

Report of the Supervisory Board 2019

Dear Shareholders,

Pfeiffer Vacuum Technology AG is currently implementing a comprehensive transformation process with the goal to create a global, integrated and agile company. For this purpose, the Management Board, in close coordination with the Supervisory Board, has developed an ambitious strategy with an investment program. During the past fiscal year, close monitoring of the development of these structures and strategic goals and their implementation was the focus of the work of the Supervisory Board.

In fiscal 2019, the Supervisory Board of Pfeiffer Vacuum Technology AG duly and diligently exercised all the duties vested in it by law and the Articles of Association. It continuously and conscientiously monitored the work of the Management Board, accompanied and advised on the strategic development of the Company and important individual initiatives with a view to sustainable value creation and satisfied itself about the legality and expediency as well as the economic efficiencies of the managerial work on the basis of the Management Board's reports and partly by consulting external experts.

Cooperation between Supervisory Board and Management 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 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 answered questions from the Supervisory Board. Outside of the meetings, an intensive exchange of information with the Supervisory Board was also ensured with regular reports on the economic development and the key occurrences of the Company and the Corporate Group. The Supervisory Board is satisfied that Management Board reporting met the statutory and Supervisory Board's requirements and the principles of good corporate governance.

Business transactions requiring approval were decided by the Supervisory Board after these had been carefully reviewed and discussed with the Management Board.

Personnel changes in Management Board and Supervisory Board

Effective end-of-day June 30, 2019, Dr. Matthias Wiemer and Dr. Ulrich von Hülsen resigned from the Management Board. On July 1, 2019, Mr. Wolfgang Ehrk was appointed by the Supervisory Board as a member of the Management Board, effective starting January 1, 2020, and assigned him the function of Chief Operations Officer (COO) within the Management Board. As COO, Mr. Ehrk is responsible for the areas of Global Operations, Continuous Improvement, Purchasing, Quality and EHS (Environment, Health and Safety), as well as Supply Chain.

On the Supervisory Board, there were two changes on the part of the employee representatives: Mr. Helmut Bernhardt, on his retirement and accompanying departure from the Company, also stepped down from the Supervisory Board on June 30, 2019. He was succeeded on the Supervisory Board by Matthias Mädler, Head of the departments Vacuum Design/Simulation and CAD Standards (formerly R&D Services) at Pfeiffer Vacuum GmbH. At year-end, the membership of Mr. Manfred Gath also ended when he left the Company on reaching retirement age. He was replaced on the Supervisory Board by Mr. Stefan Röser, full-time Chairman of the Pfeiffer Vacuum GmbH Employee Representative Council. The proportion of women on the Supervisory Board is 16.7%, and 33.33% on the Management Board, in each case as of the reporting date of March 25, 2020.

Supervisory Board meetings and issues of Supervisory Board work

In fiscal 2019, the Supervisory Board addressed the current situation of the Company and the Corporate Group in depth in a total of **11 meetings**. It dealt with all issues of importance to the Company and discussed them in detail with the Management Board. Meetings of the Supervisory Board committees were also held. Outside the meetings, the Supervisory Board adopted a number of resolutions by written circular.

In addition to its ongoing involvement with the Company's sales and earnings development and the Group's financial position and profitability, a particular focus of the Supervisory Board's work was on implementing the corporate strategy adopted in 2018 together with the associated capital investment program, and on the reorganization of the global management structure, the compliance management system and the strategic cooperation with the Busch Group based on the relationship agreement concluded between Pfeiffer Vacuum Technology AG and Busch SE on May 20, 2019.

At the meetings on **January 16, February 20, March 14 and July 4, 2019**, the Supervisory Board dealt in detail with the new corporate strategy adopted in 2018 and its supporting investment program. The Supervisory Board received reports from the Management Board on the progress made in implementing the strategy and discussed these in depth with the Management Board. At its meeting on March 14, 2019, the Supervisory Board approved the concretized strategy submitted by the Management Board.

The new, Group-wide organizational structure which the Board of Management adopted in October 2018 was the subject of the meetings on **January 16, February 20 and July 4, 2019**. The aim of the reorganization is to establish a functionally organized corporate to ensure that the global strategy of the Company is pursued uniformly throughout the Group. This should create better conditions for the Group to optimize processes, exploit efficiencies and become more agile in the market. The Supervisory Board supports this objective.

