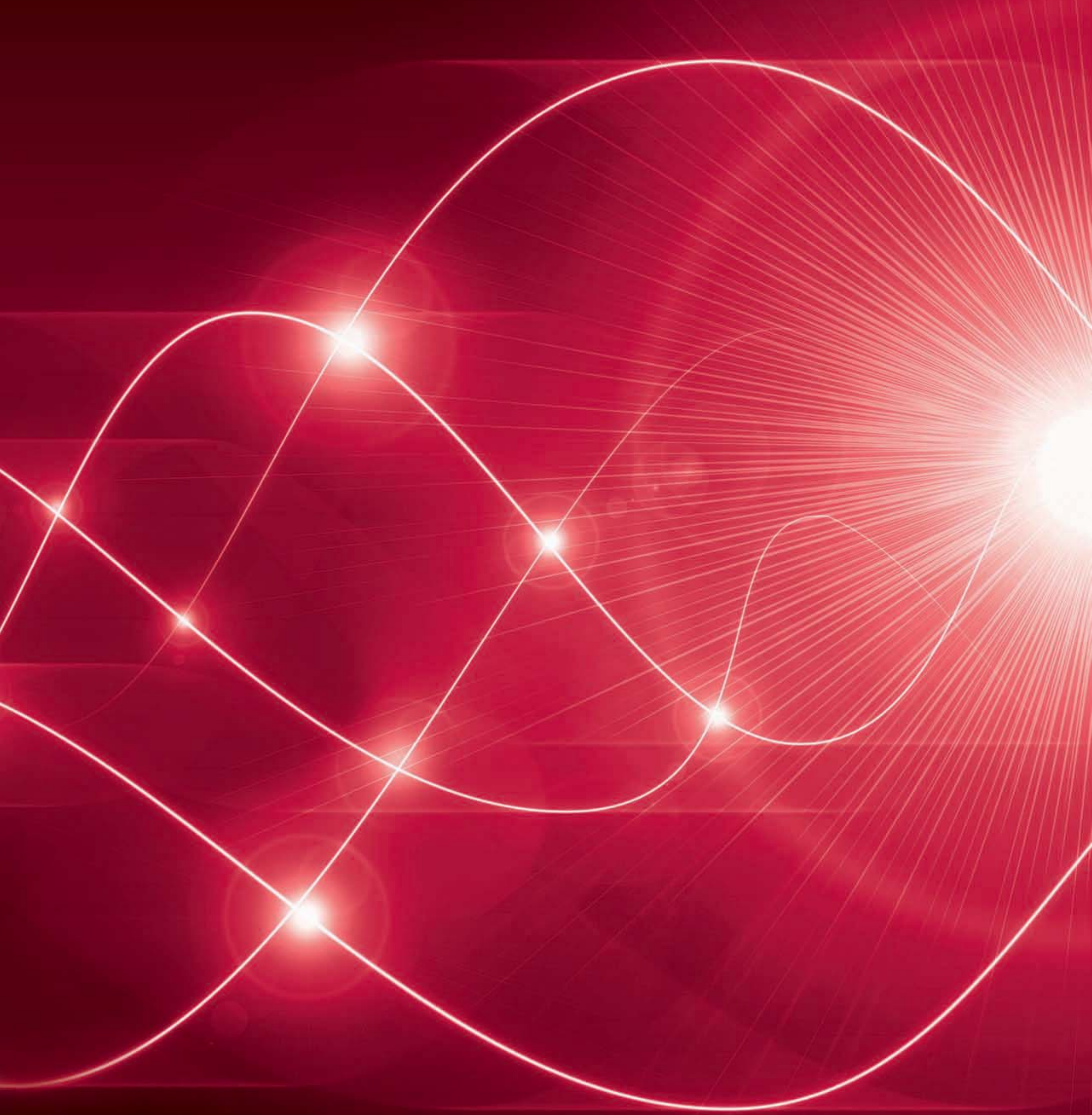
A PASSION FOR PERFECTION

PFEIFFER VACUUM



Combined Expertise

ANNUAL REPORT 2012

Key Figures

		2012	2011	Change
Sales and profit				
Total sales	K€	461,327	519,509	–11.2%
Germany	K€	89,576	113,182	–20.9%
Other countries	K€	371,751	406,327	–8.5%
Operating profit	K€	67,685	61,777	9.6%
Net income	K€	45,252	41,568	8.9%
Return on sales	%	9.8	8.0	1.8Pp
Operating cash flow	K€	63,341	71,163	–11.0%
Balance sheet				
Total shareholders' equity and liabilities	K€	445,662	476,848	–6.5%
Cash and cash equivalents	K€	102,006	108,293	–5.8%
Shareholders' equity	K€	293,428	281,117	4.4%
Equity ratio	%	65.8	59.0	6.8Pp
Return on equity	%	15.4	14.8	0.6Pp
Capital expenditures	K€	10,268	20,766	–50.6%
Workforce				
Workforce (average)		2,270	2,276	–0.3%
Germany		806	789	2.2%
Other countries		1,464	1,487	–1.5%
Personnel cost	K€	131,373	137,761	–4.6%
Per employee	K€	58	61	–4.9%
Sales per employee	K€	203	228	–11.0%
Per share				
Earnings	€	4.59	4.19	9.5%
Dividend	€	3.45[1]	3.15	9.5%

[1] *Subject to the consent of the Annual Shareholders Meeting*

Corporate Profile

Pfeiffer Vacuum – a name that stands for innovative solutions, high technology and dependable products, along with first-class service. For more than 120 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 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 enormous enthusiasm and commitment of our people. These are virtues that we will continue to embrace!

Headquarters: Asslar, Germany

Established: 1890

Purpose of the Company: To develop, manufacture and market components and systems for vacuum generation, measurement and analysis

Manufacturing sites: Asslar and Göttingen, Germany; Annecy, France; Asan, Republic of Korea

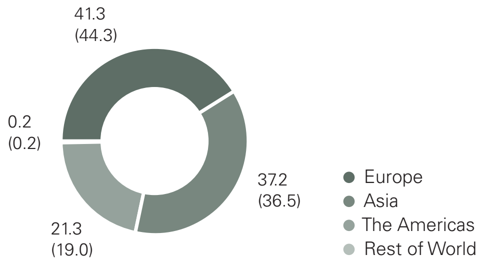
Workforce worldwide: 2,256 people

Cover: Each gas disperses evenly inside a chamber and is made up of numerous particles moving constantly in all directions at high speed. Using a vacuum pump reduces the density and so the particles no longer collide.

