

Information on Item 7 of the agenda of the Annual
General Meeting of LPKF Laser & Electronics AG on May
20, 2021

***Remuneration system for the members of the
Management Board***

Remuneration system for the members of the Management Board

1 Basic features of the remuneration system for the members of the Management Board of LPKF Laser & Electronics AG

Remuneration for the Management Board members of LPKF Laser & Electronics AG is defined in accordance with the Stock Corporation Act and is aligned to the long-term, sustainable development of the company. The total remuneration for the Management Board members is based not only on the duties and performance of each Management Board member but also on the size, complexity, and situation of the company.

Its components include a non-performance related salary and non-cash benefits as well as pension benefits and performance-related (variable) components.

The non-performance related components include a fixed annual salary (basic salary) and incidental benefits (such as a contribution to the social security and health insurance) as well as benefits in kind (such as a company car).

The performance-based components comprise an annual short-term incentive (STI), which depends on the achievement of economic targets within a year and a long-term incentive (LTI), which is fully invested in shares of LPKF Laser & Electronics AG that must be held for a minimum period of three years.

The financial, economic, social and environmental targets for the STI are in accordance with the business strategy and the sustainable, long-term development of the company. The STI and LTI provide incentives to the Management Board members for sustainable development of the company.

Because the Supervisory Board is committed to the long-term nature of the company's development, it has placed heavy emphasis on the share of the LTI.

In accordance with the law, the remuneration system also provides for an absolute maximum in the annual remuneration. This is a gross amount of EUR 1,100,000 for each Management Board member.

The amount of remuneration for the Management Board members can also vary in future, on the basis of the remuneration system, taking account of the absolute maximum limit. The specific maximum remuneration depends in particular on the monthly basic salary as negotiated with the Management Board member.

The remuneration system also applies suitable provisions relating to the start and end of the Management Board activity.

Furthermore, all Management Board contracts are to contain a clause permitting the unilateral reduction of the Management Board's remuneration pursuant to Section 87 para. 1 AktG by the Supervisory Board in accordance with the legal provision under Section 87 para. 2 AktG.

The remuneration system for members of the Management Board has been resolved by the Supervisory Board pursuant to Sections 87 para. 1, 87a para. 1 AktG. The Supervisory Board was advised by an independent remuneration expert for the development of the remuneration system. For all remuneration decisions, the Supervisory Board takes account of the requirements under the Stock Corporation Act and observes the recommendations of the German Corporate Governance

Code as amended on December 16, 2019 (GCGC) as well as the guidelines listed in detail below. No vertical comparison as defined in Section 87a no. 9 AktG has been performed.

The remuneration system will apply to all Management Board member employment contracts to be newly concluded or extended as of April 7, 2021.

The remuneration system is the basis for remuneration of the Management Board members. At the time of resolution on the remuneration system, the future CEO has not yet been selected, because the current CEO will remain in office only until April 30, 2021 and the search for a successor has not yet been completed. The remuneration system is to be reviewed on a regular basis. It will be amended if, in the context of future personnel decisions – especially if Management Board employment contracts are to be newly concluded or amended – it is found that changes will be needed in order to recruit or retain suitable candidates.

In the event of major changes to the remuneration system – or at least every four years – the remuneration system will be presented to the Annual General Meeting for approval.

In accordance with the legal provisions of Section 87a para. 2 sentence 2 AktG, the Supervisory Board can make temporary exceptions to the remuneration system if this is in the interest of the company's long-term welfare. This may be the case for extraordinary, unforeseeable developments, for example.

An exception to the remuneration system requires a corresponding resolution by the Supervisory Board and careful consideration of the need for an exception. The components of the remuneration system for which exceptions can be made under the aforementioned circumstances include the process, the remuneration structure, the individual remuneration components, and their performance criteria. In this event, the Supervisory Board can also grant additional remuneration components on a temporary basis or replace some remuneration components with other remuneration components if this is needed to ensure the suitability of the Management Board remuneration in the specific situation.

2 Individual remuneration components

a) Fixed annual salary

The Management Board members of LPKF Laser & Electronics AG are remunerated in the form of a fixed annual salary (fixed remuneration). The fixed remuneration will be paid in equal monthly installments at the end of each month. It will be reviewed by the Supervisory Board on a regular basis and amended in future contracts if needed.

b) Benefits in kind and other additional remuneration (incidental benefits)

In addition thereto, incidental benefits can be granted to each Management Board member. These benefits include, for instance, benefits in kind granted by the company, the use of a company car, contributions to insurance and other cost coverage typical on the market, including the conclusion of D&O insurance by LPKF Laser & Electronics AG with a deductible for the Management Board member pursuant to the Stock Corporation Act.