At its meetings on **February 20, March 14, July 4, September 4, and November 4, 2019**, the Supervisory Board deliberated in depth on the Compliance Management System and the Compliance Organization of the Company, and discussed these with the Management Board. In particular, the Supervisory Board satisfied itself as to the implementation of the recommendations made by PricewaterhouseCoopers GmbH to further improve the compliance management system based on the expert analysis conducted in 2018.

The strategic cooperation with the Busch Group was addressed by the Supervisory Board at its meetings on **January 16, February 20, March 14, May 20, July 4, October 9 and November 4, 2019**. The cooperation with the Busch Group is focuses particularly on the areas of purchasing, sales and service, research and development and IT and is also intended to ensure uniform standards in the fields of compliance and risk management. In the first three of these meetings, the Supervisory Board received reports from the Management Board on the status in relation to preparing the relationship agreement with Busch SE, which forms the contractual basis for the strategic cooperation between the companies. The Supervisory Board was informed in detail about the progress of the contractual negotiations and about the coordination with the responsible antitrust authorities. The Supervisory Board sought support by obtaining its own expert legal opinion from an independent international law firm not involved in the negotiations with the Busch Group, which examined and confirmed the legal admissibility of the agreement.

In its meeting on **May 20, 2019**, which was conducted as a telephone conference, the Supervisory Board then dealt in detail with the draft contract for the relationship agreement submitted by the Management Board and received a detailed report from the Management Board on the earnings benefits expected from the strategic cooperation in the various business segments. Overall, the Management Board assumes that the cooperation with the Busch Group will enable synergies to be realized in the lower double-digit million euro range in the medium term. After detailed examination and consideration of the advantages and disadvantages to be expected from the strategic cooperation, the Supervisory Board approved the conclusion of the relationship agreement with Busch SE. In view of her role on the board of Busch SE and the potential conflict of interest in this respect, the Chairman of the Supervisory Board, Ms. Ayla Busch, did not participate in this discussion or in the resolution on the relationship agreement.

At its meetings on **July 4, October 9 and November 4, 2019**, the Supervisory Board was then informed about the status regarding implementation of the relationship agreement concluded on May 20, 2019. With regard to the provisions on legal transactions with related parties in general and on the strategic cooperation with the Busch Group in particular, which were newly included in the German Stock Corporation Act with ARUG II, the Supervisory Board discussed setting up a special committee, in the form of a related party transaction committee, at its meeting on **November 4, 2019**. Subsequently, the Supervisory Board resolved by written circular on **November 7, 2019** to set up such a committee for related party transactions (in short: "RPT Committee") and appointed Mr. Matthias Mädler, Mr. Henrik Newerla and Mr. Götz Timmerbeil as its members.

The responsibilities of the RPT Committee were defined as follows by the Supervisory Board:

1. *Advising and supervising the Management Board in the conclusion and implementation of measures in relation to and from legal transactions with affiliated companies pursuant to § 15 of the German Stock Corporation Act (“AktG”) and related parties pursuant to § 111a of the German Stock Corporation Act (“AktG”);*
2. *Granting approval for transactions with related parties pursuant to § 111b (1) of the German Stock Corporation Act (“AktG”) in conjunction with § 107 Sub-Para. 3, sentences 4-6, AktG, in place of the Supervisory Board;*
3. *Ongoing advising and supervision of the Management Board in the implementation of the Relationship Agreement with Busch SE in accordance with the law and the Articles of Association, in particular also with a view to ensuring that performance and consideration in implementing the Relationship Agreement are in an appropriate relationship to each other and that the Company does not suffer any disadvantages from the Relationship Agreement and its implementation which are not compensated for.*

At the Supervisory Board meeting on **March 14, 2019**, the Supervisory Board, in the presence of representatives of the auditor, discussed in detail the annual financial statements and the consolidated financial statements of the Company for the 2018 fiscal year prepared in accordance with International Financial Reporting Standards (IFRS), the proposal of the Management Board for the dividend payout ratio and the appropriation of capital, the Management Report and the Consolidated Financial Statements for the 2018 fiscal year and the audit reports of the auditor, and discussed these in detail with the auditor. A particular focus of the discussion with the auditors was the early warning system for risks. Following a detailed review, the Supervisory Board approved the annual financial statements and the consolidated financial statements for the 2018 fiscal year at this meeting. At the same meeting, the Supervisory Board received a report from the Management Board on the risk management system and discussed this with the Management Board. The basis for this discussion was the presentation of the Risk Management Report 2018 by the Management Board in which compliance was explicitly included as a new risk category. At this meeting, the Supervisory Board also addressed the agenda for the 2019 Annual General Meeting.