Sales by Region

- **Europe**
  Countries playing a central role for sales remain: Germany, France and Italy.
- **Asia**
  Considerable efforts on the part of our Korean adixen sales subsidiary in particular achieved a significant contribution to sales.
- **The Americas**
  The development of sales continues to depend to a large extent on developments in the USA.

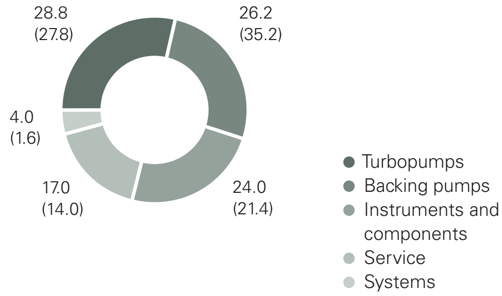
in %
(previous year)



Sales by Products

- **Turbopumps**
  The product group generating the greatest sales revenues benefits particularly from strong demand in the analytics market.
- **Backing pumps**
  A large number of widely ranging technologies are used in all sectors of the market. Major customers are the semiconductor and solar industries.
- **Instruments and components**
  Components from chambers to valves. Steady sales indicate a good level of demand from all markets.

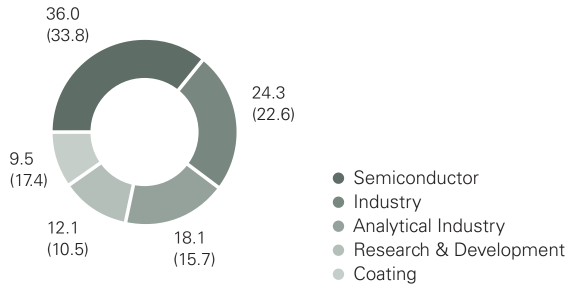
in %
(previous year)



Sales by Market

- **Semiconductor**
  New technologies and processes evolve above all here. This is one of the most important markets for vacuum solutions.
- **Industry**
  Development of the extremely diverse market essentially follows the trend of the general mechanical engineering industry.
- **Analytics**
  When it comes to determining single molecules in anything from doping controls to space research, this calls for a vacuum.

in %
(previous year)



Combined expertise – added value for our customers. Two years ago we combined the expertise of two major companies in the vacuum market through an acquisition. Since 2012 we have been able to record initial successes such as new cutting-edge technology, a wide product variety and our extensive customer support service. Pooling these advantages means our customers profit from high efficiency. Everything we do is focused on one goal – to provide our customers with the perfect vacuum solution.

