PFEIFFER VACUUM

# TRANS-FORMATION

## FOR OUR CUSTOMERS

ANNUAL REPORT

2020

# KEY FIGURES

| | | 2020 | 2019 | Change |
|---|---|---|---|---|
| **Sales and profit** | | | | |
| Total sales | K € | 618,665 | 632,865 | – 2.2 % |
| Operating profit | K € | 45,296 | 65,152 | – 30.5 % |
| Operating profit margin | % | 7.3 % | 10.3 % | – 3.0 Pp |
| Net income | K € | 31,591 | 48,357 | – 34.7 % |
| Return on sales | % | 5.1 | 7.6 | – 2.5 Pp |
| Operating cash flow | K € | 59,191 | 65,380 | – 9.5 % |
| **Balance sheet** | | | | |
| Total shareholders' equity and liabilities | K € | 661,845 | 659,575 | 0.3 % |
| Cash and cash equivalents | K € | 122,883 | 111,980 | 9.7 % |
| Shareholders' equity | K € | 391,734 | 393,445 | – 0.4 % |
| Equity ratio | % | 59.2 | 59.6 | – 0.4 Pp |
| Return on equity | % | 8.1 | 12.3 | – 4.2 Pp |
| Capital expenditures | K € | 30,441 | 34,914 | – 12.8 % |
| **Workforce** | | | | |
| Workforce (average) | | 3,315 | 3,253 | 1.9 % |
| Personnel costs | K € | 217,064 | 211,008 | 2.9 % |
| Per employee | K € | 65 | 65 | 0.0 % |
| Sales per employee | K € | 187 | 195 | – 4.1 % |
| **Per share** | | | | |
| Earnings | € | 3.20 | 4.90 | – 34.7 % |
| Dividend | € | 1.60[1] | 1.25 | 28.0 % |

[1] Subject to the approval of the Supervisory Board and the Annual General Meeting

All percentages in this Annual Report were derived on the basis of amounts in thousands of euros. Rounding differences might result from their presentation in millions of euros.

# CORPO-RATE PROFILE

Pfeiffer Vacuum – a name that stands for innovative solutions, high technology and dependable products, along with first-class service. For more than 130 years we have been setting standards in vacuum technology with these attributes. One very special milestone was the invention of the turbopump at our Company more than 50 years ago. Thanks to our know-how, we continue to be the technology and world market leader in this field. To no small degree, this also manifests itself in our strong profitability. Our extensive line of solutions, products and services ranges from vacuum pumps, measurement and analysis equipment as well as leak detectors right through to complex vacuum systems. And quality always plays a key role in this connection: Products from Pfeiffer Vacuum are constantly being optimized through close collaboration with customers from a wide variety of industries, through ongoing development work and through the exceptional enthusiasm and commitment of our people. These are virtues that we will continue to embrace!

## ESTABLISHED

1890

## WORKFORCE

worldwide

3,309

## PURPOSE OF THE COMPANY

To develop, manufacture and market components and systems for vacuum generation, measurement and analysis as well as helium leak detectors

## MANUFACTURING SITES

- Asslar, Germany
- Dresden, Germany
- Göttingen, Germany
- Annecy, France
- Asan, Republic of Korea
- Wuxi, China
- Cluj, Romania
- Indianapolis, USA
- Yreka, USA
- Ho Chi Minh City, Vietnam

## HEADQUARTERS

Asslar, Germany

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# TO OUR SHAREHOLDERS



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# COMBINED MANAGEMENT REPORT



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# FURTHER INFORMATION



**The following symbols will lead you to further interesting information:**

↗ You will find more information online. They are not part of the audited Combined Management Report and the audited Consolidated Financial Statements.

Additional information on this topic can be found within this report

These links and references were inserted for better understanding. They are not part of the audited Combined Management Report and the audited Consolidated Financial Statements.

We publish our complete Annual Report exclusively in digital format as a PDF. For further information please also refer to

↗ **Transformation Microsite**

# 1

# TO OUR SHARE-HOLDERS

# MANAGEMENT BOARD

Pfeiffer Vacuum has just completed a solid year, also because we mastered the Corona pandemic well. We are convinced of Pfeiffer Vacuum's potential and hope that you will accompany us on our way to sustainable growth.

Dr. Britta Giesen
CEO, acting CFO & CTO

**Dr. Britta Giesen**
CEO
↗ CV

**Wolfgang Ehrk**
COO
↗ CV

# LETTER FROM THE CEO

↗ Video message of the CEO

*Dear Shareholders,*
*Ladies and Gentlemen*

Pfeiffer Vacuum Technology AG just completed a solid year. I come to this conclusion not only because we were able to maintain virtually steady sales and even increase our new order intake over the previous year despite adverse conditions. I believe this because we were able to achieve our two most important goals – to protect the health of our employees and to reliably serve our customers.

We are proud that, due to the protective measures we put in place, during the outbreak of the pandemic, not a single employee has been infected with Covid-19 in 2020, at his or her workplace at Pfeiffer Vacuum. The immediate and prudent action of our global teams was the basis for effectively protecting the health of all our employees at our locations around the world. Of course, our employees themselves also played a significant role in this by supporting our mobile working and hygiene concepts.

This provided the basis to also achieve our second goal – to supply our customers with the products they ordered and to provide them with the agreed services at virtually all times. We were even able to improve our delivery reliability compared to previous years. We have thus further strengthened our position as a reliable partner to our customers and confirmed our excellent reputation in the industry. This highlights the advantage of our global positioning.

When the Corona pandemic started in Asia, and then spread across Europe and spilled over to North America, the specific regulations put in place by the various countries impacted us at deferred times due to our regional diversification, so that the overall value chain remained functional even in the face of local restrictions.

Our broad positioning in diverse markets once again had a stabilizing effect on our sales performance. While the semiconductor market in 2020 was characterized by a markedly high demand and the research & development market recovered late in 2020, performance in our other industry, analytics and coating markets declined. We were able to achieve sales of € 618.7 million overall. Compared to the previous year of 2019, this corresponds to a decline of 2.2 percent.

We believe that Pfeiffer Vacuum has coped well with the crisis year 2020 overall in view of the global recession. We view the decline in sales as being comparatively moderate. Our order intake developed gratifyingly positive and, at more than € 631 million for the full year, lay some 5.4 percent over the previous year's level.

Adversely, negative economies of scale, impairment losses and special expenses in connection with the Corona pandemic – including those related to operational hygiene concepts or higher transportation costs – as well as a weakening US dollar and Korean won in the course of the year negatively impacted our operating result. Compared to the previous year, this result declined by € 20 million to € 45.3 million in 2020, resulting in an EBIT margin of 7.3 percent. Although this figure is below the previous year's level, it is still within the latest forecast.

**Our aim is to remain a leader in the fields of technology and quality and to continue to set standards in these areas in the vacuum industry.**

Dear shareholders, the result achieved is also characterized by the investments in the future we have made in the course of implementing our growth strategy. In doing this, we have exercised the necessary sense of proportion – particularly so in view of the economic environment – and predominantly invested in modernization measures and capacity expansions as well as in replacement investments totaling around € 30.4 million. Due to the Corona pandemic, we deliberately did not fully utilize the originally envisioned investment framework.

Our aim is to remain a leader in technology and quality and to continue to set standards in the vacuum industry in these areas. At this point, let me mention just a few selected examples of new product lines: We started with our new product line HiScroll, which has several applications due to its technical characteristics. With Hena 50 and 70, two new types of rotary vane pumps followed. We also also introduced the innovative leak detector ASM 306 S as well as the two portable benchtop units OmniStar and ThermoStar. Our HiLobe series, which was expanded in fall, offers intelligent, high-performance rotary vane pumps for applications in the low and medium vacuum range. At the end of the year, we presented two new HiPace turbopumps with high performance and minimal weight as well as space requirements. They are used in virtually every one of our customer markets – from semiconductor technology to research & development and industry.

I am particularly pleased that we are able to demonstrate our technological leadership in a renowned research institution. The Technical University of Darmstadt has ordered an ion beam system from our Dresden subsidiary Dreebit. With this ion beam system, we are supporting the researchers with their work in the field of atomic, nuclear and particle physics.

The cooperation with our main shareholder, the Busch Group, which has a complementary product portfolio to ours, also contributes to a good position in the competitive environment. We are working hard to realize synergies in the areas of purchasing, sales and service, research & development and IT. Last year, we created a joint global purchasing organization, which gives us a much stronger bargaining power. This enables us to negotiate better terms with our business partners.

In addition, we succeeded in introducing groupwide standards during the reporting period. This includes, for example, the area of compliance, where we have translated a uniform code of conduct into twelve languages and established it at all locations. For prevention and clarification of possible violations, we introduced a groupwide, web-based whistleblower system for anonymous reporting of violations. This whistleblower system can be used by employees as well as external actors. In addition, we have established our data protection guidelines throughout the Group and have also conducted training in this respect.

**Pfeiffer Vacuum Technology AG has tremendous potential for growth! In view of this, we intend to grow our sales again during the coming years and significantly improve our profitability.**

Dear shareholders, I have been with Pfeiffer Vacuum for just under six months now. I have gained a good impression of our company and I am convinced that Pfeiffer Vacuum Technology AG has tremendous potential for growth. In view of this, we intend to grow our sales again during the coming years and significantly improve our profitability. By doing so, we will strengthen the position of our Pfeiffer Vacuum Technology AG in the competitive landscape. In order to achieve these goals, we will be focusing even more closely than ever on our customers and the markets we serve.

Regrettably, there is one unknown factor in the equation that makes it difficult for me to make a more concrete prediction – the Corona pandemic has limited us in pursuing the further development of the company as dynamically as originally planned. Furthermore, no one can currently say how long the pandemic and its mutations will continue to accompany us, and what impact this will have.

My colleague on the Management Board, Wolfgang Ehrk, and I continue to believe in the fundamental direction of the company and have trust in the company's potential, as well as in our fabulous team. We know we can rely on our employees. Thanks to their high level of commitment and outstanding performance, we have come through the crisis year 2020 relatively unscathed. I would like to express my sincere gratitude for their achievements and look forward to heading into the future with this team.

Valued shareholders, in 2020 we celebrated Pfeiffer Vacuum's 130th corporate anniversary. During these years, we have shaped the vacuum industry, set new standards and developed innovations that benefit science and industry alike. I am convinced of the further development potential of Pfeiffer Vacuum Technology AG. If you are, too, I am delighted that you are accompanying us on our path to sustained growth.

Sincerely,

*Dr. Britta Giesen*

Dr. Britta Giesen
CEO of Pfeiffer Vacuum Technology AG

VISIT OUR
↗ **TRANSFORMATION MICROSITE**

# SUPER-VISORY BOARD

**Filippo Th. Beck**
↗ CV

**Ayla Busch**
Chairwoman
↗ CV

**Matthias Mädler**
↗ CV

**Henrik Newerla**
↗ CV

**Götz Timmerbeil**
Deputy Chairman
↗ CV

**Stefan Röser**
↗ CV

# REPORT OF THE SUPERVISORY BOARD ON THE 2020 FISCAL YEAR

Dear Shareholders,

In fiscal 2020, Pfeiffer Vacuum Technology AG successfully continued the comprehensive transformation process initiated in 2018 towards becoming a global, integrated and agile Company. The Supervisory Board closely followed the Management Board in this process. In addition to the Company's strategic development and the ongoing consideration of the Company's sales and earnings development and the Group's financial position and profitability, the reorganization of the management structure and the composition of the Management Board, the handling of the effects of the COVID-19 pandemic, the further development of production sites worldwide, the development of a remuneration system for the Management Board and dealing with the fundamentally revised German Corporate Governance Code in the version published on March 20, 2020 (GCGC) were important topics of the work of the Supervisory Board in the past fiscal year.

In fiscal 2020, 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. In some cases, the Supervisory Board utilized the support of external experts in its work.

## 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 and strategic 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, 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, which the Supervisory Board specified in a special information policy for the Management Board in May 2020, and the principles of good corporate governance.

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

## Personnel changes in Management Board and Composition of the Supervisory Board

With effect from end-of-day September 30, 2020, Ms. Nathalie Benedikt resigned from her position on the Management Board with the consent of the Supervisory Board. With effect from end-of-day December 31, 2020, Dr. Eric Taberlet stepped down from the Management Board as planned. After Mr. Wolfgang Ehrk was appointed by the Supervisory Board as a member of the Management Board with effect from January 1, 2020, the Supervisory Board appointed Dr. Britta Giesen as a member of the Management Board with effect from October 1, 2020, for the period until December 31, 2023, completing the personnel reorganization of the Management Board. As part of the reorganized management structure, which the Supervisory Board coordinated and approved with the Management Board in June 2020, with effect from January 1, 2021, the Management Board, which has been reduced to two members, will be supported in future by a Group Executive Committee.

There were no changes in the Supervisory Board in the year under review; its members remain unchanged:

On the part of the shareholder representatives

- Ms. Ayla Busch (member since October 2017)
- Mr. Götz Timmerbeil (member since June 2001)
- Mr. Filippo Th. Beck (member since May 2016) and
- Mr. Henrik Newerla (member since April 2018)

and as employee representatives

- Mr. Matthias Mädler (member since July 2019) and
- Mr. Stefan Röser (member since January 2020).

The term of office of the incumbent members of the Supervisory Board ends at the close of the 2021 Annual General Meeting.

The proportion of women on the Supervisory Board is 16.7 %, and 50 % on the Management Board, in each case as of the reporting date of March 22, 2021.

## Supervisory Board meetings and issues of Supervisory Board work

In fiscal 2020, the Supervisory Board addressed the current situation of the Company and the Group in depth in a total of **18 meetings**, most of which were carried out via video conference due to the pandemic. 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. The Management Board members took part in the plenary meetings, unless there were topics on the agenda that required to be dealt with properly without the presence of the Management Board; therefore, the Supervisory Board met regularly without Management Board members being present.

The main topics and resolutions of the Supervisory Board in the past fiscal year were as follows:

At its meeting on **January 22, 2020**, the Supervisory Board dealt with the strategy and the cooperation with the Busch Group on the basis of the Relationship Agreement. It received reports from the Management Board on the status achieved and discussed this in detail with the Management Board. The meeting also addressed the 2020 budget. At this meeting, the Supervisory Board also held a training event moderated by an external legal expert to support the new employee representatives who had joined the Supervisory Board and to provide orientation for the entire Supervisory Board. The main focus was on the new statutory regulations on the remuneration of corporate boards and transactions with related parties. The new version of the German Corporate Governance Code was also addressed.

At its meeting on **February 19, 2020**, the Supervisory Board dealt with the preliminary business results for 2019 and the expected appropriation of profits for 2019.

At its meeting on **March 23, 2020**, the Supervisory Board discussed the draft of the new version of the rules of procedure for the Supervisory Board and approved them. The rules of procedure for the Supervisory Board are available on the Company's website.

At its meeting on **March 24, 2020**, the Supervisory Board had the Management Board explain its proposal for the use of the 2019 retained earnings and discussed this with the Management Board.

At its meeting on **March 25, 2020**, the Supervisory Board, in the presence of representatives of the auditor, discussed the Company's annual financial statements and the consolidated financial statements for the 2019 fiscal year prepared in accordance with the International Financial Reporting Standards (IFRS), the proposal of the Management Board on the dividend payout ratio and the appropriation of profits, the management report and the group management report for the 2019 fiscal year, the non-financial group report, the report of the Management Board on relationships with affiliated companies and the audit reports of the auditor, and discussed these in detail with the auditor. Following a detailed review of the insofar available documents, the Supervisory Board decided to approve the

Annual Financial Statements and the Consolidated Financial Statements for 2019, to endorse the Management Board's proposal for the appropriation of profits to the Annual General Meeting, to approve the Company's non-financial declaration for 2019 and to approve the report of the Management Board on the relationship with affiliated companies for 2019. In addition, the Supervisory Board approved the report of the Supervisory Board in accordance with §171 of the German Stock Corporation Act ("AktG"). At this meeting, the Supervisory Board also had the Management Board explain the results of the risk assessment for 2019 and discussed the associated risk management report with the Management Board. In addition, the Supervisory Board discussed the draft agenda for the 2020 Annual General Meeting with the Management Board and agreed to this after an in-depth discussion. The meeting also dealt with a status report by the Management Board on the further development of the production sites worldwide, which the Supervisory Board discussed in detail with the Management Board. In addition, the Supervisory Board passed a resolution on the targets (KPIs) for 2020 as part of the short-term and long-term variable components of Management Board remuneration.

With a resolution passed by way of circulation on **March 30, 2020**, based on the recommendation of the Audit Committee, the Supervisory Board decided to propose to the Annual General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be appointed as auditor and group auditor for the 2020 fiscal year.

At its meeting on **April 6, 2020**, the Supervisory Board approved the proposed resolutions to the Annual General Meeting together with the invitation to the 2020 Annual General Meeting. At the same time, it was agreed to hold the General Meeting as a virtual General Meeting in order to take into account the current infection situation and to ensure the best possible protection against infections for all parties involved.

With a resolution passed by way of circulation on **April 20, 2020**, the Supervisory Board approved the implementation of measures of an SAP CRM system and the related acquisition of licenses.

At its meeting on **May 4, 2020**, the Supervisory Board dealt with the quarterly figures Q1/2020, the CSR strategy, the status of the implementation of the Relationship Agreement with the Busch Group and the topic of M&A and discussed them in detail with the Management Board. In a further meeting on the same day, the Supervisory Board discussed the target achievement of the members of the Management Board in the context of the variable remuneration components in 2019.

With a circular resolution dated **May 12, 2020**, the Supervisory Board passed a new version of the rules of procedure for the Management Board and at the same time passed a resolution on information regulations for the Management Board. Based on a recommendation by the Personnel Committee, the Supervisory Board also made statements on the achievement of targets of Management Board members in the context of the variable remuneration components for the 2019 fiscal year.

At its meeting on **June 10, 2020**, the Supervisory Board dealt with the future management board structure, the appointment of a new CEO and other changes in the Management Board. On the basis of this discussion and based on a recommendation by the Personnel Committee, the Supervisory Board passed a resolution on the appointment of Dr. Britta Giesen as a board member (with effect from October 1, 2020) and as future chairwoman of the board (from January 1, 2021) as well as the conclusion of a board employment contract with Dr. Giesen.

The key items of the meeting on **July 6, 2020**, based on current business developments, were the discussions of an adjustment to the investment and capex budget for 2018 to 2020. In addition, the Supervisory Board discussed with the Management Board an adjustment of the financial planning with regard to the influences due to the COVID-19 pandemic, the current market situation and the cooperation with Busch. In this context, the Supervisory Board approved the postponement of various investment projects. In addition, the Supervisory Board gave its approval to a legal transaction requiring approval in China and to other legal transactions. At this meeting, the Supervisory Board also discussed with the Management Board the status of cooperation with the Busch Group on the basis of the Relationship Agreement and, on the basis of a presentation by the Global Head of Compliance, addressed the current compliance in the Group.

With a circular resolution dated **July 10, 2020**, the Supervisory Board approved another legal transaction requiring approval.

The key item of the meeting on **August 3, 2020** concerned the results in the second quarter of the current fiscal year, which were discussed and analyzed in detail with the Management Board. In addition, the Supervisory Board dealt with the status of ongoing IT projects.

At its meeting on **September 3, 2020**, the Supervisory Board dealt with a number of operational business issues, the development of the sickness rate and the utilization of production capacities. In addition, the further development of the global production sites was again a focus of the discussion.

At its meeting on **September 17, 2020**, the Supervisory Board received a report on the status of the proceedings with the former CEO, Manfred Bender.

At its meeting on **September 30, 2020**, the Supervisory Board approved the departure of Ms. Nathalie Benedikt at the end of the same day and the conclusion of a termination agreement with her.

At its meeting on **October 1, 2020**, the Supervisory Board discussed the current figures, organizational issues and the status of cooperation with the Busch Group.

At its meeting on **November 2, 2020**, the Supervisory Board discussed the compliance management system, the current figures and the 2021 financial calendar. The main focus of the meeting was also the discussion and resolution on the declaration of compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act ("AktG"). At this meeting, the Supervisory Board also critically reviewed the efficiency of its activities in accordance with the recommendation of the German Corporate Governance Code. The meeting took place with the participation of an external corporate governance expert. The detailed discussion was concluded with the result that the organization of the Supervisory Board and its committees is appropriate and efficient.

On **November 16, 2020**, the Supervisory Board then resolved in a circular resolution to supplement the declaration of compliance published on November 4 with information on the current remuneration of the Management Board as a precaution.

At the meeting on **November 19, 2020**, the Board presented the budget for 2021. On this basis, the P&L planning, the balance sheet planning, the cash flow planning, the investment planning, the personnel planning and the planning of the return on investment for 2021 were discussed with the Management Board. After a detailed discussion, the Supervisory Board approved the budget presented for 2021. Another focus of the meeting was again the further development of the global production sites, for which the Management Board presented an update on the current planning, which was discussed in detail.

At its meeting on **December 16, 2020**, the Supervisory Board asked an external legal expert, following the training event in January, to explain the framework for the remuneration of Executive Board members set by the law and the recommendations of the German Corporate Governance Code, and, discussed with this expert in detail the proposal for a system for the remuneration of the Management Board members. At this meeting, the Supervisory Board also dealt with an essentially only editorial adjustment of the competence profile for the Supervisory Board due to the new version of the Corporate Governance Code, and the proposal for a reorganization of the Supervisory Board remuneration. Furthermore, the Supervisory Board discussed the parameters for the targets of the Management Board members in the context of the annual bonus and the long-term incentive program for the period starting in 2021.

With a circular resolution on **December 28, 2020**, the Supervisory Board then set the target parameters for the annual bonus for 2021 and for the three-year period of the LTI starting in 2021 for the Management Board members, as well as resolving the determination of the 2020 starting EBITDA for the LTI.

## Attendance at the meeting

In fiscal 2020, the attendance rate of the Supervisory Board members at the plenum and committee meetings was almost 100 %. In detail, the attendance was as follows:

### ATTENDANCE AT THE MEETING 2020

| | Supervisory Board plenum | | Personnel Committee | | Audit Committee | | RPT Committee | | Nomination Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of meetings | Participation in % | Number of meetings | Participation in % | Number of meetings | Participation in % | Number of meetings | Participation in % | Number of meetings | Participation in % |
| Ayla Busch (Chairwoman) | 18/18 | 100 | 14/14 | 100 | 2/2 | 100 | – | – | no meetings were held in 2020 | |
| Götz Timmerbeil (Deputy Chairman) | 18/18 | 100 | 14/14 | 100 | 2/2 | 100 | 1/1 | 100 | | |
| Filippo Th. Beck | 18/18 | 100 | 12/14 | 86 | 2/2 | 100 | – | – | | |
| Henrik Newerla | 18/18 | 100 | 14/14 | 100 | – | – | 1/1 | 100 | | |
| Matthias Mädler | 18/18 | 100 | – | – | – | – | 1/1 | 100 | | |
| Stefan Röser | 18/18 | 100 | – | – | – | – | – | – | | |

## Supervisory Board Committees

The work of the Supervisory Board in fiscal 2020 was again accompanied and prepared by its committees. The Personnel Committee, the Nomination Committee, the Audit Committee and the Related Party Transaction Committee (RPT committee) were appointed. The tasks and competencies of the committees are defined in the rules of procedure for the Supervisory Board, which are available on the Company's website.

The personnel composition of the Supervisory Board committees in the reporting period was 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

The **Personnel Committee** held a total of **fourteen meetings** in the 2020 fiscal year. The focus of its meetings in the first half of 2020 was the determination of the target achievement the variable remuneration components of the Management Board in the 2019 fiscal year, critical discussion of them with the Management Board members and the preparation of corresponding recommendations for resolutions to the full Supervisory Board. The Personnel Committee also dealt with the progress in the search for a new CEO. The main subject of several meetings of the Personnel Committee in the second half of 2020 was the discussion of the target parameters for the variable remuneration components for the Management Board members for the assessment periods beginning on January 1, 2021 as part of the variable short and long-term components of Management Board remuneration and the 2020 starting EBITDA for the LTI as well as the preparation of corresponding proposals for resolutions to the plenary meeting. The question of anchoring sustainability goals in the target parameters was an important point of discussion. In two meetings in December 2020, the Personnel Committee also dealt in detail with the preparation of a system for Management Board remuneration that takes into account the new requirements in § 87a of the German Stock Corporation Act ("AktG") and the recommendations of the revised German Corporate Governance Code (with the exception of G.10). Furthermore, the Personnel Committee discussed a proposal to reorganize the remuneration of the Supervisory Board.

The **Audit Committee** met on **March 25** and **November 2, 2020**. Representatives of the auditor attended both meetings. At its meeting on March 25, 2020, the committee examined the Annual Financial Statements and the Consolidated Financial Statements of the Company for the 2019 fiscal year, the proposal of the Management Board for the dividend payout ratio and the appropriation of profits, the Management Report for the Company and the Corporate Group for the 2019 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 2, 2020 the committee discussed and determined the course and scope of the audit for the 2020 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. In addition, it was decided to commission the auditor to audit the non-financial declaration, as in the previous year.

The Related Party Transactions Committee (**RPT Committee**) met on **November 2, 2020**. Attending the meeting for the Management Board, was Management Board Chairwoman, Dr. Britta Giesen, as well as a representative of KPMG AG Wirtschaftsprüfungsgesellschaft, which is entrusted with supporting the implementation of the Relationship Agreement with Busch SE and with expert support in transactions with the Busch Group in order to ensure their arm's length compliance. According to the Management Board's findings confirmed by KPMG, the applicable threshold value for legal transactions requiring approval according to § 111b of the German Stock Corporation Act ("AktG") has not yet been exceeded. In this context, the concept for the customary pricing of relevant business transactions as well as the structure for the identification and evaluation of the issues to be examined were explained. The discussion also focused on the current status of the cooperation with Busch.

No meetings of the **Nomination Committee** were held in fiscal 2020.

## Corporate Governance

The Supervisory Board recognizes the principles of good governance and also addressed this issue in fiscal 2020. An essential basis for this is the extensive recognition and observance of the recommendations of the German Corporate Governance Code (GCGC). 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"). According to this, the Management Board and the Supervisory Board have to declare annually that 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 why not. The Management Board and the Supervisory Board issued the regular declaration of conformity on November 4, 2020 and supplemented it with information on the current Management Board remuneration as a precaution on November 19. After the Supervisory Board adopted the system for Executive Board remuneration pursuant to § 87a of the German Stock Corporation Act in its meeting on January 28, 2021, the relevant reservation in the declaration of compliance on November 4, 2020 was no longer applicable. The declaration of compliance was updated accordingly on January 29, 2021. The declarations pursuant to § 161 of the German Stock Corporation Act are available on the Company's website and are also part of the corporate governance declaration.

According to recommendation E.1 of the German Corporate Governance Code, every member of the Supervisory Board must disclose any conflicts of interest immediately. There were no occasions to disclose actual or potential conflicts of interest in the year under review. In November 2019, the Supervisory Board already set up a special committee, known as the RPT Committee, of which Ms. Ayla Busch is not a member, to deal with the potential conflict of interest in the person of Ms. Ayla Busch when advising and monitoring the Management Board in legal transactions with companies in the Busch Group and when implementing the Relationship Agreement concluded with Busch SE for Related Party Transactions.

## Annual and Consolidated Financial Statements, audit, dependency report

In a resolution circulated on October 30, 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 2020 non-financial statement, which was first approved initially by the Audit Committee of the Supervisory Board and then also by the Supervisory Board in their meetings on November 2, 2020.

The Audit Committee and the auditor defined the following key audit points: for the operational units: risk and control awareness of management, realization of sales revenue, valuation of inventories, valuation and completeness of provisions, pension provisions, current and deferred taxes, self-generated intangible assets; for the holding company and the consolidation: deferred taxes, Relationship Agreement with Busch, valuation of investments in affiliates, impairment of goodwill.

It has been agreed with the auditor that (i) it will inform the Audit Committee immediately of all findings and occurrences that are essential for its duties and that come to its knowledge during the course of the audit, and (ii) that it will inform the Audit Committee and record in the audit report notes if, during the audit of the financial statements, it discovers facts that indicate that the declaration made by the Management Board and the Supervisory Board in relation to the Code is incorrect.

The Annual Financial Statements and Management Report as well as the Consolidated Financial Statements, presented in accordance with IFRS, together with the Combined Management Report, all for the 2020 fiscal year, were audited by the independent auditor and received his unqualified endorsement.

Pursuant to § 315b of the German Commercial Code (HGB), the Company prepared the non-financial group report as part of the Combined Management Report for the 2020 fiscal year. The Supervisory Board reviewed the content of the non-financial statement with the support 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 group statement of Pfeiffer Vacuum Technology AG for the period from January 1 to December 31, 2020, 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 group statement is identified as other information within the meaning of ISA 720 (revised). At its meeting on March 22, 2021, the Supervisory Board approved the non-financial group statement for the 2020 fiscal year.

The Annual and Consolidated Financial Statements, the Combined Management Report and the audit reports were submitted to all Supervisory Board members in a timely fashion. They were first discussed in detail by the Audit Committee on March 22, 2021 and then by the Supervisory Board on March 22, 2021 at their respective meetings relating to the financial statements. The auditor was present; reported on the major findings of his audit and was available to answer additional questions. On the basis of its own thorough review, Supervisory Board concurred with the results of the audit conducted by the auditor. Given the concluding results of its review, the Supervisory Board raised no objections to the Annual and Consolidated Financial Statements. It approved the Annual and Consolidated Financial Statements. The Annual Financial Statements were thus 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 2020 ("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 22, 2021**. The independent auditor attended this meeting, reported on the 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 declaration of the Management Board at the end of the dependency report.

## 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 2020 fiscal year.

## Adoption of this Report

The Supervisory Board adopted this Supervisory Board Report in the resolution dated March 22, 2021 pursuant to § 171 Sub-Para. 2 of the German Stock Corporation Act ("AktG").

Asslar, March 22, 2021

On behalf of the Supervisory Board

*Ayla Busch*

Ayla Busch
(Chairwoman of the Supervisory Board)

# AREAS OF OUR PRODUCT PORTFOLIO

## VACUUM GENERATION

**Backing pumps**
- Rotary vane pumps
- Multi-stage Roots pumps
- Dry process pumps
- Roots pumping stations
- Scroll pumps

**Turbo pumps**
- Hybrid
- Magnetically levitated
- Turbo pumping stations
- SplitFlow

↗ All products for vacuum generation

## INSTALLATION ELEMENTS

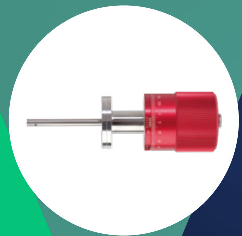
- Feedthroughs
- Valves
- Components
- Manipulators

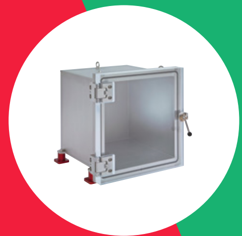
↗ All installation elements

## VACUUM CHAMBERS

- Cylindrical
- Horizontal
- Vertical
- Cubical
- Modular
- For any pressure range

↗ All vacuum chambers





## MEASUREMENT AND ANALYSIS EQUIPMENT

- Mass spectrometers
- Gauge heads
- Gas analysis equipment

↗ All products for measurement and analysis equipment

## VACUUM SYSTEMS

- Contamination management solutions
- Multi-stage vacuum systems
- Integrity testing

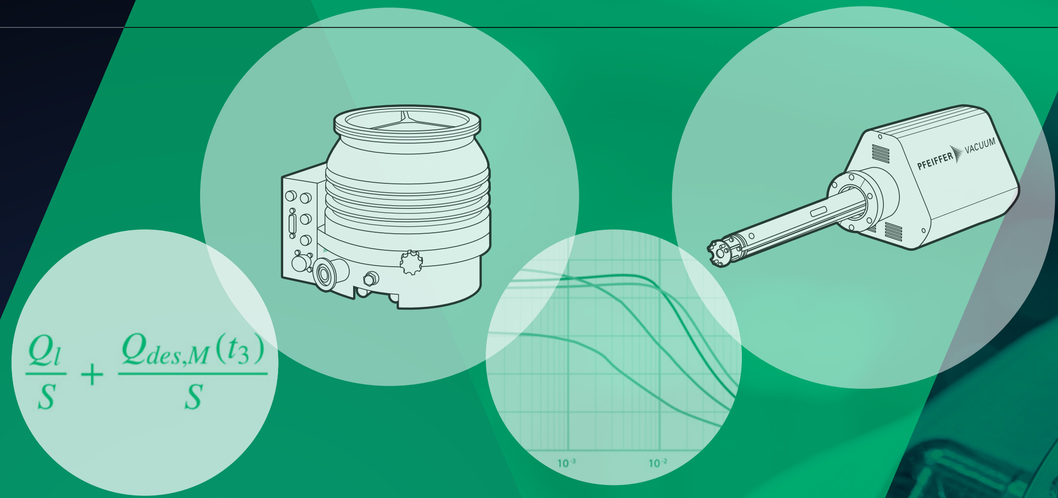
↗ All vacuum systems

## LEAK DETECTION

- Leak detectors
- Micro-Flow

↗ All products for leak detection

# VACUUM SOLUTIONS




## OUR VACUUM SOLUTIONS **– TAILORED TO THE NEEDS OF OUR CUSTOMERS**

Our customers' fields of application are extremely diverse – and so are their expectations and demands on our products. Thankfully, we have a portfolio of vacuum solutions that is just as broad. This allows us to design individual vacuum solutions tailored to the specific needs of our customers.

## **KEY FACTORS** FOR COMPILING A VACUUM SOLUTION

- Number and types of gases in one container
- Pressure and flow velocity
- Intended final pressure and base pressure
- Pumping speed and throughput

## **APPLICATION EXAMPLES** FOR OUR VACUUM SOLUTIONS

- Analysis technology
- Chemical industry
- Coating of glasses, architectural glass, tools, flat screens, Blu-ray discs
- Drying processes
- Food and beverage industry
- Leak detection for the automotive industry
- Manufacturing solar cells
- Paper manufacturing
- Pharmaceutical industry
- Semiconductor production
- Solar thermal plants
- Space simulation
- Steel degassing

## OUR GUIDELINE: **TECHNOLOGICAL EXCELLENCE AND HIGHEST QUALITY STANDARDS –** FOCUSED ON THE CUSTOMERS' REQUIREMENTS

For each vacuum solution we design, the same guidelines apply: technological excellence matched with the highest quality standards from the development stage right through to commissioning. We know that for each o f our customers, the perfect vacuum solution looks different. This is why the same standards apply to all our various products for evacuating, measuring, and analyzing vacuum – consultation and service included.

# ELEMENTS OF VACUUMSOLUTIONS

## TURBOPUMPS

**High and ultra-high vacuum**

Magnetic and hybrid bearing turbopumps and turbo pumping stations

## BACKING PUMPS

**Low and medium vacuum**

Rotary vane, diaphragm, roots, side channel, screw, piston pumps and scroll pumps in addition to pumping stations

## VACUUM CHAMBERS

**Depending on process conditions**

Low, medium, and high vacuum chambers in individual shapes and sizes

## MEASUREMENT AND ANALYSIS EQUIPMENT

**For all pressure ranges**

Leak detectors, gas analyzers, gauges, and mass spectrometers

## COMPONENTS

**Valves and components**

Gaskets, filters, valves, flanges, electrical feedthroughs, manipulators, bellows components, and other accessories

## SERVICE

**Flexible service module**

Technical training and seminars, on-site service, comprehensive service contracts, regional service centers, replacement products, and original replacement parts

## CONSULTATION

**Absolute customer orientation**

Needs assessment, design, and calculation of vacuum systems as well as product consultation

## SYSTEMS

**Individual technologies**

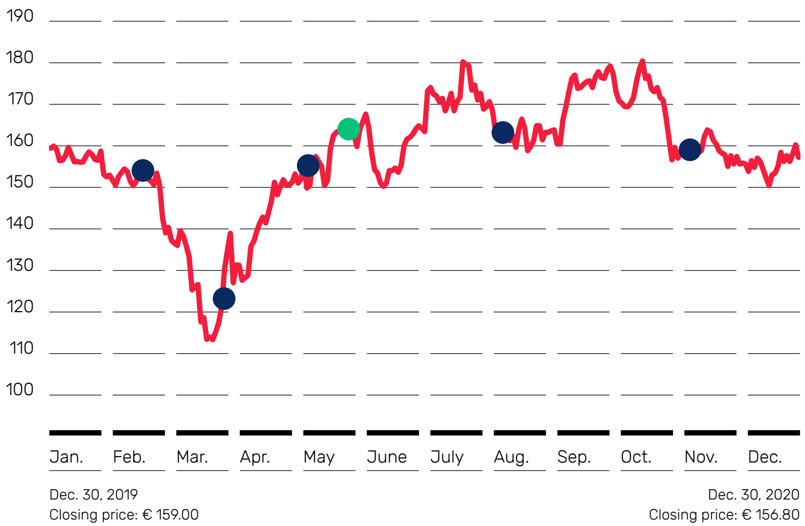
Multi-stage vacuum systems, special pumping stations, calibration and decontamination systems

↗ More about our vacuum solutions

# SHARE PERFORMANCE

## SHARE PRICE DEVELOPMENT OF PFEIFFER VACUUM IN 2020

in €




| | |
|---|---|
| Feb. 20, 2020 | 2019 earnings |
| Mar. 11, 2020 | WHO classifies coronavirus as a pandemic |
| Mar. 26, 2020 | Annual Report 2019 |
| May 5, 2020 | Q1 results, stable sales |
| May 20, 2020 | Annual General Meeting 2020 |
| May 26, 2020 | Dividend payment (2019) |
| Aug. 4, 2020 | H1 earnings |
| Nov. 3, 2020 | Q3 earnings |

● Earnings ● Dividend payment

### Share price development in the year 2020

The Pfeiffer Vacuum Technology AG (Pfeiffer Vacuum) share started the trading year on January 2, 2020 at a price of € 160.00 and reached the high for the year of € 180.00 on October 14, 2020.

The share price development in 2020 was strongly influenced by the global spread of the coronavirus. Authorities and governments decided on restrictions and requirements to slow down the spread of the virus. The associated uncertainty and the impact on the economy resulted in stock market fluctuations, which also affected Pfeiffer Vacuum.

In the first quarter of 2020, Pfeiffer Vacuum shares came under pressure following publication of the year-end figures, even though these had met the last defined expectations. The share price loss recorded in the first quarter was recovered by the end of the first half of the year. The share reached its low for the year of € 112.90 on March 18, 2020. On May 19, 2020, it then closed the day above € 160.00 for the first time again.

There were also strong fluctuations in the second half of 2020, but the share price generally moved above the opening level of the year. At the end of the second half of the year, the price fluctuations calmed down and the share ended the year only slightly below the price level at the beginning of the year. The closing price for 2020 was € 156.80 on December 30. The high for the year was recorded at € 180.00 on October 14.

In terms of the full year 2020, Pfeiffer Vacuum shares traded virtually unchanged in comparison to year-end 2019, with a volatile price trend. The benchmark indices TecDax, SDAX, DAX and HDAX gained between 3 % (HDAX) and 18 % (SDAX). In the medium to long term, Pfeiffer Vacuum shares continue to yield significantly better than the SDAX, DAX and HDAX.

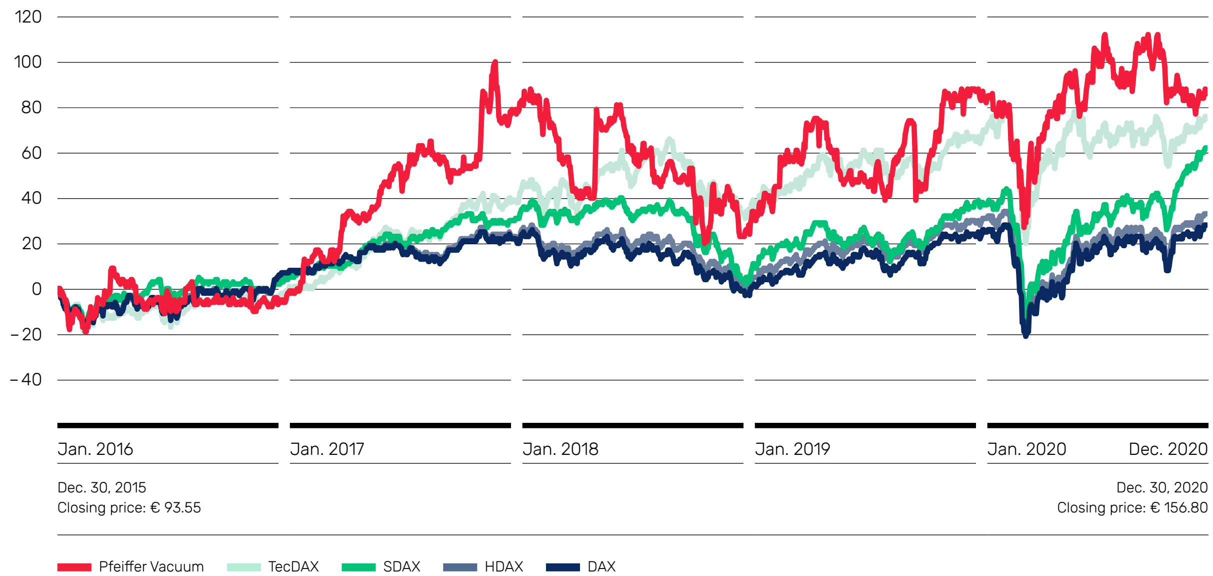
The Pfeifer Vacuum share is listed in numerous European and international indices. The average daily XETRA trading volume was 8,249 shares in 2020. With a weighting of 0.53 % in the TecDAX, the share has ranked 29th out of a total of 30 index values. The Pfeiffer Vacuum share is also listed in the SDAX. The listing in the TecDAX also shows the Pfeiffer Vacuum share in HDAX and other international indices.

## SELECTED INDICES

| Ticker | Name | Index weighting |
|---|---|---|
| | | in % |
| TDXP | Deutsche Börse TecDAX Total Return Selection Index | 0.53 |
| SDYP | Deutsche Börse SDAX Performance Index (XETRA) | 1.00 |
| HDAX | Deutsche Börse AG HDAX Index | n.a. |
| NMDP | Deutsche Börse Technology All Share Performance Index | n.a. |
| BEUMCHD | Bloomberg Europe Machinery Diversified Index | n.a. |

## RELATIVE SHARE PRICE DEVELOPMENT OF PFEIFFER VACUUM, SDAX, TECDAX, DAX AND HDAX BETWEEN 2016 AND 2020

in %




### Dividend proposal of € 1.60 per share

Pfeiffer Vacuum closed the 2020 fiscal year with positive operating results despite the difficult economic situation and would like its shareholders to participate in this success.

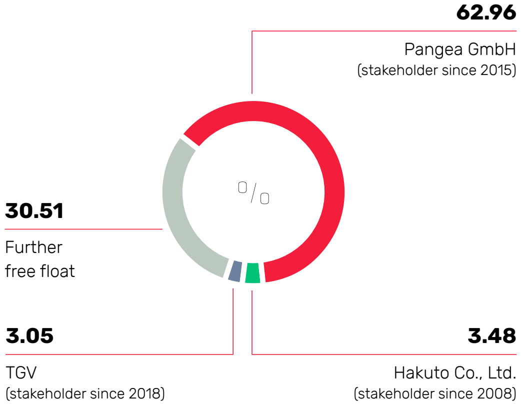
Against the backdrop of increased uncertainty about the further impact of the coronavirus pandemic, the Management Board and Supervisory Board will propose to the Annual Shareholders' Meeting on May 12, 2021 a dividend of € 1.60 per share (previous year: € 1.25 per share) for the fiscal year 2020. With a total pay-out of € 15.8 million, 50.0 % of the Group's profits would be paid out to shareholders (previous year: 25.5 %).

## Broadly diversified investor structure and anchor investor with sector expertise

With Pangea GmbH, the family-owned investment company of the international vacuum group Busch SE, Pfeiffer Vacuum has a long-term oriented anchor shareholder. Shareholders with other noteworthy shares are international fund companies such as Allianz Global Investors, Norges Bank and the Investmentaktiengesellschaft für langfristige Investoren TGV (TGV). In addition, Hakuto Co., Ltd., a trading partner of Pfeiffer Vacuum, also holds Pfeiffer Vacuum shares.

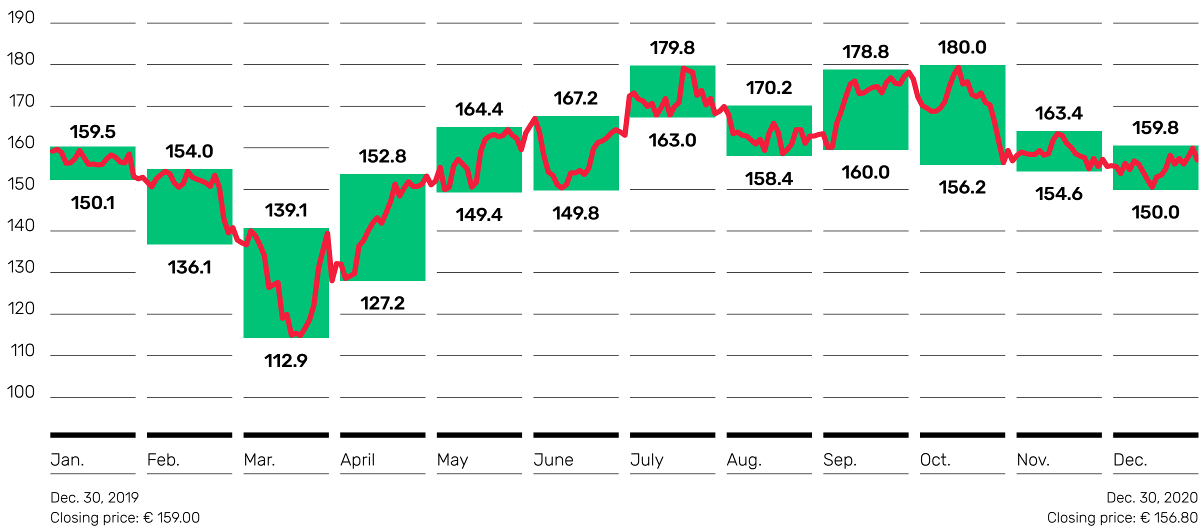
### SHAREHOLDER STRUCTURE AS OF DEC. 31, 2020

in %




### MONTHLY HIGHS AND LOWS OF THE PFEIFFER VACUUM SHARE IN 2020

in €




A multitude of further investors, including insurance companies, pension funds, investment advisors and family offices, ensure a structurally broad diversification.

Geographically, Germany and France form a solid core of European shareholders. Including the neighboring member states, in particular the Nordic countries, Benelux, Italy, the U.K. and Switzerland, over 75 % of Pfeiffer Vacuum shares are held in the E.U. In Asia, Pfeiffer Vacuum has another long-term anchor shareholder and trading partner with Hakuto Co., Ltd., Japan.

## Good analyst coverage: multipliers and opinion leaders

As a TecDAX and small cap value company, Pfeiffer Vacuum regularly receives international attention and comprehensive support from approximately nine analysts.

Regular analyst studies are available to investors for informed opinion. Additional well-known buy-side analysts from international fund companies and insurance companies analyze Pfeiffer Vacuum's financial results for their own investment opportunities.

As well as publishing comprehensive sector studies, many analysts have in-depth knowledge of peer groups and Pfeiffer Vacuum customers.

More than half of the analyst firms follow not just Pfeiffer Vacuum but also at least one peer group company.

## PFEIFFER VACUUM ANALYSTS

As of January 22, 2021

| Bank | Analyst | Rating | Peer group |
|---|---|---|---|
| Commerzbank | Adrian Pehl | Hold | – |
| DZ Bank | Armin Kremser | Buy | Yes |
| Independent Research | Markus Friebel | Sell | Yes |
| Jefferies International | Martin Comtesse | Hold | Yes |
| Kepler Cheuvreux | Craig Abbott | Sell | Yes |
| Oddo BHF | Stephane Houri | Hold | – |
| M.M. Warburg | Eggert Kuls | Hold | Yes |

Pfeiffer Vacuum is constantly available for its stakeholders and values an exchange of opinions and market assessments. We want to establish a sound pool of knowledge with our shareholders, investors and analysts and continue to develop it further through external and internal perspectives of markets, technologies and projects.

## PFEIFFER VACUUM SHARE DATA

| | | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Share capital | in € millions | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 |
| Number of shares issued | in units | 9,867,659 | 9,867,659 | 9,867,659 | 9,867,659 | 9,867,659 |
| Highest trading price | in € | 180.00 | 160.00 | 164.20 | 174.50 | 103.45 |
| Lowest trading price | in € | 112.90 | 107.30 | 105.00 | 87.80 | 75.28 |
| Trading price at year-end | in € | 156.80 | 159.00 | 108.70 | 156.15 | 88.82 |
| Market capitalization at year-end | in € millions | 1,547.25 | 1,568.95 | 1,072.62 | 1,540.84 | 876 |
| Dividend per share | in € | 1.60[1] | 1.25 | 2.30 | 2.00 | 3.60 |
| Dividend yield | in % | 1.01 | 0.8 | 2.1 | 1.3 | 4.1 |
| Earnings per share | in € | 3.20 | 4.90 | 6.98 | 5.46 | 4.77 |
| Price/earnings ratio | | 49.0 | 32.4 | 15.6 | 28.6 | 18.6 |
| Free float[2] | in % | 37.04 | 39.78 | 49.98 | 61.04 | 72.81 |

[1] Subject to the approval of the Supervisory Board and the Annual General Meeting
[2] According to the definition of Deutsche Börse

### Comprehensive investor relations activities, member of the industry association DIRK[1]

With a broad range of investor relations activities, we always strive for open, transparent communication about the development of Pfeiffer Vacuum. As a member of the German Investor Relations Association (DIRK), Pfeiffer Vacuum is committed to adhering to the standards for transparent communication with investors. Conference calls with members of the Management Board take place on a quarterly basis to explain business results.

