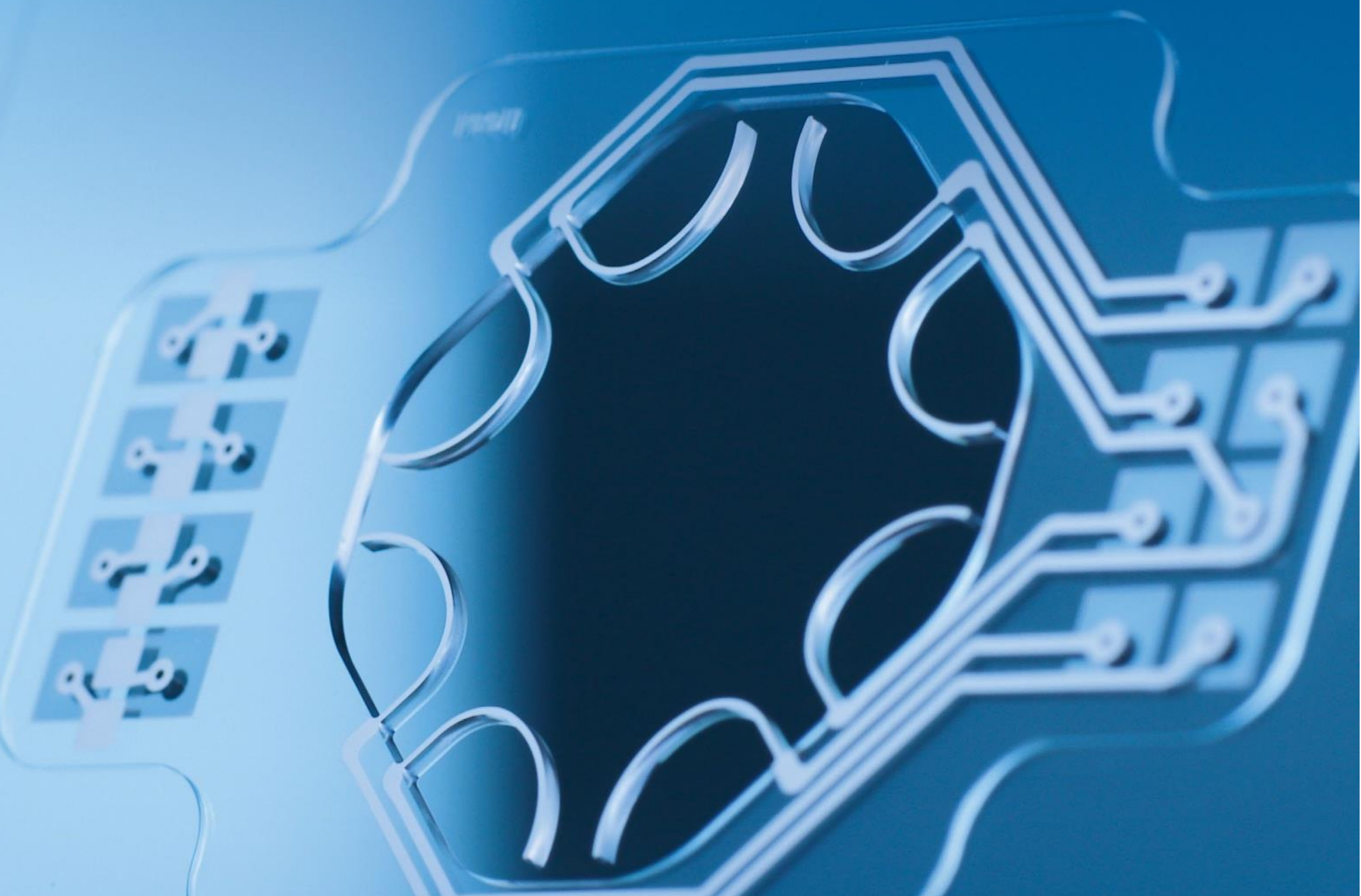
TOMORROW'S TECHNOLOGY TODAY



ANNUAL REPORT 2024

LPKF

CONTENT

LPKF LASER & ELECTRONICS SE

Group Key Figures and Profile of the LPKF Group

GROUP KEY FIGURES

LPKF LASER & ELECTRONICS SE

CONSOLIDATED REVENUE AS OF 31 DECEMBER 2024

in EUR million	2020	2021	2022	2023	**2024**
Revenue	96.2	93.6	123.7	124.3	122.9
Revenue by region					
Germany	8.6	11.2	9.9	11.7	13.5
Rest of Europe	12.2	19.9	17.7	16.2	15.8
North America	19.0	17.0	42.3	46.6	52.6
Asia	55.5	43.5	51.2	47.8	38.9
Other	0.9	2.0	2.6	2.0	2.1
Revenue by segment					
Development	22.5	22.1	28.2	29.0	26.2
Electronics	31.7	32.0	31.5	32.7	36.9
Welding	17.7	27.4	25.6	23.1	18.6
Solar	24.3	12.1	38.4	39.5	41.2

CONSOLIDATED FINANCIAL KEY FIGURES AS OF 31 DECEMBER 2024

in EUR million	2020	2021	2022	2023	**2024**
EBIT	7.5	0.1	6.5	3.7	-2.5
EBIT-Margin (in %)	7.8	0.1	5.3	3.0	-2.1
Adjusted EBIT	n.a.	n.a.	n.a.	4.4	0.1
Adjusted EBIT margin (%)	n.a.	n.a.	n.a.	3.5	0.0
Consolidated net profit after non-controlling interest	5.3	-0.1	1.4	1.8	-4.5
Diluted EPS (in EUR)	0.22	0.00	0.06	0.07	-0.18
Dividend per share* (in EUR)	0.10	0.00	0.00	0.00	0.00
ROCE (in %)	9.0	0.1	7.1	3.5	-2.5
Equity ratio (in %)	76.4	69.7	67.9	64.1	69.7
Investment in property, plant and equipment and intangible assets	10.2	8.6	8.2	7.7	7.5
Free cash flow	-5.5	-0.7	0.3	-11.1	1.9
Orders on hand	38.3	62.6	63.2	58.9	50.9
Incoming orders	102.2	117.8	124.3	120.1	114.3
Employees** (Number)	689	746	740	761	773

* 2024: Annual General Meeting recommendation
** not including trainees and marginal employees

PROFILE OF THE LPKF GROUP

Innovative manufacturing technologies for growth markets

As a high-tech mechanical engineering company, LPKF develops high-precision, scalable manufacturing processes that are used in growth markets such as semiconductors & electronics, life science & medical technology, smart mobility and research & development. In its 49 years of existence, the company has developed a deep understanding of its customers' needs while relentlessly pursuing innovative solutions to drive technological progress and make a sustainable positive change in the world.

Core competences and expertise of LPKF

LPKF has core competences in the fields of optics & laser technology, laser material processing, microsystems technology and control technology & software. Based on this expertise, the company today offers solutions for the development and production of printed circuit boards, solar modules, automotive parts and batteries. Microchips and displays can be designed to be significantly more powerful thanks to a glass processing method (LIDE) developed by LPKF. The company has also developed a system for analyzing biological materials in the nanoliter range for pharmaceutical research. It continuously invests more than 10% of its revenue in the development of innovative processes in order to give its customers a competitive edge and open up new growth markets together with them.

Megatrends and technological transformations

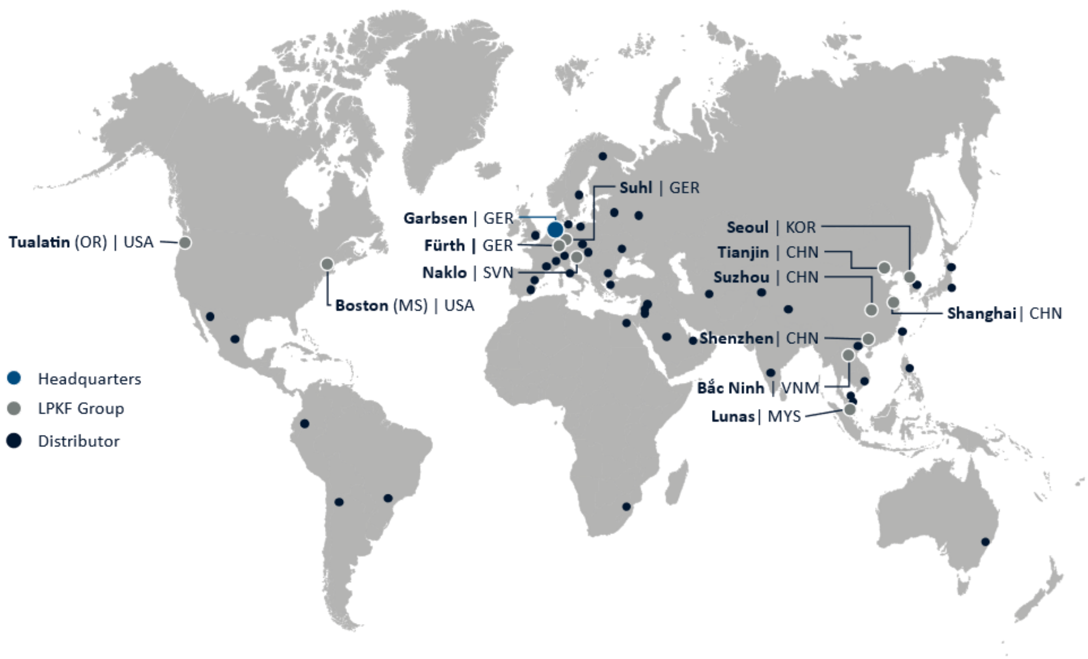
The megatrends of miniaturization, next generation computing, carbon neutrality, connectivity and demographic change require technological transformations and drive the demand for precise, efficient and clean production methods, which LPKF provides.

Global network and presence

LPKF Laser & Electronics SE is headquartered in Garbsen near Hanover. The company is represented in more than 60 countries, has nine subsidiaries in Europe, Asia and North America and is broadly positioned worldwide with a total of 773 employees. A global service network ensures that machines are available to customers around the clock.

The shares of LPKF Laser & Electronics SE are listed on the SDAX of the German Stock Exchange.

LPKF WORLDWIDE

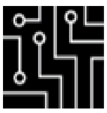


SEGMENTS

DEVELOPMENT

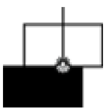
Systems for printed circuit board development and research, Systems for biotechnology

ELECTRONICS



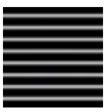
Systems for electronics production and the manufacture of glass components

WELDING



Systems for plastic welding

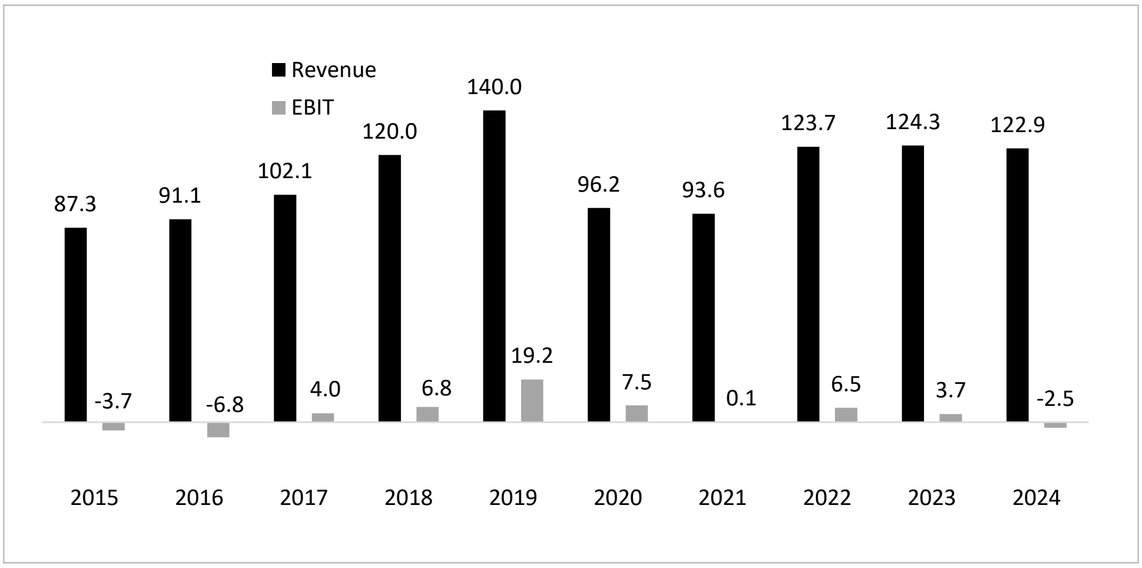
SOLAR



Systems for the production of solar cells and for laser transfer printing

REVENUE AND EBIT

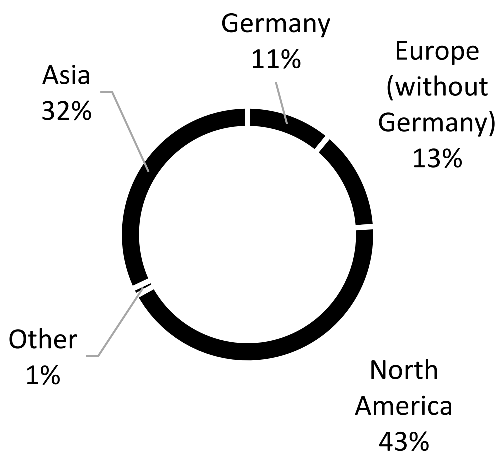
in EUR million



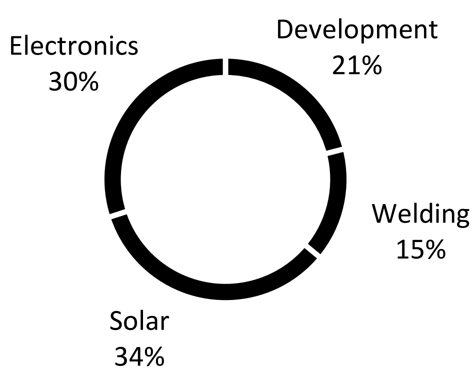
SEGMENT INFORMATION

1 January – 31 December 2024

REVENUE BY REGION



REVENUE BY SEGMENTS



LETTER TO OUR SHAREHOLDERS

Garbsen, 27 March 2025

Dear Ladies and Gentlemen,

Before I report to you about the past 2024 financial year, I would like to emphasize that our company is in an extremely exciting phase of its development right now. In the past three years, we have experienced a largely stagnant revenue development. While demand in some market segments was weak, we were able to compensate for this with growth in other areas. At the same time, we have constantly invested in the development of new application areas, always convinced of the growth potential of our innovations. The progress we have achieved here gives me confidence that we can now, step by step, reap the fruits of our efforts. But let's first take a look at the year 2024.

Despite a strong fourth quarter, we were unable to achieve our growth targets for the year as a whole. At EUR 122.9 million, revenue was slightly lower than the previous year's figure of EUR 124.3 million. The challenging economic conditions, particularly the crisis in the automotive industry, made our situation significantly more difficult. The decline in revenue in the Welding segment was an important reason why earnings before interest and taxes (EBIT) at EUR -2.5 million also fell short of our and your expectations.

We implemented numerous measures in the second half of the 2024 financial year to increase operational efficiency and reduce costs in order to counteract the cost inflation and underutilization of recent years. As a result, operating income was adversely affected by extraordinary costs of approximately EUR 2.6 million, mainly consisting of severance costs, but also including the change in value of the virtual share options issued in 2024, which have to be recognized in the statement of financial position. Adjusted for these extraordinary effects, EBIT amounted to EUR 0.1 million.

Order intake in the 2024 financial year was EUR 114.3 million, down 4.8% year-on-year (2023: EUR 120.1 million). The order backlog declined from EUR 58.9 million in the previous year to EUR 50.9 million as of 31 December 2024. Here, too, we felt the impacts of the reluctance to invest in the automotive sector. Order intake in the Electronics, Development and Welding segments increased significantly in the fourth quarter (+14.8%). So far, however, we have not received any major new orders in the Solar segment. We are seeing a hesitant willingness to invest here at the moment, particularly in China.

Because we failed to achieve the planned revenue growth, our profitability deteriorated in 2024. We worked in all areas of the Group to offset the impact of the lack of revenue growth by implementing cost-saving measures. We have already had some success here, and thanks to the additional measures we have taken since October last year we will continue to pursue this course. Additional costs for the market launch and further development of our new ARRALYZE product line and higher labor costs weighed on earnings. Our structural measures aimed at improving efficiency and the fixed cost base will become increasingly effective during the current year and, in addition to increasing revenue, will boost LPKF's profitability.

The free cash flow of EUR 1.9 million is mainly the result of a reduction in net working capital from EUR 40.0 million to EUR 37.2 million over the course of the year, which can essentially be attributed to the significant reduction in inventories. We expect further improvements in the current financial year as we aim to make further progress in operating performance and working capital management. As of 31 December 2024, LPKF's net cash position is virtually balanced and the company boasts a solid equity ratio of 69.7%.

CORE BUSINESS PERFORMANCE

In the Electronics segment, our business in laser systems for PCB depaneling performed solidly in a weak market environment. Our customers had reduced their investment budgets by 50% in some cases, but we nevertheless managed to expand our leading market position in the field of depaneling and to keep our revenue stable thanks to the outstanding performance of our depaneling systems. We achieved our objectives for 2024 in this area and expect the business to grow sustainably in the future.

Solder paste stencils are an indispensable component of SMT circuit board manufacturing and can be produced precisely and efficiently with our StencilLaser systems. LPKF has been the leader in this market for many years, but here, too, we felt a strong reluctance to invest on the part of our customers in 2024. At the same time, however, we launched the MicroCutX, a new system for producing high-precision wafer stencils for the rapidly growing semiconductor market. Demand in this area increased significantly in the fourth quarter, which is why we expect solid growth in the new financial year.

The Development segment also put in a solid performance in 2024 despite a difficult overall economic situation. The business involving systems for Rapid PCB Prototyping is heavily dependent on public funding, which is in turn influenced to a great extent by the economic situation in the individual regions. Here, the uncertainties of economic policy in 2024 meant that we failed to meet our expectations, but we were still able to achieve a solid result. The development of revenue accelerated significantly in the second half of the year. LPKF remains the clear market leader in this - its oldest - business sector. We safeguard this position by responding to the constantly changing needs of our customers and offering them the right solutions.

With revenue of over EUR 40 million, the Solar segment set a new record within the LPKF Group in 2024. The photovoltaic market is growing, while LPKF is the market leader in structuring thin-film solar modules. We are all very proud of this success, and I personally am especially pleased that operational excellence at our Suhl site has once again reached the level it was at before the Covid-19 pandemic. This is reflected in timely deliveries and high product quality. In addition, the customer base in China was further expanded and the relationships with our main customer were further strengthened. At the same time, we have to deal with rapidly growing competition in the Chinese market. In order to be able to respond more quickly to customer requirements, we have modularized the construction of the Allegro systems, reducing delivery times as a result. Our solar systems continue to be the most efficient in terms of accuracy, throughput and availability. Nevertheless, a cautious market poses challenges, particularly when it comes to the continuing development of perovskite technology towards volume production.

The segment in the LPKF Group that suffered the most by far from the ongoing weakness in the automotive industry in 2024 was Welding. Revenue in 2024 fell by almost 20% year-on-year. Moreover, it also became necessary to realign sales in the USA. We have had to implement very consistent measures to reduce the fixed cost base in the Welding segment and we are constantly working on optimizing our cost structure. At the same time, we achieved significant strategic progress in this area. In collaboration with a customer we successfully completed the development of the ATA pilot project. ATA (Absorbent-To-Absorbent) represents an innovative laser welding process that significantly expands the range of applicable fields. Together with the increasing demand from the medical and consumer goods sectors, this will form the basis for leading the business unit back onto a sustainable and profitable growth path.

DEVELOPMENT OF NEW TECHNOLOGIES

Our pioneering spirit is deeply embedded in our DNA. With creativity, perseverance and a passion for innovation, we have repeatedly conquered new markets. Together with our customers, we want to be at the cutting edge setting new technological standards also in the future. Let me provide you below with an update on the development of our new technologies:

In December, we received our first order for the delivery of several LIDE (Laser Induced Deep Etching) systems for the series production of display applications. The purchase agreement involves a volume in the mid-seven-figure euro range. This order marks the successful completion of a development project initiated in November 2021 to manufacture glass components for display applications with a leading global manufacturer of displays and semiconductors. We have thus taken the first step towards introducing LIDE into the series production of glass displays and advanced the first of the three strategic growth areas into operational implementation.

We are also seeing very good developments for LIDE technology in the semiconductor sector. The "Next Generation Computing" megatrend plays an important role for LPKF here: The current phase of digitalization is characterized by the exponential growth of data volumes and increasing data processing requirements driven by technologies such as artificial intelligence and machine learning. The demand for high-performance and energy-efficient computing power is resulting in the use of new materials. The trend towards glass substrates is gaining momentum and is being actively driven by leading chip manufacturers, which has led to a sharp increase in demand for individual systems and pilot lines at LPKF. The entire supply chain is now undergoing a transformation process and adapting to glass substrates.

We have a very good network thanks to our contacts with all the relevant actors, and our operations are ready to meet increasing demand. I am very confident that we will also succeed in achieving a breakthrough in series production here and thus be able to advance the second strategic growth area to scalable series production.

By developing ARRALYZE as an independent business unit within the Development segment, we once again demonstrated our commitment to genuine pioneering work. We are venturing here into the biotechnology market, which is highly attractive but new to LPKF. The CellShepherd® was developed in response to growing demand for technologies capable of studying small and large cell populations at the single-cell level and isolating target cells. The first year after we introduced our new technology was challenging. Unfortunately, we have not yet been able to record any real revenue. Although the academic market is showing a great deal of interest, the willingness to invest remains low. While we initially focused heavily on applications in cell and gene therapy, cell line development became more interesting as the year progressed. In biotechnology, cell lines are used, among other things, to produce therapeutic proteins, antibodies and vaccines. A promising application for ARRALYZE within this market is cellular agriculture, i.e. the production of meat in the laboratory. In contrast to cell and gene therapy, this field is less regulated and customers can act with greater flexibility.

ESG AS AN OPPORTUNITY FOR LPKF

As a company, we bear responsibility for the environment, our employees and future generations. We want to play our part in creating a climate-neutral future through innovative technologies and sustainable production. Our focus is on minimizing negative environmental and social impacts along the value chain. Modern manufacturing processes help our customers work in a resource and energy-efficient manner. We also pay attention to sustainability and fair social conditions within the company. We regularly review our ESG activities and set medium and long-term goals. We are supported in this by our sustainability strategy, which we restructured and adapted to the current challenges in 2024 on the basis of our revised materiality analysis. Despite delays in the implementation of the CSRD in Germany, we use the ESRS standards for our Consolidated Non-financial Report, which is published on our website at the same time as the Annual Report.

The stock market year 2024 was disappointing for LPKF shareholders, including myself. The fact that other mechanical engineering companies in our peer group suffered similar share price movements does not change this. The LPKF share closed the financial year at a price of EUR 8.93 and thus lower than the previous year's EUR 9.94. I remain convinced that we can generate more value for our shareholders in the future through solid growth in our core business areas and sustainable scaling of our new technologies.

Our dividend policy basically sets out to distribute 30% to 50% of LPKF Laser & Electronics SE's free cash flow as a dividend. LPKF generated only a slight positive free cash flow and negative earnings (EBIT) in the 2024 financial year. For this reason, the Management Board, with the approval of the Supervisory Board, will propose to the Annual General Meeting on 4 June 2025 that no dividend be paid for the 2024 financial year. We will invest the financial resources from the free cash flow in measures that will promote our future growth.

STRATEGIC ORIENTATION

We live in an era of rapid technological progress and global interconnectedness. LPKF is playing a leading role in the development of innovative, scalable manufacturing processes for growth markets. Our strategy is based on a deep understanding of customer needs and a tireless pursuit of disruptive solutions. That is why we will continue to invest in research and development with specific objectives in mind. Our goal is to achieve sustainable scalability. This means that, especially with our new technologies, we are targeting growing application areas that represent a significantly larger addressable market than our current core business does and that serve a broad customer base. In the areas of display and advanced packaging, we are already in or close to the operational implementation phase. But we must look even further into the future. I am convinced that the biotech market offers very good and important prospects for LPKF in the long term. I see that we can make a contribution to this market with our deep knowledge of hardware and software. The biotech market is constantly growing, relies on the highest technological quality and is prepared to pay for it. I am aware that this cannot happen quickly. LPKF is still an unknown actor in this market. We require initial investments, we need to navigate learning curves and we have to position our unique selling propositions in a market that is new for us. This is a major task, but we are well on the way.

I am delighted that in the 2024 financial year we replaced our long-serving company logo with a powerful and contemporary new logo, which was the result of a collaborative, creative process that incurred virtually no external costs. This logo is designed to underline our innovative strength and our commitment to the future. It symbolizes our willingness to always be at the cutting edge of technological progress.

OUTLOOK

We made strategically important progress in the financial year. At the same time, we intensified our efforts to reduce our fixed costs so that we are able to respond with greater operational efficiency and flexibility to periods of weakness in our target markets. The company is financially strong and has a broad portfolio of innovative technologies that we target at growth markets. On this basis, our aim in 2025 is to make further investments in our strategic growth markets, grow our core business and bolster our profitability in the long term by focusing on reducing our fixed costs.

Backed by the strong customer interest from our latest technological developments we expect consolidated revenue of EUR 125 to 140 million and an adjusted EBIT margin of between 6% and 9% for the 2025 financial year, despite the currently very uncertain global economic and political environment.

For the first quarter of 2025, we expect revenue of between EUR 25 and 28 million and adjusted EBIT in the range of EUR -3.5 to -1.5 million.

In the medium term, we aim to deliver an attractive average growth rate in the upper single-digit percentage range for the core business, low three-digit million euro revenue for the new business areas and an attractive double-digit EBIT margin for the Group.

The past financial year has again seen our employees working tirelessly for our customers and for LPKF despite the difficult economic situation. I am particularly proud of the unique team spirit at LPKF and would like to thank all of my colleagues for their commitment and dedication in these challenging times.

I would like to take this opportunity to thank my former colleague on the Management Board, Christian Witt, once again for the good and trusting collaboration over the past three years. At the same time, I am very pleased to welcome Peter Mümmler as our new CFO from April 2025. I am convinced that he will enrich our team with fresh ideas, a high level of expertise, a lot of energy and great commitment.

I would like to thank the members of our Supervisory Board for their constructive support and valuable advice. My sincere thanks also go to the works councils at all our locations for the excellent cooperation they have provided in the past financial year.

I would like to thank you, our shareholders, for your trust and hope that you will continue to support our company in the future.

I will dedicate all my efforts to ensuring that LPKF enjoys sustainable growth and further improves its profitability in the coming years. In doing so, I trust in our innovative strength, our pioneering spirit and the strength of our global team.

Please continue to accompany us on this path!

With kind regards,

Dr. Klaus Fiedler
Chief Executive Officer

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

2024 has been another challenging year for LPKF. On the surface, the company did not achieve its goals for growth, improved profitability, or free cash flow. However, it is essential to analyse these mixed results to recognize the progress made and the foundations laid for future success.

The Supervisory Board has worked diligently throughout the year, pushing the Management Board to accelerate cost optimization and enhance working capital efficiency, all while executing its growth strategy through innovations like LIDE (Laser Induced Deep Etching). The Committees of the Supervisory Board played a particularly effective role in driving and accelerating change, even though some of these efforts will only become visible to shareholders by mid-2026.

2024 was an economically challenging year for Europe, creating uncertainty across industries. Geopolitical factors further exacerbated this situation, leading customers to delay capital investment decisions. These challenges were particularly evident in the Welding and Development business units, where both revenue and profitability declined significantly compared to 2023.

Despite these headwinds, LPKF nearly offset revenue and EBIT losses through incremental revenues from newly launched technologies - primarily LIDE - and improvements in the company's fixed cost structure. LIDE revenue doubled year-on-year, positioning the company for high growth in the years ahead and reinforcing its market leadership.

There is still much work to be done, but I am encouraged by the accelerated pace at which Klaus Fiedler and his leadership team are driving transformation initiatives. These efforts will lead to increased efficiency, scalability, and profitability in the near to mid-term. There is a strong sense of energy and determination within the team, which is vital for our ongoing progress.

The Supervisory Board values its close working relationship with the Management Board and the constructive discussions that take place during Board and Committee meetings.

I would like to extend my gratitude to my colleagues on the Supervisory Board for their dedication and active participation in the Committee meetings. Under the leadership of their respective Chairs, the Committees have effectively analysed and debated key financial, operational, and organisational matters, enabling them to provide well-informed recommendations to the Supervisory and Management Boards.

In early 2024, the Supervisory Board, through the work of the Remuneration & Nomination Committee, extended Dr. Klaus Fiedler's contract as CEO until December 31, 2028. This decision reflects our confidence in his ability to accelerate and complete the company's transformation and position LPKF for long-term success. We are convinced that, under his leadership, LPKF is well-equipped to deliver tangible value to shareholders.

Additionally, after a thorough review, the Supervisory Board decided last summer not to extend Christian Witt's contract as Management Board member and CFO beyond its current term. As a result, we engaged an executive search firm to support the transition. In early September, the Supervisory Board and Christian Witt mutually agreed that an early departure would be in the company's best interest. Consequently, we announced his departure, effective 31 October 2024.

In January 2025, after an extensive and thorough search, the Supervisory Board announced the appointment of Peter Mümmler as Chief Financial Officer, effective 1 April 2025, with an initial contract term of three years. With over 30 years of experience - including 20 years in executive finance and strategic leadership roles - Peter Mümmler brings extensive expertise to LPKF. He will oversee financial operations, Group-wide cost optimisation programmes, capital allocation, legal and compliance, and supply chain management. Furthermore, he will play a key leadership role in shaping the company's financial and business strategy to support long-term organic and inorganic growth and enhance shareholder value. His strategic vision, strong leadership, and commitment to fostering a results-driven, positive culture will be invaluable to our continued innovation and expansion. The Supervisory Board looks forward to working closely with him and Klaus Fiedler.

The Supervisory Board and I would like to thank the Management Board for its hard work and the entire leadership team for its commitment to driving transformation, innovation and growth in a challenging economic environment. We also appreciate the dedication of all LPKF employees, whose efforts and cooperation are essential to our progress. As always, the interests of our employees have been constructively represented by the works councils, who continue to support LPKF's transformation initiatives. We are grateful for their contributions.

Finally, we sincerely thank our shareholders for their ongoing support, patience, and trust in LPKF. The Supervisory Board remains committed to fostering long-term, sustainable, and profitable growth, and we are confident that the results of our efforts - especially those of the past 18 months - will soon become evident to you all.

The Supervisory Board of LPKF SE has closely monitored the company's business development during the reporting period and fulfilled the duties incumbent upon it under the law and the Articles of Incorporation.

The Supervisory Board met for a total of eleven meetings in the 2024 financial year. Six of these meetings were held jointly with the members of the Management Board. At each of these meetings, the Supervisory Board also held closed discussions without the participation of Management Board members. Seven of the Supervisory Board meetings were held in person (with some members participating online), while four were held virtually via video conference. Additionally, one resolution was also passed outside of the meetings by telephone.

The Supervisory Board regularly monitored the activities of the Management Board during the financial year and advised it in various areas of corporate management, including sustainability issues. The Management Board promptly informed the Supervisory Board about topics related to strategy, planning, business development, financial position, exposure to risk, risk management, and compliance with regulatory requirements. Deviations in the business process from the adopted plans were discussed with the Management Board. The Supervisory Board was involved at an early stage in making significant decisions for the company. The Management Board reports to the Supervisory Board in writing on a monthly basis about the earnings and liquidity situation, together with an overview of the business and risk situation.

The members of the Supervisory Board were able to critically examine the submitted documents and draft resolutions and, with the support of the relevant committees, make their own suggestions. For this purpose, the Supervisory Board had numerous discussions with the Management Board in addition to the official Supervisory Board meetings. In addition, the Supervisory Board, in particular the Chairman of the Supervisory Board, regularly exchanged information with the members of the Management Board, in particular the Chief Executive Officer. Measures requiring approval were submitted to the members of the Supervisory Board for approval in accordance with the Articles of Incorporation and the Rules of Procedure and the recommendations of the relevant committee chairperson where appropriate. Furthermore, the Supervisory Board regularly monitors and checks the legality, regularity and expediency of the Management Board's actions. Where necessary, the Supervisory Board was given access to the relevant information and business records.

TOPICS ADDRESSED BY THE SUPERVISORY BOARD/CONSULTATIONS

During the year, the Supervisory Board, with the support of its committees, held intensive discussions with the Management Board on various operational, strategic and organizational topics, including the identification and solution of operational problems in the Welding business units, cost optimization through lasting reductions in fixed costs, the allocation of internal resources to provide optimal support for the development of various disruptive technologies such as LIDE and ARRALYZE.

The Supervisory Board was continuously informed by the Management Board about the business development and the monitoring of the agreed key performance indicators, in particular the order backlog, new orders received, revenue, working capital, liquidity, and profitability. Where appropriate, the Supervisory Board recommended improvements or further measures within the scope of its mandate.

Furthermore, the Supervisory Board discussed in detail growth options as well as the market launch of the developed technologies and progress on customer diversification. During this reporting period, the Supervisory Board and the Management Board met for two biannual strategy days, with the area managers also participating in the first one. In addition, three meetings of the Strategy Committee took place. The Supervisory Board was able to review and discuss the corporate strategy in detail. The strategy sessions serve as a foundation for corporate planning.

Internal audit measures are an integral part of the corresponding Supervisory Board meetings. The internal audit at LPKF Laser & Electronics SE is outsourced to BDO AG Wirtschaftsprüfungsgesellschaft, Hanover. The external auditor examines selected areas of the company based on a fixed schedule and predetermined audit plan. The scope of work includes walkthroughs to test the efficiency of controls but also training and development for continuous improvements. BDO prepares a report, which is presented to the Supervisory Board. Recommendations were discussed in detail, reviewed with the Management Board, and subsequently approved.

WORK IN THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established the following committees, which are composed as follows:

	Audit, Risk and ESG Committee	Remuneration and Nomination Committee	Strategy Committee
Chair	Alexa Siebert (formerly Hergenröther)	Anka Wittenberg	Dr. Dirk Rothweiler
Member	Jean-Michel Richard	Jean-Michel Richard	Prof. Dr.-Ing. Ludger Overmeyer
Member	Anka Wittenberg	Dr. Dirk Rothweiler	Alexa Siebert (formerly Hergenröther)

Terms of Reference are clearly defined for each committee. The role of each committee is generally to review, debate and make recommendations to the Supervisory Board, which then passes resolutions if and when needed. The committees support the Supervisory Board in its efficient performance of duties. The duties of the committees are described in detail in the Corporate Governance Declaration and in the Supervisory Board's Rules of Procedure.

The Audit, Risk and ESG Committee held seven regular meetings. Three of these took place as in-person meetings (in some cases with online participation from individual members), while four were held virtually via video conference. All members of the Audit, Risk and ESG Committee attended each meeting. In the presence of the independent auditors, the Chairman of the Management Board, the Chief Financial Officer, the Head of Accounting, and the Head of Corporate Audit, the Audit and Risk Committee examined the financial statements and the combined management report for the company and the LPKF Group. As part of the preparation and implementation of the audit, the Audit and Risk Committee regularly exchanged views with the independent auditors without the Management Board in attendance. In addition, it met regularly in closed sessions without the participation of the Management Board and the independent auditors. Outside of its meetings, the Chair of the Audit and Risk Committee maintained regular communication with the independent auditors regarding the progress of the audit and reported on it to the Audit Committee.

The Supervisory Board proposes to the Annual General Meeting 2025 to elect Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Dortmund, as auditor and Group auditor of the company for the financial year 2024.

The Audit, Risk and ESG Committee prepared the Supervisory Board's decision on the determination of key audit areas, on the award of the audit contract to the auditor, and on the fee agreement. It defined the audit plan and set out the Audit and Risk Committee's focus areas. It monitored the selection, independence, qualification, rotation and efficiency of the independent auditors as well as their services.

