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	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	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)	Target amount: 50% of base salary
		Performance criteria:
		• 75% corporate targets
		  • 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)	Target amount: 50% of base salary Plan term: Four years • One-year basis for assessment • Three-year holding period for shares Performance criteria: • 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	EUR 1.1 million per Management Board member	• Limiting the total remuneration for a financial year
	Severance payment cap	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)

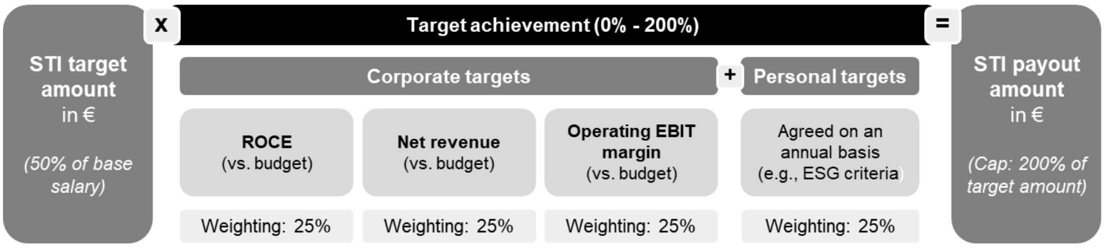
The personal targets for the respective Management Board member are agreed each year. Up to four personal targets may be set, which, among other factors, also take into account social and environmental aspects (as ESG criteria).

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	Actual	Lower threshold (25 % target achievement)	Target (100 % target achievement)	Upper threshold (200 % target achievement)	Target achievement
ROCE	Actual: 7.4%	2.4%	12.7%	18.8%	61%
Net revenue (k€)	Actual: 123.699	110,000	135,762	145,000	65%
Operating EBIT margin	Actual: 5.5%	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	• Meeting defined milestones in growth initiatives LIDE and ARRALYZE • Meeting defined milestones in Sales Funnel Management • Meeting defined milestones in ESG-program	• Target only partially achieved • Target achieved • Target clearly exceeded	105%
Christian Witt	• 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	• 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 achievement			
	Target amount in €k	**Corporate targets** (Weighting: 75%)	**Personal targets** (Weighting: 25%)	**Overall**	**Payout amount** in €k
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 achievement			
	Target amount	**Corporate targets**	**Personal targets**	**Overall**	**Payout amount**

	in €k				in €k
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)

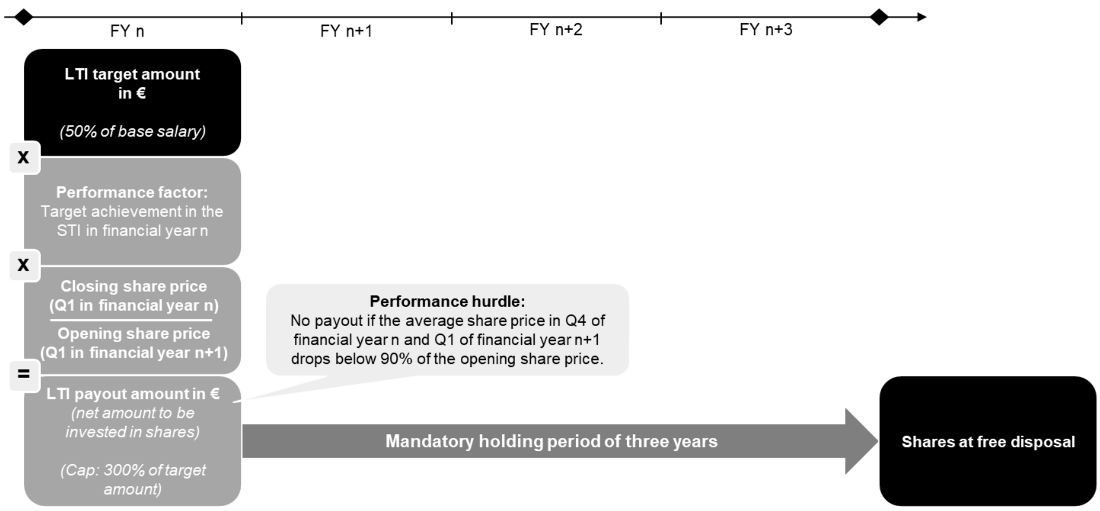
How it works

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 achievement**	**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)	0	0%	0	0%	0	0%	0	0%
STI 2021	-	-	0	0%	-	-	6	46%
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	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:
		• 75% corporate targets
		  • 25% Revenue
		  • 25% ROCE
		  • 25% EBIT margin
		• 25% personal targets
			Target amount: 40% of base salary
			Performance criteria:
			• 75% corporate targets
			  • 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 • One-year basis for assessment • Subsequent three-year holding period for shares Performance criteria: • As for STI	Plan type: Stock Option Plan Target amount: 60% of base salary Plan term: Eight years • Three-year performance period • Subsequent one-year waiting period for Stock Options • Subsequent four-year exercise period Performance criteria: • 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: • 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

AUDITOR’S REPORT

INDEPENDENT AUDITOR'S REPORT

to LPKF Laser & Electronics SE (until December 11, 2022 LPKF Laser & Electronics Aktiengesellschaft,), Garbsen, Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

OPINIONS

We have audited the consolidated financial statements of LPKF Laser & Electronics SE, Garbsen and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income , consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report (hereinafter referred to as the “combined management report”) of LPKF Laser & Electronics SE including the remuneration report for the financial year from 1 January 2021 to 31 December 2022.