In dialogue with investors and analysts, the Management Board receives regular feedback on the Company's strategy and performance. A long-term orientation and continuity are crucial success factors for sustainable, successful relationship management with stakeholders. All stakeholders take the center stage of any activity focused on their needs.

The Annual General Meeting took place on May 20, 2020 in Frankfurt as a virtual event. Taking into account postal votes, 79.36 % of the registered share capital was represented at the Annual General Meeting compared to 76.86 % in 2019. In the votes, a large majority of the shareholders agreed with the proposals of the management.

Ahead of the Annual General Meeting, the shareholders were able to download all relevant documents, as well as the ballot sheet, from the broad information offerings on the Internet at ↗ Annual General Meeting.

[1] Deutscher Investor Relations Verband – German Investor Relations Association

# 2 COMBINED MANAGEMENT REPORT

The following Management Report is a combined Management Report according to § 315a Sub-Para 5 of the German Commercial Code ("HGB") as the future opportunities and risks of the Pfeiffer Vacuum Group and its parent company, Pfeiffer Vacuum Technology AG, are inseparably connected.

# THE YEAR 2020 AT A GLANCE

**In this past and special year 2020, our actions were shaped by two very fundamental priorities: the health of our employees and the fulfillment of our customers' requirements. In our opinion, we have been relatively successful in both aspects compared to the global economy as a whole and also to the mechanical engineering industry in particular. The hygiene concepts implemented in spring 2020, the comprehensively implemented mobile working, newly developed room concepts and the internal company processes adapted to the COVID-19 situation have led to the fact that, according to our findings, no employees got infected with the SARS-COV 19 virus while working. Fortunately, serious courses were very rare in infected employees and, to our greatest relief, no employee has died from a COVID-19 infection or its consequences. We are able to paint such a positive picture because there is a broad understanding of the measures at Pfeiffer Vacuum and all employees are consistently very supportive of the regulations that have been implemented. The newly created global management structure also plays a key role in this.**

**This management structure was also one of the reasons for our success in meeting our customers' needs. Despite the restrictions throughout the entire corporate division, we were always able to deliver the desired goods to our customers and provide the services they needed. This also applies to the strong growth in demand from our semiconductor customers. Overall, in our opinion, we have therefore been able to assert ourselves well in terms of competition and in the international environment, and ended 2020 with all its challenges with a comparatively moderate decline in sales of 2.2 %.**

As a result of the extremely high demand dynamics in the semiconductor market and a COVID-related subdued demand from our customers from the other markets we address, **sales** declined from € 632.9 million to € 618.7 million. This corresponds to a decrease of € 14.2 million or 2.2 %. Against the background of a global recession and developments threatening the existence of the mechanical engineering sector to some extent, we believe that we have mastered the current challenges relatively well with this development. Last but not least, the broad positioning of Pfeiffer Vacuum and thus the lack of dependency on individual markets contributed to this development. Nevertheless, this result was not within the scope of our own planning, which we had formulated in last year's outlook at the beginning of the financial year without the effects of the COVID-19 pandemic. However, the overall higher demand dynamic, especially in the last quarter of 2020, meant that we were even able to exceed the last expected sales volume of around € 606 million.

**SALES**
in € millions


After the global scope of the COVID-19 pandemic became apparent, Pfeiffer Vacuum revoked the forecasts for the economic development in the 2020 fiscal year, which were formulated at the end of February 2020. The increase in sales originally expected for this year with a largely constant margin situation was not achievable against the backdrop of the global recession. The decline in sales of only 2.2 % does not represent a large deviation compared to the previous year. However, in evaluating the development, it must also be taken into account that the Group focused on further growth that could not be achieved in 2020. As a direct consequence of the declining sales trend, negative economies of scale have resulted and burdened the profitability development. Additional expenses resulted from COVID-related additional costs, for example, in the area of operational hygiene concepts or increased freight and transport costs. In addition, the weaker U.S. dollar over the course of the year had a negative impact on sales and earnings, while the product-customer mix, viewed in terms of isolation, led to a significant increase in the gross margin in particular. Taking into account the impairment losses to be recognized, the operating profit fell from € 65.2 million in 2019 to € 45.3 million in 2020. The resulting operating profit margin, or **EBIT margin**, of 7.3 % in 2020 was therefore not at about the level of 2019 (10.3 %), as formulated in the last outlook report without the influence of COVID-19 effects. The development of the operating profit in the course of 2020 subsequently led to the forecast for the EBIT margin being adjusted to the most recent figure of 7 %. This adjusted forecast was achieved.

**EBIT MARGIN**

in %


With an almost unchanged financial result and a higher tax ratio, due to the non-deductibility of impairment losses, **net income** was € 31.6 million. Compared to the previous year (€ 48.4 million) this represented a decrease of € 16.8 million or 34.7 %.

**NET INCOME**

in € millions


## Equity ratio decreased only slightly

Overall, the **financial position** of the Pfeiffer Vacuum Group showed no significant changes. The balance sheet total rose moderately by 0.3 % to 661.8 million. **Equity** declined slightly compared to the previous year and, after € 393.4 million at the end of 2019, now amounted to € 391.7 million on December 31, 2020. This results in an equity ratio of 59.2 % at the end of the year under review (previous year: 59.6 %). The financial liabilities were practically constant and amounted to € 73.1 million on December 31, 2020 (previous year: € 73.6 million) (Note 23 and Note 30). This was offset by cash and cash equivalents of € 122.9 million (previous year: € 112.0 million), so that the Group remains debt-free on a net basis.

Parallel to the development of the operating profit the **operating cash flow** in 2020 decreased as well. Following € 65.4 million in the previous year an operating cash flow of € 59.2 million was achieved in the year under review. Thus the operating cash flow developed relatively better than the operating profit which was due to, amongst others, the non-cash impairment losses. In addition, income taxes paid in cash were below the prior year's levels while the development of inventories adversely affected the operating cash flow.

Overall, our key balance sheet figures also developed according to expectations compared with the previous year's reporting date in line with the expectations adjusted to the COVID-19 pandemic.

## Investment program largely continued as planned despite COVID-19

The investment program adopted in 2018 was continued in 2020. At € 30.4 million, capital expenditures were below the previous year (€ 34.9 million). Against the background of the macroeconomic circumstances, however, all investments were reviewed and adjusted if necessary. Accordingly, the investment volume of € 40 to € 60 million originally forecast for 2020 without taking COVID-19 influences into account was not achieved.

In the past fiscal year 2020, various new products and product developments were introduced. With the HiScroll series, Pfeiffer Vacuum presented compact, dry scroll pumps for noise-sensitive applications at the beginning of 2020. The models are dry, hermetically sealed vacuum pumps with a high nominal pumping speed of 6 to 20 $m^3$/h. With their technical properties, the pumps cover many areas of application in the fields of analytics, biomedicine, the pharmaceutical industry or research & development.

The following month the company presented Hena 50 and 70. These are single-stage, oil-sealed rotary vane pumps that have been specially developed for the high demands of mass spectrometer systems. The new helium and hydrogen sniffer leak detector ASM 306 S for simple and precise measurements in 24-hour operation completed the product portfolio. With the OmniStar and ThermoStar GSD 350 compact portable benchtop devices, the next generation of gas analysis equipment was introduced. These products are particularly characterized by quantitative and qualitative gas analysis at atmospheric pressure.

Pfeiffer Vacuum expanded the HiLobe series in fall of 2020. These Roots pumps offer a wide range of pumping speeds and possible uses. The innovative pumps cover numerous industrial vacuum applications and are particularly interesting for rapid evacuations.

Towards the end of the year, the company presented various HiPace series turbopumps. The HiPace 2800 IT is a turbopump specifically designed for ion implantation processes. The HiPace 350 and 450 are particularly suitable for applications such as mass spectrometry, electron microscopy, measurement technology, particle accelerators and plasma physics. Their wide range of applications includes analytics, vacuum process and semiconductor technology as well as applications in the areas of coating, research and development and in industry.

### Growth and significant improvement in operating profit margin planned

Our growth strategy remains based on continued organic sales growth selectively complemented by inorganic growth from acquisitions. Sales and EBIT margin should increase significantly in the medium term. Pfeiffer Vacuum's strategy remains clearly geared towards further growth, even if the specification of the objectives and the estimation of a time frame can only take place after the strategic analysis, which is currently being carried out, has been completed.

In order to implement the growth strategy as rapidly as possible, further progress was made with restructuring the Management Board (see also the explanations in the "Declaration on Corporate Governance" section) ( see also page 88 ). The previously interim position of COO was now permanently filled with the appointment of Mr. Wolfgang Ehrk to the Management Board of Pfeiffer Vacuum Technology AG with effect from January 1, 2020, and with the appointment of Dr. Britta Giesen as member of the Board of Management with effect from October 1, 2020, the way was paved for a further focusing of the Board of Management. Since January 1, 2021, the Management Board has consisted of Dr. Britta Giesen, who at that time also took on the role of CEO, and Wolfgang Ehrk. The Management Board is supported in its work by a Group Executive Committee.

# THE PFEIFFER VACUUM GROUP

## CORPORATE PROFILE

Since 1890, and thus for more than 130 years now, we have been developing, producing and selling a comprehensive product portfolio in the vacuum technology sector and also offering after-sales service worldwide. Since the invention of the turbopump more than 50 years ago, we have been one of the world's leading suppliers of vacuum solutions. Our product portfolio ranges from hybrid and magnetically levitated turbopumps, as well as backing pumps and measurement and analysis equipment, right up to complex vacuum systems.

We manufacture our high-tech products at a total of ten locations in Europe, Asia and North America. The Group currently has 20 sales and service companies. With their expertise and commitment, our employees meet the requirements of our customers from sales markets in analytics, industry, research and development, coating and semiconductors.

With a very stable demand dynamic in the past fiscal year 2020 despite the coronavirus effects, the semiconductor sales market remained the strongest market for Pfeiffer Vacuum in terms of the sales revenue generated. This was followed by the industry and analytics markets.

# LOCATIONS AND EMPLOYEES WORLDWIDE

## THE AMERICAS

377
**EMPLOYEES**

160.0
**SALES IN € MILLIONS**

## EUROPE

2,048
**EMPLOYEES**

227.4
**SALES IN € MILLIONS**

## ASIA

884
**EMPLOYEES**

231.3
**SALES IN € MILLIONS**

● Production
● Sales and Service

↗ Pfeiffer Vacuum

## TOTAL

3,309
**EMPLOYEES**

618.7
**SALES IN € MILLIONS**

### Global customer proximity with manufacturing, sales and service locations worldwide

Pfeiffer Vacuum manufactures in Germany in Asslar, as well as in Göttingen and Dresden. Within Europe, there are also **production sites** in Annecy, France, and Cluj, Romania. In Asia, we are represented by our Asan production site in the Republic of Korea, by Ho Chi Minh City in Vietnam and also since the end of 2019, by Wuxi, China. In the USA, there are production sites in Indianapolis and Yreka.

In addition, we are present with **sales and service branches** at more than 20 locations around the globe.

Globally, 3,309 employees (December 31, 2020) are engaged in taking Pfeiffer Vacuum another step forward each day.

### Markets and market position

Products from Pfeiffer Vacuum are employed in numerous branches of industry. Our customers in every region and every sector trust in the reliability of our products. In terms of the overarching industrial sector, Pfeiffer Vacuum divides these customers into the following markets: semiconductor, industry, analytics, research & development (R&D) and coating. Overall, we consider ourselves to be number two in the world market in the markets we serve.

Pfeiffer Vacuum's products and solutions are used in key markets of the future. Already today, many innovative processes, such as in nanotechnology, in the manufacture of LEDs or in research, are inconceivable without the use of vacuum technology. Technological progress resulting from research and development activities in these fields of technology leads to new products and manufacturing processes. The dynamic development of people's private and professional communication behavior is leading to ever new applications based on new technologies in the semiconductor industry. The increasing demand for energy combined with the need to conserve resources is changing the way energy is generated. These trends, as well as other social and industrial trends, offer Pfeiffer Vacuum additional sales opportunities.

One of our strengths is that we serve all markets and are therefore not depending on developments in individual market segments. In 2020, for example, the weaker demand in the industrial sector due to the coronavirus was more or less offset by strong demand in the semiconductor industry. Overall, sales in the crisis year 2020 therefore declined by only 2.2 % ( see also page 39 ).

## Broad range of applications for future technologies

### Semiconductor

Our vacuum pumps are used in the semiconductor industry for the production of microprocessors and storage media. Customers primarily use a large number of medium and large backing pumps, but also turbopumps and measurement instruments. With our decontamination systems, chip manufacturers can significantly increase their yield. A key growth driver in the semiconductor industry is the rapid development of communications technology. New applications for vacuum technology are arising in areas such as nanotechnology. Our semiconductor customers are mainly located in Asia, the USA and, to a lesser extent, Europe.

### Industry

In this segment, we unite a heterogeneous group of industrial customers who require our vacuum solutions for certain production steps. Industrial trends such as quality improvements, energy saving and generation, electromobility or environmental protection are opening up new fields of application. Examples of applications include metallurgy, tube production and air-conditioning and refrigeration technology. A further field of application is the solar thermal technology. The absorber tubes needed for this technology are evacuated using our pumping stations and are continuously tested for leaks with our leak detectors. Our customers in the "Industry" segment come primarily from Europe, the USA and, increasingly, also from Asia.

### Analytics

Our largest customers in this market are OEM (original equipment manufacturer) customers, i.e. suppliers of industrial systems or analytical instruments. Complex analytical devices such as scanning electron microscopes are primarily used for industrial quality assurance. This sector is characterized in particular by megatrends in the fields of life science, biotechnology and security. Ever smaller and lighter portable analyzers are needed in environmental technology, security technology or for medical technology. The analytics industry therefore mostly demands small and medium-sized turbopumps, backing pumps and measurement instruments. Our most important customers for analytics products come from the USA, Asia and Europe.

### Research & Development

Cooperation with research institutes has a long tradition at Pfeiffer Vacuum. Whether physics or chemistry laboratories at universities or renowned research institutions – they all utilize our pumps, mass spectrometers, leak detectors or vacuum solutions. In close cooperation with research institutions in Europe, the USA and Asia, new applications are constantly emerging, for example in the field of energy generation or healthcare technology.

### Coating

Without vacuum, many things that are used in daily life could not be produced or coated in the desired quality without a vacuum. Functional coatings, for example for the anti-reflective treatment of eyeglass lenses, the production of flat screens, the production of OLEDs and LEDs, or the manufacture of solar cells or architectural glass, are applied in vacuum chambers. High-quality tools are coated and hardened under vacuum to make them even more durable. Systems for generating renewable energy are among the megatrends that promise further growth. The coating industry mainly requires medium and large backing pumps and turbopumps, but also measurement equipment and complete vacuum systems. Customers who use our coating technology come from all industrial nations around the globe.

# COMPANY STRATEGY

## Customers and market focus as a basis for growth

In January 2021, Pfeiffer Vacuum adjusted the medium-term corporate goals, replacing the previous goals. In the next three to five years, Pfeiffer Vacuum intends to increase its market share through organic growth and acquisitions, increase sales significantly, improve profitability considerably and become an even stronger competitor in the vacuum market. The adjusted strategy has the same fundamental goals, but not yet specific medium-term goals, as the new management board wants to carry out a systematic analysis in 2021. This analysis will refer to the successes of the last few years, the strategic focus areas of the future as well as the current market conditions and take into account the effects of the Corona pandemic on the originally planned growth. In order to increase growth and profitability, Pfeiffer Vacuum will orient even stronger than before towards customers and the markets it supplies.

## Market share and sales should increase

Pfeiffer Vacuum's guiding principle remains to always be close to its customers. The Company has a worldwide presence to meet the demands of our customers, they are always the focus of our actions. Pfeiffer Vacuum has set itself the goal of significantly increasing the market share in the global vacuum industry.

# STRATEGIC PRIORITIES


The work on transforming Pfeiffer Vacuum continues:

- To modernize and strategically expand our global manufacturing capacities
- To integrate our systems, business processes, as well as products and solutions
- To establish a global leadership and expert functions team

**Our customers are at the front and center of our focus.**

It is our goal to optimally position ourselves for growth and profitability.

The market position is to be strengthened through growth based on a clear customer and market strategy, and through new, innovative products and solutions and a more precise range of services.

Pfeiffer Vacuum develops, produces and markets quality and technologically sophisticated vacuum solutions. The company sees itself as a quality market leader and has a long-term strategic goal to sell its products through quality, not price. This sales strategy also includes emphasizing the long-term cost advantages over the life of a Pfeiffer Vacuum product (the total cost of ownership) for customers. These advantages result, among other things, from lower maintenance and repair costs, longer service lives and lower energy consumption in comparison with rival products.

Pfeiffer Vacuum's strategy is clearly focused on further growth. In this context, the Company's global presence must be tailored to the needs of our customers. The focus is particularly on the Asian region, as exceptionally high growth rates in demand for vacuum products are expected there. Pfeiffer Vacuum will benefit from the megatrends in its markets today and in the future.

These trends include, for example, digitalization, the expansion of renewable energies, electromobility or ever larger, high-resolution displays. The rapid developments in the life science industry, nanotechnology and the security industry offer additional growth opportunities. Pfeiffer Vacuum will do its utmost to be a strong partner to our customers implementing these new technologies. The transformation of Pfeiffer Vacuum in recent years in order to meet the demands of our customers will continue to be implemented.

### Extensive investments: Sales and EBIT margin should increase

To further drive Pfeiffer Vacuum's dynamic development, between € 30 and 35 million have been invested annually over the past three years. These funds were used, among other things, to expand and modernize production capacities. At the moment our production capacity is set up in such a way that we can easily meet our customers' demand. However, spending on new IT projects will increase in the coming years. The primary goal is to improve operational efficiency and realize the digital transformation.

## MANAGEMENT SYSTEM

### Tight control through annual sales and profitability targets

The Management Board of Pfeiffer Vacuum Technology AG assumes responsibility for the strategic leadership of the Corporate Group. All Group companies are managed by the Management Board and the global organization by setting annual sales and profitability and qualitative strategy targets (management by objectives). The most relevant key figures in this context in 2020 were sales, operating profit, and the operating profit margin or EBIT margin. All subsidiaries in the Group are responsible in principle for all market segments, continue to have self-directed management and essentially make their own decisions within central guidelines and strategic targets on how to attain the defined targets (sales, operating profit and operating profit margin). The supervisory bodies of the subsidiaries, including the members of the Management Board of Pfeiffer Vacuum Technology AG and the global organization, must be involved in major decisions.

Target achievement was measured through detailed target/actual comparisons and variance analyses as part of the monthly reporting system, which was supplemented by market information. This shall ensure that undesirable developments can be identified and corrected at an early stage. In addition, monthly conference calls and virtual conferences with the management of the operating subsidiaries shall ensure that all business development issues are discussed. In addition, face-to-face meetings are held by Group management and the global organization with staff at the local site. As a result of the coronavirus pandemic, virtually all meetings and conferences previously held physically were held in the form of online conferences in 2020. However, according to the assessment of the Management Board, this did have a difficult to measure but significant impact on business development.

For countries in which Pfeiffer Vacuum is not represented directly through a subsidiary, sales targets are agreed with the local sales partner. Here, too, the achievement of sales targets is measured by target/actual comparisons.

A further steering instrument is the variable remuneration of the local management of the foreign subsidiaries and the sales staff. This sensitizes employees to cost structures, and thus to the long-term success of the Company, even if they do not work in areas of the Company which have a direct influence on sales.

## GROUP STRUCTURE

### Pfeiffer Vacuum – global presence

As of December 31, 2020, the Pfeiffer Vacuum Group still comprised a total of 32 companies. Central roles in the Corporate Group are assumed by Pfeiffer Vacuum GmbH, Asslar, Germany, and Pfeiffer Vacuum SAS, Annecy, France. Pfeiffer Vacuum GmbH is responsible for the development and production of all Pfeiffer Vacuum products, as well as for sales in Germany, and central investment management for the Group. This company had a total of 876 employees as of December 31, 2020 (December 31, 2019: 865). To a certain extent, Pfeiffer Vacuum SAS is the French counterpart to Pfeiffer Vacuum GmbH. The company employed 718 people at year-end (December 31, 2018: 732), is the central development and production facility for the semiconductor and coating market and is responsible for sales in France. With a total of 1,594 employees, these two companies employ almost half of the Group's workforce of 3,309 (as of December 31, 2020).

As further Group companies with their own production facilities, Pfeiffer Vacuum Components & Solutions GmbH, Dreebit GmbH, Pfeiffer Vacuum Semi Korea Ltd., Pfeiffer Vacuum Romania S.r.l., Nor-Cal Products, Inc. and Pfeiffer Vacuum Inc. (as a result of an intercompany merger of Advanced Test Concepts, LLC. on January 1, 2020) as well as Nor-Cal Products Viet Nam Co., Ltd. and, since the end of 2019, Pfeiffer Vacuum (Shanghai) Co., Ltd. (located in Wuxi) are entrusted with the manufacture and assembly of their own products. The activities at the Wuxi site are currently being successively transferred to Pfeiffer Vacuum (Wuxi) Co., Ltd. which was newly founded in fiscal 2020.

The other Group companies are legally independent corporations that perform sales and service tasks. In legal terms, all companies are essentially organized in a legal form comparable to the German limited liability company (GmbH).

The complete structure of the Group as of December 31, 2020 is as follows:

## THE PFEIFFER VACUUM CORPORATE GROUP AS OF DEC. 31, 2020

| | Headquarters | Equity Share (in %) |
|---|---|---|
| **Pfeiffer Vacuum Technology AG** | Germany | |
| **Pfeiffer Vacuum GmbH** | Germany | 100.0 |
| Pfeiffer Vacuum Austria GmbH | Austria | 100.0 |
| Pfeiffer Vacuum (Schweiz) AG | Switzerland | 100.0 |
| Pfeiffer Vacuum (Shanghai) Co., Ltd. | China | 100.0 |
| Pfeiffer Vacuum (Wuxi) Co., Ltd. | China | 100.0 |
| Pfeiffer Vacuum (India) Private Ltd. | India | 27.0[1] |
| Pfeiffer Vacuum Ltd. | Great Britain | 100.0 |
| Pfeiffer Vacuum Scandinavia AB | Sweden | 100.0 |
| Pfeiffer Vacuum Singapore Pte. Ltd. | Singapore | 100.0 |
| Pfeiffer Vacuum Taiwan Corporation Ltd. | Taiwan | 100.0 |
| Pfeiffer Vacuum Benelux B. V. | The Netherlands | 100.0 |
| Pfeiffer Vacuum (Xi'an) Co., Ltd. | China | 100.0 |
| Pfeiffer Vacuum Malaysia SDN. BHD. | Malaysia | 100.0 |
| Pfeiffer Vacuum Inc. | USA | 100.0 |
| Pfeiffer Vacuum New Hampshire Realty Holdings, LLC. | USA | 100.0 |
| Pfeiffer Vacuum Indiana Realty Holdings, LLC. | USA | 100.0 |
| Nor-Cal Products Holdings, Inc. | USA | 100.0 |
| Nor-Cal Products, Inc. | USA | 100.0 |
| Nor-Cal Products Viet Nam Co., Ltd. | Vietnam | 100.0 |
| Nor-Cal Products Europe Ltd. | Great Britain | 100.0 |
| Nor-Cal Products Korea Co., Ltd. | Republic of Korea | 100.0 |
| Nor-Cal Products Asia Pacific Pte. Ltd. | Singapore | 100.0 |
| Pfeiffer Vacuum California Realty Holdings, LLC. | USA | 100.0 |
| **Pfeiffer Vacuum Holding B. V.** | The Netherlands | 100.0 |
| Pfeiffer Vacuum Italia S. p. A. | Italy | 100.0 |
| Pfeiffer Vacuum (India) Private Ltd. | India | 73.0[1] |
| Pfeiffer Vacuum Korea Ltd. | Republic of Korea | 75.5[2] |
| **Pfeiffer Vacuum Components & Solutions GmbH** | Germany | 100.0 |
| **Pfeiffer Vacuum SAS** | France | 100.0 |
| Pfeiffer Vacuum Romania S. r. l. | Romania | 100.0 |
| **Pfeiffer Vacuum Semi Korea, Ltd.** | Republic of Korea | 100.0 |
| **Pfeiffer Vacuum Korea Ltd.** | Republic of Korea | 24.5[2] |
| **Dreebit GmbH** | Germany | 100.0 |

[1 and 2] Group shareholding in total 100.0 %

# RESEARCH AND DEVELOPMENT

## Our claim: technological leadership

Our primary goal is to offer our customers innovative products and solutions with the highest process efficiency. Our innovative strength is the decisive key to our future business success. In addition to its own research and development (R&D) activities at three locations worldwide, Pfeiffer Vacuum works closely with customers and suppliers on projects to jointly advance new technologies to market maturity at an early stage.

In addition, we have an established network with various national and international universities and research institutions. The core topics of Pfeiffer Vacuum's R&D are derived from the needs of our customers, most of whom operate globally and in very different markets in some cases. They can be assigned to megatrends such as energy, healthcare and the environment, and frequently concern the fields Industry 4.0, digitalization and predictive maintenance.

Important R&D projects in the 2020 fiscal year were again aimed at supplementing missing product groups in the portfolio and renewing existing ones. In the OEM business, we were able to win new lines from important customers with our customer-specific pumps and develop the volume of existing lines. Our claim to be a technology leader is supported by the fact that many of our employees are active in engineering and engineering-related activities for us. Of these, a total of 239 employees were assigned to R&D in 2020 (previous year: 220). As a result of its R&D activities, Pfeiffer Vacuum filed a total of 40 (previous year: 53) new patent families in fiscal 2020.

In the 2020 fiscal year, research and development expenses amounted to € 35.1 million (previous year: € 29.6 million). The R&D share of 5.7 % was higher than the previous year's level (4.7 %) due to the weaker development of sales ( see also page 43 ).

# BUSINESS REPORT

## OVERALL ECONOMIC AND INDUSTRY-SPECIFIC DEVELOPMENT

### Overall economic development

**Global economy rides out worst recession for 90 years better than expected**

The global economy has weathered 2020, a year dominated by the COVID-19 pandemic, better than initially feared. In its latest estimate in the “World Economic Outlook” at the end of January 2021, the International Monetary Fund (IMF) predicts a slump in the global economy of 3.5 % in 2020. In October 2020, IMF analysts were even more pessimistic and forecast a decline of 4.4 %. The robust intervention of central banks and governments in the Western nations, in particular, which countered the crisis with low interest rates and comprehensive aid programs, as well as the targeted Corona crisis management of the Asian governments cushioned the decline in part. Nevertheless, the global economy finds itself in the worst recession since the Great Depression that began in October 1929.

According to IMF estimates, economic output in emerging and developing countries fell by 2.4 %, following growth of 3.6 % in the previous year.

For the industrialized nations, the IMF economists determined that the gross domestic product would decline by 4.9 % in 2020 after an increase of 1.6 % in the previous year.

**Europe**

According to IMF calculations, economic output in the eurozone declined by 7.2 %. In 2019, the euro countries were still able to achieve growth in economic performance of 1.3 %. While Germany finished 2020 with a comparatively moderate decline of 5.4 %, France was hit harder with an economic downturn of 9.0 %. The only countries to fare worse were Italy (9.2 %) and, above all, Spain, which suffered an 11.1 % slump in economic output after recording a 2.0 % increase in the previous year and starting 2020 on a hopeful note.

**USA**

For the U.S. economy, the IMF expects a comparatively moderate economic downturn of 3.4 % in 2020 following growth of 2.2 % in 2019.

**GROSS DOMESTIC PRODUCT**

(real change compared with previous year[1]) in %


[1] Data relating to the previous year may differ from the previous year's report due to statistical revisions.
[2] IMF refers to the eurozone.

### Asia

China was one of the few economies in the world to achieve economic growth in 2020. The economy of the People's Republic still grew by 2.3 % in 2020, after growth of 6.0 % in the previous year 2019. In contrast, Japan's economic performance, according to the IMF, also slowed in 2020, contracting by 5.1 % following growth of 0.3 % in 2019. The fall was even deeper in India. The subcontinent's gross domestic product slumped sharply by 8.0 % after growing by 4.2 % in 2019.

### Mechanical engineering and semiconductor industry braced for harsh economic climate

For Germany's mechanical engineering companies, the year 2020 was also dominated by the COVID-19 pandemic. As reported by the German Mechanical Engineering Industry Association (VDMA), production in German mechanical engineering fell by 13.1 % in real terms during the first ten months of 2020, with incoming orders down by around 14 % during the same period. Capacity utilization at 77.8 % in October 2020 was well below the long-term average of 86.2 %. In addition to the weakened global economy in 2020, the association's representatives believe that the ongoing trade disputes between the USA and China, in particular, as well as the trade barriers that exist in relation to other third countries, have had a negative impact on business. The far-reaching structural changes in the automotive industry continue to play a significant role in connection with the declining industry results. Many companies have postponed or halted scheduled investments. According to estimates by the German Federal Statistical Office, production volume is expected to reach a level of only around 194 billion euros in 2020. This corresponds to a decline of around 32 billion euros. The USA and China remained the most important sales markets for German machinery manufacturers even in the nine-month period of 2020, with a combined order volume of 26.4 billion euros. However, between the beginning of January and the end of September, the volume of orders from the USA fell by 11 % and China ordered more than 7 % less than in the same period of the previous year 2019. With a drop of 28 %, machinery exports from Germany had reached their lowest point in May 2020. By contrast, the VDMA recorded the first increase in orders in the course of 2020 in November. At that time, demand from Germany for machinery and equipment rose by a tentative one percent, while order growth from abroad was around 7 % higher than in the previous year.

In comparison, the semiconductor industry shows a more differentiated picture: According to the German Electrical and Electronic Manufacturers' Association (ZVEI), global sales in the semiconductor market grew by around 4 % to a good 428 billion U.S. dollars in 2020. By contrast, sales in Europe fell by 8 % to 38 billion U.S. dollars. At 14 %, the decline in Germany was even more pronounced. Accordingly, sales in the semiconductor market in this country only reached a level of a good 12 billion U.S. dollars. Both in Germany and the other European countries, the share in the automotive market and segments with a lower memory share is particularly high, the association states by way of explanation.

## COURSE OF BUSINESS

The coronavirus pandemic also impacted Pfeiffer Vacuum's sales performance in 2020. While at the beginning of 2020 there was still a fairly positive overall economic impetus for the Pfeiffer Vacuum Group, especially in Europe and the USA, a sharp drop with only a slow recovery then became apparent in parallel with the first lockdown in Europe, particularly from the middle of March 2020, which became more dynamic in the fourth quarter of the past fiscal year. With a sales volume of € 618.7 million following € 632.9 million in 2019, this means an overall decline in sales of "only" 2.2 %. Against the backdrop of the business development of many companies, particularly in the mechanical engineering sector, which in some cases posed a threat to their existence, Pfeiffer Vacuum, in our view, held up relatively well in this year of crisis. Not least of all, the broad positioning of the corporate Group in the market and its independence from individual market segments also contributed to this outcome in this challenging overall economic environment.

Last year's outlook was prepared at the end of February 2020. At that time, the impact of the coronavirus pandemic on the global economy could not yet be assessed, and the expectation of sales growth compared to 2019 was formulated without taking into account any influences of the coronavirus pandemic. After the consequences of these proved to be considerably more far-reaching in a highly dynamic environment at the end of the first quarter of 2020, the Company withdrew the sales and earnings forecasts made in the management report. Due to the high demand dynamics at the end of the 2020 fiscal year, the last sales forecast of € 606 million was though exceeded in the further course of the year.

Against the background of the declining sales performance and the resulting negative economies of scale and with the continued creation of future-oriented corporate structures in the area of organizational structure and process organization, and due to the impairment losses of € 8.8 million, the operating profit in 2020 fell below the level of 2019. An operating profit of € 45.3 million means a resulting operating profit margin, or EBIT margin, of 7.3 %. After € 65.2 million or 10.3 % in the previous year, the consistency of margins expected in last year's forecasts was thus not achieved for the aforementioned reasons, in particular due to the effects of the coronavirus pandemic. The same applies to the expected development of earnings before taxes, which developed in parallel with the operating profit. By contrast, the EBIT margin of around 7 % for the 2020 fiscal year, which was last forecast at the beginning of November 2020, was indeed achieved.

A glance at the balance sheet of the Pfeiffer Vacuum Group reveals that the financial position remained virtually unchanged and sound. The Group is debt-free on a net basis and continues to have a high equity ratio. The continuing good liquidity situation enables us to take the necessary steps for the successful further development of the Group on our own. All planned investments for the further development of Pfeiffer Vacuum as well as the distribution of dividends to our shareholders are also to be financed from the cash flow from operating activities in the future. The fact that the investment volume of € 40 to 60 million originally planned for 2020 was not achieved was therefore not a question of financial room for maneuver, but in particular the result of a selection and validation process adapted to the situation in 2020. As a result, the implementation of the initially planned investments had to be adjusted due to the changed demand situation, particularly in terms of timing. As a result, investment activities were reduced in 2020.

## PROFITABILITY, FINANCIAL POSITION, AND LIQUIDITY

With a sales volume of € 618.7 million in the 2020 fiscal year, we recorded a decline of € 14.2 million or 2.2 % compared to 2019 (€ 632.9 million). The reason for this development was, in particular, the pronounced reluctance of our customers in the analytics, industrial and research & development market segments, which was largely offset by strong momentum in the semiconductor industry.

In the following, we explain the sales generated in 2020 by segment, region, and market. With regard to the sales by segment, it should be noted that the registered office of the company that invoiced the sales is decisive for the allocation of sales. Therefore, the segment-related presentation shows the sales by subsidiaries. In contrast, sales by region include all sales in a specific region, regardless of which company of the Pfeiffer Vacuum Group invoiced the sales. Sales by segment and sales by region differ from each other to a greater or lesser extent. Sales in the Asia segment, for example, differ significantly from those in the Asia region, since the Asia segment contains only the direct sales of our Asian subsidiaries. In contrast, the Asia region also includes sales generated directly by our companies producing outside of Asia with Asian customers, for example, with customers in Japan or China. In terms of sales by segment, sales by the German company are significantly higher than sales in Germany by region due to direct deliveries to agencies or customers outside Germany.

For competitive reasons, we are conducting the sales analyses by market at a higher aggregated level from the 2020 fiscal year. The prior-year figures have been adjusted accordingly. For the same reasons, sales will not be presented by product from the 2020 fiscal year.

### Sales by Segment

#### USA

As in virtually all segments within the Pfeiffer Vacuum Group, the U.S. segment showed a very heterogeneous development in the past fiscal year 2020. For example, the analytics, coating and research & development segments showed a declining development due, among other things, to COVID-19, while the semiconductor business in the USA was also able to record gratifying growth. We also achieved pleasing growth with our industrial customers in the USA. However, the slight overall increase in sales in the USA in local currency was more than offset by the development of the U.S. dollar exchange rate, with the US dollar becoming increasingly weak over the course of the year.

#### Asia (excluding Republic of Korea)

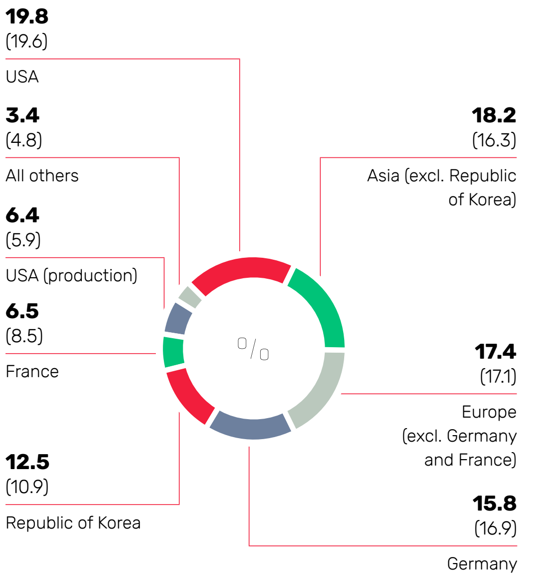
Development in this segment continues to be dominated by our local sales unit in China. Significant losses in the coatings market, and here in particular in the solar sector, as well as in the area of our industrial customers could not

## SALES BY SEGMENT

| | 2020 | 2019 | Change | |
|---|---|---|---|---|
| | in € millions | in € millions | in € millions | in % |
| USA | 122.5 | 123.8 | - 1.3 | - 1.0 |
| Asia (excl. Republic of Korea) | 112.5 | 103.0 | 9.5 | 9.3 |
| Europe (excl. Germany and France) | 107.4 | 108.0 | - 0.6 | - 0.5 |
| Germany | 97.7 | 107.0 | - 9.3 | - 8.8 |
| Republic of Korea | 77.6 | 69.3 | 8.3 | 11.9 |
| France | 40.2 | 54.0 | - 13.8 | - 25.5 |
| USA (production) | 39.5 | 37.5 | 2.0 | 5.5 |
| All others | 21.3 | 30.3 | - 9.0 | - 30.0 |
| **Total** | **618.7** | **632.9** | **- 14.2** | **- 2.2** |

## SALES BY SEGMENT

in % (previous year)




be offset by increases in the semiconductor market, which is also growing here. In the other countries in this segment, the development in 2020 was also fundamentally characterized by the high momentum in the semiconductor sector and decreases in the other markets. Overall, a significant increase was achieved.

### Europe (excluding Germany and France)

Due to the customer structures at our European sales companies, this segment in particular is affected by the downward economic trend in 2020. Nevertheless, there are regional differences here as well. The Austrian sales company, for example, yet again reported very encouraging development, while the sales unit in Scandinavia fell below the previous year's level due to its strong focus on industrial customers. In Britain, sales were also down in the past fiscal year. We continue to see no significant effects on sales revenues as a result of the U.K.'s departure from the E.U. beyond the consequences of a potential negative development in the exchange rate of the pound sterling.

### Germany

In particular, due to weaker business with our customers in the coating and analytics industry, sales in the Germany segment declined in 2020. In contrast, however, sales with customers in the semiconductor industry developed very positively in parallel with the global situation. Similarly, we were also able to achieve pleasing sales growth in 2020 in the research & development segment, which continues to be largely independent of the economic situation, and which partially compensated for the declines in the other markets.

### Republic of Korea

Our major semiconductor customers in Asia are addressed mainly by the production and sales company managed in the South Korea segment. As a result of vigorous demand by these customers in the past fiscal year, sales here also increased very significantly.

### France

The year-on-year decline was due on the one hand to the development of demand in France itself, largely in line with the overriding trend in Europe. In addition, however, the decline in foreign business conducted directly out of France, mainly in China, was a major driver of this development.

### USA (production)

The stronger year-on-year sales of Nor-Cal Products Inc., Yreka, USA, which are included in this segment, were – as in large parts of the rest of the Group – mainly attributable to the semiconductor industry. In addition, sales to customers in the research & development sector also showed pleasing growth. However, this overall positive development was adversely affected by the weakness of the U.S. dollar in the course of the year.

### All others

This segment combines those Group companies which differ from the other segments due to segment-related characteristics (such as economic conditions, range of functions, product portfolio, sales markets, distribution channels) and thus cannot be assigned to any other segment. Accordingly, this segment has a very heterogeneous composition. The decrease of € 9.0 million is therefore characterized by a variety of different factors and largely follows the overall trend of Pfeiffer Vacuum in the 2020 fiscal year.

## Sales by Region

### Asia

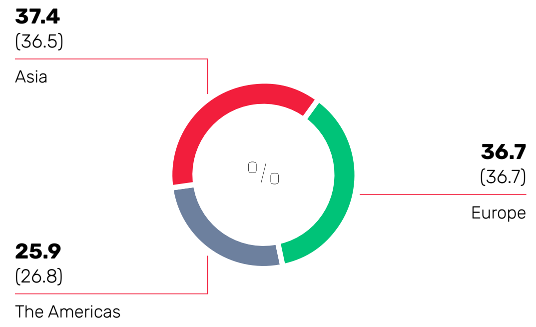
Due to high demand in the semiconductor market, particularly in the Asia region, a slight growth in sales was even achieved in 2020. Particularly the targeted containment of the pandemic in these countries has contributed to the quick recovery in the Asian region.

### Europe

The Europe region, with a fundamentally stronger focus on the analytics and industrial market segments, showed a downward trend in a market environment characterized by the consequences of COVID-19. This was the case in fundamentally all countries in this region. The only exceptions were successfully completed projects, for example in Austria. However, the trend during 2020 gave grounds for optimism, with a weak second quarter and significantly better development of the demand in the final quarter of the year.

**SALES BY REGION**

in % (previous year)




### The Americas

With sales of € 160.0 million, this region shows a decline in sales compared with 2019. The development of sales in the North and South America region continues to be in-

**SALES BY REGION**

| | 2020 | 2019 | Change | |
|---|---|---|---|---|
| | in € millions | in € millions | in € millions | in % |
| Asia | 231.3 | 231.1 | 0.2 | 0.1 |
| Europe | 227.3 | 232.0 | – 4.7 | – 2.0 |
| The Americas | 160.0 | 169.7 | – 9.7 | – 5.7 |
| Rest of world | 0.1 | 0.1 | 0.0 | – 6.8 |
| **Total** | **618.7** | **632.9** | **– 14.2** | **– 2.2** |

fluenced to a large extent by developments in the USA. Although we also benefited from demand from the semiconductor market in this region, a downturn in the other market segments as a result of the coronavirus pandemic and the weaker U.S. dollar in the course of the year led to an overall decline in sales in euro. The share of total sales was 25.9 % in 2020 and, as a result, it completes the overall balanced picture of the regional sales distribution in the Group.

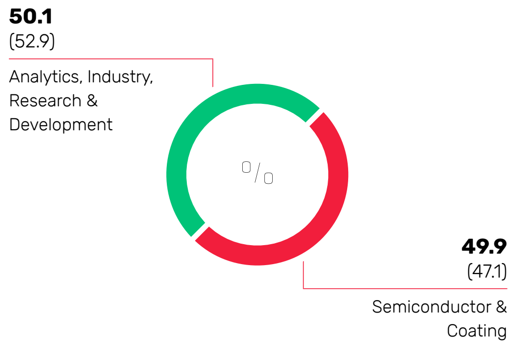
## Sales by Market – strong development in the semiconductor segment

### Analytics, Industry, Research & Development

At € 310.1 million, sales in these market segments were € 24.6 million lower than in the previous year (€ 334.7 million). Our customers in these markets were affected to a greater extent by the consequences of the coronavirus crisis in the 2020 fiscal year and thus had a significant influence on this development, which had a regional impact in Europe in particular.

## SALES BY MARKET

in % (previous year)




### Semiconductor & Coating

The weakness in demand in the semiconductor industry that was still evident in the previous year turned into a pronounced strength in 2020 and thus had a significant positive impact on Pfeiffer Vacuum's sales performance. Ultimately, the high dynamism in this market also resulted in Pfeiffer Vacuum Group being able to successfully buck the general trend, in particular in the mechanical engineering sector, with an overall decline in sales of only 2.2 % in 2020. Moreover, the overall sales growth of 3.5 % recorded for the semiconductor and coating market segments must be viewed against the backdrop of a once again uninviting coating market, which underscores the demand momentum in the semiconductor market all the more. In regional terms, this strength was particularly pronounced in Asia and the USA, while in Europe overall sales stagnated.

## New orders and orders on hand

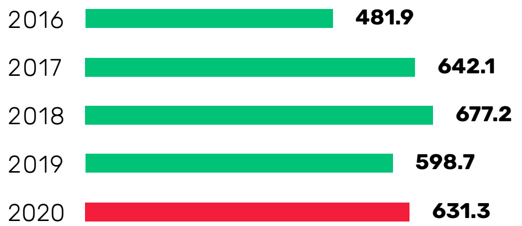
After new orders of € 598.7 million in 2019, order intake rose to € 631.3 million in the past fiscal year. This corresponds to a very pleasing increase of 5.4 %. The book-to-bill ratio, the ratio of incoming orders and sales, also developed very positively accordingly and amounted to 1.02 in 2020 after 0.95 in the previous year. At € 123.3 million as of December 31, 2020, the order backlog was thus 11.4 % higher than the previous year's figure of € 110.7 million. As in earlier years, the visibility of orders on the basis of average sales in 2020 remains unchanged at about two months.

## SALES BY MARKET

| | 2020 | 2019 | Change | |
|---|---|---|---|---|
| | in € millions | in € millions | in € millions | in % |
| Analytics, Industry, Research & Development | 310.1 | 334.7 | – 24.6 | – 7.4 |
| Semiconductor & Coating | 308.6 | 298.2 | 10.4 | 3.5 |
| **Total** | **618.7** | **632.9** | **– 14.2** | **– 2.2** |

## DEVELOPMENT OF ORDER INTAKE

in € millions




## DEVELOPMENT OF ORDER BACKLOG

in € millions


## Profitability

### Gross profit also burdened by negative economies of scale

The cost of sales decreased in 2020 from € 417.0 million to € 401.7 million mainly due to the decline in sales. This decline of € 15.3 million or 3.7 % was disproportionately high compared to the decline in sales, and is overall attributable to various, partly overlapping effects. In addition to negative economies of scale and underutilization of production facilities as a result of the coronavirus pandemic, the continued implementation of the growth strategy also impacted earnings development in this area. On the other hand, an improved product/customer mix had a positive impact on cost development and thus led to an overall improvement in the gross margin – i.e. the ratio of gross profit to sales. Following 34.1 % in the previous year, the gross margin in the year under review was 35.1 %.

In absolute terms, the gross profit of € 215.9 million in the previous year increased by € 1.1 million to € 217.0 million in 2020. In addition to the influences already mentioned, the weaker U.S. dollar over the course of the year also had a negative impact on the development of the gross profit and gross margin.

## GROSS PROFIT

in € millions


## GROSS MARGIN

in %


### Selling and administrative expenses

Total selling and administrative expenses in 2020 amounted to € 128.4 million. After € 124.0 million in the previous year, this represents an increase of € 4.4 million, which is almost exclusively attributable to the development of administrative and general costs. This development is basically due to the implementation of the growth strategy. In addition to the creation of new Group structures, the focus on further business growth also contributed to this. The creation of new Group structures also in the sales area caused additional expenses which were overcompensated by travelling expenses fallen away in 2020. In the administrative area the continued implementation of a Group-wide uniform IT system landscape and IT organization impacted the cost development. Overall, the share of selling and administrative expenses in total sales rose from 19.6 % in the previous year to 20.8 % in fiscal 2020.

### Research and development expenses remain at a high level

As a high-tech company, we view research and development expenses as an indispensable investment for the future. Therefore, we continue to focus on innovation in vacuum technology through our own research projects and by consistently fostering teaching and science. Accordingly, research and development expenses in 2020 were again higher than in the previous year.

Following € 29.6 million in 2019, a total of € 35.1 million was recorded in the past fiscal year. Due to the decline in sales, the percentage share of research and development costs amounted to 5.7 % after 4.7 % in the previous year. Adjusted for subsidies for expenses for research and development services included in other operating income in the amount of € 3.2 million (previous year: € 3.1 million), the net research and development expenses totaled € 31.9 million in 2020 (previous year: € 26.5 million).

**Other operating income and expenses**

As in previous years, other operating income and other operating expenses (Note 9) also includes the Group's foreign exchange gains and losses. The other operating income of € 9.3 million in 2020 (previous year: € 7.8 million) in addition contained subsidies for expenses in the unchanged amount of € 3.2 million and miscellaneous income of € 0.7 million (previous year: € 0.6 million), principally resulting from gains on disposals and pandemic subsidies.

In 2020, the other operating expenses of € 17.5 million (previous year: € 4.9 million) were characterized by two main issues. As in previous years, this figure includes exchange rate losses of € 8.4 million (previous year: € 4.3 million). After € – 0.2 million in the previous year, the net foreign exchange result in 2020 thus stood at € – 3.0 million. In addition, this item includes impairment losses of € 8.8 million recognized for the first time in 2020. These were incurred in connection with impairment losses on goodwill (€ 6.2 million) and on trademark rights capitalized in previous years (€ 2.6 million). To a lesser extent, other operating expenses also include realized losses on disposals (€ 0.2 million; previous year: € 0.1 million). The balance of other operating income and expenses fell overall from € 2.9 million to € – 8.2 million in the year under review.

**Operating profit**

At € 45.3 million, the operating profit in fiscal 2020 was € 19.9 million below the previous year's figure of € 65.2 million. This corresponds to a decrease of 30.5 % compared to the previous year's figure. This development resulted, in particular, from negative economies of scale, including as a result of the coronavirus pandemic, and from the continued implementation of the growth strategy as well as the significantly lower balance of other operating income and expenses, partly as a result of the impairment losses recognized. Personnel expenses, which are a substantial part of all functional costs and increased from € 211.0 million in the previous year to € 217.1 million in the past year 2020, are a contributing factor to the earnings development. The measures taken to implement the growth strategy are also reflected here. The operating profit attained of € 45.3 million corresponds to an operating profit margin or EBIT margin of 7.3 % (previous year: 10.3 %). The EBIT margin anticipated in the previous year's forecast at the level of 2019 was therefore not achieved. However, it should be noted that when the forecast was derived, it did not take into account the ultimately considerable impact of the coronavirus pandemic and was revoked very early on in the 2020 fiscal year. Nevertheless, the EBIT margin attained of 7.3 % corresponds to the last forecast level of around 7 %.

**OPERATING PROFIT**
in € millions


**EBIT MARGIN**
in %


**OPERATING PROFIT PER EMPLOYEE**
in K €


With regard to the segments it can be seen that the two large production sites in Germany and France with 46.4 % and 16.4 % account – as in the previous year – for the largest part of the overall operating profit (previous year: 43.1 % and 13.0 %). Due to the high dynamics in the semi market the segment Republic of Korea developed very well and accounted for an operating profit portion of 17.0 % (previous year: 9.6 %). In contrast, the segments Asia (excluding the Republic of Korea) and Europe (excluding Germany and France) saw a declining development, which was also due to the impairment losses allocated here. Europe here even saw a negative profit contribution.

The operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization, EBITDA, or operating profit without depreciation and amortization (for tangible and intangible assets) in 2020 amounted to € 66.2 million. After € 84.6 million in the previous year, this represented a decrease of € 18.4 million. For better comparability with the previous year, the depreciation/amortization of € 20.9 million (previous year: € 19.5 million) was determined without taking into account the amortization of right of use assets and in 2020 also without taking into account the impairment losses.