The meetings covered not only discussions on the company's business development and cost efficiency but also the matter of the quarterly reports and the half-year financial report. Another focus of the committee's work was the audit of the internal monitoring system (internal control system, internal risk management system, internal audit, and compliance), the methods and effectiveness of which the committee members were extensively informed about. The main focus of the Audit, Risk and ESG Committee's activities in the reporting year was also the monitoring of the preparations for the implementation of the new regulatory governance and reporting requirements for sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD), as well as the development of a proposal for the structure of sustainability reporting for the financial year 2024, after the Bundestag (German parliament) failed to pass a corresponding law for the implementation of the Corporate Sustainability Reporting Directive (CSRD) before the end of 2024. In consultation with the auditors, LPKF has decided to publish a separate non-financial corporate report in accordance with ESRS standards. This will be published separately on the LPKF website at www.lpkf.com/en/company/sustainability at the same time as the 2024 Annual Report.

In addition, further current and future regulatory requirements for sustainability reporting and their implementation, including the requirements of the EU Taxonomy, were considered.

In the past fiscal year, the Remuneration and Nomination Committee met for eight sessions. These took place in virtual form via video conference. All members of the Remuneration and Nomination Committee attended each meeting. In particular, the Remuneration and Nomination Committee:

a) critically discussed the composition and competence profile of the Supervisory Board in accordance with the applicable resolution as part of an annual review in order to continue to reflect essential competencies in the best interests of the company and without deviating from relevant recommendations – including those of the German Corporate Governance Code,

b) confirmed the existing detailed qualification matrix for the Supervisory Board and recommended it for decision-making, proactively continued the discussion on succession planning for the Management Board along the lines set out in the previous year, subjected the diversity concept for the Management Board to an annual review, recommended the annual review of the role profiles to the Supervisory Board and used this as a basis to discuss the various options for the expiring Management Board contracts in detail and to present the Supervisory Board with corresponding options for action,

c) recommended, in particular in light of the new role to be filled of Chief Financial Officer, options for further action to the Supervisory Board,

d) discussed the extension of Dr. Klaus Fiedler's term of office for another four years, and made a corresponding recommendation to the Supervisory Board,

e) critically discussed the target sizes for the women's quotas on the Supervisory Board, the Management Board, and the two management levels following the Management Board, particularly in light of the new role of Chief Financial Officer to be filled, and recommended options for further action to the Supervisory Board,

f) structured a qualified nomination process with the support of an external human resources consultant for the selection of a new Chief Financial Officer, conducted extensive interviews, and provided recommendations to the Supervisory Board. The agreement on the candidates to be proposed to the Supervisory Board for this position was reached during the December meeting of the Supervisory Board,

g) proactively continued the dialogue with the Management Board on the further professionalization of processes and methods with regard to the principles of succession planning beyond the Management Board,

h) discussed the nomination proposal for the re-election of Prof. Ludger Overmeyer by the Annual General Meeting in June 2024,

i) discussed the existing distribution of responsibilities within the Management Board on the occasion of the new appointment and proposed a possible adjustment.

In addition to the formal committee meetings, the Remuneration and Nomination Committee met informally to prepare the formal meetings, with the Chair of the Remuneration and Nomination Committee regularly informing the Supervisory Board and the Management Board about the status and next steps of the respective ongoing activities.

In addition, the Chair of the Remuneration and Nomination Committee regularly addressed the Management Board, in particular the Chairman of the Management Board, for ongoing communication and continuous coordination throughout the entire business year.

The Strategy Committee met three times in 2024. Two sessions were held in person, while one took place virtually via video conference. All members of the Strategy Committee participated on each occasion. The Chairman of the Board was closely involved and actively participated in all meetings. In particular, the Strategy Committee discussed the corporate strategy, the implementation of the LIDE, ARRALYZE and LTP growth options and the improvement of operational excellence, developed recommendations, and identified options for action. Furthermore, specific issues pertaining to the company strategy were discussed.

ATTENDANCE OF THE SUPERVISORY BOARD MEMBERS AT THE MEETINGS IN 2024

The attendance of all the individual members of the Supervisory Board at the Supervisory Board and committee meetings is disclosed below:

Attendance at the plenary meetings

Name	Member since	Meeting attendance	in %
		(11, of which 7 in person)	
Mr. Jean-Michel Richard (Chair)	2020	11[1]/11	100
Dr. Dirk Michael Rothweiler	2017	11[2]/11	100
Prof. Dr.-Ing. Ludger Overmeyer	2019	11[3]/11	100
Ms. Alexa Siebert (formerly Hergenröther)	2023	11[1]/11	100
Ms. Anka Wittenberg	2023	11[3]/11	100
Average participation rate			**100**

[1] Of which 7 virtually/ [2] Of which 6 virtually/ [3] Of which 5 virtually

Attendance at the committee meetings

Name	Audit, Risk and ESG Committee	Remuneration and Nomination Committee	Strategy Committee	in %
	(7, of which 3 in person)	(8, of which 0 in person)	(3, of which 2 in person)	
Mr. Jean-Michel Richard (Chair)	7[1]/7	8[3]/8		100
Dr. Dirk Michael Rothweiler		8[3]/8	3[4]/3	100
Prof. Dr.-Ing. Ludger Overmeyer			3[4]/3	100
Ms. Alexa Siebert (formerly Hergenröther)	7[2]/7		3[4]/3	100
Ms. Anka Wittenberg	7[1]/7	8[3]/8		100
Average participation rate				**100**

[1] Of which 4 virtually/ [2] Of which 5 virtually/ [3] Of which 8 virtually/ [4] Of which 1 virtually

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

The Supervisory Board continued to focus intensively on the implementation of corporate governance standards in 2024. LPKF Laser & Electronics SE's corporate governance is outlined in detail in the Corporate Governance Declaration. On 20 February 2024, the Management Board and Supervisory Board submitted the current annual compliance statement in accordance with Section 161 of the German Stock Corporation Act (AktG). The current Declaration of Compliance and all previous declarations are available to the public online at www.lpkf.com/en/investor-relations/corporate-governance.

No conflicts of interest arose in the year under review.

The members of the Supervisory Board are responsible for completing the training and educational measures necessary for performing their roles independently. That would include matters such as changes to the legal framework or accounting rules and emerging tools and technologies. Where necessary, internal information events are also offered to provide targeted further training. Ms. Siebert has participated in external training on new regulatory developments for Supervisory Board activities, with a focus on the implementation of the Corporate Sustainability Reporting Directive (CSRD), as well as in internal compliance and IT security training. Ms. Wittenberg has participated in external training on Financial Reporting Update 2024, Cybersecurity from the perspective of supervisory boards, technologies and supervisory boards, as well as in internal compliance training. The Chairman of the Supervisory Board, Mr. Richard, took part in the external training courses Social Media & Communications Approach, Anti-Facilitation of Tax Evasion, Anti-Bribery, Information Governance and Security Training, Modern Slavery, Director Duties, Competition Law and BAFIN rules, as well as internal compliance and IT security training. Dr. Rothweiler and Prof. Overmeyer have also undergone internal compliance and IT security training.

SUSTAINABILITY

Sustainability is an important component of the corporate strategy. In 2024, members of the Audit, Risk and ESG Committee exchanged views on the ESG strategy and its operational implementation during an internal company workshop. The Audit, Risk and ESG Committee and the Supervisory Board are constructively supporting these activities and are pleased to see progress in various areas presented in the sustainability report. The sustainability report of LPKF Laser & Electronics SE for the financial year 2023 was reviewed in advance by the Audit, Risk and ESG Committee and discussed and approved by the Supervisory Board at its meeting on 23 April 2024. You can find the sustainability report for the financial year 2024 at www.lpkf.com/en/company/sustainability.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The Management Board prepared the annual financial statements for the 2024 financial year in accordance with the provisions of the German Commercial Code (HGB) and the consolidated financial statements in accordance with the provisions of IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e HGB, as well as the combined management and group management report.

At the Annual General Meeting on 5 June 2024, Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Dortmund, was appointed as the auditor and consolidated auditor for the financial year 2024.

The Baker Tilly GmbH & Co. KG auditing firm, Dortmund, has been auditing the annual and consolidated financial statements of LPKF Laser & Electronics SE since the 2023 financial year; Mr. Marco Brokemper has been the responsible auditor since the 2023 financial year.

Accordingly, the Supervisory Board has commissioned Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Dortmund, to audit the annual and consolidated financial statements for 2024, and in doing so, defined the key audit matters at its meeting on 22 October 2024.

Following the annual and consolidated financial statement audit, the auditor has provided an unqualified audit opinion on the 2024 financial statements, including the combined management report and group management report.

The meetings of the Audit, Risk and ESG Committee in February 2025 and the Supervisory Board meeting on 21 March 2025 were attended by the group auditors, who reported on the audit of the 2024 annual and consolidated financial statements and focused primarily on key audit matters. At these meetings, they explained the net assets, financial position, and results of operations of the company and the Group and the internal control framework. They were available to answer questions from the members of the Audit, Risk and ESG Committee and the Supervisory Board. In addition, after examining the early risk detection system, Baker Tilly confirmed that the Management Board had taken the measures required of it under the German Stock Corporation Act (AktG) to identify any risks that might jeopardize the company's existence.

The Audit, Risk and ESG Committee reported to the Supervisory Board on the essential content and findings of its preliminary audit, and issued recommendations for the Supervisory Board's resolutions.

The documents relating to the annual financial statements of LPKF SE and the consolidated financial statements as well as the reports by Baker Tilly and the Management Board's proposal for the appropriation of profit were made available to the members of the Audit, Risk and ESG Committee and to the Supervisory Board in good time for inspection and examination. There were no circumstances that gave rise to concerns of bias on the part of the auditor. The auditor reported to the Audit, Risk and ESG Committee and the Supervisory Board on the other engagement in addition to the audit services as agreed. The Supervisory Board discussed the financial statements, including the combined management and Group management report, and the reports by Baker Tilly in detail with the auditor. He has reviewed the Management Board proposals, taking into account the audit reports.

Based on the findings made during the audit of the Audit, Risk and ESG Committee on 20 March 2025 and as a result of its own audit, the Supervisory Board has come to the conclusion that the reports meet the statutory requirements of §§ 317, 323 HGB in particular. At the meeting on 21 March 2025, the Supervisory Board – taking into account the report of the Audit, Risk and ESG Committee – agreed with the result of the audit by the auditor and approved the annual financial statements of LPKF SE and the consolidated financial statements for the financial year 2024, as drawn up by the Management Board. The annual financial statements of LPKF Laser & Electronics SE have thus been adopted.

At its meeting on 21 March 2025, the Supervisory Board also deliberated on the remuneration report for the financial year 2024, which had been previously discussed in draft form at the meeting of the Remuneration and Nomination Committee on 7 March 2025 and was finally audited by the auditor.

The Audit, Risk and ESG Committee and the Supervisory Board also examined and discussed the Management Board's proposal for the appropriation of retained profit. On the basis of its own review, the Supervisory Board concurred with the Management Board's proposal for the appropriation of retained profit.

The dividend policy basically provides for the distribution of 30–50% of the free cash flow of LPKF Laser & Electronics SE as a dividend. In the 2024 financial year, LPKF generated only a small positive free cash flow and a negative result (EBIT). The Management Board and the Supervisory Board believe that investments in LPKF's innovative technologies and their commercialization continue to be essential in the current climate to enable sustainable and profitable growth in the years to come. The Management Board and the Supervisory Board will therefore propose to the Annual General Meeting on 4 June 2025 that no dividend be paid for the financial year 2024. The financial resources from the free cash flow are to be invested in measures that promote the company's future growth.

AUDIT OF THE SEPARATE NON-FINANCIAL CONSOLIDATED REPORT

For the financial year 2024, LPKF Laser & Electronics SE must submit a separate non-financial consolidated report in accordance with §§ 289b para. 3, 315b para. 3 HGB for LPKF Laser & Electronics SE and the Group ("report"). This was published on the company website at the same time as the annual and consolidated financial statements. The Supervisory Board of LPKF Laser & Electronics SE had commissioned the Baker Tilly GmbH & Co. KG auditing firm ("Baker Tilly") to conduct an audit of the report to obtain limited assurance. All members of the Supervisory Board have received the report and Baker Tilly's limited assurance engagement report. The report and the audit opinion by Baker Tilly were discussed in detail by the Supervisory Board during a meeting on 21 March 2025, following a preliminary review by the Audit, Risk and ESG Committee. Following its own audit of the report, the Supervisory Board, by resolution dated 21 March 2025, raised no objections and took note of the audit results from Baker Tilly with approval.

PERSONNEL MATTERS

The Supervisory Board terminated the appointment of Christian Witt as Chief Financial Officer as of 31 December 2024. The company announced this in a press release on 23 October 2024. Christian Witt resigned from his position effective 1 November 2024. The Supervisory Board thanks Christian Witt for the good cooperation and financial leadership of the Group. The Supervisory Board has appointed Peter Mümmler as the new Chief Financial Officer effective 1 April 2025. The composition of the Supervisory Board did not change in the reporting year 2024. Supervisory Board member key competencies are outlined in the qualification matrix, which can be found in the Corporate Governance Declaration.

Garbsen, March 2025

On behalf of the Supervisory Board

Jean-Michel Richard

Chair

CORPORATE GOVERNANCE

LONG-TERM VALUE CREATION AND EFFICIENT COOPERATION

The principles of responsible and good corporate governance guide the actions of the LPKF Group’s management and supervisory bodies. The statements apply to LPKF Laser & Electronics SE (hereinafter also referred to as "LPKF SE") and its group companies, unless otherwise stated below. This chapter contains the corporate governance declaration pursuant to Sections 289f and 315d of the German Commercial Code (HGB). The corporate governance declaration for the company and the Group is part of the combined management and Group management report. The Management Board and the Supervisory Board also report on corporate governance at LPKF in this chapter.

CORPORATE GOVERNANCE DECLARATION

Declaration of Conformity in accordance with Section 161 of the Stock Corporation Act (AktG) of 18 February 2025: The Management Board and the Supervisory Board declare that, since its last declaration of conformity dated 20 February 2024, LPKF Laser & Electronics SE (hereinafter "LPKF") has complied with all recommendations of the German Corporate Governance Code (hereinafter "Code") in the version dated 28 April 2022 published by the Federal Ministry of Justice in the official section of the Federal Gazette, with the following exception, and will comply with them in full in the future:

Recommendation on services to the Management Board upon termination of the contract (Code section G.12)

According to the code recommendation in section G.12, in the event of the termination of a Management Board contract, the payment of outstanding variable remuneration components that fall due up to the end of the contract should be made in accordance with the originally agreed targets and benchmarks and in accordance with the due dates or holding periods defined in the contract. In the course of the termination of the former CFO's Management Board activities communicated on 23 October 2024, a one-time early and lump-sum settlement of all outstanding short-term variable remuneration claims from the STI plan for the Management Board from August 2023 was made. In the opinion of the Supervisory Board, this was in the interest of the company in order to enable an amicable settlement and final settlement.

Garbsen, 18 February 2025

On behalf of the Supervisory Board

Jean-Michel Richard

On behalf of the Management Board

Dr. Klaus Fiedler

REMUNERATION REPORT AND REMUNERATION SYSTEMS

The Remuneration Report for the 2024 financial year, the auditor's report on the audit of the Remuneration Report, the compensation system applicable to the members of the Managment Board and the Supervisory Board, and the recent resolutions of the Annual General Meeting on the compensation system of the Managment Board and the Supervisory Board as well as the remuneration of the Supervisory Board are available on the website of LPKF Laser & Electronics SE at www.lpkf.com/en/investor-relations/corporate-governance.

Disclosures on relevant corporate governance practices

RISK MANAGEMENT

The Management Board of LPKF SE has set up a Group wide reporting and control system to record, assess, monitor and manage risks. The internal control system and the risk management system also cover sustainability-related objectives including processes and systems for collecting and processing sustainability related data and comprise a compliance management system. The system is continuously evolving and adapted to changing conditions and periodically reviewed by the auditor. The Management Board regularly informs the Supervisory Board and more specifically its Audit, Risk and ESG Committee about existing risks and their development. Details on risk management in the LPKF Group are presented in the risk report as part of the Group management report. This contains the report on the entire internal control and risk management system, including a statement on the appropriateness and effectiveness of these systems.

COMPLIANCE – FUNDAMENTALS OF ENTREPRENEURIAL ACTION AND MANAGEMENT

Sustainable economic, environmental and social action that complies with applicable law is an essential element of LPKF’s corporate culture. This includes trust, respect and integrity in dealing with each other. It is expressed in exemplary conduct towards employees, business partners, shareholders and the public. LPKF defines compliance as adherence to the law, the Articles of Association and internal regulations as well as voluntary commitments. LPKF SE attaches particular importance to raising awareness of compliance among all employees in the Group. Compliance is anchored in internal processes and a Group-wide compliance structure has been established. Employee training is provided on the Group-wide Compliance Code and on general compliance topics. In this way, potential breaches in compliance can be prevented for the benefit of the entire Group. Reliable reporting channels for internal and external stakeholders help to ensure that possible irregularities can be reported confidentially and also anonymously, if desired. In order to uncover any compliance violations, LPKF provides internal and external whistleblowers with contact channels that are listed on the homepage (www.lpkf.com/en/company/compliance-management). Both the Chief Compliance Officer and an independent confidential counsel can be reached in this way, in a completely confidential manner if desired. Other contact points for employees can be found in the Compliance Code, on the intranet and on notice boards within the company. Group auditing, which is carried out by a reputable and internationally recognized auditing company as an external service provider, also plays an important role in ensuring compliance. The corresponding audits are also used with regard to the further development of the internal control system.

WORKING METHODS AND COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND THEIR COMMITTEES

LPKF SE is a publicly listed European Company (Societas Europaea, SE) and has a dual management system with a Management Board and a Supervisory Board.

The Management Board and the Supervisory Board of LPKF SE work closely together in managing and monitoring the company.

MANAGEMENT BOARD

The Management Board of LPKF SE consists of two members, with one acting as Chief Executive Officer (CEO). The specific composition of the Management Board in the 2024 financial year as well as the disclosures pursuant to Section 285 no. 10 of the German Commercial Code can be found in the combined management and group management report in this Annual Report. As the management body, it is the responsibility of its members to manage the company’s business with the aim of creating long-term sustainable value and in the company’s best interests. The Management Board systematically identifies and assesses the risks and opportunities associated with social and environmental factors, as well as the ecological and social impacts of the activities of LPKF SE. In addition to long-term economic objectives, the corporate strategy also gives appropriate consideration to ecological and social objectives. Corporate planning includes corresponding financial and sustainability-related objectives.

The Management Board performs its management duties as a collegial body. Notwithstanding the overall responsibility, the individual Management Board members manage the departments assigned to them on their own responsibility within the framework of the Management Board resolutions. The allocation of responsibilities between the Management Board members is set out in the business distribution plan. Information on areas of responsibility, as well as curricula vitae of the Management Board members, is available on the company’s website at www.lpkf.com/en/company/management. The Management Board meets regularly for joint meetings.

The rules of procedure of the Managment Board are available on the company's website (www.lpkf.com/en/investor-relations/corporate-governance).

SUPERVISORY BOARD

The Supervisory Board consists of five members elected by the Annual General Meeting by way of individual election. The specific composition of the Supervisory Board in the 2024 financial year, as well as the disclosures pursuant to Section 285 no. 10 of the German Commercial Code, can be found in the combined management and group management report in this Annual Report. The CVs of the Supervisory Board members are available on the company's website at www.lpkf.com/en/company/management.

The Supervisory Board advises and monitors the Management Board in the management of the company, including sustainability issues. It is involved in strategy and planning as well as in all issues of fundamental importance to the company. The Articles of Association and the rules of procedure require the Management Board to obtain the approval of the Supervisory Board for major business transactions. The chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the interests of the board externally.

The Management Board informs the Supervisory Board promptly and comprehensively in writing as well as in the regular meetings about the planning, the business development and the situation of the Group, including matters related to risk management and compliance. In the event of significant incidents and if required, an extraordinary meeting of the Supervisory Board is convened. The Supervisory Board has established rules of procedure for its own work. The rules of procedure of the Supervisory Board are available on the company's website (www.lpkf.com/en/investor-relations/corporate-governance).

As a matter of principle, on an annual basis, the Supervisory Board reviews how effectively the Supervisory Board and its committees perform their duties. A survey is prepared with detailed questions and sent to all members of the Supervisory Board. The survey contains questions on the organizational, personnel and content-related performance of the body and on the structure and processes of cooperation in the Supervisory Board and its committees, as well as on the provision of information, in particular by the Management Board. The last self-assessment of the work of the Supervisory Board and its committees took place by means of a survey in December 2024. The results of the audit were presented and discussed in the Supervisory Board and confirmed a professional, constructive cooperation within the Supervisory Board and its committees and with the Management Board. The results also confirmed the efficient organization and conduct of meetings and the appropriate provision of information.

LPKF SE has taken out property damage liability insurance (D&O insurance) for all members of the Managment Board and the Supervisory Board.

The proposals for the election of Supervisory Board members take into account the knowledge, skills and professional experience required to perform the tasks. This also applies to the diversity in composition in accordance with the objectives for the composition of the Supervisory Board explained below. For its proposals for the election of new Supervisory Board members to the Annual General Meeting, the Supervisory Board shall ascertain from the respective candidate that he/she is able to devote the expected amount of time.

Detailed CVs of all Supervisory Board members are published on the company's website (www.lpkf.com).

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has formed an Audit, Risk and ESG Committee, a Remuneration and Nomination Committee and a Strategy Committee.

The Audit, Risk and ESG Committee consists of three Supervisory Board members. These are currently Alexa Siebert (formerly Hergenröther) (Chair), Jean-Michel Richard and Anka Wittenberg.

The members of the Audit, Risk and ESG Committee are, as a group, familiar with the sector in which the company operates.

Alexa Siebert is independent and, due to her training as a business economist and tax consultant, her professional background as a manager and, in particular, her experience as chairwoman of the audit and risk committee of the listed SMA Solar Technology AG, a proven financial expert with special knowledge and experience in the areas of financial statement auditing, accounting (including special knowledge and experience in the application of accounting principles and internal control and risk management systems) and ESG, where her accounting and financial statement audit knowledge also includes sustainability reporting and its audit and assurance services.

Jean-Michel Richard is also independent and a proven financial expert who, due to his professional background and practical experience as chairman of the audit committee of other international companies and, among other things, as CFO of Dialog Semiconductor Plc, has extensive expertise in the field of accounting, including special knowledge and experience in the application of accounting principles and internal control and risk management systems, as well as in the field of financial statement auditing, where his accounting and financial statement audit knowledge also includes sustainability reporting and its audits and assurance services.

As a chair and non-executive director in various national, international and global roles and due to her degree in economics, Anka Wittenberg, who is also independent, has particular knowledge in the area of auditing. She also has many years of experience in the areas of sustainability, ESG and CSR, both in terms of implementation as well as from a strategic and financial perspective.

Meetings of the Audit, Risk and ESG Committee take place at least once every calendar quarter.

The Audit, Risk and ESG Committee is responsible for the audit of accounting, monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system as well as the audit of the financial statements and compliance. It also prepares the necessary resolutions of the Supervisory Board in this context. In particular, the accounting includes the consolidated financial statements and the group management report (including the sustainability report), interim financial information and the individual financial statements in accordance with the HGB.

In particular, the Audit, Risk and ESG Committee prepares the proposal of the Supervisory Board to the Annual General Meeting for the election of the auditor as well as the resolution of the Supervisory Board for the determination of the audit priorities, the issuance of the audit mandate to the auditor and the fee agreement. To this end, it also deals with the prescribed independence of the auditor. The Audit, Risk and ESG Committee decides on whether to approve the provision of permissible non-audit services by the auditor and regularly assesses the quality of the audit. It also prepares the selection and commissioning of any external audit of any non-financial (Group) statement or separate non-financial (Group) report by the Supervisory Board. The Audit, Risk and ESG Committee discusses with the auditor the audit risk assessment, the audit strategy and audit planning, and the audit results. The Chairwoman of the Audit, Risk and ESG Committee regularly discusses the progress of the audit with the auditor and reports thereon to the committee. The Audit, Risk and ESG Committee consults with the external auditors on a regular basis without the Management Board.

The Audit, Risk and ESG Committee issues recommendations to the Supervisory Board to facilitate and prepare the decision of the Supervisory Board on the approval of the annual financial statements and the approval of the consolidated financial statements.

Furthermore, the Audit, Risk and ESG Committee also deals with environmental, social, governance, sustainability, health and safety, and social responsibility topics (together, the "ESG topics"). It advises the Supervisory Board and the Management Board on ESG Topics and supports and monitors the measures taken by the Management Board to implement them. In particular, it is responsible for preparing the audit of the sustainability report under CSRD.

The Remuneration and Nomination Committee consists of three Supervisory Board members, currently Anka Wittenberg (Chairman, independent), Jean-Michel Richard and Dr. Dirk Rothweiler. Meetings of the Remuneration and Nomination Committee are held at least twice per calendar year. The Compensation and Nomination Committee is responsible for supporting and preparing decisions of the Supervisory Board on Managment Board members; in particular, it makes proposals for the appointment, reappointment and dismissal of Managment Board members. In addition, the Remuneration and Nomination Committee prepares long-term succession planning for the Management Board on behalf of the Supervisory Board, deals with personnel policy and the principles and structures of personnel development and planning in the area of executives, and consults with the Management Board and the Supervisory Board on these issues.

The Remuneration and Nomination Committee prepares the Supervisory Board's resolution on the remuneration system for the Management Board and reviews it regularly. In addition, the committee examines and assesses the appropriateness of the total compensation of the individual members of the Managment Board and the establishment and review of the target objectives for variable compensation by the Supervisory Board. In this context, the committee prepares the corresponding resolutions of the Supervisory Board as well as the resolution of the Supervisory Board on the annual Remuneration Report. The Remuneration and Nomination Committee nominates suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members.

The Strategy Committee consists of three Supervisory Board members. These are currently Dr. Dirk Rothweiler (Chairman, independent), Prof. Ludger Overmeyer and Alexa Siebert. Meetings of the Strategy Committee are held at least twice per calendar year. The Strategy Committee advises the Management Board on fundamental issues pertaining to corporate strategy and the company’s ongoing strategic development as well as on projects of strategic relevance and prepares Supervisory Board resolutions on such matters, particularly Supervisory Board resolutions on acquisitions, investments, divestments or changes in company structure requiring the approval of the Supervisory Board in accordance with the Articles of Incorporation or Management Board rules of procedure or as determined by the Supervisory Board.

SETTING TARGETS FOR THE PROPORTION OF FEMALE MEMBERS ON THE SUPERVISORY BOARD, THE MANAGEMENT BOARD AND THE TWO MANAGEMENT LEVELS BELOW THE MANAGEMENT BOARD

LPKF SE, as a listed European company not subject to the Co-Determination Act, is legally obliged to set target figures for the proportion of women on the Supervisory Board, the Management Board and the two management levels below the Management Board.

On 20 February 2024, with an update on 18 March 2024, the Supervisory Board redefined the target of 40% for the share of women on the Supervisory Board and the target of zero (corresponding to a target quota of 0%) for the share of women on the two-member Management Board. The deadline for achieving both new targets is 19 February 2029.

As of 20 February 2024 and 31 December 2024, the proportion of women on the Supervisory Board reached 40% and thus the target was achieved. On the Management Board, the proportion of women was 0% at both times and thus met the target.

In setting the target figure of zero for the Management Board in 2024, the Supervisory Board was guided by the following considerations and justified this decision as follows:

"The Supervisory Board respects the objectives pursued with the introduction of a quota for women and attaches great importance to equal treatment and equal opportunities for women and men as well as further diversification. The Management Board currently consists of two male members, whose current service contracts as members of the Management Board run until 31 December 2024 (Dr. Klaus Fiedler) and until 30 April 2025 (Christian Witt) and in respect of which a decision on an extension will have to be made in the course of 2024. The Supervisory Board would like to appoint the most suitable candidates in the best interests of the company, taking into account their professional qualifications and personal suitability, irrespective of gender. However, this would hardly be possible in the case of a Management Board consisting of only two members with a target size for the proportion of women of more than 0%. The Supervisory Board currently sees no need for a personnel expansion of the Management Board. However, the Supervisory Board will continue to monitor the business requirements. Should it become necessary in the future to expand the Management Board by additional persons, the Supervisory Board will review the target size and intends in this case to stipulate a new target size of at least one woman for a Management Board with more than two members. In the event of a new appointment to the two-member Management Board, the Supervisory Board will review the target size for the proportion of women again."

The Board service contract of Dr. Klaus Fiedler was extended in April 2024 until 31 December 2028. The employment contract with Christian Witt was terminated prematurely by mutual agreement on 31 December 2024. The Supervisory Board has appointed Peter Mümmler as the new CFO, who will take up the position from 1 April 2025. When filling the position of the CFO on Management Board, which still has two members, the Supervisory Board decided independently of the question of gender for the most suitable candidate considering his professional qualifications and personal suitability in the sense of the company and its stakeholders. In the context of the new appointment, the Supervisory Board has also reviewed the defined target size of women on the Management Board, with the result that this should remain unchanged, as the considerations in the context of the definition in 2024 continue to apply.

Should the Management Board be expanded in the future, the Supervisory Board will review the targets and intends in such a case to set a new target of at least one woman on any Management Board with more than two members. In addition, the Supervisory Board will re-examine the target figure for the proportion of women on the Management Board if there is a new appointment to the two-member Management Board.

For the future proportion of women in the two management levels below the Management Board, the Management Board has set target figures for 2022, which are to be achieved by 30 June 2027. They amount to 30% at the first and 20% at the second management level below the Managment Board, based on the forecasted development of the number of employees at the management levels up to 30 June 2027. As of 31 December 2024, the proportion of women in the first management level was 36% and in the second management level, 17%.

LONG-TERM SUCCESSION PLANNING, DIVERSITY CONCEPT

In the interest of continuous succession planning for the Supervisory Board, the Supervisory Board follows the so-called staggered-board concept when appointing its members. The terms of office of the Supervisory Board members do not run in parallel but in stages for a term of office of usually four years each.

One of the tasks of the Supervisory Board is to work together with the Management Board to ensure the long-term succession planning of the Management Board. In addition to the requirements of the German Stock Corporation Act and the Code, the succession planning takes into account the diversity concept as adopted by the Supervisory Board for the composition of the Management Board. Taking into account the specific qualification requirements and the aforementioned criteria, the Supervisory Board develops an ideal candidate profile and draws up a shortlist of available professionals. Structured interviews are conducted with these candidates. If necessary, the Supervisory Board is supported by external consultants in the development of the candidate briefs and the selection of candidates.

With regard to the composition of the Management Board, the Supervisory Board pursues a diversity concept and fully embraces diversity, taking into account the following aspects:

- The members of the Managment Board must have the necessary knowledge, skills and professional experience to properly perform their duties.
- The members of the Management Board must be familiar with the relevant industrial environment. At least some members of the Managment Board should also have knowledge in the field of laser technology and in the areas of capital markets and financing. At least the member of the Management Board responsible for finance must have expertise in the fields of accounting or auditing and individual members of the Management Board should have experience in managing a medium-sized company.
- When looking for qualified individuals for the Management Board, attention should be paid to diversity. The extent to which different, mutually complementary professional

profiles, professional and life experiences, as well as an appropriate representation of both genders benefit the work of the board should also be appreciated.

- As a rule, only members of the Managment Board who have not yet reached the age of 65 should be members. The age of the Management Board members shall therefore also be taken into account in the appointment.
- For the share of women on the Management Board, the Supervisory Board has set the previously described target size and deadline for achieving it.

Diversity is intended to benefit the work of the board as a whole. The Supervisory Board decides with which individual a specific Management Board position should be filled in the best interest of the company and under consideration of all the circumstances of the individual case.

In the reporting period (from 1 January 2024 to 31 October 2024), the Management Board of LPKF SE consisted of two members who were qualified in different areas, both professionally and personally. In the opinion of the Supervisory Board, the diversity concept for the Management Board was complied with during the reporting period and is also currently being complied with.

LPKF has developed a high-potential system for succession planning for key positions in order to identify and evaluate suitable candidates for management roles worldwide. These candidates are discussed and finally confirmed in cascading integration rounds. Individual personnel development measures are defined and implemented for the respective position holders. In addition, there is a junior management program that prepares international junior staff for future leadership roles in three modules and is supported by projects and close supervision from the Management Board.

OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD, COMPETENCE PROFILE, DIVERSITY CONCEPT

The Supervisory Board, with the support of the Remuneration and Nomination Committee, has set objectives regarding its composition and has prepared a competence profile including diversity that is taken into account when proposing new candidates for the Supervisory Board.

The Supervisory Board as a whole shall have the knowledge, skills and professional experience necessary to perform its duties. The members of the Supervisory Board as a whole shall be familiar with the sector in which the company operates. At least one member of the Supervisory Board must have expertise in the field of accounting and least one further member of the Supervisory Board must have expertise in the field of auditing.

a) Independence and avoidance of potential conflicts of interest

The Supervisory Board shall include an appropriate number of independent members on the shareholder side within the meaning of Recommendation C.6 of the German Corporate Governance Code of 28 April 2022 (GCGC 2022). A member of the Supervisory Board shall be considered independent within the meaning of this recommendation if he or she is independent of the company and its Management Board and independent of a (possible) controlling shareholder. The Supervisory Board has set the following lower thresholds for an appropriate number of independent members:

More than half of the shareholder representatives shall be independent of the company and the Management Board. According to the definition of recommendation C.7 GCGC 2022, a Supervisory Board member is independent of the company and its Management Board if he or she has no personal or business relationship with the company or its Management Board that could constitute a material and not merely temporary conflict of interest. In assessing independence, the Supervisory Board takes into account the indicators listed in recommendation C.7 GCGC 2022.

At least one shareholder representative shall be independent of a (possible) controlling shareholder. According to recommendation C.9 GCGC 2022, a Supervisory Board member is independent of the controlling shareholder if he or she or a close family member is neither a controlling shareholder nor a member of the controlling shareholder's executive body nor has a personal or business relationship with the controlling shareholder that may give rise to a material and not merely temporary conflict of interest.

No member shall be a member of the Supervisory Board who exercises an executive or advisory function at a significant third-party competitor of the company or the Group or who has a personal relationship with a significant third-party competitor.

The Supervisory Board shall not include more than one former member of the Management Board.

b) Setting an age limit

The age limit for the members of the Supervisory Board was set in the rules of procedure of the Supervisory Board at not older than 72 years at the time of election.

c) Determination of a standard limit for the length of membership in the Supervisory Board

In order to ensure a balanced mix of experience and renewal on the Supervisory Board, the Supervisory Board has set a standard limit for the average length of service on the Supervisory Board of ten years from the date of taking office.

d) Consideration of diversity

In the search for qualified individuals for the Supervisory Board, attention shall also be paid to diversity. The extent to which different, mutually complementary professional profiles, professional and life experience as well as an appropriate representation of both genders on the Supervisory Board benefit the work of the Supervisory Board shall also be acknowledged. For the proportion of women on the Supervisory Board, the Supervisory Board has set the target described above and the above deadline for achieving it.

e) Further requirements

With regard to the requirements of individual Supervisory Board members, the Supervisory Board determined the following in its competence profile:

- Supervisory Board members shall have entrepreneurial or operational experience.

- They shall be able to assess the economic efficiency, expediency and legality of the business decisions to be evaluated in the course of the Supervisory Board’s work as well as the material accounting documents, where appropriate with the support of the auditor. They should be in a position to assess any economic challenges faced by the company so as to be able to make well-informed decisions.
- They shall be prepared to engage substantively to a sufficient degree.
- The international activities of LPKF Laser & Electronics SE have been taken into account so far in the composition of the Supervisory Board and will continue to be taken into account in the Supervisory Board's nominations to the Annual General Meeting. In addition to knowledge of spoken and written English, professional experience gained in other internationally active German or foreign companies, whether in management or in supervisory bodies, as well as an understanding of global economic contexts, is essential. The criterion of internationality for the composition of the Supervisory Board does not necessarily require one or more Supervisory Board members with a foreign nationality, as German nationals can also contribute the desired level of experience. This said, the Supervisory Board should have at least one member with international experience.
- At least one member of the Supervisory Board should have expertise in the environmental, social, governance (ESG) field including, in particular, in the key sustainability matters affecting the company.
- At least one member of the Supervisory Board should have knowledge of the Laser Technology business field and at least one member of the Supervisory Board should have knowledge in the electronics market/semiconductor market business field. It is sufficient for one member of the Supervisory Board to have the relevant knowledge.

