German Stock Corporation Act.

1. REVIEW OF THE 2022 FINANCIAL YEAR

1.1 APPROVAL OF THE 2021 REMUNERATION REPORT

In view of the changed regulatory requirements, the remuneration report was submitted to the Annual General Meeting for approval for the first time in 2022. The Annual General Meeting approved the 2021 remuneration report with 51.27% of the vote. The Supervisory Board subsequently addressed the feedback from shareholders and voting rights consultants who had looked through the remuneration report in the course of the vote. The main criticism related to the disclosure of the remuneration granted and owed in the 2021 financial year. There will be a change to the method used to disclose remuneration granted and owed in the 2022 remuneration report as a direct consequence of this feedback. In contrast to the 2021 remuneration report, which disclosed remuneration that was actually paid over the course of the year (e.g. the STI for the 2020 financial year was disclosed for the 2021 financial year), the 2022 remuneration report will disclose remuneration for which the service has already been performed (“granted”) or that is due but has not yet been fulfilled (“owed”) (e.g. the STI for the 2022 financial year will be disclosed for the 2022 financial year). This presentation method allows for a better assessment of the relationship between LPKF’s performance in the respective financial year and the resulting remuneration.

1.2 REVIEW OF THE MANAGEMENT BOARD REMUNERATION SYSTEM

In light of LPKF’s future growth ambitions, the approval rates for the remuneration system at the 2021 Annual General Meeting and the feedback on the 2021 remuneration report, the Supervisory Board carried out an extensive review of the Management Board remuneration system in 2022 in consultation with its Remuneration and ESG Committee. The Supervisory Board adjusted the remuneration system as a result of the review. The Supervisory Board also considered feedback from investors and appropriate recommendations from voting rights consultants in its review. The revised remuneration system will be submitted to the

2023 Annual General Meeting for approval and, subject to approval by the 2023 Annual General Meeting, it will become effective retroactively for the 2023 financial year. Information on the significant adjustments made to the remuneration system are presented at the end of the remuneration report in the section entitled “Outlook for the 2023 financial year.”

1.3 PERSONNEL CHANGES

In September 2021, the Supervisory Board appointed Klaus Fiedler as the new Chief Executive Officer of LPKF. Klaus Fiedler took up his post with effect from 1 January 2022. His appointment and his employment contract run until 31 December 2024. The Supervisory Board believes that Klaus Fiedler is the person best suited to drive forward and implement the LPKF growth strategy on the basis of his in-depth knowledge of materials processing and application.

2. REMUNERATION OF THE MANAGEMENT BOARD

2.1 PRINCIPLES OF MANAGEMENT BOARD REMUNERATION

The remuneration of the Management Board is geared toward the long-term and sustainable development of the company and is closely linked to the corporate strategy. As such, the performance criteria for the variable remuneration components are derived from the business strategy to create incentives for their implementation and for the achievement of corporate targets. Both financial and non-financial targets (including environmental, social and governance targets; “ESG”) are used to fully reflect the strategic objectives of LPKF.

2.1.1 PROCESS FOR DETERMINING MANAGEMENT BOARD REMUNERATION

The Supervisory Board determines the remuneration system for members of the Management Board in consultation with its Remuneration and ESG Committee. The remuneration system adopted by the Supervisory Board is submitted to the Annual General Meeting for approval. If significant changes have been made, and at least once every four years, the Supervisory Board resubmits the remuneration system to the Annual General Meeting for approval. The current remuneration system was approved by the 2021 Annual General Meeting and applies to all new and renewed employment contracts for members of the Management Board. The current remuneration system therefore applied to both members of the Management Board in the 2022 financial year.

2.1.2 APPROPRIATENESS OF THE MANAGEMENT BOARD'S REMUNERATION

The remuneration for Management Board members is determined by the Supervisory Board. In alignment with the German Stock Corporation Act, the Supervisory Board ensures that the remuneration is proportionate to the duties and performance of the individual Management Board member and commensurate with the company's economic situation. It also ensures that the remuneration does not exceed the level that is customary for the market unless there is a specific reason. With that in mind, the Supervisory Board regularly performs a horizontal comparison of remuneration. The horizontal comparison compares the remuneration of the LPKF Management Board with the Management Board remuneration of comparable companies (peer group). In the most recent horizontal comparison, European companies of a similar size, primarily from the semiconductor industry and the electronic equipment sector, were used as a peer group. The following companies were included in the most recent horizontal comparison:

Company, Location	Company, Location
Aixtron, Germany	Manz, Germany
Basler, Germany	Mühlbauer, Germany
centrotherm, Germany	Nynomic, Germany
Comet, Switzerland	Oxford Instruments, United Kingdom
Dr. Hönle, Germany	Pfeiffer Vacuum Technology, Germany
Elmos Semiconductor, Germany	PVA TePla, Germany
First Sensor, Germany	SÜSS MicroTec, Germany
Isra Vision, Germany	technotrans, Germany
Judges Scientific, United Kingdom	Viscom, Germany
Lumibird, France	X-FAB Silicon Foundries, Belgium

A vertical comparison in accordance with Section 87a (1) no. 9 of the German Stock Corporation Act was not carried out as no decisions on remuneration were made in the 2022 financial year.

2.1.3 TARGET REMUNERATION

The employment contract for each member of the Management Board sets out their target remuneration, which is paid for 100% achievement of the targets set for the performance-based remuneration components. The target remuneration amount is based on standard market rates and is largely dependent on the knowledge and experience relevant for the role of the respective Management Board member.

	Dr. Klaus Fiedler (CEO) (since 1 January 2022)				Christian Witt (CFO) (since 1 September 2018, Interim CEO 1 May to 31 December 2021)			
	2022		2021		2022		2021	
	in €k	in %	in €k	in %	in €k	in %	in €k	in %
Base salary ¹⁾	300	49%	-	-	296	49%	331	55%
Fringe benefits ²⁾	7	1%	-	-	28	5%	25	4%
Total non-performance-based target remuneration	307	51%	-	-	324	52%	356	59%
Short-term variable remuneration (STI)	150	25%	-	-	143	23%	122	20%
Long-term variable remuneration (LTI)	150	25%	-	-	143	23%	122	20%
Total performance-based target remuneration	300	49%	-	-	286	47%	244	41%
Total target remuneration	607	100%	-	-	610	100%	600	100%

1) Christian Witt was granted additional fixed compensation for assuming the position of Chairman of the Management Board from May 2021 to January 2022.

2) The figures for fringe benefits reflect the fringe benefits actually incurred in the financial year.

2.2 OVERVIEW OF REMUNERATION FOR THE MANAGEMENT BOARD IN THE 2022 FINANCIAL YEAR

The remuneration system for members of the Management Board of LPKF is geared toward long-term and sustainable company development. The total remuneration 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 LPKF shares, which must be held for a minimum period of three years.

Component	Parameter	Objective
Non-performance based	Base salary	<ul style="list-style-type: none"> • 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
	Fringe benefits	<ul style="list-style-type: none"> • Benefits in kind, company car (alternatively, cash allowance or flat rate for a rental car), insurance premiums • Grant of market customary fringe benefits in order to offer an attractive remuneration package
Performance-based	Short-term variable remuneration (STI)	<ul style="list-style-type: none"> • Target amount: 50% of base salary • Performance criteria: <ul style="list-style-type: none"> • 75% corporate targets <ul style="list-style-type: none"> • 25% Revenue • 25% ROCE • 25% EBIT margin • 25% personal targets • Cap: 200% of target amount • Incentivizing the (over)achievement of annual corporate targets • Implementation of important milestones of the corporate strategy and sustainability aspects through personal targets • Rewarding the individual contribution to success and sustainability
	Long-term variable remuneration (LTI)	<ul style="list-style-type: none"> • Target amount: 50% of base salary • Plan term: Four years <ul style="list-style-type: none"> • One-year basis for assessment • Three-year holding period for shares • Performance criteria: <ul style="list-style-type: none"> • As for STI • Cap: 300% of target amount • Promoting the long-term growth of LPKF and incentivizing the creation of long-term shareholder value • Linking the interests of the Management Board members with those of the shareholders
Other key regulations	Maximum remuneration	<ul style="list-style-type: none"> • EUR 1.1 million per Management Board member • Limiting the total remuneration for a financial year
	Severance payment cap	<ul style="list-style-type: none"> • 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

2.3 APPLICATION OF REMUNERATION COMPONENTS IN THE 2022 FINANCIAL YEAR

The components of the remuneration system and their specific application in the 2022 financial year are explained in detail below.

2.3.1 NON-PERFORMANCE-BASED REMUNERATION COMPONENTS

2.3.1.1 BASIC SALARY

The members of the Management Board receive a basic salary, which is paid in equal monthly installments at the end of each month. It is reviewed at regular intervals by the Supervisory Board and adjusted where necessary.