### Financial income

With interest rates unchanged, the financial result of € – 0.8 million was virtually on the previous year's level (€ – 0.6 million). There were no significant changes in the determining factors in the reporting year.

### Income taxes

After the tax rate had been a relatively low 25.0 % in 2019, this figure, that is, the ratio of income tax expenses to earnings before taxes, rose to 29.1 % in 2020. The main reason for this is that the impairment losses referred to previously are only partly deductible for tax purposes. As a result of lower earnings before taxes, tax expenses nevertheless decreased in absolute terms from € 16.2 million in the previous year to € 13.0 million ( Note 24 ).

### Net income

As a result of the aforementioned developments, the net income of € 48.4 million in 2019 fell to € 31.6 million in 2020. This corresponds to a decrease of € 16.8 million or 34.7 %.

**INCOME BEFORE TAXES**
in € millions


**NET INCOME**
in € millions


As a result, the net return on sales, i.e., the ratio of net income to sales, fell from 7.6 % in the previous year to 5.1 % in 2020.

### Earnings per share

Since there were no changes in the number of shares outstanding in the year under review, earnings per share changed in line with net income. After € 4.90 in the previous year, a figure of € 3.20 was achieved in 2020 ( Note 35 ).

**EARNINGS PER SHARE**
in €

## PFEIFFER VACUUM CONSOLIDATED BALANCE SHEETS

(Abstract)

| | Dec. 31, 2020 | Dec. 31, 2019 | Change |
|---|---|---|---|
| | in € millions | in € millions | in € millions |
| **Total non-current assets** | **293.6** | **300.8** | **–7.2** |
| Cash and cash equivalents | 122.9 | 112.0 | 10.9 |
| Other current assets | 245.3 | 246.8 | –1.5 |
| **Total current assets** | **368.2** | **358.8** | **9.4** |
| **Total assets** | **661.8** | **659.6** | **2.2** |
| **Equity** | **391.7** | **393.4** | **–1.7** |
| **Total current liabilities** | **124.9** | **126.7** | **–1.8** |
| **Total non-current liabilities** | **145.2** | **139.5** | **5.7** |
| **Total liabilities** | **270.1** | **266.2** | **3.9** |
| **Total shareholders' equity and liabilities** | **661.8** | **659.6** | **2.2** |

## CHANGE IN NET WORKING CAPITAL

| | Dec. 31, 2020 | Dec. 31, 2019 | Change |
|---|---|---|---|
| | in Mio. € | in Mio. € | in Mio. € |
| Inventories | 133.3 | 128.5 | 4.8 |
| Trade accounts receivable[1] | 85.1 | 90.7 | –5.6 |
| Trade accounts payable[2] | –52.2 | –53.4 | 1.2 |
| **Net working capital** | **166.2** | **165.8** | **0.4** |

[1] including contract assets
[2] including short-term contract liabilities

## Financial position

### Balance sheet total moderately increased

The development of the financial position of the Pfeiffer Vacuum Group did not show any significant change in 2020. Overall, the balance sheet total rose slightly from € 659.6 million to € 661.8 million as of December 31, 2020. On the assets side, the decrease in intangible assets, which is also related to the impairment losses recognized, from € 112.2 million in the previous year to € 100.7 million is particularly noteworthy ( Note 11 ). In addition, the lower volume of business led to a decrease in trade accounts receivable from € 87.9 million to € 83.6 million ( Note 16 ). In contrast, inventories increased slightly from € 128.5 million in 2019 to € 133.3 million ( Note 15 ). Cash and cash equivalents rose significantly from € 112.0 million at the end of fiscal 2019 to € 122.9 million on December 31, 2020. The main drivers of this development were COVID-19-related a reduced dividend payment and the lower investments in 2020. A detailed analysis of the development of cash and cash equivalents can be found in the section "Liquidity" below ( see page 47 ).

On the liabilities side of the balance sheet, one change related to the development of shareholders' equity. It decreased by € 1.7 million from € 393.4 million to € 391.7 million. The decrease resulted from the net income generated in the year under review (€ 31.6 million) and the dividend payment to the shareholders of Pfeiffer Vacuum Technology AG (€ 12.3 million) ( Note 20 ), as well as from the net decrease in other equity components by € 21.0 million ( Note 21 ). As in previous years, the development of other equity components was mainly due to the effects of the foreign exchange conversion and, in particular, the valuation of pension provisions recorded directly as equity of the balance sheet date. The equity ratio decreased slightly from 59.6 % in the previous year to 59.2 %. In the crisis year 2020, the Pfeiffer Vacuum Group remains therefore its equity base, which is already above average in comparison to the industry. The existing financial liabilities are below average compared to the balance sheet total and do not restrict the Group's ability to act financially. The Group remains debt-free on a net basis. Net working capital increased slightly from € 165.8 million to € 166.2 million.

## Liquidity

Following € 65.4 million in the year 2019 the operating cash flow in the fiscal year 2020 totaled € 59.2 million. This represents an increase by € 6.2 million which was attributable mainly to the lower earnings before taxes as compared to the previous year. Further adverse effects on operating cash flow resulted from the development of inventories (€ – 13.2 million compared to € 0.9 million in the year before). In contrast, the non-cash relevant impairment losses recorded for the first time in 2020 totaling € 8.8 million had to be added back and also the income taxes paid at € 11.7 million were below the previous year's level (€ 18.7 million) due to the profitability development. Overall, cash flow per share thus decreased from € 6.63 in 2019 to € 6.00 in the year under review. Despite this decline, the still high level of this figure continues to represent Pfeiffer Vacuum Group's ability to internally generate all cash required to fund operating activities and strategy implementation.

### CASH FLOW MARGIN
in %


### CASH FLOW PER SHARE
in €


As in the previous years, capital expenditures were the main determinant for the cash outflow from investing activities in the past fiscal year 2020. At € 30.4 million, these were again on a high level (previous year: € 34.9 million), due to the fundamental continuation of our investment program in the special year 2020. Nevertheless, as a result of the overall economic circumstances, we have subjected all investment projects to a renewed validation process and made adjustments where necessary, particularly in terms of timing. Accordingly, the capital expenditure volume of € 40 to € 60 million originally forecast for 2020, without consideration of COVID-19 effects, was not achieved. Further information on the composition of the investment volume can be found in the following section "Capital expenditures and financing" ( see page 48 ). Capital expenditures were offset by cash inflows from the disposal of property, plant and equipment amounting to € 0.2 million (previous year: € 0.6 million), resulting in a total cash outflow from investing activities of € 30.2 million following € 34.3 million in the previous year.

### REPRESENTATION OF CASH FLOW FROM OPERATING ACTIVITIES
(Abstract)

| | 2020 | 2019 |
|---|---|---|
| | in € millions | in € millions |
| Earnings before taxes | 44.5 | 64.5 |
| Income taxes paid | – 11.7 | – 18.7 |
| Depreciation/amortization | 25.9 | 24.2 |
| Other non-cash changes | 13.7[1] | 3.3 |
| Effects of changes in assets and liabilities | – 13.2 | – 7.9 |
| **Net cash provided by operating activities (operating cash flow)** | **59.2** | **65.4** |

[1] including impairment losses of € 8.8 million

The main determinant for the cash outflow from financing activities was the dividend payment of € 12.3 million (previous year: € 22.7 million) ( Note 20 ). Together with the repayment portion of rental and leasing installments (€ 4.9 million; previous year: € 5.3 million) and the redemption of financial liabilities of € 0.1 million (previous year: raises of € 0.1 million), the cash outflow from financing activities totaled € 17.3 million in 2020. After € 27.9 million in the previous year, this represents a decrease of € 10.6 million.

Taking currency effects into account, the total cash inflow in 2020 was € 10.9 million (previous year: € 3.6 million) and led to a 9.7 % increase in cash and cash equivalents to € 122.9 million.

At the balance sheet date, Pfeiffer Vacuum also had unused credit lines amounting to € 16.2 million (previous year: € 13.7 million). Free liquidity is invested in interest-bearing financial instruments where possible. A cash management system is in place in the Group companies in Asslar and Annecy to bundle liquidity. Conservative and largely short-term investment vehicles, such as money market or time deposits at financial institutions, dominate where financial investments are concerned. Speculative transactions are not conducted. Both liquidity management as well as steering of the interest-rate change risk are thus primarily handled at Corporate Headquarters, taking into consideration all relevant matters within the corporate Group ( Note 33 and Note 34 ).

## Capital expenditure and financing

As planned and as in previous years, the operating business, investments made in the past fiscal year 2020 and the dividend payment were solely financed by the Group's own funds. Future investments are to continue to be financed purely from equity. The inclusion of financial liabilities will only be examined with a view to financing acquisitions.

This conservative approach, which had already been implemented in the past, resulted in financial liabilities totaling € 73.1 million as of the balance sheet date of December 31, 2020 (previous year: € 73.6 million). Of this amount, € 60.1 million relates to liabilities to banks and € 13.0 million to leasing liabilities carried as liabilities (previous year: € 60.1 million and € 13.5 million respectively).

Capital expenditure in 2020 amounting to € 30.4 million (previous year: € 34.9 million) was attributable, among other things, to modernization measures and capacity expansions at the Asslar (Germany), Annecy (France) and Wuxi (China) production sites. In addition, necessary replacement investments were made in machinery and operating and office equipment. Due to the Corona pandemic the investment volume was significantly below the originally forecasted capital expenditures of € 40 to 60 million.

Allocation of capital expenditures for tangible and intangible assets to the reported segments compared to the previous year is comprised as follows:

### CAPITAL EXPENDITURES BY SEGMENT

| | 2020 | 2019 |
|---|---|---|
| | in € millions | in € millions |
| France | 12.8 | 10.9 |
| Germany | 11.6 | 9.8 |
| USA (production) | 1.9 | 0.2 |
| Asia (excluding Republic of Korea) | 1.3 | 3.8 |
| USA | 0.6 | 0.5 |
| Republic of Korea | 0.6 | 2.5 |
| Europe (excluding Germany and France) | 0.5 | 0.6 |
| All others | 1.1 | 6.6 |
| **Total** | **30.4** | **34.9** |

The balance sheet of the Pfeiffer Vacuum Group has long demonstrated an above industry average equity base, which has remained at a high level since the previous year despite the reporting of liabilities from rents and leases as a result of the first-time application of IFRS 16. The equity ratio of 59.2 % at December 31, 2020 decreased only slightly compared with the end of the previous year and thus shows an above-average figure for the mechanical engineering sector. The ratio of current assets as the ratio of short-term assets to short-term liabilities amounted to 295 % (previous year: 283 %) and reflects the further improved financing concept and high credit rating of Pfeiffer Vacuum.

With capital expenditure of € 30.4 million (previous year: € 34.9 million) and a depreciation/amortization volume of € 20.9 million (previous year: € 19.5 million) the depreciation expense ratio (ratio of capital expenditure to depreciation/amortization) amounted to 145 %, compared to 180 % in the previous year (excluding in each case the impact of rights of use and, in 2020, also excluding the consideration of impairment losses).

**CURRENT ASSETS RATIO**
in %


**DEPRECIATION EXPENSE RATIO**
in %

# PFEIFFER VACUUM TECHNOLOGY AG – SHORT VERSION IN ACCORDANCE WITH GERMAN COMMERCIAL CODE ("HGB")

**In addition to the consolidated financial statements prepared in accordance with IFRS, the development of Pfeiffer Vacuum Technology AG, the parent company of the Pfeiffer Vacuum Group, is discussed below. Pfeiffer Vacuum Technology AG acts purely as a management and holding company within the Pfeiffer Vacuum Group.**

**The Annual Financial Statements of Pfeiffer Vacuum Technology AG are prepared in accordance with the principles of German commercial law ("HGB", "AktG"). For the first time as of this fiscal year, use is being made of the option pursuant to 315, Sub-Para. 5, German Commercial Code ("HGB"), to combine the Management Report of Pfeiffer Vacuum Technology AG with the Management Report of the Pfeiffer Vacuum Group. This is also because a very close connection exists between the future opportunities and risks of the Group and Pfeiffer Vacuum Technology AG.**

**The following comments relate exclusively to Pfeiffer Vacuum Technology AG.**

## Profitability

The principal activities of Pfeiffer Vacuum Technology AG consist of management and holding functions for the Pfeiffer Vacuum Group. These include, among other things, cash management for the German subsidiary in Asslar and Pfeiffer Vacuum SAS in Annecy, the financing function for the Group-wide liquidity requirements, as well as the leasing of buildings to Pfeiffer Vacuum GmbH in Asslar. The existing profit and loss transfer agreement with the subsidiary Pfeiffer Vacuum GmbH has a significant impact on the Company's earnings.

At € 18.3 million, Pfeiffer Vacuum Technology AG's net profit for the year was € 7.6 million below the previous year's figure of € 25.9 million. This corresponds to a decline of 29.3 %.

Unchanged from previous years, the profitability of Pfeiffer Vacuum Technology AG was significantly impacted by the transfer of profits from Pfeiffer Vacuum GmbH in the amount of € 27.7 million (previous year: € 32.5 million). While it was still possible to largely compensate for the consequences of the coronavirus crisis, the year-end valuation of the pension plan assets in particular burdened the earnings development of Pfeiffer Vacuum GmbH in 2020.

Following € 232.0 million in the previous year, Pfeiffer Vacuum GmbH's sales volume in 2020 amounted to € 222.0 million. This corresponds to a decline of € 10.0 million or 4.3 %. Against the backdrop of the global impact of the coronavirus pandemic, we view this as still representing a good result overall in relative terms, since the crisis in some cases had an impact that threatens the very existence of the mechanical engineering sector. Pfeiffer Vacuum GmbH was able to avoid this, even though regional sales development was again very heterogeneous. While sales in the United States declined by € 3.5 million, including as a result of exchange rate effects, an increase of € 2.0 million was achieved in Asia, attributable in particular to developments in China and Korea. In Germany and Europe (excluding Germany), sales decreased stronger by € 3.0 million and € 5.5 million respectively compared to the previous year. In last year's forecast report, a sales revenue forecast was formulated at approximately the same level as in 2018 (€ 246.7 million). This development was anticipated at the end of February 2020 and thus in ignorance of the global effects of the coronavirus crisis. Due to the global recession resulting from the countermeasures taken, it was therefore not possible to achieve the original expectation, even though a decline of 4.3 % is comparatively moderate against the backdrop of general economic developments.

The decline in sales revenues at the level of Pfeiffer Vacuum GmbH has led to negative economies of scale and thus also to a decline in income from profit transfer. In addition, the further implementation of the growth strategy within the Group also impacted Pfeiffer Vacuum GmbH in 2020 in the form of higher expenses for the creation of new organizational structures. Moreover, increased investment income was offset by net interest expenses in connection with pension valuation.

A further important element for the profitability of Pfeiffer Vacuum Technology AG is income from investments as a result of the profit distribution from the other Group companies. This income declined slightly from € 4.0 million in the previous year to € 3.7 million in the past fiscal year. Following personnel expenses of € 2.8 million in the previous year, a total of € 3.1 million was incurred here in 2020. As a result in particular of the establishment of a global IT organization and the associated costs, other operating

## PFEIFFER VACUUM TECHNOLOGY AG STATEMENTS OF INCOME

(Abstract)

| | 2020 | 2019 | Change | |
|---|---|---|---|---|
| | in € millions | in € millions | in € millions | in % |
| Income from profit and loss transfer agreement | 27.7 | 32.5 | - 4.8 | - 14.8 |
| Income from investments | 3.7 | 4.0 | - 0.3 | - 7.5 |
| Sales revenues and other income | 9.3 | 3.9 | 5.4 | 138.5 |
| **Total income** | **40.7** | **40.4** | **0.3** | **0.7** |
| Personnel costs | - 3.1 | - 2.8 | - 0.3 | 10.7 |
| Depreciation/amortization | - 1.6 | - 1.5 | - 0.1 | 6.7 |
| Other expenses | - 14.8 | - 6.3 | - 8.5 | 134.9 |
| Financial result | - 0.7 | 0.1 | - 0.8 | - 800.0 |
| Net income tax expenses | - 2.2 | - 4.0 | 1.8 | - 45.0 |
| **Annual net profit** | **18.3** | **25.9** | **- 7.6** | **- 29.3** |
| Profit carried forward from the previous year | 125.7 | 112.1 | 13.6 | 12.1 |
| **Retained earnings** | **144.0** | **138.0** | **6.0** | **4.3** |

## SALES BY REGION (PFEIFFER VACUUM GMBH)

| | 2020 | 2019 | Change | |
|---|---|---|---|---|
| | in € millions | in € millions | in € millions | in % |
| Germany | 71.4 | 74.4 | - 3.0 | -4.0 |
| Asia | 60.3 | 58.3 | 2.0 | 3.4 |
| Europe (excluding Germany) | 54.3 | 59.8 | - 5.5 | -9.2 |
| The Americas | 35.9 | 39.4 | - 3.5 | -8.9 |
| Rest of world | 0.1 | 0.1 | – | 0.0 |
| **Total** | **222.0** | **232.0** | **- 10.0** | **-4.3** |

expenses rose significantly from € 6.3 million in the previous year to € 14.8 million in 2020. In parallel, however, sales revenues and other income also increased from € 3.9 million in the previous year to € 9.3 million as a result of IT costs being passed on. At € – 0.7 million, the financial result was lower than in the previous year (€ + 0.1 million). This was due in particular to effects from pension valuation, which led to an interest expense in contrast to the previous year.

## PFEIFFER VACUUM TECHNOLOGY AG BALANCE SHEET

(Abstract)

| | Dec. 31, 2020 | Dec. 31, 2019 | Change | |
|---|---|---|---|---|
| | in € millions | in € millions | in € millions | in % |
| Intangible assets | 9.3 | 4.5 | 4.8 | 106.7 |
| Property, plant and equipment | 10.3 | 10.8 | – 0.5 | – 4.6 |
| Financial assets | 236.6 | 236.1 | 0.5 | 0.2 |
| **Total intangible assets** | **256.2** | **251.4** | **4.8** | **1.9** |
| Receivables and other assets | 70.5 | 62.6 | 7.9 | 12.7 |
| Cash at banks | 23.1 | 42.9 | – 19.8 | – 46.2 |
| **Total current assets** | **93.6** | **105.5** | **– 11.9** | **– 11.2** |
| Deferred income | 0.3 | 0.2 | 0.1 | 50.0 |
| **Balance sheet total** | **350.1** | **357.1** | **– 7.0** | **– 1.9** |
| Share capital | 25.3 | 25.3 | 0.0 | 0.0 |
| Additional paid-in capital | 99.7 | 99.7 | 0.0 | 0.0 |
| Retained earnings | 144.0 | 138.0 | 6.0 | 4.3 |
| **Total equity** | **269.0** | **263.0** | **6.0** | **2.3** |
| **Provisions** | **10.4** | **10.0** | **0.4** | **4.0** |
| **Liabilities** | **70.7** | **84.1** | **– 13.4** | **– 15.8** |
| **Balance sheet total** | **350.1** | **357.1** | **– 7.0** | **– 1.9** |

At 29.9 %, the tax ratio in 2020 was roughly on a par with the year 2019 (28.9 %). In conjunction with the overall lower earnings, tax expenses fell from € 8.7 million to € 6.2 million. In parallel, the tax allocation levied by the subsidiary company fell from € 4.7 million to € 4.0 million.

Contrary to the original plans and the formulations in last year's forecast report, the slight improvement in annual net profit was not achieved. Due in particular to the impact of the coronavirus pandemic, the profit transfer from Pfeiffer Vacuum GmbH was lower than expected, thus leading to a slight deterioration in profitability.

### Assets, liabilities, and financial position

At € 350.1 million, the balance sheet total as of December 31, 2020 decreased slightly compared to the previous year (€ 357.1 million). A significant change resulted from the growth in intangible assets, which increased by a total of € 4.8 million to € 9.3 million as a result of the implementation of a global ERP project (previous year: € 4.5 million). The unchanged good liquidity situation in 2020 thus continues to put the company in a position to fulfill its intra-Group financing function. Loans to affiliated companies increased slightly from € 12.1 million to € 12.6 million as a result of new loans. Cash at banks declined to € 23.1 million (previous year: € 42.9 million).

On the liabilities side, the decrease in the balance sheet total is mainly reflected in equity. At € 269.0 million as of December 31, 2020, this was € 6.0 million higher than the previous year's figure of € 263.0 million. The annual net profit generated of € 18.3 million and, in contrast, the dividend payment of € 12.3 million in accordance with the resolution of the Annual General Meeting of May 20, 2020 were the reasons for this development. The equity ratio remains high at 76.8 % (previous year: 73.7 %). A further significant liability item relates to liabilities to banks. This item includes a loan taken out in 2017 as part of the external financing of a company acquisition, the value of which remained unchanged at € 60.0 million as of the balance sheet date. The loan has a variable interest rate based on Euribor plus a margin in line with the market and is available to the Company on a long-term basis. In addition to the borrowing, the company has free credit lines amounting to € 14.3 million (previous year: € 13.3 million). Liabilities to affiliated companies are predominantly in relation to Pfeiffer Vacuum SAS and result from a cash pooling agreement. The other items on the liabilities side did not show any significant changes as of the end of fiscal year 2020 compared to the previous year.

## Overview of course of business

Against the backdrop of the global coronavirus pandemic in 2020, business development was still satisfactory overall. Although Pfeiffer Vacuum Technology AG's annual net profit declined, this was ultimately to be expected against the backdrop of the burdens on earnings as a result of the pandemic and the transformation in which the Company continues to find itself, even if this was not yet recognizable as a consequence when last year's forecast report was formulated. The equity ratio remains at an above-average level compared with the sector as a whole. The liquidity situation also remains sound and, in our view, the financing of the operative business and the further growth program are assured even in these special times, which continue to be fraught with a great deal of uncertainty.

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# NON-FINANCIAL CONSOLIDATED STATEMENT

# NON-FINANCIAL CONSOLIDATED STATEMENT 2020

## LEGAL FRAMEWORK OF THE NON-FINANCIAL CONSOLIDATED STATEMENT

For the 2020 fiscal year, Pfeiffer Vacuum Technology AG ("Pfeiffer Vacuum") prepared a non-financial Group Statement in accordance with the "Law to Strengthen the Non-Financial Reporting of Companies in their Management Reports and Group Management Reports" ("CSR-RUG"). This report meets the requirements of §§ 315b and 315c in conjunction with §§ 289c to 289e of the German Commercial Code ("HGB"). In the same way as for financial reporting, it shows how material non-financial issues are managed for the entire Group. Information that does not relate to the entire Group is indicated accordingly.

The content of this statement was audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, on behalf of the Supervisory Board.

A business audit was performed to obtain limited assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). The audit report is found following the Independent Auditor's Report of the Consolidated Financial Statements and of the Group Management Report. References to statements outside the Group Management Report are additional information and are not part of the non-financial Group Statement.

For a structured description of the contents pursuant to § 315c in conjunction with §§ 289c to 289e of the German Commercial Code (HGB) in the non-financial consolidated statement, Pfeiffer Vacuum follows the standards of the Global Reporting Initiative (GRI). The description of the concepts required by the HGB is based on the structure of the GRI management approaches. This is applied in the description of the materiality analysis (GRI 101 management approach) as well as in the management approaches to "environmental concerns", "respect for human rights", "employee concerns" and "combating corruption and bribery" (GRI 103 management approach). In addition, a GRI Content Index compares the GRI indicators with corresponding reporting. The GRI Content Index is published from page 174 of the Pfeiffer Vacuum Annual Report 2020. The information on the fulfillment of GRI indicators as well as references to information outside the Group Management Report or Consolidated Financial Statements are additional information and not part of this non-financial Group Statement.

For a description of Pfeiffer Vacuum's business model, please refer to the section entitled "Corporate Profile" ( see from page 29 ).

### Sustainability approach

The Group's approach to sustainability focuses on employees, responsible operations and innovation. It relates to the corporate strategy: sustainability is understood as a long-term value driver that brings benefits on an economic, ecological and social level, for example by reducing both the environmental impact and cost of our customers through higher energy efficiency of our products.

Our claim is to consider economy, ecology and social issues together as part of our value creation. This does not only apply to our own business activities, it is our declared goal to develop sustainable, innovative and energy-efficient vacuum technology solutions for our customers in numerous industries.

In order to achieve our goals, we have developed our sustainability management further globally. By appropriately managing non-financial goals, Pfeiffer Vacuum is thus creating the foundation for long-term corporate success.

### Organizational structure

Various sustainability committees drive the issue of sustainability at Pfeiffer Vacuum and ensure that responsible corporate governance is also reflected in economic success. CEO Dr. Britta Giesen is responsible for this area at Management Board level. She is also a member of the Global CSR Board, which includes representatives from all of the Group's divisions. They define Pfeiffer Vacuum's sustainability strategy, determine the roadmap for implementing goals and measures, and discuss all major issues relating to sustainable action. The work of the Global CSR

Board is supported by the Global CSR Coordinator. This staff unit is where the group-wide organization and communication of CSR-relevant issues converge. The three Regional Managers and 20 General Managers play a decisive role in implementing the sustainability roadmap. They are responsible for the implementation of CSR measures in the respective regions, position the innovations with the customers and check whether the collection and evaluation of data is carried out correctly.

During the 2020 fiscal year, Pfeiffer Vacuum was intensively involved in the Company's strategic alignment, its collaboration with the Busch Group as well as actively and prudently mastering the coronavirus situation. The data collection processes were further developed throughout the Group and are reflected in the disclosure of additional sustainability-related information. The measures undertaken demonstrate Pfeiffer Vacuum's active commitment to sustainability. Through the definition of key topics, structured reporting and organizational integration, a foundation has been laid for the sustainable alignment of the entire company. Based on this, Pfeiffer Vacuum will be able to define non-financial goals in the coming years.

## Material issues

The present statement provides information on the main developments in the 2020 fiscal year with respect to the five legally required aspects of environmental issues, respect for human rights, employee concerns, social issues and the fight against corruption and bribery. The aspect relating to social issues was not considered to be of material significance.

Pursuant to § 289c of the German Commercial Code ("HGB"), disclosures must be made that are essential for an understanding of the course of business, business results and business situation and the effects on the five aspects. The management concepts in each case, including the due diligence applied, the results of the concepts and key performance indicators, must be described. According to § 289c (3) Nos. 3 and 4 of the German Commercial Code ("HGB"), material risks associated with business activities, products and services and which may very likely or will have serious negative effects on the five aspects must also be disclosed.

This report covers a number of management concepts and key figures for the Group's main production sites. These include the German sites in Asslar, Göttingen and Dresden, Annecy in France, Cluj in Romania, Asan in South Korea, Indianapolis, Yreka and Nashua in the USA and Ho Chi Minh City in Vietnam. Wuxi in China was included for the first time. The following information all relates to this scope, unless specified otherwise. Adjusted figures from 2019 have been highlighted in indicated sections. Due to the coronavirus pandemic, data concerning energy, fluctuation and accidents cannot be used as benchmark for previous or future reporting. Significant deviations from the previous year are indicated or described in more detail at the relevant points.

For this statement, the non-financial issues to be reported, were identified for the first time in 2017 within the framework of a three-step materiality analysis and were reassessed in 2019. After compiling a catalog of topics as a basis for selecting the material issues, an internal analysis with prioritization and subsequent validation and review followed.

For the external analysis, a comprehensive list was compiled of relevant topics that occur in the Group's value chain and which are taken into account by sustainability standards such as GRI, relevant rating agencies and institutional investors. Managers and employees from a wide range of specialist areas scrutinized this list in terms of its impact on society and the environment and its relevance to business.

These were evaluated and documented with risks and measures. In a final evaluation, those issues were prioritized where business activities have a high impact on the environment and society and which are also of major business relevance for the Group.

For the reporting period 2020 we have validated our topics of material importance on the basis of a comprehensive peer group analysis and internal evaluation by those responsible within the Group for sustainability reporting.

The following graphic shows the results of the materiality analysis.

# MATERIALITY OF SUSTAINABILITY TOPICS

The following table allocates the material issues of Pfeiffer Vacuum identified in the course of the materiality analysis to the aspects of the non-financial Group Statement:

### INDEX TO THE NON-FINANCIAL STATEMENT

| NFS aspects | Material issue | Section/Page |
|---|---|---|
| Employee concerns | • Education and training<br>• Occupational health and safety<br>• Employees<br>• Diversity and equal opportunities | Responsibility for employees, from page 64 |
| Environmental concerns | • Eco-efficient design and product use<br>• Material efficiency and waste<br>• Energy and $CO_2$-Emissions<br>• Water<br>• Environmental standards in the supply chain | Environmental concerns, from page 58 |
| Combating corruption and bribery | • Compliance | Combating corruption and bribery, from page 70 |
| Respect for human rights | • Raw materials (conflict minerals)<br>• Social standards in the supply chain | Respect for human rights, from page 63 |

### Risk assessment of the non-financial reporting

Pfeiffer Vacuum has established a Group-wide risk management system in order to identify risks at every level of the organization and to take appropriate measures to counter them. During the year under review, after taking into consideration risk mitigation measures, we were unable to identify any risks that are associated with our business operations, our business relationships as well as our products and services and that are very likely to, or will have serious negative impacts on the aspects presented in the table of aspects and issues of the non-financial consolidated statement. For more on the procedures of our risk management system, please refer to the section entitled "Risk and Opportunities Report" ( see pages 72–81 ).

## ENVIRONMENTAL CONCERNS

Products from Pfeiffer Vacuum have an impact on the environment in all phases of their life cycle, from development through to disposal. Raw materials, semi-finished products, pre-products, energy and water are required in connection with manufacturing processes. The consumption of resources in the supply chain begins with procurement. During the manufacturing phase, electricity, water and materials such as stainless steel, aluminum and grey cast iron are consumed at all production sites and waste is generated, for example in the form of metal chips. In the utilization phase, the main factors are electricity consumption, noise emissions and material characteristics in the respective application.

Continuous improvement at the Annecy, Asslar and Asan production sites is supported by certification to the environmental management standard ISO 14001. We have set ourselves the goal to implement the ISO 14001 standard at all production sites by the year 2025.

We would like to foster our efforts of sharing environmental best practices and lessons globally as part of our existing corporate culture. This aspiration is independent of the certification process and thus also includes non-certified production sites as well as administrative sites.

### Environmental standards in the supply chain

The careful use of natural resources and the adherence to environmental standards throughout the entire value chain is crucial for Pfeiffer Vacuum. We consider environmentally responsible action as an ethical and corporate duty – whether in the supply chain, within the framework of our own processes in manufacturing, sales and administration or at a later stage in the utilization phase of our products at the customer's premises. We want to save energy and $CO_2$ emissions along our value chain and thus make a positive contribution to global climate goals.

Pfeiffer Vacuum procures pre-products from a large number of suppliers. Inadequate environmental standards on the part of suppliers can result in air, soil and water pollution, as well as climate damage or loss of biodiversity. For this reason, Pfeiffer Vacuum strives to collaborate with partners along the entire supply chain who observe environmental regulations, for example through an environmental management system.

Doing otherwise could not only constitute an infringement of local laws and regulations but also have a negative impact on our reputation as well as on our internal business processes. This might lead to cost increases or sales loss. We mitigate these risks by carefully analyzing and selecting our potential suppliers in the fields of environmental risks and by conducting ongoing supplier qualification programs.

Having organized the responsibilities for managing the corporate supply chain globally at the beginning of December 2019, we made some progress concerning a uniform Group-wide approach at Pfeiffer Vacuum to environmental standards in the supply chain over the course of the reporting period. Further global networking of management and standardization of supplier policies are planned for the coming years.

At Pfeiffer Vacuum's major manufacturing locations, the primary responsibility for ensuring compliance with environmental standards in the supply chain is decentralized and lies with the local operations at each production site. They report directly to the Global Head of Supply Chain.

## Code of Conduct as guiding principle for business relationships

We require our suppliers to comply at a minimum with the legal environmental regulations. There is a Supplier Code of Conduct for this purpose, which calls for compliance with statutory requirements and the implementation of environmental measures. Suppliers who are considered for series delivery of production-related parts must accept these conditions. This Supplier Code of Conduct was implemented and promoted in seven languages during the year 2020. It applies to all new suppliers of Pfeiffer Vacuum and we also ask our existing business partners to acknowledge it. The Code is based on the principles of the UN Global Compact and includes provisions on human rights, working conditions, environmental protection and preventing corruption and bribery. Suppliers to Pfeiffer Vacuum shall adhere to any applicable environmental laws, provisions and standards. It is furthermore expected that the supplier develops and uses an efficient environmental management system (for example their own written policy, ISO 14001 or other standards), in order to identify and minimize the environmental impact and hazards. In this respect, we expect the supplier to make a reasonable provision for protection of the environment in its own business activities.

Before entering into a new business relationship, we carry out a business partner review for critical areas. For this purpose, we have developed a Group-wide concept for sustainability in the supply chain and rolled out a special software for supplier management and risk assessment, which has been introduced on Group level. This software solution has been in operation at the Annecy site since 2018 and has proven its worth. The global use ensures that suppliers to every production location will be subject to the same binding requirements relating to environmental regulations and standards.

With the support of a software solution linked to leading global risk management systems, counterparty risks, country risks, environmental risks and geopolitical events are monitored and checked for their impact on the Group's supply chains. Changes in risk assessment and risk situations are communicated immediately to all relevant areas of the Group. This enables Group-wide supply chains and suppliers to be assessed for risks in real time and measures to limit risks to be implemented any harm is caused. These may include hazardous materials used during supply chain operations, environmental pollution, energy consumption or carbon emission.

## Sustainable supply chains and compliance

Supply chain security can only be guaranteed if the mandatory requirements are checked for compliance. The main production sites monitor compliance with environmental standards by carrying out quality audits at the individual suppliers' sites. The audits are based on the international quality and environmental management systems such as ISO 9001 or ISO 14001. Thus, in addition to a catalog of requirements, it is also examined whether certified management systems exist or if any conspicuous features can be identified during site inspections.

Greening the supply chain mainly aims at integrating the environmental practices into the ordinary supply chain flow. This is one of the reasons why we regularly analyze sustainability issues in the Pfeiffer Vacuum supply chain. Due to the high importance of this topic for us, we would like to sensitize our business partners to it instead of just imposing contractual conditions on them. Therefore, it corresponds to our approach to run awareness campaigns and conduct compliance courses for the suppliers where feasible. Last but not least, we pursue the goal to conduct sustainability audits of identified key suppliers by the year 2025. This may be implemented by self-assessment, on-site audits or audits conducted by third parties.

## Energy

The operation of the production facilities and administration buildings requires energy. This is not only a cost factor, but also causes harmful emissions in the form of $CO_2$ and other greenhouse gases. Even though the manufacture of vacuum pumps is not very energy-intensive compared to the mechanical engineering industry, Pfeiffer Vacuum reports on energy management in view of the overall social relevance of the topic.

The responsibility for energy management lies with the individual sites. In the future, the tracking of energy consumption will be supported by the Head of Global Quality & EHS. In the reporting year, we continued at the Annecy and Asslar sites to install energy consumption meters with measuring systems for analyzing and controlling energy requirements. The metering systems are equipped with sensors for diagnostics and predictive maintenance. The aim is to implement these metering systems throughout the Group within the next years. When new equipment is purchased, Pfeiffer Vacuum requests proof of the installed capacity, electricity consumption and energy class from the supplier and strives to achieve an increase in energy efficiency. New buildings, as well as renovations and extensions to existing buildings, such as the expansion of production operations in Annecy that commenced in 2019, are planned and implemented with a focus on energy-efficiency. For the coming years, Pfeiffer Vacuum is seeking to modernize, expand and run operations in an energy and resource efficient manner.

For environmentally friendly energy production, there is a combined heat and power plant in Asslar and a local biomass plant in Annecy. Photovoltaic systems for their own consumption and for feeding into the grid are installed in Asslar and will be analyzed for other locations. Further energy-saving measures will be implemented throughout the Group in the coming years. The installation or replacement of conventional light sources with LED lighting at the locations in Asslar, Annecy, Asan and Yreka was continued in the reporting year. In Asan, for example, the ventilation fans of the shop floors are controlled by automatic timers to reduce running times and, thus, energy consumption. Self-closing speed doors help to avoid loss of energy and heat as well. By carrying out regular "Gemba walks" on-site we identify further potential for saving energy and $CO_2$ emissions. In Annecy, new buildings are constructed based on sustainability standards. Thanks to wall insulation, presence detector lighting and automatic heat cut-off when windows are opened, energy efficiency is increased by 20 % on average compared to older buildings.

A briquetting plant has been in operation at the Asslar site since 2019, which briquettes aluminum chips from the production process for efficient disposal. In addition, to lower $CO_2$ consumption during transportation, this measure enables the Group to achieve a higher resale value for the waste materials.

Certified energy management systems in accordance with ISO 50001 and/or environmental management systems in accordance with ISO 14001 are in place at the Asan, Asslar and Annecy sites. In 2020, Asslar and Annecy obtained their ISO 50001 re-certification. Group-wide standardization and further implementation of certified management systems is planned for the coming years. Local energy officers at the sites coordinate all measures and obligations to meet local statutory requirements.

At locations where services were provided by external energy service providers in previous years, the company has employed its own staff since 2019. Evaluations and analyses of energy consumption are discussed in energy circle meetings with related departments such as Facility Management, Purchasing and Engineering, and specific improvement measures are identified. Regular energy audits serve to comprehensively analyze and review the measures. In addition, promising employee suggestions are welcomed.

The primary source of energy at Pfeiffer Vacuum is electricity. A further energy source for obtaining heat is gas in the form of natural gas and/or liquified gas.

The following table shows the consumption of electricity and natural gas at the key production sites. A total of 34,612 MWh of electricity (previous year: 34,514 MWh) and

15,062 MWh of gas (previous year: 10,467 MWh) were consumed in the reporting year. This results in an increase in energy consumption of 10 %. This increase can be attributed on the one hand to the expanded scope of consolidation (2020 Wuxi site included) and on the other hand to hygiene measures due to the Corona pandemic (e.g. increased operation of the ventilation systems).

One of the main impacts of energy consumption is the emission of greenhouse gases such as carbon dioxide ($CO_2$), which is shown in the following table. The basis for assessment is determined using the internationally recognized calculation standard of the Greenhouse Gas Protocol. Pfeiffer Vacuum reports direct emissions from the operation of its systems and buildings, as well as indirect emissions from purchased energy, on this basis.

At the production sites in Europe, Asia and the USA listed in the table below, 15,405 t $CO_2^e$ (previous year: 13,999 t $CO_2^e$) – expressed as carbon dioxide equivalents – were emitted in the electricity and natural gas consumption categories under consideration. In 2020, the intensity of emissions (emissions per sales in € million) was 24.9 t $CO_2^e$ (previous year: 22.1 t $CO_2^e$). An expanded inventory, data collection and reporting of greenhouse gas emissions is planned for the coming years.

## ENERGY CONSUMPTION[1]

| | 2020 | | | 2019[2] | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Europe | Asia | USA | Europe | Asia | USA | 2020 | 2019 |
| **Consumption category** | in MWh | in MWh | in MWh | in MWh | in MWh | in MWh | in MWh | in MWh |
| Electricity | 24,449 | 8,879 | 1,284 | 24,970[3] | 7,168[3] | 2,376[3] | **34,612** | **34,514[3]** |
| Natural gas | 13,666 | 155 | 1,241 | 9,024[3] | 156 | 1,287 | **15,062** | **10,467[3]** |

[1] Indication without Yreka site
[2] 2019 adjusted due to expanded scope of consolidation: Dresden included.
[3] Figure adjusted due to subsequent reporting of consumption data.

## $CO_2^e$-EMISSIONS[1]

| | 2020 | | | 2019[2] | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Europe | Asia | USA | Europe | Asia | USA | 2020 | 2019 |
| **Emissions per consumption category** | in t | in t | in t | in t | in t | in t | in t | in t |
| $CO_2^e$ from electricity | 6,499 | 4,841 | 541 | 6,826[3] | 3,949[3] | 726[3] | **11,881** | **11,500[3]** |
| $CO_2^e$ from natural gas | 3,262 | 32 | 230 | 2,229[3] | 32 | 237 | **3,524** | **2,498[3]** |

[1] Indication without Yreka site
[2] 2019 adjusted due to expanded scope of consolidation: Dresden included.
[3] Figure adjusted due to subsequent reporting of consumption data.

### Water

The supply of drinking water is a global challenge of increasing relevance. Water use is managed decentrally at the production sites of Pfeiffer Vacuum. The establishment of global water management has been initiated.

Since 2019, Pfeiffer Vacuum collects its Group-wide water consumption on a monthly basis. The total water withdrawal in fiscal year 2020 amounted to 46,774 $m^3$ (previous year: 50,307 $m^3$).[1] Particularly in terms of the adequacy of global supply and availability, Pfeiffer Vacuum plans to comprehensively analyze and further track its Group-wide water consumption.

Water is employed in manufacturing and cleaning processes, as a coolant, industrial water or drinking water within the corporate Group. At our Asan site, the water used in cleaning processes is recycled by an efficient wastewater recycling system and re-used again. Furthermore, there is a sewage treatment plant at the industrial complex where all other water is sent to.

We will further develop our management and monitoring of water consumption worldwide over the next few years and report on this accordingly.

[1] Indication without Yreka site

## Environmental friendliness and energy efficiency of products

A variety of resources are consumed during the manufacturing phase of our products. In terms of environmental impact, it is the choice of materials in product development and the use of materials in the production process that are decisive. Pfeiffer Vacuum has significant influence on material efficiency and the environmental compatibility of its products during the entire life cycle – starting from the product development process itself, followed by the utilization phase and ending with recycling. In order to manage research and development throughout the corporate Group, a Global Technology Organization is in place, which reports to the CEO.

As an innovative company, Pfeiffer Vacuum will be defining the goals of resource efficiency, reduction of material consumption and emissions in the corporate process chains in the coming years. Strategic measures include Group-wide coordination and steering of global research and development activities, the implementation of a Group-wide IT strategy as well as the advancement of digitization technologies. The comprehensive digitalization of our products in the coming years will enable us to monitor the performance of our products on our customers' application much more closely. We will use the findings for process and product improvements, which also leads to material and energy savings along the life cycle.

Due to the individuality and physical limitations of our different product technologies, there are no Group-wide targets for energy, environmental or resource efficiency in operations. However, depending on the area of application and the manufacturing process, there are different specifications to take into account resource and environmental protection aspects. The specifications include, for example, increasing energy efficiency, assuring the environmental friendliness of the materials used, reducing the amount of raw materials used, processes to reduce emissions and waste, and the avoidance of hazardous substances. By using an appropriate product design, products can be developed, for example, with smaller dimensions and modern drives, which allow for savings and conservation of the materials and resources used.

In the production process, Pfeiffer Vacuum strives to increase material efficiency and to handle all materials employed in an environmentally compatible manner.

In addition to the environmental aspects mentioned above in the design and manufacturing phases, the energy efficiency of the products during the utilization phase is also an important design aspect. This is an integrated part of all new energy using product specifications and leads to innovative products with state-of-the-art technologies.

In 2019, we introduced our HiLobe product line. These intelligent, high performance Root pumps for low and medium vacuum applications are particularly innovative with their exceptional short pump-down times, power and energy efficiency. They consume 30 % less power and, furthermore, HiLobe has 50 % reduced volume and weight compared to its predecessors.

The innovative technology of our dry process pumps in the XN range reduces maintenance frequency, allows multiple reuse of cleaned parts and increases pumping lifetime. The cost of ownership is drastically reduced, as well as the tool downtime. It also offers more energy saving mode capabilities which result in up to 50 % lower power consumption in operation than other products and an optimized $N_2$ purge.

Our recently introduced HiScroll oil-free vacuum pumps are especially characterized by their high performance when evacuating against atmosphere due to their unique features. Their powerful IPM (Interior Permanent Magnet) synchronous motors achieve an efficiency that is up to 15 % higher than that of conventional drives. This results in up to 30 % lower power consumption compared to competing products. The pumps are also characterized by their very compact design and extremely quiet and low-vibration operation. Therefore, they are ideal for use in quiet working environments, such as research & development institutes or laboratories, where, for example mass spectrometers or leak detection systems are used.

Increasing the material efficiency of aluminum, for example, results in a reduced environmental impact (under the same production conditions) since large quantities of energy are required for aluminum manufacturing and, in some cases, environmentally hazardous waste materials are produced. We will therefore work continuously on reducing the use of this raw material in our products. Pfeiffer Vacuum adheres to statutory requirements for hazardous materials to ensure the environmentally compatible handling of the raw materials and preproducts used. Examples here include the EU's REACH chemicals directive and the RoHS directive for restricting the use of certain hazardous substances in electrical equipment.

With the international Future Factory Project, Pfeiffer Vacuum brings its manufacturing sites up to a worldwide high level in the use of sustainable state-of-the-art technologies and efficient workflows. The project at the Asslar site was launched in 2019, and extensive modernization work was also carried out at our sites in Wuxi, China, and Nashua, USA. In Asslar, for example, the measures comprise:

- Replacing old equipment with energy-efficient and low-noise machines
- Amalgamation of related departments
- Optimization of the material flow
- Centralization of logistics
- Implementation of continuous lean manufacturing and improvement processes

Our sustainable Future Factory Project will be continued at other locations worldwide within the coming years.

## RESPECT FOR HUMAN RIGHTS

### Conflict minerals

According to Pfeiffer Vacuum's ethical standards, we have installed processes to assure our products do not contain any conflict minerals. The term "conflict minerals" refers to the raw materials tantalum, tin, tungsten and gold if their extraction and trade in these raw materials contribute to financing or otherwise supporting armed groups in the Democratic Republic of Congo or its neighboring countries. These conflicts endanger human rights and the protection and development of local communities.

For many years, Pfeiffer Vacuum already lives up to its responsibility in the supply chain within the framework of a voluntary commitment to avoid conflict minerals. Pfeiffer Vacuum utilizes the potentially critical minerals tantalum, tin, tungsten and gold primarily in connection with bought-in electronic components.

Since Pfeiffer Vacuum does not procure metals directly from the smelters, the supply chains are examined in collaboration with our direct suppliers. At the manufacturing locations with their own procurement departments in Asslar, Annecy, Yreka and Ho Chi Minh City, suppliers are required to confirm any potential use of conflict minerals. If the absence of conflict minerals cannot be confirmed, suppliers are obliged to implement measures within a reasonable period of time to ensure compliance. If necessary, conflict-free components are procured from a different supplier.

Due to the high degree of complexity and dynamic nature of the issue, Pfeiffer Vacuum has outsourced the process at its Asslar facility to a specialized service provider. It offers a goal-oriented online platform that is used in Asslar since 2016 and was implemented at the site in Annecy over the course of 2020. Currently, we are evaluating whether a special software can be a valuable support and should be rolled out successively to other parts and sites of the Group in the coming years. For its production locations in Asslar, Annecy and Yreka in particular, Pfeiffer Vacuum is also pursuing the objective of continuing to utilize only raw materials that originate from certified smelters in accordance with the appraisal of the Responsible Minerals Initiative (RMI). Certified smelters extract ores and minerals in accordance with defined environmental and social standards.

The subsidiaries in Asslar, Yreka and Ho Chi Minh City provide a conflict mineral statement to their customers if required. This commitment to conflict-free products includes a standardized conflict mineral reporting template ("CMRT") of the Responsible Minerals Initiative, which contains detailed information on the country of origin of all smelters and refineries used. In Yreka and Ho Chi Minh City, new suppliers are also required to sign a conflict mineral reporting template. This document was sent to all suppliers for initial compliance and to new suppliers upon initial qualification. Throughout the reporting year, no suppliers were excluded due to the use of conflict minerals at any location.

### Social standards in the supply chain

Pfeiffer Vacuum strives to comply with social legislation and standards worldwide. Observance of social standards includes respect for human and labor rights, as well as safety in the workplace. This also has an indirect impact on the protection and development of local communities. Since Pfeiffer Vacuum's principal manufacturing facilities are located in industrialized countries, Pfeiffer Vacuum has classified the likelihood of social standards being violated as rather low, given the strict legal requirements that apply in each case. The major risks for the violation of social standards therefore lie in the global supply chains.

Since 2019, suppliers have been required by the Code of Conduct to confirm their compliance with legal obligations concerning human rights and compliance with all health and safety regulations when concluding a contract. Our requirements are based on the international principles of the "Global Compact" and the "Universal Declaration of Human Rights" of the United Nations and the labor standards issued by the International Labor Organization, taking into due account the applicable laws and regulations in different countries and at different sites. They are supplemented by our internal standards and core values. The Supplier Code of Conduct is available in all seven corporate languages of the Pfeiffer Vacuum Group.

In September 2020, we aligned our Code of Conduct for suppliers with that used by the Busch Group. All new contractual partners must sign this code before we begin a business relationship.

We want to expand audits of identified key suppliers by way of self-assessments, on-site audits or via audits performed by third parties by the year 2025.

## RESPONSIBILITY FOR EMPLOYEES

The successful development of Pfeiffer Vacuum can be attributed in particular to the competence, high level of commitment and outstanding performance of our people. With great loyalty each day, they make a significant contribution in their respective positions to advancing the transformation process initiated by the Group. Every employee is valuable to us. That is why we are interested in long-term cooperation. We invest in the development of each individual employee. These issues also are a decisive factor for us for strategic reasons – today and in the coming years.

In order to get a picture of the satisfaction of our employees, we have decided to conduct a Group-wide employee survey for the first time in 2020. 1,580 employees participated in the survey and the results clearly show that our colleagues are committed and enjoy working for Pfeiffer Vacuum. However, they also reveal where we can still improve in our role as a preferred employer.

In order to derive the greatest possible benefit from the employee survey, the General Director and the Human Resources Manager of each site were given the task of evaluating the results of the survey in detail for their respective areas and deriving recommendations for action from them.

