

Risk and Opportunities Report

ASSESSMENT OF THE MANAGEMENT BOARD OF OVERALL RISKS AND OPPORTUNITIES

In order to achieve sustained success and remain competitive, Pfeiffer Vacuum always strives to recognize early on and actively utilize opportunities that present themselves. Seizing opportunities often involves consciously taking risks but handling these responsibly. Overall, we strive to achieve a balanced relationship between opportunities and risks by facing and countering them systematically and in a controlled manner, while avoiding risks that could jeopardize the Company's existence.

Our risk strategy is geared to securing the continued existence of Pfeiffer Vacuum on a sustainable basis and increasing shareholder value in the long term. We achieve this primarily by taking opportunity-oriented and risk-balanced decisions, fostering a Company-wide risk culture and communication, planning and allocating resources in a controlled manner in the most efficient and effective way possible, limiting risks to an acceptable level, prohibiting actions or decisions that could jeopardize the Company's existence, and ensuring compliance with statutory regulations and internal guidelines.

An early risk warning system is necessary not only from a business management point of view, but also due to legal regulations, in particular § 91, Sub-Para. 2 of the German Stock Corporation Act ("AktG").

We are of the opinion that the risk and opportunity management system in place is suitable for identifying, analyzing and evaluating existing and potential risks and opportunities in order to manage them adequately. In our estimation and on the basis of the risk and opportunity management system in place, as well as taking into consideration the risks and opportunities discussed in this Risk and Opportunities Report, there are no identifiable risks to Pfeiffer Vacuum Technology AG and its subsidiaries, either as of the balance sheet date or at the time of preparation of the financial statements, that could jeopardize the Company's continued existence.

In accordance with § 317, Sub-Para. 4 of the German Commercial Code ("HGB"), the auditor examined whether the early risk warning system is suitable for the early identification of risks that could jeopardize the Company. This examination revealed no objections.

RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The objective pursued by Pfeiffer Vacuum's risk and opportunity management system is to practice a global and functionally integrated risk management approach that is both flexible and equipped to respond to medium and long-term business developments, customer requirements as well as ad hoc business challenges, internal or external events or threats. Pfeiffer Vacuum assesses the identified risks on the

basis of systematic evaluation procedures and quantifies these risks both in terms of their financial impact on planned earnings figures in gross and net terms and in terms of their probability of occurrence. Opportunities are considered and documented in a process that is separate from Pfeiffer Vacuum's risk management system. A systematic risk and measure reporting system has been established for the present function- integrated risk management approach in order to regularly compare and analyze the overall risk position that is determined with the available risk cover funds within the framework of the risk-bearing capacity concept. Supplemented by the regular planning and reporting processes in Controlling, this ensures that the Management Board is informed about the current risk situation of the Company in a comprehensive and timely manner.

We define risks as possible future internal or external events or fluctuations that could have a negative impact on the achievement of our corporate objectives or result in deviation from the planned figures in the underlying corporate planning. Accordingly, we define opportunities as potential events or developments that could contribute to the achievement of our corporate goals.

Internal Control System (ICS)

In addition to reporting, our internal control system (ICS) helps us to identify and avoid risks in the daily processes that take place and thus prevent potentially undesirable developments. Furthermore, Internal Audit, as a process-independent body, conducts audits in order to monitor the risk management system and identify potential weaknesses. In the current fiscal year, the Management Board had no information that would suggest that there were any significant inefficiencies in the effectiveness or adequacy of the

RMS or ICS. Despite the information and control systems in place, the occurrence of risks cannot be completely ruled out. The statements on the effectiveness and appropriateness of the ICS and the RMS in this section are not subject to the statutory audit of the annual and consolidated financial statements.

Organization and processes of risk and opportunity management system

Overall responsibility for Pfeiffer Vacuum's effective risk and opportunity management system is borne by the Management Board. Identifying and exploiting opportunities is essential to ensure the continuous success of the Company. These opportunities are continuously evaluated by management, prioritized in the planning processes and implemented in the business process. The risk management system is being continuously developed and adapted to the latest internal and external requirements in close coordination between the Management Board and the Global Compliance & Risk Management department (Compliance). The current risk management policy (Group Policy: Risk Management) defines the principles, procedures, roles and responsibilities as well as the requirements for reporting risks and countermeasures. This is a Group-wide policy that applies to all employees, functional areas and business operations in every country in which Pfeiffer Vacuum is active. From the perspective of Pfeiffer Vacuum Technology AG as the parent Company, a Group-wide assessment is made of a potential threat to the Company's existence on the basis of a holistic overall risk inventory.