As well as his basic salary as CFO of the company, Mr. Witt received additional remuneration for temporarily acting as interim CEO up to and including the first month in which the new CEO took up his post (i.e. until January 2022).

2.3.1.2 BENEFITS IN KIND AND OTHER ADDITIONAL REMUNERATION (INCIDENTAL BENEFITS)

In addition to basic salary, 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.

The company car is also intended 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. Alternatively, Management Board members may also be offered a cash allowance or a flat rate for a rental car.

In the 2022 financial year, a directors' & officers' (D&O) insurance policy was also taken out for Management Board members with a deductible in accordance with the German Stock Corporation Act.

2.3.2 PERFORMANCE-BASED REMUNERATION COMPONENTS

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 SE (LTI), which must be held for a period of at least three years. The target amount of the STI and the LTI each make up 50% of the performance-based remuneration.

2.3.2.1 SHORT-TERM VARIABLE REMUNERATION (STI)

How it works

The STI is designed as a target bonus and the target amount is set at 50% of the basic salary. 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 of target achievement is measured in relation to the annual approved budget. In line with the financial ratios used in corporate management, the following parameters are specified for measurement of target achievement:

- 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. Up to four personal targets may be set, which, among other factors, also take into account social and environmental aspects (as ESG criteria).

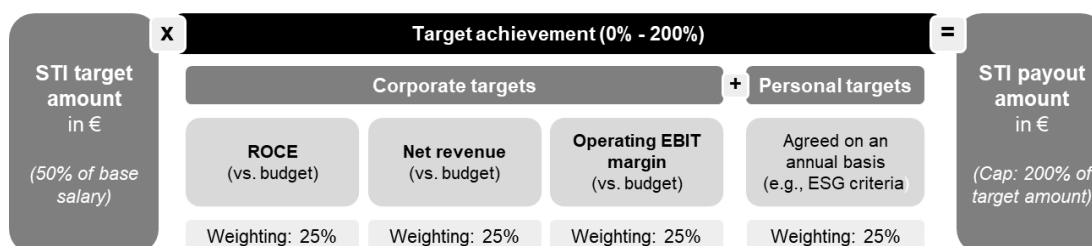
Both personal and corporate targets may be achieved within a range agreed each year between the Supervisory Board and the Management Board, which has a floor and a cap. With regard to the achievement of targets, the following percentages of the agreed target amount will be paid:

- 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 the respective weighting factor and added together to calculate overall target achievement.



Targets and extent to which targets were achieved for the 2022 financial year

At the beginning of the 2022 financial year, the Supervisory Board stipulated the following target figures and thresholds for the corporate targets and calculated the following target achievement levels based on actual figures:

Performance criteria	Lower threshold (25 % target achievement)	Target (100 % target achievement)	Upper threshold (200 % target achievement)	Target achievement
ROCE	2.4%	12.7%	18.8%	61%
Net revenue (k€)	110,000	135,762	145,000	65%
Operating EBIT margin	2.0%	8.5%	10.9%	65%
Corporate targets				64%

On the basis of target achievement for the individual performance criteria, the target achievement level for the corporate targets was set at 64% for the 2022 financial year.

The personal targets for the 2022 financial year set by the Supervisory Board were derived from the corporate strategy and include implementation and operationalization of the strategy.

The table below shows the personal targets for the members of the Management Board in the 2022 financial year:

Name	Personal targets	Assessment	Target achievement
Dr. Klaus Fiedler	<ul style="list-style-type: none"> Meeting defined milestones in growth initiatives LIDE and ARRALYZE Meeting defined milestones in Sales Funnel Management Meeting defined milestones in ESG-program 	<ul style="list-style-type: none"> Target only partially achieved Target achieved Target clearly exceeded 	105%
Christian Witt	<ul style="list-style-type: none"> Implement ERP upgrade and new CRM & Service processes in time and in budget. Meeting defined milestones in the enhancement of internal control environment Meeting defined milestones in ESG-program 	<ul style="list-style-type: none"> Not achieved in 2022 Target clearly exceeded Target clearly exceeded 	120%

On the basis of this assessment, the target achievement levels for the personal targets were set at 105% for Klaus Fiedler and 120% for Christian Witt.

Based on the individual target amounts and the target achievement levels for corporate and personal targets, this resulted in the following payments from the STI for the 2022 financial year:

STI 2022 payout

STI payout for 2022 financial year

	Target amount in €k	Target achievement		Overall	Payout amount in €k
		Corporate targets (Weighting: 75%)	Personal targets (Weighting: 25%)		
Dr. Klaus Fiedler	150	64%	105%	74%	111
Christian Witt	143	64%	120%	78%	111

The payment will be made in April 2023.