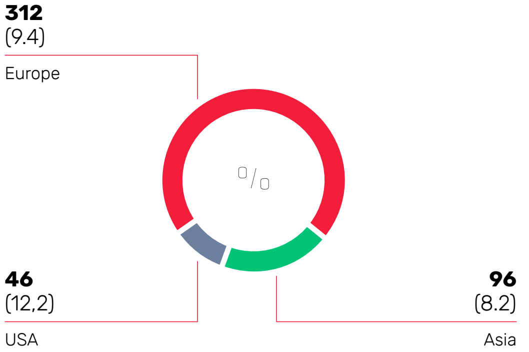
### Employee structure

At the end of 2020, a total of 3,309 people were employed at Pfeiffer Vacuum (previous year: 3,276) (source: Notes to the Consolidated Financial Statements: Number of employees). This represents an increase of 1.01 % compared to the previous year. This is essentially attributable to the fact that the Company has expanded its expert structures. In addition, further personnel support is needed to prepare for implementation of the planned growth strategy.

In the reporting year, the employee fluctuation rate varied depending on the Company's geographical location.

## FLUCTUATION RATE BY REGION

Number (in %)




## REGIONAL DISTRIBUTION OF EMPLOYEES

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| | Number | in % | Number | in % | Number | in % |
| Europe | 2,048 | 62 | 2,060 | 63 | 1,968 | 61 |
| Asia | 884 | 27 | 836 | 25 | 837 | 26 |
| USA | 377 | 11 | 380 | 12 | 399 | 13 |
| **Total** | **3,309** | **100** | **3,276** | **100** | **3,204** | **100** |

## Diversity and pluralism as a strategic objective in personnel recruitment

Pfeiffer Vacuum has positioned itself as a globally operating group. This is why a large number of people from a variety of backgrounds work for us under one umbrella brand.

Consequently, cooperation between people of different cultures and nationalities is commonplace at Pfeiffer. Employees are sensitized not to treat their colleagues differently from others because of their origin, age, gender, sexual orientation, disability or religious beliefs. Pfeiffer Vacuum has been a member of the "Diversity Charter" initiative launched by the German federal government for several years. It is an expression of a fundamental commitment to fairness and appreciation of people in companies. In order to raise awareness of intercultural differences, diversity and compliance among our colleagues, we again held numerous training sessions in the past 2020 financial year, where participants were able to learn about our Code of Conduct covering key aspects of the broad area of diversity.

A total of 375 employees took part in the newly introduced intercultural training courses in 2019. In 2020, we held a total of 22 training sessions, attended by 214 employees, on such intercultural topics. To emphasize the importance of diversity, we have also included the topic in our training courses on the compliance complex. For further information please refer to the Compliance chapter from page 71.

Of our 3,309 employees, 609 are female, 2,700 are male and we have no employees who indicated the third gender. This means that women make up 18 % of the total workforce (previous year: 18 %).

Since October 2017, the chair of the Supervisory Board of Pfeiffer Vacuum has been held by a woman. Since January 2020, the percentage of women on the Management Board has been one third. With the restructuring of the Management Board that has been resolved, the percentage of women will be 50 % from January 2021.

## Continuous education and training despite coronavirus

Good training and the readiness to adapt to changes in market forces by continuous development are thus the best prerequisites for all employees, regardless of age, in order to secure jobs and sustain professional success. For this reason, the continuous education and training of all our employees plays an outstanding role in our company.

We do not differentiate according to the length of service with the company, the area of application or the career level of the employee or the specific location but make suitable offers in each case. The provision of further training options is generally linked to the local conditions and requirements.

Despite certain restrictions due to the comprehensive hygiene and safety measures in connection with the coronavirus pandemic, we succeeded in implementing qualification measures in 2020. Some of them were based on newly developed concepts. In addition, we were able to hold some employee training courses, which were previously held as face-to-face events, as online training courses during the coronavirus crisis. We held mandatory information events on safety and health at work at all sites very soon after the outbreak of the pandemic.

Our goal is to offer every employee at least one full-day training session at our in-house Pfeiffer Vacuum Academy.

In addition to training our employees, we also provide customer-specific courses. These technical training courses impart knowledge and skills that are specifically required when working with vacuum technology components and systems. They cover a broad spectrum from basic training to specific customized training. By the end of 2023, we intend to be a leading provider for customer training in the vacuum market.

## Vocational training for young professionals

Our corporate culture focuses on people, who are able to develop their potential in an appreciative working environment with equal opportunities. Pfeiffer Vacuum offers training in a variety of vocations. The promotion of young talent is of great importance for the Company. Therefore, we regularly offer company apprenticeships for industrial mechanics, in the business administration area, as well as in warehouse logistics at various locations. Due to disparities in the context of the coronavirus pandemic, which will probably continue at least until mid-2021, we did not provide any exchange programs for trainees or students over the course of 2020. Since the health of our employees is our top priority, we have decided with a heavy heart to continue this practice in the year 2021. However, as soon as it is possible for the exchange programs to be carried out again without any health risk, we will revive the offer immediately. In 2020, Pfeiffer Vacuum employed a total of 82 apprentices worldwide.

In addition to the company apprenticeship, Pfeiffer Vacuum in Germany participates very successfully in the “Studium Plus” project, a dual degree program of the Technical University of Mittelhessen. Furthermore, a partnership exists with the Georg-August University Göttingen in relation to the company apprenticeships. In this way, we secure our young talent in industrial and mechanical engineering as well as in the area of business informatics.

## Develop competencies, expand know-how

The success of Pfeiffer Vacuum is decisively based on the expertise, the loyalty, and the high motivation of our employees. The expert knowledge of our service and sales employees, in particular, plays an important role in the collaboration with our customers. They benefit from the many years of experience which our experts can draw upon in relation to physical and chemical reactions of the most diverse molecules and substances under vacuum conditions.

Most projects are developed by our customers together with our Sales and Market teams which, in turn, also consult the relevant experts from the areas of Research & Development as well as Production and Service as necessary. The skilled knowledge of our employees is also of major importance in the manufacture and installation of our products. The ultimate goal is to offer our customers a perfect vacuum solution for their application.

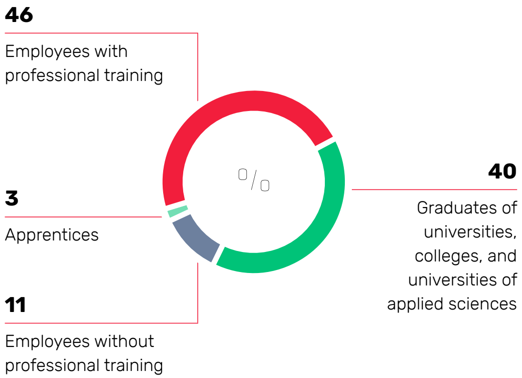
### PROFESSIONAL QUALIFICATIONS OF THE WORKFORCE

| | 2020[1] | 2019 | 2018 |
|---|---|---|---|
| | Number | Number | Number |
| Graduates of universities, colleges, and universities of applied sciences | 1,246 | 1,236 | 1,201 |
| Employees with professional training | 1,454 | 1,496 | 1,448 |
| Employees without professional training | 344 | 452 | 459 |
| Apprentices | 82 | 92 | 96 |
| **Total** | **3,124** | **3,276** | **3,204** |

[1] Indication without Nashua site, concerns 185 employees.

## RELATIVE DISTRIBUTION OF THE PROFESSIONAL QUALIFICATIONS OF THE WORKFORCE[1]

in %




[1] Indication without Nashua site

## GROUP-WIDE KEY FIGURES FOR TRAINING AND EDUCATION

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| | Number | Number | Number |
| Training measures[1] | 5,300 | 3,000 | 2,100 |
| Training participants[1] | 20,200 | 12,600 | 11,000 |

[1] The figures were rounded to the nearest hundred.

Our Company is active in very special markets that require know-how in this field. Therefore, all of our new employees complete an introductory course in the basic principles of Vacuum Technology while sales and service employees receive advanced training courses about products and service measures.

Long-standing employees with relevant experience receive adequate training opportunities to specialize and take advantage of appropriate career opportunities within the Group.

Furthermore, the Company pays attention to specialized advanced training to transfer technical innovations within Pfeiffer Vacuum. German, English or French language courses are offered depending on the respective location and need. For example, in Vietnam, we held English online courses with three workshops over six months.

We support and promote the transfer of knowledge between employees in all areas of our company. At our Chinese site in Wuxi, for example, we developed and implemented a "train-the-trainer project". In this project, an employee is provided with comprehensive information on a product or specialist area as part of an internal company knowledge transfer. He can then pass this on to colleagues in other departments or locations.

We hope that the infection incidence over the course of 2021 will offer the company the opportunity to conduct employee training with innovative tools. This should include face-to-face training without endangering health and safety.

### Corporate management and executive training

Due to their outstanding position, we pay particular attention to the continuous training and development of our managers and employees who wish to develop themselves. Contents include management techniques, employee leadership or the training of rhetorical skills. They are related to the comprehensive Group restructuring that we have been pursuing since 2018 in order to exploit our growth potential even more efficiently.

As part of the new organizational structures that we have been preparing since 2018, a new management culture is being introduced into our company. This is characterized by nine key competencies and particularly outstanding values that have been developed in the course of several workshops for managers. Participants are responsible to define the attributes for their locations.

The series of seminars was held during the course of 2020, initially at the headquarters in Asslar and then, due to Corona, increasingly on an online basis. The key competencies are:

- Open mindedness,
- Trust,
- Communication,
- Thinking strategically/creatively,
- Being courageous and accountable,
- Being humble,
- Ethical sensitivity/compliance,
- Resilience/facing adversity,
- Fostering a culture of empowerment, commitment and collaboration

One of the first workshops dealt with the topic "leading a team from a distance", which will be continued to be held in 2021.

At our sites in the USA, we held a series of seminars entitled "Leadership in times of crisis" up to May 2020, which were attended by a total of 18 executives.

Furthermore, we have implemented the format of a so called "360-degree feedback" at the first level of management at Pfeiffer Vacuum, including the members of the Management Board, General Managers and Regional Managers worldwide. The purpose of this tool is to improve the communication with employees which we consider a crucial part of the leadership culture. The first management level at Pfeiffer Vacuum were anonymously assessed by their employees, colleagues and direct superiors. All managers assessed received two individual sessions with an external coach.

In the further course of the evaluation of the survey results, it is planned that the managers will have further training in the form of group coaching.

## Remuneration and incentive schemes

The incentive scheme of Pfeiffer Vacuum also differs according to local conditions and customs. In addition to personal KPI's and company profit, personal development is also included in the bonus calculations. The sales personnel basically receive performance-related incentives via a bonus scheme oriented to sales growth and profit. Depending on the location, there are additional bonus, incentive or employee participation schemes.

Perspectively, we will evaluate our ESG targets for inclusion in bonus schemes for executive levels.

The pension scheme is similarly varied in the individual locations. Apart from a purely public scheme in France funded by the French subsidiary, the worldwide pension scheme includes additional measures and payments into pension funds, the offer of a pension plan and direct insurance with the additional option of deferred compensation.

## Occupational health and safety

Due to the great expertise and engagement of our employees, which was supported by our hygiene concept, we came through the year of the coronavirus pandemic 2020 well in our opinion. The physical safety and safe working conditions for our employees are paramount.

The health of its workforce, operations and the conditions of the buildings are key factors in the creation of value within the corporate Group and is a major prerequisite for satisfying the high quality and safety requirements that apply to the products and services of Pfeiffer Vacuum. As a responsible employer, Pfeiffer Vacuum strives to limit the number of accidents and the frequency of days lost due to illness as far as possible. This benefits not only every employee, but also the corporate Group itself, since inadequate occupational safety and health protection can result in costs due to absenteeism, reduced production capacity and lower product quality. For this reason, we pursue the goal of ensuring that occupational safety and health protection are at a high level.

In the areas of production, service, administration and sales, there are different requirements for occupational safety in each case. Hence, the following comments refer primarily to the Company's principal production sites in Germany, France, Romania, China, South Korea, Vietnam and the United States of America.

The topic of occupational safety and health protection has been managed within the Group according to an occupational safety policy. In this field too, we comply with legal requirements at a local, national and international level. We seek to identify sources of danger in our processes, to analyze suggestions for improvements made by our employees and to implement concrete measures. Compliance with the respective country-specific legal requirements is the minimum applicable requirement for occupational safety and health protection throughout the Group. The requirements specified in our guidelines go beyond this in many cases.

Since the year 2019, all of our Group sites use a software-based information and collaboration platform. They are required to provide coherent data in the fields of environment, occupational health and safety (EHS) every month. For each LTI (Lost Time Injuries) a report including detailed evaluation is generated and shared with the Chief Operating Officer, the General Managers, the Head of EHS and the other sites EHS managers.

With our global EHS policy we pursue a preventive approach. We seek to avoid all potential risk situations that may occur at Pfeiffer Vacuum, including accidents involving machinery. The wearing of safety equipment is mandatory throughout the Group and includes all employees and other persons who are present in the production areas.

At our sites in Asan and Asslar we carry out weekly "Gemba walks". This enables us to identify imminent safety risks, optimization possibilities in production processes or synergy effects resulting from standardization at the production sites.

Such measures include, for example, the updated escape and rescue plans, training of employees to deal with a special crane for approximately 200 employees or the creation of standard templates for instructional documents such as work instructions and process descriptions.

The table below shows the key indicators for occupational health and safety at the principal production sites in the regions Europe, Asia and the USA.

The accident frequency (lost time injuries frequency rate (LTIFR): accidents with lost working time of at least one day/shift) was 9.9 in 2020 (previous year: 14.3). We explain the decline in the rate, primarily caused by fewer accidents at European sites, mainly by the effect of occupational health and safety prevention measures, as well as increased risk awareness due to the Corona pandemic. There were no fatalities in 2020.

## Preventive health protection

We protect the health of our employees by preventing work-related disorders and occupational diseases. We pay particular attention to ergonomics in the workplace. In this context we follow our philosophy of prevention, treatment and rehabilitation.

### FREQUENCY OF ACCIDENTS AND FATALITIES[1]

| | 2020 | | | 2019[2] | | | Total | |
|---|---|---|---|---|---|---|---|---|
| **Key accident figures** | **Europe** | **Asia** | **USA** | **Europe** | **Asia** | **USA** | **2020** | **2019** |
| LTI (Lost Time Injuries: Accidents requiring at least one day of absence) | 43 | 2 | 1 | 53 | 5 | 1 | **46** | **59** |
| LTIFR (Lost Time Injuries Frequency Rate: LTI per 1 million working hours) | 14.9 | 2.1 | 1.3 | 19.4 | 6.7 | 1.5 | **9.9** | **14.3** |
| Work-related deaths | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **0** |
| FAR (Fatal Accident Rate: frequency of fatalities) in % | 0 % | 0 % | 0 % | 0 % | 0 % | 0 % | **0 %** | **0 %** |

[1] Indication without Indianapolis and Wuxi sites
[2] 2019 adjusted due to expanded scope of consolidation: Dresden included.

Health protection at our production sites is generally managed by the respective environment, health and safety department. The health protection concept at the production site in Asslar is managed by the HR department and includes measures such as health consultations with a company physician, a vaccination program and fitness club memberships for employees. Pfeiffer Vacuum in Annecy offers employees similar programs and has also established a cross-departmental committee that develops measures to increase the well-being of employees. At Yreka for example, the ergonomic assessment of workplaces is crucial. Various recommendations were implemented, such as mobile workplaces and optimized lighting. Employees also have the opportunity to proactively suggest improvements to the employee suggestion committee. Using systematic analyses, we are able to derive measures to improve working conditions on an ongoing basis. This includes setting up workplaces in line with ergonomic criteria and setting up comfortable workstations.

In this context, we have managed to implement a global safety culture during the reporting period. Our goal to reduce accidents is of common interest and of particular importance to us. It should be manifested in the consciousness of each individual employee. Thus, we developed "12 rules of workplace safety and health", translated them into nine languages, printed them on posters and displayed them at different places at our sites.

To accompany this, we conduct training courses on EHS topics and have produced a film illustrating general safety requirements, protective measures and other key issues of the subject area. The training courses are held at regular intervals throughout the Group, during which specific findings are also discussed in order to continuously expand the knowledge and experience of all employees.

Our EHS managers are responsible for the ongoing improvement of our workplace safety and regularly carry out safety checks and audits within the Group. Hence, they are driving the process forward to achieve the implementation of ISO 45001 certification at all production sites by the year 2025, starting with Annecy, Asslar and Göttingen.

## COMBATING CORRUPTION AND BRIBERY

In Pfeiffer Vacuum's oligopolistically structured market, we are exposed to the risk of corruption and antitrust incidents as a result of its widely ramified supply chains and global business relationships. Relevant offenses can distort market conditions and impede fair competition. Violations are associated with repercussions for customers and business partners, as well as for economic performance as a whole. If an infringement is discovered, there is a potential risk of heavy fines, damage to reputation and loss of customers.

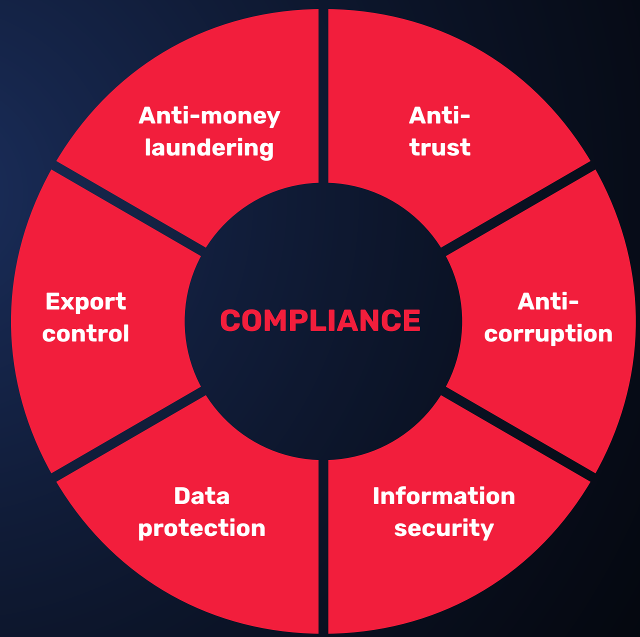
### Code of Conduct as the Group-wide basis for compliance

The central element of Pfeiffer Vacuum compliance management is our Code of Conduct. This code serves as the fundamental basis for the daily actions of all employees and corporate bodies worldwide, in their dealings with one another and with all stakeholders, including customers, business partners and the general public. Since the 2019 fiscal year, the Code of Conduct is now available in all corporate languages through the Company's websites in the different countries as well as in the Group-wide intranet. Every employee is trained in understanding the individual rules and their application via software-based e-learning or face-to-face training. In addition to this, we have introduced different global compliance policies for our key compliance topics.

The guidelines were translated into twelve languages to ensure that every employee fully understands them. In 2019, around 80 % of employees worldwide participated successfully in the Code of Conduct training courses and confirmed their understanding and binding application in a

## COMPLIANCE POLICIES

Code of Conduct as the Group-wide basis for compliance



corresponding written declaration. Since we take this complex of topics very serious and wish to keep it present in the minds of our employees, we plan to repeat the e-learning on a regular basis. Irrespective of this, all new employees must attend a training course on the Code of Conduct. In 2020, 191 employees received this training as planned.

Additional training regarding the global compliance policies was provided for all process owners, supervisors, department heads and general managers. It is our plan to proceed with regular training courses in 2021.

Altogether during the reporting period 1,028 employees took advantage of the compliance training courses.

## Compliance Management

The Global Head of Compliance and her international team are responsible for the Group-wide coordination and management of compliance. The team consists of several employees with responsibility for operational compliance issues, risk management and export control in the different regions. The Global Head of Compliance reports directly to the Chief Executive Officer. The Supervisory Board is informed regularly about current developments and issues. Further reports are made as required.

In addition to implementing the Group-wide Pfeiffer Vacuum compliance program, the principal tasks of the compliance organization include the formalized assessment of risks and opportunities, including the annual review of the internal control system. By means of internal audits, international subsidiaries and corporate divisions, such as Sales and Purchasing, are regularly evaluated and reviewed with respect to particularly risk-exposed issues.

In order to assure continuous accessibility of the relevant documents on compliance issues for our colleagues, we implemented further measures in the course of 2020. For example, we created a presence on the intranet and on our corporate website, where we present the significance of this topic, the global policies and the compliance team at Pfeiffer Vacuum. An image film dealing with the most relevant aspects of Compliance was produced and published on the communication platform, where the Group's internal communication takes place.

All of our business partners are obliged to comply with the legal requirements in all business dealings.

## Whistleblowing system

For the prevention and clarification of possible violations, we introduced a Group-wide whistleblowing online system last year for anonymously reporting violations. The whistleblowing system can be used by employees as well as by external stakeholders. It was promoted in the whole Group by posters and flyers that were translated into the local languages of every subsidiary. Additionally, the system was uploaded to our internal media to ensure all employees have equal access to the content and to the Group website to ensure that all external people have access as well.

In addition, employees and external third parties can contact the compliance department in confidence at any time.

In 2020, we had one case of bribery and one case of harassment that had immediate consequences for the employee concerned, but otherwise had no further impact on Pfeiffer Vacuum.

# RISK AND OPPORTUNITIES REPORT

## ASSESSMENT OF THE MANAGEMENT BOARD OF OVERALL RISKS AND OPPORTUNITIES

In order to achieve sustained success and remain competitive, Pfeiffer Vacuum always seeks to identify early on and actively utilize opportunities that present themselves. However, seizing opportunities also means consciously taking risks. Handling these responsibly has a decisive influence on the success of the company. Overall, we strive to achieve a balanced relationship between opportunities and risks by facing and countering them systematically and in a controlled manner.

An early risk warning system is necessary not only from a business management point of view, but also due to legal regulations, in particular § 91, Sub-Para. 2 of the German Stock Corporation Act ("AktG").

The assessment of the overall risk and opportunity situation is based, on the one hand, on the consideration of all significant individual risks and opportunities, which are reported as part of the Group-wide risk and opportunity assessment process and summarized in risk categories. On the other hand, the identification and evaluation of opportunities, while weighing up potential risks, which we make a component of our strategic orientation and short-term and medium-term corporate planning, serves to secure the long-term success of the company. The results of these processes are regularly analyzed and reported to the Management Board. Opportunity-based and at the same time risk-conscious action is encouraged.

We are of the opinion that the risk and opportunity management system in place is suitable for identifying, analyzing and quantifying existing and potential risks and opportunities in order to manage them adequately.

It is our task to master future challenges and seize opportunities that arise in order to achieve the goals we have set ourselves. Taking into consideration the risks and opportunities discussed in this Risk and Opportunity Report, there are no identifiable risks to Pfeiffer Vacuum Technology AG and its subsidiaries that could jeopardize the Company's continued existence, either as of the balance sheet date or at the time of preparation of the financial statements. In accordance with § 317, Sub-Para. 4 of the German Commercial Code ("HGB"), the auditor examined whether the early risk warning system is suitable for the early identification of risks that could jeopardize the Company. This examination revealed no objections.

## RISK AND OPPORTUNITY MANAGEMENT SYSTEM

We define risks as possible future events that could have a negative impact on the achievement of our corporate goals and that involve uncertainty about the occurrence of an event. Accordingly, we define opportunities as potential events that contribute to achieving the Company's objectives. Our Group-wide risk and opportunity reporting covers strategic, operational, legal, financial and compliance risks and corresponding opportunities. The aim is to identify, evaluate, control, monitor and systematically report on these in time.

### Organization and processes of risk and opportunity management system

Overall responsibility for Pfeiffer Vacuum's effective risk and opportunity management system bears the Management Board. The system is being continuously developed and adapted to the latest requirements in close coordination between the Management Board and the Global Compliance & Risk Management department (Compliance). The Compliance department is responsible for organizing, controlling and monitoring this system. Pfeiffer Vacuum views risk and opportunity management as a global and Company-wide task in which all employees of the local corporate units as well as global functional area managers play a crucial role. The principles, procedures, responsibilities and reporting requirements within the Group are set out in the Group policy: Risk Management.

### Identification of risks and opportunities

We view the identification of risks and opportunities at Pfeiffer Vacuum as an ongoing task and a component of our existing business processes. It comprises the systematic consideration and analysis of internal and external events and developments that could have a positive or negative impact on the achievement of our corporate goals.

With the step towards an integrated and process-oriented organization and a global and company-wide network of experts, as well as the worldwide sales network, we always try to seize opportunities as they arise and identify and control potential risks in a quick and purposeful manner. Potential opportunities are also discussed, analyzed and specified in detail as part of the strategy and planning processes and are implemented in the form of operational or strategic projects.

We conduct market and competition analyses in order to be able to explicitly make optimum use of industry and overall economic opportunities. This provides us with a good overview to further broaden our market share by specifically using our potential. By being in contact with our customers, we strive to identify trends early on and thus enable us to actively shape changes in the marketplace.

The Group reporting system supports risk and opportunity management with a wide range of key figures and reports, which serve as an important basis for the business units, Management Board and Supervisory Board to regularly discuss current business and draw conclusions. Regular management meetings and the exchange of information with representatives from Group units are also firmly established practices that give business unit heads and our subsidiaries the opportunity to exchange information with each other and the Management Board and discuss potential risks and opportunities.

In addition to reporting, our internal controlling system (ICS) helps us to identify risks in daily processes and thus avoid potential errors. The processes reviewed in this connection are first and foremost ones that have a major impact on Pfeiffer Vacuum's net income. Regularly conducted controls should protect against human error, system errors, and breaches of internal regulations.

To ensure the completeness and comparability of the identified risks, a risk register with main and subcategories was developed as part of the risk management policy. Identifying the cause of the risk is decisive for being able to classify any identified risks. This makes it possible to aggregate the results at both company and Group level.

## Risk assessment

The identified risks are assessed on the basis of two dimensions: the impact of the risk and the probability of occurrence (likelihood). For assessing both the risk impact and the likelihood, the following four categories are differentiated: low, medium, high and significant. For the Group and its subsidiaries, the following assessment criteria apply, which express the impact of the risk as a financial component in terms of its quantitative impact in relation to the EBIT:

### RATING: RISK IMPACT

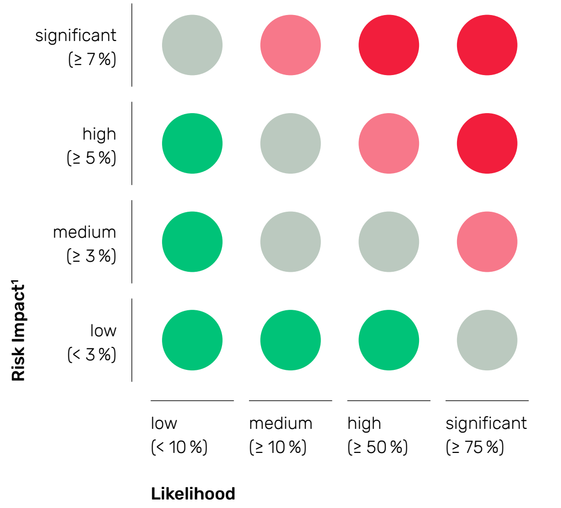
| Category | Impact on EBIT |
|---|---|
| Low | < 3 % |
| Medium | ≥ 3 % |
| High | ≥ 5 % |
| Significant | ≥ 7 % |

### RATING: LIKELIHOOD

| Category | Definition of frequency | Definition of probability |
|---|---|---|
| Low | ≤ 1 occurrence in 10 years | Rare < 10 % |
| Medium | > 1 occurrence in 10 years | Possible ≥ 10 % |
| High | > 1 occurrence in 4 years | Most likely ≥ 50 % |
| Significant | ≥ 1 occurrence per year | Almost certain ≥ 75 % |

The assessment of the risk is the product of the impact of the risk and the likelihood. On this basis, risks are classified into low, medium, high and significant according to the following chart.

## RISK CLASSIFICATION MATRIX




[1] Quantitative impact in relation to EBIT

**Risk classification:** low, medium, high, significant

As part of the risk assessment method, potential risks are assessed before risk-responding measures are taken (gross risks) and the residual risks are assessed after the implementation of risk-responding activities have already been taken or are still necessary (net risks).

The assessment in this report reflects only the net risks. In order to remain consistent with the outlook, a period of one year was used as the basis for assessing the risks in this report.

### Opportunity/risk reporting and management

Systematic risk and opportunity reporting takes place in a multi-stage process. The risk managers of the local Group units prepare reports in accordance with the risk management policy. These are monitored and reviewed by the compliance department, aggregated and provided to global functional area managers for further verification. The aggregated information from these reports forms the basis of the report to the Management Board, which decides on further control measures as required. A Group risk report is prepared on the basis of all these findings. In the event of occurrences or circumstances that owing to their significance or materiality require immediate disclosure of information outside regular risk reporting procedures, this must be done ad hoc to the Management Board, the compliance department or the emergency intervention committee (EIC) that has been set up.

In addition to identifying and assessing risks, the risk managers are responsible for defining and implementing suitable risk-responding measures for material risks and for monitoring the effectiveness of these measures. When deciding on response measures, the costs and benefits of any measures must be taken into account. Both the global function heads and the compliance department work in close coordination with the risk managers and monitor the progress of the measures planned to control risk. In addition, strategic projects, their progress and effects on the Company are discussed at regular meetings of the Management Board.

## EXPLANATION OF RISKS AND OPPORTUNITIES

In the following, all material Group risks and opportunities that are considered relevant from today's perspective are explained.

### OVERVIEW OF GROUP RISKS

| Risk category | Risk classification | | | |
|---|---|---|---|---|
| | low | medium | high | significant |
| **Strategic risks** | | | | |
| Macroeconomic and socio-political | ● | | | |
| Market development | | ● | | |
| Cooperations | ● | | | |
| Acquisition and integration | ● | | | |
| Product portfolio and technology | ● | | | |
| Organizational development | | ● | | |

## OVERVIEW OF GROUP RISKS

| Risk category | Risk classification | | | |
|---|---|---|---|---|
| | low | medium | high | significant |
| **Operational risks** | | | | |
| Research and development | | ● | | |
| Procurement | ● | | | |
| Supply chain | ● | | | |
| Production | ● | | | |
| Environment, health, safety, quality | | ● | | |
| Sales, service and marketing | ● | | | |
| Personnel management | ● | | | |
| Information technology/ information security | | | ● | |
| External incidents | | | ● | |
| Cost improvement | | ● | | |
| **Financial risks** | | | | |
| Foreign currencies | ● | | | |
| Liquidity situation | ● | | | |
| **Legal and compliance risks** | | | | |
| Contract management | | ● | | |
| Taxes | ● | | | |
| Patents and property rights | | ● | | |
| Product liability | | ● | | |
| Data protection | ● | | | |
| Export control | | ● | | |
| Antitrust law | | ● | | |
| Compliance, others | ● | | | |
| Sustainability | | ● | | |

## Strategic risks and opportunities

### Macroeconomic and socio-political

As a globally operating corporate Group, Pfeiffer Vacuum is dependent upon the global development of the economy. Economic downturns, financial market and exchange rate fluctuations, regulatory interventions, geopolitical uncertainties and tensions, and military conflicts can have a direct negative impact on our business development. Market-specific economic weaknesses, in particular in the semiconductor market, can also have a disproportionately high impact on the development of Pfeiffer Vacuum's sales revenues. In addition, uncertainties arising from international trade conflicts, economic policy sanctions, but also the increasing effects of climate change, can bear potential risks in the form of lost sales or cost increases for the Group.

Uncertainties regarding the development of the global economic environment currently exist in connection with the further course and duration of the coronavirus pandemic. In view of possible new waves of infection in case of lack of vaccination progress, there are still considerable economic risks as a result of necessary lockdown measures to contain the infection. We see these risks particularly in Europe. Overall debt levels in EU countries, which have increased as a result of government spending to combat the pandemic and support the economy, may also have a negative impact on economic growth even if the debt of the EU remains relatively lower than that of the USA and Japan.

With the conclusion of a comprehensive economic partnership agreement, the post-Brexit relationship between the European Union and the United Kingdom has been put on a new footing. How the envisaged partnership will affect the future investment behavior of market participants currently remains to be seen. Due to the comparatively low volume of business and the business measures that were implemented in advance, Brexit does not currently pose a significant risk for Pfeiffer Vacuum.

We continuously monitor macroeconomic and socio-political developments, and communicate and discuss our findings and assessments within the company-wide network of experts in order to identify potential risks in time and to find and implement suitable risk management measures.

Pfeiffer Vacuum has a balanced regional and market segment-related distribution of sales (see page 41). This leads to a balance in the overall structure of sales in economically weak and growing markets and industries. This is because all regions and market segments are rarely affected to the same extent by deteriorating economic development. The management of economic risk also includes the control of capacities and costs. By using flexible working time models, we try where possible to adjust production capacities to changing developments in the order situation.

We are confident that our broad strategic alignment with a focus on clearly defined markets will help us to counteract the risks and at the same time provide an opportunity to drive Pfeiffer Vacuum's dynamic development.

### Market development

Sales in Pfeiffer Vacuum's individual market segments are closely linked to global economic developments. The research and development market, for example, depends on government spending and focuses where research projects are concerned. The semiconductor market follows its own cycles, which offers enormous opportunities during boom phases and involves major risks during weak phases. The coating market is closely linked to developments in the solar industry and showed an increasing price orientation in the past year. The industry market segment brings together a heterogeneous group of industrial customers who require our vacuum solutions for certain production stages. Different industrial trends enable new areas of application for our vacuum solutions and help us to counteract negative general economic developments. Even during the global coronavirus pandemic, we have been able to provide solutions to our customers, some of whom play an important role in the fight against coronavirus.

In order to reduce the risks stemming from dependence upon individual market segments, Pfeiffer Vacuum places a great deal of value on its broad-based alignment.

Pfeiffer Vacuum is subject to intense competition. In our opinion, we mitigate this risk by selling our products not on price but on quality. Our market position should be expanded primarily through new products and solutions, as well as a broader range of services. We see it as an opportunity that our business units are set to benefit from current and future megatrends such as digitization, electromobility, the expansion of renewable energies and rapid developments in the life science industry, nanotechnology and the security sector.

### Cooperations

With the goal we have set ourselves of always being close to our customers by our international presence we want to ensure that our customers are always the focus of our activities. Intensive cooperation with our customers, especially the OEMs, helps us to recognize requirements and trends at an early stage and thus actively shape changes in the market.

We see a significant opportunity to strengthen our competitive position in the vacuum technology industry in the strategic cooperation with Busch SE (Busch Group). Both companies are working to realize synergies in the areas of purchasing, sales and service, research & development and IT. The objectives of the cooperation are to strengthen the competitive position in the market for vacuum technology, to better exploit the growth opportunities that arise and to improve cost structures.

### Acquisition and integration

Pfeiffer Vacuum is pursuing ambitious growth targets that are to be achieved both through organic growth and through suitable acquisitions. Acquisitions offer a variety of opportunities, including gaining access to regional markets or developing them more quickly, as well as broadening the Company's own technology portfolio.

Both acquisition activities and the integration of acquired companies into the Group always present particular challenges and also carry certain risks. To counteract these risks as far as possible, detailed and targeted reviews are carried out in the form of due diligence in the run-up to a company acquisition.

Pfeiffer Vacuum's consolidated balance sheet includes goodwill and other intangible assets resulting from acquisitions, which are regularly tested for impairment. Due to the potential value in use of these acquisitions, there is a general risk of goodwill and other intangible assets being impaired through profit or loss. This risk is reflected in the operating profit of the Pfeiffer Vacuum Group in 2020 with an amount of € 8.8 million.

### Product portfolio and technology

Products and services that do not meet customer needs can lead directly to potential sales decreases and thus to a loss of market share and reputation. Therefore, the key risk factors for Pfeiffer Vacuum include a lack of innovative strength and the loss of quality of products and services.

For this reason, from the very beginning we have set ourselves the primary goal of offering our customers reliable, durable, high-performance and energy-efficient products. We reduce these risks through ongoing customer contact and the resulting market proximity. The information thus obtained about the needs of our customers enables us to develop and offer products that are suited to their demands. This allows us to expand both our competitive position as well as our brand recognition.

Maintaining high quality standards is of utmost importance to us. This includes continuous ISO 9001:2015 certification. Innovative products and a targeted expansion of the product portfolio offer us ways to better and more broadly serve existing markets and opportunities to generate additional sales volume by gaining market share. Selective acquisitions can help us to expand our technology in order to strengthen our own market position.

### Organizational development

Pfeiffer Vacuum's growth strategy and the related challenges are extensive and involve the entire organization. The implementation of our growth strategy means that a large number of projects and tasks need to be coordinated and harmonized worldwide. Both the scope of the tasks and their complexity pose challenges for some of our employees.

We mitigate these risks by promoting open communication, making continuous and rapid decisions, and providing additional resources as needed.

## Operational risks and opportunities

### Research and development

Pfeiffer Vacuum develops, produces and distributes vacuum solutions that are highly demanding in terms of technology and quality. Pfeiffer Vacuum's business success and reputation depend heavily on the development of innovative products and solutions. New technical possibilities, trends and changing customer needs may require changes in technology and new business models.

According to our philosophy as a technology leader in the vacuum industry, our primary goal is to offer our customers innovative products and solutions with maximum process efficiency. Our innovative strength is the decisive key to our future business success. In order to utilize opportunities ere early on and to minimize risks, Pfeiffer Vacuum collaborates closely with customers and suppliers on projects that enable it to jointly advance new technologies to market maturity early on. In addition to our own research & development activities at several locations worldwide, we have an established network with various national and international universities and research institutes.

### Procurement, supply chain, production

On the procurement market there are fundamental risks, in particular in the form of supply bottlenecks, dependence on individual suppliers, price increases, quality problems, adverse changes in the economic and political environment and external disruptions, such as the current coronavirus pandemic. These could have a negative impact on our internal business processes and lead to cost increases.

We counter these risks by carefully analyzing and selecting our potential suppliers and by conducting ongoing supplier qualification programs. We also access external business information databases and auditors. We counteract possible supply bottlenecks and supplier dependencies primarily by continuously examining alternative suppliers (second source suppliers). Looking back on the experience of the last few months, which were heavily influenced by the coronavirus pandemic, it became clear that active supplier management is crucial for ensuring delivery capability. We try to reduce risks from expected market shortages of raw materials and associated price increases by means of long-term framework contracts wherever possible. Further measures include the targeted optimization of strategic and local procurement, close cooperation with supply chain management and the accelerated realization of synergy effects from the cooperation with the Busch Group described above.

We pay special attention to the continuous optimization of our measures and processes against the increasing complexity in the supply chain. Achieving maximum efficiency can become a success factor in competition here. We seize the opportunity to improve our processes, reduce costs and at the same time offer better service.

Interruptions to production or production losses due to internal or external incidents, but also a lack of production capacity, are among the main risks that can prevent product availability on schedule. In order to reduce downtimes due to technical causes to a minimum, modern production machinery and equipment as well as qualified technicians are used. Regular servicing and preventive maintenance of the machinery and efficient energy management also contribute to further risk prevention.

Production at our production sites may be interrupted by a massive spread of coronavirus infections or by lockdowns ordered by the authorities. We counter these risks with elaborate and continuously adapted safety measures.

The desired best possible design of our production networks helps us to optimize the interaction and control of our production sites, avoid possible capacity bottlenecks and focus even more on the needs of our customers.

We see further investments in the expansion, modernization and optimization of our production, logistics and service processes as an opportunity to offer our customers high-quality solutions even faster.

### Environment, health, safety, quality

Deficits in connection with occupational safety, environmental protection, health protection and the quality of our products and services could have a negative impact on the financial position and profitability of Pfeiffer Vacuum, and in the worst case could lead to a loss of reputation. We therefore place the highest demands on safety, environmental and health protection and product quality.

As a responsible employer, Pfeiffer Vacuum endeavors to limit the number of accidents and the frequency of days lost due to illness as far as possible. We also take our customers' security requirements very seriously. Nevertheless, not all events can always be avoided. We prevent risks relating to quality deficiencies by continuously optimizing our quality and process management. At Pfeiffer Vacuum, occupational safety at the principal manufacturing locations is the responsibility of at least one central internal or external expert who is assigned to the "Environment, Health and Safety" department. With regard to the measures taken by our quality and EHS management, we refer you to the detailed explanations in the section "Non-Financial Consolidated Statement" ( see page 55 ).

### Sales, service and marketing

The potential loss of important customers or failure to acquire new customers could have a negative impact on our sales and service activities. Reasons for this could be inadequate customer relationship management, inadequate response time or flexibility, or delayed market entry. Dependence on individual customers or their investment behavior also bears risks.

We counter these risks by continuously expanding our global presence. The alignment of our global sales organization should help us to identify our customers' needs early on, optimize our customer relationship management and at the same time manage our resources in an appropriate manner. A broad product portfolio, innovative technology combined with our problem-solving approach and a high level of service and support help us to secure sales.

### Human resources management

As a provider of vacuum solutions, which represents a special field of mechanical engineering, we are dependent on the high level of qualification of our employees and their commitment. Competition for a diverse and highly qualified workforce is very intense in our industry and the regions in which we do business. In addition, turnover rates in Asian countries are generally somewhat higher than in Europe or the USA. There is a general risk of losing qualified employees or of not being able to recruit enough qualified personnel for our company to meet the high demands of our customers.

We counter these risks with many globally and locally managed projects in order to strengthen employer branding and the recruitment, retention and development of employees. We place high value on communication and on developing the use of new and modern channels of communication.

As part of our human resources management, we also monitor structural changes within our workforce to identify potential personnel requirements at an early stage and take appropriate measures.

Pfeiffer Vacuum provides its own training in a variety of vocations and offers internships for young professionals and students at many of our subsidiaries. In addition, we participate very successfully in the dual degree program of the Technical University of Mittelhessen in Germany, maintain a partnership for in-company training with the Georg-August University in Göttingen and are in continuous exchange with other schools and universities.

### Information technology and information security

Due to the increasing digitization in all business processes, the requirements regarding confidentiality, integrity and availability of electronically processed information and the associated use of information technology (IT) are high. Business success increasingly depends on the security of information and digital assets. The use of digital assets increases the risk of threats such as cybercrime or cyber espionage. Laws and regulations also increasingly require organizational structures and processes to identify and address information security risks (for example, the EU General Data Protection Regulation or the IT Security Act).

In addition to the external threat of cyberattacks and direct physical interference, there are also potential risks due to a lack of awareness or misconduct on the part of employees. These also include the risks of system failures, data loss, and virus or hacker attacks, which could lead to an interruption of business activities. Indirect consequences of such events could include reputational damage and significant cost burdens.

The risk of data losses is kept to a minimum at Pfeiffer Vacuum by performing daily backups of our complete corporate data. Our corporate databases with sensitive information are subject to a high security standard. All files created by our employees within the server environment are backed up on a daily basis. Our backup tapes are stored in secure, fireproof locations.

The activities of our in-house support team reduce system outages to a low level. The Company also uses regularly updated virus scanners and modern firewalls to protect its hardware and software against the risk of computer viruses and hacking.

Within the framework of risk management, information security and IT risks are systematically recorded and assessed with the support of the specialist departments. Despite preventive safety measures for logical access protection for program maintenance and IT-operations, risks in this environment cannot be completely excluded. All employees are obliged to handle information such as confidential business, customer and employee data with care, to use information systems securely and to deal with risks transparently.

An information security management system in accordance with the ISO/IEC 27001 standard is currently being set up and implemented. The target is to comprehensively plan, implement and continuously improve the handling of these risks and the security measures.

### External incidents

As a globally operating company, Pfeiffer Vacuum cannot avoid external risks. Increasing effects of climate change, natural disasters, fire, accidents, but also the spread of diseases across countries and continents, can lead to business interruptions or property damage to the company's assets, as well as endanger the health of our employees.

As far as possible and economically justifiable, we have taken out insurance to minimize the financial consequences of such risks. In addition, we implement possible preventive measures and optimize contingency plans for the rapid resumption of our business activities. Furthermore, we are repeatedly subject to local safety management audits.

The ongoing uncertainty regarding the further development of the coronavirus pandemic and its consequences continues to pose high risks. With infection and mortality rates still high, particularly in the USA and Europe, and uncertainty about availability and efficacy of vaccines, the global macroeconomic, sociopolitical and regulatory situation remains very tense. The restrictions ordered by the authorities to slow the spread of the infections may lead to a further slowdown in economic performance in many countries, particularly in the EU, and thus to a decline in demand.

Pfeiffer Vacuum established a global Emergency Intervention Committee (EIC) at an early stage due to the coronavirus pandemic. EIC members meet regularly in virtual sessions, deliberate and decide on global health and safety rules and measures. The main objective and absolute priority of the EIC is to ensure the health and safety of our employees in the context of potential coronavirus infections. The EIC ensures that the health and safety measures adopted are implemented at all Pfeiffer Vacuum locations. In addition to the measures addressed, transparent and intensive internal communication and information on the subject of coronavirus are of great importance to our employees.

In addition to the focus on health and safety aspects, there is also a regular global exchange about the current development of Pfeiffer Vacuum and about countermeasures to control negative developments.

### Cost improvement

In order to increase our profitability, we have set ourselves the task of continuously improving operating efficiency. This goal can be influenced by internal or external events or undesirable developments. To minimize these risks, performance is monitored and controlled on an ongoing basis.

## Financial risks

### Foreign exchange

As a result of our pronounced international operations and the high percentage of export business that this involves, we are subject to a foreign exchange risk.

The Company carries out active currency management to control foreign exchange risks. In order to minimize the impact of exchange rates, we enter into forward exchange contracts and occasionally forward exchange options (Note 33). In the case of Group companies outside the eurozone, there is also a risk that stems from the valuation of foreign currency receivables at the close of the fiscal year, which may be reflected in the form of unrealized foreign currency losses.

Due to the conversion of income and expenses of Group companies outside the eurozone an unfavorable development of foreign currency exchange rates has a direct impact on Pfeiffer Vacuum's consolidated statements of income and cannot be hedged. A certain degree of compensation for this effect results from the fact that the subsidiaries outside of the eurozone record their own selling and general administrative costs, which change counter to sales (natural hedge). As a function of the development of the euro relative to the respective foreign currency – there can be both positive as well as negative effects on sales and operating profit.

### Liquidity position

The risk of individual customers' insolvency always exists, independently of the economic situation. We counter bad debt risk with credit checks, diversified payment terms and active receivables management. These instruments are becoming increasingly important in the current tense economic situation due to the coronavirus pandemic. In addition, we try to limit dependence on individual customers as far as possible.

Financial liabilities amounted to € 73.1 million on December 31, 2020 (corresponding to a share of 11.0 % of the balance sheet total) (Note 23 and Note 30). With cash and cash equivalents of € 122.9 million, there is therefore no net debt, as in previous years. This means that there is sufficient room for maneuver financially to assure the survival of the Company, even in difficult economic times. Our operational business generates sufficient liquid assets to enable the Company to continue to grow from within and to pay dividends to our shareholders.

## Legal and compliance risks and opportunities

### Contract management, taxes, patents and intellectual property rights, product liability

As a result of Pfeiffer Vacuum's international business operations, the Company is subject to different country-specific legal risks. National and international contract law and taxation are of particular significance in this connection. These areas can have a direct impact on the Company's profitability and financial position.

Moreover, as is the case for many other globally operating technology companies, a growing number of cases involving "intellectual property rights" can also harbor potential risks for Pfeiffer Vacuum. Possible damages resulting from the violation of such rights may lead to payments of compensation claims right up to a conviction to refrain from selling a product or using a certain technology.

Standardized terms and business conditions of contracts are always used to minimize the risk from product and service contracts. In the case of special contracts, the contract instrument is first reviewed in-house and then by external legal counsel, if necessary. The expertise required to assess day-today business is provided by our qualified staff in the legal, patent, tax and sales departments. For complex questions of national and international taxation or patent matters, we use the assistance of external tax consultants and patent attorneys.

As a manufacturer of technology products, Pfeiffer Vacuum is subject to product liability stemming from its business relationships with customers. Potential product liability risks are limited by setting high quality standards. In addition, appropriate product liability insurance policies are in place.

No legal disputes are currently pending whose outcome could have a material impact on the Company's earnings or financial position.

**Compliance, export control, antitrust law, data protection, sustainability**

The focus of our compliance activities is primarily on the fields of anti-corruption, antitrust, data protection, information security and export control, as the occurrence of such risks can have a significant impact on our business activities and thus on our profitability, financial position and liquidity. Failure to do so could result in loss of reputation, criminal or civil prosecution, fines, penalties, injunctions, profit skimming, disqualification from participating in certain transactions or other restrictions.

To reduce these risks, the company has implemented a global compliance management system. The aim of this is to avoid compliance breaches as far as possible by means of preventive measures, to detect any misconduct at an early stage, to react quickly in the event of confirmed violations and to penalize misconduct.

The effectiveness and efficiency of our compliance program is of central importance and we place particular emphasis on its strict implementation. In this way we set binding standards for our employees.

Violations of export control regulations can have massive consequences for the company as well as for the responsible actors: In addition to a reputation risk, there is also the threat of loss of export licenses and a personal liability risk. To counteract this, the company has set up a global export control organization to analyze local and international laws and monitor their compliance.

Pfeiffer Vacuum also views itself as being exposed to competition and antitrust risks. The Company minimizes these risks through internal and external employee training.

Protecting the personal rights of its business partners, employees and shareholders has always been an important and fundamental objective for the Pfeiffer Vacuum Group. As a trustworthy partner, the careful handling of the data made available to us is a high priority for us. We are constantly developing our data protection measures to meet our responsibility.

Pfeiffer Vacuum estimates the compliance risks as relevant, while the probability of occurrence is low. The Company has continuously improved its compliance management system in recent years. Compliance measures have been implemented and are expected to contribute to a further improvement in the risk situation in future.

With the global corporate strategy, sustainability has become a component of the corporate mission statement of the Pfeiffer Vacuum Group. Sustainability, for the Group, means first and foremost ethical action with respect for all stakeholders and responsibility for the economic, ecological and social impact of business activities. The trend towards increased sustainability requirements on the part of our customers continues. We intend to exploit the resulting opportunities in a growing market even more systematically in the future through more sustainable innovations. For further information on sustainability, please refer to the section "Non-financial Group Statement".