The implementation status regarding the profile of skills and expertise for the entire Supervisory Board and other objectives for the composition of the Supervisory Board is set out in following qualification matrix. According to this, in its current composition the Supervisory Board as a whole meets the targets set and fulfills the diversity concept as well as the competency profile. At least one Supervisory Board member has relevant knowledge and/or experience in each of the competency fields.

In particular, the Supervisory Board considers all of its current members – Jean-Michel Richard, Alexa Siebert, Anka Wittenberg, Dr. Dirk Michael Rothweiler and Prof. Dr.-Ing. Ludger Overmeyer – as independent, so that the Supervisory Board has the required number of independent members.

Qualification matrix of the Supervisory Board of LPKF SE

Financial year 2024		Jean-Michel Richard (Chairman)	Dr. Dirk Rothweiler (Deputy Chairman)	Alexa Siebert	Prof. Ludger Overmeyer	Anka Wittenberg
Affiliation	Member since	2020	2017	2023	2019	2023
	Elected until	2025	2026	2027	2028	2027
	Personal suitability					
Independence of the Company and the Management Board*		✓	✓	✓	✓	✓
Independence from any controlling shareholder**		✓	✓	✓	✓	✓
	No overboarding***	✓	✓	✓	✓	✓
Diversity	Year of birth	1963	1963	1970	1964	1963
	Gender	m	m	w	m	w
	Nationality	Swiss	German	German	German	German
	International experience	✓	✓	✓	✓	✓
	Professional suitability and company-specific knowledge					
Business areas	Laser technology		✓		✓	
	Electronics market / semiconductor market	✓	✓		✓	
General	Environmental, Social and Governance (ESG)	✓	✓	✓		✓
	Legal, Corporate Governance & Compliance	✓		✓		✓
	Business Administration, Financing & Investment	✓	✓	✓		✓
	Personnel / Remuneration		✓			✓
Special knowledge	Financial Experts	✓		✓		
	Accounting expert****	✓	✓	✓		
	Auditing expertise****	✓		✓		✓
	Committees					
	Audit, Risk and ESG Committee	✓		Chair		✓
	Remuneration and Nomination Committee	✓	✓			Chair
	Strategy Committee		Chair	✓	✓	
	*within the meaning of C. 7 DCGK					
	**within the meaning of C. 9 DCGK					
	***within the meaning of C. 4 and C. 5 GCGC					
	**** within the meaning of Section 100 (5) AktG, D. 3 GCGC					

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of LPKF SE exercise their co-determination and control rights at the Annual General Meeting, which is held at least once a year. This resolves on all matters determined by law. Each share entitles the holder to one vote.

Every shareholder who registers in good time is entitled to attend the Annual General Meeting. Shareholders who are unable to attend in person have the option of having their voting rights exercised by a bank, a shareholders' association, the proxies appointed by LPKF SE who are bound by instructions, or another proxy of their choice. The Management Board may provide for shareholders to cast their votes in writing or by way of electronic communication (postal vote) and, in case of General Meetings with physical attendance in general, for shareholders to participate in the Annual General Meeting without being present on-site and to exercise all or some of their rights, in whole or in part, by way of electronic communication. The invitation to the Annual General Meeting and the reports, documents and information required by law for the Annual General Meeting are published in accordance with the provisions of the German Stock Corporation Act and made available on LPKF SE's website in German and English.

TRANSPARENCY

LPKF regularly informs capital market participants and the interested public about the Group's economic situation and important developments. The annual report, the half-yearly financial report and the quarterly financial reports are published within the prescribed deadlines. Press releases and, if necessary, ad hoc announcements provide information on current events and new developments. All information is published via suitable electronic media such as e-mail and the internet. The website www.lpkf.com also provides extensive information on the LPKF Group and LPKF shares.

The planned dates of the main recurring events and publications – such as the Annual General Meeting, annual report, quarterly financial reports and analysts' conferences – are compiled in a financial calendar. The calendar is published sufficiently in advance and made available on LPKF SE's website.

SHARE TRADING OF MEMBERS OF THE COMPANY'S CORPORATE BODIES

Information on insider transactions by executives (Directors' Dealings) are published by LPKF SE on the Internet (www.lpkf.com/en/investor-relations/publications/mandatory-publications) and reported to the relevant supervisory authorities.

ACCOUNTING AND AUDITING

LPKF SE prepares its consolidated financial statements and the interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements of LPKF SE are prepared in accordance with the German Commercial Code (HGB). The annual and consolidated financial statements are prepared by the Management Board, reviewed by the Audit, Risk and ESG Committee and the Supervisory Board and audited by externally appointed auditors. The interim reports and the half-year financial report are discussed by the Supervisory Board, its Audit, Risk and ESG Committee and with the Management Board prior to publication. The consolidated financial statements and the annual financial statements of LPKF SE were audited by the auditor and consolidated auditor of the Company for the financial year 2024, elected by the Annual General Meeting on 5 June 2024 and audited by Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf. Baker Tilly GmbH & Co. KG has audited the annual and consolidated financial statements of LPKF SE since the 2023 financial year. The auditor in charge has been Marco Brokemper since the 2023 financial year. The audits were conducted in accordance with German auditing regulations and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). They also covered risk management and compliance with corporate governance declaration requirements pursuant to Section 161 of the German Stock Corporation Act (AktG).

It was also contractually agreed with the auditor that he would inform the Supervisory Board immediately of any possible grounds for exclusion or partiality as well as of significant findings and incidents during the audit. There was no reason to do so during the audits for the 2024 financial year.

Garbsen, 18 February 2025

JEAN-MICHEL RICHARD
for the Supervisory Board

KLAUS FIEDLER
for the Management Board

COMBINED MANAGEMENT REPORT

for the LPKF Group and LPKF Laser & Electronics SE

BASIC INFORMATION ON THE GROUP

GROUP STRUCTURE AND BUSINESS MODEL

LPKF Laser & Electronics SE (LPKF) is a global technology company with an export share of 90% and customers in over 60 countries. The company primarily develops laser-based solutions for dynamic markets such as the electronics industry, the automotive supply industry, the solar industry, the semiconductor industry, medical technology, biotechnology, research institutions and universities.

LPKF was established in 1976 and has 49 years of experience as a developer and supplier of innovative capital goods for industrial companies and research institutions.

Research and development are of paramount importance for LPKF. Many of its innovations and further developments are created in close partnership with customers. To maintain its ability to innovate, every year the company invests approx. 10% of its revenue in in-house R&D activities. Development and production activities are based in Europe.

The LPKF Group has four business segments and maintains a broad-based product portfolio. The company's mission is to give its customers a competitive advantage through the use of innovative technology. With this in mind, LPKF is spearheading the transition from traditional to laser-based production methods in specific markets and is enabling the development of innovative end products in several areas.

LPKF Laser & Electronics SE is headquartered in Garbsen near Hanover, Germany. The company has a broad global presence, with a workforce of 773 people based at locations in Europe, Asia and North America. LPKF's shares are listed in the SDAX of Deutsche Börse Group.

LEGAL STRUCTURE OF THE GROUP

As of 31 December 2024, LPKF had 9 subsidiaries, which, together with the parent company, form the group of consolidated companies.

LPKF Laser & Electronics SE
Garbsen/Germany
(Production/Sales/Service)

Production subsidiaries	Sales and Service companies
LPKF WeldingQuipment GmbH Fürth/Germany (100 %)	LPKF Distribution Inc. Tualatin (Portland)/USA (100%)
LPKF SolarQuipment GmbH Suhl/Germany (100%)	LPKF Shanghai Co., Ltd. Shanghai, Suzhou, Tianjin, Shenzhen/China (100%)
LPKF Laser & Electronics d.o.o. Naklo/Slovenia (100%)	LPKF (Tianjin) Co. Ltd. Tianjin /China (100%)
	LPKF Laser & Electronics K.K. Tokyo/Japan (100%)
	LPKF Laser & Electronics Korea Ltd. Seoul/Korea (100%)
	LPKF Laser & Electronics Vietnam Co., Ltd. Bac Ninh/Vietnam (100%)

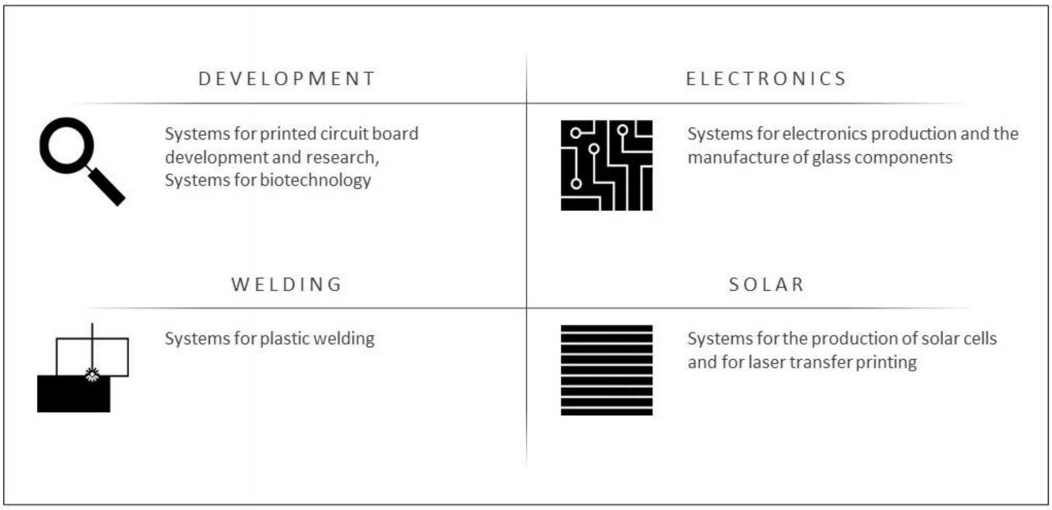
Effective January 1, 2025, LPKF has transferred its sales and service business in Japan to a long-standing distribution partner.

Operating segments

The management and control of the LPKF Group is independent of the Group's legal structure. Top-level Group functions include strategic business development, innovation management and core activities in the areas of controlling, investor relations, HR, accounting, risk management, compliance, marketing, procurement and management systems (quality, occupational safety and environment).

Sales, service, production and development activities are handled by separate segments. In LPKF's most important markets outside Germany, sales and service functions are also provided through regional sales companies in close collaboration with segment management.

In the 2024 financial year, LPKF operated in the following segments:



Development

In the **Development** segment, LPKF supplies practically all the electronic equipment that developers require to rapidly manufacture and assemble printed circuit board prototypes in house and largely without the use of chemicals. In addition to the development departments of industrial companies, the company primarily supplies public organizations such as research institutes, universities and schools. Since 2021, LPKF has been developing systems and solutions for biomedical research under the name ARRALYZE. The ARRALYZE product range covers systems, consumables, and software applications. The first systems from the ARRALYZE division will be available for purchase from the first half of 2024. The solutions provided by ARRALYZE will address customers from the research, biotechnology and pharmaceutical sectors.

Electronics

LPKF’s **Electronics** segment manufactures systems that are primarily used in production in the electronics industry. These include laser systems for cutting print stencils (StencilLasers) and laser systems for cutting and drilling rigid and flexible printed circuit boards. The Electronics segment also includes LIDE technology (Laser Induced Deep Etching) developed by LPKF. The LIDE business encompasses both the development and sale of laser systems for high-precision structuring of glass and the production of glass components using the company’s own LIDE systems.

Welding

The **Welding** segment comprises laser systems, thermal process monitoring and software for welding plastics. The business unit develops and sells standardized standalone and integration systems, but also offers tailored solutions for customers. These systems are used mainly in the automotive supply industry, medical technology and in the production of consumer electronics.

Solar

In the **Solar** segment, LPKF develops and produces laser systems (LaserScribers) that are used for structuring thin-film solar cells for various thin-film technologies. The customer base of this segment includes international solar cell manufacturers. This segment also includes laser systems for the digital printing of functional pastes and inks (Laser Transfer Printing, LTP).

LPKF competes with a different set of competitors in each segment and in each product group. These competitors range from multinational corporations to smaller, regional providers who often operate in just one market.

Production and procurement

Production takes place exclusively at the German locations and in Slovenia. Rapid prototyping equipment and other equipment for the Development segment, as well as some of the laser sources used within the Group, are produced by the subsidiary LPKF Laser & Electronics d.o.o. in Naklo (Slovenia). Systems for the Electronics segment are manufactured in Garbsen, Germany. Welding segment production takes place in Fürth, Germany. Solar and LTP systems are produced in Suhl, Germany. At LPKF, production generally comprises the assembly of machinery and equipment.

Almost all components and complex assemblies for the machines are purchased externally. Depending on capacity utilization at the production sites, some pre-assembly or assembly activities may also be carried out at LPKF's production facilities. Procurement for the Group is organized via a central strategic purchasing department, while operational purchasing activities are largely decentralized at the production sites. When purchasing external components, the company looks for several sources - where technically and economically feasible or possible - in order to reduce its dependence on individual suppliers. This serves to ensure the company's own competitiveness and to reduce risk in terms of availability.

Sales

Global cross-segment sales in important regions such as China, Japan, North America and South Korea are handled by subsidiaries. Overall, the Group is represented by subsidiaries and more than 50 distributors in over 60 countries, which acquire and serve customers all over the world.

PRODUCTION COMPANIES

Country	City	Function	Focus area
	Garbsen	Group headquarters, production, procurement, development, sales and services	Electronics segment • Cutting and drilling systems, LIDE, LDS, production services Development segment • Prototyping systems • ARRALYZE systems for biomedicine
	Fürth	Production, development, sales and services	Welding segment • Plastic welding systems
Germany	Suhl	Development, sales, production and services	Solar Segment • Systems for structuring large surfaces • Systems for digital printing of functional pastes
Slovenia	Naklo	Production, development and services	Development segment • Prototyping systems • Laser sources (production only)

MANAGEMENT AND CONTROL

Organization of management and control

The Management Board represents the company and is responsible for running it. The members of LPKF SE's Management Board are appointed by the Supervisory Board. The Supervisory Board may withdraw appointments for good cause.

The Supervisory Board has determined that certain transactions require its approval.

The Annual General Meeting may make decisions on management issues only if requested to do so by the Management Board. Any amendment to the Articles of Incorporation requires a resolution by the Annual General Meeting to be passed by a majority of the share capital represented at the adoption of the resolution. Article 24 (1) of the company's Articles of Incorporation stipulates that, in cases where the law requires a resolution to be passed by a majority of the share capital represented, a simple majority of the share capital represented will suffice, unless the law mandates a larger majority.

The following persons were members of the Management Board of LPKF SE in the 2024 financial year:

- Dr. Klaus Fiedler (CEO), from November 01, 2024 transitionally sole member of the Management Board
- Christian Witt (CFO) until October 31st, 2024

In the 2024 financial year, the Supervisory Board consisted of the following members:

- Jean-Michel Richard (Chairman)
- Dr. Dirk Rothweiler (Deputy Chairman)
- Prof. Dr.-Ing. Ludger Overmeyer

- Anka Wittenberg
- Alexa Siebert (formerly Hergenröther)

Relevant legal factors

The company and each of its segments are subject to the legal requirements for a domestic listed European stock corporation (Societas Europaea). Beyond this, no special legal provisions apply.

Strategy

Preamble

In an era of rapid technological progress and global networking, LPKF Laser & Electronics SE plays a leading role in the development of innovative, scalable manufacturing processes for growth markets such as semiconductors & electronics, life science & medical technology, smart mobility and research & development. LPKF's strategy is based on a deep understanding of customer needs and a relentless pursuit of disruptive solutions. With a strong focus on research and development, a global presence and a dedicated team of experts, LPKF is ready to actively shape the future and create sustainable value.

LPKF's sustainability strategy is a supplement to the following corporate strategy.

Strategic framework

Megatrends

LPKF's sustainable growth is closely linked to the following global megatrends:

- **Miniaturization**: As more and more electronic components have to be integrated in the smallest of spaces, precision tools are indispensable for structuring and separating printed circuit boards and for welding housings.
- **Next Generation Computing**: The current phase of digitization is characterized by the increasing networking of data, the exponential growth of data volumes and increasing demands on data processing through technologies such as Artificial Intelligence and machine learning. The need for high and energy-efficient computing power is leading to the use of new materials such as glass in the semiconductor industry. This makes it possible to further improve the performance and efficiency of systems without relying solely on the reduction in the size of transistors in accordance with Moore's Law.
- **Carbon Neutrality**: Renewable energies are the key factor on the road to carbon neutrality. The growing importance of solar energy in power generation requires precise and efficient manufacturing equipment. Electromobility is driving demand for battery module manufacturing tools. Overall, the importance of energy efficiency in manufacturing processes and end products is increasing.
- **Connectivity**: Increasing connectivity based on digital infrastructures is fundamentally changing the way we live and work. A key aspect of this megatrend is human-centered networking, in which technologies are increasingly aligned with people's needs and expectations. Mobile data exchange, improved sensor technology and continuous innovations in mobile devices demand new manufacturing solutions and increase the need for rapid prototyping, among other things.

- **Demografic Change:** Ageing population is leading to increased demand for medical technology and accessories worldwide. The development of drugs and personalized medicine requires efficient solutions for single-cell analysis.

Independence from individual markets thanks to broad positioning

LPKF addresses various markets and thus reduces its dependence on the cycles in individual sectors. Economic fluctuations can thus be better balanced out. LPKF also strives for broad market integration in all product groups in order to minimize cluster risks from individual customers. LPKF is also active worldwide and has subsidiaries and representatives in many different countries and continents. A global presence makes it possible to secure market shares in various regions and to hold its own against local and international competitors. The company's presence in different regions also means that it is better protected against regional fluctuations in demand.

Together with all employees, the company has developed the following vision and mission for LPKF:

Vision

"As a high-tech system engineering company, we are pioneers in technological progress that expands the limits of what is possible and helps bring about sustainable positive change in the world."

Mission

“Together with our partners, we have the courage to tap new growth markets and serve these in the long term. In doing so, we build on our global market expertise, our technological precision and the thorough understanding of our customers. In this way, we help our customers gain a clear competitive edge with forward-looking products.”

Values

Pioneering work: "A pioneering spirit is in our genes. Through creativity, perseverance and a passion for innovation, we have repeatedly opened up new markets. We will continue to do so in the future. Our aim is to be the first to implement the latest technological standards together with our customers.”

Partnership: "Maintaining partnerships with our customers and business partners is the key to our success. We work together on an equal footing and help drive joint developments as a reliable partner. This is because we understand the challenges facing our customers on the global markets of the future. Together, we strive to be the clear market leader.”

Performance: "Performance that our customers can rely on. As a technology leader, we anticipate new requirements, provide innovative solutions and scale new technology standards in our markets. Our performance, reliability and discipline are key to our customers’ success."

Success factors

LPKF’s success is based on a deep understanding of customer needs, developed over many years of experience, as well as in-house process know-how. Expertise in the fields of engineering, software, physics and biology and group-wide machine software platforms also contribute significantly to the company's success. Added to this are its high capacity for innovation and its understanding of the laser microprocessing of different materials.

Another key success factor is the focus on the following core competencies and their interaction:

Core competencies

1. Optics & laser technology
2. Laser material processing
3. Microsystems technology
4. Control technology & software

Mission statement

All activities of the LPKF Group are geared toward the success of its customers. All major activities and decisions are aimed at improving the competitiveness of the Group’s customer base through technological advancement and efficiency gains. Strengthening LPKF in the long term serves the interests of all customers, business partners, employees and shareholders. For this reason, strong emphasis is placed on strengthening the Group’s innovation resources and ensuring profitability.

LPKF is a technology group. By focusing on its core competencies, the company aims to shape technological progress and achieve top market positions through a sound understanding of customer needs. A sense of professional partnership and fair treatment characterizes relationships with customers, suppliers and representatives as well as the working relationships among employees within the LPKF Group. As an international group, LPKF strives for understanding of other cultures and philosophies.

Product quality is one of the keys to customer satisfaction. LPKF encourages employee training as a way of sustaining the high quality of its products and ensures that its employees recognize their direct and indirect responsibility for customer satisfaction.

LPKF makes an active contribution to reducing waste by using largely laser-based production methods. LPKF aims to design its products and internal processes to be as environmentally friendly as possible. Health and well-being are the foundations for a successful business. LPKF places significant emphasis on promoting the health of its employees and on occupational safety at the company. Its ambition to be a technology leader means that LPKF always strives to optimize its products and product development processes. It goes without saying that this requires a corporate culture that is open and encourages learning and constructive criticism. LPKF’s responsibility extends to its customers, employees, business partners, shareholders and society. The company’s sense of corporate responsibility also includes the fact that LPKF employees are required to obey applicable laws whenever and wherever appropriate, respect ethical principles and pursue sustainability. The LPKF Compliance Code supports the company’s employees in this endeavor.

Corporate objective

LPKF's objective is to achieve long-term business success through sustainable, profitable growth. This success is underpinned by a long-term business orientation and near-term business management. The Group's business activities place just as much emphasis on the long-term development of the Group as they do on short-term monitoring of key figures so that it can act quickly in the event of any undesirable developments.

A key factor for LPKF is permanently strengthening its ability to innovate so that it can carry on developing and commercializing ever more new and innovative solutions for its customers. The organization is systematically aligned toward serving its customers. In addition to operational strength and speed, research and development work and alignment to commercial use and application are of primary importance.

Strategic alignment of the operating business

Strategic alignment of the company

The megatrends of Miniaturization, Next Generation Computing, Carbon Neutrality, Connectivity and the Demografic Change are each leading to strong demand for precise, high-performance and clean manufacturing methods. This makes LPKF's technical solutions key elements for many growth markets. LPKF is a strategic partner for international customers and works with them to set the technical standards of the future. With its broad product and service portfolio, LPKF helps to increase efficiency and thus conserve resources.

LPKF operates as a global solutions provider. This position gives it many advantages over competitors who are often only active in one market or operate as regional providers. LPKF is therefore less dependent on cyclical fluctuations in the individual sectors. The prerequisite for this is the summary of all business processes with synergy potential.

Central Group functions of the LPKF Group are provided and used jointly for all segments, for example in procurement, innovation management or in administrative areas such as human resources or accounting. In the key regional markets, LPKF organizes service and sales through its own subsidiaries in all segments. The shared use of infrastructure also facilitates market entry and helps to optimize the cost base by exploiting synergies.

Strategic alignment of the segments

The Development segment offers its customers the entire value chain for the manufacture of printed circuit board prototypes. Its activities are centered around mechanical and increasingly laser-based systems that undergo continuous development. In the Development segment, LPKF addresses a global market with many individual customers from the industrial sector and universities. The Development segment can draw on a global network of distributors, who in many cases are long-time partners of the company and able to secure outstanding options for market entry. Despite already having a high market share, the Management Board is seeing solid growth rates in this segment due to new products and applications.

With the new ARRALYZE systems, LPKF is addressing the market for the automated analysis of single cells in the nanoliter range. The systems work with glass arrays manufactured using LIDE technology. Due to the rapidly growing demand for efficient methods for the development and production of drugs, e.g. for personalized medicine, a new business field with significant revenue potential can be tapped here.

The Electronics segment addresses markets related to the production and processing of electronic assemblies and the semiconductor industry. It offers its customers laser-based systems for cutting, structuring and drilling various materials at high precision and speed. Since printed circuit boards are still mostly separated using mechanical solutions, there is significant growth potential here due to the increasing use of laser-based systems.

LPKF's LIDE (Laser Induced Deep Etching) technology is a basic technology for a wide range of applications in microsystems technology. It enables customers to process thin glass quickly, precisely and without damage such as microcracks. LIDE systems are used in the display sector and in advanced packaging of semiconductor components. As the market and technology leader in this field, LPKF has already developed a broad customer portfolio and sees significant revenue potential due to the increasing use of LIDE in high-volume applications. Through strategic technology projects with individual lead customers, LPKF aims to achieve a broader integration in the value chain of the semiconductor industry in the medium term.

In the Welding segment, LPKF develops, produces and markets laser systems for welding plastics. This segment is primarily aimed at the automotive supply industry, and increasingly at the e-mobility sector. Other important customers are in the medical technology and consumer electronics manufacturing industries. Laser welding offers the opportunity to replace traditional joining methods in various industries. This opens up a large market potential. LPKF is characterized by its broad product range, high product quality, extensive process know-how and worldwide service.

The Solar segment comprises activities involving the high-precision laser processing of large surfaces. Here, LPKF develops, produces and markets systems for structuring thin-film solar modules. The precision and speed with which the solar systems process a module distinguish LPKF as a specialist in the solar market. LPKF has continuously expanded its customer base for solar systems and has also established itself well in the market for new thin-film technologies. With LTP technology (Laser Transfer Printing), LPKF is targeting the market for digitally controlled printing on large-format glass. LTP is intended, among other things, to replace the prevailing screen printing process in some areas.

LPKF's growth strategy includes the continuous further development and optimization of the product portfolio. The Company is guided by impulses from customers and markets, but also pursues its own ideas for innovations that promise relevant benefits for customers. Existing products are reviewed at least once a year to determine whether it makes economic sense to continue them.

Service is a core component of the corporate strategy and of the offering to customers, and is provided and reported within the individual segments. LPKF offers its customers a broad range of services through a global service network.

Corporate management

LPKF Group key figures

LPKF manages its business performance using key figures and ratios at various reporting levels. The following section outlines the most important key figures that LPKF uses:

- Revenue
- EBIT (earnings before interest and taxes) and EBIT margin
- Adjusted EBIT
- Net working capital and net working capital ratio
- Free cash flow (FCF)
- ROCE (return on capital employed)

EBIT: The Group’s goal of sustainable profitable growth can be reviewed by analyzing revenue in conjunction with EBIT. The EBIT margin is given as a ratio for the Group’s goal and is calculated using the following formula: EBIT margin = EBIT/revenue x 100.

Adjusted EBIT: Adjusted EBIT is EBIT adjusted for restructuring and severance costs and changes in the long-term incentive (LTI) due to fluctuations in the performance factor or the share price. Adjusted EBIT is reported in order to be able to compare operating profitability between periods by eliminating special items.

Net working capital: It is calculated from inventories plus trade receivables less trade payables and contract liabilities. It reflects the net capital tied up in the reported items.

Net working capital ratio: This key figure gives net working capital as a proportion of revenue, as in a changing business scenario the net capital tied up generally changes as well.

Free cash flow: FCF is an indicator of a company’s self-financing capability and its ability to pay a dividend from the cash flow for the period. Free cash flow is the sum of cash flow from operating activities and cash flow from investing activities.

ROCE (return on capital employed): EBIT/(intangible assets + property, plant and equipment + net working capital).

For LPKF SE, the key financial performance indicators are sales and earnings before interest and taxes.

Further information on non-financial targets and key figures (e.g. the error rate) can be found in the separate non-financial consolidated report.

The following table shows the changes in the Group’s key financial figures over the past five years and the original target figures:

		2024 target	**2024**	2023	2022	2021	2020
Revenue	in EUR million	130 - 140	122.9	124.3	123.7	93.6	96.2
EBIT	in EUR million		-2.5	3.7	6.5	0.1	7.5
adj. EBIT	in EUR million	5,2 - 11,2	0.1	4.4	n.a.	n.a.	n.a.
EBIT margin	in %		-2.1	3.0	5.3	0.1	7.8
adj. EBIT margin	in %	4 - 8	0.0	3.5	n.a.	n.a.	n.a.
ROCE	in %	Same as EBIT and capital employed	-2.5	3.5	7.1	0.1	9.0
Net working capital	in EUR million	< 40	37.2	40.0	26.0	19.3	20.5
Net working capital ratio	in %	< 32.2	30.3	32.2	21.0	20.6	21.3
Free cash flow	in EUR million	> -11.1	1.9	-11.1	0.3	-0.7	-5.5

The key figures for the years up to 2022 were audited by KPMG AG, while the key figures from 2023 onwards were audited by Baker Tilly GmbH & Co. KG.

Target/actual comparison of planning and implementation

On 21 March 2024, the company issued its first quantitative forecast for the full year 2024. According to this forecast, consolidated revenue should be between EUR 130 million and EUR 140 million and the adjusted EBIT margin between 4% and 8%.

On 25 July 2024, LPKF specified the full-year forecast to revenue of between EUR 130 million and EUR 135 million and an adjusted EBIT margin of between 4% and 7%.

On 24 October 2024, LPKF revised its full-year forecast again to revenue of between EUR 125 million and EUR 130 million and an adjusted EBIT margin of between 3.5% and 6%.

On 9 December 2024, the company lowered its full-year forecast in an ad hoc announcement. LPKF now expects consolidated revenue of EUR 118 to 123 million and a break-even result based on the adjusted EBIT margin.

With revenue of EUR 122.9 million and a balanced adjusted EBIT (EUR 0.1 million), the Group is within the most recent forecast. At -2.5%, ROCE follows the earnings trend.

Net working capital fell from EUR 40.0 million to EUR 37.2 million over the course of the year. This is mainly due to the significant reduction in inventories. At 30.3% (previous year: 32.2%) of sales, the net working capital ratio is within the stated target range.

Free cash flow developed positively and, at EUR 1.9 million, was above the previous year's figure (EUR -11.1 million).

NON-FINANCIAL STATEMENT

LPKF SE's separate non-financial consolidated report will be published on the company's website under Company /Sustainability (www.lpkf.com/en/company/sustainability) on 27 March 2025.

RESEARCH AND DEVELOPMENT

Focus of R&D activities

Pioneering spirit is in the genes of LPKF Laser & Electronics SE. With creativity, perseverance and a passion for innovation, the company has repeatedly opened up new markets. This also applies to the future. LPKF wants to set new technology standards together with its customers.

As a consequence research and development (R&D) is of particular importance for LPKF as a technology company. Innovations decisively influence future product performance and hence the business success of the LPKF Group.

The primary strategic aim of R&D activities is the position as an innovation leader within the relevant sectors. New products are designed to exhibit differentiators, which are then secured via patents. The benchmark for development activities is always strengthening the customers' profitability.

In the 2024 financial year, several existing products were upgraded to a new technological level, entirely new products were completed and technology developments were initiated, which in turn are expected to lead to new competitive products in the short to medium term. This is explained below for the individual areas.

Pre-competitive collaboration with research institutions and industry partners, organized as consortium projects, continues to underpin technological development at the LPKF Group.

R&D expenses, investments and key figures

Continuous investment in near-to-market developments is crucial to a technology-oriented group such as LPKF.

In 2024, expenses of EUR 17.4 million (previous year: EUR 16.7 million) were incurred in this area, which corresponds to 14.2% (previous year: 13.4%) of revenue.

Of the total expenses for development, LPKF capitalized EUR 4.5 million (previous year: EUR 5.0 million) as intangible assets in the reporting year, which corresponds to a capitalization rate of 21% (previous year: 23%). Capitalized development costs were amortized in the amount of EUR 3.4 million in 2024 (previous year: EUR 4.2 million).

The following multi-period overview of R&D shows the development of essential key figures over time:

in EUR million	**2024**	2023	2022	2021	2020
R&D expenses *	17.4	16.7	16.5	13.3	11.0
As % of revenue	14.2	13.4	13.4	14.2	11.4
R&D employees	212	215	211	207	177

* Current R&D expenses include amortization of capitalized development expenses of EUR 3.4 million (previous year: EUR 4.2 million)

The key figures for the years up to 2022 were audited by KPMG AG, while the key figures from 2023 onwards were audited by Baker Tilly GmbH & Co. KG.

R&D results

In the Development segment, work intensified in the reporting year on the new generation of the ProtoLaser family. The technological foundations were laid and product development was initiated. The revision of the ProtoLaser H4 was completed.

One focus in the reporting year was on the fundamental improvement of the CircuitPro RP system software. A large number of new features were developed here that bring major improvements in quality and stability. Some of the specialized features are offered to our customers as premium licenses.

The ARRALYZE product area addresses the biotech market and launched its first product, called “CellShepherd”, in 2024. This is a machine for printing, analyzing and extracting living single cells. In the reporting year, development activities focused on the development of software and hardware features to be able to offer innovative solutions for workflows in demand in the market.

In the Electronics SMT segment, new system variants and features for depaneling printed circuit boards were developed with the second generation of the CuttingMaster family. In combination with extensions to the automatic feeding of panels, customer requirements for fully automated smart factories with MES and traceability can be met.

The further development of the StencilLaser MicroCut-X has resulted in a system that is qualified for cutting micro-apertures in wafer stencils. This marks the emergence of a new system generation in this segment, offering the highest precision and performance.

Last year, the LIDE product area developed various new features and performance enhancements for the high-volume production of precision-structured glass. In doing so, the requirements of a broad customer base in the semiconductor and display industry were taken into account.

The Solar segment can look back on the successful commissioning of systems for the laser scribing of perovskite solar cells. Based on the knowledge gained from the customer's production, the scribing processes and system technology were further developed.

To this end, work was carried out on modularizing the existing products, particularly for the Asian market. This is intended to exploit synergies and offer greater flexibility in order to meet the requirements of this key market for photovoltaics.

In the LTP (Laser Transfer Printing) product area, work was carried out on technologies for transferring IR-transparent inks. These are, for example, white or colored inks with a very low absorber content, which are in high demand in many target markets.

In the Welding segment, the development of a specialized system for welding battery modules for electric cars was completed and the first two systems of this type were delivered to the customer. The development of a new product line for welding two absorbent components was started and the first test systems were completed. In addition, the first modules of the restructured software landscape were completed.

REPORT ON ECONOMIC POSITION

COURSE OF BUSINESS

Macroeconomic environment

In 2024, the global economy showed moderate momentum amid increasing economic policy uncertainty such as the announcement of tariffs and trade tensions. There was no economic recovery in China and momentum slowed in the advanced economies.

According to a forecast by the Kiel Institute for the World Economy (IfW), global gross domestic product (GDP) will have increased by 3.2 % in the reporting period.

With an increase in economic output of 1.8% in 2024, the advanced economies recorded weaker growth than the global economy as a whole. As in the previous year, China's GDP growth of 4.9% in 2024 was again subdued compared to previous years.

According to the Federal Statistical Office, economic output in Germany fell by 0.2% in the reporting period, marking the second consecutive year of decline. This was due to increasing competition for exports as well as high energy costs and interest rates.

Inflation fell in the reporting year and key interest rates were also lowered over the course of the year. After rising capital costs in previous years, these also declined in 2024.

Sector-specific general conditions

In addition to the overall economic conditions, the company's business development is also influenced by developments in individual industries. These include the electrical industry, with a focus on consumer electronics, the automotive industry, the solar industry, the plastics processing industry and biotechnology. Their developments for 2024 are outlined below.

The German Mechanical Engineering Industry Association (VDMA) expects production in the German mechanical and plant engineering sector to fall by 8% in 2024 and sees a further challenging development due to the difficult conditions.

In the electrical and electronics industry, the global smartphone market again performed encouragingly well last year, growing by 5.8%. According to International Data Corporation, global sales in 2024 amounted to 1.23 billion units.

Last year, Statista reports, global sales of passenger vehicles rose by a good 3 % to 77.6 million vehicles. By contrast, sales of automobiles in the EU were more restrained, with an increase of around 0.8 % to 10.6 million units. With around 27.1 million new registrations, China remained the largest market. Compared to the previous year, this represented an increase of around 4.7 %.

Worldwide, the solar industry is becoming increasingly important as a component of renewable energies. In 2024, electricity from solar installations reached 11 % of total electricity demand in the EU. In 2023, it was still at 9.3 %. Worldwide, the International Energy Agency (IEA) states that photovoltaics account for 8.3% of electricity consumption. However, the market came under pressure last year, which also affected module prices. China is the dominant market and player.