Payments from the short-term incentive (STI) for the 2021 financial year

Due to the interpretation of remuneration granted and owed that was used in the 2021 remuneration report, the payment from the 2021 STI was not presented in the 2021 remuneration report. The following amounts were paid to Management Board members in April 2022 as part of the 2021 STI:

STI 2021 payout**STI payout for 2021 financial year**

	Target amount in €k	Target achievement		Overall	Payout amount in €k
		Corporate targets	Personal targets		
Britta Schulz (1 May 2021 to 31 December 2021)	40	Weighting: 37.5% 0%	Weighting: 62.5% 24%	15%	6
Christian Witt	122	Weighting: 75% 0%	Weighting: 25% 180%	45%	55

The corporate targets were the same as for the 2022 STI. The relevant target figures and thresholds as well as further details regarding the 2021 STI were disclosed in the 2021 remuneration report.

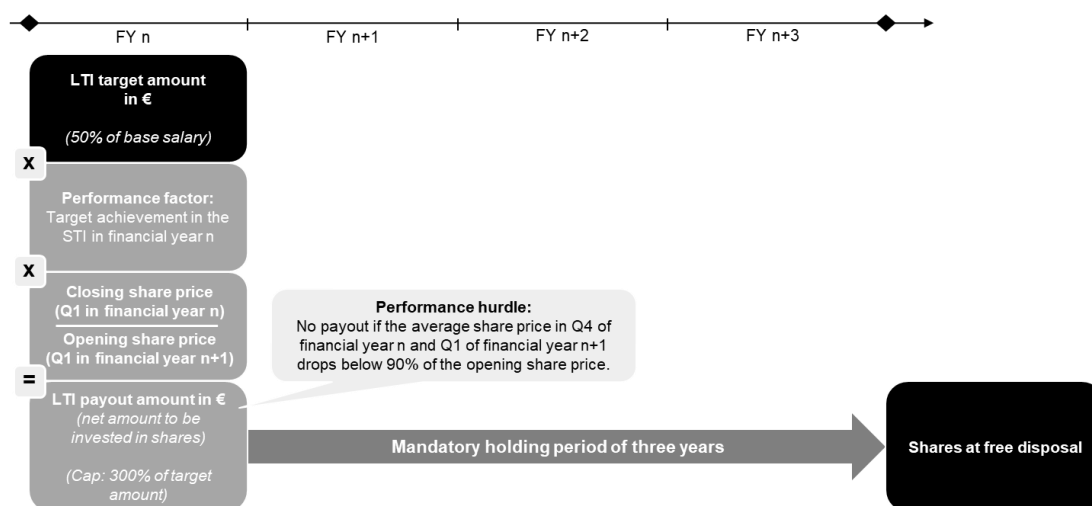
2.3.2.2 LONG-TERM VARIABLE REMUNERATION (LTI)**How it works**

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 granted in annual tranches with a target amount of 50% of the basic salary, 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 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 absolute share price performance serves as an additional performance target, which is implemented in the form of a second multiplier. This multiplier is calculated by dividing LPKF's average share price in the first quarter of the year following the year of allocation (closing share price) by the average share price in the first quarter of the year of allocation (opening share price).

The payment amount of the LTI is limited to no more than 300% of the target amount and is paid out in cash. The net amount received from the LTI must be invested in LPKF shares immediately afterwards. These shares must be held for at least three years after purchase.



A payment from the LTI is also subject to a share price exercise threshold. If the average LPKF share price in the fourth quarter of the year of allocation and in the first quarter of the following year drops below 90% of the opening share price, no LTI will be paid.

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

Allocations from the long-term incentive (LTI) in the 2022 financial year

The members of the Management Board were granted a new tranche of the LTI in the 2022 financial year (“2022 LTI”).

LTI 2022

	Overview LTI 2022	
	LTI target amount in €k	Opening share price
Dr. Klaus Fiedler	150	16.05 €
Christian Witt	143	

Because it is not possible to conclusively assess all the performance criteria for the 2022 LTI until the closing share price and the share price exercise threshold have been determined at the end of the first quarter of 2023, the remuneration resulting from the 2022 LTI shall be considered remuneration granted and owed in the 2023 financial year within the meaning of Section 162 (1) of the German Stock Corporation Act. The resulting 2022 LTI payment will therefore be disclosed in detail in the 2023 remuneration report.