Identification of risks and opportunities

We view the identification of risks and opportunities at Pfeiffer Vacuum as an ongoing task and a component of our existing business processes. It comprises the systematic consideration and analysis of internal and external events and developments that could have a positive or negative impact on the achievement of our corporate goals.

As part of the existing reporting system, the Management Board, the Group Executive Committee and the global heads of functional areas are informed promptly about relevant risks. Above all, the regular exchange of information and interactions between the global functional area managers and the responsible employees in these functional areas help to ensure that they are informed about significant risks, unusual incidents or loss events. A systematic reporting system has also been established for the entire Pfeiffer Vacuum Group in order to report, consolidate and analyze information on risks and countermeasures in a structured approach and format using a GRC software solution.

We carry out market and competition analyses to ensure that we can also make the most of opportunities in the sector and the economy as a whole.

To support a systematic approach to risk identification, we use predefined risk categories and risk clusters with explanatory descriptions. This categorization permits us to classify risks according to their cause. The risk clusters form generic risk subcategories and were derived from the Company's historical experience, the current risk situation and the typical risk landscape within the industry.

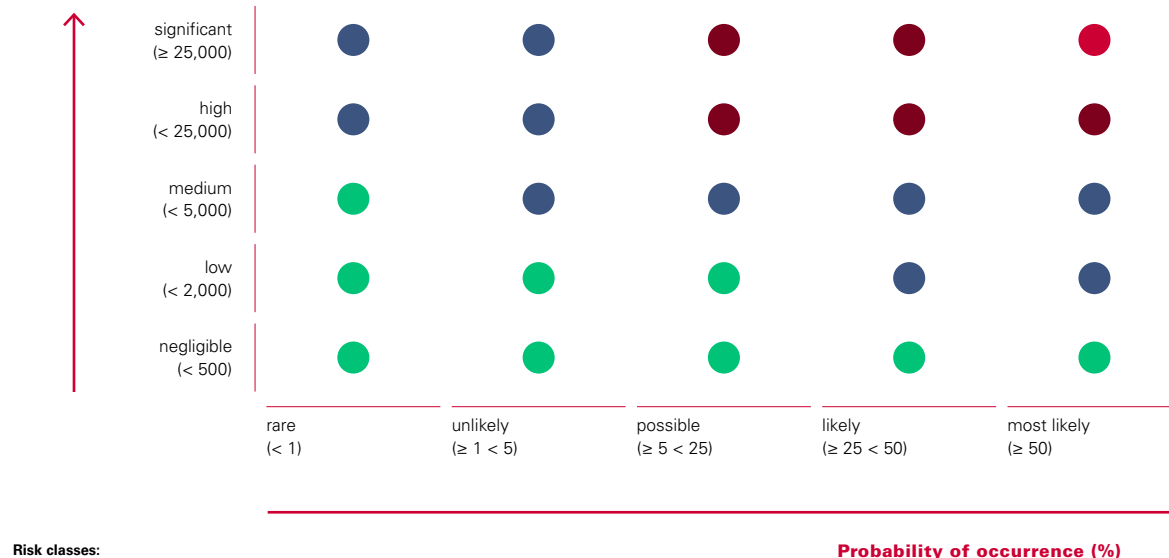
Risk assessment

The identified risks are assessed on the basis of two dimensions: the impact of the risk and the probability of occurrence (likelihood). The aim of the centrally defined uniform assessment is to estimate possible deviations in the performance indicators EBIT and cash flow for a three-year period. On the basis of the defined assessment criteria, risk classes are derived in accordance with the following table and individual risks are classified as low, medium, high and significant.

As part of the risk assessment method, potential risks are assessed before risk-responding measures are taken (gross risks) and the residual risks are assessed after the implementation of risk-responding activities have already been taken or are still necessary (net risks). The assessment in this report reflects only the net risks.

