

## REMUNERATION REPORT

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. Christian Witt was appointed as the Management Board member with responsibility for finance on 1 September 2018. In both cases, the contracts are for three years.

On 10 March 2021, Dr. Goetz M. Bendele, CEO of LPKF Laser & Electronics AG, informed the Chairman of the Supervisory Board that he does not wish to extend his contract, which runs until 30 April 2021. Dr. Bendele will leave the company at the end of April 2021. As a result, in accordance with the plan's terms and conditions, this Management Board member no longer has the right to receive payments for the 2019 and 2020 tranches of the LTI program.

### 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 fixed basic remuneration, two short-term variable components (with a clawback) and one long-term variable component, 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) with a clawback.

The remuneration component LTI Options is designed as a long-term incentive and the remuneration components STI 1 ROCE and STI 2 Cash flow are designed as relevant short-term incentives (STI). The variable remuneration components are based on different performance indicators, which recognize 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, 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 ROCE of 18% and the cap is 30%.

STI 2 corresponds to the ratio of free 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 for the previous year 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. This earnings-based clawback clause, which makes the final entitlement to STI 1 and STI 2 contingent upon a positive ROCE or cash flow figure in the following year, extends the assessment period for STI 1 and STI 2 to two years. This means that it essentially constitutes multi-year variable remuneration.

#### 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.

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 plan term is three years per tranche. Once the respective plan term 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 number 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. A payout occurs only if the average share price on the payment date is greater than the average share price on the allotment date. The payout is capped at four times the allotment value; this is the maximum shown in the benefits table. Advance payments are not availabl

The benefits for the 2020 reporting year are presented in the table below, alongside the minimum and maximum amounts that can be reached. The allotment value is stated for LTI options.

## BENEFIT AMOUNTS IN THE REPORTING YEAR

	Dr. Goetz M. Bendele CEO since 1 May 2018				Christian Witt CFO since 1 September 2018				Total
	2019	2020	(Min)	(Max)	2019	2020	(Min)	(Max)	2020
in EUR thousand									
Fixed remuneration	240	240	240	240	200	200	200	200	440
Incidental benefits	13	13	13	13	24	20	20	20	33
<b>Total</b>	<b>253</b>	<b>253</b>	<b>253</b>	<b>253</b>	<b>224</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>473</b>
<b>Multi-year variable remuneration*</b>									
STI 1 ROCE (2 years)	50	50	0	150	50	50	0	150	100
STI 2 Cash flow (2 years)	50	50	0	130	50	50	0	130	100
LTI Options 2019 (3 years)	75	n/a	n/a	n/a	65	n/a	n/a	n/a	
Number of phantom stocks (units)	11,111	n/a	n/a	n/a	9,630	n/a	n/a	n/a	
LTI Options 2020 (3 years)	n/a	75	0	300	n/a	65	0	260	140
Number of phantom stocks (units)	n/a	3,910	0	7,820	n/a	3,389	0	6,778	7,299
<b>Other</b>									
<b>Total</b>	<b>175</b>	<b>175</b>	<b>0</b>	<b>580</b>	<b>165</b>	<b>165</b>	<b>0</b>	<b>540</b>	<b>340</b>
Cost of benefits	0	0	0	0	0	0	0	0	0
<b>Total remuneration</b>	<b>428</b>	<b>428</b>	<b>253</b>	<b>833</b>	<b>389</b>	<b>385</b>	<b>220</b>	<b>760</b>	<b>813</b>

\* In the 2019 remuneration report, benefits were stated for STI 1 and STI 2 based on corporate planning figures. The contractually agreed target values are now stated.

As Dr. Goetz M. Bendele's contract ends on 30 April 2021, he no longer has the right to receive payments for the 2019 and 2020 tranches of the LTI program in accordance with the plan's terms and conditions.

BENEFITS RECEIVED FOR  
THE REPORTING YEAR

In compliance with the recommendations of the German Corporate Governance Code (GCGC), the benefits received for the reporting year are stated in the tables below.

BENEFITS RECEIVED (ACTUAL)

in EUR thousand	Dr. Goetz M. Bendele CEO since 1 May 2018		Christian Witt CFO since 1 September 2018		Total
	2019	2020	2019	2020	
Fixed remuneration	240	240	200	200	440
Incidental benefits	13	13	24	20	33
<b>Total</b>	<b>253</b>	<b>253</b>	<b>224</b>	<b>220</b>	<b>473</b>
<b>Multi-year variable remuneration</b>					
STI 1 ROCE	0	110	0	110	220
STI 2 Cash flow	0	130	0	130	260
LTI Options 2018 (3 years)	0	0	0	0	0
LTI Options 2019 (3 years)	0	0	0	0	0
LTI Options 2020 (3 years)	0	0	0	0	0
<b>Other</b>					
<b>Total</b>	<b>0</b>	<b>240</b>	<b>0</b>	<b>240</b>	<b>480</b>
Cost of benefits	0	0	0	0	0
<b>Total remuneration as per GCGC (benefits received)</b>	<b>253</b>	<b>493</b>	<b>224</b>	<b>460</b>	<b>953</b>

The members of the Management Board received total remuneration of EUR 953 thousand in the 2020 financial year (2019: EUR 477 thousand). EUR 473 thousand of this was attributed to fixed remuneration components, including incidental benefits that were fully paid out in the 2020 reporting year. A total of EUR 480 thousand (2019: EUR 0 thousand) is attributable to the variable remuneration components that accrued to the members of the Management Board for tax purposes in the 2020 financial year. Having regard to the contractual clawback clause, the amount of STI 2 was measured in consideration of the negative free cash flow for 2020. However, the cap of 21% was still exceeded even taking into consideration the negative cash flow, which means that there was no obligation to return payments.

#### 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 2020 financial year.

#### TOTAL REMUNERATION OF FORMER MEMBERS OF THE MANAGEMENT BOARD

Provisions were recognized for EUR 651 thousand (previous year: EUR 617 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 pensions was paid to a former member of the Management Board in 2020.

#### 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. A variable remuneration component is not available for the Supervisory Board.

The remuneration of the Supervisory Board is as follows:

in EUR thousand	<b>2020</b>	2019
Jean-Michel Richard (Supervisory Board as at 31 December 2020)	6	0
Dr. Dirk Rothweiler (Supervisory Board as at 31 December 2020)	48	41
Prof. Dr.-Ing. Ludger Overmeyer (Supervisory Board as at 31 December 2020)	32	18
Prof. Dr.-Ing. Erich Barke (former Supervisory Board members)	0	21
Dr. Markus Peters (former Supervisory Board members)	<b>56</b>	64
<b>Total</b>	<b>142</b>	144