

Report of the Management Board pursuant to §§ 221, Para. 4, Sent. 2, 186 Para. 4, Sent. 2 German Stock Corporation Act (Aktiengesetz) regarding Item 6 of the Agenda of the Annual General Meeting of Pfeiffer Vacuum Technology AG on May 23, 2019

Pursuant to §§. 221 Para. 4 Sent. 2 and 186 Para. 4 Sent. 2 of the German Stock Corporation Act (**AktG**), the Management Board must submit a written report on Item 6 of the Agenda. The report is available on the Internet (<https://group.pfeiffer-vacuum.com/en/investor-relations/annual-general-meeting/>) from the day on which the Annual General Meeting is convened. It will also be made available at the Annual General Meeting. The report will be published as follows:

It is proposed under Item 6 of the Agenda of the Annual General Meeting of Pfeiffer Vacuum Technology AG on May 23, 2019 that the Annual General Meeting grants a new authorization to issue option or conversion bonds, profit participation rights or profit participation bonds or a combination of these instruments ("**bonds**") amounting to a total nominal value of up to € 200,000,000.00 as well as the creation of the associated conditional capital of up to € 6,315,299.84. This is intended to enhance the options of Pfeiffer Vacuum Technology AG for financing its activities, as detailed below, and to allow the Management Board, with the approval of the Supervisory Board, access to flexible and short-term financing opportunities, and in particular to take advantage of favourable capital market conditions, in the interest of the Company. The authorization proposed to the General Annual Meeting on May 23, 2019, replaces the corresponding previous authorization by the General Annual Meeting on May 22, 2014, which will expire on May 19, 2019. To date, the previous authorization has not been exercised. For servicing the option or conversion rights or option of conversion obligation in case of an utilization of the new authorization, a new conditional capital (Conditional Capital 2019) and a corresponding amendment of § 5 of the Articles of Association shall be agreed upon.

a) As a general rule, the shareholders are entitled to the statutory subscription right for bonds vested with option or conversion rights or option or conversion obligations, respectively (§ 221 Para. 4 in conjunction with § 186 Para. 1 German Stock Corporation Act (*Aktiengesetz*)). In order to facilitate the technical processing of the issue, it is intended to make use of the possibility to issue the bonds to a

financial institution or a consortium of financial institutions, subject to the obligation to offer the bonds to the shareholders in accordance with their subscription right (indirect subscription right pursuant to § 186 Sub-Para. 5 German Stock Corporation Act (*Aktiengesetz*)).

b) The exclusion of the subscription right for fractional amounts allows the authorization sought to be utilized in rounded-off amounts. This simplifies the technical processing of the shareholders' subscription right. The exclusion of the subscription right for the benefit of holders of option or conversion rights or option or conversion obligations that have already been issued has the advantage that the option or conversion price for the option or conversion rights or option or conversion obligations that have already been issued does not have to be reduced and, thus, a higher total inflow of funds can be achieved. Therefore, both cases of the exclusion of the subscription right are in the best interests of the Company and its shareholders.

c) The Board of Management is further authorized, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders in its entirety, if the issuance of the bonds vested with option or conversion rights or option or conversion obligations is made at an issue price which is not significantly lower than the market price of these bonds. This gives the Company the opportunity to quickly and flexibly make use of market opportunities and to obtain better conditions for the determination of the interest rate and the issue price of the bonds by stipulating terms and conditions which are closer to the market environment. A stipulation of terms and conditions that are closely related to the market environment and a smooth placement would not be possible if the subscription right had to be observed. § 186 Para. 2 German Stock Corporation Act (*Aktiengesetz*), allows for a publication of the subscription price (and, thus, the terms and conditions of these bonds) until the third last day of the subscription period. However, given the often observable volatility of the equity markets, there still exists a market risk for several days, leading to discounts when determining the terms and conditions of the bonds and hence resulting in terms that are not close to market conditions. Furthermore, if the subscription right remains in effect, successful placement with third parties is also jeopardized or may entail additional efforts, given the uncertainty regarding the exercise of the subscription right (subscription behaviour). Finally, when granting subscription rights, the Company is unable to react to changes in market conditions at short notice because of the duration of the subscription period, but is exposed to declining stock prices during

the subscription period which may lead to the Company procuring financing on unfavourable terms.

Pursuant to § 221 Para. 4 Sent. 2 German Stock Corporation Act (*Aktiengesetz*), the provision in § 186 Para. 3 Sent. 4 German Stock Corporation Act (*Aktiengesetz*), applies accordingly to this case of an exclusion of the subscription right in its entirety. According to the content of the resolution, the limit stipulated in this provision for the exclusion of the subscription right of 10% of the registered share capital has to be complied with. It is also ensured by means of a respective stipulation in the authorization resolution that the 10% limit is not exceeded even in the case of a reduction in capital, since the authorization to exclude the subscription right expressly prohibits that an amount of 10% of the registered share capital is exceeded, both at the time of becoming effective and – in the event that this amount is lower – at the time of utilization of this authorization. The aforementioned 10% limit includes new shares that are issued during the term of this authorization from authorized capital with an exclusion of the subscription right pursuant to § 186 Para. 3 Sent. 4 German Stock Corporation Act (*Aktiengesetz*). Furthermore, shares that are acquired on the basis of an authorization granted by the Annual General Meeting and are disposed of with an exclusion of the subscription right pursuant to § 71 Para. 1 No. 8 Sent. 5 in conjunction with § 186 Para. 3 Sent. 4 German Stock Corporation Act (*Aktiengesetz*), are also included.