Long-term variable remuneration granted and due in the 2022 financial year

Due to the transition from the former LTI with a three-year performance period to the current LTI with a one-year performance period in the 2021 financial year, the payment from two LTI tranches, which were granted in different financial years, shall be considered remuneration granted and owed in the 2022 financial year.

2021 LTI

The LTI under the current remuneration system was allocated for the first time in the 2021 financial year ("2021 LTI"). As with the 2022 LTI, it was not possible to conclusively assess all the performance criteria for the 2021 LTI until after the first quarter of 2022 (due to the definition of the closing share price and the share price exercise threshold). The remuneration resulting from the 2021 LTI shall therefore be considered remuneration granted and owed in the 2022 financial year within the meaning of Section 162 (1) of the German Stock Corporation Act.

The share price exercise threshold for the 2021 LTI was not reached. Both the average share price in the fourth quarter of 2021 (EUR 19.07) and the average share price in the first quarter of 2022 (closing share price: EUR 16.05) were below 90% of the average share price in the first quarter of 2021 (opening share price: EUR 27.35), so there was no payment from the 2021 LTI.

LTI 2021**Overview LTI 2021**

	LTI target amount in €k	Overall STI target achievement 2021	Closing share price / Opening share price	Performance hurdle met?	LTI payout amount in €k
Christian Witt	122	45%	59%	No	0

LTI 2019 - 2021**Target achievement LTI 2019 - 2021**

	Lower threshold (0% target achievement)	Target value (100% target achievement)	Upper threshold (200% target achievement)	Actually achieved	Target achievement
Average value added 2019 - 2021(in €k)	0	9,657	19,657	3,047	40%

Based on the target achievement level and the absolute share price performance, the payment amount from the 2019–2021 LTI was calculated as follows:

**LTI 2019 -
2021****Overview LTI 2019 - 2021**

	LTI target amount in €k	Avg. share price in Q1 2019 in €	Number of provisional phantom stocks	Target achieveme nt	Final number of phantom stocks	Avg. share price in Q1 2022 in €	Payout amount in €k
Götz M. Bendele	75	6,75	11,111	40%	4,444	16,05	0
Christian Witt	65	6,75	9,630	40%	3,852	16,05	62

The employment contract of Götz M. Bendele ended before the plan term elapsed. This meant that he completely forfeit his entitlements from the 2019 LTI.

2.4 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.

At the same time, the Supervisory Board has stipulated an absolute maximum limit on total annual remuneration 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.

As can be seen from the table of remuneration granted and owed, the maximum remuneration of EUR 1,100,000 provided for in the remuneration system was complied with for all members of the Management Board for the 2022 financial year.

2.5 REMUNERATION-RELATED EVENTS

2.5.1 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 employment contracts without notice for cause always remains unaffected.

2.5.1.1 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 up to two years' annual fixed remuneration (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 toward compensation provided in connection with the post-contractual non-competition clause.

The employment contract of Dr. Klaus Fiedler, on the other hand, makes provision for a severance payment in the event of effective dismissal and effective resignation.

There were no severance payments in the 2022 financial year.

If the Management Board contract is terminated, the outstanding variable remuneration components not yet paid relating to the period before the end of the contract will generally be paid in accordance with the originally agreed targets and comparative parameters and in accordance with the due dates or holding periods stipulated in the contract. A pro rata share of the entitlement to STI will be deducted in these cases. LTI entitlements are dependent on the circumstances of the departure. A pro rata share of the entitlement to LTI will be deducted in a contractually defined "good leaver event," and all rights and entitlements will be lost in a "bad leaver event."

2.5.1.2 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 six 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 above.

2.5.1.3 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.

2.5.1.4 POST-CONTRACTUAL NON-COMPETITION CLAUSE – COMPENSATION

All members of the Management Board must observe a post-contractual non-competition clause lasting for six months after the end of their employment contracts. LPKF 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 to Management Board members, such as temporary allowances and severance payments, shall count toward this compensation.

The remuneration system provides that any 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 toward 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 employment contract of Christian Witt.

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

No compensation on the basis of a non-competition clause was paid in the 2022 financial year.

2.5.1.5 PROVISIONS ON PENSIONS AND EARLY RETIREMENT

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

As such, there were no pension commitments for members of the Management Board who were in office in the 2022 financial year.

2.5.1.6 CONTINUED PAYMENT OF REMUNERATION IN THE EVENT OF DEATH

If the appointment of a member of the Management Board ends early on account of their death while in office, the fixed monthly remuneration shall still be paid to their heirs for a period of three months.