Content

Dear Shareholders,

After 2011 – a year that brought far-reaching changes in view of the takeover of our competitor adixen early in the year – the focus in 2012 was on handling the many details of the integration process.

It was to be expected that 2012 would not be a year of strong growth. Consequently, we made use of the time to do our homework. The now formally integrated global sales and service subsidiaries needed to be set off along a common path forward. This involved discussing both strategic issues as well as details of specific individual processes. The aim was to eliminate identified weaknesses and build on the strengths of both sides of the business. The strengths of the "old" Pfeiffer Vacuum companies are anchored in the high vacuum sector. The turbopump has long been our "star product". We sell these turbopumps to a variety of customers for widely differing uses. These customers are often medium-sized enterprises like ours.

adixen's strengths lie in backing pumps – in particular dry backing pumps – and leak detectors. Besides these products, the long-term relationship which adixen has built up with major clients is another of its strengths. This frequently comes to bear in the semiconductor industry, the largest sales market for vacuum pumps and components. Since this market is highly cyclical, one of our aims is to sell more adixen products to Pfeiffer Vacuum customers.

Dr. Matthias Wiemer
Member of the Management Board

Manfred Bender
Chairman of the Management Board

We wish to impress our customers with the perfect vacuum solutions we are able to supply thanks to the long experience that have evolved at adixen and Pfeiffer Vacuum of doing just this. At the same time we have a clearly defined profitability target. This is the objective we bear in mind when analyzing our processes. At the end of the past fiscal year, it became apparent that, little by little, we are edging closer towards our goals. The EBIT margin of 14.7% was nearly 3%-points above the previous year's figure. Despite declining sales, the operating profit rose year-on-year by almost € 6 million to € 67.7 million.

Demand for our products was very strong early in the year, but declined as the year went on due to the global economic slowdown. Year-end sales revenues of € 461.3 million reflected a 11.2% drop over the previous year's figure. This decline is almost exclusively due to the weakness of the solar market. Demand from other markets such as the semiconductor industry, analytics, research and development and other industries remained relatively stable – this also applies for the section of the coatings market not involved in the solar industry. This underlines once again how important it is for us to serve a variety of markets. One advantage of this is that there is no need for us to diversify our business – our customers do it for us.

The fact that we were able to generate an all-time high net profit of € 45.3 million in the given situation is a success which deserves special mention. Traditionally, the net profit is distributed in large measure to you, our shareholders. In addition, however, we will plow back a portion of this to bolster our balance sheet. With an equity ratio of 65.8%, we are well positioned for the future. Pfeiffer Vacuum is today already debt-free on a net basis, i.e. our liquid assets are higher than our liabilities. However, being debt-free is not our primary objective. If the situation requires – as it did two years ago when we bought adixen – we are also prepared to make use of external financing. It has to serve a purpose, however, and not just be targeted at achieving a particular balance sheet structure.

Continuity in financial matters has been the mission of Nathalie Benedikt since January 1, 2013. Ms. Benedikt has worked in the Finance division at Pfeiffer Vacuum for 13 years now. In her capacity as a further member of the Management Board, she is now responsible for Finances as well as IT and Human Resources.

As you can see, we are holding fast to our proven strategies, even if these are not always mainstream. This applies not just to our balance sheets but also to our quest for quality and sustainability in our everyday business dealings with our clients. We are convinced that everyone who is involved stands to benefit from this in the long run. Our customers have a reliable partner, our employees a secure job and you, the shareholders, have a good return with risks kept to an acceptable level.

We will do our utmost in future, too, to keep it this way.

Yours

M. Bender

Manfred Bender,
Chairman of the Management Board

Report of the Supervisory Board

Dear Shareholders,

The 2012 fiscal year was marked by continuing uncertainty regarding the outcome of the sovereign debt crisis as well as by a slowdown in the global economy. Pfeiffer Vacuum performed well in this macroeconomic environment. During the second year after the acquisition of adixen, the main focus was again on merging the individual parts of the Group and standardizing processes, and successful progress was achieved towards these aims. We were able to move a considerable step closer to our goal of adapting the profitability of the adixen business unit to that of Pfeiffer Vacuum.

During the 2012 fiscal year, the Supervisory Board was informed about the current position of the Company and the Corporate Group in five meetings and discussed this in detail with the Management Board. The Supervisory Board meetings took place in Asslar on February 13, March 13, May 22 and August 6 and at the subsidiary Trinos Vakuum-Systeme GmbH in Göttingen on November 5. In addition to the information provided at its meetings, all members of the Supervisory Board received detailed monthly and quarterly reports on the Company's position, with the Chairman of the Supervisory Board additionally

LTR:
Dr. Wolfgang Lust
Wilfried Glaum
Dr. Michael Oltmanns
Chairman

being provided with the minutes of all Management Board meetings. Aside from the meetings of the Supervisory Board, its Chairman was constantly kept abreast of all major business matters through discussions with the Management Board. No member of the Supervisory Board attended less than half of the meetings of the Supervisory Board in the 2012 fiscal year.