RISK CLASSIFICATION

Risk impact (K €)



Risk reporting and management

In order to record relevant event risks, fluctuation risks and other risks in a structured manner, we have been using a standard GRC software solution worldwide since 2021. Risks not already included in the planning figures or the updated projections during the year are reported on a half-yearly basis as part of this risk inventory. The risk inventory covers a period of three years.

In addition to identifying and assessing risks, the risk managers are responsible for defining and implementing suitable risk mitigation measures for these risks and monitoring the effectiveness of the measures. When deciding on response measures, the costs and benefits of any measures must be taken into account. Operational risk responsibility, reporting and risk management lie with the operating units and, at a higher level, with the global heads of the functional areas.

The GRC software application used supports risk aggregation and risk analysis and provides risk results on the basis of a stochastic scenario analysis. The assessment of whether negative developments could jeopardize Pfeiffer Vacuum's continued existence is made by regularly analyzing the Company's risk-bearing capacity. The aggregated information about material risks and countermeasures as well as the assessment of the Group's risk-bearing capacity are the subject of discussions involving the Management Board and the Group Executive Committee as well as part of the reporting to the Audit Committee.

Risks that arise due to a special incident between the regular reporting dates of the risk management system and exceed a defined materiality threshold are reported immediately to the Management Board and documented through the established reporting channels.

EXPLANATION OF RISKS AND OPPORTUNITIES

In the following, the main categorization of Group risks is presented that are to be regarded as relevant from today's perspective. The risk classification in the following overview reflects how the risks within a risk category are assigned to a risk class (see "Risk Classification" chart) at mean. In order to remain consistent with the Outlook, a period of one year has been used as the basis for assessing the risks in this report.

OVERVIEW OF GROUP RISKS

Risk category	Risk classes			
	low	medium	high	significant
Strategic risks		●		
Financial risks		●		
Legal and compliance risks		●		
Operational risks				
Technology	●			
Procurement		●		
Supply chain		●		
Manufacturing	●			
Sales, service and marketing	●			
Information technology risks			●	
Personnel risks	●			
Environmental risks		●		
Project risks	●			

Strategic risks and opportunities

As a globally operating Group, Pfeiffer Vacuum is dependent upon the risk-prone global development of the economy. Economic downturns, financial market and exchange rate fluctuations, regulatory interventions, geopolitical uncertainties and tensions, and military conflicts can have a direct negative impact on our business development. Market-specific economic weaknesses, in particular in the semiconductor market, can also have a disproportionately high impact on the development of Pfeiffer Vacuum's sales revenues. In addition, uncertainties arising from international trade conflicts, economic policy sanctions, but also the increasing effects of climate change, can bear potential risks in the form of lost sales or cost increases for the Group.

One of the greatest threats to economic growth that can be seen at this time, and which could potentially lead to restrictions on the sale of products or services, is an intensification and/or expansion of geopolitical conflicts. Current political, cultural or socio-economic tensions are affecting the economy and holding back the performance of many companies. The outlook for global economic development is dominated by a high level of uncertainty due to imponderables concerning the further course of the war in Ukraine and the economic consequences of the war. These uncertainties, coupled with further constraints on the supply of energy, are causing significant price increases on the world markets in some cases and could even result in supply bottlenecks. Factors like these drive up manufacturing costs or can negatively affect production. Rapidly increasing energy costs can fuel inflation at the same time. Moreover,

a recession and economic downturn can result in shifts in purchasing decisions and customer demands that can pose a challenge to existing business plans. Although production itself at Pfeiffer Vacuum is not energy-intensive, we addressed the matter of our energy supply at once and put various backup solutions in place for all affected locations in Europe.

The Russian invasion of Ukraine is giving rise to fears that the conflict concerning the island republic of Taiwan, which has been ongoing for many years, could intensify and result in a further escalation between China and the USA. In view of the global importance of these two largest economies, this poses a particular risk whose impact on the entire economy is difficult to assess.

As a result of the safety measures implemented, the coronavirus pandemic had only a minor negative effect on business at Pfeiffer Vacuum during the past fiscal year. While the situation concerning the coronavirus in Europe has meanwhile eased, China's strict zero-Covid policy, that it has pursued since the beginning of the pandemic, and the associated extreme restrictions on entry, coupled with blockades of important trade hubs, has proved to be a burden on global trade and investments. How long the aftermath will continue to be felt is uncertain at this time. The easing of this policy resulted at times in further disruptions to supply chains as entire workforces fell ill. However, due to good inventories of supplies, we were able to cushion these disruptions completely.