In its meeting held as a conference call on **March 27, 2019**, the Supervisory Board, following a detailed preliminary discussion on 20 February 2019, addressed the degree to which the members of the Management Board had achieved their targets for short-term and long-term variable remuneration and determined these targets for the 2018 fiscal year. Furthermore, the Supervisory Board considered the determination of targets (KPIs) for the members of the Management Board for the year 2019, on which it subsequently passed resolutions by written circular on April 16 and May 10, 2019.

The Supervisory Board examined the Separate Non-Financial Consolidated Report for the 2018 fiscal year prepared by the Management Board and approved it by written circular on **April 18, 2019**. At its meeting on **November 4, 2019**, the Supervisory Board addressed the preparation of the non-financial report for 2019, which will be drawn up in accordance with

the Global Reporting Initiative. At the same meeting, the Supervisory Board resolved to commission PricewaterhouseCoopers to conduct a business audit of the non-financial report to obtain limited assurance.

In its meetings on **February 20, March 19, May 2, May 23, July 4, August 5, October 10, and November 4, 2019**, the Supervisory Board dealt with the general course of business, the financial results and the strategic orientation of the Company as well as measures to continue to increase the profitability and efficiency of the overall Company.

At its meeting on **November 4, 2019**, the Supervisory Board critically reviewed the efficiency of its activities according to the recommendation in § 5.6 of the German Corporate Governance Code in the version dated February 7, 2017.

With the exception of the meetings on February 20, May 2, October 9 and December 12, 2019, the members of the Supervisory Board were present in full at all its meetings. One member of the Supervisory Board was absent from each of the meetings on February 20, May 2 and October 9, and two members were absent from the meeting on December 12. This means that every member of the Supervisory Board attended more than 75% of all meetings. Moreover, the Supervisory Board members who did not attend participated in the resolutions in each case by submitting written votes.

Supervisory Board Committees

The work of the Supervisory Board in fiscal 2019 was again accompanied and prepared by its committees. The Management Board Committee, the Nomination Committee and the Audit Committee were appointed, and the Related Party Transactions Committee (RPT Committee) has been in place since November.

At its first meeting, which was held in the form of a telephone conference on **December 10, 2019**, the **RPT Committee** elected Mr. Götz Timmerbeil as its Chairman and Mr. Henrik Newerla as its Deputy Chairman and discussed the upcoming tasks of the committee.

The composition of Supervisory Board committees is therefore 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

RPT Committee

- Götz Timmerbeil (Chairman)
- Matthias Mädler
- Henrik Newerla

On **January 16, 2019**, the **Management Board Committee** reported to the full Supervisory Board on the search for a new Chief Operations Officer. At its meeting on **February 20, 2019**, the committee discussed the degree to which the members of the Management Board had achieved their targets for variable compensation in 2018. In addition, the Management Board Committee was engaged with long-term planning of the Management Board composition in light of the set strategic objectives. Furthermore, the committee was concerned in the reporting year with the legal proceedings relating to the departure of the former Chairman of the Management Board, Manfred Bender. Following the ruling of the Regional Court of Frankfurt am Main, the Higher Regional Court of Frankfurt am Main also dismissed his action against the decision of the Annual General Meeting on May 23 2018 to withhold discharge; the decision is final and binding. Two lawsuits by Mr. Bender are currently still pending before the Limburg an der Lahn Regional Court regarding his dismissal as a member of the Management Board and the termination of his employment contract for good cause.

The **Audit Committee** met on **March 14 and November 4, 2019**, with all committee members and representatives of the auditor attending both meetings. At its meeting on March 14, 2019 the committee examined the annual financial statements and consolidated financial statements of the Company for the 2018 fiscal year, the proposal of the Management Board for the dividend payout ratio and the appropriation of capital, the management report for the Company and the Corporate Group for the 2018 fiscal year, and the auditor's reports in preparation for addressing them at the plenary meeting and discussed these in detail with the auditor. At its meeting on November 4, 2019 the committee discussed and determined the course and scope of the audit for the 2019 fiscal year, the main areas of emphasis and specific questions about the audit with the auditors, in addition to the regular contact with the auditors.

No meetings of the **Nomination Committee** were held in fiscal 2019.

