

## 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 2012 financial year with the Corporate Governance Code in accordance with Section 161 German Stock Corporation Act (Aktiengesetz)**

The Company has been in compliance with the recommendations of the Government Commission on the German Corporate Governance Code (GCGC) as amended on May 26, 2010, since its last declaration was issued on December 9, 2011. LPKF will comply with the recommendations as amended on June 15, 2012, with the following exceptions:

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

The Management Board receives a profit-sharing bonus based on the Group EBIT with respect to a specific financial year. If a loss is reported in the following financial year, this loss may be subsequently taken into consideration under certain circumstances.

### ***No cap on variable Management Board remuneration for extraordinary developments (Section 4.2.3 (3) Clause 4 GCGC)***

Unlike the profit-sharing bonuses for the Management Board, the provisions of the 2001 stock option plan that expired in July 2012 did not contain caps for unforeseen developments.

### ***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 Directors' 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)***

Remuneration of Supervisory Board members 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, November 13, 2012

For the Supervisory Board      For the Management Board

Dr. Heino Büsching      Dr. Ingo Bretthauer