## MISCELLANEOUS

### Risk management as it relates to consolidated accounting pursuant to § 315, Sub-Para. 4, German Commercial Code ("HGB")

The purpose of an internal consolidated accounting control system is to ensure adequate certainty by implementing controls that – despite identified risks – enable consolidated financial statements to be prepared in accordance with applicable standards.

The Management Board bears overall responsibility for the internal control and risk management system in respect to the consolidated accounting process. All companies included in the Consolidated Financial Statements are covered by a strictly defined management and reporting organization.

The principles, the organizational and procedural structures, as well as the processes of the individual control and risk management systems relating to consolidated accounting, are stipulated throughout the entire Corporate Group in guidelines and organizational procedures that are adapted if needed to reflect current external and internal developments. Our internal experts also work together with external counterparts on a case-by-case basis. This enables us to ensure that our accounting is in compliance with IFRS accounting and valuation regulations.

In respect of the consolidated accounting process, we consider those characteristics of the internal control and risk management system to be key that can have a decisive influence on consolidated accounting and on the overall view presented in the Consolidated Financial Statements. In particular, these are the following elements:

- Identification of the major fields of risk and areas of control that are relevant to the consolidated accounting process,
- Monitoring controls for enabling the consolidated accounting process to be supervised by the Management Board,
- Preventive control measures in the finance and accounting systems of the Corporate Group and the companies included in the Consolidated Financial Statements, as well as in operational corporate processes that generate key information for drawing up the Consolidated Financial Statements, including the Management Report for the Corporate Group (including separation of functions),
- Measures that assure proper IT-based processing of facts and data that relate to consolidated accounting.

### Rating

Pfeiffer Vacuum Technology AG is not subject to any official rating by Moody's, Standard & Poor's or similar agencies.

# SUBSEQUENT EVENTS

There have been no significant changes to the Company's situation or the industry environment since the beginning of the 2021 fiscal year.

# OUTLOOK

## Overall economic development

The International Monetary Fund (IMF) expects the global economy to regain momentum in 2021. In their current forecast, the "World Economic Outlook", the experts assume that the global economy will grow by 5.5 % this year. This means that the IMF economists' current expectations for global growth are 0.3 percentage points higher than their last forecast of October 2020. The positive impact of the rollout of vaccination campaigns and the expectation that the larger industrialized nations will inject further economic stimulus mean that the IMF is more optimistic about the future. For 2022, they are sticking to their October 2020 forecast and hold out the prospect of global economic growth of 4.2 %. At the same time, the IMF analysts emphasize that any forecasts are subject to inherent uncertainties in view of the current pandemic, with an increase in infections precisely in the industrialized countries at the end of 2020, and the spread of the virus mutations.

IMF economists believe that China's economy will grow at the highest rate in the world this year, forecasting an increase of 8.1 % in 2021 and still even 5.6 % the following year. For the world's largest economy, the USA, the IMF economists have meanwhile become more confident again and are forecasting growth of 5.1 % for 2021 – two percentage points higher than in October 2020.

An increase of 2.5 % is expected for 2022. The USA and Japan are anticipated to regain their economic strength from year-end 2019 as early as in the second half of 2021.

By contrast, the IMF is less optimistic about economic development in the eurozone and is also more cautious than it was in October 2020, which is why it lowered its forecast for the current year by one percentage point to a gain of +4.2 %. For 2022, the IMF predicts an increase in economic performance of +3.6 %. The IMF economists have also lowered their growth expectations for Germany. They now expect GDP to rise by 3.5 % in the current year – 0.7 percentage points less than three months earlier – followed by 3.1 % in 2022. Although the German government has done comparatively well so far in managing the COVID-19 pandemic, the IMF warned against scaling back economic aid for companies too soon.

The federal government itself is more cautious in its forecast. In its Annual Economic Report 2021, together with the Federal Statistical Office, it anticipates price-adjusted GDP to increase by around 3.0 % in the current year. It is not expected to return to the pre-crisis level until mid-2022.

IMF analysts expect the global economic situation to stabilize and the trade dispute between the USA and China to ease further.

The experts at the IMF are also confident that, as expected, the most important central banks will keep key interest rates at the current low level until the end of the forecast period in 2022. They expect this to have a stabilizing effect in the advanced economies and to improve the economic situation in the emerging and developing countries.

The main risk factor, however, remains the COVID-19 pandemic: IMF economists currently estimate that this will cost the global economy the almost inconceivable sum of around 22 trillion U.S. dollars between 2020 and 2025. This is roughly equivalent to the annual economic output of the USA or more than four times the gross domestic product in Germany.

**Situation expected to further improve in mechanical engineering and semiconductor market**

Encouraged by the slight improvement in the economic situation in the second half of 2020, the German Mechanical Engineering Industry Association (VDMA) is forecasting production growth of 4 % in real terms for the current year 2021. However, the VDMA's economists are finding it more difficult than usual to make a reliable forecast. The continuing high level of uncertainty in the global economy is weighing on the industry and is poison for the capital goods economy. The upswing is also being hampered by continuing protectionism and rapid structural change in the automotive sector, which is so important for the mechanical engineering industry. However, the association representatives see perhaps the greatest challenge for member companies in 2021 in liquidity bottlenecks – when the economy picks up again, an improved order situation, for which mechanical engineering companies will initially have to make advance payments, can be expected. However, the association representatives are hoping for positive influences from the change of government in the USA and a higher propensity to invest after the funds from the recovery fund planned by the EU have been disbursed.

Positive signals for the year 2021 are also coming from the German Electrical and Electronic Manufacturers' Association ("ZVEI"). The association's representatives forecast sales increases of 8 % to around 463 billion U.S. dollars for the global semiconductor market while, Europe-wide, the increase in sales is expected to be around 5 % to 38 billion U.S. dollars. Growth drivers include the increased use of the 5G telecommunications standard, artificial intelligence and edge technology.

## Sales growth expected for 2021

Based on the precondition of a recovery of the global economic situation and continued strong demand, particularly in the semiconductor market segment, we anticipate organic sales growth in fiscal 2021. The extent of this growth depends particularly heavily on governmental measures against the further spreading of the coronavirus, the development and distribution of effective vaccines and successful therapies, and thus on the effects of the COVID-19 pandemic on global economic development, our customers and our production facilities. Currently, we are not able to assess the impact of these factors conclusively and they could therefore not be fully reflected in our planning.

We believe that we managed the impact of COVID-19 relatively well in 2020 since the measures that were taken enabled us to meet the needs of our customers even in this challenging environment. However, there was definitely a financial impact on the Pfeiffer Vacuum Group as well in 2020, and the further development of the coronavirus pandemic is and remains highly uncertain.

Even just under a year after the outbreak of the pandemic in Europe and the USA, no real perspective can as yet be discerned in this respect and all forecasts are subject to multiple uncertainties.

Should the economy in 2021 develop as stable as in the second half of 2020, we expect sales to be at least 5 % higher than the 2020 level.

## Increase in EBIT margin anticipated

In fiscal 2018, the implementation and realization of strategic measures was decided. Pfeiffer Vacuum will continue to pursue the strategic investment program which it adopted in this respect and at the same time focus even more strongly on its customers and markets. One strategic goal is to increase the EBIT margin. We continue to adhere to this objective, even though a quantification of these goals and a time frame are not realistically possible at present against the backdrop of the overall economic conditions.

During the investment and implementation phase for the strategic measures, the implementation will initially burden the development of results, as the realization of the measures will lead to an increase in operating expenses. This is due in part to the fact that we are initially investing in a global management structure, expert functions and first-class production facilities in order to achieve our goals. In 2019 and 2020, the global management structure and expert functions were implemented and the production facilities were further expanded.

Consequently, and as a result of the investments already made and further investments planned, the operating profit margin for 2021 is expected to be above the level of 2020, even taking into account an assumed increase in sales. However, as a result of the continued uncertainty and the resulting burden on operating profit and operating profit margin development, only a slight improvement can be assumed at present, excluding the impact from impairment losses. The Management Board will provide further details once a systematic analysis has been completed. This analysis will take into account the results of recent years, current market conditions, including the impact of the COVID-19 pandemic, as well as future opportunities for accelerated profitable growth for Pfeiffer Vacuum in a changing market environment.

Due to the continuing low level of interest rates, we anticipate the development of earnings before taxes to develop largely in line with operating results.

## Capital investment of € 150 million

In fiscal 2018, an investment program of € 150 million was approved to achieve the strategic goals. Originally planned as a 3-year program, € 99.0 million have already been invested from 2018 to the end of 2020 under this program. The primary undertakings of the investment program include investments in the expansion and modernization of production capacities, the intensification of research and development, the promotion of Industry 4.0 objectives and the expansion of the Company's presence in Asia as a whole and China in particular.

In addition, the implementation of a uniform, global ERP, customer relationship management, computer-aided design and human resources system should be mentioned in this context.

The investments currently planned for the 2021 fiscal year are likely to at or above the 2020 levels of approx. € 30 million. A main focus will be on expenditures in connection with the standardization of ERP systems. Expenditures for further expansion and modernization of production facilities will be made on a selective basis in order to adapt our production capacities to current requirements. Under certain circumstances, it may well be the case that currently planned measures will not be realized until the following year.

## Strategic cooperation with the Busch Group

In June 2019, we started to analyze synergies from the strategic partnership with the Busch Group. We expect this cooperation to have a positive impact on margins and earnings. In 2020, the first concrete measures were implemented, particularly in the area of purchasing, and a joint purchasing organization was put in place. We expect the first effects on earnings in 2021.

## Development of Pfeiffer Vacuum Technology AG in the year 2021

Due to the existing profit transfer agreement the earnings position of Pfeiffer Vacuum Technology AG continues to be significantly impacted by the sales development within Pfeiffer Vacuum GmbH. Mainly paralleling the anticipated sales development for the whole Group we assume a slight increase to be achievable. Accordingly we foresee also a slight increase in the earnings position of Pfeiffer Vacuum GmbH in the year 2021. On the level of Pfeiffer Vacuum Technology AG further burdens in earnings have to be considered, resulting from anticipated expenses due to, amongst others, the implementation of the global ERP solution. According to our estimations, this should still result in a slight increase in the net income overall.

## Dividend of € 1.60

Unlike many other companies that have drastically reduced their dividends or even canceled them altogether, the Management Board would therefore like shareholders to share in the success achieved by the Company even in these difficult times. The Management Board is therefore proposing a dividend of € 1.60 per share (previous year: € 1.25 per share) for fiscal 2020. With a total pay-out of € 15.8 million, 50.0% of the Company profits would be paid-out to shareholders (previous year: 25.5 %). This proposal is nevertheless set against the backdrop of the COVID-19 pandemic and the associated economic impact and uncertainties. Anyhow, Pfeiffer Vacuum developed very robust in 2020 and generated additional cash even under difficult circumstances. After the dividend payment was reduced in 2020 due to the uncertainties with regard to the Corona pandemic, the Management Board now decided to propose a higher dividend based on the business development in 2020. As a result of the solid liquidity position, negative impacts on the further planned investments from a higher dividend payout are not visible.

### DIVIDEND FIGURES

| | | 2020 | 2019 |
|---|---|---|---|
| Payout ratio[1] | in % | 50.0 | 25.5 |
| Dividend per share | in € | 1.60[2] | 1.25 |
| Dividend yield | in % | 1.0[2] | 0.8 |

[1] proposed distribution in comparison to the net income of the respective year
[2] subject to the approval of the Supervisory Board and the Annual General Meeting

## Forward-looking statements

The statements, estimates and other information in our outlook are based on assumptions related to the development of the future overall economy and the industry, including in relation to COVID-19, and our success in implementing our strategy. These assumptions reflect the understanding at the time of preparing the Management Report. There are risks and uncertainties relating to the probability of the statements and estimations made here, meaning that the actual developments may deviate significantly.

Assuming a continued recovery of the global economy in general and from the consequences of the coronavirus pandemic in particular, Pfeiffer Vacuum is convinced that it will be able to expand sales by 5 % in fiscal 2021 and to raise the EBIT and EBIT margin above the level of the year 2020 (not considering impairment losses). Overall, we are convinced that these expectations are realistic based on current knowledge. However, in addition to the effects of the pandemic, uncertainties such as about geopolitical developments and the resulting decline in demand as well as currency volatility, also pose a risk to the achievement of these goals.

# OTHER INFORMATION

## Final declaration of the Management Board's report on relationships with affiliated companies pursuant to § 312 of the German Stock Corporation Act ("AktG")

Pfeiffer Vacuum Technology AG is a dependent company of Busch SE, Maulburg, Germany, as defined in § 312 of the German Stock Corporation Act. Pursuant to § 312, Sub-Para. 1, German Stock Corporation Act ("AktG"), the Management Board of Pfeiffer Vacuum Technology AG has therefore prepared a report of the Management Board on relationships with affiliated companies, which contains the following concluding statement:

"Our Company received appropriate consideration for each legal transaction from January 1, 2020 to December 31, 2020 listed in the report on relationships with affiliated companies. No measures were taken as a result of which the Company suffered any disadvantage. This assessment is based on the circumstances known to us at the time the reportable legal transaction was undertaken or the measures were implemented. There were no reportable omissions of measures in the reporting year."

## Takeover-relevant information pursuant to §§ 289a, 315a of the German Commercial Code ("HGB")

The subscribed capital of Pfeiffer Vacuum Technology AG as of December 31, 2020, remains unchanged at K € 25,261 and consists of a total of 9,867,659 no-par value bearer shares. There are no different classes of shares currently or previously existent, so all shares have the same rights, in particular the same voting and dividend entitlement rights. Accordingly, the calculated share of the subscribed capital amounts to € 2.56.

As of December 31, 2020, Dr. Karl Busch, Ms. Ayhan Busch, Ms. Ayla Busch, Mr. Sami Busch and Mr. Kaya Busch, all of Germany, according to their own statements, held a total of 62.96 % of the voting rights in the Company (previous year: 60.22 %). No further information is available to us. The shares are held indirectly through Pangea GmbH, Maulburg, Germany, and other independent legal entities belonging to the family-run Busch Group, and are deemed to be held by the persons named. To the best of our knowledge, there were no other shareholders with a holding of more than 10.0 % as of December 31, 2020 and also as of December 31, 2019.

Amendments to the Articles of Association can be adopted by the Annual General Meeting with a qualified majority of three quarters of the share capital present at the Annual General Meeting, unless a larger majority is required by law.

To the best of our knowledge, there are no restrictions on voting rights or the transfer of shares.

According to the Articles of Association of the Company and §§ 84 and 85 of the German Stock Corporation Act ("AktG"), Management Board members are appointed by the Supervisory Board for a maximum of five years. Reappointments or extensions to the term of office are permitted for a maximum of five years in each case.

Through a resolution of the Annual General Meeting on May 23, 2018, the Management Board is authorized to increase the subscribed capital one or more times by € 12,630,602.24 or 4,933,829 shares in exchange for cash and/or contributions in kind (authorized capital). This authorization is valid until May 23, 2023 and requires the approval of the Supervisory Board.

According to the resolution of the Annual General Meeting on May 23, 2019, the Management Board is authorized to issue fractional bonds with option or conversion rights and/or option or conversion obligations, profit participation rights and income bonds (or combinations of these instruments) with an aggregate nominal value of up to € 200,000,000.00 and to grant the holders conversion rights of up to 2,466,914 no-par bearer shares of the Company having a pro-rata amount of the share capital of up to € 6,315,299.84. This authorization is valid until May 22, 2024 and requires the approval of the Supervisory Board.

At the Annual General Meeting on May 20, 2020 the shareholders authorized the Management Board to repurchase treasury shares pursuant to § 71, Sub-Para. 1, No. 8, German Stock Corporation Act ("AktG"). This authorization covers the buyback of a proportionate amount of the share capital of up to € 2,526,120.70 (986,766 shares corresponding to 10.0 % of the share capital at the time the resolution was adopted), requires the approval of the Supervisory Board and is valid through May 19, 2025.

It remains unchanged as of December 31, 2020 that the Corporate Group does not own treasury shares.

For information relating to the employment contracts of the members of the Management Board, please refer to the corresponding paragraphs in the compensation report (an element of this Management Report) ( see page 97 ).

There are no further aspects that would require discussion within the context of §§ 289a, 315a, German Commercial Code ("HGB").

# DECLARATION ON CORPORATE GOVERNANCE

**A central component of the declaration on corporate governance pursuant to § 289f (1) sentence 2 and § 315d of the German Commercial Code ("HGB") is the reporting on the corporate governance of the Company. Principle 22 of the German Corporate Governance Code (GCGC 2020) states that the Supervisory Board and the Management Board shall report annually on the corporate governance of the Company in the declaration on corporate governance. The Management Board and Supervisory Board therefore issue the declaration on corporate governance jointly, each being responsible for those parts of the declaration that concern them.**

## Pfeiffer Vacuum complies with virtually all Code recommendations

On November 4, 2020, the Management and Supervisory Boards of Pfeiffer Vacuum Technology AG submitted the declaration of compliance for the year 2020 pursuant to § 161 of the German Stock Corporation Act ("AktG"), supplemented this as a precautionary measure on November 19, 2020 and updated it on January 29, 2021. The declaration of compliance together with the supplement and the update has been made permanently accessible to shareholders on the Corporation's website ↗ Pfeiffer Vacuum / Corporate Governance and is given below.

## Declaration of compliance dated November 4, 2020

The German Stock Corporation Act (AktG) § 161 requires the Management and Supervisory boards of listed companies to issue an annual declaration regarding the recommendations of the "Government Commission on the German Corporate Governance Code". The Management and Supervisory Board of Pfeiffer Vacuum Technology AG issued their last declaration of compliance according to § 161 AktG on November 4, 2019. At this time, the German Corporate Governance Code in the version of February 17, 2017 was valid (GCGC 2017). On December 16, 2019, the Government Commission on the German Corporate Governance Code issued a new version of the Code, which came into effect on March 20, 2020 with its publication in the official section of the Bundesanzeiger (German Federal Gazette) (GCGC 2020).

This being said, the Management and Supervisory Board of Pfeiffer Vacuum Technology AG declared the following in the declaration of compliance dated November 4, 2020:

Since submitting the last declaration of compliance on November 4, 2019, Pfeiffer Vacuum Technology AG has complied with all the recommendations of the GCGC 2017, with the following exceptions:

- The GCGC 2017 recommended a deductible for the Supervisory Board's D&O insurance (paragraph 3.8). The Supervisory Board's actual D&O insurance does not contain a deductible. The Management and Supervisory Board is of the opinion that a deductible would not improve the Supervisory Board's motivation and sense of responsibility, as it works for the benefit of the Group.

- The GCGC 2017 recommended that a term limit be established for the period of membership on the Supervisory Board (paragraph 5.4.1). In the financial year 2018, the Supervisory Board set a term limit of 15 years for the period of membership on the Supervisory Board. All the members of the Supervisory Board fulfill this requirement, with the exception of Mr. Götz Timmerbeil, for whom the Supervisory Board made an exception, since he possesses a high level of expertise and many years of knowledge of the Company, which the Supervisory Board would not like to forgo at this point in time, particularly after the changes to the Supervisory Board that have taken place in recent years.

- The recommendation in paragraph 5.4.6 of the GCGC 2017, according to which the chairmanship and membership of committees should also be taken into account in the remuneration of the Supervisory Board, was not fully complied with since the remuneration resolved by the 2016 Annual General Meeting specifies higher remuneration only for the chairman and deputy chairman of the Supervisory Board and the chairman of the audit committee, whereby in the case of dual functions, no additional remuneration is paid, but only the higher remuneration. The Management Board and Supervisory Board are of the opinion that committed committee work was nevertheless guaranteed.

From now on, compliance with all the recommendations of the GCGC 2020 is assured, with the exception of the following:

- The recommendation in B.3, according to which the initial appointment of management board members should be for a maximum of three years, is not complied with, since it restricts the decision-making freedom of the Supervisory Board in an inappropriate manner. In particular, when members of the Management Board join mid-year, compliance with this recommendation would mean that both the time of joining and the time of termination of office would fall within an ongoing accounting period. When assessing variable remuneration, this doubles the need for a pro rata deferral for the period or necessitates an appointment period of less than three years.

- It should be noted that the Company does not currently have a system for the remuneration of Management Board members as described in AktG § 87a and principle 23 of the GCGC 2020, because such a system would first have to be submitted for approval at the next Annual General Meeting in 2021. The Supervisory Board will decide on the remuneration system in good time before the next Annual General Meeting and in this context will also take into account the recommendations included in Section G of the GCGC. This does not apply to the following recommendations, since these would make the structuring of Management Board remuneration too inflexible: G.3 (peer group comparison to assess customary practice), G.10 (investment of variable remuneration amounts in shares or appropriate share-based awards, long-term variable awards only available after four years). On this basis, the possibility of adapting existing Management Board contracts to the remuneration system will be examined, should any discrepancies exist.

- The recommendation in G.17 of the GCGC 2020, according to which the remuneration of the Supervisory Board should also adequately take into account the higher time expenditure of the chairman and members of committees, is currently not fully complied with because the remuneration resolved by the 2016 Annual General Meeting determines a higher remuneration only for the chairman and deputy chairman of the Supervisory Board and the chairman of the audit committee, whereby in the case of dual functions, no additional remuneration is paid, but only the respective higher remuneration. The Management Board and Supervisory Board are of the opinion that dedicated committee work is nevertheless guaranteed.

### Precautionary supplement dated November 19, 2020

The declaration of compliance dated November 4, 2020 is supplemented as a precautionary measure with the following information on the current compensation of the members of the Management Board:

- The service agreements of the Management Board (*Vorstandsverträge*) which were concluded prior to the GCGC 2020 coming into force, do not comply with the recommendations on Management Board remuneration in the GCGC 2020 insofar as they go beyond or deviate from the recommendations of the GCGC 2017, because they were not yet known at the time the service agreements were concluded.

- The service agreement with Dr. Giesen which was concluded after the GCGC 2020 came into force, complies with the new recommendations of the GCGC 2020 on Management Board remuneration, with the exception of those provided for in G.10. The recommendation in G.10 sentence 1, according to which the variable remuneration components should be predominantly invested in shares or granted on a share basis accordingly, is not complied with, because the Management Board member would thus be exposed to the risk of negative share price developments based on market fluctuations, which remain outside the influence of the Management Board. Contrary to the recommendation in G.10 sentence 2, according to which long-term variable remuneration amounts should only be available after a period of four years, the service agreement provides for a three-year assessment period, with payment being made after the Annual General Meeting following the end of the three-year period. The Supervisory Board is of the opinion that this adequately ensures the long-term incentive that is aimed for, which would not be increased by a later payment date.

## Updating of declaration of compliance on January 29, 2021

On November 4, 2020, the Management Board and the Supervisory Board issued the regular declaration of compliance with the German Corporate Governance Code, and as a precautionary measure, supplemented it on November 19, 2020 with information on the current remuneration of the members of the Management Board. In the meantime, the Supervisory Board has adopted the system for the remuneration of the members of the Management Board within the meaning of section 87a of the German Stock Corporation Act (AktG) and principle 23 of the GCGC 2020, which is to be submitted to the Annual General Meeting 2021 for approval. Accordingly, the reservation included in the second to last paragraph in the declaration on Corporate Governance on November 4, 2020, is not applicable any more.

Therefore, the declaration on Corporate Governance is updated and worded as follows in its section relating to the current and future corporate governance practices of the Company:

All recommendations of the GCGC 2020 are complied with, with the following exceptions:

- The recommendation in B.3, according to which the initial appointment of members of the Management Board should be for a maximum period of three years, is not complied with, since it restricts the decision-making freedom of the Supervisory Board in an inappropriate manner. In particular, when members of the Management Board join mid-year, compliance with this recommendation would mean that both the time of joining and the time of termination of office would fall within an ongoing accounting period. When assessing variable remuneration, this doubles the need for a pro rata deferral for the period or necessitates an appointment period of less than three years.

- The recommendation in G.10 sentence 1, according to which the variable components of the remuneration of the Management Board should be predominantly invested in shares or granted accordingly on a share-based basis, is not complied with because this would expose the members of the Management Board to the risk of negative share price developments based on market fluctuations over which the Management Board has no influence. The recommendation in G.10 sentence 2, according to which long-term variable remuneration amounts should only be available after four years, is also not complied with. Instead, long-term variable remuneration is provided for in relation to a three-year assessment period, with payment taking place following the Annual General Meeting at the end of each three-year period. The Supervisory Board is of the opinion that this sufficiently ensures the desired long-term incentive, which would not be increased by a later payment date.

- The recommendation in G.17, according to which the remuneration of the Supervisory Board should also adequately take into account the higher time expenditure of the chairman and members of committees, is currently not fully complied with because the remuneration resolved by the 2016 Annual General Meeting determines a higher remuneration only for the chairman and deputy chairman of the Supervisory Board and the chairman of the audit committee, whereby in the case of dual functions, no additional remuneration is paid, but only the respective higher remuneration. The Management Board and Supervisory Board are of the opinion that dedicated committee work is nevertheless guaranteed. It is intended to propose an amendment of the Supervisory Board remuneration to be resolved by the next Annual General Meeting, which will be in compliance with the recommendation of the GCGC 2020.

In all other respects, the declaration on Corporate Governance issued on November 4, 2020, together with the precautionary supplement issued on November 19, 2020, shall remain unaffected.

## FUNCTIONS OF THE MANAGEMENT BOARD MEMBERS
(until September 30, 2020)

| Dr. Eric Taberlet<br>CEO, CSO & CTO | Nathalie Benedikt<br>CFO | Wolfgang Ehrk<br>COO |
|---|---|---|
| • Group Strategy<br>• Global Sales & Service<br>• Global R&D<br>• Product Management<br>• Digitalization | • Compliance<br>• CSR<br>• Finance & Controlling<br>• Investor Relations<br>• IT<br>• Communication<br>• HR | • Production<br>• Purchasing<br>• Quality and EHS (Environment, Health and Safety)<br>• Continuous Improvement<br>• Supply Chain |

CEO = Chief Executive Officer, CSO = Chief Sales Officer, CTO = Chief Technology Officer, CFO = Chief Financial Officer, COO = Chief Operations Officer

## FUNCTIONS OF THE MANAGEMENT BOARD MEMBERS
(from October 1, 2020)

| Dr. Eric Taberlet<br>CEO, CSO & CTO | Dr. Britta Giesen<br>designierte CEO | Wolfgang Ehrk<br>COO |
|---|---|---|
| • Group Strategy<br>• Global Sales & Service<br>• Global R&D<br>• Product Management<br>• Digitalization<br>• Investor Relations | • Compliance<br>• CSR<br>• Finance & Controlling<br>• IT<br>• Communication<br>• HR | • Production<br>• Purchasing<br>• Quality and EHS (Environment, Health and Safety)<br>• Continuous Improvement<br>• Supply Chain |

CEO = Chief Executive Officer, CSO = Chief Sales Officer, CTO = Chief Technology Officer, CFO = Chief Financial Officer, COO = Chief Operations Officer

## FUNCTIONS OF THE MANAGEMENT BOARD MEMBERS
(from January 1, 2021)

| Dr. Britta Giesen<br>CEO, acting CFO & CTO | Wolfgang Ehrk<br>COO |
|---|---|
| • Group Strategy<br>• Global Sales & Service<br>• Global R&D<br>• Product Management<br>• Information and Communication Technologies<br>• Finance & Controlling<br>• Communication<br>• Compliance<br>• CSR<br>• HR<br>• Investor Relations | • Production<br>• Purchasing<br>• Quality and EHS (Environment, Health and Safety)<br>• Continuous Improvement<br>• Supply Chain |

CEO = Chief Executive Officer, CTO = Chief Technology Officer, CFO = Chief Financial Officer, COO = Chief Operations Officer

### Dual management system: Management Board and Supervisory Board

As a stock corporation based in Asslar, Germany, Pfeiffer Vacuum Technology AG is also subject to the provisions of the German Stock Corporation Act ("AktG"). One of the basic principles enshrined in this is the dual management system, which assigns the management of the Company to the Management Board and the appointment, advice and supervision of the Management Board to the Supervisory Board. These two bodies are strictly separated as corporate organs, both in terms of their members and their responsibilities. Both bodies work together closely in the interests of the Company.

### Management Board

In the 2020 fiscal year, the Management Board consisted of

- Dr. Eric Taberlet, Diploma in Engineering (Chief Executive Officer (CEO), until December 31, 2020),
- Nathalie Benedikt, Diploma in Business Administration (Chief Financial Officer (CFO), until September 30, 2020),
- Wolfgang Ehrk, Diploma in Industrial Engineering (Chief Operations Officer, from January 1, 2020), and
- Dr. Britta Giesen, Diploma in Industrial Engineering, (designated Chairwoman of the Management Board, from October 1, 2020).

The members of the Management Board are responsible for the further development and strategy of the Company. They are also involved in the day-to-day running of the Company and bear operational responsibility.

With effect from January 1, 2020, Mr. Wolfgang Ehrk was appointed as a member of the Management Board of Pfeiffer Vacuum Technology AG and assumed the function of COO within the Management Board. The scope of his responsibilities includes Production, Purchasing, Quality and EHS (Environment, Health and Safety), Continuous Improvement as well as the Supply Chain.

The Supervisory Board also appointed Dr. Britta Giesen as a new member of the Management Board with effect from October 1, 2020. She is the designated Chief Executive Officer and assumed this function upon the scheduled retirement of the previous Chief Executive Officer, Dr. Eric Taberlet, as of January 1, 2021.

Ms. Nathalie Benedikt, member of the Management Board and Chief Financial Officer of Pfeiffer Vacuum Technology AG, resigned from her office in agreement with the Supervisory Board as of September 30, 2020. The areas of Finance, Controlling, IT, Human Resources, Communications, Compliance and CSR for which she had been responsible until then were taken over by Dr. Britta Giesen with effect from October 1, 2020. Dr. Eric Taberlet additionally assumed responsibility for Investor Relations at this time.

Since January 1, 2021, the Management Board is constituted of Dr. Britta Giesen (Chairwoman of the Management Board) and Wolfgang Ehrk. This takes account of the Supervisory Board's decision to change the Management Board and extended management structure as of January 1, 2021. Accordingly, after this date, and also taking into account the existing Relationship Agreement (Group Cooperation Agreement) with the Busch Group, only two persons are to constitute the Management Board, namely a Chief Executive Officer (at the same time Chairwoman of the Management Board) and a Chief Operations Officer. The amended management structure is the result of long-term succession planning, which the Supervisory Board is monitoring together with the Management Board. In addition to the requirements of the German Stock Corporation Act ("AktG"), the German Corporate Governance Code (GCGC) and the Rules of Procedure, long-term succession planning also takes into account aspects such as the appropriate consideration of women and diversity. Taking particular account of the specific qualification requirements and the aforementioned criteria, the Management Board Committee of the Supervisory Board creates an ideal profile as a basis on which to draw up a shortlist of available candidates. Structured interviews are held with these candidates.

A recommendation is then submitted to the Supervisory Board for resolution. If necessary, the Management Board Committee enlists the support of external consultants in developing the requirement profiles and selecting the candidates.

In the future, the Management Board will be supported in its management tasks by a newly formed Group Executive Committee, which, in addition to the members of the Management Board, will include in particular the Chief Financial Officer, the Chief Sales Officer and the Chief Technology Officer.

The four-eyes principle applies in exercising the duties and responsibilities of the Management Board: major decisions are always made jointly. Personal expenditures, such as travel and entertainment expenses, require the approval of another Management Board member. In addition to close cooperation and reciprocal information on a daily basis, board meetings are held every two weeks. The Management Board works exclusively for Pfeiffer Vacuum. In this context, the Management Board members are also members of supervisory organs of various subsidiaries of the Company. Dr. Giesen is also a member of the Supervisory Board of Neles Corporation, Vantaa, Finland. Beyond this, the members of the Management Board do not hold any other memberships in supervisory or regulatory bodies outside the Pfeiffer Vacuum Group.

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board has set an age limit for the members of the Management Board. Accordingly, members of the Management Board should not, as a rule, be older than 65 years.

## Supervisory Board

Pursuant to the statutory requirements and the Articles of Association of Pfeiffer Vacuum Technology AG, the Supervisory Board consists of a total of six persons, comprised of four members to be elected by the shareholders at the Annual Shareholders Meeting and two employee representatives, in accordance with the German One-Third Participation Act ("Drittelbeteiligungsgesetz"). In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board has set an age limit for its members. This is 70 years for all members of the Supervisory Board at the time of appointment to the Supervisory Board.

The Supervisory Board members representing the shareholders, Götz Timmerbeil und Filippo Th. Beck, were elected during the Annual General Meeting in May 2016 for a term of office of five years. The term of office of the subsequently elected Supervisory Board members Ayla Busch and Henrik Newerla, who were subsequently appointed in May 2018, also ends on the day of the Annual General Meeting which resolves on the discharge for the financial year 2020. The same end of term of office applies for the incumbent employee representatives on the Supervisory Board.

Following the age-related retirement of Manfred Gath on December 31, 2019, Stefan Röser joined the Supervisory Board as an employee representative with effect from January 1, 2020.

Membership over the course of the year 2020 was as follows:

- Ayla Busch (Chairwoman), Co-CEO Busch SE, Maulburg
- Götz Timmerbeil (Vice Chairman), Auditor and Tax Consultant
- Filippo Th. Beck, Attorney at Law of Swiss Law
- Matthias Mädler (Employee Representative), Development Engineer
- Henrik Newerla, Self-employed Management Consultant
- Stefan Röser (Employee Representative), Chairman of the Employee Council, from January 1, 2020

For election of the Supervisory Board Members representing the shareholders, the Nominating Committee submits a nomination suggestion to the Supervisory Board. When selecting the candidates, care is taken to ensure that at all times there are members of the Supervisory Board who possess the requisite expertise, skills, and professional experience. The international activities of the Group and potential conflicts of interest are also taken into account. In addition, the Supervisory Board should at all times include a sufficient number of members who are independent of the Management Board and the Company and independent of the controlling shareholder.

In 2018, the Supervisory Board developed a profile of skills and expertise for the Supervisory Board and set the following goals for its composition: Internationality, avoidance of potential conflicts of interest, independence, time availability, generation mix and age limit, length of membership, diversity (including diversity of professional backgrounds and an appropriate consideration of women). In December 2020, the Supervisory Board updated the profile of skills and expertise, limited to the adjustments required as a result of the revision of the German Corporate Governance Code. The profile of skills and expertise is permanently available on the company's website in the section ↗ Investor Relations/Corporate Governance/Supervisory Board.

The Supervisory Board has also set itself the specific objective that more than half of the shareholder representatives on the Supervisory Board are independent of the Company and its Management Board in accordance with the recommendation in C.7 GCGC 2020 and that at least one shareholder representative is independent of the controlling shareholder in accordance with recommendation C.9 GCGC 2020. After detailed assessment, it has determined that currently all shareholder representatives on the Supervisory Board are independent of the Company and its Management Board, and that all shareholder representatives, with the exception of Ms. Ayla Busch, are also independent of the controlling shareholder. To this extent, the Supervisory Board has complied with the recommendation in C.7 (2) and taken into account the indicators mentioned there. In this respect, with regard to Mr. Götz Timmerbeil and Ms. Ayla Busch, the Supervisory Board has reached the above-mentioned conclusions concerning their independence based on the following reasons:

Mr. Götz Timmerbeil has been a member of the Supervisory Board since 2001. Since then, however, the Company has undergone a fundamental change in its corporate structure; the acquisition of a majority shareholding by the Busch Group has substantially altered the ownership structure, and the Management Board has also been restructured in terms of personnel. The Supervisory Board is therefore convinced that Mr. Götz Timmerbeil's longstanding membership of the Supervisory Board does not affect his independence.

Ms. Ayla Busch, as co-CEO and co-owner of Busch SE and as legal representative and indirect shareholder of the significant shareholder Pangea GmbH, is not independent of the controlling shareholder within the meaning of C.9 (2) GCGC 2020. Ms. Ayla Busch, on the other hand, is independent of the Company and the Management Board. It is true that the Relationship Agreement has existed between Busch SE and the Company since May 2019, which could be regarded as a material business relationship for the Company within the meaning of C.7, sentence 3, second indent, of the GCGC 2020. However, the Supervisory Board is convinced that there is no evidence whatsoever that Ms. Busch's independence vis-à-vis the Management Board and the Company could be impaired as a result of the Relationship Agreement. On the contrary, due to her proximity to the controlling shareholder, Ms. Busch is particularly well placed to exercise her control function vis-à-vis the Management Board free of any considerations concerning the latter or the Company steered by the Management Board.

Currently, the Supervisory Board fulfills all these objectives, and it is also intended to appropriately take these objectives into consideration for future nominations.

No remuneration or benefits for personal service rendered, especially consultation and brokerage services, were paid or granted to the members of the Supervisory Board during the period under review. No potential conflicts of interest requiring immediate disclosure to the Supervisory Board arose for Management and Supervisory Board members in fiscal 2020.

The establishment of an Audit Committee is a longstanding practice at Pfeiffer Vacuum. As a certified public accountant, the Chairman of the Audit Committee, Götz Timmerbeil, is particularly qualified to bear responsibility for the

## PERSONNEL COMPOSITION OF THE SUPERVISORY BOARD COMMITTEES

| | Nominating Committee | Audit Committee | Management Committee | RPT Committee |
|---|---|---|---|---|
| Ms. Ayla Busch | Chairwoman | Yes | Chairwoman | – |
| Götz Timmerbeil | Yes | Chairman | Yes | Chairman |
| Filippo Th. Beck | Yes | Yes | Yes | – |
| Henrik Newerla | – | – | Yes | Yes |
| Matthias Mädler | – | – | – | Yes |
| Stefan Röser (from January 1, 2020) | – | – | – | – |

activities of the Audit Committee, in particular in connection with questions relating to financial accounting, compliance, and the risk management system. The task of the Nominating Committee is to suggest suitable candidates to the Supervisory Board who can then recommend them for nomination to the Annual General Meeting. Additionally, a Management Board Committee was formed. In the past, the Management Board Committee has deliberated the personnel matters of the board members in detail before – in accordance with the requirements of the German Corporate Governance Code – being resolved by the full Supervisory Board. The determination of Management Board compensation is thus subject to the provisions of the German Act on the Appropriateness of Management Board Compensation. In addition, a committee was formed already in the previous year to monitor transactions with related parties ("Related Party Transactions" or "RPT" in short). The formation of this RPT Committee was in particular a consequence of the (expected) entry into force of the act implementing the Second Shareholder Rights Directive ("ARUG II") and the relevant tasks that fall to the Supervisory Board.

The committee memberships of the Supervisory Board members can be seen in the overview above.

As a rule, the Supervisory Board annually reviews the effectiveness and efficiency of its activities and its committees once a year. This review is carried out on the basis of an extensive catalog of questions with which the assessments of all members of the Supervisory Board are collected, in particular with regard to the following key topics: frequency of meetings as well as preparation and conduct of meetings, committee work and information dissemination, reporting and information by the Management Board, resolution of internal board conflicts and corporate governance, personnel competence, corporate strategy and handling of important measures and transactions as well as risk management and accounting. Subsequently, these topics are discussed at the plenary meetings of the Supervisory Board. Approximately every three years, an external expert is consulted for assistance in relation to such efficiency reviews. The Supervisory Board conducted its last self-assessment in its meeting on November 2, 2020 with the assistance of an external expert.

As a result, the organization of the activities of the Supervisory Board and its committees was found to be appropriate and efficient.

The following members exercised further mandates. These are supervisory board mandates unless otherwise indicated:

- Götz Timmerbeil
  - Richard Stein GmbH & Co. KG, Engelskirchen, (Chairman of the Advisory Board),
  - Arena Gummersbach GmbH & Co. KG, Gummersbach (Deputy Chairman), until October 8, 2020

- Filippo Th. Beck
  - Candoria-Group, Baar (Switzerland), Chairman of the Board of Directors of Progresa Holding AG, Member of the Board of Directors of Candoria Holding AG, and Sendaya Holding SA, Luxembourg
  - Tenro Group, Bottmingen (Switzerland), Chairman of the Board of Directors of Tenro AG and Bellavista Services AG, Vaz/Obervaz (Schweiz), Member of the Board of Directors of Tenro Event AG and Tenro Holding AG
  - Tainn-Immobilien AG, Bern (Switzerland), Member of the Board of Directors Lovento SA, Lutry (Switzerland), Chairman of the Board of Directors, from July 31, 2020
  - Tovra SA, Lutry (Switzerland), Member of the Board of Directors, from July 31, 2020
  - Biamathea AG, Basel (Switzerland), Member of the Board of Directors, until August 4, 2020

The Company has taken out pecuniary loss liability insurance (so-called D&O insurance) for the members of the Management Board and Supervisory Board.

## Collaboration between the Management and Supervisory Boards

Close and trustful collaboration between the Management and Supervisory Boards is an essential prerequisite for good corporate governance and serves the good of the Company. The rules of procedure for the Management Board stipulate that the Supervisory Board must give its approval for significant business transactions. Supervisory Board meetings are held at least twice a year in this context, during which the members of the Management Board report in detail on the course of business operations as well as on the implementation of the strategy agreed upon with the Supervisory Board. The number of Supervisory Board Meetings held exceeds this minimum.

If necessary, other executives also explain the current issues in their respective areas of responsibility. If needed, additional special meetings are held. The Management Board reports to the Supervisory Board on the general condition of the Company, including the risk situation and the strategic targets, through a monthly reporting system.

## Shareholders and Annual General Meeting

The Annual General Meeting is the supreme body of the corporation. At the Annual General Meeting, shareholders may exercise their voting rights themselves, through a proxy of their choice, or a proxy nominated by the Corporation who is bound to act on their instructions. The shareholders make key decisions at the Annual General Meeting about the allocation of profits, amendments to the Articles of Association, or the approval of share repurchase programs. All information and documents essential for the Annual General Meeting will be provided to the shareholders in a timely manner.

The agenda and an explanation of the conditions of participation in addition to the shareholders' rights will generally be announced duly according to the legal requirements before the Annual General Meeting date.

All documents and information for the Annual General Meeting are also available on our website. In addition, it is possible to electronically direct questions to the employees of our Investor Relations Department. Using our financial calendar, which is made public in the Annual Report, in the quarterly reports, and on our website, we inform shareholders and interested parties about key dates, publications, and events throughout the year. In addition, we maintain close ties with our shareholders through our active Investor Relations work. Moreover, it is also possible to contact the Company with questions at any time.

## Compensation

The compensation for members of the Management and Supervisory Boards is detailed in the section "Compensation report" of the Management Report ( see page 97 ).

## Transparency

The claim to provide all target groups promptly with the same information at the same time is a high priority in our corporate communications. One of the ways that this is manifested is that all relevant information is published in German and in English. Shareholders and interested parties can directly obtain information on current developments within the Group on the Internet. All ad-hoc releases by the Pfeiffer Vacuum Technology AG shall be made available on the Company's website. The purchase and sale of Pfeiffer Vacuum shares by members of the Management and Supervisory Boards will be published immediately pursuant to Article 19 of European Regulation No. 596/2014 (Market Abuse Regulation), in Europe and on the Company's website at group.pfeiffer-vacuum.com.

## Equality

In January 2018, pursuant to § 111, Sub-Para. 5 of the German Stock Corporation Act ("AktG"), the Supervisory Board determined a women's quota of 16.67 % for the Supervisory Board and 25 % for the Management Board and a deadline for reaching the targets by December 31, 2020. These figures have already been reached for the Supervisory Board and exceeded for the Management Board.

The provision contained in § 76, Sub-Para. 4 of the German Stock Corporation Act ("AktG"), refers to management levels at Pfeiffer Vacuum Technology AG only. Due to its function as a holding company, this company only has very few employees and there were no further management levels below the Management Board in the reporting year, thus making it impossible to determine a target figure. For the newly formed Group Executive Committee, the Management Board will determine a corresponding women's quota target of at least 30 %.

## Compliance

Adherence to all internal rules and legal regulations applicable to Pfeiffer Vacuum Technology AG and its subsidiaries by management and employees (compliance) has long been a goal of the Company as well as an inherent part of our Company culture. This is especially expressed in our Code of Conduct, which applies for all employees. The Management Board is fundamentally committed to these tenets in addition to the "zero tolerance" principle. Our Code of Conduct defines, among other things, integrity and lawful conduct as basic standards and is the basis for the daily work of all employees in our Company.

The Code of Conduct, which was updated and supplemented in 2018, is also available outside the Company via the Company's website in all languages that are relevant to the Group's employees. In it, options for employees to report possible violations of the law in the Corporate Group are described. These options are also open to third parties outside of the Company.

Compliance with legal and internal Company regulations is a comprehensive task for which each area of the Company is fundamentally responsible. Committed employees educate themselves further when required and take part in training in order to recognize and address current developments in their respective areas of responsibility. All determined breaches of compliance will be sanctioned accordingly.

## Accounting and auditing

Pursuant to statutory provisions, the Consolidated Financial Statements of Pfeiffer Vacuum and the Quarterly Financial Reports are prepared in accordance with the current International Financial Reporting Standards (IFRS) as applicable in the European Union.

The Annual Financial Statements of Pfeiffer Vacuum Technology AG as the parent corporation are prepared in accordance with the provisions of the German Commercial Code ("HGB"). The Annual Financial Statements and the Consolidated Financial Statements of Pfeiffer Vacuum Technology AG were audited pursuant to the resolution of the Annual General Meeting on May 20, 2020 by PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany. PricewaterhouseCoopers GmbH is also the auditor of the report on relations with affiliated companies.

It was agreed with the auditors that the Chairman of the Audit Committee shall be immediately informed about any reasons for exclusion or prejudice arising during the audit, unless these are eliminated immediately. The auditor must also immediately report to the Supervisory Board all findings and events of importance that arise during the audit. In addition, the auditor must inform the Supervisory Board and note in the audit report if the auditor determines facts during the course of the audit that are not compatible with the declaration of compliance submitted by the Management and Supervisory Boards pursuant to § 161 of the German Stock Corporation Act ("AktG").

# COMPENSATION REPORT

In the following section, the compensation for members of the Management and Supervisory Boards is detailed.

## Compensation for the Management Board

Each Management Board member receives an annual fixed salary and benefits in kind, in particular, in the form of company cars provided. Pecuniary loss liability insurance (D&O insurance) is in place which provides for an appropriate deductible (§ 93 Sub-Para. 2, Sentence 3, AktG). Furthermore, a driver is provided for Dr. Giesen in certain cases. In 2019, the social security liability of Dr. Eric Taberlet's remuneration was established in France. The employer contributions paid thereupon and a portion of the employee contributions in Germany are included in the fringe benefits for the year in question.

Each Management Board member continues to receive an annual bonus for the respective financial year depending on the achievement of pre-defined targets (short-term variable compensation). The annual bonus amounts to K € 220 for Dr. Britta Giesen and K € 140 for other Management Board members if the targets are fully achieved. It is paid out after the Annual General Meeting for the previous year. For 2019 and 2020, each Management Board member was assigned certain short-term goals corresponding to their respective area of responsibility.

## BENEFITS GRANTED

| Dr. Britta Giesen, designated Chairwoman of the Management Board (Starting date: October 1, 2020) | 2020 | 2020 | | 2019 |
|---|---|---|---|---|
| | | Minimum value | Maximum value | |
| | in K € | in K € | in K € | in K € |
| Fixed compensation | 113 | 113 | 113 | – |
| Fringe benefits | 9 | 9 | 9 | – |
| **Total** | **122** | **122** | **122** | **–** |
| One-year variable compensation | 55 | 55 | 55 | – |
| Multi-year variable compensation (from 2020) | 58 | 58 | 58 | – |
| **Total variable compensation** | **113** | **113** | **113** | **–** |
| Other | 0 | 0 | 0 | – |
| **Total** | **235** | **235** | **235** | **–** |
| Pension benefits | 17 | 17 | 17 | – |
| **Comprehensive compensation** | **252** | **252** | **252** | **–** |

| Wolfgang Ehrk, Chief Operations Officer (Starting date: January 1, 2020) | 2020 | 2020 | | 2019 |
|---|---|---|---|---|
| | | Minimum value | Maximum value | |
| | in K € | in K € | in K € | in K € |
| Fixed compensation | 250 | 250 | 250 | – |
| Fringe benefits | 15 | 15 | 15 | – |
| **Total** | **265** | **265** | **265** | **–** |
| One-year variable compensation | 140 | 0 | 140 | – |
| Multi-year variable compensation (from 2020) | 40 | 0 | 53 | – |
| **Total variable compensation** | **180** | **0** | **193** | **–** |
| Other | 40 | 0 | 0 | – |
| **Total** | **485** | **265** | **458** | **–** |
| Pension benefits | 0 | 0 | 0 | – |
| **Comprehensive compensation** | **485** | **265** | **458** | **–** |

## BENEFITS GRANTED

| Dr. Eric Taberlet, Chairman of the Management Board (Starting date: November 27, 2017, leaving date: December 31, 2020) | 2020 | 2020 | | 2019 |
|---|---|---|---|---|
| | | Minimum value | Maximum value | |
| | in K € | in K € | in K € | in K € |
| Fixed compensation | 302 | 302 | 302 | 290 |
| Fringe benefits | 171 | 171 | 171 | 146 |
| **Total** | **473** | **473** | **473** | **436** |
| One-year variable compensation | 129 | 0 | 140 | 102 |
| Multi-year variable compensation (from 2018) | 46 | 0 | 53 | 34 |
| Multi-year variable compensation (from 2019) | 48 | 0 | 53 | 34 |
| Multi-year variable compensation (from 2020) | 21 | 0 | 53 | 0 |
| **Total variable compensation** | **244** | **0** | **299** | **170** |
| Other | 0 | 0 | 0 | 0 |
| **Total** | **717** | **473** | **772** | **606** |
| Pension benefits | 57 | 57 | 57 | 0 |
| **Comprehensive compensation** | **774** | **530** | **829** | **606** |

| Nathalie Benedikt, Chief Financial Officer (Starting date: November 27, 2017, leaving date: September 30, 2020) | 2020 | 2020 | | 2019 |
|---|---|---|---|---|
| | | Minimum value | Maximum value | |
| | in K € | in K € | in K € | in K € |
| Fixed compensation | 220 | 220 | 220 | 211 |
| Fringe benefits | 24 | 24 | 24 | 32 |
| **Total** | **244** | **244** | **244** | **243** |
| One-year variable compensation | 94 | 0 | 117 | 102 |
| Multi-year variable compensation (from 2018) | 40 | 0 | 44 | 34 |
| Multi-year variable compensation (from 2019) | 40 | 0 | 44 | 34 |
| Multi-year variable compensation (from 2020) | 18 | 0 | 44 | 0 |
| **Total variable compensation** | **192** | **0** | **249** | **170** |
| Other | 0 | 0 | 0 | 0 |
| **Total** | **436** | **244** | **493** | **413** |
| Pension benefits | 0 | 0 | 0 | 0 |
| **Comprehensive compensation** | **436** | **244** | **493** | **413** |

In addition, each Management Board member receives long-term variable compensation depending on the achievement of defined goals during a three-year assessment period. Half of the long-term variable remuneration depends on the development of the company's EBITDA and the other half on the achievement of a further predefined target set by the Supervisory Board (so-called Key Performance Indicators or KPIs) or, alternatively, several further KPIs predefined by the Supervisory Board during one three-year assessment period. The amount of the long-term variable compensation is based on the degree to which the targets have been achieved and constitutes K € 230 for Dr. Britta Giesen and K € 160 for the other members of the Management Board when the targets have been fully met after three years.