§ 186 Para. 3 Sent. 4 German Stock Corporation Act (*Aktiengesetz*), further stipulates that the issue price may not be significantly lower than the stock market price. This provision is intended to ensure that no significant economic dilution of the value of the shares occurs. Whether or not such dilution effect occurs in the event of an issue of bonds vested with option or conversion rights or option or conversion obligations without granting subscription rights may be determined by calculating the hypothetical market price of the bonds in accordance with generally accepted, especially financial calculation, methods and comparing it to the issue price of the bonds. If in the process of a duly conducted examination this issue price is found to be only insignificantly lower than the hypothetical market price at the time of the issuance of the bonds, the exclusion of the subscription right is permissible in accordance with the rationale and purpose of the provision in § 186 Para. 3 Sent. 4 German Stock Corporation Act (*Aktiengesetz*), because the deduction is merely insignificant. Therefore, the authorization resolution stipulates that, prior to the issuance of bonds vested with option or conversion rights or option or conversion obligations, the Board of Management after a duly

conducted examination comes to the conclusion that the intended issue price does not lead to a significant dilution of the value of the shares. This would result in the calculative market value of a subscription right being close to zero, thus ensuring that the shareholders will not suffer any material economic disadvantages from the exclusion of the subscription rights. Regardless of this examination conducted by the Board of Management, a determination of terms and conditions which are closely related to market conditions and thus the avoidance of a significant dilution of the value is ensured in cases where a book-building procedure is conducted. In this procedure, the bonds are determined on the basis of purchase orders submitted by investors and the total value of the bonds is therefore fixed close to market conditions. All this ensures that the exclusion of the right of subscription does not lead to a significant dilution of the value of the shares.

Furthermore, after conversion or option rights are exercised or option or conversion obligations come into effect, shareholders have the opportunity at any time to maintain the extent of their proportion of the registered share capital of the Company by acquiring shares through the stock market. In contrast, the authorization to exclude the subscription right allows the Company to determine terms and conditions close to market conditions, the highest possible security regarding placement with third parties, and the utilization of favourable market situations at short notice by the Company.

d) To the extent that it is intended to issue profit participation rights or profit participation bonds without option or conversion rights or option or conversion obligations, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude the shareholders' right of subscription in its entirety if the terms and conditions applicable to such profit participation rights or profit participation bonds are similar to obligatory relationships, i.e. if they do not confer any membership rights in the Company, grant no right to participate in the liquidation proceeds, and the interest rate is not calculated on the basis of the amount of the annual net income, balance sheet profits, or dividend. In addition, it is required that the interest rate and the issue price of the profit participation rights or profit participation bonds correspond to current market conditions at the time of issue. If the aforementioned requirements are fulfilled, the exclusion of the subscription right does not cause any detriment for the shareholders, since the profit participation rights or profit participation bonds, do not confer any membership rights, and do not grant any entitlement to the liquidation proceeds or the profits of the Company.

e) The total number of bonds issued under the aforementioned authorizations under exclusion of the right of subscription are limited to the number of bonds that are vested with an option right or conversion right or option obligation or conversion obligation on shares with a pro-rata share of the share capital which must not exceed 20% in total of the share capital, either at the time this authorization takes effect or – if this amount is lower – at the time that the present authorization is exercised. The aforementioned 20% limit shall also include (i) new shares which are issued from authorized capital and exclude the right of subscription pursuant to § 186 Par. 3 Sent. 4 German Stock Corporation Act (*Aktiengesetz*), during the term of this authorization until the issuance of bonds with an option right and/or conversion right or option obligation and/or conversion obligation, without a right of subscription, pursuant to § 186 Sub-Para. 3 Sent. 4 German Stock Corporation Act (*Aktiengesetz*); and (ii) shares which are acquired through authorization of the Annual General Meeting and are sold during the term of this authorization pursuant to § 71 Para. 1 No. 8 Sent. 5 German Stock Corporation Act (*Aktiengesetz*), in conjunction with § 186 Para. 3 Sent. 4 German Stock Corporation Act (*Aktiengesetz*), up to the issuance of the bonds, without subscription rights, with an option right and/or conversion right or option obligation and/or conversion obligation under exclusion of the right of subscription pursuant to § 186 Para. 3 Sent. 4 German Stock Corporation Act (*Aktiengesetz*). Since the opportunity of excluding the right of subscription is already severely restricted after authorization has been granted, this additional quantitative restriction that goes beyond the statutory limitations strictly minimizes any possible adverse effects on the shareholders.

Taking into account all circumstances mentioned, the Management and the Supervisory Boards consider the authorization to exclude the subscription rights in the aforementioned cases due to the reasons outlined above, even under consideration the dilution effect occurring at the expense of the shareholders, to be objectively justified and adequate towards the shareholders. The Management Board will in each case carefully consider whether the utilization of the authorization is in the interests of the Company and its shareholders. The Management Board will report to the next Annual General Meeting in the event that the proposed authorization is utilized.

Aslar, April 2019

Pfeiffer Vacuum Technology AG

Management Board



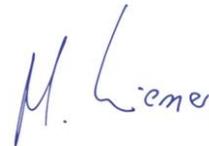
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Nathalie Benedikt



Dr. Ulrich von Hülsen



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