Overall debt levels in EU countries, which have increased as a result of government spending on pandemic-related aid programs, humanitarian and military support for Ukraine, investments to secure energy supplies and to alleviate the burden on the population and the economy due to exploding energy costs, may also have a negative impact on economic growth, even if the debt burden of the EU remains relatively lower than that of the USA and Japan. Continuing supply bottlenecks on the procurement market, accompanied by further rises in prices, risk the emergence of stagflation. Furthermore, rising interest rates worldwide, that are used by central banks as an instrument to combat inflation, may result in lower investment and a fall in consumption.

We continuously monitor macroeconomic and socio-political developments, and communicate and discuss our findings and assessments within the Company-wide network of experts in order to identify potential risks in time and to find and implement suitable risk management measures.

Pfeiffer Vacuum has a balanced regional and market segment-related distribution of sales. This leads to a balance in the overall structure of sales in economically weak and growing markets and industries. This is because all regions and market segments are rarely affected to the same extent by deteriorating economic development.

The management of economic risk also includes the control of capacities and costs.

By using flexible working time models and exploiting available measures to increase capacities, we try where possible to adjust production capacities to changing developments in the order situation so that we can serve our customers in the best possible way.

We are confident that our broad strategic alignment with a focus on clearly defined markets will help us to counteract the risks and at the same time provide an opportunity to drive Pfeiffer Vacuum's dynamic development. Sales in Pfeiffer Vacuum's individual market segments are closely linked to global economic developments. The research and development market, for example, depends on government spending and focuses where research projects are concerned. The semiconductor market follows its own cycles, which offers opportunities during boom phases and involves risks during weak phases. The industry market segment brings together a heterogeneous group of industrial customers who require our vacuum solutions for certain production stages. Different industrial trends enable new areas of application for our vacuum solutions and help us to counteract negative general economic developments.

In order to reduce the risks stemming from dependence upon individual market segments, Pfeiffer Vacuum places a great deal of value on its broad-based alignment.

Pfeiffer Vacuum is subject to strong competition. In our opinion, we mitigate this risk by selling our products not on price but on quality. Our market position should be expanded primarily through innovative products and solutions, as well as a broader range of services. We see it as an opportunity that our business units are set to benefit from current and future megatrends such as digitization, electromobility and rapid developments in the life science industry, nanotechnology and the security sector. Against the backdrop of renewable energy expansion due to global climate change, we also see great potential in driving technology for a sustainable future and in contributing to a better world for coming generations.

With the goal we have set ourselves of always being close to our customers by our international presence we want to ensure that our customers are always the focus of our activities. Intensive cooperation with our customers, especially the OEMs, helps us to recognize requirements and trends at an early stage and thus actively shape changes in the market.

We see a significant opportunity to strengthen our competitive position in the vacuum technology industry in the strategic cooperation with Busch SE (Busch Group). Both companies are working continuously to realize synergies in the areas of purchasing, sales and service, research & development and IT. The objectives of the cooperation are to strengthen the competitive position in the market for vacuum technology, to better exploit the growth opportunities that arise and to improve cost structures.

Pfeiffer Vacuum's consolidated balance sheet includes goodwill and other intangible assets resulting from acquisitions, which are regularly tested for impairment. Due to potential changes in the value in use of these acquisitions, there is a general risk of goodwill and other intangible assets being impaired through profit or loss. This risk is reflected in the operating profit of the Pfeiffer Vacuum Group in 2021 with an amount of € 16.4 million.

Products and services that do not meet different and specific customer needs or keep pace with the latest technological developments can lead directly to potential sales decreases and thus to a loss of market share and reputation. For this reason, Pfeiffer Vacuum places innovative strength, digitization and diversity – combined with high quality in our products and services – at the center of its corporate activities.

Our goal is to offer our customers reliable, durable and high-performance products that are also energy-efficient. We reduce these risks through ongoing customer contact and the resulting market proximity. The information thus obtained about the different needs of our customers enables us to develop and offer up-to-date products that are suited to their demands. This allows us to expand both our competitive position as well as our brand recognition.

