

Report of the Management Board to the Annual General Meeting pursuant to § 203 Sub-Para. 2 Sentence 2, § 186 Sub-Para. 4 Sentence 2 AktG regarding item 8 on the agenda

Regarding Agenda item 8 of the Annual General Meeting on May 23, 2018, the Management and Supervisory Boards propose to cancel the previously authorized capital pursuant to § 5 Sub-Para. 5 of the Articles of Association and to replace it with new authorized capital 2018.

The Management Board provides the following report on the reasons for excluding the subscription right pursuant to § 203 Sub-Para. 2 in connection with § 186 Sub-Para. 4 Sentence 2 AktG:

1.

Current authorized capital and justification for change

The currently applicable Articles of Association include in § 5 Sub-Para. 5 a subscribed capital that authorizes the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company in the amount of € 12,630,602.24 through the issuance of new no-par bearer shares against cash or assets in-kind. No use has been made of this authorization so far. The authorization expires on May 23, 2021. In order to preserve subsequent options for the Company to respond to market situations without jeopardizing the share price and in order to enable both cash and non-cash capital increases, the management of the Company should be authorized to increase the share capital of the Company against cash and/or contributions in kind through the creation of new authorized capital 2018. Furthermore, a subscription right exclusion for capital increases against contributions in kind should be possible up to an amount of 20% of the Company's share capital. This increase from the previously applicable limit of 10% of share capital should provide the Management Board, with the approval of the Supervisory Board, with more flexibility regarding potential acquisitions. Therefore, the Management and Supervisory Boards propose that the Annual General Meeting on May 23, 2018 cancel the previous authorized capital and create new authorized capital 2018.

2.

New authorized capital 2018 and the related advantages for the Company

Authorized capital in the amount of half the share capital is legally permissible. The Company's share capital is € 25,261,207.04. In order to maintain the Company's long-term latitude with regard to potential capital increases, new authorized capital 2018 in the amount of € 12,630,602.24 is to be created – corresponding to approximately 50% of the share capital existing at the time of the resolution.

The authorized capital will open up additional opportunities for the Company to procure equity. This is an important means for adapting the ratio between equity and debt capital to the Company's growth. It allows the Management Board to react flexibly with the approval of the Supervisory Board to favorable market conditions and to make the most of them. Particularly with regard to the development of options to acquire holdings, an extension of latitude seems appropriate.

It is the declared strategy of Pfeiffer Vacuum Technology AG to strengthen competitiveness by acquiring companies, equity interests or parts of companies and thus allow for long-term, steady earnings growth. This is also intended to increase the value of the Pfeiffer Vacuum share. In order also to have equity available for financing larger projects, it is necessary to create an authorization to the extent suggested. The calculation of the amount of authorized capital 2018 and particularly the expansion of the opportunity to exclude the subscription right for up to 20% of share capital instead of previously up to 10% of share capital in case of a non-cash capital increase, are to ensure that larger company acquisitions may also be financed. Since any increase in capital in case of an acquisition needs to be raised at short notice, it usually cannot be decided directly in a general meeting that ordinarily takes place only once a year. Instead, authorized capital that is readily available to the Management Board must be created for this reason.

3.

Exclusion of the subscription right

Shareholders are always granted subscription rights when authorized capital 2018 is utilized. However, the Management Board should be authorized to exclude the subscription right of shareholders for fractional amounts that occur due to the subscription ratio and which cannot be equally distributed among all shareholders to facilitate the settlement with the approval of the Supervisory Board.

The proposed authorization also makes it possible for the Company to have company shares available up to a pro rata amount of € 500,000.00 to offer them to company employees and employees of affiliated companies as employee shares at preferential conditions. Issuing company shares is in the Company's and shareholders' interests since this supports identification of the employees with the company and the assumption of responsibility. In order to be able to offer employees shares from authorized capital 2018, the shareholders' subscription rights must be excluded. At present it is not possible to give an indication of the issuing price of the shares since the date and extent of the respective utilization of the authorized capital 2018 have not yet been decided.

In case of a capital increase against contributions in kind, the Management Board shall be authorized, with the approval of the Supervisory Board, to exclude the subscription right of shareholders up to 20% of the share capital existing upon the entry of this authorization in the commercial register or – if this amount is less – at the time this authorization is exercised. This allows the Management Board, with the approval of the Supervisory Board, to employ shares on a short-term basis in connection with the acquisition of companies, parts of companies or equity interests in companies. The company always needs to be in a position to act quickly and flexibly in the changing markets in the interest of their shareholders. This includes acquiring companies, parts of companies or equity interests in order to improve the competitive position. It is becoming apparent that the acquisition of companies or parts of companies or equity interests concerns increasingly larger units. In many cases, very high compensation must be paid. Such compensation often cannot or should not be made in the form of money only – especially in view of maintaining an optimal financial structure. Sellers may wish to obtain shares of the acquiring company as compensation. The option of offering one's treasury shares as an acquisition currency therefore creates an advantage in the competition for interesting objects to acquire. Last but not least for this reason, the management would like to increase the share of the capital increase against contributions in kind subject to subscription

right exclusion relative to the previous authorized capital from 10% to 20%. The management in any case wishes to utilize the option of a capital increase from contributions in kind, excluding the subscription right from authorized capital 2018, only if the value of the new shares and the value of the compensation are reasonably balanced. The issuing price of the new shares should always be aligned with the stock market price. This avoids any economic disadvantage of the shareholders excluded from the subscription rights. Upon consideration of all these circumstances, the authorization to exclude the subscription right to the extent described is appropriate and in the interests of the Company.

In addition, the Management Board, with the approval of the Supervisory Board, should be authorized to exclude the subscription right if the capital increases are made against cash contributions and the volume guidelines and other requirements for a simplified subscription right exclusion are met pursuant to § 186 Sub-Para. 3 Sentence 4 AktG. Any potential discount from the current stock market price is not expected to exceed 3%, but in any case a maximum of 5% of the stock market price at the time that the issue amount is set by the Management Board. This option of subscription right exclusion should enable the Management Board to take advantage of short-term favorable stock market situations and to issue shares for the purpose of placing them at an issuing price close to the stock market price, achieving the best possible strengthening of equity. Such a capital increase, given the possibility of responding more quickly, usually opens up opportunities to obtain a higher inflow of funds than with a subscription right issuance. At the same time, shareholders can protect their shareholdings from dilution through the option of an additional purchase on the stock exchange at the current stock market price.

In addition, limiting the issuance of new shares excluding shareholders' subscription rights should promote the interests of shareholders by ensuring that authorizations to exclude subscription rights are limited to a share volume totaling 20% of the Company's share capital.

Having considered all of the specified circumstances, the Management and Supervisory Boards regard the exclusion of the subscription right to be objectively justified and appropriate in the cases detailed for the indicated reasons, even taking into account the dilution effect at the expense of shareholders.

The Management Board will report any utilization of authorized capital 2018 at the next Annual General Meeting that is held. There are currently no specific plans to utilize the authorization framework.

Asstlar, April 2018



Pfeiffer Vacuum Technology AG
Management Board