LPKF Laser & Electronics AG provides the Management Board members with a company car that can also be used privately. The selection of a suitable company car and engine type for the company car will be made not only in accordance with business requirements but also environmental aspects. As an alternative to a company car, the Management Board member can also be granted a cash allowance or flat rate for a rental car. Furthermore, LPKF Laser & Electronics AG covers the cost for expenses that Management Board members incur in relation to their activity.

c) Performance-based variable remuneration

The performance-based variable remuneration of the Management Board comprises a short-term incentive that is paid annually (STI) and a long-term incentive that must initially be invested in shares of LPKF Laser & Electronics AG (LTI) and must be held for a period of at least three years.

Specifically:

(1) STI

The amount of the STI depends on the target achievement of company targets that are based on the Group's financial results and on the target achievement of personal targets that can be redefined annually.

The company targets comprise three financial KPIs. The percentage of target achievement is measured relative to the annual approved budget. In accordance with the KPIs used for company management, the following parameters have been defined for target achievement:

- ROCE (Return on Capital Employed)
refers to the relationship of the operating Group EBIT to the capital invested.
- Net revenue
in accordance with the company's audited, consolidated annual financial statements.
- Operating Group as a % of Group earnings
in accordance with the company's audited, consolidated annual financial statements.

The personal targets for each Management Board member shall be newly agreed on an annual basis. If no agreement has been reached on the personal targets by March 31, the personal targets will be defined at the discretion of the Supervisory Board. Up to four personal targets can be defined that can also account for such factors as social and environmental aspects (ESG criteria).

Personal and company targets can be achieved in a range between a lower limit and upper limit as agreed annually between the Supervisory Board and Management Board. Depending on target achievement, the following percentages of the agreed target bonus will be paid out:

- Below the lower limit 0%
- Lower limit 25%
- Target 100%
- Upper limit 200%
- Above the upper limit 200% (maximum amount)

A linear adjustment will be made between those figures.

In order to calculate the total target achievement, the average of the respective target achievement will be determined for personal and company targets. The resulting averages will then be multiplied by a weighting factor and added up in order to calculate the total target achievement. The weighting factor for the personal targets is 0.25 and the weighting factor for the company targets is 0.75. The Supervisory Board can adjust the weighting factors in the event of special influences on the course of

business if this is in the interest of the company. However, the weighting factor for the company targets must be at least 0.50.

In the event that a Management Board member joins or leaves the company during the year, the STI entitlement will be adjusted on a pro rata basis.

(2) LTI

The bonus earned under the LTI will be paid out directly to the Management Board member after determining the target achievement, but the net amount received must be invested immediately in shares of LPKF Laser & Electronics AG. These shares must be held for at least three years after purchase. Only after that can the Management Board member freely dispose of the shares. In some exceptions, the entitlement to remuneration that was already granted will be lost in the event of termination without notice. This ensures a suitable relationship between remuneration and the long-term value creation for the company.

The amount to be disbursed and invested by the Management Board member in shares of LPKF Laser & Electronics AG is determined by the following principles:

The basic amount for an LTI premium should generally be a fixed percentage of the base salary (50%). This basic amount will be multiplied by a performance factor that corresponds to the total target achievement of the STI (performance amount).

The LTI is thus based on the performance of the share price of LPKF Laser & Electronics AG. For this purpose, the average share price of LPKF Laser & Electronics AG in Q1 of the year of target achievement is determined (starting share price). In addition thereto, the average share price of LPKF Laser & Electronics AG in Q1 of the year following the year of target achievement is determined (ending share price).

Based on these figures, the disbursement amount is computed using the following formula:

Performance amount x ending share price / starting share price

If the average share price of LPKF Laser & Electronics AG in Q4 of the year of target achievement and in Q1 of the year following the year of target achievement drops below 90% compared with the starting share price, no LTI will be paid out. As a result, the Management Board would not have to acquire any shares of LPKF Laser & Electronics AG in that year.

The disbursement amount of the LTI is limited to a maximum of three times the basic amount.

In the event that a Management Board member leaves the company during the year, the LTI entitlement will be adjusted on a pro rata basis.