The German plastics industry recorded a decline in production in 2024 due to the weak economic environment.

In the biotechnology sector, Germany is the European leader. The research firm Spherical Insights puts the size of the German laboratory equipment market at $1.71 billion in 2023. With a projected average growth rate of 8.11%, this market would grow to $3.73 billion by 2033. One part of this is single-cell analysis, for which Mordor Intelligence provides market analysis. According to this, there was a slight adjustment in 2024 after the COVID-19 boom.

Effects on the LPKF Group and LPKF SE

The global economy saw modest growth in 2024. As an export nation, Germany in particular felt the effects of increasing global competition and the onset of trade barriers.

The picture in the LPKF Group's key industries was mixed in 2024. While the electronics industry saw encouraging growth in the smartphone segment and the solar industry also recorded an increase, albeit at a lower level, other industries such as mechanical engineering and plastics experienced a decline.

Overall, business development in 2024 was unsatisfactory from the Management Board's perspective. LPKF did not meet its revenue and earnings expectations due to the challenges described above. Nevertheless, the company maintained revenue at just under the previous year's level and achieved its last full-year forecast.

At the same time, higher prices and labor costs weighed on profitability. Successfully implemented price increases, active cost management and continuous process optimization partly mitigated the negative impact on earnings.

The strategy of addressing different growth markets based on core competencies again had a stabilizing effect in the face of cyclical markets. This is demonstrated by the different developments in the segments in the 2024 financial year.

In the view of the Management Board, LPKF remains in a solid financial position and has sufficient cash reserves to meet all financial obligations and implement all planned strategic business activities, consisting of cash and cash equivalents and available credit lines.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE GROUP

Result of operations

Development of revenue

In the 2024 financial year, the LPKF Group generated revenue of EUR 122.9 million, down 1.2% on the previous year (EUR 124.3 million).

In 2024, the **Solar segment** delivered further laser systems for structuring solar modules as part of a major order. Supplemented by substantial deliveries of spare parts, sales of EUR 41.2 million were generated, EUR 1.7 million more than in the previous year.

Sales in the **Electronics segment** amounted to EUR 36.9 million, which represents an increase of EUR 4.2 million compared to the previous year (EUR 32.7 million). This growth was mainly due to an increase in sales of EUR 8.5 million in the LIDE business, which more than compensated for the decline in sales in the SMT business (EUR -4.3 million). All movements are mainly attributable to changes in volumes.

The **Welding segment** closed the year with a decline in sales to EUR 18.6 million compared to the previous year (EUR 23.1 million). The segment was particularly affected by the crisis in the automotive industry and the resulting reluctance to invest.

With sales of EUR 26.2 million, the **Development segment** was down on the previous year's sales of EUR 29.0 million - mainly due to a decline in sales.

The regional breakdown of sales is shown below:

in %	**2024**	2023
North America	42.8	37.5
Asia	31.7	38.5
Europe excl. Germany	12.9	13.0
Germany	11.0	9.4
Other	1.6	1.6
Total	**100.0**	100.0

The Group's export ratio fell slightly compared to the previous year (90.6%) and now stands at 89.0%. As in the previous year, the regional distribution is only meaningful to a limited extent, as some of the machines are installed for globally active customers at their production sites, which are often located in other regions. This year, the share of sales generated in North America increased further and almost offset the decline in sales in China.

Segment performance

The following table provides an overview of the operating segments' performance:

	External revenue		**EBIT**	
in EUR million	**2024**	2023	**2024**	2023
Electronics	36.9	32.7	-0.9	-2.3
Development	26.2	29.0	0.1	3.1
Welding	18.6	23.1	-4.8	-0.8
Solar	41.2	39.5	5.7	4.4
Total	**122.9**	124.3	**0.1**	4.4

Development of orders

At EUR 114.3 million, incoming orders in the reporting period were 4.8% below the previous year's level. At EUR 50.9 million, the order backlog at the end of the year was EUR 8.0 million below the previous year's figure.

Development of main income statement items

Own work capitalized includes EUR 4.5 million in development services for products and software. In addition, EUR 1.2 million was reported for the in-house production of fixed assets, in particular machinery. At EUR 4.6 million, other income was higher than in the previous year (EUR 4.2 million). The figure is mainly made up of grants for research and development activities amounting to EUR 2.3 million (previous year: EUR 2.3 million) and income from exchange rate differences amounting to EUR 0.6 million (previous year: EUR 0.9 million).

The cost of materials ratio - calculated as the ratio of cost of materials and changes in inventories to sales revenue - is 34.9% and therefore higher than the previous year's figure of 33.9%. Adjusted for own work capitalized in the amount of EUR 1.2 million, which is not offset by sales, the cost of materials ratio would be 34.0% and thus at the previous year's level.

At EUR 57.0 million, personnel expenses were significantly higher than the previous year's figure of EUR 52.4 million. The increase was primarily due to regular salary adjustments (+ EUR 1.4 million), one-off special effects from restructuring measures amounting to EUR 1.7 million (previous year: EUR 0.6 million) and higher social security expenses (+ EUR 0.9 million). The ratio of personnel expenses to sales rose from 42.1% in the previous year to 46.4% in the current year.

Depreciation and amortization fell to EUR 8.4 million in 2024 (previous year: EUR 9.1 million). Of this, EUR 3.4 million was attributable to amortization of capitalized development costs. The decrease is mainly due to lower amortization of development costs.

At EUR 27.5 million, other expenses were 3.8% higher than in the previous year. Expenses mainly comprise travel expenses (EUR 3.9 million, previous year: EUR 3.3 million), operating supplies and repairs/maintenance (EUR 3.0 million, previous year: EUR 2.9 million), legal and consulting costs (EUR 2.7 million, previous year: EUR 2.7 million) and expenses for building operation and maintenance (EUR 2.1 million, previous year: EUR 2.2 million). Significant increases resulted from travel expenses and research & development costs. By contrast, expenses for advertising and sales as well as exchange rate losses fell.

EBIT (earnings before interest and taxes) fell from EUR 3.7 million in the previous year to EUR -2.5 million. The EBIT margin was -2.1% after a margin of 3.0% in 2023.

In particular, significantly higher personnel costs (+ EUR 4.6 million) and higher other operating expenses (+ EUR 1.0 million) had a negative impact on earnings. In turn, the higher expenses were partly due to additional expenses for travel (+ EUR 0.6 million) as a result of increased customer orders for service work. Additional development contracts were also awarded externally (+ EUR 0.6 million).

Due to the different customer structures and markets, the earnings performance of the individual segments varies greatly.

The Electronics segment, like the Solar segment, was able to more than compensate for the cost increases through sales growth (Electronics +4.2 million EUR; Solar +1.7 million EUR) and improve EBIT compared to the previous year. In the Development and Welding segments, the negative cost effect was exacerbated by a decline in sales (Development -2.8 million EUR; Welding -4.5 million EUR). Only the Electronics (EUR -0.9 million) and Welding (EUR -4.8 million) segments achieved negative adjusted EBIT.

Multi-period overview of results of operations

		2024	2023	2022	2021	2020
Revenue	in EUR million	122.9	124.3	123.7	93.6	96.2
EBIT	in EUR million	-2.5	3.7	6.5	0.1	7.5
Adjusted EBIT	in EUR million	0.1	4.4	n.a.	n.a.	n.a.
Material cost ratio	in %	34.9	33.9	35.0	31.6	33.1
Staff cost ratio	in %	46.4	42.1	40.0	47.4	43.1
Tax ratio	in %	-10.8	43.1	77.4	32.9	26.9
EBIT/employee	in EUR thousand	-3.2	4.9	8.8	0.1	10.9

The key figures for the years up to 2022 were audited by KPMG AG, while the key figures from 2023 onwards were audited by Baker Tilly GmbH & Co. KG.

Financial position

Principles and goals of financial management

LPKF SE's external sources of financing are the issue of shares and the raising of short- and long-term debt. As part of its internal financing, the Group draws financial resources primarily from the use of its own surpluses and the non-distribution of depreciation and amortization. The European companies optimize their liquidity via a cash pool, while the non-European companies are integrated via operational liquidity management.

LPKF is mainly financed by a syndicated loan of EUR 40.0 million with a term of three years and extension and increase options, which was concluded in 2023. The syndicated loan agreement is divided into a cash facility and a guarantee line. The new syndicated loan is secured exclusively by land charges and guarantees from the main subsidiaries. The key financial indicators of the loan agreement are the debt ratio, the equity ratio and EBITDA. Financing is provided centrally for the entire LPKF Group.

In the LPKF Group, currency and other risks are hedged by the parent company LPKF SE. Derivatives are used exclusively for hedging transactions; this was applied in 2024.

Statement of cash flows

The following statement of cash flows shows the origin and use of financial resources:

in EUR million	**2024**	2023
Cash flow from operating activities	9.4	-3.4
Cash flow from investing activities	-7.5	-7.7
Cash flow from financing activities	-14.0	8.7
Change in cash and cash equivalents	-12.1	-2.4
Change in cash and cash equivalents due to changes in foreign exchange rates	0.2	0.3
Cash and cash equivalents on 1 Jan.	10.7	12.8
Cash and cash equivalents on 31 Dec.	**-1.2**	10.7
Composition of cash and cash equivalents:		
Cash on hand, bank balances	5.0	10.7
Overdrafts	-6.2	0.0
Cash and cash equivalents on 31 Dec.	**-1.2**	10.7

The Group's cash and cash equivalents fell from EUR 10.7 million at the end of the previous year to EUR -1.2 million. This is mainly due to the repayment of current liabilities to banks and financing via current account liabilities.

At EUR 9.4 million, cash flow from operating activities was above the previous year's level of EUR -3.4 million. This key figure was boosted in particular by a decline in inventories and incoming payments from receivables from the previous year's reporting date.

Cash flow from financing activities primarily reflects the repayment and lower utilization of short-term credit lines.

The financial requirements of the operating business are covered by working capital credit lines.

Multi-period overview of the financial position

The LPKF Group has agreed credit lines with core banks (as part of the syndicated loan agreement). As of the reporting date, short-term loans of EUR 6.2 million (previous year: EUR 12.0 million) had been drawn down from this line.

Due to the high equity ratio, the Group's net cash position and the available credit lines, the Management Board considers the earnings, assets and financial position of the LPKF Group to be very solid. The Group is able to realize investment activities to a large extent from its own funds.

in EUR million	**2024**	2023	2022	2021	2020
Free cash flow	1.9	-11.1	0.3	-0.7	-5.5
Net cash position = Net credit (+) / net debt (-) to banks	5.2	-0.7	11.7	12.1	15.2

The key figures for the years up to 2022 were audited by KPMG AG, while the key figures from 2023 onwards were audited by Baker Tilly GmbH & Co. KG.

Net assets

Analysis of net assets and capital structure

The company's net assets and capital structure developed as follows year-on-year:

	12/31/2024		12/31/2023	
	in EUR million	in %	in EUR million	in %
Non-current assets	65.7	49.9	65.7	44.2
Current assets	65.9	50.1	82.8	55.8
Assets	**131.6**	**100.0**	148.5	100.0
Equity	91.8	69.8	95.1	67.9
Non-current liabilities	4.5	3.4	4.7	3.2
Current liabilities	35.3	26.8	48.7	32.8
Equity and liabilities	**131.6**	**100.0**	148.5	100.0

Compared to 31.12.2023, non-current assets remained at the previous year's level at EUR 65.7 million. An increase in capitalized development costs (+ EUR 1.1 million) is offset by a decrease in other intangible assets, property, plant and equipment and right-of-use assets totalling EUR 1.2 million. Deferred tax assets increased by EUR 0.1 million.

The decline in current assets from EUR 82.8 million in the previous year to EUR 65.9 million as at December 31, 2024 is mainly due to the decrease in trade receivables from by EUR -6.3 million and the decrease in inventories by EUR -4.4 million as a result of measures taken in the area of working capital management. In addition, cash and cash equivalents fell by
EUR 5.6 million to EUR 5.1 million.

Non-current liabilities fell by EUR 0.2 million. Current liabilities fell by EUR 13.4 million to EUR 35.3 million. This is mainly due to the repayment of short-term credit lines (EUR -5.8 million) and a decrease in trade payables (EUR -2.4 million). Contract liabilities fell by EUR -5.5 million.

Net working capital fell from EUR 40.0 million in the previous year to EUR 37.2 million. The significant reduction in trade receivables (EUR -6.3 million) and the substantial reduction in inventories (EUR -4.4 million) were offset by only a slight decrease in contract liabilities and trade payables. The net working capital ratio fell accordingly from 32.2% to 30.3%.

The equity ratio rose from 64.1% in 2023 to 69.7% as at December 31, 2024.

Multi-period overview of net assets

in EUR million		2024	2023	2022	2021	2020
ROCE	in %	-2.5	3.5	7.1	0.1	9.0
Net working capital	in EUR million	37.2	40.0	26.0	19.3	20.5
Net working capital ratio	in %	30.3	32.2	21.0	20.6	21.3
Days sales outstanding	days	82	79	67	57	55

The key figures for the years up to 2022 were audited by KPMG AG, while the key figures from 2023 onwards were audited by Baker Tilly GmbH & Co. KG.

Days sales outstanding are calculated on the basis of the average receivables balances of the last four quarterly reporting dates divided by annual sales.

Capital expenditure

The Group also made targeted investments in future growth in the 2024 financial year. In addition to investments in LIDE production at the Garbsen site and in IT/software, an additional EUR 4.5 million (previous year: EUR 5.0 million) was capitalized for development services. In addition, replacement investments were made in property, plant and equipment. Overall, investments in intangible assets and property, plant and equipment amounted to EUR 7.5 million (previous year: EUR 7.7 million). There are no investment obligations.

	Development costs	Other assets	**Total**	Development costs	other assets	Total
in EUR million			**2024**			2023
Electronics	1.8	1.3	3.1	2.0	1.4	3.4
Development	1.5	0.6	2.1	1.6	0.6	2.2
Welding	0.4	0.1	0.5	0.3	0.1	0.4
Solar	0.8	1.0	1.8	1.1	0.6	1.7
Total	4.5	3.0	**7.5**	5.0	2.7	7.7

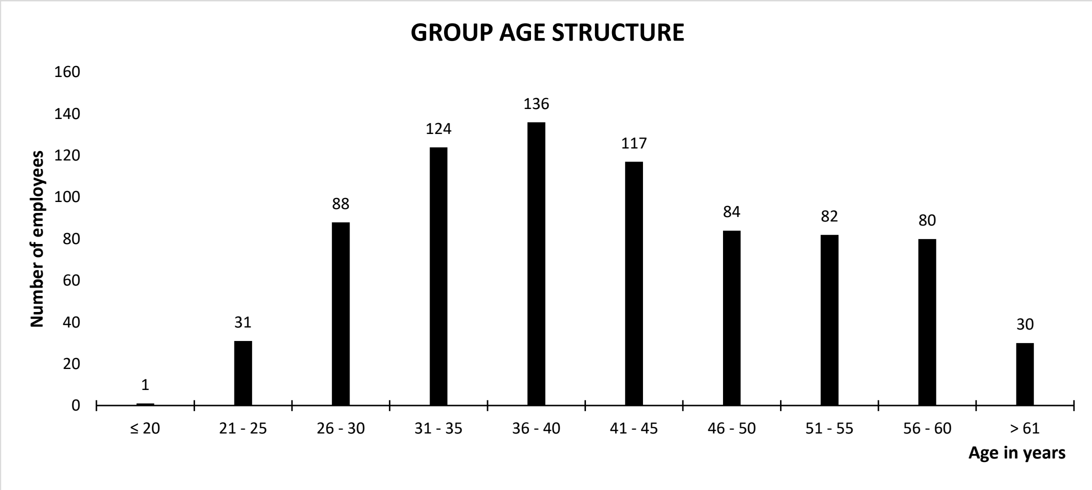
Employees

For a technology group like LPKF, highly qualified and motivated employees are a key to success. LPKF therefore pursues the goal of attracting motivated and well-trained employees and retaining them within the Group in the long term. Personnel development activities were continued in order to be well prepared for the requirements of the future. Since the 2022 financial year, a Group-wide high-potential system has been in place to identify and develop talented individuals to fill management and key positions. To attract qualified young talent, LPKF trains electronics technicians for devices and systems, electronics technicians for automation technology, IT specialists for system integration, IT specialists for application development, industrial clerks, mechatronics technicians, microtechnologists and technical product designers. The Group employed 24 trainees on the reporting date (2023: 33).

Sickness absence and staff turnover rates are important indicators of employee motivation and loyalty to the Company. The sickness rate in the LPKF Group fell from 5.6% in the previous year to 4.9%. The turnover rate in the Group fell from 11.1% in the previous year to 9.5%.

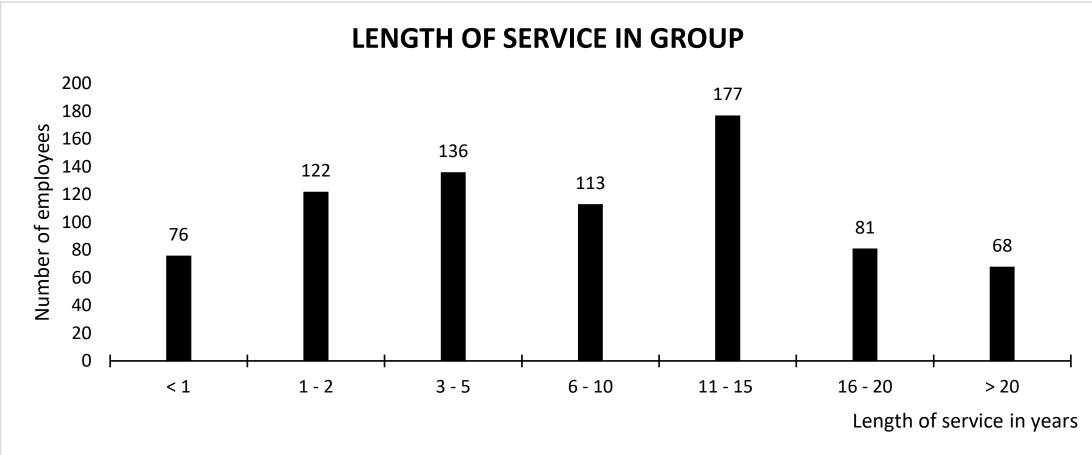
The average age of the LPKF Group's workforce was 41.9 years (previous year: 41.5).

Age structure analysis in years, LPKF Group (excluding trainees)



Based on the current age structure and a balanced mix of years of service, LPKF is well positioned to face the challenges posed by demographic trends.

Distribution of length of service in years, LPKF Group (excluding trainees)



An analysis of the length of service of LPKF Group employees shows an average of 9.0 years (previous year: 9.0 years). LPKF has a healthy mix of experienced and new employees.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF LPKF SE (SINGLE ENTITY)

The annual financial statements of LPKF SE are prepared in accordance with the provisions of the German Commercial Code (HGB) and published in the company register. The management of the individual company is subject to the same principles as the Group and is based on IFRS. However, the disclosures on the results of operations, financial position and net assets are based on the HGB figures stated in the financial statements. Due to its high share of value creation in the Group, LPKF therefore refers to the statements made in the "Corporate management" section and in the forecast report, which also apply to the parent company.

Results of operations of LPKF SE

In the forecast for the 2024 financial year, LPKF SE assumed that revenue and EBIT would increase slightly to moderately. This forecast was not achieved.

LPKF SE generated revenue of EUR 50.3 million in the 2024 financial year (previous year: EUR 53.6 million). The Electronics segment generated revenue of EUR 29.2 million in 2024 (previous year: EUR 28.9 million), while the Development segment generated revenue of EUR 20.2 million (previous year: EUR 23.6 million). LPKF SE also generated other revenue of EUR 0.9 million (previous year: EUR 0.9 million). The foreign share of revenue was 85 % (previous year: 85 %).

At EUR 3.5 million, other operating income was at the previous year's level and, in addition to income from affiliated companies, mainly includes income from funding for research and development projects in the amount of EUR 1.8 million (previous year: EUR 2.2 million).

The cost of materials ratio rose from 40.4% in the previous year to 41.1%.

Personnel expenses rose to EUR 25.9 million in the current financial year (previous year: EUR 23.9 million). The number of employees increased slightly. While the average number of employees in 2023 was 311, LPKF SE had an average of 320 employees in 2024. The personnel expenses ratio rose from 44.6% in the previous year to 51.5%. Personnel expenses in 2024 include special effects, primarily from restructuring measures and changes in the value of the LTI (2023 tranche) in the amount of EUR 0.8 million.

Depreciation of fixed assets increased slightly compared to the previous year and amounted to EUR 2.6 million (previous year: EUR 2.5 million). Other operating expenses rose to EUR 18.7 million after EUR 17.7 million in the previous year. The increase is mainly due to exchange rate expenses, higher R&D costs and expenses with affiliated companies.

Due to the decline in revenue combined with an increase in costs, LPKF SE generated negative EBIT of EUR 13.1 million in 2024 (previous year: EUR -8.5 million). The financial result includes distributions from LPKF Laser & Electronics d.o.o. As a result of profit and loss transfer agreements with LPKF SolarQuipment GmbH and LPKF WeldingQuipment GmbH, LPKF SE assumed an overall positive earnings contribution of EUR 5.1 million (previous year: EUR 7.9 million). Of this amount, SolarQuipment made a positive contribution to earnings of EUR 8.9 million (previous year: EUR 7.0 million) and WeldingQuipment made a negative contribution to earnings of EUR 3.8 million (previous year: positive contribution of EUR 0.9 million).

After taxes, the net loss for the year amounted to EUR -4.8 million (previous year: net loss of EUR -1.2 million).

LPKF SE income statement

in EUR million	**2024**	2023
Revenue	50.3	53.6
Changes in inventory	1.6	0.3
Other operating income	3.5	3.5
Cost of materials	-21.3	-21.8
Personnel expenses	-25.9	-23.9
Depreciation, amortization and write-downs	-2.6	-2.5
Other operating expenses	-18.7	-17.7
Operating result	**-13.1**	-8.5
Financial result	**8.4**	7.4
Income taxes	-0.1	-0.1
Earnings after taxes	**-4.8**	-1.2
Other taxes	0.0	0.0
Net profit/ loss	**-4.8**	-1.2
Accumulated losses brought forward from the previous year	22.4	23.6
Net retained profits	**17.6**	22.4

Net assets and financial position of LPKF SE

As of December 31, 2024, LPKF SE's total assets amounted to EUR 93.6 million, down EUR 15.2 million on the previous year (EUR 108.8 million). In the financial year, EUR 1.6 million (previous year: EUR 3.5 million) was invested in intangible assets and property, plant and equipment, primarily in IT/software and LIDE production at the Garbsen site.

Inventories increased by EUR 1.9 million to EUR 10.5 million. Receivables from affiliated companies amounted to EUR 36.6 million as at the reporting date (previous year: EUR 43.9 million). They mainly comprise financial receivables, which are primarily attributable to profit transfers and loans granted to subsidiaries. Trade receivables fell from EUR 5.5 million on the previous year's reporting date to EUR 3.6 million. Cash and cash equivalents fell by EUR 6.5 million to EUR 1.9 million. This was mainly due to the repayment of short-term drawings on the syndicated loan.

Equity amounted to EUR 69.7 million as at December 31, 2024 and was therefore EUR 4.6 million below the previous year's level. The equity ratio rose to 74.5% (previous year: 68.3%). This is due to a decrease in liabilities to banks and affiliated companies. As at December 31, 2024, the company had drawn down a small amount of short-term funds from the syndicated loan agreement concluded in the 2023 financial year. Liabilities to banks therefore amounted to EUR 6.2 million as at the reporting date, compared to EUR 12.0 million in the previous year. Other liabilities primarily include liabilities to affiliated companies resulting from both trade payables and short-term financing relationships. After EUR 28.5 million in the previous year, total liabilities amounted to EUR 19.3 million.

The company’s net assets and capital structure developed as follows year-on-year:

	12/31/2024		12/31/2023	
	in EUR million	in %	in EUR million	in %
Long-term assets	37.5	40.1	38.5	35.4
Short-term assets	56.1	59.9	70.3	64.6
Assets	**93.6**	**100.0**	108.8	100.0
Equity	69.7	74.5	74.3	68.3
Current liabilities	23.9	25.5	34.5	31.7
Equity and liabilities	**93.6**	**100.0**	108.8	100.0

Due to the high equity ratio, the Group's net cash position and the available credit lines, the Management Board considers LPKF SE's earnings, net assets and financial position to be very solid.

Investments by LPKF SE

In addition to investments in IT/software, replacement investments were primarily made in property, plant and equipment in the 2024 financial year. Overall, investments in fixed assets amounted to EUR 1.6 million. Research and development expenses at LPKF SE amounted to EUR 10.1 million in 2024 (previous year: EUR 7.9 million).

Employees

On the reporting date, LPKF SE had 317 employees, 2 fewer than in the previous year.

Dividend

LPKF SE's dividend policy is to distribute 30 - 50 % of the free cash flow as a dividend, although the current situation of the company, economic developments and possible investments, acquisitions or the sale of assets may lead to deviations from this principle.

In the 2024 financial year, LPKF generated only a small positive free cash flow and a negative result (EBIT). For this reason, the Management Board will propose to the Annual General Meeting on June 4, 2025 that no dividend be distributed for the 2024 financial year. The financial resources from the free cash flow are to be invested in measures to promote the company's future growth. The company also did not distribute a dividend for 2023.

Risk Report

The development of LPKF SE's business is essentially subject to the same risks as the LPKF Group. These risks are explained in the risk report of the combined management report.

OVERALL ASSESSMENT OF THE GROUP'S ECONOMIC SITUATION

LPKF expects a challenging economic environment overall in 2025. Despite the uncertain economic outlook, LPKF sees growth opportunities for the Group in the current financial year.

LPKF continues to monitor the effects of the Russian military action in Ukraine and the geopolitical tensions worldwide with concern. As in the previous year, LPKF had no business activities, receivables, employees or significant known risks in Russia and Ukraine in the reporting year. Possible future blanket US tariffs could pose a risk for LPKF and the German mechanical engineering sector.

LPKF counters potential liquidity risks with forward-looking liquidity and working capital planning that differentiates between currencies. In addition to the main factors influencing cash flows, this also takes into account risks that could have an impact on the future liquidity situation. The LPKF Group has only moderate debt. In addition to its own liquid funds, LPKF also has liquidity reserves of EUR 25.0 million in cash available in the form of a syndicated loan that has been in place since October 2023. In addition to the cash, the syndicated loan also includes an additional guarantee facility of EUR 15.0 million. The syndicated loan is provided by five global financing partners, has a term of three years and can be adjusted in terms of both amount and term with the consent of the financing partners.

REPORT ON EXPECTED DEVELOPMENTS

MANAGEMENT'S ASSESSMENT OF THE GROUP'S EXPECTED DEVELOPMENT

Economic environment

In 2025, the global economy is still in a phase of low momentum and increasing economic and political uncertainty. The import tariffs announced by the US and possibly other countries should be mentioned here. Further interest rate cuts and lower inflation could have a positive effect, with the resulting increases in investment activity and private consumption. Overall, the forecasts remain cautious. The Institute for the World Economy (IfW) expects the global economy to grow by 3.1 % in both 2025 and 2026. The International Monetary Fund (IMF) expects a slightly better development for both years at 3.3 %.

The IfW expects the advanced economies to see GDP growth of just 1.8 % in 2025 and 1.6 % in 2026. For the largest economy, the US, the analysts expect a somewhat lower increase than in the previous year, with growth of 2.4 % in the current year and 1.7 % in the coming year. By contrast, the economy in the EU is developing more modestly. Growth of 1.2 % is forecast for 2025 and 1.4 % for 2026.

After two years of recession, the IfW analysts do not expect any growth for Germany in the current year either; even the German government has reduced its forecast to 0.3 %. According to the IfW, a small increase of 0.9 % could then be achieved in 2026.

Higher growth rates are still expected in emerging markets, although these are expected to weaken somewhat. The IfW expects growth of 4.2% in 2025 and 4.1% in 2026. China will remain the strongest economy in this group of countries, albeit at a slower pace than in previous years, with growth of 4.4% in the current year and 4.0% in the next.

In addition to the general economic conditions, LPKF's business performance is also influenced by developments in the electronics industry (with a focus on consumer electronics), the automotive industry, the solar industry, the plastics processing industry and biotechnology.

The VDMA expects a 2% decline in production in the German mechanical and plant engineering sector in 2025. In the electrical industry, the Gartner research institute forecasts growth of 4.6% in the global smartphone market to around 1.29 billion units. In the automotive industry, a further increase in global sales is forecast. According to Statista, the number of cars sold is expected to rise to around 81 million units annually by 2026.

According to Statista, the solar industry will contribute around 1.39 trillion kWh to global electricity demand by 2025. This is based on an average annual growth rate of 7.41% until 2029. The integration of innovative technologies to increase efficiency and minimize costs is playing an increasingly important role.

According to IHS Markit, global annual plastic consumption in the plastics processing industry is expected to double by 2030. Among other things, the demand for new lightweight materials in automotive engineering and new applications in medical and electrical engineering are contributing to this.

In biotechnology, the market for cell therapy in particular is proving to be very promising. Transparency Market Research Inc. predicts a global annual growth rate of 20.8% for this market between now and 2034. For single-cell analysis, Mordor Intelligence expects an average growth rate of 13.10% between now and 2029.

Group performance

According to the forecasts, the macroeconomic environment will remain challenging for the LPKF Group in 2025 and 2026. While financing costs and inflation could improve, potential import tariffs are causing uncertainty in global trade. Forecasts for this year and next are rather positive for the sectors relevant to the LPKF Group.

Despite the uncertain economic outlook, LPKF sees growth opportunities for the Group in the current financial year.

LPKF's strategic focus is on developing innovative, less cyclical technologies that have the potential to permanently change products, components and manufacturing in the electronics, semiconductor and other industries.

In the opinion of the Management Board, the company is financially stable and will be sustainably profitable again despite the current economic situation thanks to the strategic and operational measures carried out in 2024. LPKF is in a position to expand its business activities with market-ready innovations by focusing even more strongly on customer needs and operational improvements. Investments in the development of new technologies and applications are being made in full despite the difficult economic conditions. The LPKF Group's significantly increased diversification in recent years has considerably reduced its dependence on individual market segments and customers. Only one major customer accounted for more than 10% of turnover.

The Management Board continues to see great potential to sustainably increase the company's turnover and earnings. This potential stems from the technologies mastered by LPKF, its ability to integrate these into high-performance solutions, the exceptional expertise of its employees and the resulting value added for its customers.

The Management Board anticipates the following developments for the future:

- Megatrends such as miniaturization, next generation computing, carbon neutrality, connectivity and demographic change will result in high-precision manufacturing and analysis methods becoming more prevalent.
- Customer demand for efficient solutions to manufacture high-precision components and products remains high. The number of applications continues to increase. New product developments and distribution channels are proving their worth.
- LIDE technology is being used for volume production, e.g. in the display area and in the semiconductor industry, and has good chances to establishing itself as a key technology in this area.
- Green energy will continue to gain importance, especially against the backdrop of the current energy crisis, and increase demand for efficient solar modules.

- Arralyze gives LPKF access to the growth market of biotechnology, which is developing very dynamically due to the aging population and the trend towards individual therapies.

The Management Board will continue to drive the company's growth in the current financial year with targeted measures:

- LPKF continues to invest in technology development to expand its leading position in laser micromaterial processing. In doing so, the company focuses on the specific parameters that are decisive for the economic success of its customers, giving its clients a concrete competitive advantage. LPKF also develops disruptive applications for new growth markets along its core competencies.
- The scalability of solutions for customers is being strengthened systematically.
- LPKF will specifically drive forward technologies that help customers save resources and produce more energy-efficiently.
- The LIDE technology and related applications in the field of advanced packaging will be further expanded and its establishment in various fields of application will be pushed forward.
- The company will strengthen its sales activities and further expand its market penetration in the individual segments.
- After-sales service will be further expanded as an additional growth platform.
- The organization, processes and systems will become scalable and aligned for future growth.
- The Management Board will also pursue possible growth through M&A activities, but only where the resulting increase in value is clearly visible.

LPKF will remain agile and flexible as a company in order to be able to react quickly to any changes in the economic environment. Overall, LPKF expects profitable growth in the medium term even in a volatile economic environment. Financially, the company is and will remain well positioned and has the necessary funds for investments and further growth.

Development of key figures and outlook

Financial year 2024

Group sales in the 2024 financial year reached EUR 122.9 million and were thus 1.2% below the previous year's figure. At EUR -2.5 million, EBIT was significantly below the previous year's figure of EUR +3.7 million. The EBIT margin fell from 3.0 % to -2.1 %. EBIT in 2024 was burdened by extraordinary costs totaling approximately EUR 2.6 million (previous year: EUR 0.7 million). These include costs for the optimization measures implemented as well as changes in the value of the Long Term Incentive (LTI) resulting from fluctuations in the performance factor or the share price. EBIT adjusted for these special items amounted to EUR 0.1 million (previous year: EUR 4.4 million), corresponding to an adjusted EBIT margin of 0.0 % (previous year: 3.5 %).

ROCE reached -2.5 % (previous year: 3.5 %), well below the target.

In 2024, capital employed in working capital fell to EUR 37.2 million as of the reporting date (previous year: EUR 40.0 million). This was mainly achieved through lower customer receivables and a lower inventory balance. The net working capital ratio fell from 32.2% in the previous year to 30.3%.

At EUR 114.3 million, incoming orders in the reporting period were down 5.8% on the previous year's EUR 120.1 million. The order backlog of EUR 50.9 million at the end of the year was down 8.0% on the previous year.

Guidance for financial year 2025

In view of the highly uncertain global economic and political environment, LPKF expects consolidated revenue of EUR 125 to 140 million and an adjusted EBIT margin between 6% and 9% for financial year 2025, corresponding to an adjusted EBIT of EUR 8 to 12 million. Adjusted EBIT is EBIT adjusted for restructuring and severance costs and changes in long-term incentives (LTI) resulting from fluctuations in the performance factor or share price. LPKF expects these costs to amount to 0.5–1.5% of revenue in financial year 2025.

The Management Board expects a moderate to strong reduction in net working capital and the net working capital ratio for the Group. ROCE will largely follow the development of earnings, while free cash flow is expected to increase moderately to strongly.

For LPKF Laser & Electronics SE, a slight to moderate increase in revenue and earnings before interest and taxes is expected.

Ambition for the years ahead

In the medium term, the company continues to expect sustainable growth in all segments. LPKF expects mid to high single-digit growth rates for its core business. The markets addressed by the new strategic business initiatives in the semiconductor, display and biotechnology sectors are targeted to generate annual revenue contributions in the low three-digit million range. In addition, LPKF aims to achieve an attractive double-digit EBIT margin in the Group through scaling effects.

REPORT ON OPPORTUNITIES

OPPORTUNITY MANAGEMENT

As a technology company, LPKF does business in a dynamic market environment. New opportunities constantly arise from a changing technology landscape and new market requirements. Systematically identifying and leveraging these opportunities is a major factor for the sustainable growth of the LPKF Group. Opportunity management involves closely monitoring new markets, trends and applications, evaluating market analyses and regularly reviewing the product portfolio. Opportunity management is closely linked to risk management and follows the same system.

The business units and specialist product and innovation managers (Group Development) systematically seek out new technologies and applications. The responsibility for identifying opportunities in the product groups and markets lies with the product managers and international subsidiaries. In some cases, external consultants are also brought in. Results are regularly reported to the company’s management.

Opportunities also arise from improved market penetration, the ongoing dialog with existing customers and the evaluation of new possibilities of collaboration, the service and further operating improvements. These opportunities are systematically collected, analyzed and addressed by a customer relationship management tool.

If it is likely that opportunities will materialize, they are included in the planning and outlook for the coming years. The opportunities listed below focus on future trends or events that could result in a positive deviation for LPKF from the outlook given in the report on expected developments. Taking into account the existing estimation uncertainty, the opportunities presented below can make a substantial positive contribution to earnings. The opportunity profile for the Group and LPKF Laser & Electronics SE is identical. The following opportunities are listed in descending order of importance.

