

Report of the Supervisory Board 2018

Dear Shareholders,

In fiscal 2018, the Supervisory Board of Pfeiffer Vacuum Technology AG correctly fulfilled all the duties vested in it by law, the Articles of Association and the Supervisory Board's rules of procedure. It monitored the work of the Management Board within the scope of its legal duties, accompanied and advised on the strategic further development of the Company and satisfied itself about the legality and expediency of the managerial work on the basis of the Management Board's reports with occasional use of external expert advice. Furthermore, the Supervisory Board continuously monitored the organization of the Company and Corporate Group and the cost-effectiveness of corporate management. In addition, a regular exchange of information took place between the Supervisory Board and/or the Supervisory Board Chairwoman and the Management Board.

Cooperation between Supervisory Board and Management Board

In the view of the Supervisory Board, the Management Board informed the Supervisory Board and/or the Supervisory Board chairwoman regularly, comprehensively and in a timely manner about the competitive environment, planned business policy and all strategic and crucial operational decisions in the course of the past fiscal year. In the same way, the Management Board discussed key financial and non-financial performance indicators with the Supervisory Board as a basis for evaluating the economic situation of the Company.

The Management Board reported during Supervisory Board meetings in oral or written form and replied within this setting to questions from the Supervisory Board. Outside of the meetings, the exchange of information with the Supervisory Board was also ensured with regular reports on the economic development of the Company and the Corporate Group and on the key occurrences within Pfeiffer Vacuum Technology AG. The Supervisory Board is satisfied that Management Board reporting met the statutory and Supervisory Board's requirements.

In fiscal 2018, business transactions requiring approval were decided by the Supervisory Board and, under certain conditions, also by individual committees, after these had adequately reviewed and discussed the issues with the Management Board.

Personnel changes in Supervisory Board and Management Board

After the personnel changes in the Supervisory and Management Boards in 2017, Mr. Henrik Newerla was appointed as a new member of the Supervisory Board by the Wetzlar District Court with effect from March 19, 2018. Henrik Newerla and his technical expertise is an enrichment for the Supervisory Board as well as for the entire company; in the competence profile of the Supervisory Board, he covers the areas of digitization and IT as well as research, development, production and sales in the field of products and technologies relevant to Pfeiffer Vacuum Technology AG. The members of the Supervisory Board, Ms. Ayla Busch and Mr. Henrik Newerla, who were judicially appointed after the Annual General Meeting on May 23, 2017 and before the Annual General Meeting on May 23, 2018, were elected as Supervisory Board members by resolution of this Annual General Meeting. Other than that, there were no changes in the composition of the Supervisory Board and the Management Board in the 2018 fiscal year. The proportion of women on the Supervisory Board is 16.7% and 25% on the Management Board, with reference in each case to the reporting date of March 14, 2019.

Supervisory Board meetings and issues of Supervisory Board work

During 2018, the Supervisory Board informed itself again in depth about the current situation of the Company and the Corporate Group in a total of **18 meetings**, and discussed this in detail with the Management Board.

At the meetings on **January 24, February 19, and March 7, 2018** the Supervisory Board dealt with the medium-term corporate strategy proposed by the Supervisory Board and thus developed for the first time by the Management Board in conjunction with a new, supporting three-year investment plan. Together with the Management Board, an investment plan with a total volume of 150 million euros was approved, which provides for a significant increase in annual investments. This should strengthen the technology leadership and the competitiveness of the company. This plan includes, in particular, investments in the expansion and modernization of production capacities, the intensification of research and development, stepping up Industry 4.0 efforts, and the expansion of the Group's presence in Asia as a whole and China, in particular. The conference on February 19 was held in the form of a video conference. All members of the Supervisory Board attended these three meetings.

During the meeting on **March 6, 2018**, which was held in the form of a conference call and was attended by all Supervisory Board members, the candidature of Mr. Henrik Newerla as a new Supervisory Board member was discussed conclusively and, on the basis of a corresponding resolution, Henrik Newerla was appointed a Supervisory Board member as of March 19, 2018 by Wetzlar District Court.