2.5.2 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.

2.5.3 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.

2.6 REMUNERATION GRANTED AND OWED IN THE 2022 FINANCIAL YEAR

2.6.1 CURRENT MEMBERS OF THE MANAGEMENT BOARD

The following tables show the remuneration granted and owed to the current members of the Management Board, including the relative share of the remuneration components 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 financial year in which the underlying activity for the remuneration was fully completed (“granted”) or became due but has not yet been fulfilled (“owed”). This includes basic salary paid in the financial year, incidental benefits accrued in the financial year and STI earned in the financial year. The LTI, on the other hand, is not included in total remuneration until the year in which a payable amount is reached.

Accordingly, the remuneration presented for the 2022 financial year is comprised as follows:

- Basic salary paid in the 2022 financial year; incidental benefits received in the 2022 financial year; the STI set for the 2022 financial year, which will be paid in the 2023 financial year; 2021 LTI (subject to obligatory investment in shares with a three-year lock-up period) and 2019–2021 LTI, both based on performance criteria that elapsed at the end of the first quarter of 2022 and were paid in the 2022 financial year.

Remuneration awarded and due according to § 162 AktG - Current Management Board members

	Dr. Klaus Fiedler (CEO) (since 1 January 2022)				Christian Witt (CFO) (Management Board member since 1 September 2018, Interim CEO 1 May to 31 December 2021)			
	2022		2021		2022		2021	
	in €k	in %	in €k	in %	in €k	in %	in €k	in %
Base salary	300	72%	-	-	296	60%	331	76%
Fringe benefits	7	2%	-	-	28	6%	25	6%
Total non-performance-based remuneration	307	73%	-	-	324	65%	356	81%
Short-term variable remuneration (STI)	0	0%	0	0%	0	0%	0	0%
STI 2021	-	-	-	-	-	-	55	68%
STI 2022	111	27%	-	-	111	64%	-	-
Long-term variable remuneration (LTI)								
LTI 2018 - 2020	-	-	-	-	-	-	26	32%
LTI 2019 - 2021	-	-	-	-	62	36%	-	-
LTI 2021	-	-	-	-	0	0%	-	-
Total performance-based remuneration	111	27%	-	-	173	35%	81	19%
Total remuneration awarded and due according to Section 162 AktG	418	100%	-	-	497	100%	437	100%

The remuneration individually granted and owed fully corresponds to the remuneration system presented.

2.6.2 FORMER MEMBERS OF THE MANAGEMENT BOARD

The following tables also show the remuneration granted and owed to former members of the Management Board in accordance with Section 162 of the German Stock Corporation Act.

Remuneration awarded and due according to § 162 AktG - Former Management Board members

	Dr. Götz M. Bendele (CEO 1 May 2018 to 30 April 2021)				Britta Schulz (Interim member of the Management Board 1 May 2021 to 31 December 2021)			
	2022		2021		2022		2021	
	in €k	in %	in €k	in %	in €k	in %	in €k	in %
Base salary	-	-	80	56%	-	-	188	89%
Fringe benefits	-	-	3	2%	-	-	11	5%
Total non-performance-based remuneration	-	-	83	58%	-	-	199	94%
Short-term variable remuneration (STI)								
STI 2021	0	0%	0	0%	0	0%	0	0%
STI 2022	-	-	0	0%	-	-	6	46%
STI 2021	-	-	-	-	-	-	-	-
STI 2022	-	-	-	-	-	-	-	-
Long-term variable remuneration (LTI)								
LTI 2017 - 2020	-	-	-	-	-	-	7	54%
LTI 2018 - 2020	-	-	61	1	-	-	0	0%
LTI 2019 - 2021	0	-	-	-	-	-	-	-
LTI 2021	0	-	-	-	-	-	-	-
Total performance-based remuneration	0	-	61	42%	0	0%	13	6%
Total remuneration awarded and due according to Section 162 AktG	0	0%	144	100%	0	0%	212	100%

*) As a result of the change in the method of disclosing compensation granted and owed, the information on compensation in 2021 differs from the figures published in the Remuneration report 2021.

3. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration system for the Supervisory Board of LPKF was adopted at the 2021 Annual General Meeting with 99.01% of the vote and became effective retroactively on 1 January 2021.

The remuneration system for the Supervisory Board takes account of the responsibilities and 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. 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 to carry out their work is adequately reflected in higher remuneration. A distinction is made here between the Audit Committee and other committees.