The target fulfillment achieved to date was recorded in each case as a provision as of December 31, 2020 and as of December 31, 2019. However, the long-term variable remuneration does not become due until two years later, and only in full if the result in the year under review is at least as high as the result of the previous year. If it falls below this, the long-term incentive is reduced accordingly. The starting point of the calculation in both cases is an annual target amount, which is allocated for the long-term remuneration for the following three-year period. The payment of the long-term variable remuneration granted in 2018 can therefore be made for the first time after the end of the 2020 fiscal year. Accordingly, payment of the long-term variable remuneration granted in 2019 can be made for the first time after the end of the 2021 fiscal year. Similarly, the payment of the long-term variable remuneration granted in 2020 can be made for the first time after the end of the 2022 fiscal year.

## BENEFITS GRANTED

| Dr. Ulrich von Hülsen, Member of the Management Board (Starting date: August 1, 2017, leaving date: June 30, 2019) | 2020 | 2020 | | 2019 |
|---|---|---|---|---|
| | | Minimum value | Maximum value | |
| | in K € | in K € | in K € | in K € |
| Fixed compensation | – | – | – | 111 |
| Fringe benefits | – | – | – | 5 |
| **Total** | **–** | **–** | **–** | **116** |
| One-year variable compensation | – | – | – | 0 |
| Multi-year variable compensation (from 2018) | – | – | – | 53 |
| Multi-year variable compensation (from 2019) | – | – | – | 0 |
| Multi-year variable compensation (from 2020) | – | – | – | – |
| **Total variable compensation** | **–** | **–** | **–** | **53** |
| Other | – | – | – | 0 |
| **Total** | **–** | **–** | **–** | **169** |
| Pension benefits | – | – | – | 0 |
| **Comprehensive compensation** | **–** | **–** | **–** | **169** |

| Dr. Matthias Wiemer, Member of the Management Board (Starting date: April 1, 2007, leaving date: June 30, 2019) | 2020 | 2020 | | 2019 |
|---|---|---|---|---|
| | | Minimum value | Maximum value | |
| | in K € | in K € | in K € | in K € |
| Fixed compensation | – | – | – | 350 |
| Fringe benefits | – | – | – | 14 |
| **Total** | **–** | **–** | **–** | **364** |
| One-year variable compensation | – | – | – | 70 |
| Multi-year variable compensation (from 2018) | – | – | – | 27 |
| Multi-year variable compensation (from 2019) | – | – | – | 26 |
| Multi-year variable compensation (from 2020) | – | – | – | – |
| **Total variable compensation** | **–** | **–** | **–** | **123** |
| Other | – | – | – | 0 |
| **Total** | **–** | **–** | **–** | **487** |
| Pension benefits | – | – | – | 277 |
| **Comprehensive compensation** | **–** | **–** | **–** | **764** |

## TOTAL BENEFITS GRANTED TO THE MANAGEMENT BOARD

| | 2020 | 2019 |
|---|---|---|
| | in K € | in K € |
| Fixed compensation | 885 | 962 |
| Fringe benefits | 219 | 197 |
| **Total** | **1,104** | **1,159** |
| One-year variable compensation | 418 | 274 |
| Multi-year variable compensation (from 2018) | 86 | 148 |
| Multi-year variable compensation (from 2019) | 88 | 94 |
| Multi-year variable compensation (from 2020) | 137 | – |
| **Total variable compensation** | **729** | **516** |
| Other | 40 | 0 |
| **Total** | **1,873** | **1,675** |
| Pension benefits | 74 | 277 |
| **Comprehensive compensation** | **1,947** | **1,952** |

As a result of the departure of Dr. Eric Taberlet and Nathalie Benedikt in the 2020 fiscal year, all long-term variable compensation components will be paid out following the Annual General Meeting in 2021. In accordance with this principle, the long-term variable compensation components for Dr. Wiemer were also paid out after the last Annual General Meeting on May 20, 2020.

Due to the fact that Dr. Britta Giesen joined the company in the course of the year on October 1, 2020, a guaranteed bonus of total K € 113 was agreed with her for 2020 in deviation from the principles described above. This will be paid out following the Annual General Meeting in 2021.

Wolfgang Ehrk also received a joining bonus of K € 40 in 2020. This incentive served to accelerate the departure from his previously existing employment relationship.

The tabular presentation of compensation is shown for the Management Board members who were active in fiscal years 2019 and 2020.

The employment contracts for Dr. Britta Giesen and Wolfgang Ehrk stipulate that in the event of premature termination of office on the Management Board, payments to be agreed for the Management Board member, including fringe benefits, shall not exceed the value of two years' compensation ("severance payment cap") and shall not exceed the value of the compensation for the remaining term of the Management Board employment contract. Wolfgang Ehrk's contract also stipulates that benefits in the event of premature termination of the employment contract due to a change of control shall not exceed 1.5 times the severance payment cap.

In addition, Dr. Britta Giesen's employment contract contains in the event of a significant intentional breach of duty a malus provision (for variable compensation components not yet paid out) and a clawback clause (for variable compensation components already paid out) as well as a fixed maximum total compensation of € 1.1 million.

## ZUFLUSS DER VORSTANDSVERGÜTUNG

| | Dr. Britta Giesen Chairwoman-elect of the Management Board | | Wolfgang Ehrk Chief Operations Officer | | Dr. Eric Taberlet Chairman of the Management Board | | Nathalie Benedikt Chief Financial Officer | | Dr. Ulrich von Hülsen Member of the Management Board | | Dr. Matthias Wiemer Member of the Management Board | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Starting date: Oct. 1, 2020 | | Starting date: Jan. 1, 2020 | | Starting date: Nov. 27, 2017 Leaving date: Dec. 31, 2020 | | Starting date: Nov. 27, 2017 Leaving date: Sep. 30, 2020 | | Starting date: Aug. 1, 2017 Leaving date: June 30, 2019 | | Starting date: Apr. 1, 2007 Leaving date: June 30, 2019 | | | |
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| | in K € | in K € | in K € | in K € | in K € | in K € | in K € | in K € | in K € | in K € | in K € | in K € | in K € | in K € |
| Fixed compensation | 113 | – | 250 | – | 302 | 290 | 220 | 211 | – | 111 | 0 | 350 | 885 | 962 |
| Fringe benefits | 9 | – | 15 | – | 171 | 146 | 24 | 32 | – | 5 | 0 | 14 | 219 | 197 |
| **Total** | **122** | **–** | **265** | **–** | **473** | **436** | **244** | **243** | **–** | **116** | **0** | **364** | **1,104** | **1,159** |
| One-year variable compensation | 0 | – | 0 | – | 109 | 132 | 56 | 132 | – | 129 | 60 | 247 | 225 | 640 |
| Multi-year variable compensation (from 2018) | 0 | – | 0 | – | 0 | 0 | 0 | 0 | – | 0 | 47 | 0 | 47 | 0 |
| Multi-year variable compensation (from 2019) | 0 | – | 0 | – | 0 | 0 | 0 | 0 | – | 0 | 20 | 0 | 20 | 0 |
| Multi-year variable compensation (from 2020) | 0 | – | 0 | – | 0 | 0 | 0 | 0 | – | 0 | – | 0 | 0 | 0 |
| **Total variable compensation** | **0** | **–** | **0** | **–** | **109** | **132** | **56** | **132** | **–** | **129** | **127** | **247** | **292** | **640** |
| Other | 0 | – | 40 | – | 0 | 0 | 0 | 0 | – | 0 | 0 | 0 | 40 | 0 |
| **Total** | **122** | **–** | **305** | **–** | **582** | **568** | **300** | **375** | **–** | **245** | **127** | **611** | **1,436** | **1,799** |
| Pension benefits | 0 | – | 0 | – | 57 | 0 | 0 | 0 | – | 0 | 0 | 0 | 57 | 0 |
| **Comprehensive compensation** | **122** | **–** | **305** | **–** | **639** | **568** | **300** | **375** | **–** | **245** | **127** | **611** | **1,493** | **1,799** |

A pension commitment exists for Dr. Britta Giesen in the form of an annual fixed contribution to a provident fund in the amount of K € 50. In 2020, this contribution was paid pro rata temporis from October 1, 2020.

For Dr. Matthias Wiemer there is a pension commitment in the unchanged amount of 40 % of the last fixed salary. In this connection, net pension expenses under IFRS of K € 277 were recorded in the income statement in the final year of service in 2019.

Dr. Eric Taberlet received a one-time payment of K € 57 in connection with the commencement of his retirement, which resulted from his many years of employment including with Pfeiffer Vacuum SAS, Annecy, France, due to legal requirements.

In addition, there are pension commitments to former Management Board members. The net pension costs of the completed financial year attributable to this group of persons amount to K € 83 (previous year: K € 91).

After an allocation of K € 5 in 2019, a total of K € 280 was repatriated from Pfeiffer Vacuum Trust e. V. in 2020. The net pension obligation for former Management Board members totaled K € 9,823 (previous year: K € 8,346). Current pensions in 2020 remain unchanged at the amount of K € 371.

There were no compensation elements granted or paid in 2019 and 2020 for Manfred Bender who was dismissed as a member of the Management Board on November 27, 2017.

The Supervisory Board has developed a compensation system that fully meets the new requirements of the Act Implementing the Second EU Shareholder Rights Directive (ARUG II) and to the largest extent the requirements of the new version of the German Corporate Governance Code. This compensation system will be submitted to the next Annual General Meeting in May 2021 for approval in accordance with the legal requirements.

## Compensation for the Supervisory Board

The members of the Supervisory Board exclusively receive a fixed compensation determined by the Annual General Meeting. On May 24, 2016, the Annual General Meeting approved an increase in the Supervisory Board's compensation from fiscal year 2016 onwards. If members of the Supervisory Board leave or are newly elected during a fiscal year, their remuneration will be paid on a pro rata temporis basis.

The composition of the remuneration for 2020 and 2019 is as follows:

### FIXED COMPENSATION OF THE SUPERVISORY BOARD MEMBERS

| | 2020 | 2019 |
|---|---|---|
| | in K € | in K € |
| Ayla Busch, Chairwoman of the Supervisory Board | 105 | 105 |
| Götz Timmerbeil, Deputy Chairman of the Supervisory Board | 70 | 70 |
| Filippo Th. Beck | 35 | 35 |
| Henrik Newerla | 35 | 35 |
| Matthias Mädler (from July 1, 2019) | 35 | 17.5 |
| Stefan Röser (from January 1, 2020) | 35 | |
| Helmut Bernhardt (until June 30, 2019) | – | 17.5 |
| Manfred Gath (until Dezember 31, 2019) | – | 35 |
| **Total** | **315** | **315** |

## Negative statement

No further benefits were paid to Management Board or Supervisory Board members over and above the listed compensation components. In particular, no stock options were granted, no loan entitlements were established, and no liability commitments were pronounced. In addition, no other or additional agreements than those mentioned exist or were made in connection with the termination of activities for the Management Board or Supervisory Board or in connection with clawback claims.

# 3 CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENTS OF INCOME PFEIFFER VACUUM TECHNOLOGY AG

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | in K€ | in K€ |
| Net sales | 7, 32 | 618,665 | 632,865 |
| Cost of sales | 8, 15 | – 401,671 | – 416,995 |
| **Gross profit** | | **216,994** | **215,870** |
| Selling and marketing expenses | 8 | – 70,795 | – 71,669 |
| General and administrative expenses | 8 | – 57,595 | – 52,293 |
| Research and development expenses | 8 | – 35,135 | – 29,620 |
| Other operating income | 9 | 9,349 | 7,768 |
| Other operating expenses | 9 | – 17,522 | – 4,904 |
| **Operating profit** | 32 | **45,296** | **65,152** |
| Financial expenses | 10, 33 | – 902 | – 853 |
| Financial income | 10, 33 | 147 | 216 |
| **Earnings before taxes** | 24, 32 | **44,541** | **64,515** |
| Income taxes | 24 | – 12,950 | – 16,158 |
| **Net income** | | **31,591** | **48,357** |
| **Earnings per share** (in €) | | | |
| Basic | 35 | 3.20 | 4.90 |
| Diluted | 35 | 3.20 | 4.90 |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME PFEIFFER VACUUM TECHNOLOGY AG

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | in K€ | in K€ |
| **Net income** | | **31,591** | **48,357** |
| **Other comprehensive income** | | | |
| **Amounts to be reclassified to income statement in future periods (if applicable)** | | | |
| Currency changes | 21 | –14,133 | 2,615 |
| Results from cash flow hedges | 21, 33 | –30 | 43 |
| Related deferred income tax effects | 21 | – | –4 |
| | | **–14,163** | **2,654** |
| **Amounts not to be reclassified to income statement in future periods** | | | |
| Valuation of defined benefit plans | 21, 25 | –8,950 | –9,490 |
| Related deferred income tax effect | 21 | 2,146 | 2,395 |
| | | **–6,804** | **–7,095** |
| **Other comprehensive income net of tax** | | **–20,967** | **–4,441** |
| **Total comprehensive income net of tax** | | **10,624** | **43,916** |

# CONSOLIDATED BALANCE SHEETS PFEIFFER VACUUM TECHNOLOGY AG

## ASSETS

| | Note | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| | | in K€ | in K€ |
| Intangible assets | 11 | 100,736 | 112,244 |
| Property, plant and equipment | 3, 12 | 158,191 | 154,701 |
| Investment properties | 13 | 376 | 400 |
| Other financial assets | 14 | 2,198 | 4,031 |
| Other assets | 14 | 829 | 2,034 |
| Deferred tax assets | 24 | 31,306 | 27,377 |
| **Total non-current assets** | | **293,636** | **300,787** |
| Inventories | 15 | 133,254 | 128,484 |
| Trade accounts receivable | 16, 33 | 83,601 | 87,867 |
| Contract assets | 16 | 1,501 | 2,860 |
| Income tax receivables | | 10,848 | 9,962 |
| Prepaid expenses | | 4,260 | 4,308 |
| Other financial assets | 14 | 1,597 | 3,161 |
| Other accounts receivable | 17 | 10,265 | 10,166 |
| Cash and cash equivalents | 18, 33 | 122,883 | 111,980 |
| **Total current assets** | | **368,209** | **358,788** |
| **Total assets** | 32 | **661,845** | **659,575** |

# CONSOLIDATED BALANCE SHEETS PFEIFFER VACUUM TECHNOLOGY AG

## SHAREHOLDERS' EQUITY AND LIABILITIES

| | Note | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| | | in K€ | in K€ |
| Share capital | 19 | 25,261 | 25,261 |
| Additional paid-in capital | 19 | 96,245 | 96,245 |
| Retained earnings | 20 | 323,808 | 304,552 |
| Other equity components | 21 | -53,580 | -32,613 |
| **Equity of Pfeiffer Vacuum Technology AG shareholders** | | **391,734** | **393,445** |
| Financial liabilities | 3, 23, 33 | 69,614 | 69,729 |
| Provisions for pensions | 25 | 70,348 | 64,103 |
| Deferred tax liabilities | 24 | 4,477 | 5,041 |
| Contract liabilities | 27 | 804 | 584 |
| **Total non-current liabilities** | | **145,243** | **139,457** |
| Trade accounts payable | 26, 33 | 44,937 | 41,137 |
| Contract liabilities | 27 | 7,296 | 12,259 |
| Other accounts payable | 28 | 21,478 | 23,406 |
| Provisions | 29 | 39,502 | 38,735 |
| Income tax liabilities | | 8,154 | 7,248 |
| Financial liabilities | 3, 30, 33 | 3,501 | 3,888 |
| **Total current liabilities** | | **124,868** | **126,673** |
| **Total shareholders' equity and liabilities** | | **661,845** | **659,575** |

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY PFEIFFER VACUUM TECHNOLOGY AG

| | Note | Share Capital | Additional Paid-in Capital | Retained Earnings | Other Equity Components | Equity of Pfeiffer Vacuum Technology AG Share-holders |
|---|---|---|---|---|---|---|
| | | in K€ | in K€ | in K€ | in K€ | in K€ |
| **Balance as at January 1, 2019** | | **25,261** | **96,245** | **278,891** | **-28,172** | **372,225** |
| Net income | | – | – | 48,357 | – | 48,357 |
| Earnings after taxes recorded directly in equity | 21, 33 | – | – | – | -4,441 | -4,441 |
| **Total comprehensive income** | | **–** | **–** | **48,357** | **-4,441** | **43,916** |
| Dividend payment | 20 | – | – | -22,696 | – | -22,696 |
| **Balance as at December 31, 2019** | | **25,261** | **96,245** | **304,552** | **-32,613** | **393,445** |
| Net income | | – | – | 31,591 | – | 31,591 |
| Earnings after taxes recorded directly in equity | 21, 33 | – | – | – | -20,967 | -20,967 |
| **Total comprehensive income** | | **–** | **–** | **31,591** | **-20,967** | **10,624** |
| Dividend payment | 20 | – | – | -12,335 | – | -12,335 |
| **Balance as at December 31, 2020** | | **25,261** | **96,245** | **323,808** | **-53,580** | **391,734** |

# CONSOLIDATED STATEMENTS OF CASH FLOWS PFEIFFER VACUUM TECHNOLOGY AG

## CASH FLOW FROM OPERATING ACTIVITIES

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | in K€ | in K€ |
| **Cash flow from operating activities:** | | | |
| Earnings before taxes | 32 | 44,541 | 64,515 |
| Adjustment for financial income/financial expenses | | 755 | 637 |
| Financial income received | | 154 | 189 |
| Financial expenses paid | | – 945 | – 818 |
| Income taxes paid | | – 11,675 | – 18,717 |
| Depreciation/amortization | 3, 11, 12, 13, 32 | 25,933 | 24,226 |
| Impairment losses | 11 | 8,833 | – |
| Gains/losses from disposals of long-term assets | | 484 | 341 |
| Changes in allowances for doubtful accounts | 16 | 507 | 350 |
| Changes in inventory reserves | 15 | 4,584 | 4,441 |
| Other non-cash income and expenses | 3 | – 639 | – 1,859 |
| Effects of changes in assets and liabilities: | | | |
| Inventories | | – 13,152 | 904 |
| Receivables and other assets | | 4,733 | – 2,198 |
| Provisions, including pensions, and income tax liabilities | | – 2,764 | – 1,159 |
| Payables | | – 2,158 | – 5,472 |
| **Net cash provided by operating activities** | | **59,191** | **65,380** |

# CONSOLIDATED STATEMENTS OF CASH FLOWS PFEIFFER VACUUM TECHNOLOGY AG

## CASH FLOW FROM INVESTING ACTIVITIES / CASH FLOW FROM FINANCING ACTIVITIES

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | in K€ | in K€ |
| **Cash flow from investing activities:** | | | |
| Capital expenditures | 11, 12, 13, 32 | – 30,441 | – 34,913 |
| Proceeds from disposals of fixed assets | | 256 | 650 |
| **Net cash used in investing activities** | | **– 30,185** | **– 34,263** |
| **Cash flow from financing activities:** | | | |
| Proceeds from increase of financial liabilities | 33 | – 56 | 97 |
| Dividend payments | 20 | – 12,335 | – 22,696 |
| Redemptions of leasing liabilities | 3, 33 | – 4,930 | – 5,257 |
| **Net cash used in financing activities** | | **– 17,321** | **– 27,856** |
| Effects of foreign exchange rate changes on cash and cash equivalents | | – 782 | 339 |
| **Net changes in cash and cash equivalents** | | **10,903** | **3,600** |
| Cash and cash equivalents at beginning of period | | 111,980 | 108,380 |
| **Cash and cash equivalents at end of period** | 18 | **122,883** | **111,980** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## REMARKS RELATING TO THE COMPANY AND ITS ACCOUNTING AND VALUATION METHODS

### 1. General remarks relating to the Company

The parent company within the Pfeiffer Vacuum Group ("the Company" or "Pfeiffer Vacuum") is Pfeiffer Vacuum Technology AG, domiciled at Berliner Strasse 43, 35614 Asslar, Germany. Pfeiffer Vacuum Technology AG is a stock corporation organized under German law and recorded in the Register of Companies at the Local Court of Wetzlar under Number HRB 44. The Company is listed in the Prime Standard of Deutsche Börse Stock Exchange in Frankfurt am Main, Germany, where it is included in the TecDAX index.

Pfeiffer Vacuum is one of the leading full-line vacuum technology manufacturers, offering custom solutions for a wide range of needs in connection with the generation, control, and measurement of vacuum. The products manufactured at the Company's production facilities in Asslar, Dresden and Göttingen, Germany, as well as in Annecy, France and Asan, Republic of Korea, Indianapolis and Yreka in the United States, Cluj, Romania, as well as Ho-Chi-Minh-City, Vietnam, and Wuxi, China, include turbopumps, a range of backing pumps, such as rotary vane, Roots and dry pumps, complete pumping stations, as well as custom vacuum systems, leak detectors and components.

Pfeiffer Vacuum markets and distributes its products through its own network of sales companies and independent marketing agents. Moreover, there are service support centers in all major industrial locations throughout the world. The Company's primary markets are located in Europe, the United States, and Asia.

### 2. Basis for preparing Consolidated Financial Statements

#### Statement of compliance with IFRS

The Consolidated Financial Statements of Pfeiffer Vacuum Technology AG for the fiscal year from January 1 to December 31, 2020, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as applicable in the European Union (EU). This includes the International Accounting Standards (IAS), which continue to retain their validity, the interpretations of the Standing Interpretations Committee (SIC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Those standards that have been published but whose application is not yet mandatory have not been adopted at an earlier stage. The Notes to the Consolidated Financial Statements additionally include the information required by § 315e, Sub-Para. 1, of the German Commercial Code ("HGB").

#### Basic valuation principles

The Consolidated Financial Statements were prepared on the basis of historical acquisition and production costs. This does not include derivative financial instruments and plan assets in connection with defined benefit plans, which are measured at fair value. Pfeiffer Vacuum prepares its Consolidated Financial Statements in euros (€). Unless otherwise indicated, the presentation is in thousands of euros (K €). For mathematical reasons, the numbers presented in the Consolidated Financial Statements may include rounding differences.

#### Consolidated companies and principles of consolidation

All companies which Pfeiffer Vacuum directly or indirectly controls are consolidated. The Company is considered to control an entity if it is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Inclusion in the Consolidated Financial Statements is made on the basis of individual financial statements prepared in accordance with consistent accounting and valuation principles. The balance sheet date of the individual financial statements of the included companies is the same as the balance sheet date of the Consolidated Financial Statements.

There were no investments in joint ventures or joint operations as of December 31, 2020, or in previous years. Nor were there any investments in unconsolidated structured entities.

Consolidation of investments is effected at the acquisition date in accordance with the acquisition method. In this connection, all assets (including, if applicable, intangible assets to be recognized additionally) and liabilities are first valued at their attributable fair values. The acquisition costs of the equity investment, i.e. the total compensation transferred, valued in accordance with attributable fair values, are then offset against the acquired, newly valued shareholders' equity. Any resulting positive difference is recognized as goodwill and written down in future periods only in the event of impairment (impairment-only approach).

All intercompany receivables and liabilities, gains and losses, revenues and expenses are eliminated in connection with the consolidation process.

### Foreign currency translation

The annual financial statements of subsidiaries domiciled outside the European Currency Union have been translated into euros (€) in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates". Each company within the Corporate Group stipulates its own functional currency. The functional currency of the subsidiaries is the respective local currency. When translating financial statements presented in foreign functional currencies, year-end exchange rates are applied to assets and liabilities, while average annual exchange rates are applied to income statement accounts. The resulting translation adjustments are recorded in other equity components.

In the consolidated financial statements, foreign-currency transaction gains and losses from regular operations of consolidated companies are recorded as other operating income and expenses in the income statement.

## 3. Application of amended or new standards

The accounting and valuation principles used are essentially the same as those used the year before. In variance thereto, in 2020 the Company has applied the following new or amended IASB announcements that have been endorsed by the European Union (EU) for the first time, as their application was mandatory in fiscal 2020.

**NEW ANNOUNCEMENTS**

| | Issued by IASB/IFRS IC | Applicability[1] |
|---|---|---|
| Amendments to References to the Conceptional Frameworks in IFRS Standards | November 2018 | January 1, 2020 |
| Amendments to IFRS 3 Business Combinations | April 2020 | January 1, 2020 |
| Amendments to IAS 1 and IAS 8: Definition of Material | November 2019 | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform | January 2020 | January 1, 2020 |
| Amendment to IFRS 16 Covid-19-Related Rent Concessions | October 2020 | June 1, 2020[2] |

[1] Fiscal years beginning on or after the indicated date according to EU regulation
[2] applicable at June 1 for fiscal years which start on or after January 1, 2020

The following IASB announcements were endorsed by the EU as European law, but their application was not mandatory in fiscal 2020. Pfeiffer Vacuum will only start applying these pronouncements from fiscal years in which their application is mandatory within the EU.

**NEW ANNOUNCEMENTS**

| | Issued by IASB/IFRS IC | Applicability[1] |
|---|---|---|
| Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform Phase II | August 2020 | January 1, 2021 |

[1] Fiscal years beginning on or after the indicated date according to EU regulation

The following announcements were issued by the IASB or the IFRS IC but not yet endorsed by the EU:

**NEW ANNOUNCEMENTS**

| | Issued by IASB/IFRS IC | Applicability |
|---|---|---|
| Amendment to IFRS 3: Reference to Conceptional Framework | May 2020 | January 1, 2022 |
| Amendments to IAS 16: PP&E: Proceeds before Intended Use | May 2020 | January 1, 2022 |
| Annual Improvements to IFRS Standards 2018 – 2020 Cycle (issued on December 12, 2017) | May 2020 | January 1, 2022 |
| Amendments to IAS 37: Costs of Fulfilling a Contract | May 2020 | January 1, 2022 |
| IFRS 17 Insurance Contracts | May 2017 | January 1, 2023 |
| Amendments to IAS 1 and IAS 8: Classification of Liabilities as Current or Non-current | January 2020 | January 1, 2023 |

Pfeiffer Vacuum intends apply the announcements mentioned above as of the effective date of mandatory application within the EU. The impact on the Consolidated Financial Statements resulting from the application of these not yet endorsed pronouncements are currently being analyzed.

## 4. Accounting and valuation methods

### Income recognition

Revenue is recorded when control over the distinct goods or services is transferred to the customer, i.e. when the customer has the ability to control the use of the transferred goods or services and substantially obtains all of the benefits that remain from them. The prerequisite for this is that a contract with enforceable rights and obligations exists and that, among other things, it is probable that the consideration will be received, taking into account the creditworthiness of the customer. Most contracts with customers are fixed-price agreements in which Pfeiffer Vacuum acts as principal. Sales revenues correspond to the transaction prices according to the contracts with customers to which the Group is expected to be entitled. In the case of individual contracts with variable consideration included in the transaction price, the amount of the variable consideration is determined either according to the expected value method or with the most probable amount and recorded as a reduction in sales revenue. Basically, transaction prices do not include any financing components, as the expected period between the transfer of the goods or services to the customer and the payment date does not exceed twelve months. If a contract includes several distinct performance obligations, the transaction price is allocated to the performance obligations on the basis of the relative individual selling prices. If individual selling prices are not directly observable, they are estimated on the basis of the "expected-cost-plus-a-margin" approach. Revenues within the meaning of IFRS 15 are recognized at Pfeiffer Vacuum either at a specific point in time or over a specific period of time, with revenue recognition based on the point in time prevailing.

Revenues from the sale of vacuum products are recognized at the time when control is transferred to the customer, generally upon delivery of the goods. Revenues from contracts with customer-specific vacuum solutions are recognized over a certain period of time based on the stage of completion, based on the ratio of costs already incurred at the balance sheet date to the estimated total costs (input-based method) and recorded as contract assets. In connection with the sale of vacuum products, Pfeiffer Vacuum in some cases offers extended warranty terms ("service & process-type warranties") that go beyond the statutory warranty obligations ("assurance-type warranties"). Performance obligations in connection with extended warranty terms, for which the customer has already paid a consideration, are recognized as contract liabilities and recognized over the period in which the services are rendered based on the time elapsed.

Revenues from the rendering of services are recognized after execution. They include invoiced working hours of service staff, spare parts and replacement parts. Interest income is realized when the interest has accrued. Rental income from investment property is recognized on a straight-line basis over the term of the contracts.

**Cost of Sales**

Cost of sales include the manufacturing costs for the products sold as well as the costs for the services rendered. This includes all directly attributable material and production costs as well as indirect costs including depreciation/amortization on production buildings and machines. In addition, freight costs, expenses for inventory valuation, and warranty expenses are included in here. Based on historical experience, warranty provisions for recognized revenues are recorded as of year-end.

**Research and development expenses**

Research and development costs are generally expensed as incurred. Development costs are capitalized, if the capitalization prerequisites in IAS 38, "Intangible Assets," are fully satisfied. In fiscal years 2020 and 2019, development costs were not capitalized.

**Property, plant and equipment and intangible assets**

Property, plant and equipment and intangible assets are stated at cost and depreciated/amortized on a straight-line basis over the customary useful lives of the assets. At the close of each fiscal year, the useful lives and depreciation/amortization methods, as well as the residual values in the case of property, plant and equipment, are reviewed and adjusted where necessary. The following useful lives are assumed:

**ESTIMATED USEFUL LIFE**

| | |
|---|---|
| Production halls, production and administration buildings and similar facilities | 20 – 40 years |
| Machinery and equipment (including IT equipment) | 3 – 15 years |
| Intangible assets[1] | 3 – 5 years |

[1] With the exception of goodwill and trademarks recognized in connection with purchase price allocations, there are no intangible assets with indefinite useful lives.

Intangible assets recognized in connection with acquisitions, i.e. trademark rights or customer base, may have different, longer estimated useful lives of up to 20 years. Determination is made on an individual basis.

Scheduled depreciation and amortization are allocated to the expense lines in the income statement on the basis of the input involved. Repair and maintenance costs are expensed as incurred.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances suggest that the carrying amount of an asset may not be recoverable. Should impairment indicators exist, the Company performs the analyses required under IAS 36, "Impairment of Assets", with the carrying amount of the asset being compared to the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of the fair value less its selling costs and value in use. The resulting amount must be determined for each individual asset, unless an asset generates cash flows that are dependent upon those from other assets or other asset groups. Should the carrying amount of an asset be higher than its recoverable amount, the asset is viewed as being impaired and is written down to its recoverable amount. To determine the value in use of an asset, the anticipated future cash flows are discounted to their cash value, taking into consideration a before-tax discount rate that reflects current market expectations with respect to the interest rate effect and the specific risks of the asset in question. An appropriate valuation model is employed to determine the fair value less selling costs. This model is based on valuation multiples and other available indicators for the fair value. Any required reversals of impairment losses are recorded in future-period income statements up to the amount of the impairment loss reversal limit. This limit is determined by the amount that would have resulted at the close of the respective fiscal year given scheduled depreciation of the asset.

At least once a year, the Company reviews goodwill for possible impairments. For the purpose of the impairment test, goodwill acquired within the context of a corporate merger is allocated at the acquisition date to those cash generating units of the Corporate Group that can be expected to be able to benefit from the corporate merger. This review is always made whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. In this case, the above described process for impairments under IAS 36, "Impairment of Assets", is applied. Any resulting impairment loss is recorded in the income statement. A reversal of goodwill impairment losses in future periods is not permissible.

A fixed or intangible asset is derecognized either at the time of disposal or at such time as no economic benefit can any longer be expected from the further utilization or sale of the asset. Gains and losses from disposals of assets are determined and recorded in the income statement on the basis of the difference between selling costs and carrying amount, less any directly attributable selling costs, where applicable.

**Investment properties**

Real estate properties are allocated to the portfolio of investment properties if they are held for the purpose of generating rental income. They are stated at cost and depreciated on a straight-line basis over their estimated useful lives (cost model). Assessment of their residual values, useful lives and depreciation methods, as well as any impairment losses, is performed analogously to the procedure described in connection with property, plant and equipment. Investment properties are derecognized upon disposal or when they are no longer being permanently used and they are no longer expected to produce any further future economic benefit.

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity. Accounting for financial instruments in the case of usual and customary purchase or sale is performed on the settlement date, i.e. the day on which the asset is delivered. According to IFRS 9, "Financial Instruments" financial instruments are allocated to the following categories upon initial recognition:

- "Fair value through profit or loss"
- "Fair value through other comprehensive income"
- "Amortized cost"

At the time of recognition accounts receivable, in particular trade accounts receivable and contract assets, are recorded with the amount of unconditional consideration and subsequently measured at amortized cost. Receivables generally do not contain any significant financing components. If they contain significant financing components, they must instead be recognized at fair value. A contract asset is the right to receive consideration in exchange for goods or services that have been transferred to the customer. Allowances on contract assets and receivables for credit risks are made on the basis of the expected loss model. Pfeiffer Vacuum applies a simplified approach to measure expected losses pursuant to IFRS 9, under which a provision for possible loan losses must be recognized in the amount of the expected losses over the remaining term of the asset. A reversal of an impairment loss is recognized in profit or loss up to a maximum of the amortized cost. Receivables are derecognized as soon as they become uncollectible.

The Company uses derivatives only to manage foreign currency exchange rate risks. Instead of applying the hedge accounting provisions of IFRS 9, Pfeiffer Vacuum is voluntarily exercising its option and continues to apply the corresponding provisions of IAS 39. Approximately 54 % of Group sales are invoiced in foreign currencies (non-euro, predominantly US dollars as well as KRW) (2019: 54 %). The Company enters into forward exchange and option transactions to hedge its future sales invoiced in foreign currencies against exchange rate fluctuations. Derivative financial instruments are acquired exclusively for this purpose. Pfeiffer Vacuum does not engage in speculative hedging transactions. Derivative financial instruments employed for hedging purposes are recorded at their fair values both at the time they are first recorded as well as in subsequent periods. Derivative financial instruments are recorded as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in the fair value of these derivatives are recorded in equity without any impact on the income statement if the hedging is classified as a cash flow hedge according to IAS 39 and is effective. The derivative is reclassified into other operating income and expenses as foreign exchange gains/losses at the time of realization of the underlying transaction that has been hedged. If derivatives were purchased for hedging purposes but do not formally qualify for hedging under IAS 39, they are recorded at fair value through profit and loss. The fair values of derivatives are determined on the balance sheet date using current reference quotations and taking into account forward premiums and discounts. Please refer to Note 33 for further information relating to financial instruments.

Trade accounts payable are financial liabilities and are measured at fair value at the time of first recognition and subsequently at amortized cost. Accordingly, they are recognized at the higher of nominal value or repayment amount, including any value-added tax, at the balance sheet date.

Bank loans are also categorized as financial liabilities and are measured at fair value upon first recognition and in future periods at amortized costs using the effective interest method. This takes into consideration all components of the effective interest rate. Interest income and expenses resulting from the application of the effective interest rate method are shown under financial results.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank balances, and all highly liquid bank investments having original maturities of three months or less. Cash and cash equivalents are defined accordingly in the consolidated cash flow statements. Cash and cash equivalents are also subject to the expected loss model according to IFRS 9. Due to the short investment period, this line item is only subject to minor value fluctuations.

**Inventories**

Inventories are valued at the lower of net realizable value and acquisition or manufacturing costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Acquisition or manufacturing costs comprise all costs for acquisition or manufacturing as well as all costs incurred for bringing the inventories to their current place and to the current status. With regard to work in process and finished products, the manufacturing costs include besides directly attributable material and production costs also production related indirect costs. Removals from inventory are determined on a weighted average cost basis. Interests on borrowed capital are not considered as part of acquisition or manufacturing costs for inventories. Valuation adjustments on excess inventories are determined on the basis of internal procedures in accordance with the ratio between inventory turnover and future sales or usage. Excess inventories are stocks of individual inventory items that exceed anticipated sales or usage. Management utilizes its judgement in forecasting sales or usage.

**Other accounts receivable and other assets**

Other accounts receivable and other assets are recorded at amortized cost and less allowances, where applicable. Non-current receivables and assets are valued using the effective interest method.

**Provisions**

Provisions are formed when the Corporate Group presently has a legal or constructive outside obligation as a result of a past event and it is likely that settlement of the obligation will lead to an outflow of economic resources and the amount of the obligation can be reliably determined. The valuation is made on the basis of the best estimate of the extent of the obligation.

### Pensions

Valuation of pension obligations under defined benefit plans is based upon the projected unit credit method in accordance with IAS 19 "Employee Benefits". Actuarial gains and losses from changes in the amount of either the defined benefit obligation (under pension plans), the actuarial present value of earned entitlements (under other plans) as well as those variances between actual returns and returns calculated with the discount rate or from changes in other actuarial assumptions are recorded directly in the other equity components. The pension provision thus shows the net benefit obligation resulting from the difference of the defined benefit obligation and the plan assets measured at fair value. Additionally, the return on plan assets is considered with the discount rate. The accounting for obligations under defined benefit plans is based upon actuarial reports calculated as per the close of the fiscal year. The existing pension plans are detailed in Note 25.

Expenses for defined contribution plans are recorded as expense in the income statement when the premium obligation is incurred. Provisions are formed only if the payment is not made in the year the premium was incurred.

### Contract liabilities and other accounts payable

Contract liabilities and other liabilities are measured at fair value upon first time recognition. Subsequent measurement is at amortized cost. A contract liability is an obligation to transfer goods or services to a customer for which the customer has paid consideration. Thus, they are recorded at their notational value or at their higher redemption amount at the close of the fiscal year, including any value added tax.

### Income taxes

Current income taxes are stated as a liability to the extent to which they have not yet been paid. General tax risks within the Group are additionally considered. Should the amounts already paid for income taxes exceed the amount owed, the difference is stated as an asset. Calculation of the amount is based upon the tax rates and tax legislation applicable at the close of the fiscal year.

Under IAS 12, "Income Taxes", deferred tax assets and liabilities are formed in the consolidated and taxation financial statements for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases or for unused tax loss carry-forwards (liability method). In assessing the realizability of deferred tax assets, management considers whether it is more likely that not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this assessment, management considers the scheduled reversal of temporary differences, projected future taxable income, and tax planning strategies. Valuation of deferred tax assets and liabilities is performed using the local tax rates expected to be in effect at the time of realization of the asset or satisfaction of the liability, with the tax rates applicable at the close of the fiscal year being employed. The effects of changes in tax laws are recognized in the results of operations in the period in which the new tax rates go into effect. Deferred taxes that relate to line items recorded directly under shareholders' equity are recorded directly under equity and not in the income statement. An adjustment is recorded for deferred tax assets if it is unlikely that future tax advantages will be realized. Deferred tax assets and liabilities are offset if the entitlements and obligations relate to one and the same tax authority.

### Leases

In accordance with IFRS 16 "Leases", a right-of-use asset and a lease liability have to be recognized in the balance sheet for all leases. The lease liability is measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate, while the right-of-use asset is generally measured at the amount of the lease liability plus initial direct costs. As the internal interest rate is often difficult to determine, the incremental borrowing rate may be used alternatively. During the lease term, the right-of-use asset is depreciated and the lease liability is recognized using the effective interest method and taking into account lease payments. The right-of-use assets recognized in the balance sheet are shown in the balance sheet items in which the assets underlying the leasing agreement would have been shown if they had been owned by the Company. As of the balance sheet date the right-of-use assets are therefore reported as property, plant and equipment within the non-current assets. Lease liabilities are reported under financial liabilities. Simplifications for short-term lease contracts or for lease contracts for which the value of the underlying asset is immaterial have not been applied.

**Government grants**

Government grants which compensate the Group for expenses (expense subsidies) are recorded in the income statement in other operating income in the same period the underlying expenses are incurred. To the extent government grants do not relate to benefits for short-time work and for the related refund of social security contribution government grants the Group received due to the Covid-19 pandemic are also recorded under other operating income applying the accrual principle. Benefits for short-time work are recorded with personnel expenses.

**Determination of fair value**

IFRS 13 "Fair Value Measurement" includes uniform regulations for fair value measurement and rules the determination of fair value in cases where other standards allow or require measurement at fair value. Pfeiffer Vacuum Group did not apply any fair value measurement options.

**Use of estimates**

The process of preparing financial statements requires the use of estimates and assumptions on the part of the management. These estimates are based upon management's historical experience, are verified regularly, and adjusted if necessary. Certain of the Company's accounting policies are considered critical, as they can have a major impact on the profitability, financial position, and liquidity of the Corporate Group and necessitate significant or complex judgement on the part of management. These estimates and assumptions could differ from the actual results. As of December 31, 2020, based on current estimate, no judgement uncertainties existed that could lead to the significant risk of the need for a material adjustment of book values in the 2021 fiscal year.

Material forward-looking estimates and assumptions exist, among others, in estimating the cash flows in connection with the good-will impairment test, with regard to the formation of pension and warranty provisions, in forecasting the useful lives of fixed assets, in determining the fair values of assets identified and liabilities assumed in connection with acquisitions, in the determination of individual selling prices within the meaning of IFRS 15 that are not directly observable, in determining the lease term or the amount of leasing rates or in connection with deferred tax assets. The major assumptions are detailed in the Notes relating to the individual line items of the balance sheet or in the accounting principles. With regard to the assumptions the goodwill impairment test is based on, please refer to Note 11. The parameters underlying the pension accounting are detailed in Note 25. Information concerning the estimated useful life of tangible and intangible assets is included in Note 4, section "Property, plant and equipment, and intangible assets". With regard to sales revenues please refer to Note 4, section "Income recognition" and with regard to the composition of sales revenues to Note 7. Further details for provisions are described in Note 29 and for deferred tax assets in Note 24.

# NOTES TO THE SCOPE OF CONSOLIDATION

## 5. Composition of consolidated companies

In addition to Pfeiffer Vacuum Technology AG, three German and 28 foreign subsidiaries are fully consolidated in the Company's Consolidated Financial Statements as at December 31, 2020.

## 6. Changes in consolidated companies

Advanced Test Concepts, LLC., USA has been merged into Pfeiffer Vacuum Inc., USA, on January 1, 2020.

Pfeiffer Vacuum (Wuxi) Co., Ltd., China, was founded at the end of 2020.

Besides, there have been no further changes in consolidated companies in 2020 and 2019.

## THE PFEIFFER VACUUM CORPORATE GROUP AS OF DEC. 31, 2020

| | Headquarters | Holding (in %) |
|---|---|---|
| **Pfeiffer Vacuum Technology AG** | Germany | |
| Pfeiffer Vacuum GmbH | Germany | 100.0 |
| Pfeiffer Vacuum Austria GmbH | Austria | 100.0 |
| Pfeiffer Vacuum (Schweiz) AG | Switzerland | 100.0 |
| Pfeiffer Vacuum (Shanghai) Co., Ltd. | China | 100.0 |
| Pfeiffer Vacuum (India) Private Ltd. | India | 27.0[1] |
| Pfeiffer Vacuum Ltd. | Great Britain | 100.0 |
| Pfeiffer Vacuum Scandinavia AB | Sweden | 100.0 |
| Pfeiffer Vacuum Singapore Pte. Ltd. | Singapore | 100.0 |
| Pfeiffer Vacuum Taiwan Corporation Ltd. | Taiwan | 100.0 |
| Pfeiffer Vacuum Benelux B. V. | The Netherlands | 100.0 |
| Pfeiffer Vacuum (Xi'an) Co., Ltd. | China | 100.0 |
| Pfeiffer Vacuum Malaysia SDN. BHD. | Malaysia | 100.0 |
| Pfeiffer Vacuum (Wuxi) Co., Ltd. | China | 100.0 |
| Pfeiffer Vacuum Inc. | USA | 100.0 |
| Pfeiffer Vacuum New Hampshire Realty Holdings, LLC. | USA | 100.0 |
| Pfeiffer Vacuum Indiana Realty Holdings, LLC. | USA | 100.0 |
| Nor-Cal Products Holdings, Inc. | USA | 100.0 |
| Nor-Cal Products, Inc. | USA | 100.0 |
| Nor-Cal Products Viet Nam Co., Ltd. | Vietnam | 100.0 |
| Nor-Cal Products Europe Ltd. | Great Britain | 100.0 |
| Nor-Cal Products Korea Co., Ltd. | Republic of Korea | 100.0 |
| Nor-Cal Products Asia Pacific Pte. Ltd. | Singapore | 100.0 |
| Pfeiffer Vacuum California Realty Holdings, LLC. | USA | 100.0 |
| **Pfeiffer Vacuum Holding B. V.** | The Netherlands | 100.0 |
| Pfeiffer Vacuum Italia S. p. A. | Italy | 100.0 |
| Pfeiffer Vacuum (India) Private Ltd. | India | 73.0[1] |
| Pfeiffer Vacuum Korea Ltd. | Republic of Korea | 75.5[2] |
| **Pfeiffer Vacuum Components & Solutions GmbH** | Germany | 100.0 |
| **Pfeiffer Vacuum SAS** | France | 100.0 |
| Pfeiffer Vacuum Romania S. r. l. | Romania | 100.0 |
| **Pfeiffer Vacuum Semi Korea, Ltd.** | Republic of Korea | 100.0 |
| **Pfeiffer Vacuum Korea Ltd.** | Republic of Korea | 24.5[2] |
| **Dreebit GmbH** | Germany | 100.0 |

[1 and 2] Group shareholding in total 100.0 %

# NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME

## 7. Net sales

Pfeiffer Vacuum derives revenue from contracts with customers from the transfer of goods and services at a point in time and over time. The revenue, which is recognized at a point in time, is the major part of Pfeiffer Vacuum's net sales.

Presented below are the group sales with customers by regions and markets:

### REVENUE BY REGIONS

| | Asia | Europe | The Americas | Rest of world | Total |
|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ |
| **2020** | 231,263 | 227,310 | 159,991 | 101 | **618,665** |
| 2019 | 231,050 | 232,043 | 169,664 | 108 | **632,865** |

### REVENUE BY MARKETS

| | Analytics, Industry and Research & Development | Semi-conductors and Coating | Total |
|---|---|---|---|
| | in K€ | in K€ | in K€ |
| **2020** | 310,056 | 308,609 | **618,665** |
| 2019 | 334,704 | 298,161 | **632,865** |

Revenue with material customers (>10% of total revenue) was in 2020 in total € 62.8 million and was realized in the segments South Korea, USA and rest of Asia. Prior year there was no revenue with material customers.

For further analysis of revenues we refer to the segment reporting in Note 32.

The order backlog as of December 31, 2020 was € 123.3 million (2019: € 110.7 million) and represents the extent of performance obligations which have not been fulfilled yet or are partially unfulfilled.

## 8. Functional expenses

### Cost of Sales

Cost of sales predominantly include the manufacturing costs for the products sold as well as the costs for the services rendered. This includes all directly attributable material and production costs as well as indirect production costs (including depreciation on production buildings and machines). In addition, freight costs, expenses for inventory valuation, and warranty expenses are included here.

### Selling and marketing expenses

Selling and marketing expenses predominantly include wages and salaries, marketing and advertising costs, costs relating to trade shows and conventions, as well as other merchandising costs (such as catalogs, brochures, etc.).

**General and administrative expenses**

General and administrative expenses predominantly include wages and salaries, expenses related to allowances for doubtful accounts, audit and other general consulting fees, as well as all costs relating to the Company as a whole.

**Research and development expenses**

Research and development expenses include personnel and material expenses allocated to this functional section. Amortization expenses for developed technology recognized in connection with the purchase price allocations totaled € 1.0 million in 2020 (2019: € 1.0 million) and are also included in research and development expenses.

For further analysis of operating expenses, please refer to Note 15 (relating to cost of sales), to Note 24 (relating to income tax expenses), to Note 25 (relating to the development of pension expenses), to Note 38 (relating to development of personnel expenses) and to Note 11 and Note 12 (relating to development of depreciation and amortization).

## 9. Other operating income and other operating expenses

Other operating income and expenses are comprised as follows:

**COMPOSITION OF OTHER OPERATING INCOME AND EXPENSES**

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Foreign exchange gains | 5,442 | 4,126 |
| Government grants | 3,163 | 3,087 |
| Gains from disposals of assets | 110 | 62 |
| Government grants (Covid 19) | 459 | – |
| Other | 175 | 493 |
| **Other operating income** | **9,349** | **7,768** |
| Foreign exchange losses | – 8,403 | – 4,295 |
| Impairment losses | – 8,833 | – |
| Others | – 286 | – 609 |
| **Other operating expenses** | **– 17,522** | **– 4,904** |

In respect to government grants reported under other operating income, there are no unfulfilled conditions or other contingencies existing.

Further details regarding impairment losses please refer to Note 11.

The claiming of various governmental support in relation with the Covid 19-situation (e.g. short time work, social security allowance, other grants) had an effect of € 1.6 million, whereof € 1.1 million were included in the personal expenses.

## 10. Financial expenses and financial income

Financial expenses and financial income as recorded in 2020 and the previous year comprises as follows:

**COMPOSITION OF FINANCIAL INCOME AND FINANCIAL EXPENSES**

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Interest expenses and similar | – 902 | – 853 |
| **Total financial expenses** | **– 902** | **– 853** |
| Interest income | 147 | 216 |
| **Total financial income** | **147** | **216** |
| **Financial result** | **– 755** | **– 637** |

Interest income and interest expenses only related to financial assets or financial liabilities recorded at amortized costs.