At the Supervisory Board meeting on **March 20, 2018** the Supervisory Board members discussed in detail the annual financial statements and the consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS), the management reports and the auditor's report. In particular, contents of the report on the "non-financial performance" or "non-financial consolidated statement" (NFE), which was to be published for the first time in 2017, were discussed between the auditor and the Supervisory Board. After a detailed examination, the Supervisory Board approved the annual financial statements and the consolidated financial statements at this meeting.

At the meeting held as a conference call on **April 23, 2018**, the Supervisory Board approved the Separate Non-Financial Group Report prepared by the Management Board in accordance with §315b Sub-Para.1 and Sub-Para. 3 and 315c of the German Commercial Code ("HGB"). The Supervisory Board discussed the contents of the report, which had previously been reviewed with the support of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

At the meetings on **January 24, March 19, May 2, May 23, August 1, September 28, November 5 and December 5, 2018**, the Board dealt with the general course of business, financial results and the strategic orientation of the Company and measures for continuing to boost profitability and efficiency of the overall company. In this context, the Supervisory Board accompanied the development of global strategies in the areas of communications, human resources, IT, sourcing and production by the Management Board.

At the meetings on **January 24, March 19, May 2, May 23, August 1, September 28, November 5 and December 5, 2018**, the Supervisory Board also deliberated on the Compliance Management System and the Compliance Organization of the Company. The experts from PricewaterhouseCoopers GmbH, who were appointed for a new analysis of the compliance management system, presented their final report, including a list of recommendations, at the meetings on **July 4 and August 1, 2018** and discussed it with the Supervisory Board members. In the further meetings, the Supervisory Board supported the significant and company-specific expansion of the compliance management system in close

contact with the responsible member of the Management Board, Nathalie Benedikt. The goal is to cover all relevant risk areas, harmonize reporting within the Group, and strengthen the culture of compliance. The meetings on August 1 and September 28, 2018 took place in the form of a conference call. All members of the Supervisory Board attended these eight meetings.

At the meetings on **August 1** and **August 29, 2018**, which all Supervisory Board members took part in by conference call, the Supervisory Board dealt with an expansion of the production site in Annecy. After the Supervisory Board members, Ms. Ayla Busch and Mr. Henrik Newerla, visited the production site in Annecy on August 24, 2018, the Supervisory Board approved the expansion project in principle at the meeting on **August 29, 2018**. As part of the meeting on **September 28, 2018**, which took place in Annecy, all Supervisory Board members, together with the Management Board, visited the production site in Annecy and informed themselves about certain details of the expansion plans.

At the meeting on **October 23, 2018**, which was held in the form of a conference call, the Supervisory Board for the first time, and at the behest of the Management Board, looked in principle at the possibility of a strategic cooperation with the Busch Group in the form of a relationship agreement, and discussed this with the Management Board. This should allow closer cooperation between the two companies, especially in the areas of purchasing, sales and service, research and development and IT. At the meeting on **November 5, 2018** negotiations with the Busch Group were approved, the status of which the Management Board reported on at the Supervisory Board meeting on **December 5, 2018**. In the latter meeting, the Supervisory Board decided to seek external legal advice, separately from the Management Board, regarding this possible strategic cooperation. In view of the potential conflict of interest regarding the person of Ayla Busch, who is also a shareholder and board member of the Busch Group, the Supervisory Board decided that, in connection with this planned strategic cooperation, Götz Timmerbeil acts as the contact person and discussion leader for the Supervisory Board; Ayla Busch will abstain from voting on the strategic cooperation. All Supervisory Board members attended all three meetings.

On the basis of the proposals prepared by the Management Board Committee, the Supervisory Board agreed on a new allocation of responsibilities within the Management Board as of January 1, 2019 at its meeting on **November 5, 2018**. In accordance with the decision of the Management Board and Supervisory Board, the Company is to be organized in the future according to its global business functions. The functions Chief Sales Officer, Chief Technology Officer and Chief Operations Officer were newly created. Chairman of the Board, Eric Taberlet, takes over the position of Chief Sales Officer. Ulrich von Hülsen becomes Chief Technology Officer. For the long-term appointment of the Chief Operations Officer, the search has begun for a suitable candidate for this board position. An external personnel consulting firm was commissioned to ensure a structured, professional and transparent search process, which is closely monitored by Supervisory Board Chairwoman, Ayla Busch, for the Supervisory Board.