Each member of the Supervisory Board receives fixed basic remuneration of EUR 32,000 for each full financial year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives double the amount (EUR 64,000) and the Deputy Chairman receives 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 have not belonged to the Supervisory Board for a full financial year or who have been Chair or Deputy Chair of the Supervisory Board or who have chaired a committee receive pro rata remuneration.

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.

Remuneration granted and owed in the 2022 financial year

The remuneration components granted and owed to current and former Supervisory Board members in the 2022 financial year, including the respective relative share in accordance with Section 162 of the German Stock Corporation Act, are shown below.

Remuneration awarded and due according to § 162 AktG - Supervisory Board members

	Fixed remuneration			Committee remuneration			Total remuneration	
	2022		2021	2022		2021	2022	2021
	in €k	in %	in €k	in €k	in %	in €k	in €k	
Jean-Michel Richard	64	93%	64	5	7%	1	69	65
Dr. Dirk Michael Rothweiler	48	93%	48	4	7%	1	52	49
Prof. Ludger Overmeyer	32	100%	32	0	0%	0	32	32
Julia Kranenberg (since 14 June 2021)	32	90%	19	4	10%	1	36	20

The remuneration shown here includes the remuneration in the financial year until the point LPKF SE was converted into a European stock corporation (1 January to 11 December 2022) and the expected remuneration for the period from 12 to 31 December 2022, provided the 2023 Annual General Meeting determines Supervisory Board remuneration for this period in a manner that is consistent with the period up to the point of conversion.

The remuneration individually granted and owed fully corresponds to the remuneration system presented.

4. COMPARISON OF THE DEVELOPMENT OF REMUNERATION AND INCOME

The table below shows a comparison of the development of Management Board and Supervisory Board remuneration with the development of LPKF's income and the development of average remuneration for employees on a full-time equivalents basis.

The disclosures for the Management Board and Supervisory Board are based on remuneration granted and owed within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act.

The remuneration for employees takes into account the 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), the comparison will gradually be expanded over future reporting years and will cover the full five-year period for the first time in the 2025 remuneration report.

Comparable Presentation

	Annual change in remuneration and earnings			
	2022	2021	Change	Change 2020 / 2021
	in €k	in €k	in %	in %
Current members of the Management Board				
Dr. Klaus Fiedler (since 1 January 2022)	418	-	-	-
Christian Witt	497	437	13.7%	98.7%
Former members of the Management Board				
Dr. Götz M. Bendele (until 30 April 2021)	0	144	-100.0%	-43.2%
Britta Schulz (until 31 December 2021)	0	212	-100.0%	-
Members of the Supervisory Board				
Jean-Michel Richard (since 24 November 2020)	69	65	5.7%	994.6%
Dr. Dirk Michael Rothweiler	52	49	5.4%	1.8%
Prof. Ludger Overmeyer	32	32	0.0%	0.0%
Julia Kranenberg (since 14 June 2021)	36	20	81.4%	-
Development of earnings				
Net revenue in €m	123,699	93,568	32.2%	-2.8%
EBIT in €m	6,779	59	11312.5%	-99.2%
Net income according to HGB in €m	4,438	1,388	319.7%	-63.5%
Average remuneration of employees				
Employees (FTE) in Germany	54	50	6.6%	-2.1%

As a result of the change in the method of disclosing compensation granted and owed, the information on compensation in 2021 differs from the figures published in the Remuneration report 2021.

5. OUTLOOK FOR THE 2023 FINANCIAL YEAR

In view of LPKF's future growth ambitions, the approval rates for the remuneration system at the 2021 Annual General Meeting and the feedback on the 2021 remuneration report, the Supervisory Board carried out an extensive review of the Management Board remuneration system in 2022 in consultation with its Remuneration and ESG Committee. The Supervisory Board also considered feedback from investors and appropriate recommendations from voting rights consultants in its review. The revised remuneration system is to be submitted to the 2023 Annual General Meeting for approval and, subject to approval by the 2023 Annual General Meeting, it will become effective for all Management Board members retroactively for the 2023 financial year.

An overview is presented below of the core elements of the revised remuneration system and the significant changes and additions to the current remuneration system. A detailed description of the revised remuneration system can be found in the invitation to the 2023 Annual General Meeting.

The most significant changes and additions relating to the revised remuneration system can be summarized as follows:

- Reinforcement of long-term orientation

To enhance the orientation toward LPKF's long-term and sustainable development even further, the ratio between the short-term and long-term variable remuneration components is to be shifted in favor of the LTI. In the future, the ratio between the target amount for STI and the target amount for LTI will be 40% to 60% (currently 50% to 50%).