OPPORTUNITIES

1. New technology breakthroughs/expansion into new markets

In addition to its established markets, LPKF also focuses on adjacent growth areas and attractive new markets that offer promising growth and income opportunities. Moreover, LPKF aims to open up new markets and further cement its presence in existing markets by developing new products. The purpose of continuous market and technology monitoring is to identify market opportunities at an early stage. Based on this monitoring, technology studies are conducted, which provide an opportunity to register industrial property rights on novel solutions, among others.

2. Impact of megatrends

Dynamic megatrends such as Miniaturization, New Generation Computing, Carbon Neutrality, Connectivity, and Demographic Change are driving business. The key factor in all these trends is that high-precision, clean and energy-efficient production methods are needed to enable innovation and progress. When customers choose to replace established processes, above-average growth is possible.

- **Miniaturization**: As more and more electronic components have to be integrated in the smallest of spaces, precision tools are indispensable for structuring and separating printed circuit boards and for welding housings.
- **Next Generation Computing**: The current phase of digitization is characterized by the increasing networking of data, the exponential growth of data volumes and increasing demands on data processing through technologies such as Artificial Intelligence and machine learning. The need for high and energy-efficient computing power is leading to the use of new materials such as glass in the semiconductor industry. This makes it possible to further improve the performance and efficiency of systems without relying solely on the reduction in the size of transistors in accordance with Moore's Law.
- **Carbon Neutrality**: Renewable energies are the key factor on the road to carbon neutrality. The growing importance of solar energy in power generation requires precise and efficient manufacturing equipment. Electromobility is driving demand for battery module manufacturing tools. Overall, the importance of energy efficiency in manufacturing processes and end products is increasing.
- **Connectivity**: Increasing connectivity based on digital infrastructures is fundamentally changing the way we live and work. A key aspect of this megatrend is human-centered networking, in which technologies are increasingly aligned with people's needs and expectations. Mobile data exchange, improved sensor technology and continuous innovations in mobile devices demand new manufacturing solutions and increase the need for rapid prototyping, among other things.
- Demografic Change: Ageing population is leading to increased demand for medical technology and accessories worldwide. The development of drugs and personalized medicine requires efficient solutions for single-cell analysis.

3. Further development of the existing product portfolio

LPKF updates its product portfolio on an ongoing basis, aligning this activity with signals from customers, technological progress outside the company and changing markets. At the same time, it also pursues its own research and development to fuel innovations. The company thus aims to always be prepared to meet future customer needs, anticipate trends and actively create new market demand through its own innovative processes. LPKF ensures its ability to innovate for the future by closely networking its development departments with product managers, sales and service as well as investing approx. 10% of revenue p.a. in research and development. The continuous development of the product portfolio can lead to changes in the product mix. These changes present risks as well as opportunities.

4. Improving market penetration

LPKF works to continuously improve its market penetration in different regions and sectors, and for potential applications and customer groups. Experience and customer relationships are exploited to find additional areas of application and sales potential. Going forward, LPKF intends to further expand and generally professionalize this systematic, often comprehensive market development approach in order to achieve more profitable growth with both new and successfully established products. This includes the sale of machinery, services and – increasingly – production services as well.

5. Operating improvements

Potential for improvements in costs and use of the company's capital is continuously monitored and actively pursued. This includes improving working capital and cash flow over the long term. The level of overall cost discipline throughout the company viewed as high by the Management Board is being maintained. This also applies to programs to reduce inventories and trade receivables. The company also aims to achieve a higher degree of operational efficiency, thereby increasing scalability and reducing costs in the long term. These measures make a significant contribution to maintaining and enhancing the company's competitiveness and profitability.

6. Independence of individual markets as a result of broad positioning

LPKF's strategy to build on its core competencies and expand into different markets has a potentially stabilizing effect against the backdrop of cyclical markets. The various markets served by LPKF often have asynchronous and different industry cycles. This strategy also offers low sensitivity to the technological cycles of LPKF's own products.

7. Business organization

The consistent alignment of the corporate structure to the corporate strategy has created one of the key conditions for exploiting opportunities for further growth. The Group's organization and internal processes are continually future-proofed, made leaner and faster, and focused on market proximity and profitable growth. Going forward, LPKF intends to use economies of scale more intensively and, at the same time, make general and administration functions leaner and more productive.

8. Takeover of external companies with strategically relevant expertise

In the Management Board's opinion, LPKF has a broad product portfolio and many ideas for further developing products and uncovering new market opportunities. This is why organic growth is at the forefront of its corporate strategy. Nonetheless, the company also pursues opportunities for anorganic growth that could come from acquiring patents, companies or personnel with strategically relevant expertise.

RISK REPORT

DESCRIPTION OF THE INTERNAL CONTROL SYSTEM

Overview

The internal control system (ICS for short) comprises the principles, procedures and measures introduced by LPKF management that focus on the organizational implementation of management decisions and legal requirements with the aim of safeguarding the company's assets and boosting its operating efficiency.

The ongoing development of the ICS involves analyzing the company's functional areas on an ongoing basis, for example through audits, workshops, and internal audits, and assessing the probability of losses occurring in these areas and the extent of potential losses.

The Management Board organizes the structure of the individual units and constantly adjusts workflows based on the findings gathered from the ICS. Essential principles that apply include separation of functions, the principle of dual control and restricted access to IT systems. Examples of these can be seen in signature regulations, process workflows, approval requirements for significant transactions and IT access authorizations.

The results of internal audits are presented to the Supervisory Board and are processed in a timely manner. Follow-up audits ensure that the agreed implementation of the findings is monitored and documented regularly. Implementation is the responsibility of the Management Board. The risk profile of the Group and LPKF Laser & Electronics SE is identical.

Risk management system*

Opportunity and Risk management is pursued actively at LPKF. Different reporting tools are implemented for this purpose.

Risk management at LPKF involves the formulation and implementation of measures suitable for identifying existing risks, hedging them, reducing the probability of their occurring, mitigating them, or consciously accepting them to a reasonable extent. Risks in this sense are negative deviations from corporate planning that are of a material nature. Opportunities in this sense are positive deviations from corporate planning. The recurring opportunity and risk management system ensures the forward-looking and recurring identification and control of opportunities and risks that also affect the non-financial area. The opportunity and risk management system is interlinked with the ICS and compliance management.

* The disclosures in this paragraph (overall statement on the effectiveness of the risk management and internal control system) were made in accordance with the requirements of the German Corporate Governance Code. They are to be classified as "unrelated to the management report" as they go beyond the statutory requirements and are therefore not part of the substantive audit by the auditor.

The key features of the compliance management system are published at www.lpkf.com/en/company/compliance-management. Information on the integration of ESG objectives and risks into the ICS and the risk management system can be found in the non-financial report.

The risk early warning in particular is a fundamental element in the planning and implementation of LPKF's business strategy. Strategic planning and the associated reporting system are particularly important.

The Management Board of LPKF SE is responsible for risk policy and the internal control and risk management system. The second- and third-level local management staff implement these control functions in each of the Group's organizational units. In this way, the responsible employees can use suitable and effective means to identify new risks quickly and directly where they arise and then report them to the risk manager. A central database is used for reporting.

A risk report is submitted to the Management Board on a monthly basis and to the entire Supervisory Board on a quarterly basis. In addition to regular reporting on identified risks, ad hoc reports must be prepared as needed on all risks that occur unexpectedly. The risk manager reports directly to the Management Board. The risk management system is subject to regular audits by internal auditing.

Based on this, the Board of Management has no indication that the internal control system or the risk management system in their respective entirety were not adequate or effective as of 31 December 2024.

As in previous years, existing and potential opportunities and risks were reassessed in the 2024 financial year and the efficiency of the reporting system with regard to managing risks was reviewed. A database-supported reporting system has been installed.

An international auditing firm performs internal auditing tasks throughout the entire LPKF Group. The audits are based on a multi-year audit plan agreed with the Supervisory Board and the Audit, Risk and ESG Committee.

Description of the internal control and risk management system with regard to the accounting process

The internal control system with regard to the accounting process pursues the objective of securing the correctness and effectiveness of accounting and financial reporting. It is designed on the basis of the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control - Integrated Framework), is continuously developed further and is an integral part of the accounting and financial reporting processes in the organizational units and companies.

The control system includes principles, procedures and preventive and detective controls. The effectiveness of the internal control system with regard to the accounting process is systematically assessed. It begins with a risk analysis and a control definition with the aim of identifying significant control weaknesses for the accounting and financial reporting processes in the main companies, organizational units and Group functions. The necessary controls are defined in accordance with central guidelines and documented at organizational unit level. In order to assess the effectiveness of the controls, tests are carried out regularly on the basis of random samples. These form the basis for a self-assessment of whether the controls are appropriately designed and effective. The results of this self-assessment are documented and reported by a central unit and any control weaknesses identified are addressed. Non-accounting-related controls are also documented at a central level. The organizational units in question regularly confirm the effectiveness of the internal control system with regard to the accounting process.

The Management Board, the Audit, Risk and ESG Committee and the Supervisory Board are regularly informed about potential material control weaknesses and the effectiveness of the controls in place.

Internal Auditing checks at (irregular) intervals whether the legal framework and internal guidelines for the Group's control and risk management system are being complied with. If necessary, measures are initiated in cooperation with the respective management.

The auditor examines the risk early warning system integrated into the risk management system for its fundamental suitability to identify risks that could jeopardize the company as a going concern at an early stage; in addition, the auditor reports to the Audit Committee and the Supervisory Board on any significant weaknesses identified in the accounting-related internal control and risk management system as part of the audit of the financial statements.

SPECIFIC RISKS

The risk management process currently involves dealing in detail with the specific risks listed in the table below, which could have a significant impact on the LPKF Group’s business, as well as its net assets, financial position and results of operations.

The following risks in particular are given high priority and are shown in the table according to risk-minimizing measures (net presentation)*:

Specific risk (segment)	Qualitative probability of occurrence		Possible financial effects	
	Category	in %	Category	Loss amount
Market acceptance of new technologies (Solar, Development)	POSSIBLE	over 25% and up to 50%	MODERATE	up to EUR 5 million
Personnel risks relating to key functions (all segments)	LESS LIKELY	up to 25%	MODERATE	up to EUR 5 million
Supply shortage (all segments)	LESS LIKELY	up to 25%	MODERATE	up to EUR 5 million
IT related risks (all segments)	LESS LIKELY	up to 25%	MODERATE	up to EUR 5 million
Recession (all segments)	Reviewed and assessed regularly outside the control system schematic			

* Previous year’s figures are shown in parentheses if they have changed. The loss amount corresponds to the expected value, i.e. the maximum net loss amount multiplied by the probability of occurrence.

The potential impact of risks on all business areas is constantly monitored. In particular, the risk of a recession could not only lead to delivery problems, but also to a sales risk if customers become more cautious for financial reasons. The Management Board therefore regularly discusses order and sales risks individually with all business unit managers and derives appropriate measures.

Credit risk management to assess potential payment default risks with customers is closely monitored. LPKF is protected against significant payment defaults by extensive trade credit insurance. A combination of credit checks and the agreement of certain payment terms, as well as advance payments made by customers prior to delivery, have established further security measures, particularly where commercial credit insurance does not apply.

Neither from a Group perspective nor from the perspective of LPKF SE the company sees any risks that jeopardize its continued existence at present, and no such risks for the future can currently be identified.

Like all other risks, general business risks are monitored regularly and reassessed as necessary. In order to provide an overview of the possible general business risks, they are explained below in addition to the high-priority risks.

Other risks that are currently unknown or that are currently (still) considered negligible could also have a negative impact on business.

Market acceptance

Cause

As a technology group, LPKF primarily offers manufacturing solutions and laboratory systems for current and future technical issues. There is a risk that the demand for LPKF's production technologies will develop negatively due to changing end customer markets or that markets will not or only partially accept the new technologies developed by LPKF. In markets that are quite cyclical in some cases, there is an additional risk if the global ability and willingness to invest in new technologies temporarily declines due to the economic situation. The emergence of competing processes can lead to declining sales and earnings, particularly if these processes prove to be technically and/or economically advantageous.

The competitive situation and rapidly changing technological requirements entail risks across all segments. LPKF's success depends to a large extent on how quickly and to what quality new developments can be brought to market maturity and how customers can be convinced of the technologies developed.

Measures

As part of the risk management system, there is a permanent follow-up in the Management Board to monitor the value of new developments and incorporate them into the product strategy. The business unit heads and technology management are also involved in this process. A structured idea generation and development process supports the development of high-quality products with a structured, rapid flow of development projects. LPKF customers can often realize cost advantages through investments but also achieve competitive advantages and take advantage of the associated market opportunities. This requires continuous engagement with the market and close contact with end customers. It enables established technologies to be replaced by new processes time and again. New applications are developed and promoted for existing technologies. The technologies are also protected by patents.

Effects on the economic situation

Overall, innovation is of key importance to the LPKF Group. The competitive situation and rapidly changing technological requirements call for a flexible and dynamic development process. The probability of occurrence of risks in the area of market acceptance is currently considered possible, while the financial impact is assessed as moderate (see table of specific risks).

Personnel risks

Cause

Demand for qualified specialists, both in the technical and non-technical fields, remains high in the mechanical engineering and manufacturing industries. High-tech companies in particular are facing intense competition for talented specialists. The shortage of skilled workers, which has been increasing for years, makes it difficult to fill vacancies. Nevertheless, the Management Board believes that LPKF's reputation and technological expertise make it a particularly attractive employer, especially for engineers and software developers.

However, due to the high level of qualification of the workforce, there is a risk that employees with key qualifications and essential expertise will be lost through headhunting or that vacancies cannot be filled promptly. This risk was also identified as material in the materiality analysis of the sustainability topics, particularly due to the effects of demographic change.

Measures

To ensure the retention of top performers, LPKF offers its employees an attractive working environment and a wide range of development opportunities within the Group. The focus here is on personal freedom, performance-related pay and a positive working atmosphere.

Executives play a central role in employee satisfaction and loyalty. Leadership issues were therefore addressed in numerous discussions and events. LPKF also developed new leadership principles in 2024. These are intended to further strengthen the quality of leadership in the future and promote cooperation within the organization in the long term. Future and existing managers are also specifically prepared for their tasks through special junior management programs and management training.

Another measure for employee retention is the annual employee share program, which was implemented for the sixth time in the reporting year. With a participation rate of around 35%, the program reflected the strong loyalty of the workforce.

LPKF also intensified its HR marketing activities in the reporting period, particularly via social media, but also at job and product fairs. The aim was to further strengthen LPKF's position as an attractive employer in the high-tech mechanical engineering sector.

Effects on the economic situation

The increasing shortage of skilled workers, particularly on the German labor market, remains a challenge for LPKF in recruiting qualified staff. However, thanks to an attractive working environment, intensive university contacts and a growing reputation in the laser industry, LPKF is able to fill most vacancies. However, this process often takes longer than expected.

The risk of losing employees with key qualifications through headhunting continues to exist across all segments but is currently considered less likely. The financial impact of this risk can be classified as moderate (see table of specific risks).

Supply shortage

Cause
Originally due to the COVID pandemic, but also due to the consequences of the war in Ukraine and the escalation of violence in the Middle East, there is a risk that suppliers will not be able to deliver on time or at all. This could lead to delays in the production of machines and therefore the fulfillment of customer orders.

Measures
LPKF can generally source most components from several suppliers. To this end, the company is constantly working to further develop its supplier base. There is close communication with suppliers in order to obtain information about potential supply shortages at an early stage. At the same time, a concept for alternative components is being developed in close cooperation with Research and Development in order to be able to fall back on technically tested and qualified alternative components in the event of supply shortages. Where necessary and sensible, components with long transportation times can be switched from the usual sea freight to rail or air freight in order to save time during transportation.

Effects on the economic situation
In principle, the procurement situation has a significant impact on the Group's realizable sales and profits. However, due to the extensive measures taken, the probability of occurrence of this risk is currently assessed as less likely and the financial impact as moderate (see table of specific risks).

In addition, as part of the materiality analysis of sustainability issues, one risk was identified as material and included, but has not yet been pursued as a TOP risk in terms of high-priority risk management. This is the potentially negative impact of rising costs along the supply chain caused by climate change.

IT-related risks

Cause
As an international company with extensive information and advanced IT systems, the Group, like other innovative companies, is exposed to potential risks such as industrial espionage and disruptions caused by internal or external factors. If national legislation on the European NIS 2 Directive comes into force in 2025, the requirements for IT security will increase significantly. This directive requires increased measures to secure IT systems, including compliance with strict reporting obligations in the event of security incidents and monitoring of supply chain risks.

Measures
To counter these risks, LPKF has a redundant IT infrastructure, most of which is implemented using cloud solutions. Other security measures include the restrictive assignment of access

authorizations, the maintenance of distributed backups of critical data and the use of various IT security technologies. LPKF will derive additional measures should the NIS 2 Directive comes into force in 2025.

The existing 24/7 Security Operations Center (SOC) will be enhanced with AI-supported analysis tools to enable even faster detection and response to security threats. In addition, LPKF will intensify training for employees to create greater awareness of cyber security risks. Regular internal and external security audits will continue to be carried out in order to meet the highest security standards.

Sustainability remains a central component of the security strategy. This includes the use of cloud solutions that rely on renewable energy and the optimization of data centers in terms of energy efficiency. IT security technology has been specially optimized for mobile working so that all necessary services are securely accessible to employees remotely.

Effects on the economic situation

The implementation of any upcoming NIS 2 requirements and other security measures requires additional investment, particularly in the monitoring of supply chain risks, the documentation of security processes and the expansion of the IT security architecture. Although these measures are associated with costs, they help to minimize potential damage and ensure the long-term security of systems.

LPKF has cyber risk insurance that can cushion some of the financial burden in the event of an incident. Despite the ongoing development of IT security, there is still a small residual risk that cannot be completely ruled out.

The probability of occurrence of IT-related risks is currently considered less likely, while the financial impact is assessed as moderate (see table of specific risks).

General business risks

Cause

With its international positioning, LPKF operates in an increasingly fast-changing environment. The situation for customers is characterized by considerable cost and competitive pressure and tight investment budgets. The target markets are subject to cyclical and project-driven development, which is particularly pronounced in the electronics, automotive and solar industries.

Economic fluctuations have a significant impact on investments in production technology. Customers' willingness to take risks to expand their capacities or introduce new technologies is limited, particularly outside Asia. New investments are often only made when the future capacity utilization of these systems appears to be secured by specific customer orders.

LPKF is also exposed to risks due to a rapidly changing technological environment. The availability of high-quality components enables new suppliers to bring low-cost competitive products and possibly alternative processes to the market.

The systematic development of new technologies and business areas is always associated with the risk that the planned business model will develop worse than forecast. There is also a risk that new technologies will not be accepted by the market as a whole or only after a considerable delay.

Product liability risks in connection with patents and warranty of title arise to different degrees in all segments. There is also the risk that recall costs may be incurred.

Last but not least, possible changes in legislation, e.g. with regard to the export of capital goods to China or other important markets such as the USA, harbor risks. In particular, the increased protectionism currently being observed in the USA and China could reduce the international competitiveness of LPKF products and thus lead to sales risks.

Measures

To continue expanding the various business areas, it is important to have a robust innovation and product management system with state-of-the-art technology and to be in close contact with customers in close proximity to the market. Overall, at least 10% of revenue will continue to be invested in research and development in the future.

To compensate for fluctuations in the utilization of capacities, LPKF is focusing on flexible structures in production and on collaboration between the LPKF production locations. In addition, peak capacity utilization levels are covered by way of external production service providers and recourse to temporary workers. In the case of lower capacity utilization levels, the depth of production can be increased.

Existing product liability risks are covered by insurance policies where possible. The same applies to potential product recalls.

Effects on the economic situation

Due to the existing and planned measures, the occurrence of the risks described above is considered to be low, although current political developments in the USA and China are being monitored with high priority.

Other risks

In addition to the risks of particular significance outlined above, the Group is exposed to the following risks, among others:

Exchange rate fluctuations

Cause

LPKF is exposed to currency risks due to its strong focus on exports and its international customer base. The exchange rates of foreign currencies are sometimes subject to major fluctuations in relation to the euro. For LPKF, the development against the US dollar (USD) and the Chinese renminbi (CNY) is of particular significance. This risk also includes obligations arising from hedging relationships entered into due to delays in the underlying transaction (e.g. delayed receipt of a foreign currency payment). The LPKF Group generally tries to conclude contracts in euros. However, some transactions with international customers are also invoiced in foreign currencies. If invoices are issued in euros, exchange rate fluctuations can have an indirect impact on LPKF's competitiveness because most of its competitors are not based in the eurozone and LPKF incurs significant costs in euros.

Measures

Currency risks in the operating and financial areas are continuously identified, monitored and reported. To hedge against exchange rate risks from foreign currency transactions, LPKF creates so-called "natural hedges" by sourcing in these currencies where possible. In addition, LPKF enters into hedging transactions in the form of forward exchange transactions for any remaining significant foreign currency exposure. This part of risk management is performed centrally at LPKF SE in Garbsen, Germany and is also performed for the subsidiaries as required. The majority of the foreign currency cash flow is either used to procure materials in the same currency or hedged by entering into forward exchange transactions.

Effects on the economic situation

Fluctuations in exchange rates can have a moderate positive or negative impact on earnings and competitiveness. Countermeasures are constantly reviewed and introduced where possible.

Information on risks arising from the use of financial instruments can also be found in the "Other disclosures" section of the notes to the consolidated financial statements.

Financing

Cause

The LPKF Group is exposed to liquidity risk due to its business model. LPKF pre-finances a significant part of its research, development and market development, as well as the manufacture of its own products. The company's liquidity situation varies depending on the level of working capital. In addition to running costs, cash outflows are largely determined by the order situation in conjunction with the procurement of materials. Cash inflows depend on customer orders, advance payments received from customers and the term of receivables. Delays in cash inflows are mainly due to delayed acceptance of products or complaints. To offset this liquidity risk, LPKF concluded a syndicated loan agreement for EUR 40.0 million in October 2023. The syndicated loan gives LPKF access to EUR 25.0 million in liquidity and a further EUR 15.0 million in guarantee lines. The agreement has a term of three years and can be extended twice by one year each time with the consent of the lenders. In order to have permanent access to the liquidity from the loan agreement during the term of the agreement, various financial covenants must be met. A breach of financial covenants may lead to termination of the loan agreement under certain circumstances.

Measures

Regular liquidity planning prevents a liquidity shortage by identifying potential deficits at an early stage.

Receivables and liabilities are regularly checked for payability. In the area of receivables management, recurring dunning runs and consultations with the relevant sales units on overdue trade receivables take place. In addition, a weekly cash status is prepared for the entire LPKF Group worldwide and reported to the CFO.

Liquidity requirements not covered by incoming payments are temporarily offset via the working capital line of the syndicated loan agreement.

The key financial figures agreed with the syndicated lenders are reviewed at regular intervals to ensure compliance. This involves an interdepartmental exchange in the context of intra-year forecasts and annual planning. There is a regular exchange with the syndicated lenders on business development and company forecasts. If it becomes apparent that compliance with agreed key figures cannot be guaranteed on individual reporting dates, covenant adjustments are negotiated with the syndicated lenders at an early stage.

In addition, LPKF is constantly evaluating various financing options such as factoring or reverse factoring. As part of the capital market access through the company's listed shares, there is also the possibility of raising authorized capital in the form of new shares or by issuing a convertible bond.

Effects on the economic situation

Solvency is a key factor for the LPKF Group. Care is taken to ensure that financial obligations are met at all times. Failure to meet payment obligations can result in a deterioration in the company's credit rating, shorter payment terms, rising financing costs and even the termination of contractual relationships. The liquidity situation is therefore regularly reviewed and monitored on an ongoing basis

MANAGEMENT'S ASSESSMENT OF THE GROUP'S RISK SITUATION

The global political situation remains volatile at the start of 2025, while the economic situation is expected to remain moderate. The financial situation is stable due to LPKF's solid financial position and results of operations, its good market position and the measures introduced to reduce fixed costs, allowing the company to continue to carry out its planned investments. The various individual risks have only a limited impact on the Group's overall risk situation.

The review of LPKF's overall risk situation has led to the conclusion that there are currently no concrete risks to the Group's continued existence as a going concern.

Pursuant to Section 317 (4) of the German Commercial Code (HGB) in conjunction with Section 91 (2) of the German Stock Corporation Act (AktG), the auditor of LPKF SE also examines whether the existing risk early warning system can fulfill its task with regard to potential risks to the company as a going concern.

SUPPLEMENTARY REPORT

DISCLOSURES ON PARTICULARLY SIGNIFICANT EVENTS

LPKF Laser & Electronics SE announced on January 8, 2025 that Peter Mümmler will be appointed to the Management Board as Chief Financial Officer with effect from April 1, 2025 for an initial term of three years.

No further events occurred after the end of the 2024 financial year that are of particular significance for the Group’s net assets, financial position and results of operations.

CORPORATE GOVERNANCE DECLARATION

The corporate governance declaration pursuant to Sections 289f and 315d of the German Commercial Code is part of the combined management report. The declaration is available for the public on LPKF SE’s website and included in the corporate governance report.

TAKEOVER-RELATED DISCLOSURES

The takeover-related disclosures required under Section 289a and Section 315a of the German Commercial Code are shown below. The subsequent explanation of these disclosures also meets the requirements of an explanatory report as defined in Section 176 (1) sentence 1 of the German Stock Corporation Act.

COMPOSITION OF SUBSCRIBED CAPITAL

On 31 December 2024, LPKF SE's subscribed capital was EUR 24,496,546.00. The share capital is made up of 24,496,546 no-par value ordinary bearer shares (no-par shares). No preferred shares have been issued. One no-par share represents a pro-rata interest of EUR 1.00 in the share capital and (with the exception of own shares) one vote at the Annual General Meeting. The rights and obligations of the no-par shares comply with the relevant requirements of the German Stock Corporation Act, specifically in Sections 12, 53a et seq., 118 et seq. and 186 in conjunction with Article 9 (1) c) (jj) and Article 5 of the SE Regulation. Both the exercising of voting rights and the transfer of shares are subject solely to legal limits.

DIRECT AND INDIRECT INTERESTS IN THE SHARE CAPITAL EXCEEDING 10% OF THE VOTING RIGHTS

To the best of LPKF's knowledge, there are no direct or indirect interests in the share capital exceeding 10% of the voting rights as of the reporting date.

LEGAL REGULATIONS AND PROVISIONS OF THE ARTICLES OF INCORPORATION ON APPOINTING AND DISMISSING MEMBERS OF THE MANAGEMENT BOARD AND ON AMENDING THE ARTICLES OF INCORPORATION

The provisions on appointing and dismissing members of the Management Board and on amending the Articles of Incorporation comply with the respective requirements of the SE Regulation, the SE Implementation Act, the German Stock Corporation Act and the Articles of Incorporation. Complementing Articles 39 (2) and 46 of the SE Regulation and Sections 84 and 85 of the German Stock Corporation Act, Article 6 of the company's Articles of Incorporation governs the Management Board's composition as follows: The Management Board shall comprise one or more persons. The Supervisory Board shall determine the number of Management Board members. The members of the Management Board shall be appointed and dismissed by the Supervisory Board (Section 84 of the German Stock Corporation Act, Article 39 (2) subparagraph 1 of the SE Regulation). If the Management Board comprises more than one person, the Supervisory Board may appoint a chairperson. The Supervisory Board is entitled to appoint deputy members of the Management Board. They have the same rights as the regular members of the Management Board when representing the company vis-a-vis third parties. Members of the Management Board shall be appointed for a maximum of five years. Reappointments are permissible for a maximum of five years in each case.

Subject to other overriding legal provisions, amendments to the Articles of Incorporation require a majority of two thirds of the votes cast or, if at least half the share capital is represented, a simple majority of the votes cast (Article 59 (1) and (2) of the SE Regulation in conjunction with Section 51 of the SE Implementation Act and Section 24 (1) of the Articles of Incorporation). In cases where the law also requires resolutions to be passed by means of a majority of the share capital represented, a simple majority of the share capital represented in the passing of the resolution shall suffice, unless the law mandates a larger majority (Article 24 (1) of the Articles of Incorporation).

The Supervisory Board is authorized under Article 11 (2) of the Articles of Incorporation to make amendments that relate solely to their wording.

MANAGEMENT BOARD AUTHORIZATIONS TO ISSUE AND BUY BACK SHARES

The Management Board is authorized by resolution of the scheduled Annual General Meeting on 4 June 2020, subject to the Supervisory Board's prior approval, to buy back own shares until 3 June 2025 corresponding in total to up to 10% of the company's share capital either on the date the resolution was adopted or on the date the authorization is exercised, whichever is higher. Together with other own shares held by the company or attributable to it in accordance with Sections 71d and 71e of the German Stock Corporation Act, the shares acquired may at no time account for more than 10% of the share capital. The authorization may not be used for the purpose of trading in own shares. The authorization may be exercised in whole or in part, on one or more occasions, in pursuit of one or more purposes by the company or companies dependent upon it or majority-owned by it, or by third parties acting on their behalf or on behalf of the company. The Management Board is authorized, with the prior approval of the Supervisory Board, to disapply shareholders' put options when acquiring or their pre-emption rights when using their own shares in certain cases.

In November 2024, LPKF bought back a total of 21,402 shares via a middleman under an employee participation program pursuant to Section 71 (1) no. 2 of the German Stock Corporation Act. The shares were transferred to employees in line with the program terms and conditions.

By the resolution adopted by the scheduled Annual General Meeting on 5 June 2024, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital once or repeatedly until 4 June 2029 by up to a total of EUR 4,899,309.00 by issuing up to 4,899,309 new no-par value bearer shares in return for contributions in cash or in kind (Authorized Capital 2024). Shareholders shall generally be granted a pre-emption right. However, the Management Board was authorized, in certain cases and within certain capital limits, to disapply shareholders' pre-emption rights. This authorization was not utilized in the past financial year.

In connection with the authorization resolved by the Annual General Meeting on 5 June 2024 to issue warrant bonds and/or convertible bonds up to 4 June 2029 with a total nominal value of up to EUR 200,000,000.00, with the option to disapply pre-emption rights in certain cases and within certain capital limits, the company's share capital is contingently increased by up to EUR 4,899,309.00 by issuing up to 4,899,309 new no-par value bearer shares (Contingent Capital 2024/I). The contingent capital increase will only be implemented to the extent that the bearers or creditors of warrant bonds and/or convertible bonds utilize their warrant or conversion rights or fulfill their conversion obligations or the company exercises an option instead of paying the amount of money due for no-par value shares of the company. The Management Board did not utilize this authorization in the past financial year.

Conditional Capital 2024/II: By resolution of the Annual General Meeting on 5 June 2024, the Supervisory Board is authorized to conditionally increase the company's share capital by up to EUR 950,000.00 by issuing up to 950,000 new no-par value bearer shares in the company (Conditional Capital 2024/II). Conditional Capital 2024/II serves exclusively to service subscription rights issued by the company to members of the company's Management Board on the basis of the authorization until 4 June 2029. The conditional capital increase will only be implemented to the extent that subscription rights are issued and the holders exercise their subscription rights to shares in the company and the company does not service the subscription rights in accordance with the terms of the plan by delivering treasury shares or through a cash settlement. The Management Board did not make use of this authorization in the past financial year.

Conditional Capital 2024/III: By resolution of the Annual General Meeting on 5 June 2024, the Management Board is authorized, with the approval of the Supervisory Board, to conditionally increase the company's share capital by up to EUR 1,490,000.00 by issuing up to 1,490,000 new no-par value bearer shares in the company (Conditional Capital 2024/III). Conditional Capital 2024/III serves exclusively to service subscription rights issued by the company to members of the management of affiliated companies of the company and to selected employees of the company and affiliated companies in Germany and abroad on the basis of the authorization until 4 June 2029. The conditional capital increase will only be implemented to the extent that subscription rights are issued and the holders exercise their subscription rights to shares in the company and the company does not service the subscription rights in accordance with the terms of the plan by delivering treasury shares or through a cash settlement. The Management Board did not make use of this authorization in the past financial year.

More detailed information can be found in the relevant authorization resolution.

CHANGE-OF-CONTROL PROVISIONS

Some of the financing agreements and other contractual obligations of the LPKF Group contain change-of-control clauses. These contractual clauses govern the rights of the contracting parties with respect to a change of control in the ownership structure of the LPKF Group. In the event of a significant change in the ownership structure, the contracting party often has a special right of termination.

The employment contracts of the current Management Board members each include a change-of-control clause. Accordingly, 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.

In the event that the Company terminates the employment contract without due cause for the termination attributable to the Management Board, the Management Board member shall receive a compensation payment of up to two year’s fixed compensation (gross), but not exceeding the compensation for the remaining term of the contract after expiry of the notice period. This compensation shall be offset against the compensation in connection with the post-contractual non-competition clause.

The other disclosures required by Sections 289a and 315a of the German Commercial Code relate to circumstances that do not exist at LPKF SE.

CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

For the LPKF Group and LPKF Laser & Electronics SE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM 1 JANUARY TO 31 DECEMBER 2024

in EUR thousand	Note	**2024**	2023
Revenue	1	122,890	124,337
Changes in inventory		-704	1,529
Other own work capitalized	2	5,709	5,328
Other income	3	4,555	4,214
Cost of materials	4	-42,198	-43,724
Staff costs	5	-57,046	-52,357
Depreciation, amortization and write-downs	6	-8,372	-9,114
Impairment expenses (including reversals) on financial assets and contract assets	32	90	-61
Other expenses	7	-27,467	-26,459
Operating Result (EBIT)	8	**-2,543**	3,693
Finance income	9	3	12
Finance costs	9	-1,529	-620
Earnings before tax		**-4,069**	3,085
Income taxes	10	-440	-1,331
Period result		**-4,509**	1,754
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluations of defined benefit plans	22	299	-338
Items that will be reclassified to profit or loss			
Currency translation differences		569	-219
Other comprehensive income after taxes		**868**	-557
Total comprehensive income		**-3,641**	1,197
Earnings per share (basic)	28	-0.18	0.07
Earnings per share (diluted)	28	-0.18	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2024

in EUR thousand	Note	**12/31/ 2024**	12/31/ 2023
ASSETS			
Intangible assets and goodwill	11	22,856	22,043
Property, plant and equipment	12	40,290	40,925
Right-of-Use Assets	13	1,858	2,115
Trade receivables	15	0	23
Other financial assets	16	143	301
Other non-financial assets	17	211	20
Deferred tax assets	19	383	245
Non-current assets		**65,741**	65,672
Inventories	14	26,892	31,269
Trade receivables	15	30,108	36,394
Income tax receivables		839	955
Other non-financial assets	17	2,958	3,505
Cash and cash equivalents	18	5,053	10,678
Current assets		**65,850**	82,801
Total		**131,591**	148,473

in EUR thousand	Note	**12/31/ 2024**	12/31/ 2023
EQUITY			
Subscribed capital		24,497	24,497
Capital reserve		15,463	15,463
Other reserves		13,289	12,174
Net retained profits		38,512	42,982
Equity	20	**91,761**	95,116
LIABILITIES			
Provisions for pensions and similar obligations	22	486	346
Other financial liabilities	25	905	1,391
Deferred income	21	352	374
Contract liabilities	1	239	99
Trade payables		0	172
Other provisions	23	593	185
Deferred tax liabilities	19	1,876	2,114
Non-current liabilities		**4,451**	4,681
Other provisions	23	3,193	3,067
Other financial liabilities	25	7,125	12,216
Deferred income	21	319	88
Trade payables		7,362	9,790
Contract liabilities	1	12,187	17,647
Other liabilities	26	5,193	5,868
Current liabilities		**35,379**	48,676
Liabilities		**39,830**	53,357
Total		**131,591**	148,473

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM 1 JANUARY TO 31 DECEMBER 2024

in EUR thousand	Note	**2024**	2023
Cash flow from operating activities			
Period result		-4,509	1,754
Adjustments:			
Tax expenses		440	1,331
Financial expenses		1,529	620
Financial income		-3	-12
Depreciation/amortization of non-current assets		8,372	9,114
Gains/losses on the disposal of property, plant and equipment		-14	2
Impairment losses/reversals	14, 15	720	1,156
Other non-cash expenses and income		596	-338
Changes:			
Inventories (before depreciation)		3,802	-5,014
Trade receivables		6,497	-9,335
Other assets		514	-802
Provisions		660	-149
Trade payables		-2,434	2,291
Other liabilities		-6,051	-2,995
Other:			
Income from interest		3	12
Income taxes paid		-694	-1,001
Cash flow from operating activities		**9,428**	-3,366
Cash flow from investing activities			
Investments in intangible assets		-4,762	-5,933
Investments in property, plant and equipment		-2,786	-1,770
Revenue from the disposal of assets		64	6
Other		0	-45
Cash flow from investing activities		**-7,484**	-7,742

in EUR thousand	Note	**2024**	2023
Cash flow from financing activities			
Dividends paid		0	0
Interest paid		-1,043	-621
Payments of lease liabilities		-979	-952
Proceeds from the raising of (financial) loans		0	12,000
Payments for repaying loans		-12,000	-1,712
Cash flow from financing activities		**-14,022**	8,715
Change in cash and cash equivalents			
Increase (+) / decrease (-) in cash and cash equivalents		**-12,078**	-2,393
Cash and cash equivalents as of 1 January		10,678	12,785
Effects of exchange rate changes on cash and cash equivalents		235	286
Cash and cash equivalents as of 31 December	**18, 27**	**-1,165**	10,678

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY TO 31 DECEMBER 2024

in EUR thousand	Subscribed capital	Capital reserve	Other retained earnings
As of 01/01/2024	24,497	15,463	10,529
Earnings after tax			
Other comprehensive income after taxes			
Total comprehensive income	0	0	0
Changes in the consolidation scope			
Share-based payment			
As of 12/31/2024	24,497	15,463	10,529

in EUR thousand	Subscribed capital	Capital reserve	Other retained earnings
As of 01/01/2023	24,497	15,463	10,529
Earnings after tax			
Other comprehensive income after taxes			
Total comprehensive income	0	0	0
Transactions with shareholders			
As of 12/31/2023	24,497	15,463	10,529

	Other reserves				
	Revaluations of defined benefit plans	Share-based payment reserve	Foreign currency translation reserve	Net retained profits	**Total equity**
	-546	490	1,701	42,982	**95,116**
				-4,509	-4,509
	299		569		868
	299	0	569	-4,509	**-3,641**
				39	39
		247			247
	-247	737	2,270	38,512	**91,761**

	Other reserves				
	Revaluations of defined benefit plans	Share-based payment reserve	Foreign currency translation reserve	Net retained profits	**Total equity**
	-208	490	1,920	41,228	**93,919**
				1,754	1,754
	-338		-219		-557
	-338	0	-219	1,754	**1,197**
	-546	490	1,701	42,982	**95,116**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2024 CONSOLIDATED FINANCIAL STATEMENTS

A. BASIC INFORMATION

LPKF Laser & Electronics SE and its subsidiaries (together the LPKF Group) develop and produce equipment and systems for electronics development and production. New laser-based technologies are aimed in particular at customers in the automotive, electronics and solar industries. The Group also offers solutions for the analysis of biological materials in the nanoliter range and manufactures glass components for customers from various industries at the LPKF Glass Foundry. LPKF Laser & Electronics SE is entered in the commercial register at Hanover Local Court (Reg. No. 110740 B).

The company is a stock corporation under European law, founded and domiciled in Germany. The address of the registered office is:

Osteriede 7

30827 Garbsen

These consolidated financial statements were approved for publication by the Executive Board on March 18, 2025.

B. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of LPKF Laser & Electronics SE, Garbsen, were prepared using uniform accounting policies. They take into account all International Financial Reporting Standards (IFRSs) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable on the reporting date and in the form applicable in the EU.

The consolidated financial statements were prepared on the basis of historical cost, limited by the measurement at fair value through profit or loss of financial assets and financial liabilities, including derivative financial instruments, and using the effective interest method.

The Management Board is maintaining its realistic expectation that the Group has sufficient resources to continue its operating activities for at least another twelve months and that the going concern assumption remains appropriate as a basis of accounting.

For the financial year ending December 31, 2024, the Group reported a net loss for the period of EUR 4,509 thousand. The Group had net working capital of EUR 37,213 thousand as at December 31, 2024. This is calculated from inventories and trade receivables less trade payables and contract liabilities. Net working capital reflects the net capital tied up in the reported items. As at the reporting date of December 31, 2024, the Group had cash and cash equivalents of EUR 5,053 thousand. In addition, as at December 31, 2024, there are commitments for credit lines with the LPKF Group's core banks totaling EUR 40.0 million, which can be utilized in the event of additional liquidity requirements. EUR 15.0 million of this amount is attributable to a guarantee line at and EUR 25.0 million to a credit line for working capital financing.

The appropriateness of the going concern assumption as a basis for accounting depends on the Group's ability to meet its payment obligations at all times. To this end, the continuous availability of borrowed capital must be guaranteed. At the time the financial statements were approved, the Group had a sufficient credit line provided by three major international banks as part of a syndicated loan (with extension options) that runs until October 2026.

Among other things, the syndicated loan includes conditions for compliance with three key performance indicators. These ratios must be met at the end of each quarter. As at December 31, 2024, the LPKF Group had met two of the three indicators. The EBITDA key performance indicator was not achieved in the agreed amount due to exceptional charges. In March 2025, the LPKF Group is in talks with the syndicate banks to contractually adjust the EBITDA key figure to LPKF's circumstances and possibilities in order to be able to meet all key figures in the future. The syndicated loan agreement will continue to be used. The Group is utilizing part of the funds made available - also by means of a new fixed loan agreed in March 2025 as part of the syndicated loan facility. In view of the current funding requirements, the syndicated loan is also fully secured by unencumbered corporate real estate for the syndicate partners.

The Management Board therefore expects a positive conclusion to the negotiations and does not expect the banks to exercise their contractual right of termination.

In response to a serious negative scenario, the Executive Board can also take the following measures to reduce costs, optimize the Group's cash flows and maintain liquidity:

- Non-essential investments are reduced and discretionary expenditure is postponed or canceled,
- the non-essential recruitment of employees is suspended and
- Marketing expenditure is reduced.

Due to these factors, the Management Board expects the Group to have adequate resources to meet its financial obligations at all times.

The preparation of consolidated financial statements in accordance with IFRS requires estimates. Furthermore, the application of company-wide accounting policies requires management to make judgments. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note E "Significant accounting estimates and assumptions".

The financial year corresponds to the calendar year. The consolidated financial statements have been prepared in euros. Unless otherwise stated, amounts are presented in thousands of euros (EUR thousand). Unless otherwise stated, all financial information presented in euros has been rounded to the nearest thousand.

The following amendments to issued standards, revised or newly issued standards already adopted as at the reporting date were applied in the 2024 financial year. They have no material impact on the consolidated financial statements.

First-time application	New or amended standards and interpretations
1 January 2024	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	Lease Liability in a Sale and Leaseback Amendments to IFRS 16

The following amendments to issued standards, revised or newly issued standards that had already been adopted as at the reporting date were not yet applied in the 2024 financial year. The Group does not plan to apply them early. The effects of the following new or amended standards and interpretations on the LPKF Group are currently being examined.

First-time application	New or amended standards and interpretations
1 January 2025	„Lack of Exchangeability (Amendments to IAS 21)

BASIS OF CONSOLIDATION

As of December 31, 2024, LPKF Laser & Electronics SE had nine (previous year: ten) subsidiaries, which together with the parent company form the basis of consolidation. In addition to the parent company LPKF Laser & Electronics SE, Garbsen, the following subsidiaries are included in the consolidated financial statements:

Name **Full consolidation**	Registered office	Equity interest (previous year) in %
LPKF SolarQuipment GmbH	Suhl, Germany	100.0 (100.0)
LPKF WeldingQuipment GmbH	Fürth, Germany	100.0 (100.0)
LPKF Laser & Electronics d.o.o.	Naklo, Slovenia	100.0 (100.0)
LPKF Distribution Inc.	Tualatin (Portland), US	100.0 (100.0)
LPKF (Tianjin) Co. Ltd.	Tianjin/China	100.0 (100.0)
LPKF Shanghai Co., Ltd.	Shanghai/China	100.0 (100.0)
LPKF Laser & Electronics K.K.	Tokyo, Japan	100.0 (100.0)
LPKF Laser & Electronics Korea Ltd.	Seoul, Korea	100.0 (100.0)
LPKF Laser & Electronics Vietnam Co., Ltd.	Bac Ninh/Vietnam	100.0 (100.0)

To streamline and simplify the Group structures, LPKF Laser & Electronics Trading (Shanghai) Co. Ltd. was finally wound up in the second quarter of 2024. Any activities of the company were already transferred to other Group companies in previous years.

Beyond this, the legal structure of the LPKF Group did not change in the financial year.

A profit and loss transfer agreement has been in place between LPKF Laser & Electronics SE and LPKF SolarQuipment GmbH since the 2015 calendar year. LPKF WeldingQuipment GmbH has had a profit and loss transfer agreement with LPKF Laser & Electronics SE since the 2016 calendar year. Both agreements were concluded for a minimum term of five years and are extended indefinitely without termination of the agreement. No notice of termination has been given.

EXEMPTION PURSUANT TO SECTION 264 (3) HGB

LPKF WeldingQuipment GmbH and LPKF SolarQuipment GmbH have fulfilled the conditions of Section 264 (3) HGB by being included in the consolidated financial statements and make use of the exemption provision in the form of preparation and disclosure exemptions.

C. CONSOLIDATION PRINCIPLES

The consolidated financial statements are based on the financial statements as of 31 December 2024 of the companies included in the consolidated financial statements, which were prepared in accordance with uniform accounting policies.

Subsidiaries include all entities that are controlled by LPKF Laser & Electronics SE. LPKF Laser & Electronics SE controls an associate company when it has power over the associate company, risk exposure or rights to variable returns arise from its investment in the associate company and LPKF Laser & Electronics SE has the ability to use its power over the associate company such that this affects the amount of the associate company’s variable returns. Consolidation of an associate company begins on the day on which LPKF Laser & Electronics SE gains control over the entity. It ends when LPKF Laser & Electronics SE loses control over the associate company.

Subsidiaries acquired are accounted for using the purchase method. The acquisition costs correspond to the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed at the acquisition date.

Identifiable assets, liabilities and contingent liabilities in connection with a business combination are remeasured upon initial consolidation, irrespective of the scope of the non-controlling interests. The excess of the cost of acquisition over the Group’s interest in the fair value of the net assets acquired is recognized as goodwill. If the cost of acquisition is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intra-Group transactions, balances and unrealized gains and losses from transactions between Group companies are eliminated. Deferred taxes are formed on consolidation measures affecting profit or loss in accordance with IAS 12.

The accounting policies used by subsidiaries were adjusted as necessary to the Group’s uniform accounting policies to ensure uniform accounting.

If the Group loses either its control or significant influence over an entity, its remaining equity interest is remeasured at fair value and the resulting difference is recognized as profit or loss.

The fair value of an associate, joint venture or financial asset is the fair value determined upon initial recognition. In addition, all amounts recognized in other comprehensive income in relation to that entity are accounted for on the same basis as would be required if the parent company had directly disposed of the related assets or liabilities. This means that any gain or loss previously shown in other comprehensive income must be reclassified from equity to profit or loss.

D. CURRENCY TRANSLATION

Annual financial statements are prepared in the functional currency of each entity; this is defined as the currency of the economic environment in which the entity mainly operates. For LPKF Laser & Electronics SE’s subsidiaries, the functional currency is the same as the local currency in the country in which the subsidiary is domiciled.

If the annual financial statements of a subsidiary are prepared in a different functional currency to the euro, the assets and liabilities are translated into euros at an average exchange rate at the reporting date and equity is translated at the historic exchange rate. Expenses and income are translated at the average annual exchange rate. Translation differences are recognized directly in equity as a currency translation reserve until the subsidiary is disposed of. Foreign currency effects from the translation of transactions are recognized either in other operating expenses (exchange rate losses) or in other operating income (income from currency translation differences).

The exchange rates of the material currencies that were applied in the preparation of these consolidated financial statements are listed below:

1 euro = currency x	Closing rate		Average rate	
	12/31/2024	12/31/2023	**2024**	2023
US Dollar	1.0389 USD	1.1050 USD	1.0821 USD	1.0816 USD
Chinese Renminbi Yuan	7.5833 CNY	7.8509 CNY	7.7863 CNY	7.6591 CNY
Vietnam Dong	26,661 VND	26,955.05 VND	27,050 VND	25,760.81 VND
Japanese Yen	163.06 JPY	156.33 JPY	163.82 JPY	151.94 JPY
South Korean Won	1,532.15 KRW	1,433.66 KRW	1,475.26 KRW	1,413.26 KRW

E. MATERIAL ACCOUNTING AND MEASUREMENT ESTIMATES AND ASSUMPTIONS

All estimates and assessments are continuously updated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes assessments and assumptions that concern the future. Estimates based on these assessments and assumptions often do not correspond to actual events in the future. The estimates and assumptions associated with a significant risk of triggering material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed in the following.

(A) INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Key assumptions and estimates relate to the determination of useful economic lives and recoverable residual values of intangible assets and items of property, plant and equipment. The development services relate to development projects for equipment and associated 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 in accordance with IAS 38 for projects under development is complex and is based on a number of discretionary assumptions. These include, in particular, the forecast cash flows, technical feasibility, the discount rates used and the allocation of costs according to causation. Further details on useful lives are presented in section 11 "Intangible assets and goodwill" and section 12 "Property, plant and equipment" in section H "Consolidated balance sheet".

(B) PROVISIONS

When recognizing provisions, assumptions must be made regarding the probability of occurrence, maturity and amount of the risk. Actuarial calculations are used to determine the obligation from defined benefit pension commitments and termination benefits for employees as well as the obligation from long-term bonus programs. The amount of the pension obligations is largely dependent on the underlying life expectancies and the selection of the discount rate, which is recalculated for each year. The discount rate used is the interest rate of top-rated corporate bonds that are denominated in the currency in which the benefits are paid and whose maturities correspond to those of the pension obligations. The main factors influencing the calculation of provisions for anniversary bonuses and termination benefits are staff turnover and salary trends. Detailed information can be found in the notes to the pension provisions in section 22.

(C) INCOME TAXES

The Group is obliged to pay income taxes in various countries. Significant assumptions are therefore required to determine the global income tax provision.

There are many business transactions and calculations for which the final taxation cannot be conclusively determined during the ordinary course of business. The Group measures the amount of provisions for expected tax payments on the basis of a best estimate of whether and to what extent additional income taxes may become due. If the final taxation of these transactions differs from that initially assumed, this will have an impact on current and deferred taxes in the period in which taxation is finally determined.

Deferred tax assets are recognized to the extent that it is probable that future tax benefits can be realized. If there is no history of losses , the assessment of realizability is made on the basis of the existing five-year plan, the expected course of business and the taxable temporary differences. The actual taxable income situation in future periods and thus the actual usability of the tax benefits may differ from the assessment at the time the deferred taxes are capitalized.

(D) FAIR VALUE OF DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments not traded on an active market is determined by applying suitable valuation techniques selected from a large number of methods. The assumptions applied in this context are based on the market conditions existing on the reporting date.

(E) ESTIMATES USED FOR DETERMINING IMPAIRMENT LOSSES ON RECEIVABLES AND INVENTORIES

The determination of impairment losses on receivables and inventories is based on estimates regarding the amount of the impairment loss or the amount and probability of future payment defaults. In addition to past experience, current information on markets, industries, individual customers and current market developments is used to determine impairment losses.

(F) RECOGNITION OF REVENUE

In the case of the sale of equipment and systems, the performance obligation is generally fulfilled upon delivery at the time of transfer of control to the customer. In the company's estimation, this is generally the transfer of risk in accordance with Incoterms.

The LPKF Group recognizes revenue for development services on the basis of revenue recognition over time. If development services are provided on the basis of fixed-price projects, the amount of revenue recognized over time is determined on the basis of the estimated performance in the projects. The performance estimates are made on the basis of an estimated hourly volume, estimated costs for material expenses and estimated costs for external services and are updated on an ongoing basis. Estimating the hourly volume requires assumptions about the services still to be provided to the customer, the timing of these services and other contractual aspects agreed with the customer.

(G) SHARE-BASED PAYMENTS

An option pricing model is used to determine the obligation from the long-term bonus programs with cash settlement or settlement in equity instruments due to the value influence of the LPKF share price. In addition to the development of the value contribution, selected ESG criteria and the relative TSR (total shareholder return) to a defined peer group during the performance period also have a significant value-influencing character. With the exception of TSR, the components can be derived from Group planning. External data providers are used for the TSR. Detailed information can be found in the explanations on share-based payment in section 24.

F. SEGMENT REPORTING

In accordance with the provisions of IFRS 8 (Operating segments), selected information in the annual financial statements is presented by operating segment and region, with segmentation based on internal reporting to the chief operating decision maker. The chief operating decision maker is responsible for determining the allocation of resources to segments and reviewing their performance. The Management Board of LPKF Laser & Electronics SE has been defined as the Group's chief operating decision maker. Segment reporting aims to lend greater transparency to both the performance and potential of the Group's individual activities.

Primary segment reporting is based on the following segments:

Development
In the Development segment, LPKF supplies almost everything that developers of electronic devices need to produce and assemble PCB prototypes quickly, in-house and largely without the use of chemicals. LPKF has been developing systems and solutions for biomedical research under the name ARRALYZE.

Electronics
Within the Electronics segment, LPKF manufactures systems that are mainly used in production in the electronics industry. The Electronics segment also includes the LIDE (Laser Induced Deep Etching) technology developed by LPKF.

LPKF's Active Mold Packaging (AMP) technology enables the placement of electrical circuits directly on the surface and inside epoxy mold compounds (EMC).

Welding
The Welding segment includes laser systems, thermal process monitoring and software for welding plastics. The business unit develops and sells standardized standalone and integration systems, but also offers customized solutions for customers. These systems are mainly used in the automotive supply industry, medical technology and in the manufacture of consumer electronics.

Solar
In the Solar segment, LPKF develops and produces laser systems for structuring thin-film solar cells (LaserScribers) for various thin-film technologies. This segment also includes laser systems for digital printing of functional pastes and inks (Laser Transfer Printing, LTP).

There is insignificant inter-segment revenue according to IFRS 8.23 (b), that is shown in the following table as "revenue (before consolidation)". The existing goodwill (EUR 74 thousand) is allocated to the Welding segment.

The segment information was determined as follows:

- The segment result (adjusted EBIT) is calculated including any impairment of goodwill, but excluding the financial result and taxes. EBIT is adjusted for restructuring and severance costs as well as changes in the long-term incentive (LTI) resulting from fluctuations in the performance factor or the share price.

- The investments, depreciation and amortization including impairment losses refer to property, plant and equipment and intangible assets including goodwill.

Unless indicated otherwise, the figures reported are the figures after consolidation.

in Mio. EUR	Revenue (before consolidation)		External revenue		Adjusted EBIT	
	2024	2023	**2024**	2023	**2024**	2023
Electronics	36.9	32.7	36.9	32.7	-0.9	-2.3
Development	29.0	31.2	26.2	29.0	0.1	3.1
Welding	18.6	23.1	18.6	23.1	-4.8	-0.8
Solar	41.2	39.5	41.2	39.5	5.7	4.4
Total	**125.7**	126.5	**122.9**	124.3	**0.1**	4.4

in Mio. EUR	Investments		Depreciation and amortization (non-current assets)*		Write-downs (inventories)	
	2024	2023	**2024**	2023	**2024**	2023
Electronics	3.1	3.4	-3.2	-3.5	-0.3	-0.7
Development	2.1	2.2	-0.8	-1.1	-0.1	-0.1
Welding	0.5	0.4	-1.1	-1.4	-0.3	-0.3
Solar	1.8	1.7	-0.8	-0.8	0.0	0.0
Total	**7.5**	7.7	**-5.9**	-6.8	**-0.7**	-1.1

*only direct allocated amortization

EUR 2.5 million (previous year: EUR 2.3 million) relates to depreciation and amortization that is not directly allocated to the segments. These are allocated to the segments. Total depreciation and amortization of the Group's fixed assets amounted to EUR 8.4 million (previous year: EUR 9.1 million).

Assets, liabilities and cash flows are not allocated to segments.

In the 2024 financial year, revenue of EUR 30.7 million (previous year: EUR 32.9 million) was generated with a single customer in the Solar segment.

Depreciation of inventories is reported under cost of materials.

GEOGRAPHICAL INFORMATION

Reporting reflects information on a geographical basis. Revenue is based on the geographical locations of customers.

	External revenue			
	2024		2023	
	in EUR million	in %	in EUR million	in %
Germany	13.5	11.0	11.7	9.4
Rest of Europe	15.8	12.9	16.2	13.0
North America	52.6	42.8	46.6	37.5
China	20.0	16.3	20.8	16.7
Rest of Asia	18.9	15.4	27.0	21.7
Other	2.1	1.6	2.0	1.7
Total	**122.9**	**100.0**	124.3	100.0

The following table provides information on the geographical locations of non-current assets in accordance with IFRS 8.33 (b).

	2024	2023
Germany	58.9	58.6
Rest of Europe	3.6	3.7
USA	1.9	1.8
China	0.5	0.8
Rest of Asia	0.1	0.2
Total	65.0	65.1

G. CONSOLIDATED INCOME STATEMENT

1. REVENUE

Revenue breakdown

The LPKF Group's core business is the sale of equipment and systems used by customers in production and development, as well as service components. The sale of equipment, systems, production services (foundry) and service components, mainly spare parts, is recognized as revenue at a point in time when control is transferred.

Period-related revenue is generated from service contracts, which mainly comprise maintenance contracts and warranty extensions. There is also increasing demand for the development of customer-specific solutions and systems. Depending on the contract structure and materiality, these contracts may result in revenue over time or at a point in time.

in EUR million	External revenue (total)		Timing of Revenue Recognition: Point in Time (Plant, Systems, Service Components)		Timing of Revenue Recognition: Over Time (Service Contracts, Warranty Extensions, Development Projects)	
	2024	2023	**2024**	2023*	**2024**	2023*
Electronics	36.9	32.7	31.3	26.6	5.6	6.1
Development	26.2	29.0	24.9	27.8	1.3	1.2
Welding	18.6	23.1	18.3	22.5	0.3	0.6
Solar	41.2	39.5	41.1	37.4	0.1	2.1
Total	**122.9**	124.3	**115.6**	114.3	**7.3**	10.0

* The previous year's figures have been adjusted due to a reclassification.

Contract balances

The following table provides information on contract assets and contract liabilities from contracts with customers.

in EUR million	**12/31/2024**	12/31/2023
Contract assets	0.0	0.0
Contract liabilities	12.4	17.7
Breakdown by maturity:		
Current	12.2	17.6
Non-current	0.2	0.1
Breakdown by type:		
Period-related revenues	3.7	1.8
Time-related services	8.7	15.9

Contract assets arise from the right to consideration for services rendered but not yet invoiced.

Contract liabilities result from advance payments received, both when revenue is recognized over time and at a point in time. Contract liabilities are recognized as revenue when the contractual service is rendered.

The amount of EUR 17.6 million included in contract liabilities as at 31 December 2023 was recognized as revenue in the 2024 financial year (previous year: EUR 21.3 million). As in the previous year, no significant revenue from performance obligations that were fulfilled or partially fulfilled in previous periods was recognized in the 2024 reporting period.

In the 2024 financial year, there were no significant or material changes in the balances of contract assets and contract liabilities other than those listed in the table. The year-on-year decrease in contract liabilities of EUR 5.3 million is mainly due to lower advance payments received for the sale of plants and systems as at the reporting date.

Performance obligations

The performance obligations within the LPKF Group result from the sale of systems and equipment and from service contracts with customers. In older contracts and individual cases in which promised services or warranty extensions were sold to customers as part of an overall package with a system, the transaction prices and the amounts attributable to performance obligations are determined on the basis of internal calculations.

In the case of the sale of equipment and systems, the performance obligation is generally fulfilled upon delivery at the time of transfer of control to the customer. In the company's estimation, this is generally the transfer of risk in accordance with Incoterms. Any subsequent, insignificant costs such as installation are deferred.

Service contracts with customers mainly comprise maintenance contracts and warranty extensions. LPKF uses the output-based method to determine the percentage of completion of maintenance contracts, based on the number of hours worked by employees. Warranty extensions are recognized in revenue over time.

In the case of development projects, revenue is recognized on the basis of the progress of the services rendered. The measurement of progress is based on an estimated hourly volume and estimated costs for external services and is updated on an ongoing basis. The estimate of the hourly volume requires assumptions about the services still to be provided to the customer, the timing of these services and other contractual aspects agreed with the customer.

LPKF makes use of the practical expedients in IFRS 15.121 if the expected original term of the contract is one year or less. This is the case for sales of equipment and service contracts with a maximum term of one year. The transaction prices of unfulfilled (or partially unfulfilled) performance obligations with a term of more than one year amount to EUR 239 thousand (previous year: EUR 99 thousand) and correspond to the contract liabilities with the same term. Revenue from these will be realized in the years from 2025.

The payment received generally corresponds to the invoice price and does not contain any significant financing components. The payment term is usually between 30 and 45 days.

2. OTHER OWN WORK CAPITALIZED

Own work capitalized by the Group concerned equipment of EUR 5,709 thousand (previous year: EUR 5,328 thousand). This comprised own work for technical equipment and machinery used by Group companies for production as well as prototype development projects capitalized during 2024, which are intended for permanent use in Group operations. Research costs, on the other hand, are immediately expensed when they are incurred. Costs incurred in the context of development projects (in connection with the design and test runs of new or improved products) are recognized as intangible assets if the criteria of IAS 38 are met. Other development costs that do not meet these criteria are expensed on an accrual basis. Development costs expensed in prior periods are not capitalized in subsequent reporting periods. Capitalized development costs are reported as intangible assets and amortized on a straight-line basis over their useful life, not exceeding five years, from the date on which they become usable. This is reported under depreciation and amortization on intangible assets and property, plant and equipment.

3. OTHER INCOME

in EUR thousand	**2024**	2023
Research and development grants	2,253	2,296
Income from currency translation differences	603	903
Income from the reversal of provisions	207	33
Income from insurance payments	139	5
Other	1,353	977
Total	**4,555**	4,214

Research and development grants amounting to EUR 2,253 thousand (prior year: EUR 2,296 thousand) are recognized in accordance with IAS 20 and exclusively concern government grants – in some cases with the involvement of private project companies. Grants are granted for costs actually incurred in connection with a specific purpose during the financial year (expenditure grant) and are shown as income in the period the corresponding expenses that the grant shall compensate are allocated to. Payments are generally made in line with project progress. Grants received for capitalized development costs and other non-current assets are recognized as deferred income items in short-term and long-term liabilities and are reversed on a straight-line basis in accordance with the useful life of the associated capitalized development costs and other assets. The same applies to government grants for building costs in Suhl totaling originally EUR 943 thousand. The periodic reversal of these government grants for building costs is reported in the item “Reversal of deferred item income from grants” in the amount of EUR 28 thousand (previous year: EUR 33 thousand). There are no unfulfilled conditions and other contingencies related to government assistance recognized in the financial statements.

An accrual recognized in the previous year for expected obligations in the amount of EUR 327 thousand was reversed to income in the current financial year due to non-occurrence and is included in total other income in the amount of EUR 1,353 thousand (previous year: EUR 977 thousand).

4. COST OF MATERIALS

in EUR thousand	**2024**	2023
Cost of (system) parts and purchased goods	-40,005	-41,192
Cost of purchased services	-1,449	-1,392
Write-downs on inventories	-744	-1,140
Total	**-42,198**	-43,724

Write-downs on inventories relate to write-downs to the lower net realizable value and scrapping.

5. STAFF COSTS AND EMPLOYEES

in EUR thousand	**2024**	2023
Wages and salaries		
Expenses for wages	-46,153	-43,569
Other	-1,475	-1,028
	-47,628	-44,597
Social security costs and pension costs		
Employer's contribution to social security	-8,557	-7,559
Other	-861	-201
	-9,418	-7,760
Total	**-57,046**	-52,357

Personnel expenses include special effects from restructuring measures amounting to EUR 1.7 million (previous year: EUR 0.7 million).

There were ongoing pension payments of EUR 17 thousand (previous year: EUR 17 thousand) arising from pension obligations in the 2024 financial year (also see note 22).

The workforce is distributed as follows:

	As of reporting date		Annual average	
	12/31/2024	12/31/2023	**2024**	2023
Development	212	215	213	212
Production	148	150	150	146
Service	110	102	108	102
Sales	147	142	146	143
Administration	156	152	152	152
Total	**773**	761	**769**	755

6. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

The depreciation and amortization for various groups of non-current assets is shown under the reconciliations of the carrying amounts at the beginning and end of the period under notes 11 and 12.

7. OTHER EXPENSES

in EUR thousand	**2024**	2023
Travel, hospitality	-3,908	-3,277
Repair, maintenance, operating supplies	-2,969	-2,917
Legal and consulting expenses	-2,680	-2,685
External work, temporary work costs	-2,553	-2,518
Consumables, development and purchased development services	-2,132	-1,537
Rent, ancillary rental costs, leases, land and building costs	-2,124	-2,197
Advertising and sales expenses	-1,966	-2,425
Insurance, contributions, duties	-1,574	-1,346
Exchange rate losses	-1,352	-1,577
Voluntary benefits, training and further education	-982	-731
Vehicle costs	-959	-710
Sales commissions	-957	-971
Trade fair costs	-747	-915
Supervisory Board remuneration incl. reimbursement of expenses	-379	-290
Telecommunications costs	-372	-354
Financial statement preparation, publication and auditing costs	-361	-374
Other	-1,452	-1,635
Total	**-27,467**	-26,459

Expenses for R&D/effect on income statement

in EUR thousand	**2024**	2023
Materials and other costs	-3,736	-3,041
Other costs (including staff costs and D&A)	-13,685	-13,626
Total expenses for R&D	**-17,421**	-16,667

8. OPERATING RESULT (EBIT)

The operating result or EBIT (Earnings Before Interest and Taxes) is the profit or loss from operating activities from the continuing revenue-generating main activities of the LPKF Group plus other income and expenses from operating activities. The operating result does not include the financial result and income taxes.

Adjusted EBIT is EBIT adjusted for restructuring and severance costs and changes in the long-term incentive (LTI) due to fluctuations in the performance factor or the share price. Adjusted EBIT is reported in order to be able to compare operating earnings power between periods by eliminating special items.

The following table shows the reconciliation of EBIT in accordance with IFRS to adjusted EBIT:

in EUR million	2024	2023
EBIT	-2.5	3.7
+ Restructuring and severance costs	2.5	0.6
+ LTI (fluctuations in performance factor or the share price)	0.1	0.1
Adjusted EBIT	0.1	4.4

9. FINANCIAL RESULT

in EUR thousand	**2024**	2023
Finance income		
Other interest and similar income	3	12
Finance costs		
Interest and similar expenses	-1,529	-620
	-1,526	-608

Other interest and similar income mainly arose from overnight/term deposits in the amount of EUR 3 thousand (previous year: EUR 12 thousand). Interest expenses of EUR 1,462 thousand (previous year: EUR 524 thousand) were incurred due to the utilization of working capital credit lines. In addition, interest expenses of EUR 67 thousand (previous year: EUR 47 thousand) were incurred from leases. Borrowing costs are recognized directly as an expense in the period in which they are incurred for reasons of materiality.

10. INCOME TAXES

Current tax is the expected tax payable on the taxable income or tax loss for the year, based on tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The amount of the expected tax liability or tax receivable is subject to the best possible estimate, taking into account tax uncertainties, if any.

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities for Group accounting purposes and the amounts used for tax purposes. A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available.

Income tax liabilities are offset against income tax assets in the same tax jurisdiction to the extent that they relate to the same taxable entity and there is a legally enforceable right to offset the recognized amounts.

Income taxes are calculated on the basis of applicable laws and regulations.

Current and deferred taxes are recognized in the income statement unless they relate directly to items recognized in equity or in other comprehensive income. In this case, the taxes are recognized directly in equity or in other comprehensive income.

in EUR thousand	**2024**	2023
Corporate income tax and solidarity surcharge	-796	-609
Trade tax	-14	-109
	-810	**-718**
of which related to prior period	-121	-59
Deferred taxes	370	-613
	-440	**-1,331**

As in the previous year, other comprehensive income does not include any tax effect from the remeasurement of defined benefit pension plans.

The German companies of the LPKF Group are subject to trade tax of between 14.8 % and 15.7 % depending on the applicable trade tax multiplier. The corporate income tax rate is unchanged from the previous year at 15.0 % plus a solidarity surcharge of 5.5 % on corporate income tax. The calculation of foreign income taxes is based on the laws and regulations applicable in the individual countries. The income tax rates applied to foreign companies vary from 9.9 % to 34.6 % (previous year: 9.9 % to 34.6 %) for deferred taxes and from 9.9 % to 34.6 % (previous year: 9.9 % to 34.6 %) for current taxes.

In preparing the consolidated financial statements, the individual income tax rate of the countries concerned was applied to the measurement of deferred tax assets and liabilities.

Reconciliation of anticipated to current tax expense:

in EUR thousand	**2024**	2023
Consolidated profit/loss before income taxes	-4,069	3,085
Anticipated tax expenses 31.5% (previous year: 31.5%)	1,282	-972
Effect of different tax rates	88	180
Effects of legal tax rate changes	4	0
Effect from the non-recognition of current losses	-1,793	-573
Tax-free income	279	282
Tax effect of non-deductible operating expenses	-219	-224
Trade tax additions and deductions	32	15
Prior-period tax effects	-121	-59
Other differences	8	20
Effective tax expenses -10.8 % (previous year: 43.1 %)	**-440**	-1,331

The tax rate applied for the reconciliation presented above corresponds to the corporate tax rate of 31.5 % (previous year: 31.5 %) payable by the Company in Germany on taxable profits in accordance with German tax law.

Due to the continuing loss situation of the German companies, deferred taxes were not fully recognized on the loss carryforwards and temporary differences that can be carried forward in full.

The effect of this is reflected in the non-recognition of tax losses and temporary differences for the current year in the amount of EUR 1,801 thousand (previous year: EUR 573 thousand) and the opposite effect resulting from the utilization of previously unrecognized tax losses and temporary differences in the amount of EUR -8 thousand (previous year: EUR 0 thousand).

H. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Reconciliation of the carrying amount at the beginning and end of the period:

in EUR thousand	Goodwill	Development costs	Other intangible assets	**Total**
Acquisition and production costs				
As of 01/01/2023	74	61,620	12,112	**73,806**
Additions	0	4,991	942	5,933
Disposals	0	0	-2	-2
Reclassification	0	0	0	0
Currency differences	0	0	-3	-3
As of 12/31/2023	74	66,611	13,049	**79,734**
Additions	0	4,491	271	4,762
Disposals	0	0	-27	-27
Reclassification	0	0	0	0
Currency differences	0	0	1	1
As of 12/31/2024	74	71,102	13,294	**84,470**
Accumulated depreciation				
As of 01/01/2023	0	-42,000	-11,075	**-53,075**
Additions	0	-4,230	-391	-4,621
Disposals	0	0	2	2
Reclassification	0	0	0	0
Currency differences	0	0	3	3
As of 12/31/2023	0	-46,230	-11,461	**-57,691**
Additions	0	-3,367	-581	-3,948
Disposals	0	0	27	27
Reclassification	0	0	0	0
Currency differences	0	0	-1	-1
As of 12/31/2024	0	-49,597	-12,016	**-61,613**
Carrying amount as of 12/31/2023	74	20,381	1,588	**22,043**
Carrying amount as of 12/31/2024	**74**	**21,505**	**1,278**	**22,857**

Goodwill

Goodwill arising on the acquisition of companies (goodwill arising on consolidation) is not amortized. The carrying amount of the goodwill is compared with the recoverable amount at each reporting date. The goodwill is depreciated if its carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. It is assigned to a cash-generating unit for an impairment test. Based on the Welding segment, a detailed planning period of five years and an appropriate rate of return on capitalization are applied. Based on this, there was no impairment in 2023, as in previous years.