The Supervisory Board has a Management Board Committee, an Administration Committee, a Nomination Committee and an Audit Committee.

The Management Board Committee met on March 13 and November 5. Meetings of the Audit Committee also took place on March 13 and November 5. Moreover, the Audit Committee maintained regular contact with the independent auditor, regularly discussing and deciding with him upon the course of the audit, the main focuses of the audit and particular questions relating to the audit.

In addition to the general development of business and the Company's strategic alignment, the Supervisory Board meetings focused on the continued

LTR:
Manfred Gath
Helmut Bernhardt
Götz Timmerbeil
Vice Chairman

integration of adixen. This covered increasing the profitability of the adixen business unit, the integration and support of the foreign subsidiaries, the optimization of the working capital, the standardization of the reporting system and further strengthening and integration of regional management into the Pfeiffer Vacuum culture.

On November 5 the Supervisory Board decided to appoint Ms. Nathalie Benedikt as a further member of the Management Board, effective January 1, 2013. Ms. Benedikt has already distinguished herself as an employee at Pfeiffer Vacuum and played a decisive role in managing the process of acquisition and integration of adixen. She will be responsible for the areas of Finance/Controlling, Human Resources and Information Technology.

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

The requirements with respect to risk management mandated under the German Control and Transparency in Business Act ("KonTraG") of 1998 were discussed extensively together with the Management Board. The Supervisory Board repeatedly satisfied itself that sufficient insurance coverage is in force for insurable risks and that operating, financial and contractual risks are monitored through organizational processes and approval procedures. A detailed reporting system exists for the Company and the Corporate Group and is subject to ongoing review, update and development. All employees in the operating units are sensitized to potential risks and are instructed to conduct appropriate reporting. Current issues in connection with risk management were explained to the Audit Committee.

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

At the meetings of the Supervisory Board and in individual discussions, the Supervisory and Management Boards deliberated at length regarding the Company's strategic alignment and planning. The Supervisory Board then discussed the budget for the 2013 fiscal year with the Management Board and adopted it.

In accordance with the resolution adopted by the Annual Shareholders Meeting on May 22, 2012, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, of Eschborn, Germany, was commissioned to audit the Annual Financial Statements of the Company and the Company's Consolidated Financial Statements, with the latter being prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the financial statements of the Company's subsidiaries where prescribed by law. Pursuant to § 315 a of the German

Commercial Code ("HGB"), consolidated financial statements presented in accordance with the rules of the German Commercial Code were not prepared.

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

- Certain items of the Annual Financial Statements, in particular
  - the values of accounts receivable and inventories
  - the completeness and valuation of provisions (in particular warranty provisions)
  - revenue recognition; periodic accruals for net sales
  - intrinsic value, goodwill
  - capitalization of development costs in accordance with IAS 38
  - deferred taxes
- Consolidation entries
- Reconciliation to IFRS, the Notes to the Financial Statements and the Management's Discussion & Analysis

The Annual Financial Statements together with the Management's Discussion & Analysis as well as the Consolidated Financial Statements presented in accordance with IFRS together with the Management's Discussion & Analysis, all for the 2012 fiscal year and all of which prepared by the Management Board, were audited by the independent auditor and received his unqualified opinion.

The Annual Financial Statements, Management's Discussion & Analysis for the Company and the Corporate Group, as well as the audit reports from the independent auditor were submitted to all members of the Supervisory Board in a timely fashion. They were discussed in detail at the Audit Committee meeting relating to the financial statements as well as at the Supervisory Board meeting relating to the financial statements on March 11, 2013. The independent auditor attended both meetings, reported on the major findings of his audit, in particular relating to the internal controlling and risk management system, and was available to answer additional questions from the Supervisory Board. On the basis of its own thorough review, the Supervisory Board concurs with the results of the audit conducted by the independent auditor. Given the concluding results of its review, the Supervisory Board raised no objections to the Annual and Consolidated Financial Statements. It has approved the Annual and Consolidated Financial Statements, with the Annual Financial Statements thus being formally adopted. The Supervisory Board discussed in detail with the Management Board its proposal regarding the distribution of a dividend and then concurred with the Management Board's proposal regarding appropriation of the Company's retained earnings.