3 Benefits in the event of departure

When appointing Management Board members and for the term of the Management Board employment contracts, the company shall observe the legal requirements of Section 84 of the Stock Corporation Act and the recommendations of the German Corporate Governance Code. The Management Board employment contracts will be concluded for the term of their appointment. For initial appointment, the appointment term is generally three years; for subsequent appointment the maximum term is five years. The Management Board employment contracts can provide for termination with notice by either party. This is always without prejudice to the right of either party to terminate the Management Board employment agreement without notice for due cause.

a) Severance

In the event that the company terminates the employment contract with notice for termination reasons beyond the Management Board member's control, the Management Board member will receive severance pay in the amount of up to two annual fixed salaries (gross), but no more than the amount corresponding to the monthly fixed salaries that would have otherwise been due after the end of the notice period up to the end date. This severance will be counted toward compensation under the non-compete clause that is in effect after the employment contract ends.

Even if the Management Board member departs under a right of termination for change of control, they are entitled to this severance.

b) Release from duty

If a Management Board member's appointment is terminated, or the appointment of the CEO is terminated for due cause under Section 84 para. 3 AktG or a member resigns from office, the company can release the Management Board member immediately from their employment duties, while continuing to pay remuneration

c) Compensation under the non-compete clause

All Management Board members are subject to a non-compete clause that survives the term of employment for at least six months but no more than 12 months after the end of their employment contract.

For the term of this non-compete clause, LPKF Laser & Electronics AG is obligated to pay the Management Board member monthly compensation of 50% (gross) of the average monthly fixed remuneration paid out in the 12 months preceding their departure.

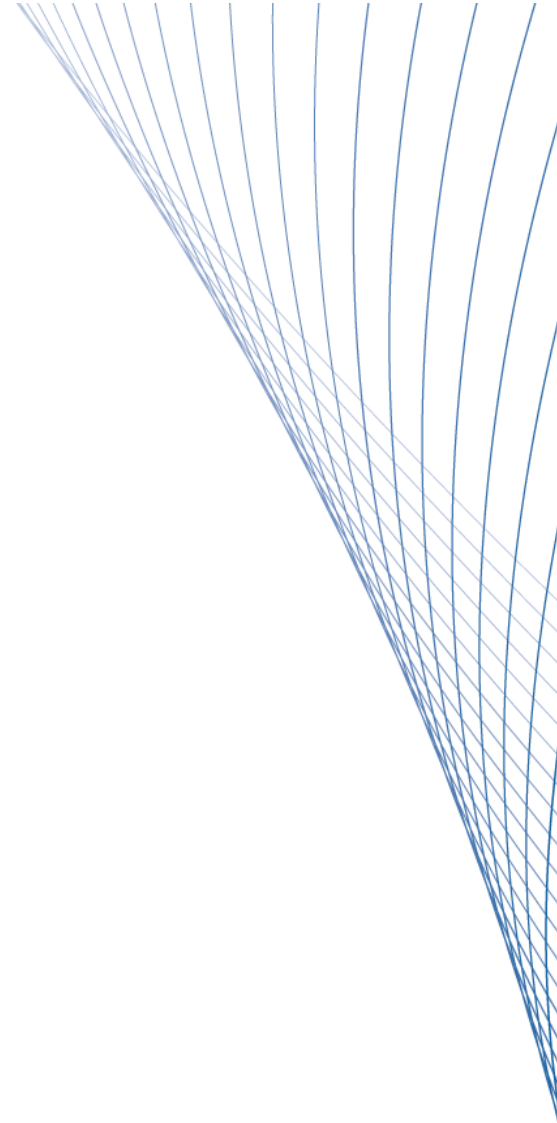
Other payments from LPKF Laser & Electronics AG to the Management Board member, such as a temporary allowance and severance, will be counted toward the non-compete compensation.

Furthermore, the income that the Management Board member earns or refrains from earning during the non-compete period from self employment, employment or other forms of employment shall be counted toward the non-compete compensation if this compensation – including the income – exceeds the amount of the most recent payment made under the contract. Income also includes any unemployment benefits received by the Management Board member. On request, the Management Board member is required to inform the company about the amount of their income and present documentation.

With a one-year period of limitation, LPKF Laser & Electronics AG can waive the non-compete clause.

d) No retirement and early retirement provisions

The company does not provide Management Board members with any retirement or early retirement provisions.



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