In accordance with German legal requirements we have not audited the content of those components of the group management report specified in the “Other Information” section of our auditor’s report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the “Other Information” section of the auditor´s report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2021 to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Capitalization of development costs

Please refer to section G.2 and H.11 in the notes to the consolidated financial statements for information on capitalized development costs.

The risk for the financial statements

Capitalized development costs amounted to EUR 19.6 million as of 31 December 2022, representing 14,2% of total assets.

The development costs relate to development projects for equipment and related software. Development costs are capitalized if the requirements of IAS 38 are met. Research costs are recognized as expenses.

The examination of the capitalization requirements under IAS 38 for projects under development is complex and based on a number of discretionary assumptions. These include, in particular, the forecast cash flows and technical feasibility. Against this background, there is a risk for the financial statements that an intangible asset has been recognized although the requirements have not been met.

Our audit approach

We have gained an understanding of the company's process of capitalizing development costs through explanations provided by accounting staff and an appreciation of the Group's accounting guidelines. We have examined the control implemented in this process with regard to the fulfillment of the capitalization requirements for design, application and effectiveness.

As part of our audit, on a spot check basis we evaluated the documentation on which the capitalized development costs. For the projects in the sample, we examined the recognition criteria in accordance with IAS 38 and, in particular, discussed the expected cash flows with those responsible for planning and traced the steps taken to determine technical feasibility.

Our conclusions

The capitalization of development costs is in accordance with the provisions of IAS 38 and the assumptions and parameters used by the company are appropriate

Accrual of sales

For information on sales, please refer to section G.1 of the Notes.

The risk for the financial statements

The Group's revenues in the 2022 financial year amount to EUR 123.7 million. Revenues are mainly generated from the sale of machines.

LPKF recognizes revenue when it fulfills a performance obligation by transferring a promised asset to a customer. An asset is deemed to have been transferred when the customer obtains control over the asset. In accordance with the transfer of control, revenue is recognized either on a time proportion basis or on a time proportion basis at the amount to which LPKF expects to be entitled.

The Group's main markets are in Europe, the USA and Asia. For the global delivery of products, the Group enters into various agreements with customers that include not only the sale of equipment but also service components such as maintenance and warranty extensions.

Due to the use of different contractual arrangements in the various markets and the discretionary nature of the indicators used to determine and assess the timing of the transfer of control, there is a risk to the financial statements that revenue will be recognized prematurely as of the reporting date.

Our audit approach

To audit the accrual basis of revenue recognition, we assessed the design and establishment of internal control related to the proper accrual basis. We also assessed the presentation of revenue recognition in the Group-wide accounting policy for compliance with IFRS 15.

For the new contracts concluded in the fiscal year, we assessed the interpretation and weighting of the indicators used by the legal representatives to assess the timing of the transfer of control. For this purpose, we assessed the appropriate implementation of the accounting guideline on the basis of representatively selected samples of contracts from a population defined according to risk-oriented criteria from December 2022.

In addition, for trade receivables not yet settled at the balance sheet date, balance confirmations were obtained, selected on the basis of a mathematical-statistical procedure. For missed balance confirmation responses, alternative audit procedures were performed by reconciling revenue to underlying purchase orders, contracts, invoices, proof of delivery, and acceptance records, among others.

Our conclusions

LPKF SE's approach to the accrual of revenue is appropriate.

OTHER INFORMATION

Management respectively Supervisory Board are responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the separate non-financial consolidated report expected to be made available to us after the date of this auditor's report and referred to in the combined management report; and
- the group corporate governance statement, where reference is made in the group management report, and
- information extraneous to management reports and marked as unaudited.

The other Information includes also the remaining parts of the annual report. The other Information does not include the consolidated financial statements, the group management report information audited for content and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above-mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The Board of Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Management is responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Board of Management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of the combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

The Board of Management and the Supervisory Board of LPKF Laser & Electronics Aktiengeselleschaft are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The Board of Management and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the remuneration report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SECTION 317 (3A) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file „lpkf-2022-12-31-de.zip " (SHA256-Hashwert: 1d1e559a6f2ff535e056c53197d2e8bdc52343209b0fd9824cf3f5480fea4011) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the Annual General Meeting on 19 May 2022. We were engaged by the Supervisory Board on 10 October 2022. We have been the group auditor of the LPKF Laser & Electronics SE without interruption since the financial year 2019.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

In addition to auditing the consolidated and annual financial statements, we performed various audits of the financial statements of subsidiaries. We have reviewed the separate non-financial consolidated financial statements of the previous year.

OTHER MATTER – USE OF THE AUDITOR’S REPORT

Our auditor´s report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and group management report converted to the ESEF format – including the versions to be published in the German company register [Unternehmensregister] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Björn Kniese.

Hanover, 16 March 2023

KPMG AG

Wirtschaftsprüfungsgesellschaft

gez. Kniese

Wirtschaftsprüfer

(German Public Auditor)

gez. Meyer

Wirtschaftsprüfer

(German Public Auditor)