The Supervisory Board would like to sincerely thank the Management Board, the Employee Council and the entire staff of the Corporate Group for their successful work in the 2012 fiscal year.

Asslar, March 11, 2013

Michael Oltmanns

Dr. Michael Oltmanns
Chairman of the Supervisory Board

Share Performance

Pfeiffer Vacuum shares were listed on the New York Stock Exchange between 1996 and 2007, initially in the form of an ADR program, and have been traded on the German Stock Exchange in Frankfurt since April 15, 1998. Pfeiffer Vacuum satisfies the high transparency requirements of the Prime Standard and since its inception has been included without interruption in the TecDAX, the index of the 30 to 35 most important technology issues traded on the stock exchange in Frankfurt. All trading prices indicated in this Annual Report are Xetra trading prices.

Basic Information about Pfeiffer Vacuum Shares

Deutsche Börse Symbol	PFV
ISIN	DE0006916604
Bloomberg Symbol	PFV.GY
Reuters Symbol	PV.DE
Further indices	HDAX, Mid Cap Market, CDAX, Prime Industrial, Prime All Share, Technology All Share

The stock market in 2012

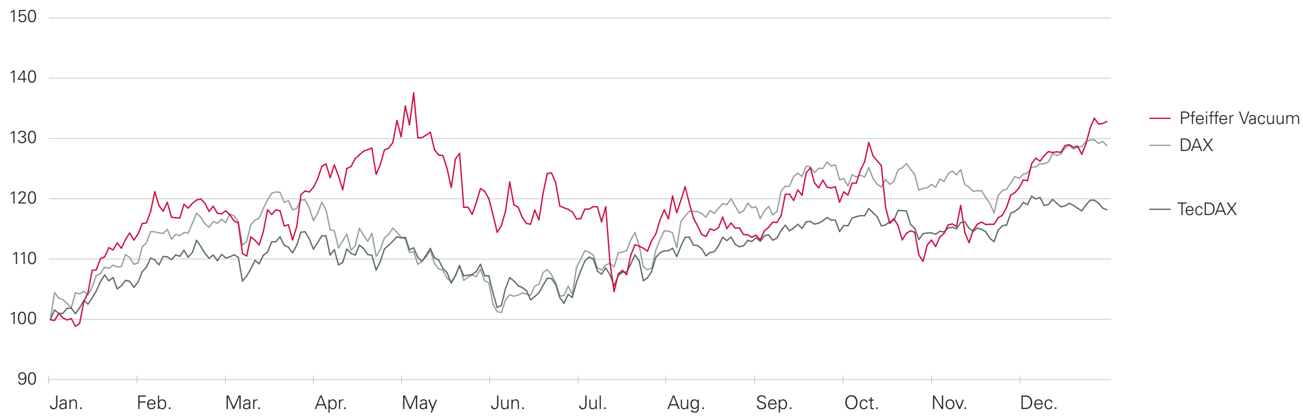
After the major German share indexes dropped in value during the course of 2011, they recovered vigorously in 2012. While the 100 largest corporations clearly exceeded their previous year performance, the TecDAX however remained behind the peak values of 2011. On the DAX, which is an index of the 30 largest German corporations listed on the stock exchange, the opening level of 5,900.18 points on January 2 also marked the all-year low. Despite mixed market conditions, a steady upward trend then set in which continued unbroken until April. In view of the general economic slowdown and the European financial crisis, a downturn ensued which reached a turning point again at the beginning of June. This was most likely the result of political decisions rather than structural economic changes. With minor breaks, the DAX then climbed steadily. This most prominent German index reached its highest level on December 19 at 7,682.90 points. Overall the DAX rose by 29% in 2012 from an opening level of 5,900.18 points to a year-end level of 7,612.39 points. The TecDAX also started the year 2012 with a low of 684.61 points. The index rose by 21% to 828.11 points at the end of the year. The TecDAX reached its highest level at 846.91 points on December 3.

Pfeiffer Vacuum share performance in 2012

Pfeiffer Vacuum share performance differs greatly from index developments, even though the share price also reached its all-year low of € 66.31 at the beginning of the year. Owing to positive sales expectations which financial markets tied to the Pfeiffer Vacuum share on the basis of promising signals from the semiconductor market, the share price rose until May 2012 far higher than the TecDAX. It peaked at € 95.00 on May 7 following the announcement of an excellent first quarter. From this point onwards a number of major semiconductor manufacturers lowered their business expectations which could be a significant reason for the downturn in the Pfeiffer Vacuum share that followed. Despite equally dampened expectations in the solar market, an upturn was evident from mid July onwards and this was interrupted only by renewed concerns about the semiconductor market in October. Following the announcement of positive results for the first nine months, the share rose steadily to finish at € 91.57 on December 28. All in all the Pfeiffer share gained 38% in value during the past year. The daily average trading volume amounted to 31,250 shares (previous year: 45,093 shares).