Maintaining high quality standards is of utmost importance to us. This includes continuous ISO 9001:2015 certification. Innovative products and a targeted expansion of the product portfolio offer us ways to better and more broadly serve existing markets and opportunities to generate additional sales volume by gaining market share. Selective acquisitions can help us to expand our product portfolio and our technology in order to strengthen our own market position.

Financial risks

As a result of our pronounced international operations and the high percentage of export business that this involves, we are subject to a foreign exchange risk.

The Company carries out active currency management to control foreign exchange risks. In order to minimize the impact of exchange rates, we enter into forward exchange contracts and occasionally forward exchange options. In the case of Group companies outside the eurozone, there is also a risk that stems from the valuation of foreign currency receivables at the close of the fiscal year, which may be reflected in the form of unrealized foreign currency losses.

Due to the conversion of income and expenses of Group companies outside the eurozone an unfavorable development of foreign currency exchange rates has a direct impact on Pfeiffer Vacuum's consolidated statements of income and cannot be hedged. A certain degree of compensation for this effect results from the fact that the subsidiaries outside of the eurozone record their own selling and general administrative costs, which change counter to sales (natural hedge).

As a function of the development of the euro relative to the respective foreign currency – there can be both positive as well as negative effects on sales and operating profit.

The risk of individual customers' insolvency always exists, independently of the economic situation. The current persistent inflation and rising interest rates could have a negative impact on customers' payment behavior. We counter bad debt risk with credit checks, diversified payment terms and active receivables management. In addition, we try to limit dependence on individual customers as far as possible.

Financial liabilities amounted to € 76.0 million on December 31, 2022 (corresponding to a share of 8.8 % of the balance sheet total). With cash and cash equivalents of € 68.2 million, there is therefore only a low level of net debt. This means that there is sufficient room for maneuver financially to assure the survival of the Company, even in difficult economic times. Our operational business generates sufficient liquid assets to enable the Company to continue to grow from within.

The high level of orders combined with the need for higher inventories of materials and components due to existing bottlenecks in the global supply chain is currently leading to an increase in capital tied up in inventories. A general increase in inventories may also lead to higher write-downs.

Legal and compliance risks and opportunities

As a result of Pfeiffer Vacuum's international business operations, the Company is subject to different country-specific legal risks. National and international contract law and taxation are of particular significance in this connection. These areas can have a direct impact on the Company's profitability and financial position.

Standardized terms and business conditions of contracts are always used to minimize the risk from product and service contracts. In the case of special contracts, the contract instrument is first reviewed in-house and then by external legal counsel, if necessary. The expertise required to assess day-to-day business is provided by our qualified staff in the legal, patent, tax and sales departments. For complex questions of national and international taxation or patent matters, we use the assistance of external tax consultants and patent attorneys.

As a manufacturer of technology products, Pfeiffer Vacuum is subject to product liability stemming from its business relationships with customers. Potential product liability risks are limited by setting high quality standards. In addition, appropriate product liability insurance policies are in place.

No legal disputes are currently pending whose outcome could have a material impact on the Company's earnings or financial position.

The focus of our compliance activities is primarily on the fields of anti-corruption, antitrust, data protection, information security and export control, as the occurrence of such risks can have a significant impact on our business activities and thus on our profitability, financial position and liquidity. Failure to do so could result in loss of reputation, criminal or civil prosecution, fines, penalties, injunctions, profit skimming, disqualification from participating in certain transactions or other restrictions.

To reduce these risks, the Company has implemented a global compliance management system. The aim of this is to avoid compliance breaches as far as possible by means of preventive measures, to detect any misconduct at an early stage, to react quickly in the event of confirmed violations and to penalize misconduct.

The effectiveness and efficiency of our compliance program is of central importance and we place particular emphasis on its strict implementation. In this way we set binding standards for our employees.

Due to the global orientation of our business operations, violations of export control regulations can have massive consequences for the Company as well as for the responsible actors. In addition to a reputation risk, there is also the threat of loss of export licenses and a personal liability risk. To counteract this, the Company has set up a global export control organization to analyze local and international laws and monitor their compliance.