At the meeting on **November 5, 2018** the Supervisory Board also decided, taking the legal requirements and the recommendations of the German Corporate Governance Code (DCGK) into account, to develop a profile of competences and requirements that is available on the company's website. In addition to the definition of areas in which knowledge, skills and experience are considered essential for the exercise of qualified supervision and advice to the Management Board, the competence and requirements profile contains concrete objectives for the composition of the Supervisory Board. These concrete objectives concerning the makeup of the Supervisory Board are based on the criteria of internationality, the avoidance of potential conflicts of interest, independence, availability for the role, a mix of generations and an age limit, length of service and diversity.

Supervisory Board Committees

The Supervisory Board has three committees since its meeting on October 26, 2017, in which the resolution of the Management Committee was decided:

- A Management Board Committee,
- A Nomination Committee and
- An Audit Committee.

The composition of the committees at the meeting on May 23, 2018 following the Annual General Meeting, was approved as follows:

Management Board Committee

- Ayla Busch (Chairwoman)
- Filippo Th. Beck
- Henrik Newerla
- Götz Timmerbeil

Nomination Committee

- Ayla Busch (Chairwoman)
- Filippo Th. Beck
- Götz Timmerbeil

Audit Committee

- Götz Timmerbeil (Chairman)
- Filippo Th. Beck
- Ayla Busch

The **Management Board Committee** met on October 22, 2018. At this meeting, the committee focused on the preparation of the overall Supervisory Board meeting which took place on November 5, 2018 where, among other things, the new allocation of responsibilities within the Board of Management as of January 1, 2019 was decided. During the year, the members of the committee also consulted each other at regular intervals in informal phone conversations. All members attended this meeting.

The **Audit Committee** held a meeting on November 5, 2018 at which representatives of the auditor were also present. The Audit Committee was in regular contact with the auditor and discussed and decided upon the audit procedure, the scope and the focus of the audit, and any special questions about the audit with the independent auditor. The Audit Committee consulted intensively with the auditor in connection with the explanations on the legality, regularity and expediency of the statements and the critical assessment of the concept and risks. All members attended the meeting.

No meetings of the **Nomination Committee** were held in the 2018 fiscal year.

Corporate Governance

The Supervisory Board recognizes the principles of good governance and also addressed this issue in fiscal 2018. An essential basis for this is the extensive recognition of the recommendations of the German Corporate Governance Code (GCGC) based on the version of February 7, 2017. This does not preclude deviating from the GCGC recommendations in individual justified cases. As a listed company, Pfeiffer Vacuum

Technology AG is subject to the obligation under § 161 Sub-Para. 1 of the German Stock Corporation Act ("AktG") to declare the extent to which the recommendations of the German Corporate Governance Code have been and will be complied with, or which recommendations have not been or will not be applied, and to justify deviations from recommendations (statement of compliance). The Management Board and Supervisory Board, the latter represented by the Supervisory Board Chairwoman, Ayla Busch, who was authorized at the meeting on November 5, submitted a declaration of compliance on December 5, 2018, which is available on the Company's website. Furthermore, the efficiency review of the Supervisory Board was carefully carried out at the meeting on November 5, 2018 with the support of external experts.

The members of the Supervisory Board of Pfeiffer Vacuum Technology AG are obliged to disclose to the Supervisory Board any possible conflicts of interest, in particular those which could arise through consulting or executive functions at customers, suppliers, lenders or other third parties. With the exception of the planned strategic cooperation agreement with the Busch Group, which has been a majority shareholder in the Company since November 2, 2018 and in which the Supervisory Board Chairman, Ms. Ayla Busch, is a shareholder and a board member, there are no indications of actual or potential conflicts of interest in the 2018 fiscal year. In order to deal with the potential conflict of interest regarding the person of Ayla Busch, the Supervisory Board has decided that, in connection with this planned strategic cooperation, Götz Timmerbeil will act as the contact person and discussion leader for the Supervisory Board; Ayla Busch will abstain from voting on the strategic cooperation.

Audit of Annual and Consolidated Financial Statements, Dependency Report

At the same meeting, the Supervisory Board decided to commission the auditing company PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to audit the annual financial statements and the consolidated financial statements of the Company, prepared in accordance with IFRS and, to the extent required by law, of the subsidiaries. Pursuant to § 315e of the German Commercial Code, the Company did not prepare consolidated financial statements presented in accordance with the rules of the German Commercial Code. PricewaterhouseCoopers GmbH was also commissioned to audit the report on "non-financial performance" and "non-financial consolidated statements", which was approved by the Supervisory Board at the meeting on November 5, 2018.