Relative Share Price Development of Pfeiffer Vacuum, TecDAX and DAX in 2012

in %



Jan. 2, 2012 (= 100)
Closing price: € 68.78

Dec. 28, 2012
Closing price: € 91.57

Relative Share Price Development of Pfeiffer Vacuum, TecDAX and DAX between 2003 and 2012

in %

Mar 24, 2003 (= 100)
Closing price: € 17.00

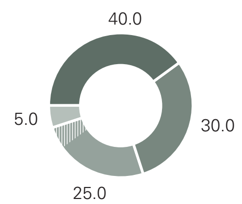
Dec. 28, 2012
Closing price: € 91.57

Shareholder structure

The shareholder structure did not change substantially over the past year. Based on data from our investors, our own estimates and an analysis of voting rights notifications, we estimate that U.S.-based mutual investment and pension funds hold approximately 30% of shares, including Ameriprise Financial based in Minneapolis. We estimate that European funds, first and foremost in England and Scotland, as well as in Switzerland, France and Scandinavia, account for around 40% of shares. BNP Paribas and Montanaro based in Paris and London are among the largest shareholders here. Approximately 20% of shares are held by German investment funds. Private shareholders and Pfeiffer Vacuum manage-

Estimated Regional Distribution of the Pfeiffer Vacuum Shareholder Structure

in %



- Europe without Germany
- USA
- Germany
  - of wich management and private shareholders
- Asia

ment shareholdings are likely to amount to under 5%. At least 5% of Pfeiffer Vacuum shares are held by Asian investors. A good 3% of these shares are attributed to our long-term Japanese trading agency Hakuto.

Overview of Holdings according to Voting Rights Notifications

	Dec 31, 2012
	in %
Hakuto, Tokyo	3.48
Ameriprise Financial, Minneapolis	3.04
BNP Paribas, Paris	3.01
Montanaro, London	3.01

Earnings per share

With annual earnings amounting to € 45.3 million attributable to the shareholders of Pfeiffer Vacuum, an increase of 9.5% over the previous year value of € 41.4 million was recorded by Pfeiffer Vacuum. The earnings per share amount to € 4.59 and reflect an increase of 9.5% over the figure of € 4.19 for the previous year. Based on the year-end closing price on December 28, 2012, a price/earnings ratio of 19.9 resulted (previous year: 16.1).

Net income[1]	in K€	45,252
Number of shares (weighted average)	in units	9,867,659
Earnings per share	in €	4.59

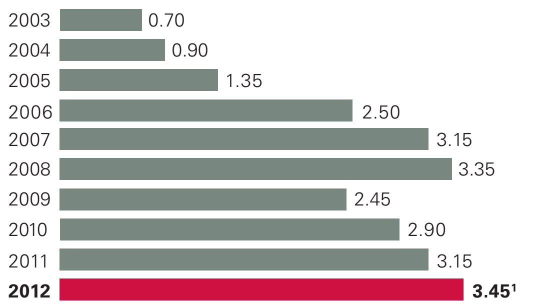
[1] *Attributable to shareholders of Pfeiffer Vacuum Technology AG*

Dividend

For over ten years, the Company has been enabling its shareholders to participate in its business success by distributing a relatively high dividend. The annual dividend development is typically based upon the development of profitability. The Management and Supervisory Boards will propose to the Annual Shareholders Meeting on May 28, 2013 that a dividend be distributed for fiscal 2012 in the amount of € 3.45 per share of no-par stock entitled to receive dividends. This again represents a total distribution rate of over 75% of consolidated net income and a total distribution amount of € 34.0 million. Subject to the consent of the Annual Shareholders Meeting and on the basis of the year-end closing price on December 28, 2012, this represents a dividend yield of 3.8% (previous year: 4.7%).

Development per Share for the last 10 financial Years

in €



[1] *Subject to consent of the Annual Shareholders Meeting*

Investor Relations

We view our investor relations work as providing competent, prompt, open and reliable information relating to the position of the company. We treat all of our shareholders equally. The appreciation shown to us by the financial market is reflected in the numerous awards we have received. Pfeiffer Vacuum achieved second place in the TecDAX in September in the NetFed Benchmark 2012. The internet pages dedicated to investor relations of the corporations included in the major German share indexes were evaluated. Criteria for assessment were the organization and quality of the online financial communication of the corporations assessed. In December 2012, Pfeiffer Vacuum was voted third best TecDAX company in the investor relations category by readers of the journal "Börse Online", after reaching first place in this same poll last year.