Pfeiffer Vacuum also views itself as being exposed to competition and antitrust risks. The Company minimizes these risks through internal and external employee training as well as targeted exchange with external antitrust experts.

Protecting the personal rights of its business partners, employees and shareholders has always been an important and fundamental objective for the Pfeiffer Vacuum Group. As a trustworthy partner, the careful handling of the data made available to us is a high priority for us. We are constantly developing our data protection measures to meet our responsibility. Pfeiffer Vacuum estimates the compliance risks in this connection as relevant, while the probability of occurrence is low.

Operational risks and opportunities

Technology

Pfeiffer Vacuum develops, produces and distributes vacuum solutions that are highly demanding in terms of technology and quality. Pfeiffer Vacuum's business success and reputation depend heavily on the development of innovative products and solutions. New technical possibilities, trends and changing customer needs may require changes in technology and new business models.

According to our philosophy as a technology leader in the vacuum industry, our primary goal is to offer our customers innovative products and solutions with maximum process efficiency. Our innovative strength is the decisive key to our future business success. In order to utilize opportunities early on and to minimize risks, Pfeiffer Vacuum collaborates closely with customers and suppliers on projects that enable it to jointly advance new technologies to market maturity early on. In addition to our own research & development activities at several locations worldwide, we have an established network with various national and international universities and research institutes.

As is the case for many other globally operating technology companies, a growing complexity in "intellectual property rights" can also harbor potential risks for Pfeiffer Vacuum. Possible damages resulting from the violation of such rights may lead to payments of compensation claims right up to a conviction to refrain from selling a product or using a certain technology. In addition to ongoing monitoring of registered third-party patents, we are committed to monitoring our own patent protection rights in order to prevent unlawful use by third parties and avoid the associated disadvantages for Pfeiffer Vacuum.

Active management of intellectual property rights cases made it possible in the past fiscal year to continuously reduce the number of potential risk cases. This positive development is reflected in the lower overall evaluation of technology risks (risk class "low" after risk class "high" in the previous year).

Procurement, supply chain, production

On the procurement market there are fundamental risks, in particular in the form of supply bottlenecks, dependence on individual suppliers, price increases, quality problems, adverse changes in the economic and political environment and external disruptions, such as the current coronavirus pandemic.

The economic recovery and increased demand experienced in 2021 has resulted in shortages and supply bottlenecks that affect raw materials and pre-products. At the same time, the higher prices for raw materials, logistics and energy are exacerbated by ongoing geopolitical tensions, the war in Ukraine and the accompanying uncertainties. Protracted situations of this kind can negatively impact our business operations and lead to unpredictable increases in costs and delivery delays, which may adversely affect our profitability.

We counter these risks by carefully analyzing and selecting our potential suppliers and by conducting ongoing supplier qualification programs. We also access external business information databases and auditors. We counteract supply bottlenecks and supplier dependencies by continuously monitoring and optimizing our procurement processes through making greater use of diversified sources of supply and expanding the use of digital tools. In view of the current shortage of pre-products and components combined with extended delivery times and the occurrence of disruptions in supply chains and thus in our production, we have greatly stepped up the ongoing monitoring of

operationally important production materials, significantly increased the focus on close and timely communication with our suppliers, and expanded our inventory holding of critical products.

We pay special attention to the continuous optimization of our measures and processes against the instability and the increasing complexity in the supply chain. Achieving maximum efficiency can become a success factor in competition here. We seize the opportunity to improve our processes, reduce costs and at the same time offer better service.

Interruptions to production or production losses due to internal or external incidents, but also a lack of production capacity combined with strong growth in customer demand, are among the further risks that can negatively affect on-time product availability. In order to reduce downtimes due to technical causes to a minimum, modern production machinery and equipment as well as qualified technicians are used.

The desired best possible design of our production networks helps us to optimize the interaction and control of our production sites, avoid possible capacity bottlenecks and focus even more on the needs of our customers.

To enhance our future viability, we have set ourselves the goal of continuously improving our operational efficiency. This goal can be influenced by internal or external occurrences or undesirable developments. To minimize these risks, performance is continuously monitored and controlled.