- Alignment of the LTI to the corporate strategy and investor expectations

The current LTI is being replaced by a completely new LTI plan. The new LTI is designed as a stock option plan that is linked to both financial targets and ESG targets. The Supervisory Board believes that the use of a stock option plan is best suited to LPKF's growth ambitions.

As an internal financial target, ROCE is being moved from the STI to the new LTI (weighting: 40%). Furthermore, relative total shareholder return (TSR) is being implemented as an additional financial performance target with a weighting of 40%. The financial targets are being supplemented with measurable ESG targets (weighting: 20%), which are derived from the sustainability strategy and are established each year by the Supervisory Board.

Achievement of the described performance targets will be measured over a period of three years and will determine the final number of share options. These options will then have to be held for a further year, in which the value of the share options will continue to depend on the performance of the share price. This means that the share options may be exercised four years after allocation at the earliest. The subsequent exercise period is four years, which means that the plan term for the new LTI is up to eight years. The new LTI will be settled in shares.

- Introduction of penalty and clawback provisions

In line with the expectations of investors and voting rights consultants, the revised remuneration system contains penalty and clawback provisions for the variable remuneration components. These cover instances where variable remuneration was paid on the basis of misstatements in the annual financial statements (performance clawback) and instances where intentional gross breaches of material obligations were committed by a Management Board member (compliance penalty / clawback).

- Introduction of a Share Ownership Guideline

The revised remuneration system also makes provision for a share ownership guideline (SOG) to tie the interests of the Management Board and shareholders more closely together. Under the share ownership guideline, members of the Management Board will be required to invest

at least 50% of their net STI payment in shares of the company each year until the SOG target of 100% of the gross basic salary is met. These shares must be held until the end of the employment contract. Share options from the new LTI cannot be exercised if the SOG target is not met.

- Adjustment of maximum remuneration to the new LTI and the remuneration structure

As the new LTI in the form of a stock option plan presents a different risk profile to the former LTI, the maximum remuneration is being adjusted. Firstly, payment depends on fulfillment of the newly introduced performance targets, including a relative performance measurement for total shareholder return. Secondly, a payment is only made if the share price goes up. If this stipulation is not met, there is no payment. In view of this changed risk profile compared with the former LTI and considering the new remuneration structure outlined above, the Supervisory Board has deemed it necessary to adjust the maximum remuneration in accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act. From 2023 onward, the maximum remuneration will be EUR 2 million for each member of the Management Board. In determining the maximum remuneration, the Supervisory Board has also taken into account the level of maximum remuneration in companies of a comparable size.

The significant changes and additions relating to the present remuneration system are as follows:

Component	Remuneration system in 2022	Remuneration system from 2023 on
Performance-based	Short-term variable remuneration (STI) Target amount: 50% of base salary Performance criteria: <ul style="list-style-type: none"> • 75% corporate targets <ul style="list-style-type: none"> • 25% Revenue • 25% ROCE • 25% EBIT margin • 25% personal targets 	Target amount: 40% of base salary Performance criteria: <ul style="list-style-type: none"> • 75% corporate targets <ul style="list-style-type: none"> • 37.5% Revenue • 37.5% EBIT margin • 25% personal targets
	Long-term variable remuneration (LTI) Plan type: Equity Deferral Target amount: 50% of base salary Plan term: Four years <ul style="list-style-type: none"> • One-year basis for assessment • Subsequent three-year holding period for shares Performance criteria: <ul style="list-style-type: none"> • As for STI 	Plan type: Stock Option Plan Target amount: 60% of base salary Plan term: Eight years <ul style="list-style-type: none"> • Three-year performance period • Subsequent one-year waiting period for Stock Options • Subsequent four-year exercise period Performance criteria: <ul style="list-style-type: none"> • 40% ROCE • 40% Relative TSR • 20% ESG targets
Other key regulations	Maximum remuneration EUR 1.1 million per Management Board member	EUR 2 million per Management Board member
	Malus and Clawback -	Performance and compliance malus / clawback provisions applying to all variable remuneration components.
	Share Ownership Guideline -	SOG target: 100% of gross base salary Holding period: Until end of service Additional provisions: <ul style="list-style-type: none"> • Each year, at least 50% of the net STI payout must be invested until the SOG target is met • Exercisable Stock Options from the LTI cannot be exercised until the SOG target is met