At 14 roadshows (previous year: 14) in all major financial centers in Europe, the United States and in Canada, the members of the Management Board presented our business model and commented on our strategy. Moreover, we showcased our company at a total of 14 investor conferences (previous year: 16). We also conducted some of the conferences with two people in parallel one-on-one services to meet the high amount of interest in conferences. Further activities included tradeshow visits with investor groups and presentations for private shareholders. Numerous institutional investors and analysts visited our Corporate Headquarters. A press and analyst conference on our financial numbers, four conference calls relating to announcements of our financial results, along with any number of telephone conversations with analysts, institutional investors and private shareholders, round out our investor relations work. About 24 analysts regularly follow our company. We were aware of 6 "Buy" recommendations, 13 "Hold" and 5 "Sell" recommendations at year-end 2012.

Last year's Annual Shareholders Meeting was attended by around 400 shareholders and guests. Shareholder presence was 47%, by comparison with 48% the year before. The shareholders adopted all items on the agenda with sweeping majorities. Prior to that, the shareholders had been able to download all relevant documents, as well as the ballot sheet, from the significantly broadened information offerings on the Internet at www.pfeiffer-vacuum.com/shareholders_meeting.

Pfeiffer Vacuum Share Highlights

		2012	2011	2010	2009	2008
Share capital	in € millions	25.3	25.3	25.3	23.0	23.0
Number of shares issued	in units	9,867,659	9,867,659	9,867,659	8,970,600	8,970,600
Highest trading price	in €	95.00	104.50	90.97	60.59	68.78
Lowest trading price	in €	66.31	58.53	52.52	36.11	38.14
Trading price at year-end	in €	91.57	67.62	88.00	58.50	46.93
Market capitalization[1] at year-end	in € millions	903	667	868	498	294
Dividend per share	in €	3.45[2]	3.15	2.90	2.45	3.35
Dividend yield	in %	3.8[2]	4.7	3.3	4.2	7.1
Earnigs per share	in €	4.59	4.19	4.40	3.24	4.36
Price/earnings ratio		19.9	16.1	20.0	18.1	10.8
Free-float[1]	in %	100.0	100.0	100.0	94.91	68.87

[1] *Value based upon Deutsche Börse's free-float definition*
[2] *Subject to the consent of the Annual Shareholders Meeting*

"Who benefits from the combined expertise?"

An interview with the Management Board of Pfeiffer Vacuum

During the past fiscal year, Pfeiffer Vacuum has set the course for the future. While the previous year concentrated mainly on the formal integration of the recently acquired former competitor, adixen, 2012 was primarily about organizing the content of the merger. Manfred Bender, Nathalie Benedikt and Dr. Matthias Wiemer explain the key aspects.

What do you mean by combined expertise?

Bender: We are the inventors of the turbopump and have engineering experience since 1890. As a result, we have a great wealth of knowledge, on which we rely daily, in the generation, measurement and control of high vacuum and ultra-high vacuum. For decades, our colleagues from adixen have set standards in the market with their backing pumps. Just the linking of this know-how is in itself a combining of expertise.

Dr. Wiemer: Our goal, however, goes far beyond the addition of past achievements. In the past year we spent a lot of time exchanging our skills and our technologies. We have initiated many projects in which different products are interlinked. This creates something completely new. It is an exciting process. That is precisely how we originally envisioned the convergence of complementary enterprises.

Bender: In our case, one and one equals more than two. We have said this from the outset.

Benedikt: On the other hand, we have also combined the expertise in the various locations worldwide. In each country we have been consolidating and administratively unifying the different companies which were competitors prior to the acquisition. That laid the foundations to act as a cohesive unit. From a practical standpoint, the robust IT infrastructure also forms the basis for a cooperative collaboration across national boundaries.

"What connects all of us here at Pfeiffer Vacuum is the fascination for nothingness."

Dr. Matthias Wiemer
Member of the Management Board

What exactly is Pfeiffer Vacuum's competence?

Dr. Wiemer: What connects all of us here at Pfeiffer Vacuum is the fascination for "nothingness". We deal with vacuous, up to nearly molecule-free space. A vacuum of this intensity can only be reached if you move at least 100 km away from the Earth, into outer space – or use our vacuum solutions. Now there are many methods to achieve high vacuum, however. We have mastered the most important ones, and more. Gases, substances and materials behave differently in a vacuum than we are used to under atmospheric conditions. Only those who have accurate knowledge of this can develop perfect vacuum solutions.