Sales, service and marketing

In a difficult global economic situation, the potential loss of important customers or failure to acquire new customers could have a negative impact on our sales and service activities. Reasons for this could be inadequate customer relationship management, supply bottlenecks or delays in deliveries, inadequate response time or flexibility, or delayed market entry. Dependence on individual customers or their investment behavior also bears risks. We counter these risks by continuously expanding our global presence and delivering in-depth technical expertise.

By aligning our global sales organization with a focus on active customer management and acting accordingly, we intend to identify our customers' needs early on and offer the best possible product and service solutions. Long-standing customer relationships, good delivery reliability overall during the difficult past year, a broad product portfolio, innovative technology combined with our problem-solving approach and a high level of service and support help us to secure sales.

Information technology risks and opportunities

Due to the increasing digitization in all business processes, the requirements regarding confidentiality, integrity and availability of electronically processed information and the associated use of information technology (IT) are high. Business success increasingly depends on the security of information and digital assets. The use of digital assets, however, greatly increases the risk of external threats such as cybercrime ("cybercrime as a service") or cyber espionage. These threats reach new levels each year. Laws and regulations also increasingly require organizational structures and processes to identify and address information security risks (for example, the EU General Data Protection Regulation or the IT Security Act).

In addition to the external threat of cyberattacks and direct physical interference, there are also potential risks due to a lack of awareness or misconduct on the part of employees. These also include the risks of system failures, data loss and misconfigurations, which could lead to an interruption of business activities. Indirect consequences of such events could include reputational damage and significant cost burdens.

The risk of data losses is kept to a minimum at Pfeiffer Vacuum by performing daily backups of our complete corporate data. Our corporate databases with sensitive information are subject to a high security standard. All files created by our employees within the server environment are backed up on a daily basis. Our backup tapes are stored in secure, fireproof locations.

The activities of our in-house support team reduce system outages to a low level. The Company also uses regularly updated virus scanners and state of the art firewalls to protect its hardware and software against the risk of computer viruses and hacking.

Within the framework of risk management, information security and IT risks are systematically recorded and assessed with the support of the specialist departments. Despite preventive safety measures for logical access protection for program maintenance and IT operations, risks in this environment cannot be completely excluded. All employees are obliged to handle information such as confidential business, customer and employee data with care, to use information systems securely and to deal with risks transparently.

To ensure the availability of our IT systems and to protect them against unauthorized access and manipulation, at Pfeiffer Vacuum we have implemented an information security management system in accordance with ISO 27001. The objective is to use a methodical approach to permit the holistic identification and management of risks, implement appropriate measures and anchor information security as an integral part of the Company. Implementing continuous improvement processes also helps to ensure the effectiveness of the measures and allows them to be adapted rapidly to the requirements of business operations.

Personnel risks and opportunities

As a provider of vacuum solutions, which represents a special field of mechanical engineering, we are dependent on the high level of qualification of our employees and their commitment. Competition for a diverse and highly qualified workforce is very intense in our industry and the regions in which we do business. In addition, turnover rates in some Asian countries are generally somewhat higher than in Europe or the USA. There is a general risk of losing qualified employees or of not being able to recruit enough qualified personnel for our Company to meet the high demands of our customers.

We counter these risks with many globally and locally managed projects in order to strengthen employer branding and the recruitment, retention and development of employees. We place high value on global communication and on developing the use of new and modern channels of communication.

As part of our human resources management, we also monitor structural changes within our workforce to identify potential personnel requirements at an early stage and take appropriate measures.

Pfeiffer Vacuum provides its own training in a variety of vocations and offers internships for young professionals and students at many of our subsidiaries. In addition, we participate very successfully in the dual degree program of the Technical University of Mittelhessen in Germany, maintain a partnership for in-company training with the Georg-August University in Göttingen and are in continuous exchange with other schools and universities.

The subject of occupational health and safety is of great importance to our employees and to us as an employer. We therefore place the highest demands on safety and health protection at our operating sites. As a responsible employer, Pfeiffer Vacuum endeavors to limit the number of accidents and the frequency of days lost due to illness as far as possible. We also take our customers' security requirements very seriously. At Pfeiffer Vacuum, occupational safety at the principal manufacturing locations is the responsibility of at least one central internal or external expert who is assigned to the "Environment, Health and Safety" (EHS) department. With regard to the measures taken by our quality and EHS management, we refer to the detailed explanations in the section "Sustainability Report 2022".