At the meeting on November 5, 2018 the Audit Committee and the auditor defined, among other things, key audit points of (i) accounting for goodwill, (ii) auditing revenue recognition in the operating companies, and (iii) examining the application and impact of IFRS 9, IFRS 15 and IFRS 16.

The Annual Financial Statements and the Management Report as well as the Consolidated Financial Statements presented in accordance with IFRS, together with the Group Management Report, all for the 2018 fiscal year and all of which prepared by the Management Board, were audited by the independent auditor and received his unqualified endorsement.

The Annual Financial Statements, the Management Report for the Company and the Corporate Group, as well as the audit reports from the independent auditor were submitted to all members of the Supervisory Board in a timely fashion. They were discussed in detail at the Audit Committee meeting as well as at the Supervisory Board meeting relating to the financial statements on March 14, 2019. The independent auditor attended the meetings, reported on the major findings of his audit and was available to answer additional questions from the Supervisory Board. On the basis of its own thorough review, the Supervisory Board concurred with the results of the audit conducted by the independent auditor. Given the concluding results of its review, the Supervisory Board raised no objections to the Annual and Consolidated Financial Statements. It has approved the Annual and Consolidated

Financial Statements, with the Financial Statements thus being formally adopted. The Supervisory Board discussed in detail with the Management Board its proposal regarding the distribution of a dividend and then concurred with the Management Board's proposal regarding appropriation of the Company's retained earnings.

Additionally, the Management Board of Pfeiffer Vacuum Technology AG has drawn up a report on relationships with affiliated companies for the fiscal year 2018 ("dependency report"), in accordance with § 312 Sub-Para. 1 of the German Stock Corporation Act ("AktG") and afterwards presented this report to the Supervisory Board.

PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the dependency report and issued the following auditor's report:

"According to our professional audit and judgment we confirm that:

1. the actual disclosures in the report are correct and,
2. the company's payment for legal transactions as included in the report was not inadequately high."

The Management Board's dependency report as well as the related independent auditor's report were submitted the Supervisory Board. The Supervisory Board reviewed both, the dependency report as well as the auditor's report. Final review was made in the Supervisory Board meeting on March 14, 2019. The independent auditor attended this meeting, reported on audit of the dependency report and the major findings of his audit and was available to answer additional questions from the Supervisory Board. After the final review the Supervisory Board concurred with the dependency report of the Management Board and the audit report of the auditor and had no objections against the final declaration of the Management Board at the end of the dependency report.

Review of the Content of the Separate Non-Financial Group Report

The Supervisory Board discussed in detail and audited the content of the reporting on the issues described in the Law to Strengthen the Non-Financial Reporting of Companies in their Management Reports and Group Management Reports (CSR guideline implementation law) of April 11, 2017 within the scope of the Separate Non-Financial Group Report of Pfeiffer Vacuum Technology AG for the reporting period from January 1 to December 31, 2017. At its meeting on April 23, 2018, the Supervisory Board resolved to approve the Separate Non-Financial Group Report of the Company for the reporting period from January 1 to December 31, 2017. The content of the non-financial reporting was reviewed by the Supervisory Board with the support of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as part of an audit on the achievement of limited assurance pursuant to the International Standard on Assurance Engagements (ISAE) 3000 (Revised). The audit did not reveal any facts that would have led the auditing firm to the conclusion that the Separate Non-Financial Group Report of Pfeiffer Vacuum Technology AG for the period from January 1 to December 31, 2017 had not been prepared, in all material respects, in accordance with §315c of the German Commercial Code ("HGB").

Acknowledgments

The Supervisory Board would like to sincerely thank the Management, the Employee Council and the entire staff of the Group for their dedication and commitment in the successful 2018 fiscal year.

Adoption of this Report

The Supervisory Board adopted this Supervisory Board Report in the resolution dated March 14, 2019 pursuant to § 171 Sub-Para. 2 of the German Stock Corporation Act ("AktG").

Asklar, March 14, 2019

On behalf of the Supervisory Board



Ayla Busch
Chairwoman of the Supervisory Board