Development costs

Own capitalized development costs are also amortized over their useful life on a straight-line basis. For materiality reasons, borrowing costs are not capitalized, but are expensed in the period in which they are incurred. The item is broken down by segment as follows:

in EUR thousand	**2024**	2023
Electronics	6,197	6,716
Development	5,557	4,559
Welding	1,409	1,484
Solar	8,342	7,622
Total	**21,505**	20,381

Both the residual carrying amounts and the useful lives of the intangible assets are tested for impairment, at a minimum, as of the end of every financial year. Intangible assets are amortized in accordance with IAS 36 if the recoverable amount of the respective asset has dropped below its carrying amount. Capitalized development costs not yet available for use are tested for impairment annually.

For development services for which an impairment loss was recognized in the past, a review is carried out at each balance sheet date to determine whether a write-up is required. Impairment losses of EUR 33 thousand were recognized in the reporting year, while no write-ups were recognized.

For development costs, a useful life of three years was assumed as planned. For the development of a new basic technology in 2023, a scheduled useful life of five years was assumed.

Other intangible assets

The other intangible assets consist mainly of software and to a lower extent of patents and other rights.

As an intangible asset, purchased software is recognized at cost less straight-line amortization. For software, a useful life of three years was assumed as planned.

Purchased software is valued as an intangible asset at acquisition cost less scheduled straight-line amortization. A useful life of between 3 and 5 years is assumed for software.

For other intangible assets amortized in the past, a review is performed at each reporting date to determine whether a write-up is required. No other impairment losses or write-ups were necessary in the reporting year.

12. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of the carrying amount at the beginning and end of the period:

in EUR thousand	Land and buildings	Technical equipment	Other equipment, operating and office equipment	PPE in construction	**Total**
Acquisition and production costs					
As of 01/01/2023	**52,285**	**16,441**	**17,938**	**89**	**86,753**
Additions	12	320	819	618	1,769
Disposals	-55	-364	-118	0	-537
Reclassification	183	7	-64	-46	80
Currency differences	-91	-75	-23	0	-189
As of 12/31/2023	**52,334**	**16,329**	**18,552**	**661**	**87,876**
Additions	0	1,554	466	766	2,786
Disposals	0	-306	-85	0	-391
Reclassification	74	-43	1,395	-1,426	0
Currency differences	160	58	-4	-1	213
As of 12/31/2024	**52,568**	**17,592**	**20,324**	**0**	**90,484**
Accumulated depreciation					
As of 01/01/2023	**-17,642**	**-11,902**	**-14,459**	**0**	**-44,003**
Additions	-1,386	-1,247	-916	0	-3,549
Disposals	51	409	115	0	575
Reclassification	-144	0	64	0	-80
Currency differences	27	65	12	0	104
As of 12/31/2023	**-19,094**	**-12,675**	**-15,184**	**0**	**-46,953**
Additions	-1,392	-1,065	-1,015	0	-3,472
Disposals	0	256	71	0	327
Reclassification	0	0	0	0	0
Currency differences	-48	-53	5	0	-96
As of 12/31/2024	**-20,534**	**-13,537**	**-16,123**	**0**	**-50,194**
Carrying amount as of 12/31/2023	33,242	3,654	3,368	661	**40,925**
Carrying amount as of 12/31/2024	**32,034**	**4,055**	**4,201**	**0**	**40,290**

Property, plant and equipment are measured at cost less accumulated straight-line depreciation. For materiality reasons, borrowing costs are not capitalized, but are expensed in the period in which they are incurred. Land is not depreciated. Property, plant and equipment is tested for impairment if certain events or changes in circumstances indicate it.

Property, plant and equipment is depreciated in accordance with IAS 36 if the recoverable amount of the respective asset has dropped below its carrying amount. The recoverable amount is the higher of its value in use and fair value less costs to sell. Corresponding write-ups are made if the reasons for an earlier depreciation no longer apply.

Production costs cover the costs of materials and related overheads as well as the manufacturing costs and related overheads.

They are deemed to have the following useful lives:

	years
Buildings	25 or 33
External facilities	10
Plant and machinery	3-10
Other equipment, operating and office equipment	3-10
Right-of-use assets	2-5

EUR 6,218 thousand of the credit lines used are secured by land and buildings with a carrying amount of EUR 28,100 thousand as at December 31, 2024 and guarantees from the main subsidiaries.

13. LEASES

LPKF Laser & Electronics SE acts exclusively as a lessee. Further disclosures are provided in order to show the resulting effects on the net assets, financial position and results of operations. These are presented in the following tables.

in EUR thousand	Property	Equipment & Vehicles	**Total Right-of-Use Asset**
Cost of the right-of-use asset			
As of 01/01/2023	**1,874**	**2,152**	**4,026**
Additions	228	626	**854**
Disposals	-64	-690	**-754**
Reclassification	0	0	**0**
Currency differences	-95	-1	**-96**
As of 12/31/2023	**1,943**	**2,087**	**4,030**
Additions	103	1,190	**1,293**
Disposals	-13	-620	**-633**
Reclassification	0	0	**0**
Currency differences	29	1	**30**
As of 12/31/2024	**2,062**	**2,658**	**4,720**
Accumulated depreciation			
As of 01/01/2023	**-528**	**-1,231**	**-1,759**
Additions	-328	-607	**-935**
Disposals	64	689	**753**
Reclassification	0	0	**0**
Currency differences	27	0	**27**
As of 12/31/2023	**-765**	**-1,149**	**-1,914**
Additions	-431	-1,131	**-1,562**
Disposals	13	620	**633**
Reclassification	0	0	**0**
Currency differences	-17	-2	**-19**
As of 12/31/2024	**-1,200**	**-1,662**	**-2,862**
Carrying amount as of 12/31/2023	1,178	938	**2,115**
Carrying amount as of 12/31/2024	**862**	**996**	**1,858**

in EUR thousand	**2024**	2023
Expenses for short-term leases	0	0
Expenses for leasing low-value assets	-134	-115
Interest expense on lease liabilities	-67	-47
Total cash outflow for leases	-979	-999

LPKF leases immobile leased assets such as office space, warehouses and mobile leased assets such as motor vehicles. The contract term for movable assets is usually three to four years. Some real estate leases contain extension options. Where possible, the Group aims to include extension options when concluding new leases in order to ensure operational flexibility. The extension options can only be exercised by the Group and not by the lessor. The Group assesses on the provision date whether the exercise of extension options is sufficiently certain. The Group reassesses whether the exercise of an extension option is reasonably certain if a significant event or a significant change in circumstances occurs that is within its control.

LPKF makes use of an IFRS 16 rule with regard to the non-recognition of right-of-use assets and lease liabilities under low-value leases (i.e. the value of the underlying asset is EUR 5,000 or less when new) and short-term leases (shorter than twelve months and the lease does not include a purchase option). The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term of the lease.

14. INVENTORIES

in EUR thousand	**2024**	2023
Raw, auxiliary and operating materials	12,178	15,531
Unfinished products and services	8,419	9,575
Finished products and goods	6,106	5,926
Advance payments	189	237
Total	**26,892**	31,269

Inventories are recognized at the lower of cost and net realizable value at the reporting date.

The costs of conversion of inventories include costs directly related to the units of production (such as production costs and directly attributable material costs). They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. For materiality reasons, borrowing costs are not capitalized, but are expensed in the period in which they are incurred. Inventories were written down to the lower net realizable value and scrapped in the amount of EUR 744 thousand (previous year: EUR 1,140 thousand).

15. TRADE RECEIVABLES

in EUR thousand	**2024**	2023
Nominal amount of receivables	30,395	36,727
Loss allowances for non-credit-impaired receivables	-133	-113
Loss allowances for credit-impaired receivables	-154	-197
Receivables after loss allowances, discounts and currency losses	**30,108**	36,417
of which receivables with a remaining term of more than one year	0	23
of which receivables with a remaining term of less than one year	30,108	36,394

Items recognized in foreign currencies are measured at the middle spot foreign exchange rate as of the reporting date.

As in the previous year, there was no income from the receipt of derecognized receivables in the 2024 financial year. The valuation allowances for receivables decreased by EUR 23 thousand in the financial year. For further information on the default risks of trade receivables, please refer to the disclosures on risk management in Note 32.

16. OTHER FINANCIAL ASSETS

Other financial assets amounting to EUR 143 thousand (previous year: EUR 301 thousand) include the asset values of pension reinsurance policies that are not pledged.

These are measured at fair value through profit or loss.

17. OTHER NON FINANCIAL ASSETS

in EUR thousand	**2024**	2023
Prepaid expenses and deferred charges	1,046	1,356
Other	1,912	2,149
Current other non-financial assets	**2,958**	3,505

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash accounts and short-term deposits with banks. They have a remaining term of up to three months upon addition and are measured at amortized cost. The estimated value adjustment on cash and cash equivalents was calculated on the basis of expected losses within the respective maturities. Due to the short-term availability of demand deposits and the first-class credit rating of the banks, it is assumed that cash and cash equivalents have a low default risk. Cash and cash equivalents in foreign currencies are translated at the respective closing rate.

in EUR thousand	**2024**	2023
Cash and cash equivalents on the statement of financial position	5,053	10,678
Overdraft facilities used for cash management	-6,218	0
Cash and cash equivalents shown in the statement of cash flows	**-1,165**	10,678

19. DEFERRED TAXES

Deferred taxes are calculated using the liability method in accordance with IAS 12, under which deferred taxes are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxes are not recognized for:

- temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit.
- temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- taxable temporary differences on initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses and temporary differences, with the exception of tax loss carryforwards, if it is probable that future taxable profit will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and reduced, if appropriate, to the extent that it is no longer probable that the related tax benefit will be realized. Temporary differences relating to a right-of-use asset and a lease liability for a specific lease are considered together for the purpose of recognizing deferred tax.

As deferred tax assets, deferred taxes were mainly recognized on temporary differences relating to inventories and loss carryforwards. Deferred tax liabilities were mainly recognized on capitalized development costs. Deferred taxes are composed as follows:

DEFERRED TAX ASSETS

in EUR thousand	**2024**	2023
Tax loss carryforwards	4,653	3,724
Intangible assets	28	42
Trade receivables	86	149
Provisions	48	58
Inventory	458	329
Other liabilities	59	45
Other	17	85
Offsetting with deferred tax liabilities	-4,966	-4,187
Total	**383**	245

DEFERRED TAX LIABILITIES

in EUR thousand	**2024**	2023
Capitalized development costs	6,691	6,292
Other	151	9
Offsetting with deferred tax assets	-4,966	-4,187
Total	**1,876**	2,114

As in the previous year, no tax adjustments on the remeasurement of defined benefit plans were recognized in OCI.

In connection with leases, the Group recognizes deferred tax liabilities EUR 502 thousand (previous year: EUR 606 thousand) for right-of-use assets and deferred tax assets of EUR 519 thousand (previous year: EUR 632 thousand) for lease liabilities, which are reported on a net basis.

Due to the loss history for the German companies, deferred tax assets are only recognized in the amount of the deferred tax liabilities, taking into account minimum taxation and maturities.

Deferred tax assets and deferred tax liabilities are offset by maturity under certain conditions, provided that the offsetting requirements of IAS 12 are met.

The effect from the non-recognition of tax losses and temporary differences in the current year amounts to EUR -1,793 thousand (previous year: EUR -573 thousand).

The amount of value-adjusted and unused tax losses and temporary differences for which no deferred tax assets were recognized in the balance sheet is EUR 32,684 thousand (previous year: EUR 23,013 thousand), of which EUR 17,088 thousand relates to corporation tax, EUR 14,484 thousand to trade tax and EUR 1,112 thousand to temporary differences.

Of these tax loss carryforwards, EUR 1,033 thousand (previous year: EUR 1,664 thousand) will expire within the next 5 years and EUR 535 thousand (previous year: EUR 622 thousand) within the next 6 to 10 years.

No deferred tax liabilities were recognized for temporary differences of EUR 656 thousand (previous year: EUR 759 thousand) in connection with shares in subsidiaries and branches, as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that these temporary differences will reverse in the foreseeable future.

20. EQUITY

Subscribed capital

The company's subscribed capital is EUR 24,496,546 and is divided into 24,496,546 no-par value ordinary bearer shares (no-par shares), each with a pro-rata interest of EUR 1.00.

Capital reserve

The capital reserves comprise only a capital reserve pursuant to Section 272 (2) no. 1 of the German Commercial Code.

Other reserves

Other reserves include other retained profits, remeasurements of defined benefit plans, a reserve for share-based payment, and the currency translation reserve. Details on share-based payments are presented in Note 24 "Share-based payments".

Authorized capital / Contingent capital

By resolution of the Annual General Meeting on 5 June 2024, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by up to a total of EUR 4,899,309.00 by issuing up to 4,899,309 new no-par value bearer shares against cash and/or non-cash contributions on one or more occasions until 4 June 2029 (Authorized Capital 2024). In principle, shareholders are to be granted subscription rights. However, the Executive Board was authorized to exclude shareholders' subscription rights in certain cases and within certain capital limits. No use was made of this authorization in the past financial year.

In connection with the authorization resolved by the Annual General Meeting on 5 June 2024 to issue bonds with warrants and/or convertible bonds with a total nominal value of up to EUR 200,000,000.00 by 4 June 2029 with the option to exclude subscription rights in certain cases and within certain capital limits, the company's share capital is conditionally increased by up to EUR 4,899,309.00 by issuing up to 4,899,309 new no-par value bearer shares (Conditional Capital 2024/I). The conditional capital increase will only be implemented to the extent that holders or creditors of bonds with warrants and/or convertible bonds exercise their option or conversion rights or fulfill their conversion obligation or the company exercises an option to grant no-par value shares in the company instead of paying the cash amount due. The Management Board did not make use of this authorization in the past financial year.

Conditional Capital 2024/II: By resolution of the Annual General Meeting on 5 June 2024, the Supervisory Board is authorized to conditionally increase the company's share capital by up to EUR 950,000.00 by issuing up to 950,000 new no-par value bearer shares in the company (Conditional Capital 2024/II). Conditional Capital 2024/II serves exclusively to service subscription rights issued by the company to members of the company's Management Board on the basis of the authorization until 4 June 2029. The conditional capital increase will only be implemented to the extent that subscription rights are issued and the holders exercise their subscription rights to shares in the company and the company does not service the subscription rights in accordance with the terms of the plan by delivering treasury shares or through a cash settlement. The Management Board did not make use of this authorization in the past financial year.

Conditional Capital 2024/III: By resolution of the Annual General Meeting on 5 June 2024, the Management Board is authorized, with the approval of the Supervisory Board, to conditionally increase the company's share capital by up to EUR 1,490,000.00 by issuing up to 1,490,000 new no-par value bearer shares in the company (Conditional Capital 2024/III). Conditional Capital 2024/III serves exclusively to service subscription rights issued by the company to members of the management of affiliated companies of the company and to selected employees of the company and affiliated companies in Germany and abroad on the basis of the authorization until 4 June 2029. The conditional capital increase will only be implemented to the extent that subscription rights are issued and the holders exercise their subscription rights to shares in the company and the company does not service the subscription rights in accordance with the terms of the plan by delivering treasury shares or through a cash settlement. The Management Board did not make use of this authorization in the past financial year. Further details can be found in the respective authorization resolution.

Own shares

The Management Board is authorized by resolution of the scheduled Annual General Meeting on 4 June 2020, subject to the Supervisory Board’s prior approval, to buy back own shares until 3 June 2025 corresponding in total to up to 10% of the company’s share capital either on the date the resolution was adopted or on the date the authorization is exercised, whichever is higher. Together with other own shares held by the company or attributable to it in accordance with Sections 71d and 71e of the German Stock Corporation Act (AktG), the shares acquired may at no time account for more than 10% of the share capital. The authorization may not be used for the purpose of trading in own shares. The authorization may be exercised in whole or in part, on one or more occasions, in pursuit of one or more purposes by the company or companies dependent upon it or majority-owned by it, or by third parties acting on their behalf or on behalf of the company. The Executive Board is authorized, with the prior approval of the Supervisory Board, to exclude shareholders' tender rights when acquiring or their subscription rights when using treasury shares in certain cases.

2024 employee participation program

In the period from 19 November 2024 up to and including 25 November 2024, LPKF Laser & Electronics SE repurchased a total of 21,402 no-par value treasury shares with a notional interest in the share capital of EUR 1.00 per share on the capital market as part of an employee share program and passed them on to participating employees through an intermediary. The volume-weighted average repurchase price amounted to EUR 8.5504 per share. The total value amounted to EUR 182,995.24.

The shares are subject to a two-year lock-up period.

LPKF Laser & Electronics SE created an incentive to participate in the employee share programme by subsidizing the purchase of shares per employee up to a maximum amount of EUR 720.00 by 50%. The resulting expense of EUR 92 thousand was recognized as personnel expenses.

2023 employee participation program

In November 2023, LPKF Laser & Electronics SE repurchased a total of 20,335 no-par value treasury shares with a notional interest of EUR 1.00 per share in the share capital on the capital market as part of an employee share program and passed them on to participating employees through an intermediary. The average buyback price was EUR 9.2958 per share for 17,338 shares on November 14, 2023, EUR 9.4274 per share for 1,980 shares on November 15, 2023 and EUR 9.3627 per share for 1,017 shares on November 16, 2023. The total value amounted to EUR 189,358.87.

The shares are subject to a two-year lock-up period.

LPKF Laser & Electronics SE created an incentive to participate in the employee share programme by subsidizing the purchase of shares per employee up to a maximum amount of EUR 720.00 by 50%. The resulting expense of EUR 95 thousand was recognized as personnel expenses.

21. DEFERRED INCOME

Deferred income was recognized for grants for capitalized development costs and other non-current assets. The components are released on an accrual basis in accordance with the useful lives of the assets. The same applies to government grants for building costs at the Suhl site.

22. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Post-employment pension benefits

Germany has a statutory defined contribution national pension scheme for employees that pay pensions contingent on income and contributions made. The company has no benefit obligations other than the payment of its contributions to the statutory pension insurance entity. Some of the Group’s employees have also taken out policies with a private insurer as part of the company pension plan and based on a shop agreement. In this case, too, the company has no other benefit obligations above and beyond the cost of contributions that are reported in current staff costs.

The provisions reported as pension benefits in the statement of financial position comprise only defined benefit obligations to former Management Board members of the parent company for which fixed pension benefits have been stipulated. The plan is financed through payments to a fund and to insurance companies. The promised benefits comprise payments for retirement pensions, disability pensions and widow's and orphan's pensions. Once the age threshold has been attained by reaching the end of the 65th year of life, or if eligibility to receive a disability pension is established prior to reaching the end of the 65th year of life, a commitment is made to pay the beneficiary a monthly pension payment for life. The widow's pension paid to a surviving wife amounts to 60% or 70% of the relevant retirement pension entitlement. The weighted average term of the defined benefit plans is 11.1 years.

There is longevity and interest rate risk with regard to the pension provision. Reinsurance policies were obtained for hedging purposes and pledged partially to the beneficiaries. The fair value amounts are reported in the offsetting and reconciliation of the excess of plan assets over post-employment benefit liability.

The carrying amount in the statement of financial position of the net liabilities (assets) for defined benefit plans in accordance with IAS 19 corresponds to the present value of the defined benefit obligation (DBO) on the reporting date less the fair value of the plan assets. The DBO is calculated annually by an independent actuary using the projected unit credit method. The DBO's present value is determined by discounting the expected future cash outflows at the interest rate of high-quality corporate bonds. The resulting revaluations (actuarial gains and losses) in connection with the remeasurement of net liabilities and net assets are recognized directly in other comprehensive income (OCI) due to IAS 19.

The following amounts were reported in the statement of financial position for defined benefit plans:

in EUR thousand	**2024**	2023
Present value of the defined benefit obligation at beginning of period	**575**	540
Current service cost	0	0
Interest expense	18	20
Pension payments	-17	-17
Actuarial gains (-) and losses (+)	-21	32
Present value of the defined benefit obligation at the end of period	**555**	575
Plan assets		
Reinsurance cover	-396	-185
Securities	-358	-351
shown in the statement of financial position (net liability (+)/Excess (net asset (-))	**-199**	39

Development of net liabilities/assets:

in EUR thousand	**2024**	2023
Net Liabilities (-) / Net assets (+) at beginning of period	**-39**	271
Total amount in the income statement	14	11
Total revaluations recognized in OCI	204	-337
Benefit payments	17	0
Employer contributions	3	16
Net Liabilities (-) / Net assets (+) at end of period	**199**	-39

All defined benefit plans are covered; there are no unfunded plans. The fair value of the cover assets developed as follows:

in EUR thousand	**2024**	2023
At beginning of period	**535**	811
Total effect on earnings in the income statement	32	31
Cost of/income on plan assets without interest income	302	-306
Payments from plan assets	-118	-17
Funded by the employee	3	16
At end of period	**754**	535

The cover assets are made up as follows:

	2024	
in EUR thousand	Absolute	Percentage
Equity instruments	0	0%
Debt securities	358	47%
Other	396	53%
Total	**754**	100%

	2023	
in EUR thousand	Absolute	Percentage
Equity instruments	0	0%
Debt securities	351	65%
Other	185	35%
Total	536	100%

The debt securities include mixed fund shares that are primarily invested in fixed-income securities. Insurance plans are reported under Other. As in the previous year, the cover assets do not contain any financial instruments.

The following amounts were recognized in the income statement:

in EUR thousand	**2024**	2023
Interest income from plan assets	32	31
Interest expenses on the obligation	-18	-20
Total effect on earnings in the income statement	**14**	11

The provisions for pensions were determined based on the following assumptions:

in %	**2024**	2023
Discount rate as of 12/31	3.41	3.29
Future salary increases	0.00	0.00
Future pension increases	1.75	1.75
Expected return on plan assets	3.41	3.29
Employee turnover	0.00	0.00

The determination of the expected return on the plan assets was based on the estimated return on the assets, taking into account the changes in the yields of non-current fixed-income instruments.

The undiscounted pension payments based on the average life expectancy of 17.5 years result in the following maturity analysis:

12/31/2024 in EUR thousand	Up to 1 year	Between 1 and 5 years	Between 5 and 10 years	**Total**
Pension benefits	29	65	109	**203**

Regarding possible changes in the significant actuarial assumptions made, the following sensitivities were determined:

Baseline values	
Discount rate	3.41%
Pension trend	1.75%
Defined Benefit Obligation (in EUR thousand)	555

Sensitivities	Revalued DBO	Percentage change in the DBO
Discount rate plus 0.5%	526	-5.23%
Discount rate minus 0.5%	587	5.77%
Pension trend plus 0.25%	569	2.52%
Pension trend minus 0.25%	541	-2.52%

Anniversary payments and benefits similar to pensions

One Group company is obligated to pay its employees a benefit equal to three months of an employee's salary based on the most recently paid salary when employment is terminated due to the employee reaching the maximum age threshold. In addition, the company is required to pay a benefit calculated based on the attainment of a certain number of years of service with the company. The company, which is included in the consolidated financial statements, meets these obligations itself as soon as they become due. These obligations are measured annually by an independent actuary. No plan assets are maintained for this purpose. The amount of the obligation is therefore reported in the statement of financial position under provisions for employee benefits.

Payments totaling EUR 105 thousand are expected in the next five years.

The amounts recognized in the statement of financial position are comprised as follows:

in EUR thousand	**2024**	2023
Present value of the defined benefit obligation at the beginning of period	**307**	279
Current service cost	25	17
Interest expense	12	13
Benefit payments	-8	-6
Employees left	-14	-3
Benefit changes	0	0
Actuarial gains (-) and losses (+)	28	7
Present value of the defined benefit obligation at end of period	**350**	307

The following amounts were recognized in the income statement:

in EUR thousand	**2024**	2023
Current service cost	25	17
Interest expense on the obligation	12	13
Total amount in the income statement	**37**	30

Regarding possible changes in the significant actuarial assumptions made, the following sensitivities were determined:

Baseline values	
Discount rate	3.64%
Salary trend	2.60%
Defined Benefit Obligation (in EUR thousand)	350

Sensitivities	Revalued DBO	Percentage change in the DBO
Discount rate plus 0.5%	332	-5.14%
Discount rate minus 0.5%	370	5.71%
Salary trend plus 0.5%	370	5.71%
Salary trend minus 0.5%	332	-5.14%

23. OTHER PROVISIONS

Provisions are recognized for legal or constructive obligations resulting from past events if it is probable that settling the obligation will lead to an outflow of Group resources and that a reliable estimate of the amount of the obligation can be made. Other provisions are recognized at their estimated settlement value in accordance with IAS 37.

in EUR thousand	Guarantees and warranties	Bonuses	LTI	Other	**Total**
As of 01/01/2024	762	1,291	226	973	**3,252**
Utilization	-449	-1,231	0	-591	-2,271
Reversals	-1	-60	-10	-52	-123
Additions	467	1,032	377	1,039	2,915
Currency differences	2	11	0	1	14
As of 12/31/2024	781	1,043	593	1,370	**3,787**
Long-term	0	0	593	0	593
Short-term	781	1,043	0	1,370	3,194

Guarantees and warranties

The provisions for guarantees and warranties cover potential statutory or financial obligations under guarantee and goodwill cases.

Variable remuneration - Short Term Incentive

A provision was created for variable remuneration components that will be paid out after the end of the current financial year. This includes short-term bonus components for the Management Board and senior management as well as other variable remuneration for employees and functions. Detailed information on Management Board remuneration can be found in the remuneration report.

Share-based payments - long-term incentive

The share-based payment relevant to the consolidated financial statements is explained in detail in Note 24. The cash-settled share-based payment set up for managers in 2022 will not be paid out in 2024 due to the failure to meet targets. All virtual shares have lapsed.

Other

Other provisions mainly include provisions for the installation of customer systems delivered as well as inventor compensation.

24. SHARE-BASED PAYMENTS

GROUP PERFORMANCE STOCK OPTION PLAN

In 2023, the Group introduced a Performance Stock Option Plan (PSOP) for members of the Management Board, managers and selected employee groups.

The beneficiaries receive an entitlement to a long-term bonus in the form of performance stock options (PSOs) granted free of charge. The number is calculated by dividing the individual allocation amount (target amount) by the fair market value of a PSO on the date of allocation (allocation date). The number of PSOs granted can decrease to zero or increase to a maximum of 150% after the end of the three-year performance period and depends on the achievement of the relative TSR, ROCE and ESG performance targets. The individual performance and waiting periods begin on January 1 of each year. In addition, the plan conditions contain other common provisions, some of which are adapted to the respective target group, such as share purchase and holding obligations and bad leaver clauses.

Subject to any insider trading rules and any black-out periods, vested PSOs may only be exercised after the vesting period has expired. The vesting period is four years, starting from the grant date. The PSOs can only be exercised within four years of the end of the respective vesting period. The profit per share is limited to EUR 20.00 at the time of exercise.

The plan stipulates that LPKF Laser & Electronics SE will fulfill its obligation to transfer shares with new shares by utilizing the contingent capital. However, the company has the right to replace the issue of new shares by transferring repurchased treasury shares or by making a cash payment. The plan conditions therefore provide for a settlement option for the company. For the tranche issued in 2023, there is a legal and de facto obligation for cash settlement, as the Annual General Meeting did not approve the authorization to issue share options and the creation of conditional capital and the corresponding amendment to the Articles of Association until 2024. Details on the conditional capital are presented in Note 20 "Equity". For the tranches from 2024 onwards, settlement in equity instruments is generally planned.

MOVEMENT IN SHARE OPTIONS IN THE REPORTING PERIOD

The following table shows the development of outstanding share options in the reporting period, broken down by cash settlement and settlement in equity.

Movement of options	Settlement in cash: Number of options	Settlement in cash: Ø Exercise price	Settlement in equity instruments: Number of options	Settlement in equity instruments: Ø Exercise price
Balance at the beginning of the period	475,303	6.93 €	0	
Granted	0		413,376	8.08 €
Forfeited	-7,004	6.93 €	-4,948	8.08 €
Expired	0		0	8.08 €
Exercised	0		0	
Balance at the end of the period	468,299	6.93 €	408,428	8.08 €
Thereof exercisable	0		0	

ACCOUNTING TREATMENT IN ACCORDANCE WITH IFRS 2

The accounting of share-based payment transactions is regulated in IFRS 2 "Share-based payment".

In the case of **cash settlement**, the expected expense from the long-term bonus program is estimated using an option pricing model in the amount of the fair value on each reporting date. The expected total expense from the program is distributed pro rata temporis over the period until the first possible exercise date. This accounting method is applied for the 2023 tranche.

The following parameters were used in the option price model (Monte Carlo simulation) to determine the fair value of the 2023 tranche as at December 31, 2024:

	Tranche 2023
Annualized Volatility	52.56%
Expected maturity	6 years
Risk-free Rate	2.13 % p. a.
Dividend Yield	1.10%
Closing Price as of Simulation Date	8,93 EUR
Allotment value	EUR 562 thousand
Initial price of LPKF shares	EUR 10.47
Number of PSO at the allotment date	475,303

In the case of **settlement with equity instruments,** the fair value of the instruments granted is determined at the grant date and recognized as an expense over the vesting period. This accounting is applied for the 2024 tranche.

The following parameters were included in the option price model (Monte Carlo simulation) to determine the fair value of the 2024 tranche at the time of issue:

	Tranche 2024
Annualized Volatility	53.63%
Expected maturity	6 years
Risk-free Rate	2.25 % p. a.
Dividend Yield	1.17%
Closing Price as of Simulation Date	8,17 EUR
Allotment value	EUR 622 thousand
Initial price of LPKF shares	9,55 EUR
Number of PSO at the allotment date	413,376

Influencing factors such as assumptions on fluctuation and overall target achievement are taken into account when determining the quantity structure in both cases and recognized in profit or loss.

Total expense for share-based payments recognized in the 2024 financial year:

in EUR thousand	**2024**	2023
Total expense for share-based payments	**614**	194
of which settled in cash	367	194
of which settled in equity instruments	247	n.a.

The total carrying amount for the 2023 tranche (cash settlement) amounted to EUR 593 thousand at the end of the reporting period (previous year: EUR 226 thousand) and is reported under provisions. This includes amounts for active and retired members of the Management Board totaling EUR 441 thousand (previous year: EUR 141 thousand).

For the 2024 tranche, EUR 247 thousand was allocated to the reserve for share-based payment in equity, of which EUR 226 thousand was for the eligible active and former members of the company's Management Board.

25. OTHER FINANCIAL LIABILITIES

Upon initial recognition, financial liabilities are measured at fair value after deduction of transaction costs. They are subsequently measured at amortized cost. Any difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is amortized over the term of the liability in the income statement using the effective interest rate method.

	2024			
in EUR thousand	**Total**	of which current	of which non-current	Secured amounts
Liabilities to banks	**6,110**	6,110	0	6,110
Liabilities from leases	**1,920**	1,015	905	
Other financial liabilities	**8,030**	7,125	905	

	2023			
in EUR thousand	**Total**	of which current	of which non-current	Secured amounts
Liabilities to banks	11,407	11,407	0	11,407
Liabilities from leases	2,200	809	1,391	
Other financial liabilities	13,607	12,216	1,391	

There were no loans as at the reporting date of December 31, 2024. The current account liabilities to banks included in the financial liabilities are denominated entirely in euros.

A syndicated loan was concluded in the fourth quarter of 2023 to replace the previous financing agreements. The syndicated loan agreement has a term of three years - with the option of two one-year extensions.

The syndicated loan was used in 2024 to finance working capital requirements and for guarantees (mainly advance payment guarantees for customers). As agreed, the agreed interest margin on the EURIBOR varies with the company's earnings situation. EBITDA, the gearing ratio and the Group's equity ratio were agreed with the consortium as covenants.

The lines from the syndicated loan are secured by land and buildings as well as guarantees from the main subsidiaries.

26. OTHER LIABILITIES

Other liabilities in the amount of EUR 5,193 thousand (previous year: EUR 5,868 thousand) mainly include accrued liabilities of EUR 1,100 thousand (previous year: EUR 1,575 thousand) that are certain in principle but subject to residual uncertainties regarding the amount and timing. Also included are short-term employee benefits from wages, salaries and social security contributions of EUR 1,332 thousand (previous year: EUR 1,095 thousand) and from compensated absences such as vacation and overtime reduction of EUR 1,998 thousand (previous year: EUR 2,270 thousand). In addition, EUR 240 thousand (previous year: EUR 207 thousand) in liabilities to the Supervisory Board are reported under this item.

I. OTHER DISCLOSURES

27. STATEMENT OF CASH FLOWS

Cash flow from operating activities is derived from the consolidated financial statements using the indirect method; pursuant to IAS 7, it presents the changes in cash flows broken down by inflows and outflows for operating activities. Cash flows from investing and financing activities, on the other hand, are calculated using the direct method. In total, this results in the change in cash and cash equivalents. This comprises cash and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be converted into specific cash amounts at any time and are only subject to insignificant value fluctuation risks. Short-term current account liabilities, which are an integral part of cash management, are also included in cash and cash equivalents.

RECONCILIATION FOR LIABILITIES FROM FINANCING ACTIVITIES AS PER IAS 7

			Non-cash changes			
2024 in EUR thousand	01/01/2024	Cash changes	Acquisitions	Currency-exchange-related changes	Fair value changes	**12/31/2024**
Non-current loans	0	0	0	0	0	0
Current loans	11,407	-5,297	0	0	0	6,110
of which overdraft facilities	0	6,110	0	0	0	6,110
Lease liabilities	2,200	-979	685	14	0	1,920
Total	13,607	-6,276	685	14	0	**8,030**

			Non-cash changes			
2023 in EUR thousand	01/01/2023	Cash changes	Acquisitions	Currency-exchange-related changes	Fair value changes	**12/31/2023**
Non-current loans	246	-246	0	0	0	0
Current loans	874	10,533	0	0	0	11,407
of which overdraft facilities	0	0	0	0	0	0
Lease liabilities	2,327	-999	854	18	0	2,200
Total	3,447	9,288	854	18	0	**13,607**

28. EARNINGS PER SHARE

In accordance with IAS 33, basic earnings per share are calculated by dividing the consolidated net profit for the year attributable to the shareholders of LPKF Laser & Electronics SE by the weighted average number of shares outstanding during the financial year.

As the result for the period is negative, the inclusion of potential ordinary shares from the share option program (see note 24) would lead to an arithmetical improvement in earnings per share. However, in accordance with IAS 33.41, potential ordinary shares are only taken into account if they dilute earnings per share. As this is not the case, the anti-dilution protection in accordance with IAS 33.43 applies. The diluted earnings per share must be adjusted to the amount of the basic earnings per share.

in EUR thousand	**2024**	2023
Number of shares, undiluted	24,496,546	24,496,546
Number of shares, diluted	24,496,546	24,496,546
Consolidated net profit/loss (in EUR thousand)	-4,509	1,754,447
Basic earnings per share (in EUR)	-0.18	0.07
Diluted earnings per share (in EUR)	-0.18	0.07

29. DIVIDEND PER SHARE

In the 2024 financial year, LPKF generated only a small positive free cash flow and a negative result (EBIT). For this reason, the Management Board will propose to the Annual General Meeting on June 4, 2025 that no dividend be distributed for the 2024 financial year. The financial resources from the free cash flow are to be invested in measures that promote the company's future growth. The company also did not distribute a dividend for 2023.

30. TRANSACTIONS WITH RELATED PARTIES

As at the reporting date, LPKF Laser & Electronics SE had liabilities to members of the Supervisory Board amounting to EUR 240 thousand (previous year: EUR 207 thousand).

There are no other receivables and liabilities or remuneration paid or benefits granted to related parties or to companies in the LPKF Group. The executive bodies of LPKF Laser & Electronics SE are discussed in notes 35 and 36.

