PFEIFFER VACUUM

Report of the Supervisory Board

Dear Shareholders,

The 2016 fiscal year was marked by great political and macroeconomic upheaval.

In spite of this challenging environment, Pfeiffer Vacuum experienced one of its best business years. After getting off to a good start, followed by a period of restrained performance towards the middle of the year, the year ended with an exceptional final spurt. The semiconductor industry (Semiconductor & Coating business unit) in particular, which was subject to fluctuation in recent years, again showed its enormous potential.

At the same time, the GaP (Growth and Profitability) program of optimization was systematically advanced, and its positive effects were reflected in improved earning power.

During the 2016 fiscal year, the Supervisory Board was informed about the current position of the Company and the Corporate Group in eight meetings and discussed this in detail with the Management Board. The Supervisory Board meetings took place in Asslar on February 2, February 18, March 14, May 2, May 24, July 20 and December 6, and in Eschborn on October 31. In addition to the information provided at its meetings, all members of the Supervisory Board received detailed monthly and quarterly reports on the Company's position, with the Chairman of the Supervisory Board additionally being provided with the minutes of all Management Board meetings. Aside from the meetings of the Supervisory Board, its Chairman was constantly kept abreast of all major business matters through discussions with the Management Board. All members of the Supervisory Board attended every meeting (with the exception of one meeting which one member of the Supervisory Board was excused from attending).

The Supervisory Board has a Management Board Committee, an Administration Committee, a Nomination Committee, and an Audit Committee. Meetings of the Audit Committee took place on March 14, October 31 and December 19. Moreover, the Audit Committee maintained regular contact with the independent auditor, discussing and deciding the course of the audit, its main focuses, and particular questions relating to the audit with him. For the first time, the Audit Committee consulted, questioned and vetted several auditors to ascertain their suitability for auditing the 2017 Annual Financial Statements, in accordance with the statutory selection process that is now legally prescribed.

In addition to the general development of business and the Company's strategic alignment, the Supervisory Board meetings focused particularly on measures to boost the profitability and efficiency of the entire Company within the framework of the GaP project, including deliberations on concentrating the manufacture of specific product families more strongly in particular locations. Further key areas were the new construction and local concentration of the American subsidiary in Nashua, Massachusetts, the acquisition of the American corporation ATC (Advanced Tests Concepts), which has developed low-cost, non-destructive leak detection technology that complements the high-priced Pfeiffer Vacuum helium leak detection portfolio, and the acquisition of the remaining shares in Dreebit GmbH in Dresden (75.1%) which plays a leading role in service business in the attractive semiconductor-dominated market in the Dresden area; both transactions were able to be completed successfully in the first quarter of 2017.

Finally, the Supervisory Board also discussed the definition of targets for the proportion of women in the Management and Supervisory Board and – on the recommendation of the nomination committee – the proposals of candidates to the Annual Shareholders Meeting on May 24, 2016 for election to the Supervisory Board. One member of the Supervisory Board who did not stand for reelection was Mr. Wilfried Glaum, who had maintained ties with Pfeiffer Vacuum since 1972, initially as an employee, then as Chief Financial Officer and, in the last ten years, as a valued member of the Supervisory Board. The Supervisory Board would like to thank Mr. Glaum sincerely for his always valuable advice. Mr. Filippo Beck from Zürich was newly elected to the Supervisory Board.

The Supervisory Board fulfilled all the duties vested in it by law, the Articles of Association, and the German Corporate Governance Code ("DCGK") and diligently and fully supervised the management of the Company.

The requirements with respect to risk management were discussed extensively together with the Management Board. The Supervisory Board repeatedly satisfied itself that sufficient insurance coverage is in force for insurable risks and that operating, financial, and contractual risks are monitored through organizational processes and approval procedures. A detailed reporting system exists for the Company and the Corporate Group and is subject to ongoing review, update, and development. All employees in the operating units are sensitized to potential risks and are instructed to conduct appropriate reporting. Current issues in connection with risk management were explained to the Audit Committee as well as to the entire Supervisory Board.

The Supervisory Board deliberated in detail on the German Corporate Governance Code (“DCGK”). The Management and Supervisory Board recognize the German Corporate Governance Code – with one exception – as definitive for the Company and its management. The statement of compliance pursuant to § 161 of the German Stock Corporation Act (“AktG”) was submitted by the Management and Supervisory Boards sufficiently in advance of the close of the fiscal year. In connection with good corporate governance, the Supervisory Board also dealt in detail with its own efficiency, coming up with positive overall results.

At the meetings of the Supervisory Board and in individual discussions, the Supervisory and Management Boards deliberated at length regarding the Company’s strategic alignment and planning. The Supervisory Board then discussed the budget for the 2017 fiscal year with the Management Board and adopted it.

In accordance with the resolution of the Annual General Meeting on May 24, 2016, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Eschborn, Germany, was commissioned to audit the Annual Financial Statements of the Company and the Company’s Consolidated Financial Statements, with the latter being prepared in accordance with International Financial Reporting Standards (“IFRS”), as well as the financial statements of the Company’s subsidiaries where prescribed by law. Pursuant to § 315 a of the German Commercial Code (“HGB”), consolidated financial statements presented in accordance with the rules of the German Commercial Code were not prepared.

The focuses of the audit defined by the Audit Committee with the independent auditor included:

- Certain items of the Annual Financial Statements, in particular
    - recognition and valuation of accounts receivable and inventories
    - the completeness and valuation of provisions (in particular warranty provisions and pensions)
    - revenue recognition; periodic accruals for net sales
    - recoverability of goodwill
    - recoverability of shareholdings and loans receivable in the individual Financial Statements
    - capitalization of development costs in accordance with IAS 38
    - recognition and valuation of deferred taxes
- Consolidation entries

- Reconciliation to IFRS, the Notes to the Financial Statements and the Management's Discussion & Analysis
- Implementation of the Accounting Directive Implementation Act (BilRuG) in the individual Financial Statements

The Annual Financial Statements together with the Management's Discussion & Analysis as well as the Consolidated Financial Statements presented in accordance with IFRS together with the Management's Discussion & Analysis, all for the 2016 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, Management's Discussion & Analysis 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 and the Supervisory Board meeting relating to the financial statements on March 22, 2017. The independent auditor attended both meetings, reported on the major findings of his audit, in particular relating to the internal controlling and risk management system, 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.

The Supervisory Board would like to sincerely thank the Management Board, the Employee Council and the entire staff of the Group for their dedication and commitment in the successful 2016 fiscal year.

Asslar, March 22, 2017

Dr. Michael Oltmanns
Chairman of the Supervisory Board