Corporate Governance

The Supervisory Board recognizes the principles of good governance and also addressed this issue in fiscal 2019. An essential basis for this is the extensive recognition and observance of the recommendations of the German Corporate Governance Code (GCGC) based on the version of February 7, 2017. As a listed company, Pfeiffer Vacuum Technology AG is subject to the obligation under § 161 Sub-Para. 1 of the German Stock Corporation

Act 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, Ms. Ayla Busch, submitted a statement of compliance on November 5, 2019, which had been approved by the Supervisory Board in its meeting on November 4, 2019. The statement of compliance is available on the Company's website.

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 addressing the strategic cooperation with the Busch Group, which is a majority shareholder in the Company through its subsidiary Pangea GmbH 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 2019 fiscal year. In order to deal with the potential conflict of interest regarding the person of Ms. Ayla Busch, Mr. Götz Timmerbeil acted as contact person and discussion leader in the meetings when dealing with the strategic cooperation for the Supervisory Board; Ayla Busch will abstain from voting on the strategic cooperation. Ms. Ayla Busch did not participate in the resolution on the Supervisory Board's approval for the conclusion of the relationship agreement with Busch SE or in the factual discussion of this. In November 2019, the Supervisory Board established the RPT Committee, of which Ms. Ayla Busch is not a member, to further advise and supervise the Management Board in the implementation of the relationship agreement concluded with Busch SE.

Review of the Content of the 2018 Separate Non-Financial Group Report

The Supervisory Board reviewed and approved on April 18, 2019, the reporting on the issues identified in the German Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Consolidated Management Reports (CSR Directive Implementation Act) within the framework of the Separate Non-Financial Consolidated Report of Pfeiffer Vacuum Technology AG for the reporting period from January 1 through December 31, 2018. The Supervisory Board, with the assistance of PricewaterhouseCoopers GmbH, Frankfurt am Main, reviewed the content of the non-financial reporting within the framework of an audit to obtain limited assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). The audit did not reveal any circumstances that would have led the auditing firm to conclude that the Separate Non-Financial Consolidated Financial Statements of Pfeiffer Vacuum Technology AG for the period from January 1 through December 31, 2018, had not been prepared in all material respects in accordance with § 315c, German Commercial Code ("HGB").

Audit of Annual and Consolidated Financial Statements

At its meeting on November 4, 2019, 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 4, 2019.

At the meeting on November 4, 2019 the Audit Committee and the auditor defined the following key audit points: for the operating companies: realization of earnings, application of IFRS 16, valuation of inventories, valuation and completeness of provisions, accounting for pensions, current and deferred taxes, related party transactions and completeness and accuracy of reporting; for the holding company and consolidation: valuation of goodwill, deferred taxes, investments in affiliated companies, relationship agreement with Busch SE.

The Annual Financial Statements and Management Report as well as the Consolidated Financial Statements, presented in accordance with IFRS, together with the Group Management Report, all for the 2019 fiscal year, were audited by the independent auditor and received his unqualified endorsement.

In accordance with § 289b of the German Commercial Code ("HGB"), the Company has prepared the non-financial statement for the 2019 fiscal year as part of the management report and, in accordance with § 315b of the German Commercial Code ("HGB"), the non-financial consolidated statement as part of the Group management report. The content of the non-financial statement was reviewed by the Supervisory Board with the assistance of PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as part of an audit to obtain limited assurance in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Revised). The audit did not reveal any facts that would have led the auditing firm to conclude that the non-financial statements of Pfeiffer Vacuum Technology AG for the period from January 1 through December 31, 2019, had not been prepared, in all material respects, in accordance with § 289c and § 315c of the German Commercial Code ("HGB"). In the audit opinion, the non-financial statement is identified as other information within the meaning of ISA 720 (revised). At its meeting on March 25, 2020, the Supervisory Board approved the non-financial statements for the 2019 fiscal year.

The Annual Financial Statements, 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 25, 2020. The independent auditor attended both 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 earnings.

Additionally, the Management Board of Pfeiffer Vacuum Technology AG has drawn up a report on relationships with affiliated companies for the fiscal year 2019 (“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 unreasonably 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 25, 2020**. The independent auditor attended this meeting, reported on the audit of the dependency report and the major findings of the 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 declaration of the Management Board at the end of the dependency report regarding the relationship with affiliated companies.

Acknowledgments

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 2019 fiscal year.

Adoption of this Report

The Supervisory Board adopted this Supervisory Board Report in the resolution dated March 25, 2020 pursuant to § 171 Sub-Para. 2 of the German Stock Corporation Act (“AktG”).

Asslar, March 25, 2020

On behalf of the Supervisory Board

Signed:

Ayla Busch

Chairwoman of the Supervisory Board