# NOTES TO THE CONSOLIDATED BALANCE SHEETS

## 11. Intangible assets

The intangible assets item mainly includes software purchased within the consolidated Group and intangible assets recognized in connection with acquisitions (amongst others developed technology, customer base, trademark right) as well as goodwill. The development of intangible assets in 2020 and 2019 was as follows:

## DEVELOPMENT OF INTANGIBLE ASSETS IN 2020

| | Software | Software before implementation | Goodwill | Customer base | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| **Acquisition cost** | | | | | | |
| Balance as at January 1, 2020 | 10,659 | 4,222 | 81,373 | 42,105 | 33,740 | 172,099 |
| Currency changes | – 21 | – | – 3,005 | – 2,380 | – 526 | – 5,932 |
| Additions | 1,085 | 5,230 | 1 | – | 162 | 6,478 |
| Disposals | – 65 | – | – | – | – 1,463 | – 1,528 |
| Balance as at December 31, 2020 | 11,658 | 9,452 | 78,369 | 39,725 | 31,913 | 171,117 |
| **Amortization** | | | | | | |
| Balance as at January 1, 2020 | 7,399 | – | – | 25,386 | 27,070 | 59,855 |
| Currency changes | – 13 | – | – | – 1,085 | – 282 | – 1,380 |
| Additions | 1,364 | – | – | 1,697 | 1,194 | 4,255 |
| Impairment losses | – | – | 6,193 | – | 2,640 | 8,833 |
| Disposals | – 56 | – | – | – | – 1,126 | – 1,182 |
| Balance as at December 31, 2020 | 8,694 | – | 6,193 | 25,997 | 29,497 | 70,381 |
| **Net book value as at December 31, 2020** | **2,964** | **9,452** | **72,176** | **13,728** | **2,417** | **100,736** |
| Thereof with an unlimited useful life | – | – | 72,176 | – | 267 | 74,593 |

## DEVELOPMENT OF INTANGIBLE ASSETS IN 2019

| | Software | Software before implementation | Goodwill | Customer base | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| **Acquisition cost** | | | | | | |
| Balance as at January 1, 2019 | 9,168 | 267 | 80,721 | 41,632 | 33,324 | 165,112 |
| Currency changes | 3 | – | 652 | 473 | 128 | 1,256 |
| Additions | 1,543 | 3,955 | – | – | 312 | 5,810 |
| Disposals | – 55 | – | – | – | – 24 | – 79 |
| Balance as at December 31, 2019 | 10,659 | 4,222 | 81,373 | 42,105 | 33,740 | 172,099 |
| **Amortization** | | | | | | |
| Balance as at January 1, 2019 | 6,278 | – | – | 23,538 | 25,836 | 55,652 |
| Currency changes | 2 | – | – | 119 | 62 | 183 |
| Additions | 1,174 | – | – | 1,729 | 1,173 | 4,076 |
| Disposals | – 55 | – | – | – | – 1 | – 56 |
| Balance as at December 31, 2019 | 7,399 | – | – | 25,386 | 27,070 | 59,855 |
| **Net book value as at December 31, 2019** | **3,260** | **4,222** | **81,373** | **16,719** | **6,670** | **112,244** |
| Thereof with an unlimited useful life | – | – | 81,373 | – | 3,293 | 84,666 |

For the purpose of testing the recoverability, goodwill and trademark rights with indefinite useful life recognized in connection with acquisitions, were tested on December 31, 2020 by means of an impairment test.

The determination of the cash generating units as a basis for the impairment test followed the segmentation according to IFRS 8 and was thus legal entity related. The recoverable amounts (values in use) for impairment testing of the goodwill were determined as at December 31, 2020 for those cash generating units goodwill was allocated to. Bases were cash flow forecasts for the years 2021 through 2023. These cash flow forecasts are developed from the distinguished yearly sales and cost planning for every year of the said period as approved by the Management and the corresponding operating results. In doing so, the current operating results as well as the expected market, economic, and competitor developments are considered and checked against the historical results. For the cash flow forecasts assumptions with regard to the development of working capital and the future capital expenditures are taken additionally. The cash flows expected after the detailed forecast were extrapolated using individual growth rates. Discounting of cash flows is carried out using weighted average cost of capital (WACC) that also reflect country specific risks. At derivation sales and expenses planning the effect of the Corona-pandemic was taken into account, which basically lead to a deferral of the planning by about one year.

For the goodwill recorded in connection with various acquisitions (€ 72.2 million; 2019: € 81.4 million) the recoverable amount (value in use) was determined as at December 31, 2020, based on cash generating units. The goodwill allocation to the cash generating units and the major assumptions used in calculating the recoverable amount are detailed in the following table.

## ALLOCATION OF GOODWILL AND MAJOR VALUATION ASSUMPTIONS

| | Dec. 31, 2020 | | | Dec. 31, 2019 | | |
|---|---|---|---|---|---|---|
| | **Goodwill** | **Pre-tax discount rate** | **Long-term growth rate** | **Goodwill** | **Pre-tax discount rate** | **Long-term growth rate** |
| | in € millions | in % | in % | in € millions | in % | in % |
| Germany | 13.1 | 8.1 | 1.5 | 13.1 | 12.0 | 1.0 – 1.5 |
| Thereof Pfeiffer Vacuum Components & Solutions GmbH | 8.2 | 8.1 | 1.5 | 8.2 | 12.0 | 1.5 |
| France (Pfeiffer Vacuum SAS) | 23.0 | 12.2 | 1.5 | 23.0 | 13.3 | 1.5 |
| Rest of Europe | 0.4 | 9.0 – 11.4 | 1.5 | 2.7 | 10.4 – 15.3 | 1.5 |
| USA | 29.3 | 8.1 | 1.5 | 32.0 | 10.6 | 1.5 |
| Thereof Nor-Cal Products Inc. | 19.0 | 8.1 | 1.5 | 20.7 | 10.6 | 1.5 |
| Thereof Pfeiffer Vacuum Inc. | 10.3 | 8.1 | 1.5 | 7.9 | 10.6 | 1.5 |
| Republic of Korea (Pfeiffer Vacuum Semi Korea, Ltd.) | 4.2 | 8.8 | 1.5 | 4.3 | 12.2 | 1.5 |
| China | – | 12.1 | 1.5 | 4.1 | 12.6 | 1.5 |
| Rest of Asia | 2.2 | 8.1 – 11.4 | 1.5 | 2.2 | 10.1 – 16.2 | 1.5 |
| **Total** | **72.2** | | | **81.4** | | |

As of December 31, 2020, the valuation of the aforementioned goodwill resulted in an impairment loss totaling K€ 6,193, relating to the cash-generating units in China (K€ 3,953) and Italy (K€ 2,240). With K€ 400 a portion of the impairment relating to Italy was already recorded during the year in the first quarter. The underlying assumptions were confirmed as of December 31, 2020. Decisive for the impairments were lower values in use following lower future profitability as a result of reduced local margins causing the book value before impairment to fall below the value in use. The value in use for the units in China and Italy totaled € 14.3 million, and € 4.8 million, respectively, and equaled the corresponding book value. Following the impairment, there is no remaining goodwill for these units. Major parameters for the valuation of the China unit, which assumes sales and service functions within Pfeiffer Vacuum Group, were the discount rate (12.1 %), a sustainable EBIT margin (4.0 %), a long-term growth rate (1.5 %) and a sustainable free cash flow (€ 1.3 million). Major parameters for the valuation of the Italy unit, which also assumes local sales and service functions, were the discount rate (11.4 %), a sustainable EBIT margin (5.0 %), a long-term growth rate (1.5 %) and a sustainable free cash flow (€ 0.5 million). Impairment losses for the units in Italy and China were shown in the business segments "Rest of Europe" and "Rest of Asia" ( see Note 32 ).

For a trademark right recognized in connection with an acquisition (former net book value € 3.2 million; 2019: € 3.3 million) a remaining useful life of three years was assumed following a change in the expected use (prior year: indefinite useful life). This resulted in an impairment loss of € 2.6 million. The remaining book value totaled

€ 0.6 million as of December 31, 2020, and equaled the value in use. The value in use was determined on the basis of the Company's own calculations by discounting expected net royalty revenues during the estimated remaining life of three years with a discount rate of 14.9 % (level 3 of the fair value hierarchy according to IFRS 13). Impairment loss was recorded in the business segments "Republic of Korea" (€ 1.0 million), "France" (€ 0.8 million), "Rest of Asia" (€ 0.5 million), "Germany" (€ 0.2 million) and "Rest of Europe" (€ 0.1 million) ( see Note 32 ).

Basically no reasonably possible change in a key assumption would cause each unit's carrying amount to exceed its recoverable amount. In contrast, an increase in discount rate by 1.1 %-points to 12.1 % with all other assumptions kept constant would cause the recoverable amount (value in use) of the goodwill allocated to Nor-Cal Products Inc. to match its net book value. The same situation would result from a 1.1 %-point to 7.9 % reduction of the sustainable EBIT margin used for the cash flow extrapolation or a 0.9 % point reduction in the sustainable sales growth rate or a reduction of the sustainable free cash flow by K€ 540 to K€ 3,755 used for the cash flow extrapolation. In contrast, as of December 31, 2019, an increase in discount rate by 0.1 %-points to 15.4 % with all other assumptions kept constant would have caused the recoverable amount (value in use) of the goodwill allocated to the Italy region to match its net book value. The same situation would have resulted from a 0.1 %-point to 5.4 % reduction of the sustainable EBIT margin used for the cash flow extrapolation or a 0.2 % point reduction in the sustainable sales growth rate or a reduction of the sustainable free cash flow by K€ 10 to K€ 729 used for the cash flow extrapolation. In 2019 an increase in discount rate by 1.2 %-points to 14.4 % with all other assumptions kept constant would have caused the recoverable amount (value in use) of the goodwill allocated to France to match its net book value.

The same situation would result from a 1.0 %-point to 7.0 % reduction of the sustainable EBIT margin used for the cash flow extrapolation or a 1.0 % point reduction in the sustainable sales growth rate or a reduction of the sustainable free cash flow by € 1.8 million to € 13.6 million used for the cash flow extrapolation.

## 12. Property, plant and equipment

### DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT IN 2020

| | Land and Buildings | Technical Equipment and Machinery | Other Equipment, Factory and Office Equipment | Construction in Progress | Total |
|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ |
| **Acquisition or manufacturing cost** | | | | | |
| Balance as at January 1, 2020 | 125,662 | 120,604 | 42,773 | 8,245 | 297,284 |
| Currency changes | - 2,468 | - 1,450 | - 388 | - 64 | - 4,370 |
| Additions | 4,612 | 5,164 | 5,653 | 13,208 | 28,637 |
| Disposals | - 999 | - 2,544 | - 2,328 | - 40 | - 5,911 |
| Reclassifications | 1,131 | 3,622 | 210 | - 4,963 | – |
| Balance as at December 31, 2020 | 127,940 | 125,396 | 45,920 | 16,386 | 315,642 |
| **Depreciation** | | | | | |
| Balance as at January 1, 2020 | 46,858 | 69,323 | 26,402 | – | 142,583 |
| Currency changes | - 429 | - 644 | - 231 | – | - 1,304 |
| Additions | 7,995 | 8,567 | 5,092 | – | 21,654 |
| Disposals | - 934 | - 2,526 | - 2,114 | 90 | - 5,484 |
| Balance as at December 31, 2020 | 53,490 | 74,720 | 29,149 | 90 | 157,449 |
| **Net book value as at December 31, 2020** | **74,450** | **50,676** | **16,771** | **16,296** | **158,191** |

## DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT IN 2019

| | Land and Buildings | Technical Equipment and Machinery | Other Equipment, Factory and Office Equipment | Construction in Progress | Total |
|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ |
| **Acquisition or manufacturing cost** | | | | | |
| Balance as at December 31, 2018 | 99,445 | 106,892 | 35,356 | 12,444 | 254,137 |
| IFRS 16 adjustment | 16,541 | 430 | 2,669 | – | 19,640 |
| Balance as at January 1, 2019, adjusted | 115,986 | 107,322 | 38,025 | 12,444 | 273,777 |
| Currency changes | 230 | – 26 | 88 | 11 | 303 |
| Additions | 3,269 | 14,937 | 6,163 | 5,485 | 29,854 |
| Disposals | – 1,676 | – 3,252 | – 1,721 | – 1 | – 6,650 |
| Reclassifications | 7,853 | 1,623 | 218 | – 9,694 | – |
| Balance as at December 31, 2019 | 125,662 | 120,604 | 42,773 | 8,245 | 297,284 |
| **Depreciation** | | | | | |
| Balance as at January 1, 2019 | 40,807 | 64,480 | 22,707 | – | 127,994 |
| Currency changes | 28 | 33 | 80 | – | 141 |
| Additions | 7,549 | 7,718 | 4,863 | – | 20,130 |
| Disposals | – 1,526 | – 2,908 | – 1,248 | – | – 5,682 |
| Balance as at December 31, 2019 | 46,858 | 69,323 | 26,402 | – | 142,583 |
| **Net book value as at December 31, 2019** | **78,805** | **51,281** | **16,371** | **8,245** | **154,701** |

In fiscals 2020 and 2019, no buildings and machinery were used as collateral to secure the Group's financial liabilities.

Neither in 2020 nor in the previous year there were any impairment losses or related reversals for property, plant, and equipment.

Afterwards the development of right of use assets is detailed. The right of use assets are included in property, plant & equipment.

## DEVELOPMENT OF RIGHT OF USE ASSETS IN 2020

| | Land and Buildings | Technical Equipment and Machinery | Other Equipment, Factory and Office Equipment | Total |
|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ |
| **Acquisition or manufacturing cost** | | | | |
| Balance as at January 1, 2020 | 16,365 | 609 | 2,876 | 19,850 |
| Currency changes | – 382 | – 34 | – 142 | – 558 |
| Additions | 3,199 | 36 | 1,437 | 4,672 |
| Disposals | – 917 | – 32 | – 210 | – 1,159 |
| Balance as at December 31, 2020 | 18,265 | 579 | 3,961 | 22,805 |
| **Depreciation** | | | | |
| Balance as at January 1, 2020 | 3,331 | 167 | 966 | 4,464 |
| Currency changes | – 124 | – 18 | – 73 | – 215 |
| Additions | 3,586 | 209 | 1,160 | 4,955 |
| Disposals | – 882 | – 32 | – 214 | – 1,128 |
| Balance as at December 31, 2020 | 5,911 | 326 | 1,839 | 8,076 |
| **Net book value as at December 31, 2020** | **12,352** | **253** | **2,122** | **14,729** |

## DEVELOPMENT OF RIGHT OF USE ASSETS IN 2019

| | Land and Buildings | Technical Equipment and Machinery | Other Equipment, Factory and Office Equipment | Total |
|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ |
| **Acquisition or manufacturing cost** | | | | |
| Balance as at January 1, 2019 | 16,541 | 430 | 2,669 | 19,640 |
| Currency changes | 43 | 1 | – 1 | 43 |
| Additions | 23 | 219 | 509 | 751 |
| Disposals | – 242 | – 41 | – 301 | – 584 |
| Balance as at December 31, 2019 | 16,365 | 609 | 2,876 | 19,850 |
| **Depreciation** | | | | |
| Balance as at January 1, 2019 | – | – | – | – |
| Currency changes | 8 | 1 | 1 | 10 |
| Additions | 3,546 | 192 | 1,064 | 4,802 |
| Disposals | – 223 | – 26 | – 99 | – 348 |
| Balance as at December 31, 2019 | 3,331 | 167 | 966 | 4,464 |
| **Net book value as at December 31, 2019** | **13,034** | **442** | **1,910** | **15,386** |

The group leases various land, buildings and cars (reported under "Other Equipment, Factory and Office Equipment") as well as other assets (copiers, printers, coffee machines, water dispensers and machinery). Rental/lease contracts are typically made for fixed periods of 1 to 4 years and can include extension options. Lease terms are negotiated on an individual contract basis and contain a wide range of different terms and conditions. The lease agreements do not include any covenants, but leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. Except for rare case, the extension and termination options are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Further information regarding leasing please refer to Note 23, Note 31 and Note 33.

## 13. Investment properties

### DEVELOPMENT OF INVESTMENT PROPERTIES

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| **Acquisition or manufacturing cost** | | |
| Balance as at January 1 | 861 | 861 |
| Additions | – | – |
| Disposals | – | – |
| Reclassifications | – | – |
| Balance as at December 31 | 861 | 861 |
| **Depreciation** | | |
| Balance as at January 1 | 461 | 437 |
| Additions | 24 | 24 |
| Disposals | – | – |
| Reclassifications | – | – |
| Balance as at December 31 | 485 | 461 |
| **Net book value as at December 31** | **376** | **400** |

The real estate shown in this line item was rented out in fiscal 2020 and 2019. Rental revenues amounted to K€ 56 (2019: K€ 56) and direct operating expenses amounted to K€ 28 (2019: K€ 28). Impairment losses or related reversals did not have to be recorded in 2020 and 2019.

The fair value of investment properties amounts to € 0.4 million as per December 31, 2020 (2019:€ 0.4 million). Fair values were derived on the basis of the Company's own calculations by discounting expected net rental revenues during the estimated remaining life by an appropriate discount rate (level 3 of the fair value hierarchy according to IFRS 13).

## 14. Other financial assets and other assets

Other financial assets include mainly non-current cash items K€ 1,421 (2019: K€ 3,745) and deposits K€ 675 (2019: K€ 247). The short-term-part of cash items and deposits is reported under current financial assets.

The amount of other assets end of 2020 relates particularly to prepaid expenses in connection with a long-term use of factory and office properties.

## 15. Inventories

### COMPOSITION OF INVENTORIES

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Raw materials | 43,446 | 42,256 |
| Work in process | 31,610 | 31,571 |
| Finished products | 58,198 | 54,657 |
| **Total inventories, net** | **133,254** | **128,484** |

Dec. 31

Materials consumption in fiscal 2020 amounted to € 242.6 million, (2019 € 256.6 million) and is included in cost of sales.

In 2020, an amount of K€ 4,584 (2019: K€ 4,441) from the valuation of inventories at net realizable value was recorded as expense. This expense was shown under cost of sales.

## 16. Trade accounts receivable and contract assets

In connection with its normal course of business, the Company extends credit to a wide variety of business customers. The Company performs ongoing credit evaluations of its customers. Trade accounts receivable and contract assets do not bear any interest and have a remaining term of less than one year.

### COMPOSITION OF TRADE ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Trade accounts receivable | 84,473 | 89,105 |
| Contract assets | 1,501 | 2,860 |
| Loss allowances | -872 | -1,238 |
| **Trade accounts receivable and contract assets, net** | **85,102** | **90,727** |

Dec. 31

The closing loss allowances for trade accounts receivable and contract assets as at December 31 reconcile to the opening loss allowances as follows:

## DEVELOPMENT OF LOSS ALLOWANCES

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Loss allowances as at January 1 | 1,238 | 1,167 |
| Currency changes | -41 | 12 |
| Additions | 507 | 350 |
| Utlization | -832 | – 291 |
| **Balance as at December 31** | **872** | **1,238** |

Contract assets of K€ 1,501 represent contractual rights to receive a consideration from customers, in such cases where Pfeiffer Vacuum fulfilled its obligations in according to IFRS 15 but the consideration did not become due. In this respect, Pfeiffer Vacuum recognizes revenue based on the group's progress to satisfy the performance obligation. The amount of contract assets was netted with customer's considerations which were already paid (K€ 1,665).

Pfeiffer Vacuum applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before December 31, 2020 or January 1, 2020 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP (Gross Domestic Product) of the countries in which it sells its goods to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

On that basis, the loss allowance was determined as follows for both trade receivables and contract assets:

## COMPOSITION OF LOSS ALLOWANCES

| | Not overdue | Less than 30 days past due | More than 30 days past due | More than 60 days past due | More than 90 days past due | Total |
|---|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| **December 31, 2020** | | | | | | |
| Expected loss rate | 0.00 % | 0.00 % | 0.00 % | 0.21 % | 24.08 % | |
| Gross carrying amount – trade accounts receivable | 59,320 | 13,618 | 5,086 | 2,850 | 3,599 | **84,473** |
| Gross carrying amount – contract assets | 1,501 | – | – | – | – | **1,501** |
| Loss allowance | – | – | – | 6 | 866 | **872** |
| **December 31, 2019** | | | | | | |
| Expected loss rate | 0.1 % | 0.0 % | 3.9 % | 2.9 % | 22.7 % | |
| Gross carrying amount – trade accounts receivable | 66,320 | 13,336 | 3,698 | 1,225 | 4,526 | **89,105** |
| Gross carrying amount – contract assets | 2,860 | – | – | – | – | **2,860** |
| Loss allowance | 31 | – | 144 | 35 | 1,028 | **1,238** |

Further loss allowances on financial assets were not registered in current reporting period and in prior year.

## 17. Other accounts receivable

This line item totaled K€ 10,265 as at December 31, 2020 (December 31, 2019: K€ 10,166). As in the year before, this position was characterized by expense subsidies of K€ 4,183 (December 31, 2019: K€ 2,774) and VAT claims of K€ 2,934 (December 31, 2019: K€ 5,137).

## 18. Cash and cash equivalents

The cash and cash equivalents item consists of cash at banks and cash on hand. Additionally, the Company records all bank deposits having an original maturity of three months or less as cash equivalents. The fair value of cash and cash equivalents corresponds to their net book value.

## 19. Share capital and additional paid-in capital

Unchanged compared to the previous year end, the share capital of Pfeiffer Vacuum Technology AG (parent company) consisted of 9,867,659 issued and outstanding no-par ordinary shares.

The Annual Shareholders Meeting on May 23, 2018, authorized the Management Board to increase the Company's share capital by K€ 12,631, or 4,933,829 shares, in consideration for contributions in cash and/or kind once or in partial amounts (authorized capital). This authorization is valid through May 23, 2023, and is subject to the consent of the Supervisory Board.

According to the resolution of the Annual Shareholders Meeting on May 23, 2019, the Management Board is authorized to issue fractional bonds with option or conversion rights or option or conversion obligations, profit participation rights or participating bonds (or combinations of these instruments) with an aggregate nominal value of up to € 200,000,000.00 and to grant the holders conversion rights for up to 2,466,914 no-par bearer shares of the Company having a pro-rata amount of up to € 6,315,299.84 of the share capital. This authorization is valid until May 22, 2024, and requires the consent of the Supervisory Board.

There were no changes of the additional paid-in capital in 2020 or 2019.

## 20. Paid and proposed dividends

The Annual General Meeting on May 20, 2020, resolved to pay a dividend of € 1.25 per share (Annual Shareholders Meeting on May 23, 2019: 2.30 per share). The dividend payment carried out thereunder amounted to K€ 12,335 in 2020 (2019: K€ 22,696).

The Management Board proposes to let shareholders participate in the Company's success via a dividend in the amount of € 1.60 per share. This proposal is subject to the approval of the Supervisory Board and the Annual General Meeting. Because the proposal must be approved by the Annual General Meeting, the resulting payment of K€ 15,788 has not been recorded as a liability in the balance sheet for the fiscal year ended December 31, 2020.

## 21. Other equity components

Other equity components comprise unrealized gains/losses on hedges and actuarial gains/losses resulting from valuation of defined benefit obligations and plan assets at fair value. Furthermore this position comprises foreign currency translation adjustments.

Due to the fact that the terms of all cash flow hedges are less than one year, the reported year-end balances as at December 31 of the respective years will be reclassified to the income statement the next year. The new year-end amounts result form changes during the respective year and thus not from prior years.

### DEVELOPMENT OF OTHER EQUITY COMPONENTS

| | Valuation of Defined Benefit Plans | Results from Cash Flow Hedges | Currency Changes | Total |
|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ |
| **Balance as at January 1, 2019** | **-33,041** | **-9** | **4,878** | **-28,172** |
| Changes in actuarial gains/losses (net of tax) | -7,095 | – | – | -7,095 |
| Changes in fair value of cash flow hedges (net of tax) | – | 39 | – | 39 |
| Changes in foreign currency translation | – | – | 2,615 | 2,615 |
| **Balance as at December 31, 2019** | **-40,136** | **30** | **7,493** | **-32,613** |
| Changes in actuarial gains/losses (net of tax) | -6,804 | – | – | -6,804 |
| Changes in fair value of cash flow hedges (net of tax) | – | -30 | – | -30 |
| Changes in foreign currency translation | – | – | -14,133 | -14,133 |
| **Balance as at December 31, 2020** | **-46,940** | **0** | **-6,640** | **-53,580** |

### TAX EFFECT ON OTHER COMPREHENSIVE INCOME

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Gross Amount | Tax Effect | Net Amount | Gross Amount | Tax Effect | Net Amount |
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| Valuation of Defined Benefit Plans | -8,950 | -2,146 | -6,804 | -9,490 | 2,395 | -7,095 |
| Results from cash flow hedges | -30 | – | -30 | 43 | -4 | 39 |
| Currency changes | -14,133 | – | -14,133 | 2,615 | – | 2,615 |
| **Total other comprehensive income** | **-23,113** | **2,146** | **-20,967** | **-6,832** | **2,391** | **-4,441** |

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## 22. Treasury shares

At the Annual Shareholders Meeting on May 20, 2020, the shareholders authorized the Management Board to acquire treasury shares pursuant to § 71, Sub-Para. 1, No. 8, German Stock Corporation Act ("AktG"). This authorization allows the Company to acquire treasury shares representing up to € 2,526,120.70 of the capital stock (986,766 shares equal to 10 % of capital stock at the time of the resolution), requires the consent of the Supervisory Board for execution, and is valid through May 19, 2025.

## 23. Long-term financial liabilities

Long term financial liabilities are comprised as follows:

### LONG-TERM FINANCIAL LIABILITIES

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Liabilities to banks | 60,000 | 60,000 |
| Leasing liabilities | 9,614 | 9,729 |
| **Total** | **69,614** | **69,729** |

### Liabilities to banks

In connection with the acquisition of Nor-Cal Products Holdings Inc. and its subsidiaries, long-term financial liabilities having a net cash inflow of € 70.0 million were taken out in the course of 2017. With it, an existing credit line was amended. These liabilities have an Euribor-based variable interest rate including an arm's-length margin. Interest clearing is made quarterly. There were no changes in the financial liabilities drawn during the year of 2020, the balance still totals € 60.0 million as of December 31, 2020. In fiscal year 2020, interest expenses again totaling € 0.5 million were recorded. Under the loan agreement, the Group has committed to comply with a determined financial ratio. The Company has clearly complied with this ratio in 2020 and 2019.

Pfeiffer Vacuum and its subsidiaries have various lines of credit available for operating purposes, totaling approximately € 16.2 million (December 31, 2019: € 13.7 million).

Financial obligations as shown under short and long-term financial liabilities may result in cash flows from financing activities in future reporting periods.

Leasing liabilities were recorded in 2020 and the previous year as follows:

### LEASING LIABILITIES

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Short-term | 3,437 | 3,766 |
| Long-term | 9,614 | 9,729 |
| **Total** | **13,051** | **13,495** |

In 2020 interest expenses relating to leasing liabilities were totaled € 0.2 million.

In addition, provision for dismantling obligations resulting from leases totaling € 0.5 million (2019: € 0.1 million) were recorded ( please refer to Note 29 ).

Potential future cash outflows of K€ 528 (2019: K€ 1,191) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and which is within under the Group's control. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognized lease liabilities and right-of-use assets of K€ 865 (2019: K€ 856).

The amount of K€ 4,930 (2019: K€ 5,257) shown in the Consolidated Statements of Cash Flows under redemptions of leasing liabilities represents the total cash outflow from leases in fiscal 2020.

## 24. Income taxes

Under current German corporate tax law, taxes on the income of German companies comprise corporate taxes, trade taxes, and an additional surtax.

### INCOME BEFORE TAX WAS TAXABLE IN THE FOLLOWING JURISDICTIONS

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Germany | 7,252 | 30,228 |
| Outside Germany | 37,289 | 34,287 |
| **Total** | **44,541** | **64,515** |

### COMPOSITION OF INCOME TAX EXPENSE

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Current taxes | | |
| Germany | -6,592 | – 8,716 |
| Outside Germany | -8,110 | – 7,295 |
| | **-14,702** | **– 16,011** |
| Deferred taxes | | |
| Germany | 1,270 | – 164 |
| Outside Germany | 482 | 17 |
| | **1,752** | **– 147** |
| **Income tax expense** | **-12,950** | **– 16,158** |

K€ 14,770 of current tax expense related to earnings in 2020 (2019: K€ 16,138). This line item additionally contained tax income for prior years amounting to K€ 68 (2019: K€ 127).

### RECONCILIATION FROM EXPECTED TO ACTUAL INCOME TAX EXPENSE

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Earnings before taxes | 44,451 | 64,515 |
| Expected tax expense using the tax rate of the parent company (28.95 %; 2019: 28.95 %) | – 12,895 | – 18,677 |
| Non-deductible expenses | – 2,809 | – 476 |
| Effects due to dividend payments | – 151 | – 119 |
| Difference foreign tax rates | 2,031 | 2,315 |
| Non-taxable income | 1,005 | 902 |
| Tax credits/debits due to tax filings in prior years | 68 | 127 |
| Other | – 199 | – 230 |
| **Income tax expense** | **– 12,950** | **– 16,158** |

As opposed to 25.0 % the year before, the tax ratio for the Pfeiffer Vacuum Group amounted to 29.1 % in 2020.

### DEFERRED TAXES RELATE TO THE FOLLOWING BALANCE SHEET ITEMS

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| **Deferred tax assets** | | |
| Pensions | 21,812 | 20,482 |
| Inventories | 6,489 | 6,335 |
| Financial liabilities | 3,979 | 3,940 |
| Provisions and contract liabilities | 3,781 | 3,642 |
| Tax credits | 956 | 1,044 |
| Tax loss carry forwards | 851 | 805 |
| Receivables | 405 | 320 |
| Intangible assets | 359 | 259 |
| Property, plant and equipment | 194 | 281 |
| Derivatives | – | 25 |
| Other | 99 | 64 |
| **Total deferred tax assets** | **38,925** | **37,197** |
| Thereof long-term deferred tax assets | 24,172 | 22,871 |
| Thereof short-term deferred tax assets | 14,753 | 14,326 |
| **Deferred tax liabilities** | | |
| Property, plant and equipment | – 6,462 | – 7,648 |
| Intangible assets | – 5,396 | – 6,627 |
| Receivables (including contract assets) | – 11 | – 579 |
| Inventories | – 221 | – |
| Other | – 6 | – 7 |
| **Total deferred tax liabilities** | **– 12,096** | **– 14,861** |
| Thereof long-term deferred tax liabilities | – 11,858 | – 14,275 |
| Thereof short-term deferred tax liabilities | – 238 | – 586 |
| **Total deferred taxes, net** | **26,829** | **22,336** |

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### AMOUNTS RECORDED IN THE BALANCE SHEET

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Deferred tax assets | 31,306 | 27,377 |
| Deferred tax liabilities | – 4,477 | – 5,041 |
| **Total deferred taxes, net** | **26,829** | **22,336** |

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### DEFERRED TAXES RECORDED IN THE INCOME STATEMENT

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Property, plant and equipment | 1,028 | 1,880 |
| Intangible assets | 799 | 138 |
| Derivatives | – 16 | 4 |
| Pensions | – 1,224 | – 763 |
| Provisions and contract liabilities | 473 | – 476 |
| Receivables (including contract assets) | 367 | – 343 |
| Tax credit | 0 | – 279 |
| Tax loss carry forwards | 79 | – 210 |
| Inventories | 245 | – 101 |
| Other | 1 | 3 |
| **Total deferred taxes** | **1,752** | **– 147** |

As at December 31, 2020, the total deferred tax assets included income taxes recorded directly in equity in the amount of K€ 17,915 (December 31, 2019: K€ 15,559). The total deferred tax liabilities included no income taxes recorded directly in equity. The amount recorded directly in equity in 2020 as in 2019 related to actuarial gains/losses and derivatives/hedging.

For taxable losses totaling K€ 1,470 (thereof K€ 311 deductible until 2021, K€ 214 deductible until 2022), no deferred tax assets have been recorded as these losses will presumably not be offset against taxable gains until the expiration.

Provisions have not been established for additional taxes on the undistributed earnings of non-German subsidiaries. These earnings are considered to be permanently reinvested and could become subject to additional tax if remitted or deemed remitted as dividends. Under current German law, dividends from non-German and German subsidiaries are 95 % tax-exempt, i.e. 5 % of dividend income is not deductible from income for corporate tax purposes. The management estimates that the effects of this rule in Germany will be negligible.

On temporary differences in connection with shares in affiliated companies over the amount of € 5.8 million at December 31, 2020 (2019: € 6.2 million) no deferred tax liability has been recorded, since the company is able to monitor the reversal of the temporary differences and in all probability these temporary differences will not reverse in the foreseeable future.

## 25. Pensions and similar obligations

### Defined benefit pension plans

### COMPOSITION OF THE NET LIABILITY RECORDED IN THE BALANCE SHEET

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Present value of funded defined benefit obligation | 123,663 | 117,449 |
| Present value of unfunded defined benefit obligation | 12,384 | 11,350 |
| Total present value of defined benefit obligation | 136,050 | 128,799 |
| Fair value of plan assets | – 65,702 | – 64,696 |
| **Net defined benefit liability** | **70,348** | **64,103** |

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### REGIONAL SPLIT OF THE NET LIABILITY RECORDED IN THE BALANCE SHEET

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Germany | 56,129 | 48,648 |
| Europe (excluding Germany) | 11,114 | 10,062 |
| Rest of world | 3,105 | 5,393 |
| **Net defined benefit liability** | **70,348** | **64,103** |

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For Pfeiffer Vacuum GmbH, there are plans in place consisting of old-age, invalidity, and surviving dependents benefits. These obligations are based upon plans reflecting period of service and final salary. However, these plans are closed for new employees since many years. For new employees, there is a retirement arrangement in place since December 31, 2007 which has been implemented as a direct commitment on a period of service and funded basis. Accordingly for all employees of Pfeiffer Vacuum GmbH an employer funded pension scheme is in place which is partially funded via the Pfeiffer Vacuum Trust e.V. There are no legally binding minimum funding requirements for these plans.

For former members of the Pfeiffer Vacuum Technology AG Management Board there are individually agreed plans in place, consisting of old-age, invalidity, and surviving dependents benefits. These obligations are based on period of service as well as final salary commitments and are also largely funded via the Pfeiffer Vacuum Trust e.V. Again, there are no legally binding minimum funding requirements. These benefit obligations are detailed in the compensation report (an element of the Combined Management Report).

For Pfeiffer Vacuum Inc., USA, there is a plan in place consisting of old-age, invalidity, and surviving dependents benefits with the obligations being based upon period of service and final salary. These benefits are partially funded via a trust arrangement. There are no legally binding minimum funding requirements.

For Pfeiffer Vacuum SAS, France, and for Pfeiffer Vacuum Semi Korea, Ltd., Republic of Korea, there are plans in place with the obligations being based upon period of service and final salary to be paid as a one-time installment due at the beginning of the retirement. The plan of Pfeiffer Vacuum Semi Korea, Ltd. is partially funded. There are no legally binding minimum funding requirements in France or the Republic of Korea.

## COMPOSITION OF THE NET PENSION EXPENSES

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Current service cost | 3,857 | 3,520 |
| Net interest expense | 312 | 807 |
| **Net pension expenses** | **4,169** | **4,327** |

Net pension expenses were allocated to the functional expenses according to the input involved.

## DEVELOPMENT OF THE DEFINED BENEFIT OBLIGATION

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Present value of defined benefit obligation as at January 1 | 128,799 | 114,787 |
| Current service cost | 3,857 | 3,520 |
| Interest cost on the defined benefit obligation | 1,185 | 2,016 |
| Actuarial gains/losses from changes in demographic assumptions | 614 | 166 |
| Actuarial gains/losses from changes in financial assumptions | 5,613 | 12,080 |
| Actuarial experience gains/losses | 1,186 | 331 |
| Benefits paid | – 4,082 | – 4,212 |
| Currency changes | – 1,122 | 111 |
| **Present value of defined benefit obligation as at December 31** | **136,050** | **128,799** |
| Thereof attributable to: | | |
| Active employees | 69,673 | 64,014 |
| Deferred employees | 15,678 | 15,360 |
| Pensioners | 50,696 | 49,425 |

## DEVELOPMENT OF PLAN ASSETS

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Fair value of plan assets as at January 1 | 64,696 | 59,149 |
| Interest income | 873 | 1,209 |
| Experience gains/losses | – 1,652 | 3,091 |
| Company contributions | 6,639 | 5,362 |
| Benefit payments | – 4,082 | – 4,212 |
| Currency changes | – 772 | 97 |
| **Fair value of plan assets as at December 31** | **65,702** | **64,696** |

## ACTUARIAL ASSUMPTIONS

| | 2020 | 2019 |
|---|---|---|
| | in % | in % |
| **Germany** | | |
| Discount rate | 0.65 | 1.00 |
| Wage and salary trend | 3.00 | 3.00 |
| Pension trend | 2.00 | 2.00 |
| Mortality tables | Heubeck 2018 G | Heubeck 2018 G |
| **United States** | | |
| Discount rate | 2.90 | 3.60 |
| Wage and salary trend | 2.00 | 2.00 |
| Mortality tables | MP-2020 | PRI-2012 |
| **France, Republic of Korea** | | |
| Discount rate (weighted average) | 1.38 | 1.66 |
| Wage and salary trend (weighted average) | 3.16 | 3.48 |
| Mortality tables France | Insee M/F 2007–2060 | Insee M/F 2007–2060 |
| Mortality tables Republic of Korea | Insurance Development Institute of Korea | Insurance Development Institute of Korea |

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The actuarial assumptions with regard to the interest rates in Germany have changed in a way that the data base was shifted from the BICS portfolio (Bloomberg Industry Classification Standard) to the BCLASS portfolio (Bloomberg Barclays Classification System). Hence it was possible to more precisely conduct the bond selection. Still applying the former method for determination of discount rates, the defined benefit obligation as of December 31, 2020 would have been higher by approx. € 5.0 million. For fiscal 2021 this would have resulted in service costs increased by approx. K€ 60 to K€ 70, while the interests expenses would decrease by approx. K€ 140 to K€ 150.

## COMPOSITION OF PLAN ASSETS

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | in K€ | in % | in K€ | in % |
| Equity securities | 11,382 | 17.3 | 18,320 | 28.3 |
| Debt securities | 47,115 | 71.7 | 42,551 | 65.8 |
| Cash and cash equivalents | 760 | 1.2 | 772 | 1.2 |
| Other | 6,445 | 9.8 | 3,053 | 4.7 |
| **Total** | **65,702** | **100.0** | **64,696** | **100.0** |

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With the exemption of plan assets in the category “Other” totaling K€ 5,519 (December 31, 2019: K€ 1,946), all plan assets are traded on an active market.

Plan assets do not contain financial instruments issued by the Company or other assets owned by the Company.

Accounting for 78 % the vast majority of plan assets related to the funding of the German benefit plans. To invest these funded amounts fiducially and insolvency protected, Pfeiffer Vacuum Trust e.V. was founded. Pfeiffer Vacuum Trust e.V. issued a mutual fund with a pursued target equity allocation of up to 30 % as well as a pursued fixed-income securities and cash allocation of at least 70 %. The fund is managed by an unrelated third-party asset management company with the major conditions regarding the asset allocation being given and adjusted when necessary. Funds are invested conservatively using also a value safeguarding approach. Underlying risks in connection with the investment of plan assets, for example fair value and default risks, are minimized accordingly.

The risks relating to the defined benefit plans within Pfeiffer Vacuum Group predominantly relate to the determination of discount rates. Changes to this parameter impact disproportionately the present value with the current relatively low interest rate level leading to a comparably high benefit obligation. In addition, benefit obligation is impacted by the other actuarial assumptions (for example life expectancy, wage and salary trend, pension trend). Depending on the elements of the pension plan life expectancy or pension trend are of subordinate importance. The following table shows the respective impact of an isolated adjustment of individual assumptions with all other parameters including the basic methodology kept constant compared to the original calculation.

## SENSITIVITY ANALYSIS 2020

| | Change in actuarial assumption | Impact on defined benefit obligation | |
|---|---|---|---|
| | | in K€ | in % |
| Present value of defined benefit obligation as at December 31, 2020 | | 136,050 | |
| Discount rate | 1.0 %-point increase | – 17,874 | – 13.1 |
| | 1.0 %-point decrease | 24,084 | 19.2 |
| Pension trend | 0.25 %-point increase | 3,349 | 2.4 |
| | 0.25 %-point decrease | – 3,193 | – 2.3 |
| Wage and salary trend | 0.5 %-point increase | 1,963 | 1.4 |
| | 0.5 %-point decrease | – 1,849 | – 1.4 |
| Life expectancy | increase by 1 year | 6,106 | 4.3 |
| | decrease by 1 year | – 3,840 | – 4.3 |

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## SENSITIVITY ANALYSIS 2019

| | Change in actuarial assumption | Impact on defined benefit obligation | |
|---|---|---|---|
| | | in K€ | in % |
| Present value of defined benefit obligation as at December 31, 2019 | | 128,799 | |
| Discount rate | 1.0 %-point increase | – 16,754 | – 13.0 |
| | 1.0 %-point decrease | 24,679 | 19.2 |
| Pension trend | 0.25 %-point increase | 3,130 | 2.4 |
| | 0.25 %-point decrease | – 2,986 | – 2.3 |
| Wage and salary trend | 0.5 %-point increase | 1,826 | 1.4 |
| | 0.5 %-point decrease | – 1,741 | – 1.4 |
| Life expectancy | increase by 1 year | 5,514 | 4.3 |
| | decrease by 1 year | – 5,490 | – 4.3 |

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## EXPECTED MATURITY OF UNDISCOUNTED PENSION PAYMENTS

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Less than 1 year | 3,900 | 3,949 |
| Between 1 and 2 years | 4,304 | 4,092 |
| Between 2 and 3 years | 4,922 | 4,502 |
| Between 3 and 4 years | 5,446 | 5,021 |
| Between 4 and 5 years | 5,115 | 5,480 |
| More than 5 until 10 years | 30,369 | 27,950 |

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The weighted average duration of the defined benefit obligation at December 31, 2020 amounted to 16.7 years (December 31, 2019: 16.2 years). The expected contributions for defined benefit plans in 2021 will be approximately € 2.9 million.

### Defined contribution plans

Employees of the Company in certain countries are covered by defined contribution plans. Generally, contributions are based upon a percentage of the employee's wages or salaries. The costs of these plans charged to operations amounted to K€ 14,057 in 2020 (2019: K€ 13,648).

## 26. Trade accounts payable

Trade accounts payable do not bear any interest and, as in the year before, have maturities of less than one year.

## 27. Contract liabilities

Contract liabilities as of December 31, 2020 include obligations to transfer vacuum products or render services to Pfeiffer Vacuum's customers from whom payments have already been received. Presumably K€ 804 of the contract liabilities will be realized or fulfilled after more than 12 months.

Short term contract liabilities recorded as at December 31, 2019 have been mainly realized as revenues in the fiscal year 2020.

## 28. Other payables

Other payables (K€ 21,478 as at December 31, 2020, and K€ 23,406 as at December 31, 2019) mainly consist of payroll taxes and VAT, as well as payables from social security contributions and legally binding participation programs. They do not bear any interest and, as in the year before, have maturities of less than one year.

## 29. Provisions

### COMPOSITION OF PROVISIONS

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Personnel provisions | 22,381 | 21,511 |
| Warranty provisions | 13,441 | 15,343 |
| Other provisions | 3,680 | 1,881 |
| **Total** | **39,502** | **38,735** |

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Provisions for employee-related expenses primarily include provisions for profit-sharing obligations and bonuses.

Warranty provisions include the amounts expected due to claims in connection with product warranties. They are recorded as per the close of the fiscal year for realized revenues based on management's estimates and experience.

Other provisions include € 0.5 million provision for dismantling obligations resulting from leases.

### DEVELOPMENT OF PROVISIONS

| | Personnel | Warranty | Other | Total |
|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ |
| **Balance as at January 1, 2020** | **21,511** | **15,343** | **1,881** | **38,735** |
| Currency changes | – 344 | – 176 | – 126 | – 646 |
| Additions | 11,582 | 3,960 | 4,316 | 19,858 |
| Utilization | – 9,852 | – 5,647 | – 2,362 | – 17,861 |
| Releases | – 516 | – 39 | – 29 | – 584 |
| **Balance as at December 31, 2020** | **22,381** | **13,441** | **3,680** | **39,502** |

## 30. Short-term financial liabilities

Short-term financial liabilities included short-term leasing liabilities in the amount of K€ 3.437 (2019: K€ 3,766) as well as bank liabilities in the amount of K€ 64 maturing within one year (2019: K€ 122).

## 31. Commitments and other financial obligations

The Company has entered into leases and maintenance agreements which expire on various dates, some of which are renewable. The tables below present the maximum amount of the contractual commitments as at year end, classified by the periods in which the contingent liabilities or commitments will expire.

Purchase obligations include long-term arrangements for future supplies of materials. Rental expenses amounted to € 0.1 million (2019: € 0.1 million). Only leases which do not meet the criteria of IFRS 16 are reported in the following table.

### CONTRACTUAL OBLIGATIONS AS AT DECEMBER 31, 2020

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| | Total | < 1 year | 1 – 3 years | 3 – 5 years | > 5 years |
| | in K€ | in K€ | in K€ | in K€ | in K€ |
| Operating leases (not IFRS 16) | 139 | 44 | 95 | – | – |
| Purchase obligations | 27,181 | 24,067 | 3,114 | – | – |
| Repair and maintenance | 4,830 | 3,376 | 1,403 | 49 | 2 |
| **Total** | **32,150** | **27,487** | **4,612** | **49** | **2** |

### CONTRACTUAL OBLIGATIONS AS AT DECEMBER 31, 2019

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| | Total | < 1 year | 1 – 3 years | 3 – 5 years | > 5 years |
| | in K€ | in K€ | in K€ | in K€ | in K€ |
| Operating leases (not IFRS 16) | 39 | 25 | 11 | 3 | – |
| Purchase obligations | 49,277 | 44,715 | 4,562 | – | – |
| Repair and maintenance | 2,705 | 2,178 | 291 | 58 | 178 |
| **Total** | **52,021** | **46,918** | **4,864** | **61** | **178** |

## 32. Segment reporting

The Company's business operations include the development, manufacture, sale and service of vacuum pumps, vacuum components and instruments, as well as vacuum systems. The subsidiaries in the individual countries are independent legal entities with their own management, which distribute products and provide services. Some entities within the Group additionally execute production functions. The entire product portfolio is offered by all sales subsidiaries.

Controlling of business development by corporate management is carried out on the level of the legal entities. Accordingly, the Company identifies its primary operating segments by legal entity. Due to the similarity of their economic environment, the same product portfolio sold, same sales markets, same cost structures and same sales channels, the Company basically aggregates its European and Asian subsidiaries into one reporting segment, "Europe (excluding Germany and France)" and "Rest of Asia". In contrast, the production companies in Germany, France and the Republic of Korea were presented separately each as an individual segment. This was caused by the different functions of these entities, predominantly resulting from the existing production function. For this reason the prerequisites for an aggregation with the other segments are not given. The purely sales-oriented entity in the US is thus also presented separately. All operating segments that individually or as a group do not have to be reported separately are included in the segment "All others". Accordingly this segment mainly includes the entities producing instruments and components. Unchanged compared to previous year, all information is based upon the geographic location of the Group Company in question.

Transactions between segments are based upon the arm's length principle. The internal reporting on which the disclosures are based is IFRS. Segment sales and segment results in the primary reporting format initially include the effects of inter-segment transactions. These effects are eliminated in connection with the consolidation process.