31. GERMAN CORPORATE GOVERNANCE CODE

The declaration of compliance by the Supervisory Board and the Management Board required under Section 161 of the German Stock Corporation Act on the application of the recommendations of the Government Commission of the German Corporate Governance Code, as well as the disclosures of any non-compliance with the recommendations, were made permanently available to the public on the company’s website (https://www.lpkf.com/de/investor-relations/corporate-governance).

32. FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities

The financial instruments reported in the LPKF consolidated statement of financial position comprise trade receivables, cash and cash equivalents, derivatives, trade payables, liabilities to banks as well as other assets and liabilities under contractual agreements.

Financial assets are measured at fair value, net of any transaction costs, at the settlement date. Trade receivables, on the other hand, are initially recognized at the transaction price. Subsequent measurement of financial assets varies depending on classification.

Within the classification of financial assets, IFRS 9 differentiates between debt instruments and equity instruments. LPKF Laser & Electronics SE's consolidated financial statements do not include any equity instruments.

The first step in classifying debt instruments is to analyze how the entity manages the relevant financial instruments in order to realize cash flows from them (business model test). The cash flows to be realized are analyzed to determine whether they originate primarily from the **HOLDING** or **SELLING** of financial assets or from a **COMBINATION OF THE TWO**. The second step is to analyze the contractual cash flows to determine whether the financial asset meets the core principle of a normal lending arrangement. This is the case when the contractual cash flows of a financial asset give rise to payments on specified dates that are solely payments of **PRINCIPAL** and **INTEREST** on the principal amount outstanding.

Based on the business model test and the cash flow criterion, the Group's financial assets are predominantly classified under the "at amortized cost" category. On the other hand, derivatives do not meet the cash flow criterion and should therefore be assigned to the "at fair value through profit or loss" category. Income and expenses related to the financial assets are recognized in profit or loss.

At initial recognition, financial liabilities are measured at fair value plus any transaction costs. They are subsequently measured at amortized cost using the effective interest rate method. Transaction costs are taken into account when calculating the effective interest rate. Income and expenses related to the financial liabilities are recognized in profit or loss.

2024 in EUR thousand	Measure-ment category as per IFRS 9	Carrying amount as of 12/31/2024	IFRS 9 carrying amount Amortized cost	IFRS 9 carrying amount Fair Value through other compre-hensive income	IFRS 9 carrying amount Fair value through profit or loss	Fair Value as of 12/31/2024	FVH*
Assets							
Other financial liabilities	AC	5,053	5,053	-	-	5,053	-
Trade receivables	AC	30,108	30,108	-	-	30,108	-
Derivatives - without hedge accounting	FVtPL	143	-	-	143	143	3
Total		**35,304**	**35,161**	**-**	**143**	**35,304**	**-**
EQUITY AND LIABILITIES							
Trade payables	FLAC	7,362	7,362	-	-	7,362	-
Liabilities to banks	FLAC	6,110	6,110	-	-	6,110	-
Other interest-free liabilities	FLAC	909	909	-	-	909	-
Lease liabilities	n.a.	1,920	-	-	-	-	-
Total		**16,301**	**14,381**	**-**	**-**	**14,381**	**-**

* FVH: Fair Value Hierarchy level

Aggregated by measurement category as of IFRS 9	in EUR thousand	Carrying amount
Amortized cost	(AC)	35,161
Fair value through profit or loss	(FVtPL)	143
Financial liabilities at amortized cost	(FLAC)	14,381
not to be classified	(n.a.)	1,920

2023 in EUR thousand	Measurement category as per IFRS 9	Carrying amount as of 12/31/2023	IFRS 9 carrying amount: Amortized cost	IFRS 9 carrying amount: Fair Value through other comprehensive income	IFRS 9 carrying amount: Fair value through profit or loss	Fair Value as of 12/31/2023	FVH*
Assets							
Other financial liabilities	AC	10,678	10,678	-	-	10,678	-
Trade receivables	AC	36,417	36,417	-	-	36,417	-
Derivatives - without hedge accounting	FVtPL	301	-	-	301	301	3
Total		**47,396**	**47,095**	**-**	**301**	**47,396**	**-**
EQUITY AND LIABILITIES							
Trade payables	FLAC	9,962	9,962	-	-	9,962	-
Liabilities to banks	FLAC	11,407	11,407	-	-	11,407	
Other interest-free liabilities	FLAC	1,160	1,160	-	-	1,160	-
Lease liabilities	n.a.	2,200	-	-	-	-	-
Total		**24,729**	**22,529**	**-**	**-**	**22,529**	**-**

* FVH: Fair Value Hierarchy level

Aggregated by measurement category as of IFRS 9	in EUR thousand	Carrying amount
Amortized cost	(AC)	47,095
Fair value through profit or loss	(FVtPL)	301
Financial liabilities at amortized cost	(FLAC)	22,529
Not to be classified	(n.a.)	2,200

Determination of the fair value – fair value hierarchy

As far as possible, the LPKF Group uses observable market data to determine the fair value of an asset or liability. Based on the inputs used in the measurement, the fair values are assigned to different levels of the fair value hierarchy:

- Level 1: Quoted (unadjusted) prices on active markets for identical assets or liabilities.
- Level 2: Measurement parameters other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Measurement parameters for assets or liabilities not based on observable market data.

The LPKF Group recognizes reclassifications between different levels of the fair value hierarchy as of the end of the reporting period in which the change occurred. There were no transfers between different levels of the fair value hierarchy in 2024 or the year before.

Because of short remaining maturities, the fair values of cash and cash equivalents, current receivables, trade payables as well as current financial assets and liabilities closely correspond to the respective carrying amounts. The fair value of derivatives is determined externally by banks using a mid-market valuation. The fair value of the reinsurance contracts is determined externally by insurance companies in consideration of the smoothed increase in value and the stock market value of the securities held by the underlying fund at the reporting date.

The net gains/losses from financial instruments are as follows:

in EUR thousand		**2024**	2023
Amortized cost	(AC)	-821	-674
Fair value through profit or loss	(FVtPL)	0	27
Financial Liabilities at amortized cost	(FLAC)	-1,529	-621
		-2,350	-1,268

The net gains and losses from financial instruments measured at amortized cost include changes in loss allowances, gains and losses on disposal, payments received, reversals of write-downs on receivables as well as currency translation.

Hedging policy and risk management

If necessary, the LPKF Group uses derivative financial instruments to hedge future transactions and cash flows. Derivatives such as forward transactions with short-term maturities are primarily used as hedging instruments.

Risk management principles

The assets, liabilities and planned transactions of LPKF Laser & Electronics SE are exposed, in particular, to risks from fluctuations in foreign exchange rates and interest rates. The aim of financial risk management is to limit these risks. Depending on the nature of the risk, this primarily involves the use of derivative financial instruments. These instruments are exclusively used for hedging, i.e. they are not used for trading or speculative purposes.

Risk management is handled by the Management Board, which fixes the general guidelines for risk management and determines the relevant procedures. It is implemented by the specialist departments and subsidiaries subject to compliance with authorized business guidelines and coordinated by the Group Risk Officer. The Audit Committee of the Supervisory Board of the Company monitors compliance with the guidelines and processes issued by the Management Board as well as the effectiveness of the risk management system.

The material risks from financial instruments and the attendant risk management system of the LPKF Group are disclosed below:

Currency risk

The currency risks to which the LPKF Group is exposed mainly arise from receivables, liabilities, cash and future transactions in foreign currencies. Assets recognized in currencies with declining exchange rates decline in value. Liabilities reported in currencies with rising exchange rates increase in value. From the Group’s point of view, only the difference between income and expense in a foreign currency is exposed to risk.

As a rule, risks are hedged only if they have an impact on the Group’s cash flows. Foreign currency risks that have no impact on the Group’s cash flows are not hedged. These include risks from the translation of the assets and liabilities reported in the annual financial statements of foreign subsidiaries into euros, the Group’s reporting currency. Most invoices related to operations are issued in euros. Sales in North America are invoiced in US dollar. Cash flows in other foreign currencies are required in some cases. As far as possible, the Group pays for its procurement in US dollar, thus applying a natural hedge philosophy. In net terms, however, this does give rise to US dollar cash inflows. For hedging purposes, forward exchange contracts are used when the need arises to cover contracted net foreign currency inflows for up to twelve months.

The disclosure of market risks requires sensitivity analyses pursuant to IFRS 7. They show the effects of hypothetical changes in the relevant risk variables on performance and equity. Currency risks arising from changes in the US dollar exchange rate have priority for LPKF in this respect. The periodic effects are determined by relating the hypothetical changes in the risk variables to the holdings of financial instruments as of the reporting date. The assumption is that the value of the holdings as of the reporting date is representative for the whole year. Differences from foreign currency translation of the annual financial statements of foreign subsidiaries into euros, the Group’s functional currency, are not taken into account.

The currency sensitivity analysis is based on the following assumptions:

Pursuant to IFRS 7, the analysis shows only the effects of exchange rate changes on financial instruments held by the Group as of the reporting date.

Based on a net foreign currency exposure of EUR 1,402 thousand, a 10% appreciation of the euro against the US dollar would have reduced earnings before income taxes by EUR 156 thousand, while a 10% depreciation of the euro would have led to a positive effect on earnings (before income taxes) of EUR 127 thousand.

Interest rate risk

There is a cash flow risk for cash and cash equivalents from the variable interest rate. An increase in interest rates of 50 basis points results in a gain of EUR 39 thousand based on a risk position of EUR 7,866 thousand, while a decrease in interest rates of 25 basis points results in a loss of EUR 20 thousand. The low interest rate sensitivities in relation to cash and cash equivalents are due to the mostly low-interest cash and cash equivalents.

Liquidity risk

Liquidity risk describes the risk of not being able to meet existing or future payment obligations due to insufficient availability of funds. The Group's objective in managing liquidity is to ensure that - as far as possible - sufficient liquid funds are available under both normal and strained conditions to meet payment obligations as they fall due without suffering unacceptable losses or damaging the Group's reputation.

LPKF counters liquidity risks with forward-looking, currency-differentiated liquidity and working capital planning.

Liquidity planning

Currency-differentiated liquidity planning enables the Group to initiate measures at an early stage with regard to the required liquidity resources. In addition to the main influences on cash flows, contingencies that could have an impact on the future liquidity situation are also taken into account. As the LPKF Group is only moderately indebted, it also has adequate liquidity reserves of EUR 25.0 million at its disposal through a syndicated loan.

In addition, there is a guarantee facility of EUR 15.0 million with internationally reputable insurance companies as part of the syndicated financing.

Some of the LPKF Group's European companies pool their liquidity peaks in euros and US dollars via a cash pool. All other companies operate their ongoing cash management on a decentralized basis. The expansion of cash pooling to other international companies is constantly being examined. In the event of major financing requirements, the possibility of local financing or financing via LPKF Laser & Electronics SE is examined.

Working capital

Net working capital fell from EUR 40.0 million in the previous year to EUR 37.2 million. The significant reduction in trade receivables (EUR -6.3 million) and the significant reduction in inventories (EUR -4.4 million) were offset by only a slight decrease in advance payments received and trade payables.

As planned, working capital and the working capital ratio are below the previous year's figures.

Management is centralized within the LPKF Group.

FINANCIAL LIABILITIES MATURITY BREAKDOWN

The contractual remaining maturities of the financial liabilities at the reporting date, including estimated interest payments, are presented below. These are undiscounted gross amounts including contractual interest payments, but without presentation of the effect of offsetting.

	2024				
in EUR thousand	**Carrying amount as of 12/31**	Total amount	Up to 1 year	Between 1 and 5 years	More than 5 years
Trade payables	**7,362**	7,362	7,362	0	0
Bank overdrafts	**6,110**	6,110	6,110		
Lease liabilities	**1,920**	2,016	1,040	976	0

	2023				
in EUR thousand	**Carrying amount as of 12/31**	Total amount	Up to 1 year	Between 1 and 5 years	More than 5 years
Trade payables	9,962	9,962	9,790	172	0
Revolving Credit Facility	11,407	11,407	11,407	0	0
Lease liabilities	2,200	2,329	829	1,500	0

Credit risk

The LPKF Group’s operating business and some of its financing activities expose it to default risks. Outstanding receivables from the operating business are monitored on an ongoing, decentralized basis by the segments and subsidiaries. Default risks are accounted for by appropriate loss allowances. There are no significant counterparty credit risks by customer group or geographical region. Receivables are hedged in part through credit insurance or bank guarantees (LC).

The maximum default risk of financial assets generally corresponds to their carrying amount. There are also payment commitments from banks (letters of credit) for trade receivables amounting to EUR 220 thousand. The credit risk of the guarantor therefore remains here. In addition, trade receivables amounting to EUR 15,364 thousand are covered by credit default insurance. Of the trade receivables, 51% are secured and 49% are unsecured.

Impairment model for financial assets

Impairment is based on the expected loss model. The amount of the impairment is measured as the difference between the carrying amount of a financial asset and the present value of the estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognized directly in profit or loss under respective impairment loss items. The expected credit losses are adjusted as of the end of each reporting period to reflect changes in the credit risk since initial recognition of the respective instrument.

Trade receivables are managed on a rolling basis. With a few exceptions, trade receivables from third parties are covered by trade credit insurance.

General approach:
The general approach to the impairment model as per IFRS 9 contains three stages:

Stage 1 (low default risk)
At the date of addition, all financial instruments are categorized as stage 1. An exception to this is financial instruments that are already impaired at the date of addition. These financial instruments do not exist at LPKF. The loss allowance is based on the value of the expected credit losses over the next 12 months. The expected credit risk is based on historic and current information as well as future-oriented estimates.

Stage 2 (significant default risk)
If a stage 1 financial instrument is subject to a significant increase in its credit risk, then it is reclassified as stage 2. As long as there is no rebuttable presumption, contractually agreed payments that are more than 30 days past due constitute a significant increase in credit risk. The loss allowance is based on the value of the expected losses over the remaining maturity. The expected credit risk is based on historic default rates and is adjusted by individual expectations.

Stage 3 (credit impairment)
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset occur. Indicators of this might be significant financial difficulties on the part of the debtor or an enhanced probability that the debtor will become bankrupt. If there are no other indications in the relevant case, the LPKF Group assumes that a financial asset is credit-impaired when it is more than 90 days past due.

Depreciation, amortization and write-downs
The LPKF Group assumes that a financial asset has defaulted if the receivable is unrecoverable, e.g. if the given debtor is bankrupt. The gross carrying amount of a defaulted financial asset is subsequently written down when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Within the LPKF Group, the general approach to the impairment model as per IFRS 9 is used for cash and cash equivalents. The losses that may be incurred as a result are immaterial to the LPKF Group.

Simplified approach:
In accordance with IFRS 9, the LPKF Group exercises the option to apply a simplified approach to current trade receivables. Accordingly, the receivables are to be assigned to stage 2 on initial recognition and an assessment of a significant increase in credit risk is not required.

The LPKF Group uses an impairment matrix to determine the expected losses for current trade receivables. The default rates used in this matrix are based on historic default rates and are adjusted by future-oriented estimates. Forward-looking information includes, but is not limited to, information from trade credit insurers and available press information about customers as well as information about the future prospects of the industries in which the Group’s debtors operate obtained from various sources. The historic default rates are updated and the future-oriented estimates are reanalyzed on each reporting date.

The time bands used in the impairment matrix to determine the expected losses are as follows:

	Gross value of receivables in EUR thousand					
Days past due	**12/31/2024**	Failure rate	Credit-impaired	12/31/2023	Failure rate	Credit-impaired
Current	28,382	0.1%	No	33,874	0.2%	No
1-30 days past due	493	1.2%	No	1,923	1.4%	No
31-60 days past due	591	3.3%	No	326	3.6%	No
61-90 days past due	291	6.5%	No	105	7.2%	No
More than 90 days past due	638		Yes	499		Yes
Total	**30,395**			36,727		

The changes in loss allowances on trade receivables were as follows in the reporting year:

Loss allowances recognized on trade receivables and loans in EUR thousand	**2024**	2023
As of 01/01	**-310**	-294
- Stage 1 loss allowances	0	0
+Stage 1 reversal of impairment losses	47	0
- Stage 2 loss allowances	-19	0
+Stage 2 reversal of impairment losses	0	49
- Stage 3 loss allowances	-5	-65
- Depreciation, amortization and write-downs	0	0
As of 12/31	**-287**	-310

Capital management disclosures

The Group's capital management serves to secure the company's existence as a going concern and pursue opportunities for growth with the aim of continuing to funnel profits to its shareholders and provide other interested parties with services due to them. Maintaining the best possible capital structure to reduce capital costs is another objective. To maintain or modify its capital structure, depending on the given situation, the Group adjusts dividend payments to its shareholders, repays capital to its shareholders, issues new shares or sells assets in order to discharge liabilities.

Equity available in EUR thousand	**12/31/2024**	12/31/2023
Equity	91,761	95,116
Debt securities	39,830	53,357

31. OTHER FINANCIAL OBLIGATIONS

There are framework agreements for orders with the aim of price fixing for a larger quantity that will not be purchased until after the balance sheet date, which amount to EUR 72 thousand (previous year: EUR 313 thousand). For annually recurring maintenance contracts, mainly for software applications, contracts amounting to EUR 2,571 thousand (previous year: EUR 1,921 thousand) exist beyond the balance sheet date. There are no other significant financial obligations.

34. DISCLOSURES PURSUANT TO SECTION 315E OF THE GERMAN COMMERCIAL CODE

The requirements of Section 315e of the German Commercial Code for the preparation of consolidated financial statements according to IFRS, as applicable in the EU, have been fulfilled. In addition to IFRS disclosure obligations, LPKF also publishes details and explanations required under the German Commercial Code.

35. DISCLOSURES ON MANAGEMENT BOARD REMUNERATION

Dr. Klaus Fiedler (CEO) from November 01, 2024 transitional sole member of the Executive Board	Strategy, Sales & Marketing, Human Resources, Production, Research & Development, Innovation
Christian Witt (CFO) until December 31, 2024	Finance & Controlling, Investor Relations, Compliance & Legal, Organization & IT, Purchasing, ESG

The remuneration of the Management Board is performance-based and consists of a fixed component and variable, performance-based salary components. Details regarding the remuneration system and individual disclosures are presented in the remuneration report.

In the 2024 financial year, the members of the Management Board received total remuneration of EUR 797 thousand (previous year: EUR 770 thousand) for their activities in accordance with Section 162 AktG. Of this, EUR 682 thousand (previous year: EUR 664 thousand) was attributable to the fixed salary components including fringe benefits, which were paid out in full in the 2024 reporting year. A total of EUR 115 thousand (previous year: EUR 106 thousand) was attributable to the variable remuneration components granted and owed to the members of the Management Board in the 2024 financial year. Of this, EUR 80 thousand was already paid out in the reporting year. The remaining EUR 35 thousand is owed and will be due for payment in April 2025.

In the 2024 financial year, a severance payment of EUR 205 thousand was paid to a former member of the Management Board in connection with the premature termination of his employment contract.

In the financial year, EUR 441 thousand (previous year: EUR 142 thousand) for share-based payment within the meaning of IAS 24.17 (e) was accrued for active members of the Management Board and those who left at the end of the year and EUR 226 thousand was transferred to the reserve for share-based payment in equity. The fair value of the share-based payment at the allocation point amounted to EUR 765 thousand in total (previous year: EUR 375 thousand).

Commitments to members of the Management Board upon departure

Post-contractual non-competition clauses have been agreed with the members of the Management Board for a period of six months in the event of termination of their employment, irrespective of whether this is a regular or premature termination.

The Supervisory Board can waive the post-contractual non-competition clause by written declaration to the Management Board with the effect that the company is released from the obligation to pay the compensation for non-competition upon expiry of a three-month period.

If the activity of a member of the Management Board ends prematurely because he or she dies during the term of his or her service contract, the fixed monthly remuneration must continue to be paid to the heirs for a period of three months. The company did not make any defined benefit pension commitments to current members of the Management Board in the reporting period.

Total remuneration of former members of the Management Board

There are pension commitments (retirement, disability and widow's pensions) for former members of the Management Board and their surviving dependants amounting to EUR 661 thousand (previous year: EUR 685 thousand), for which provisions were recognized in the corresponding amount. Pensions of EUR 29 thousand (previous year: EUR 17 thousand) were paid out to former members of the Management Board in 2024.

The interest income from the plan assets of EUR 32 thousand (previous year: EUR 31 thousand) is lower than the interest expense on the obligation of EUR 18 thousand (previous year: EUR 20 thousand), resulting in a negative effect on the income statement of EUR 14 thousand.

36. DISCLOSURES ON SUPERVISORY BOARD REMUNERATION

Jean-Michel Richard (Chairman)	Founder and independent senior advisor at Fisadis Consulting Ltd, London, UK (not listed on the stock exchange) Membership of comparable domestic and foreign supervisory bodies of commercial enterprises: - Chairman of the Audit Commitee at Halcyon TopCo Ltd, Burton Upon Trent UK (not listed on the stock exchange)
	Member of Supervisory Board committees: - Audit, Risk and ESG Committee - Nomination & Remuneration Committee
Dr. Dirk Rothweiler (Deputy Chairman)	Independent management consultant, Weimar, Germany
	Member of Supervisory Board committees: - Strategy Committee (Chairman) - Nomination & Remuneration Committee
Prof. Dr.-Ing. Ludger Overmeyer (Member of the Supervisory Board)	University professor and Head of the Institute of Transport and Automation Technology at Leibniz University Hanover, Germany Member of other statutory supervisory boards: Member of the Supervisory Board of Viscom AG, Hanover, Germany (listed company)
	Member of Supervisory Board committees: - Strategy Committee
Anka Wittenberg (Mitglied des Aufsichtsrats)	Senior Vice President of SAP SE, Walldorf
	Member of Supervisory Board committees: - Remuneration and Nomination Committee (Chairwoman) - Audit, Risk and ESG Committee
Alexa Siebert (ehem. Hergenröther) (Mitglied des Aufsichtsrats)	CEO of Sýn Consulting und Beteiligungsgesellschaft UG, Witzenhausen Membership in comparable German and foreign supervisory bodies of business enterprises: - SMA Solar Technology AG, Niestetal (listed company) - K-UTEC AG Salt Technologies, Sondershausen (not listed on the stock exchange) - Ameropa AG, Binningen, Switzerland (not listed on the stock exchange)
	Member of Supervisory Board committees: - Audit, Risk and ESG Committee (Chair) - Strategy Committee

In addition to reimbursement of all expenses and any sales tax payable on remuneration and expenses, the members of the Supervisory Board each receive fixed annual remuneration, which is determined by resolution of the Annual General Meeting. Since May 18, 2023, each member of the Supervisory Board receives a fixed basic remuneration of EUR 35,000 for each full financial year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives double and the Deputy Chairman one and a half times the amount of the fixed basic remuneration. The Chairman of the Audit Committee receives additional remuneration of EUR 7,500 and the Chairman of the Nomination Committee and the Chairman of the Remuneration and ESG Committee each receive additional remuneration of EUR 5,000. The chairmen of the respective committees receive double the additional remuneration. In addition, the members of the Supervisory Board receive EUR 1,000 for each meeting they attend - whether in person, by telephone or virtually - for a meeting of the Supervisory Board and EUR 500 for a committee meeting. The attendance fee is only paid once for several meetings held on the same day.

Members of the Supervisory Board who have not belonged to the Supervisory Board for a full financial year or who have chaired or deputy chaired the Supervisory Board or chaired a committee receive pro rata remuneration. The remuneration is payable in two equal installments after 6 months from the beginning of the financial year and after the end of the financial year.

The remuneration of the Supervisory Board’s active members solely concerns short-term benefits as defined in IAS 24.17 (a). Further disclosures regarding the remuneration of the Supervisory Board, particularly individual disclosures, are set out in the remuneration report, which is part of the Group management report.

37. AUDITOR FEES INVOICED DURING THE FINANCIAL YEAR

In accordance with German commercial law (Section 314 (1) no. 9 HGB), the company is obliged to disclose the auditor's fees charged as expenses in the financial year. In addition to the audit of the consolidated financial statements and the annual financial statements, including the ESEF audit, the services in 2024 include a substantive audit of the remuneration report. The other services include the ongoing audit of ESG reporting with limited assurance. Other assurance services relate to agreed-upon assurance procedures on selected key financial figures of LPKF Laser & Electronics SE.

in EUR thousand	**2024**	2023
Audits of financial statements	290	208
of which prior-period	52	0
Other assurance services	4	0
Other services	87	29
Total	**381**	237

38. EVENTS AFTER THE REPORTING PERIOD

LPKF Laser & Electronics SE announced on January 8, 2025 that Peter Mümmler will be appointed to the Management Board as Chief Financial Officer with effect from April 1, 2025 for an initial term of three years.

There were no other events after the end of the 2024 financial year that are of particular significance for the Group's net assets, financial position and results of operations.

Garbsen, 18 March 2025

LPKF Laser & Electronics Societas Europaea

The Management Board

DR. KLAUS FIEDLER

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Garbsen, 18 March 2025

LPKF Laser & Electronics Aktiengesellschaft

The Management Board

Klaus Fiedler

AUDITOR’S REPORT

INDEPENDENT AUDITOR'S REPORT

[Note: This document is a convenience translation of the German original. The original German language document is the authoritative version.]

To LPKF Laser & Electronics SE, Garbsen

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

AUDIT ASSESSMENTS

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 December 31, 2024, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group (hereinafter "combined management report") of Laser & Electronics SE for the financial year from January 1 to December 31, 2024. In accordance with the German legal requirements, we have not audited the content of the non-financial statement referred to in the "Basis of preparation" section of the combined management report and the components of the combined management report listed in the "Other information" section of our auditor's report.

In our opinion, based on the findings of our 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 and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2024 and of its financial performance for the financial year from January 1 to December 31, 2024, and
- the accompanying combined management report as a whole provides a suitable view of the Group's position. In all material respects, this combined 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 combined management report does not cover the content of the non-financial statement referred to above or the content of the components of the combined management report listed in the "Other information" section.

Pursuant to § 322 Abs. 3 Satz 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 combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined 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). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Group companies 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) (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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined 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 January 1 to December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue from the delivery of goods in the correct period

Facts and problem definition

The Group's revenue amounted to EUR 122.9 million in the 2024 financial year. Revenue is mainly generated from the sale of machines and the provision of services in connection with the machines sold.

The Group recognizes revenue from the sale of products at a point in time when the customer obtains control of the product and the Group has fulfilled its performance obligation.

The Group's main markets are in Europe, the USA and Asia. The Group enters into various supply and service agreements with customers for the worldwide delivery of products.

Due to the use of different contractual supply and service agreements in the various markets worldwide, there is a risk for the consolidated financial statements that revenue may be recognized prematurely as at the reporting date, even though control over a delivered product has not yet been transferred to the customer and the respective Group company has not yet fulfilled its performance obligation.

Audit approach and findings

For the audit of revenue recognition on an accrual basis, we assessed the design and implementation of the internal controls for all material sub-areas and, for selected sub-areas, the functioning of the internal controls with regard to the correct accrual basis.

Based on the results of the audit of the design, establishment and functioning of internal controls with regard to the recognition of revenue from the delivery of goods in the appropriate period, we assessed substantive audit procedures by comparing invoices with the related purchase orders, contracts, external proof of delivery or acceptance records and, where applicable, other documents. This was based on sales transactions selected according to risk-oriented criteria (amount of sales, agreed Incoterm and proximity to the reporting date) with a focus on December. In addition, balance confirmations were obtained for trade receivables not yet settled as at the balance sheet date, which were selected on the basis of a mathematical-statistical procedure. Alternative audit procedures were carried out for outstanding balance confirmations by reconciling the corresponding sales revenue with the underlying purchase orders, contracts, invoices, proof of delivery and acceptance reports.

Based on the audit procedures we have performed and the knowledge we have obtained, the Company's procedure for recognizing revenue on an accrual basis is appropriate and not objectionable.

Reference to further information

Please refer to section G.1 "Revenue" in the notes to the consolidated financial statements for information on revenue.

OTHER INFORMATION

The Management Board or the Supervisory Board is responsible for the other information. The other information comprises the following non-audited parts of the combined management report:

- the separate non-financial group report within the meaning of Section 289b (3) HGB, which is expected to be made available to us after the date of the auditor's report and to which reference is made in the combined management report,
- the combined corporate governance statement of the company and the Group, which is referred to in the combined management report, and
- the information contained in the combined management report that is not part of the management report and/or is marked as unaudited.

The other information also includes the annual report expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements, the audited content of the combined management report 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, accordingly, 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 other information referred to above and, in doing so, consider whether the other information

- are materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

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

The Management Board 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, the Executive Board 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 Management Board is responsible for assessing the Group's ability to continue as a going concern. Furthermore, it is responsible for disclosing, as applicable, matters related to going concern. In addition, it is 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.

In addition, the Executive Board 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. Furthermore, the Executive Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a 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 the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED 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) 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 combined management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore:

- 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 the risk of not detecting a material misstatement 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 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 the Group's internal control or on the effectiveness of these arrangements and measures.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of accounting estimates and related disclosures made by the executive directors.
- 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. We draw our conclusions on the basis of 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 German Legally Required Accounting Principles.

- 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 audit of the consolidated financial statements. We are solely responsible for our audit 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 the legal representatives 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 forward-looking statements or on the assumptions underlying . There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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 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 actions taken or safeguards applied to address independence threats.

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 STATUTORY AND OTHER LEGAL REQUIREMENTS

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

AUDIT OPINION

We have performed an audit in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the data contained in the provided file "lpkf-2024-12-31-en.zip" (SHA256 hash value: 7469f4980ec71108a87e05dd41b48e0240cb95960d11e259fa5a84f251730c1e) and the reproduction of the consolidated financial statements and the combined management report (hereinafter also referred to as "ESEF documents") 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 audit only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned provided file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file beyond this audit opinion and our audit opinions contained in the above "Report on the audit of the consolidated financial statements and of the combined management report" on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from January 1 to December 31, 2024.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the reproduction of the consolidated financial statements and of the combined management report contained in the above-mentioned file provided in accordance with Section 317 (3a) HGB and in compliance with IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibilities under those requirements are further described in the "Auditor's responsibilities for the audit of the ESEF documents" section. Our audit practice has complied with the requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1) have been applied.

Responsibility of the Management Board and the Supervisory Board for the ESEF documents

The company's Management Board is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB for the electronic reporting format.

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

Auditor's responsibility for the audit of the ESEF documents

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. During the audit, we exercise professional judgment and maintain professional skepticism. In addition

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, 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 opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents 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 controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- we assess whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Other information pursuant to Article 10 EU-APrVO

We were elected as group auditor by the annual general meeting on June 5, 2024. We were engaged by the supervisory board on October 8, 2024. We have been the auditor of LPKF Laser & Electronics SE without interruption since the financial year 2023.

We declare that the audit 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 (audit report).

OTHER MATTERS - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format - including the versions to be filed in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Marco Brokemper.

Dortmund, March 21, 2025

Baker Tilly GmbH & Co KG, Auditing company

Brokemper	Dr. Sommerhoff
German Public Auditor	German Public Auditor

EXTRACT FROM INDIVIDUAL FINANCIAL STATEMENTS – INCOME STATEMENT

from 1 January to 31 December 2024

in EUR thousand	**2024**	2023
1. Revenue	50,275	53,557
2. Change in inventories of finished and unfinished products	1,617	323
3. Other operating income	3,540	3,515
	55,432	57,395
6. Cost of materials Costs for raw, auxiliary and operating materials and purchased goods	-21,342	-21,750
6. Staff costs		
a) wages and salaries	-22,001	-20,397
b) social security costs and pension costs (of which pension costs: EUR 96 thousand; previous year: EUR 106 thousand)	-3,886	-3,508
7. Depreciation and amortization of non current assets and property, plant and equipment	-2,625	-2,531
8. Other operating expenses	-18,700	-17,727
	-68,554	-65,913
9. Income from investments (of which fom affiliated companies: EUR 2,532 thousand; previous year: EUR 66 thousand)	2,532	66
10. Other interest and similar income (of which from affiliated companies: EUR 1.744 thousand; previous year: EUR 1.284 thousand)	1,745	1,276
11. Income from profit transfers	8,869	7,949
12. Costs of loss absorption	-3,765	0
13. Depreciation of financial assets	0	-1,278
14. Interest and similar expenses (of which from affiliated companies: EUR 76 thousand; previous year: EUR 49 thousand)	-961	-569
15. Taxes on income and earnings	-49	-81
16. Earnings after tax	**-4,751**	-1,155
17. Other taxes	-61	-55
18. Net profit	**-4,812**	-1,210
19. Accumulated profits/losses brought forward from the previous year	22,371	23,581
20. Retained profit	**17,559**	22,371

EXTRACT FROM INDIVIDUAL FINANCIAL STATEMENTS – BALANCE SHEET

as of 31 December 2024

ASSETS (in EUR thousand)	**12/31/2024**	12/31/2023
A. NON-CURRENT ASSETS		
I. Intangible assets		
1. Software	1,217	1,326
2. Rights of use	4	52
3. Advance payments	0	39
	1,221	1,417
II. Property, plant and equipment		
1. Land, similar rights and buildings	14,439	15,166
2. Techinical equipment	2,248	2,649
3. Other equipment, operating and office equipment	3,659	2,745
4. Advance payments made on assets under construction	0	657
	20,346	21,217
III. Financial Assets		
Shares in affiliated companies	15,907	15,907
	37,474	38,541
B. CURRENT ASSETS		
I. Inventories		
1. Raw, auxiliary and operating materials	5,455	5,113
2. Unfinished products	2,986	1,697
3. Finished products and goods	2,090	1,842
4. Advance payments	18	24
	10,549	8,676
II. Receviables and other assets		
1. Trade receivables (of which with remaining maturities of more than one year: EUR 0 thousand; previous year: EUR 23 thousand)	3,552	5,478
2. Receivables from affiliated companies (of which with remaining maturities of more than one year: EUR 9.387 thousand, previous year: EUR 0 thousand)	36,562	43,861
3. Other assets	2,445	2,571
	42,559	51,910
III. Cash on hand, bank balances and checks	**1,902**	8,365
	55,010	68,951
C. Deferred Income	**955**	1,196
E. Capitalized differences from assets offsetting	**144**	124
	93,583	108,812

EQUITY AND LIABILITIES (in EUR thousand)	**12/31/2024**	12/31/2023
A. EQUITY		
I. Subscribed Capital	**24,497**	24,497
(Contingent capital: EUR 7.339 thousand; previous year: EUR 0 thousand)		
II. Capital reserves	**16,407**	16,160
III. Retained earnings		
1. Statutory reserve	41	41
2. Other retained earnings	11,200	11,200
	11,241	11,241
IV. Retained profit	**17,559**	22,371
	69,704	74,269
B. PROVISIONS		
1. Tax provisions	194	357
2. Other provisions	3,786	4,843
	3,980	5,200
C. LIABILITIES		
1. Liabilities to banks	6,218	12,000
2. Advances received	6,474	4,833
3. Trade payables	3,162	3,113
4. Liabilities to affiliated companies	2,162	7,447
5. Other liabilities	1,265	1,096
(of which taxes: EUR (431 thousand; previous year: EUR 266 thousand)		
(of which in conjunction with social security: EUR 20 thousand; previous year: EUR 15 thousand)		
	19,281	28,489
D. Accruals and deferred income	**618**	854
	93,583	108,812

FINANCIAL CALENDAR

30 April 2025	Publication of the three-months report
04 June 2025	Annual General Meeting
24 July 2025	Publication of the six-months report
30 October 2025	Publication of the nine-months report

More dates and publications can be found on the LPKF website at

www.lpkf.com/en/investor-relations/financial-calendar

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LPKF Laser & Electronics SE

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LPKF Laser & Electronics SE
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Substrate for Micro-Quantum Systems

Internet

For more information on LPKF Laser & Electronics SE and the addresses of our subsidiaries, please go to www.lpkf.com. This financial report can also be downloaded from our website.