Environmental risks and opportunities

As a globally operating Company, Pfeiffer Vacuum cannot avoid external risks. Increasing effects of climate change, natural disasters, fire and accidents, pandemics and other unforeseeable environmental influences, can lead to business interruptions or property damage to the Company's assets, as well as endanger the health of our employees.

As far as possible and economically justifiable, we have taken out insurance to minimize the financial consequences of such risks. In addition, we implement possible preventive measures and develop contingency plans for the rapid resumption of our business activities. In order to avoid environmental deficits, we set the highest standards for the implementation of preventive measures and compliance with regulatory requirements. Furthermore, we are repeatedly subject to local safety management audits.

Despite the only minor negative effect that the coronavirus exerted on our Company in 2022, it continued to impact the global economy and affect business operations and the social life of some regions.

At Pfeiffer Vacuum, the global Emergency Intervention Committee (EIC) continued to be active. This allows us to remain alert and to react promptly in the event of changes in energy supply, and enables us to implement appropriately adapted measures with a view to safeguarding the health and safety of our workforce. In addition to the focus on health and safety aspects, there is also a regular global exchange about the current development of Pfeiffer Vacuum and about countermeasures to control negative developments.

With the global corporate strategy, sustainability has become a component of the corporate mission statement of the Pfeiffer Vacuum Group. Sustainability, for the Group, means first and foremost ethical action with respect for all stakeholders and responsibility for the economic, ecological and social impact of business activities. The trend towards increased sustainability requirements on the part of our customers continues. We intend to exploit the resulting opportunities in a growing market even more intensively in the future through more sustainable innovations and targeted projects. For further information on sustainability, please refer to the section "Sustainability Report 2022."

Project risks and opportunities

Pfeiffer Vacuum's growth strategy and the related challenges are extensive and involve the entire organization. The implementation of our growth strategy means that a large number of projects and tasks need to be coordinated and harmonized worldwide. Both the scope of the tasks and their complexity pose considerable challenges for our employees. We mitigate these risks by promoting open communication, making continuous and targeted decisions, and providing additional resources as needed.

As part of the investments in the future that are being made, we are currently working on global process and system harmonization and the standardization of ERP landscapes in various IT projects. Demanding and cross-functional projects like these can result in delays in implementation, startup difficulties or unplanned additional costs. We counter these risks by bundling external and internal expertise during project implementation and putting thoroughness before the time factor.

MISCELLANEOUS

Risk management as it relates to consolidated accounting pursuant to § 315, Sub-Para. 4, German Commercial Code ("HGB")

The purpose of an internal consolidated accounting control system is to ensure adequate certainty by implementing controls that – despite identified risks – enable consolidated financial statements to be prepared in accordance with applicable standards.

The Management Board bears overall responsibility for the internal control and risk management system in respect to the consolidated accounting process. All companies included in the Consolidated Financial Statements are covered by a strictly defined management and reporting organization.

The principles, the organizational and procedural structures, as well as the processes of the internal control and risk management system relating to consolidated accounting, are stipulated throughout the entire Group in guidelines and organizational procedures that are adapted if needed to reflect current external and internal developments. Our internal experts also work together with external counterparts on a case-by-case basis. This enables us to ensure that our accounting is in compliance with IFRS accounting and valuation regulations.

In respect of the consolidated accounting process, we consider those characteristics of the internal control and risk management system to be key that can have a decisive influence on consolidated accounting and on the overall view presented in the Consolidated Financial Statements. In particular, these are the following elements:

- Identification of the major fields of risk and areas of control that are relevant to the consolidated accounting process
- Monitoring controls for enabling the consolidated accounting process to be supervised by the Management Board
- Preventive control measures in the finance and accounting systems of the Group and the companies included in the Consolidated Financial Statements, as well as in operational corporate processes that generate key information for drawing up the Consolidated Financial Statements, including the Management Report for the Group (including separation of functions)
- Measures that assure proper IT-based processing of facts and data that relate to consolidated accounting

Rating

Pfeiffer Vacuum Technology AG is not subject to any official rating by Moody's, Standard & Poor's or similar agencies.