## SEGMENT REPORTING AS AT DECEMBER 31, 2020

| | Germany | France | Rest of Europe | USA | USA (Production) | Republic of Korea | Rest of Asia | All Others | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| Net sales | 220,833 | 204,398 | 107,467 | 123,953 | 47,471 | 82,720 | 123,465 | 42,642 | – 334,284 | 618,665 |
| Thereof third party | 97,652 | 40,201 | 107,435 | 122,502 | 39,531 | 77,583 | 112,541 | 21,220 | – | 618,665 |
| Thereof intercompany | 123,181 | 164,197 | 32 | 1,451 | 7,940 | 5,137 | 10,924 | 21,422 | – 334,284 | – |
| Operating profit | 21,026 | 7,432 | – 33 | 4,018 | – 2,181 | 7,701 | 5,685 | 1,648 | – | 45,296 |
| Financial income, net | – 17 | – 212 | – 7 | 922 | – 760 | 23 | – 291 | – 413 | – | – 755 |
| Earnings before taxes | 21,009 | 7,220 | – 40 | 4,940 | – 2,941 | 7,724 | 5,394 | 1,235 | – | 44,541 |
| Segment assets | 153,774 | 147,790 | 43,012 | 70,844 | 64,044 | 56,001 | 80,161 | 46,219 | – | 661,845 |
| Thereof: Assets according to IFRS 8.33 (b)[1] | 57,864 | 73,868 | 1,480 | 22,031 | 39,381 | 15,948 | 13,176 | 23,854 | – | 247,602 |
| Segment liabilities | 135,179 | 71,648 | 13,515 | 12,213 | 7,341 | 10,885 | 13,060 | 6,270 | – | 270,111 |
| Capital expenditures: | | | | | | | | | | |
| Property, plant and equipment[2] | 5,701 | 12,357 | 464 | 600 | 1,939 | 590 | 1,219 | 1,094 | – | 23,964 |
| Intangible assets | 5,913 | 457 | 12 | 3 | – | – | 45 | 47 | – | 6,477 |
| Depreciation: | | | | | | | | | | |
| Property, plant and equipment[3] | 5,167 | 5,282 | 1,163 | 1,915 | 817 | 1,526 | 3,195 | 2,613 | – | 21,678 |
| Intangible assets | 993 | 1,543 | 2,361 | 1,070 | 1,774 | 749 | 4,386 | 212 | – | 13,088 |

[1] Non-current assets other than financial instruments, deferred tax assets and prepaid pension cost
[2] Including investment properties excluding addition of right-of-use-assets
[3] Including right-of-use-assets and investment properties

## SEGMENT REPORTING AS AT DECEMBER 31, 2019

| | Germany | France | Rest of Europe | USA | USA (Production) | Republic of Korea | Rest of Asia | All Others | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| Net sales | 230,191 | 201,339 | 108,066 | 124,424 | 41,613 | 73,589 | 111,702 | 53,428 | – 311,487 | 632,865 |
| Thereof third party | 107,041 | 53,969 | 107,976 | 123,786 | 37,481 | 69,316 | 102,991 | 30,305 | – | 632,865 |
| Thereof intercompany | 123,150 | 147,370 | 90 | 638 | 4,132 | 4,273 | 8,711 | 23,123 | – 311,487 | – |
| Operating profit | 28,073 | 8,461 | 7,815 | 6,490 | – 60 | 6,279 | 9,650 | – 1,556 | – | 65,152 |
| Financial income, net | 14 | – 205 | – 15 | 938 | – 802 | 15 | – 209 | – 373 | – | – 637 |
| Earnings before taxes | 28,087 | 8,256 | 7,800 | 7,428 | – 862 | 6,294 | 9,441 | – 1,929 | – | 64,515 |
| Segment assets | 154,120 | 134,831 | 49,791 | 62,103 | 70,670 | 55,292 | 78,804 | 53,964 | – | 659,575 |
| Thereof: Assets according to IFRS 8.33 (b)[1] | 52,841 | 71,670 | 6,685 | 21,822 | 45,147 | 17,574 | 25,266 | 32,403 | – | 273,408 |
| Segment liabilities | 129,714 | 69,064 | 17,959 | 11,033 | 5,482 | 13,714 | 13,076 | 6,088 | – | 266,130 |
| Capital expenditures: | | | | | | | | | | |
| Property, plant and equipment[2] | 5,135 | 10,108 | 551 | 533 | 166 | 2,518 | 3,774 | 6,319 | – | 29,104 |
| Intangible assets | 4,675 | 792 | 4 | – | – | – | 78 | 260 | – | 5,809 |
| Depreciation: | | | | | | | | | | |
| Property, plant and equipment[3] | 4,987 | 4,831 | 1,144 | 1,680 | 764 | 1,464 | 2,856 | 2,424 | – | 20,150 |
| Intangible assets | 719 | 849 | 5 | 4 | 1,708 | 6 | 23 | 762 | – | 4,076 |

[1] Non-current assets other than financial instruments, deferred tax assets and prepaid pension cost
[2] Including investment properties excluding addition of right-of-use-assets
[3] Including right-of-use-assets and investment properties

## 33. Financial instruments

### Fair value

The net book value of financial instruments (e.g. cash and cash equivalents, trade accounts receivable and trade accounts payable, other accounts receivable and payable) essentially equals their fair value.

### Interest rate risks

The interest-bearing portion of cash and cash equivalents involves interest rate risks. All investment forms have variable interest rates and are invested on a short-term basis. There are no further investment forms that result in interest rate risks within the Pfeiffer Vacuum Group.

Due to the short investment period for cash and cash equivalents, the agreed interest rate equals the market rate. Even if the market rate should change significantly, there will be no material impact on the fair value of cash and cash equivalents because the interest rate can be adjusted after only a short period of time.

At December 31, 2020, as in the year before, there were no more interest-sensitive financial assets. As a result of cash and cash equivalents as at December 31, 2020 an increase (decrease) in interest rate by 50 basis points would increase (decrease) earnings by K€ 614 (December 31, 2019: increase/decrease by K€ 560). As a result of financial liabilities shown as at December 31, 2020, an increase (decrease) in interest rate by 50 basis points would decrease (increase) earnings by K€ 366 (December 31, 2019: increase/decrease by K€ 368).

### Credit risks

Due to the Company's vastly heterogeneous customer structure, there are no material credit risk concentrations within the Group. Credit risks are additionally minimized through rigorous accounts receivable management and by monitoring our customers' payment patterns. Furthermore, deliveries to new customers are essentially made only after credit assessment, against payment in advance or credit limit. As a result, Pfeiffer Vacuum is able to keep the level of its allowance for doubtful accounts low, even in difficult economic times. The maximum theoretical credit risk equates the gross book value less already recognized allowance. For further details in respect to risk provision for trade accounts receivables please refer to Note 16.

### Liquidity risks

Due to the above-average level of cash and cash equivalents, no liquidity risks can be identified.

### Foreign exchange rate risks

Approximately 54 % (2019: 54 %) of the Company's net sales are denominated in currencies other than the euro, primarily in U.S. dollars. The Company enters into foreign currency forward contracts and options to hedge the exposure of its forecasted sales against currency fluctuations. All derivative financial instruments are entered into only within this scope.

The derivatives that qualify for cash flow hedges under IFRS 9/IAS 39 are recognized either as assets or liabilities at their fair values. Changes in the values of these cash flow hedges are recorded in equity under other equity components, net of applicable taxes. These amounts are subsequently reclassified as earnings (foreign exchange gains/losses) in the same period as the underlying transactions affect operating income. For the fiscal years ended December 31, 2020, and 2019, there were no amounts that were recognized in earnings due to hedge ineffectiveness. For the same periods, no gains or losses had to be reclassified to earnings from other equity components as a result of the discontinuance of cash flow hedges.

If derivatives are kept, these derivatives are marked to market at period end using quoted forward rates. The negative fair values of the cash flow hedges recorded under other accounts payable for the period ended December 31, 2020, totaled K€ 18. Because the changes in fair value for cash flow hedges are recorded directly in equity, other equity components increased by K€ 53, net of taxes of K€ – 5, as at December 31, 2020. As at December 31, 2019, there were no contracts to be classified as cash flow hedges. The derivatives classified as fair value hedges totaled K€ 27 as at December 31, 2020, were recorded through the income statement, and shown with an amount of K€ 27 under other accounts receivables (December 31, 2019: K€ 26). The Company does not engage in speculative hedging for investment purposes. As at December 31, 2020, and at December 31, 2019, no contracts held by the Company had a maturity date greater than one year.

As at December 31, 2020, the Company has entered into foreign currency forward contracts (US dollar) totaling € 4.0 million (December 31, 2019: US dollar € 7.7 million) with a remaining term of less than one year. Pfeiffer Vacuum performs ongoing credit evaluations of the parties to these contracts and enters into contracts only with well-established financial institutions. Currency risks as defined by IFRS 7 arise as a result of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which Pfeiffer Vacuum has entered into financial instruments. The vast majority of non-derivative monetary financial instruments within the Pfeiffer Vacuum Group are directly denominated in functional currency. In variance thereto, exchange rate risks arise from the securities available-for-sale, from a portion of trade accounts receivable, and from derivative financial instruments. If derivative financial instruments classify as cash flow hedges, changes in the exchange rate do not impact the income statement but are recorded directly in equity. Exchange rate-based changes in securities available-for-sale are also recorded directly in equity.

Had the euro, as at December 31, 20, depreciated 10 %, net income and the total equity would have been higher by K€ 4,394. A 10 % appreciation in the euro as at that balance sheet date would have decreased net income and the total equity by K€ 3,321. Had the euro, as at December 31, 2019, depreciated 10 %, net income would have been higher by K€ 6,318. A 10 % appreciation in the euro as at that balance sheet date would have decreased net income by K€ 5,078. In all cases, net income and equity were affected mostly by the sensitivity of the US dollar which is predominantly material for the Consolidated Financial Statements.

### Composition of financial instruments

The following tables show the composition of financial instruments by balance sheet line item and valuation category and fair value as well as net results by valuation category.

## COMPOSITION OF FINANCIAL INSTRUMENTS AS AT DECEMBER 31, 2020

| | | | Amounts Recognized According to IFRS 9 | | | |
|---|---|---|---|---|---|---|
| | Category According to IFRS 9 | Net Book Value | Amortized Cost | Fair Value Recognized in Equity | Fair Value Through Profit and Loss | Fair Value |
| | | in K€ | in K€ | in K€ | in K€ | in K€ |
| **Assets** | | | | | | |
| Cash and cash equivalents | AC | 122,883 | 122,883 | – | – | 122,883 |
| Trade accounts receivable and contract assets | AC | 85,102 | 85,102 | – | – | 85,102 |
| Other financial assets | AC | 3,795 | 3,795 | – | – | 3,795 |
| Derivative financial instruments (excl. hedges) | FVPL | 27 | – | – | 27 | 27 |
| Derivative financial instruments (incl. hedges) | FVOCI | 18 | – | 18 | – | 18 |
| **Liabilities** | | | | | | |
| Trade accounts payable | AC | 44,937 | 44,937 | – | – | 44,937 |
| Financial liabilities (excl. leasing) | AC | 60,064 | 60,064 | – | – | 60,064 |
| Derivative financial instruments (excl. hedges) | FVPL | – | – | – | – | – |
| Derivative financial instruments (incl. hedges) | FVOCI | – | – | – | – | – |
| **Totals by valuation categories:** | | | | | | |
| Amortized Costs (AC)[1] | | 106,783 | 106,783 | – | – | 106,783 |
| Fair Value through other Comprehensive Income (FVOCI)[2] | | 27 | – | – | 27 | 27 |
| Fair Value through Profit or Loss (FVPL)[3] | | 18 | – | 18 | – | 18 |

[1] AC = Amortized Costs
[2] FVOCI = Fair Value through other Comprehensive Income
[3] FVPL = Fair Value through Profit or Loss

## COMPOSITION OF FINANCIAL INSTRUMENTS AS AT DECEMBER 31, 2019

| | | | Amounts Recognized According to IFRS 9 | | | |
|---|---|---|---|---|---|---|
| | Category According to IFRS 9 | Net Book Value | Amortized Cost | Fair Value Recognized in Equity | Fair Value Through Profit and Loss | Fair Value |
| | | in K€ | in K€ | in K€ | in K€ | in K€ |
| **Assets** | | | | | | |
| Cash and cash equivalents | AC | 111,980 | 111,980 | – | – | 111,980 |
| Trade accounts receivable and contract assets | AC | 90,727 | 90,727 | – | – | 90,727 |
| Other financial assets | AC | 7,192 | 7,192 | – | – | 7,192 |
| Derivative financial instruments (excl. hedges) | FVPL | 26 | – | – | 26 | 26 |
| Derivative financial instruments (incl. hedges) | FVOCI | 43 | – | 43 | – | 43 |
| **Liabilities** | | | | | | |
| Trade accounts payable | AC | 41,137 | 41,137 | – | – | 41,137 |
| Financial liabilities (excl. leasing) | AC | 60,122 | 60,122 | – | – | 60,122 |
| Derivative financial instruments (excl. hedges) | FVPL | – | – | – | – | – |
| Derivative financial instruments (incl. hedges) | FVOCI | – | – | – | – | – |
| **Totals by valuation categories:** | | | | | | |
| Amortized Costs (AC)[1] | | 108,640 | 108,640 | – | – | 108,640 |
| Fair Value through other Comprehensive Income (FVOCI)[2] | | 26 | – | – | 26 | 26 |
| Fair Value through Profit or Loss (FVPL)[3] | | 43 | – | 43 | – | 43 |

[1] AC = Amortized Costs
[2] FVOCI = Fair Value through other Comprehensive Income
[3] FVPL = Fair Value through Profit or Loss

## NET RESULTS BY VALUATION CATEGORY 2020

| | | From Subsequent Valuation | | | | Net Result |
|---|---|---|---|---|---|---|
| | From Interest/ Dividends | At Fair Value | Currency Translation | Impairment/ Reversal of Impairment | From Derecognition | 2020 |
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| Financial Instruments (AC)[1] | -755 | – | -2,961 | -507 | 832 | **-3,391** |
| Derivative Financial Instruments incl. hedges (FVOCI)[2] | – | -30 | – | – | – | **-30** |
| Derivative Financial Instruments excl. hedges (FVPL)[3] | – | 18 | – | – | – | **18** |

[1] AC = Amortized Costs
[2] FVOCI = Fair Value through other Comprehensive Income
[3] FVPL = Fair Value through Profit or Loss

## NET RESULTS BY VALUATION CATEGORY 2019

| | | From Subsequent Valuation | | | | Net Result |
|---|---|---|---|---|---|---|
| | From Interest/ Dividends | At Fair Value | Currency Translation | Impairment/ Reversal of Impairment | From Derecognition | 2019 |
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| Financial Instruments (AC)[1] | -638 | – | -169 | -350 | 291 | **-866** |
| Derivative Financial Instruments incl. hedges (FVOCI)[2] | – | 43 | – | – | – | **43** |
| Derivative Financial Instruments excl. hedges (FVPL)[3] | – | 26 | – | – | – | **26** |

[1] AC = Amortized Costs
[2] FVOCI = Fair Value through other Comprehensive Income
[3] FVPL = Fair Value through Profit or Loss

### Determination of fair values of financial instruments

Determination of the fair value of derivative financial instruments (K€ 45 as at December 31, 2020; K€ 69 as at December 31, 2019) was done according to level 2 of the fair value hierarchy as set out in IFRS 13 “Fair Value Measurement” using accepted valuation principles and directly obtainable and up-to-date market parameters. A significant default risk is not given for these financial instruments.

In respect to the determination of fair value of financial liabilities the agreed variable interest rates are equal to the current rates customary in the market. Accordingly, the net book values correspond to their fair values.

Due to the underlying short terms fair values of trade accounts receivable and payable, other accounts receivable and payable and cash and cash equivalents equal their respective net book values.

### Maturity of financial instruments

The following table shows the maturity of finance liabilities according to expiry date classes based on the maturity as of the balance sheet date. This analysis only relates to financial instruments and finance lease liabilities and includes undiscounted cash-flows. Reconciliation to the amounts in the balance sheet is thus basically not possible.

## MATURITIES AS OF DECEMBER 31, 2020

| | up to 1 year | 1 year up to 5 years | > 5 years | Total |
|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ |
| Financial liabilities | 64 | 60,000 | – | 60,064 |
| Finance lease liabilities | 4,129 | 7,521 | 1,734 | 13,384 |
| Trade accounts payable | 44,937 | – | – | 44,937 |

## MATURITIES AS OF DECEMBER 31, 2019

| | up to 1 year | 1 year up to 5 years | > 5 years | Total |
|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ |
| Financial liabilities | 122 | 60,000 | – | 60,122 |
| Finance lease liabilities | 4,157 | 7,040 | 2,544 | 13,741 |
| Trade accounts payable | 41,137 | – | – | 41,137 |

The following table shows the changes in financial liabilities that were deemed as financing activities in the Consolidated Statements of Cash-flows.

## NET DEBT RECONCILIATION

| | Loans | Lease liabilities | Other liabilities | Total |
|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ |
| **Net book value as at January 1, 2019** | **60,000** | **17,899** | **23** | **77,922** |
| Proceeds from financial liabilities | – | 751 | 99 | 850 |
| **Thereof cash flow-relevant** | **–** | **751** | **99** | **850** |
| Repayment of financial liabilities | – | – 5,257 | – | – 5,257 |
| **Thereof cash flow-relevant** | **–** | **– 5,257** | **–** | **– 5,257** |
| Foreign exchange differences | – | 102 | – | 102 |
| **Net book value as at December 31, 2019** | **60,000** | **13,495** | **122** | **73,617** |
| Proceeds from financial liabilities | – | 4,628 | – | 4,628 |
| **Thereof cash flow-relevant** | **–** | **200** | **–** | **200** |
| Repayment of financial liabilities | – | – 4,930 | – 56 | – 4,986 |
| **Thereof cash flow-relevant** | **–** | **– 4,930** | **– 56** | **– 4,986** |
| Foreign exchange differences | – | – 142 | – 2 | – 144 |
| **Net book value as at December 31, 2020** | **60,000** | **13,051** | **64** | **73,115** |

## 34. Management of financial risks

With an equity ratio of 59.2 % as at December 31, 2020 Pfeiffer Vacuum still has an equity base that is high. Additionally, cash and cash equivalents totaled € 122.9 million as at December 31, 2020. Despite the financial liabilities taken out totaling € 73.1 million as of December 31, 2020 (December 31, 2019: € 73.6 million) the Group shows no indebtedness on a net basis. Again, the required liquidity range to successfully develop Pfeiffer Vacuum does exist.

Liquid assets are invested on a short-term conservative basis. Due to its high equity ratio and its good liquidity, Pfeiffer Vacuum will not depend upon interest-bearing liabilities to fund its capital expenditures for replacement and expansion or the dividend payment. Moreover, there are sufficient liquidity reserves to respond to changes in the economic situation.

## 35. Earnings per share

### COMPUTATION OF EARNINGS PER SHARE

| | 2020 | 2019 |
|---|---|---|
| Net income (in K €) | 31,591 | 48,357 |
| Weighted average number of shares | 9,867,659 | 9,867,659 |
| Number of conversion rights | – | – |
| Adjusted weighted average number of shares | 9,867,659 | 9,867,659 |
| Earnings per share in € (basic/diluted) | 3.20 | 4.90 |

There were no transactions with ordinary shares or ordinary shares issued during the period between the balance sheet date of December 31, 2020, and the preparation of the Consolidated Financial Statements.

# ADDITIONAL NOTES AND SUPPLEMENTAL INFORMATION

## 36. Related party disclosures

Please refer to Note 5 with regard to shareholdings in affiliates. Details on the volume of business transactions carried out between the Group companies are disclosed in the segment reporting in Note 32, which also includes intercompany sales. All transactions are carried out at conditions that are usual and customary in the market and are entirely eliminated during the consolidation process. Therefore, there is no impact on financial position or results.

Related parties and persons particularly are natural persons who have control or joint control of the reporting entity, who have significant influence over the reporting entity or who are a member of the key management personnel of the reporting entity or of a parent of the reporting entity. This also applies to close members of that person's family. Moreover, all companies belonging to the same Group of companies are related parties.

Pfeiffer Vacuum does not have holdings in any jointly controlled entities. Furthermore, no control exists with respect to special purpose entities. Thus, particularly key management personnel and close family members, parent companies as well companies belonging to the same group of companies have been identified as related parties.

In 2020, the reimbursements from Pfeiffer Vacuum Trust e.V. amounted to € 2.3 million (2019: € 2.6 million). Contributions to Pfeiffer Vacuum Trust e.V. totaled € 2.9 million in 2020 (2019: € 2.7 million).

Please refer to Note 40 and Note 41 regarding the compensation paid to the members of the Management and Supervisory Boards, as well as regarding potential transactions with members of these corporate bodies. Aside from their activities on the Supervisory Board, the members of the Supervisory Board do not provide individual services for the Group or any of its companies. In contrast thereto, the employee representatives on the Supervisory Board receive salaries under the rules of the respective employment contracts for their work at the Company.

As of December 31, 2020, Dr. Karl Busch, Ms. Ayhan Busch, Ms. Ayla Busch, Mr. Sami Busch, and Mr. Kaya Busch, all Germany, together had 62.96 % of the voting rights of the Company according to the data available (December 31, 2019: 60.22 %). The shares are indirectly held through Pangea GmbH, Maulburg, Germany, which is therefore the direct parent company of Pfeiffer Vacuum Group, and further independent legal entities belonging to the family-run Busch group. Busch Holding GmbH & Co. KG, Maulburg, Germany, prepares Consolidated Financial Statements for the largest group of companies. Pfeiffer Vacuum Technology AG prepares Consolidated Financial Statements for the smallest group of companies. According to our knowledge, Dr. Karl Busch, Ms. Ayhan Busch, Ms. Ayla Busch, Mr. Sami Busch, and Mr. Kaya Busch, all Germany, together owned 100 % of Busch Holding GmbH & Co. KG.

In the reporting period there were no transactions with Busch Holding GmbH & Co. KG, or Pangea GmbH or any other indirect parent company.

The composition of further transactions of Pfeiffer Vacuum Group companies with other companies from the Busch group was as follows:

## COMPOSITION OF FURTHER TRANSACTIONS

| | Income | Expenses | Receivables Dec. 31 | Liabilities Dec. 31 |
|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ |
| **2020** | **1,071** | **2,479** | **360** | **594** |
| 2019 | 454 | 1,606 | 21 | 79 |

All transactions in 2020 and 2019 predominantly related to the purchase and sale of goods and to a smaller degree to services received or provided. Unchanged to previous years all transactions were carried out at arm's length conditions.

Members of the Management and Supervisory Boards held an aggregate total of 6,212,967 shares of the Company as at December 31, 2020 (2019: 5,942,585). The change resulted from the shareholdings of Busch group which are also attributable to the Chairwoman of the Supervisory Board Ayla Busch.

## 37. Events after the balance sheet date

Since the beginning of the 2021 fiscal year, there have not been any significant changes in the company situation or the industry environment.

## 38. Personnel expenses

### PERSONNEL EXPENSES

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Wages and salaries | – 178,047 | – 171,276 |
| Social security, pension and other benefit cost | – 39,017 | – 39,732 |
| Thereof for pensions | – 18,226 | – 17,975 |
| **Total** | **– 217,064** | **– 211,008** |

## 39. Number of employees

The number of employees was as follows as at December 31, 2020, and 2019:

### NUMBER OF EMPLOYEES

| | 2020 | 2019 |
|---|---|---|
| **Annual average** | | |
| Male | 2,717 | 2,675 |
| Female | 598 | 578 |
| **Total** | **3,315** | **3,253** |
| **Balance sheet date** | | |
| Male | 2,705 | 2,677 |
| Female | 604 | 599 |
| **Total** | **3,309** | **3,276** |

The number of employees includes apprentices (December 31, 2020: 82, December 31, 2019: 92).

## 40. Management Board

In the 2020 fiscal year, the Management Board consisted of:

- Dr. Eric Taberlet, Diploma in Engineering (Chief Executive Officer (CEO), until December 31, 2020),
- Nathalie Benedikt, Diploma in Business Administration (Chief Financial Officer (CFO), until September 30, 2020),
- Wolfgang Ehrk, Diploma in Industrial Engineering (Chief Operations Officer, from January 1, 2020), and
- Dr. Britta Giesen, Diploma in Industrial Engineering, (designated Chairwoman of the Management Board, from October 1, 2020).

With effect from January 1, 2020, Mr. Wolfgang Ehrk was appointed as a member of the Management Board of Pfeiffer Vacuum Technology AG and assumed the function of COO within the Management Board.

The Supervisory Board also appointed Dr. Britta Giesen as a new member of the Management Board with effect from October 1, 2020. She is the designated Chief Executive Officer and assumed this function upon the scheduled retirement of the previous Chief Executive Officer, Dr. Eric Taberlet, as of January 1, 2021.

Ms. Nathalie Benedikt, member of the Management Board and Chief Financial Officer of Pfeiffer Vacuum Technology AG, resigned from her office in agreement with the Supervisory Board as of September 30, 2020.

Total compensation recorded in the income statement for the aforesaid members of the Management Board for fiscal 2020 totaled € 1.9 million (2019: € 1.7 million). € 1.1 million thereof related to short-term fixed compensation (2019: € 1.2 million) and € 0.4 million to short-term variable benefits (2019: € 0.3 million) and € 0.3 million to long-term variable benefits (2019: € 0.1 million). Short-term variable benefits recorded in the income statement in 2019 were paid out in 2020. Open balances with the Board Members as of December 31, 2020, only related to the provisions for the variable compensation and totaled € 0.7 million (2019: € 0.7 million). In 2020, pension expenses totaled € 0.1 million (2019: € 0.3 million). As of December 31, 2020 and unchanged compared to the previous year, there were no pension benefits granted to active Board Members to be recorded under pensions provisions. Pursuant to § 289a, Sub-Para. 2, Sentence 2, German Commercial Code ("HGB") or § 315a, Sub-Para. 2, Sentence 2, German Commercial Code ("HGB"), the compensation paid to the members of the Management Board is detailed in the compensation report (an element of the Combined Management Report) ( see page 97 ). Additionally, the distribution of responsibilities within the Management Board is shown in the Combined Management Report ( see page 91 ).

Benefits to former members of the Management Board (pensions) again amounted to € 0.4 million. As of December 31, 2020, the net benefit obligation recorded for this group totaled € 7.7 million (2019: € 8.3 million).

## 41. Supervisory Board

Pursuant to § 96, Sub-Para. 1, § 101, Sub-Para. 1, German Stock Corporation Act ("AktG"), § 4, German One-Third Participation Act ("DrittelbG") of 2004, and § 9, Sub-Para. 1, Articles of Association and Bylaws, the Supervisory Board comprises four members elected by the Annual General Meeting and two members elected by the Company's employees.

The Supervisory Board members elected by the shareholders, Götz Timmerbeil und Filippo Th. Beck, were voted during the Annual General Meeting to a term of office of five years in May 2016. The term of office of the subsequently elected Supervisory Board members Ayla Busch and Henrik Newerla, who were appointed in May 2018, also ends on the day of the Annual General Meeting which resolves on the discharge for the financial year 2020.

Following the age-related retirement of Manfred Gath on December 31, 2019, Stefan Röser joined the Supervisory Board as an employee representative with effect from January 1, 2020.

Membership during the course of the year 2020 was therefore as follows:

- Ayla Busch (Chairwoman)
  Co-CEO of Busch SE, Maulburg
- Götz Timmerbeil (Vice Chairman),
  Certified Public Accountant and Tax Advisor
- Filippo Th. Beck,
  Attorney of Swiss law,
- Matthias Mädler (Employee Representative),
  Development Engineer
- Henrik Newerla,
  self-employed management consultant,
- Stefan Röser (Employee Representative),
  Chairman of the Employee Council,
  since January 1, 2020

The following members exercised further mandates. These are supervisory board mandates unless otherwise indicated:

- Götz Timmerbeil:
  - Richard Stein GmbH & Co. KG, Engelskirchen, (Chairman of the Advisory Board),
  - Arena Gummersbach GmbH & Co. KG, Gummersbach (Deputy Chairman), until October 8, 2020
- Filippo Th. Beck:
  - Candoria-Gruppe, Baar (Switzerland), Chairman of the Board of Directors of Progresa Holding AG, Member of the Board of Directors of Candoria Holding AG, and Sendaya Holding SA, Luxembourg
  - Tenro Gruppe, Bottmingen (Switzerland), Chairman of the Board of Directors of Tenro AG and Bellavista Services AG, Vaz/Obervaz (Switzerland), Member of the Board of Directors of Tenro Event AG and Tenro Holding AG
  - Tainn-Immobilien AG, Bern (Switzerland), Member of the Board of Directors
  - Lovento SA, Lutry (Switzerland), Chairman of the Board of Directors, from July 31, 2020
  - Tovra SA, Lutry (Switzerland), Member of the Board of Directors, from July 31, 2020
  - Biamathea AG, Basel (Switzerland), Member of the Board of Directors, until August 4, 2020

The members of the Supervisory Board received a fixed short-term remuneration of K€ 315 (2019: K€ 315) in the period under review. Open balances with the Supervisory Board Members as of December 31, 2020 totaled K€ 108 (2019: no open balances). Pursuant to § 289a, Sub-Para. 2, Sentence 2, German Commercial Code ("HGB") or § 315a, Sub-Para. 2, Sentence 2, German Commercial Code ("HGB"), the compensation paid to the members of the Supervisory Board is detailed in the compensation report (an element of the Combined Management Report) ( see page 101 ).

### 42. Exempting provision under § 264 Sub-Para. 3, German Commercial Code ("HGB")

Pfeiffer Vacuum GmbH, Asslar, Germany, is included in the Consolidated Financial Statements of Pfeiffer Vacuum Technology AG. Accordingly, this company has made use of the exempting provision under § 264, Sub-Para. 3, German Commercial Code.

### 43. Audit fees for independent auditors

The expenses for services rendered by the auditor of the Consolidated Financial Statements recorded in the statements of income were as follows for fiscal 2020 and 2019:

**AUDIT FEES FOR THE AUDITOR OF THE CONSOLIDATED FINANCIAL STATEMENTS**

| | 2020 | 2019 |
|---|---|---|
| | in K€ | in K€ |
| Fees resulting from: | | |
| Audit services | – 853 | – 882 |
| Other certification and consulting services | – 36 | – 71 |
| Tax advisory services | – 11 | – 11 |
| Other services | – 48 | – 346 |
| **Total** | **– 948** | **– 1,310** |

The total for the year 2020 comprised also fees to PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main in the amount of K€ 412 for audit services, K€ 8 for tax advisory services, K€ 36 for other certification services and K€ 48 for other services (2019: K€ 482 for audit services, K€ 6 for tax advisory services, K€ 71 for other certification services and K€ 340 for other services). The audit of the Consolidated Financial Statements as of December 31, 2020, was carried out by PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, Germany. Significant other services rendered by the auditor for Pfeiffer Vacuum Technology AG related to advisory in connection with the enhancement of the compliance management system. Other certification services related to the audit of the Group's non-financial declaration.

## 44. German Corporate Governance Code/ Declaration pursuant to § 161, German Stock Corporation Act ("AktG")

On November 4, 2020, the Management and Supervisory Boards of Pfeiffer Vacuum Technology AG submitted the declaration of compliance for the year 2020 pursuant to § 161 of the German Stock Corporation Act ("AktG"), supplemented this as a precautionary measure on November 19, 2020 and updated it on January 29, 2021. The declaration of compliance together with the supplement and the update has been made permanently accessible to shareholders on the Corporation's website ↗ Pfeiffer Vacuum and is given below.

### Declaration of compliance dated November 4, 2020

The German Stock Corporation Act (AktG) § 161 requires the Management and Supervisory boards of listed companies to issue an annual declaration regarding the recommendations of the "Government Commission on the German Corporate Governance Code". The Management and Supervisory Board of Pfeiffer Vacuum Technology AG issued their last declaration of compliance according to § 161 AktG on November 4, 2019. At this time, the German Corporate Governance Code in the version of February 17, 2017 was valid (GCGC 2017). On December 16, 2019, the Government Commission on the German Corporate Governance Code issued a new version of the Code, which came into effect on March 20, 2020 with its publication in the official section of the Bundesanzeiger (German Federal Gazette) (GCGC 2020).

This being said, the Management and Supervisory Board of Pfeiffer Vacuum Technology AG declared the following:

Since submitting the last declaration of compliance on November 4, 2019, Pfeiffer Vacuum Technology AG has complied with all the recommendations of the GCGC 2017, with the following exceptions:

- The GCGC 2017 recommended a deductible for the Supervisory Board's D&O insurance (paragraph 3.8). The Supervisory Board's actual D&O insurance does not contain a deductible. The Management and Supervisory Board is of the opinion that a deductible would not improve the Supervisory Board's motivation and sense of responsibility, as it works for the benefit of the Group.

- The GCGC 2017 recommended that a term limit be established for the period of membership on the Supervisory Board (paragraph 5.4.1). In the financial year 2018, the Supervisory Board set a term limit of 15 years for the period of membership on the Supervisory Board. All the members of the Supervisory Board fulfill this requirement, with the exception of Mr. Götz Timmerbeil, for whom the Supervisory Board made an exception, since he possesses a high level of expertise and many years of knowledge of the Company, which the Supervisory Board would not like to forgo at this point in time, particularly after the changes to the Supervisory Board that have taken place in recent years.

- The recommendation in paragraph 5.4.6 of the GCGC 2017, according to which the chairmanship and membership of committees should also be taken into account in the remuneration of the Supervisory Board, was not fully complied with since the remuneration resolved by the 2016 Annual General Meeting specifies higher remuneration only for the chairman and deputy chairman of the Supervisory Board and the chairman of the audit committee, whereby in the case of dual functions, no additional remuneration is paid, but only the higher remuneration. The Management Board and Supervisory Board are of the opinion that committed committee work was nevertheless guaranteed.

From now on, compliance with all the recommendations of the GCGC 2020 is assured, with the exception of the following:

- The recommendation in B.3, according to which the initial appointment of management board members should be for a maximum of three years, is not complied with, since it restricts the decision-making freedom of the Supervisory Board in an inappropriate manner. In particular, when members of the Management Board join mid-year, compliance with this recommendation would mean that both the time of joining and the time of termination of office would fall within an ongoing accounting period. When assessing variable remuneration, this doubles the need for a pro rata deferral for the period or necessitates an appointment period of less than three years.

- It should be noted that the Company does not currently have a system for the remuneration of Management Board members as described in AktG § 87a and principle 23 of the GCGC 2020, because such a system would first have to be submitted for approval at the next Annual General Meeting in 2021. The Supervisory Board will decide on the remuneration system in good time before the next Annual General Meeting and in this context will also take into account the recommendations included in Section G of the GCGC. This does not apply to the following recommendations, since these would make the structuring of Management Board remuneration too inflexible: G.3 (peer group comparison to assess customary practice), G.10 (investment of variable remuneration amounts in shares or appropriate share-based awards, long-term variable awards only available after four years). On this basis, the possibility of adapting existing Management Board contracts to the remuneration system will be examined, should any discrepancies exist.

- The recommendation in G.17 of the GCGC 2020, according to which the remuneration of the Supervisory Board should also adequately take into account the higher time expenditure of the chairman and members of committees, is currently not fully complied with because the remuneration resolved by the 2016 Annual General Meeting determines a higher remuneration only for the chairman and deputy chairman of the Supervisory Board and the chairman of the audit committee, whereby in the case of dual functions, no additional remuneration is paid, but only the respective higher remuneration. The Management Board and Supervisory Board are of the opinion that dedicated committee work is nevertheless guaranteed.

**Precautionary supplement dated November 19, 2020**

The declaration of compliance dated November 4, 2020 is supplemented as a precautionary measure with the following information on the current compensation of the members of the Management Board:

- The service agreements of the Management Board (*Vorstandsverträge*) which were concluded prior to the GCGC 2020 coming into force, do not comply with the recommendations on Management Board remuneration in the GCGC 2020 insofar as they go beyond or deviate from the recommendations of the GCGC 2017, because they were not yet known at the time the service agreements were concluded.
- The service agreement with Dr. Giesen which was concluded after the GCGC 2020 came into force, complies with the new recommendations of the GCGC 2020 on Management Board remuneration, with the exception of those provided for in G.10. The recommendation in G.10 sentence 1, according to which the variable remuneration components should be predominantly invested in shares or granted on a share basis accordingly, is not complied with, because the Management Board member would thus be exposed to the risk of negative share price developments based on market fluctuations, which remain outside the influence of the Management Board. Contrary to the recommendation in G.10 sentence 2, according to which long-term variable remuneration amounts should only be available after a period of four years, the service agreement provides for a three-year assessment period, with payment being made after the Annual General Meeting following the end of the three-year period. The Supervisory Board is of the opinion that this adequately ensures the long-term incentive that is aimed for, which would not be increased by a later payment date.

**Updating of declaration of compliance on January 29, 2021**

On November 4, 2020, the Management Board and the Supervisory Board issued the regular declaration of compliance with the German Corporate Governance Code, and as a precautionary measure, supplemented it on November 19, 2020 with information on the current remuneration of the members of the Management Board. In the meantime, the Supervisory Board has adopted the system for the remuneration of the members of the Management Board within the meaning of section 87a of the German Stock Corporation Act (AktG) and principle 23 of the GCGC 2020, which is to be submitted to the Annual General Meeting 2021 for approval. Accordingly, the reservation included in the second to last paragraph in the declaration on Corporate Governance on November 4, 2020, is not applicable any more. Therefore, the declaration on Corporate Governance is updated and worded as follows in its section relating to the current and future corporate governance practices of the Company:

All recommendations of the GCGC 2020 are complied with, with the following exceptions:

- The recommendation in B.3, according to which the initial appointment of members of the Management Board should be for a maximum period of three years, is not complied with, since it restricts the decision-making freedom of the Supervisory Board in an inappropriate manner. In particular, when members of the Management Board join mid-year, compliance with this recommendation would mean that both the time of joining and the time of termination of office would fall within an ongoing accounting period. When assessing variable remuneration, this doubles the need for a pro rata deferral for the period or necessitates an appointment period of less than three years.
- The recommendation in G.10 sentence 1, according to which the variable components of the remuneration of the Management Board should be predominantly invested in shares or granted accordingly on a share-based basis, is not complied with because this would expose the members of the Management Board to the risk of negative share price developments based on market fluctuations over which the Management Board has no influence. The recommendation in G.10 sentence 2, according to which long-term variable remuneration amounts should only be available after four years, is also not complied with. Instead, long-term variable remuner-

ation is provided for in relation to a three-year assessment period, with payment taking place following the Annual General Meeting at the end of each three-year period. The Supervisory Board is of the opinion that this sufficiently ensures the desired long-term incentive, which would not be increased by a later payment date.

- The recommendation in G.17 of the GCGC 2020, according to which the remuneration of the Supervisory Board should also adequately take into account the higher time expenditure of the chairman and members of committees, is currently not fully complied with because the remuneration resolved by the 2016 Annual General Meeting determines a higher remuneration only for the chairman and deputy chairman of the Supervisory Board and the chairman of the audit committee, whereby in the case of dual functions, no additional remuneration is paid, but only the respective higher remuneration. The Management Board and Supervisory Board are of the opinion that dedicated committee work is nevertheless guaranteed. It is intended to propose an amendment of the Supervisory Board remuneration to be resolved by the next Annual General Meeting, which will be in compliance with the recommendation of the GCGC 2020.

In all other respects, the declaration on Corporate Governance issued on November 4, 2020, together with the precautionary supplement issued on November 19, 2020, shall remain unaffected.

## 45. Authorization for issuance of Consolidated Financial Statements

Through a resolution by the Management Board on March 12, 2021, the Consolidated Financial Statements were authorized for issuance.

Asslar, March 12, 2021

The Management Board

Dr. Britta Giesen    Wolfgang Ehrk

Dr. Britta Giesen    Wolfgang Ehrk

# CERTIFICATION OF LEGAL REPRESENTATIVES 2020

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Asslar, March 12, 2021

The Management Board

Dr. Britta Giesen    Wolfgang Ehrk

Dr. Britta Giesen    Wolfgang Ehrk

*The following copy of the auditor's report also includes an "Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.*

# INDEPENDENT AUDITOR'S REPORT

To Pfeiffer Vacuum Technology AG, Asslar

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

### Audit Opinions

We have audited the consolidated financial statements of Pfeiffer Vacuum Technology AG, Asslar, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the group management report of Pfeiffer Vacuum Technology AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

## Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

## Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

**1. Recoverability of goodwill**

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matter:

**1. Recoverability of goodwill**

1. In the Company's consolidated financial statements goodwill amounting in total to € 72.2 million (10.9 % of total assets) is reported under the Intangible assets balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating unit, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors as well as the expected effects of the ongoing Corona crisis on the business activities of the Group are also taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. The executive directors have assessed the developments of the Corona crisis, the associated effects on the group and the forecasts for future market developments as an indicator for impairment of goodwill. As a result of this triggering event related impairment test and the annual impairment test, even after taking into account the fair value less costs of disposal, it was necessary to recognize write-downs amounting to a total of € 6.2 with respect to the cash-generating units Italy and China.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective cash-generating unit, the discount rate used, the rate of growth and other assumptions, and is therefore , also against the background of the effects of the Corona crisis, subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the business activities of the Group and examined how they were taken into account in determining the future cash flows. We discussed and examined supplementary adjustments to the medium-term business plan for the purposes of the impairment test with the members of the Company's staff responsible. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

   Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on the balance sheet item Intangible assets are contained in section 11 of the notes to the consolidated financial statements.

## Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report, which we obtained prior to the date of our auditor's report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Declaration on Corporate Governance" of the group management report

- the non-financial group statement pursuant to § 315b Abs. 1 HGB included in section "Non-Financial Consolidated Statement" of the group management report

The annual report is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

## Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

#### Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file *Pfeiffer Vacuum Technology AG_KA+KLB_ESEF-2020-12-31.zip* and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

**Basis for the Reasonable Assurance Conclusion**

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

**Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents**

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

**Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents**

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 20 May 2020. We were engaged by the supervisory board on 30 October 2020. We have been the group auditor of the Pfeiffer Vacuum Technology AG, Asslar, without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

## GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christian Kwasni.

Frankfurt am Main, March 12, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Christian Kwasni<br>Wirtschaftsprüfer<br>[German Public Auditor] | Daniel Spengemann<br>Wirtschaftsprüfer<br>[German Public Auditor] |

# INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING

To Pfeiffer Vacuum Technology AG, Asslar,

We have performed a limited assurance engagement on the non-financial group statement pursuant to § (Article) 315b (paragraph) Abs. 1 HGB ("Handelsgesetzbuch": "German Commercial Code") contained in section "non-financial consolidated statement 2020" of the group management report of Pfeiffer Vacuum Technology AG, Asslar, (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Statement").

## Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Statement that is free from material misstatement whether due to fraud or error.

## Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Statement based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of in-formation or expert opinions, referred to in the Non-financial Statement.

We conducted our assurance engagement in accordance with the International Standard on Assur-ance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and per-form the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Statement for the period from 1 January to 31 December 2020 has not been prepared in all material aspects in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Non-financial Statement regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Statement
- Identification of the likely risks of material misstatement of the Non-financial Statement
- Analytical evaluation of selected disclosures in the Non-financial Statement
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

## Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Statement for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

## Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, March 12, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Nicolette Behncke | ppa. Claudia Niendorf-Senger |
| Wirtschaftsprüfer | Wirtschaftsprüferin |
| [German public auditor] | [German public auditor] |

# CONSOLIDATED STATEMENTS OF INCOME

## 6-YEAR-OVERVIEW

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| **Net sales** | **618,665** | **632,865** | **659,725** | **586,962** | **474,244** | **451,521** |
| Cost of sales | – 401,671 | – 416,995 | – 424,517 | – 376,945 | – 293,769 | – 276,010 |
| **Gross profit** | **216,994** | **215,870** | **235,208** | **210,017** | **180,475** | **175,511** |
| Selling and marketing expenses | – 70,795 | – 71,669 | – 68,371 | – 63,313 | – 55,330 | – 59,850 |
| General and administrative expenses | – 57,595 | – 52,293 | – 49,106 | – 48,976 | – 35,733 | – 35,838 |
| Research and development expenses | – 35,135 | – 29,620 | – 28,663 | – 27,763 | – 26,282 | – 25,479 |
| Other operating income | 9,349 | 7,768 | 11,302 | 10,345 | 10,818 | 13,297 |
| Other operating expenses | – 17,522 | – 4,904 | – 5,240 | – 8,924 | – 5,972 | – 6,882 |
| **Operating profit** | **45,296** | **65,152** | **95,130** | **71,386** | **67,976** | **60,759** |
| Financial expenses | – 902 | – 853 | – 727 | – 693 | – 662 | – 691 |
| Financial income | 147 | 216 | 208 | 347 | 301 | 383 |
| **Earnings before taxes** | **44,541** | **64,515** | **94,611** | **71,040** | **67,615** | **60,451** |
| Income taxes | – 12,950 | – 16,158 | – 25,732 | – 17,192 | – 20,583 | – 18,535 |
| **Net income** | **31,591** | **48,357** | **68,879** | **53,848** | **47,032** | **41,916** |
| **Earnings per share (in €)** | **3.20** | **4.90** | **6.98** | **5.46** | **4.77** | **4.25** |
| Number of shares (weighted average) | 9,867,659 | 9,867,659 | 9,867,659 | 9,867,659 | 9,867,659 | 9,867,659 |

# CONSOLIDATED STATEMENTS OF INCOME

## 6-YEAR-OVERVIEW

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| | in K€ | in K€ | in K€ | in K€ | in K€ | in K€ |
| **Profitability figures** | | | | | | |
| Gross margin | 35.1 % | 34.1 % | 35.7% | 35.8 % | 38.1 % | 38.9 % |
| Operation profit margin | 7.3 % | 10.3 % | 14.4% | 12.2 % | 14.3 % | 13.5 % |
| After-tax return on sales | 5.1 % | 7.6 % | 10.4% | 9.2 % | 9.9 % | 9.3 % |
| **Sales by region** | | | | | | |
| Europe | 231,263 | 232,043 | 246,971 | 222,547 | 188,860 | 187,003 |
| Asia | 227,310 | 231,050 | 246,624 | 220,304 | 174,604 | 151,511 |
| The Americas | 159,991 | 169,664 | 165,942 | 143,808 | 110,542 | 112,412 |
| Rest of world | 101 | 108 | 188 | 303 | 238 | 595 |

# 4 FURTHER INFORMATION

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# GLOSSARY

**Cash and cash equivalents**
Indicates the cash and cash equivalents provided by the various capital flows and is the result of the cash flow accounting.

**Cash flow from financing activities**
Indicates the balance of cash and cash equivalents provided to or used by a company in connection with transactions involving shareholders' equity or outside capital.

**Cash flow from investment activities**
Indicates the balance of cash and cash equivalents that a company has invested or received in connection with the acquisition or sale of financial and tangible assets.

**Cash flow from operating activities**
Indicates the change in cash and cash equivalents resulting from operative business during the period under review.

**CMRT**
The Conflict Minerals Reporting Template is a standardized template from the Reporting Minerals Initiative that facilitates the exchange of information on conflict minerals in the supply chain

**$CO_2e$**
The $CO_2$ equivalent displays the extent of the greenhouse potential of various greenhouse gases. The largest portion of the greenhouse effect from companies that produce such gases, such as Pfeiffer Vacuum, is attributable to carbon dioxide ($CO_2$)

**Corporate governance**
The organizational structure and content of the way companies are managed and controlled.

**CSR**
Corporate Social Responsibility describes the economy's voluntary contribution to sustainable development, beyond what is legally required

**Dividend yield**
Indicates the ratio between a dividend and a defined share trading price – typically the year-end trading price. The dividend yield expresses the magnitude of the effective yield of the capital invested in shares.
**Calculation:**
Dividend ÷ Trading Price x 100

**Equity ratio**
Describes the relationship between shareholders' equity and total capital. The more shareholders' equity that is available to a company, the better its credit rating will typically be.
**Calculation:**
Shareholders' Equity
÷ Balance Sheet Total x 100

**FAR**
Fatal Accident Rate: Number of fatal accidents at work per 100 million working hours

**Free float**
The free float includes all shares that are not held by major shareholders; i. e. shares that can be acquired and traded by the general public. Under Deutsche Börse's definition, shares totaling over 5 percent of total equity or over 25 percent held by investment funds are not considered to be part of the free float.

**Gross margin**
Indicates the ratio between gross profit and net sales, enabling conclusions to be drawn regarding a company's production efficiency.
**Calculation:**
Gross Profit
÷ Net Sales x 100

**Greenhouse Gas Protocol**
Comprehensive global standardized framework to measure and manage greenhouse gas emissions (GHG) from private and public sector operations, value chains and mitigation actions.

**GRI**
Independent, non-profit organization. Leading international standard setter for sustainability performance providing a Global comparable reporting and accounting framework.

**Gross profit**
The result of net sales less cost of sales.
**Calculation:**
Net Sales – Cost of Sales

**ICS**
Internal Control System

**ISO 14001**
a standard for environmental management systems that is used and accepted worldwide

**ISO 50001**
a globally valid standard of the International Organization for Standardization (ISO), which is intended to support organizations and companies in the development of systematic energy management

**LPG**
liquefied petroleum gas, also known as liquid gas

**LTI**
Lost Time Injuries: accident requiring at least one day of absence

**LTIFR**
Lost Time Injuries Frequency Rate: number of accidents per one million working hours

**Market capitalization**
Indicates the current market value of a company's shareholders' equity on the stock exchange.
**Calculation:**
Number of Shares Outstanding
x Trading Price

**OHSAS 18001**
is used in many countries as a certification basis for management systems for occupational health and safety (OSH)

**Operating profit (EBIT)**
Operating profit (earnings) before interest and taxes.
**Calculation:**
Net Income ± Financial Income /
Expenses ± Income Taxes ± Gain /
Loss from Investment

**Operating profit margin (EBIT margin)**
The ratio between operating profit and net sales – the higher the ratio, the higher the profitability of operating activities.
**Calculation:**
Operating Profit (EBIT)
÷ Net Sales x 100

**PV**
Pfeiffer Vacuum

**Research and development expense ratio**
Is an expression of the relationship between the volume of research and development expenses and the volume of net income generated. Is thus considered to be an indicator of a company's willingness to invest in its own innovation activities.
**Calculation:**
R & D Expenses
÷ Net Income x 100

**Return on capital employed (ROCE)**
Ratio between operating profit and the total capital employed during a period.
**Calculation:**
EBIT ÷ (Net) Assets
+ Working Capital x 100

**Return on equity**
Provides information about the yield on the equity provided by shareholders.
**Calculation:**
Net Income
÷ Shareholders' Equity x 100

**Whistleblowing system**
Option to report potential violations of compliance guidelines

**Working capital**
A liquidity parameter that indicates the surplus of a company's assets that are capable of being liquidated short term (within one year) over its short-term liabilities.
**Absolute calculation:**
Current Assets
– Short-Term Borrowed Capital;
**Relative calculation:**
Current Assets
÷ Short-Term Borrowed Capital x 100

# GRI-CONTENT-INDEX

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| GRI 102-17 | Mechanisms for advice and concerns about ethics | | Code of conduct and supplier code of conduct<br>↗ https://group.pfeiffer-vacuum.com/en/group/compliance/our-culture/ |
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## MATERIAL TOPICS

| | | | |
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| GRI 103 | Management approach (including GRI 103-1, 103-2, 103-3) | **Compliance** p. 95–96<br>**Compliance management** p. 71 | Compliance organization<br>↗ https://group.pfeiffer-vacuum.com/en/group/compliance/compliance-organization/ |
| GRI 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | | Any risks from litigation or claims are disclosed in the Notes to the Consolidated Financial Statements |
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# FINANCIAL CALENDAR 2021

↗ Investor Relations

**TUESDAY,**
MAY 4
Q1 2021
Financial Results

**WEDNESDAY,**
MAY 12
Annual General Meeting
2021

**TUESDAY,**
AUG. 3
H1 2021
Financial Results

**THURSDAY,**
NOV. 4
Q3 2021
Financial Results

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