Bender: Many industrial manufacturing processes require a high vacuum. An example would be when a certain surface is to be provided with an extremely thin vacuum coating. It can also however be required in the analysis of substances, such as in drug testing of athletes. Our customers come from very different sectors. We have arranged them according to market segments: semiconductor industry, analytics, coating, research & development and other industries. We serve these markets with standard products which are tailored to a customer's specific needs. In order to cover all of our customers' requirements, we have a product range of about 20,000 items. Our competence lies in the fact that with all these products, we are able to offer our customers cutting-edge technology to fit their own specific vacuum problem. Of course, the timely production of so many high-quality products is also part of our competence.

Benedikt: But we also cannot forget our organization, which makes this top performance possible. We are lean and thereby very effectively positioned. We give our employees the freedom to be as effective and creative as possible for our customers, and at the same time set clear limits for them in order to maintain the overall structure. This strategy is very successful. Our profitability speaks for itself. But we do not rest on this success. Just as we are constantly improving our products, we are permanently working on our organization. We are continuously reviewing our processes and looking to see where we can be even more effective. The ability to perpetually reinvent ourselves also definitely belongs to our competency.

What advantages do your customers gain from the large product portfolio?

Bender: Different markets must be served with different products, or product variants. Behind the large number is an abundance of components such as flanges, fittings and valves, as well as different pumps ranging from low and medium vacuums up to high and ultra-high vacuums. The equipment and technology that we have acquired with adixen

"In our case, one and one equals more than two. We have said this from the outset."

Manfred Bender
Chairman of the Management Board

complement our portfolio and make us a provider of complete vacuum solutions. Firstly, this benefits our consumers in that the individual components are perfectly adapted to each other and are easier to install. We deliver pre-installed units for direct assembly. In this way, we reduce process costs for our customers. Environmental issues are also playing an increasing role. We offer vacuum components and equipment which are perfectly matched and therefore require fewer resources such as electricity, water or gas. This drastically reduces the total operating costs for our customers – as do the long maintenance intervals for our products.

Dr. Wiemer: It is our aim to offer our customers the right solution for every vacuum need. For each turbopump, we can categorically offer a suitable backing pump; every vacuum process absolutely requires a chamber, flanges and joints. We can also supply measurement instruments and leak detectors. We always start with the question: How can I best help my customer? Quite essential in answering is that we are fully conversant with our product range. We know all our products very well.

"The latest version is always imperfect; therefore we are constantly working on improvements."

Benedikt: Ultimately we offer standard products which can be efficiently produced and managed. The large figure of 20,000 items is spread over a still manageable number of product groups. The administrative and logistical expertise of Pfeiffer Vacuum is precisely the reason that the company can deal with so many articles.

Dr. Wiemer: The upside is that our versatility intertwines and revolves around a core which holds us together – namely the vacuum. When we create a vacuum solution with a customer, the process results in gained experience which might help us with the problem of another customer. Thus, we are constantly improving and our solutions are continuously becoming more sophisticated. Due to our large customer base, we have learned to think globally. Even with all the diversity among our customers, markets and applications, we ensure consistent advice with regard to customer support and uniformity of service worldwide. All receive the same quality around the world, be it in new products, maintenance, repair or general customer service.

Why is cutting-edge technology important to the vacuum business?

Bender: It is the same as in sport: the best athletes constantly refine their technique and are only satisfied with the very best. In other words: our leadership in many technologies is very important to us, as is the quality of services and products that we offer. Only then can we convince customers.

Benedikt: But the intrinsic motivation comes first – the standards we set ourselves in our work. This aspiration to meet our own standards permeates the entire company. Everyone acts in concert when it comes to developing really good vacuum solutions. In a survey, our customers attested to our penchant for perfection: in their opinion, our products reflect a high degree of engineering skill. This attitude is how we build confidence in the market.

Dr. Wiemer: And yet we can never stand still. The latest version is always imperfect; therefore we are constantly working on improvements. This hinges on an effective Research & Development department, but it does not stop there. A very important issue is currently the reduction of our environmental impact. Take the semiconductor industry, for example. There are estimates that about 30% of the total energy consumption of a semiconductor plant is accounted for by the vacuum pumps which are used there. Therefore, we cannot rest on the low energy consumption figures which our vacuum pumps have already achieved today. An important project by our developers in Asslar and Annecy is concerned with further reducing their power consumption.

Microstructures are another issue. Today, many technical products that are incorporated in goods in our everyday life are no longer visible to the naked eye. We have now brought a decontamination system onto the market which can even remove impurities caused by individual molecules. This is also an example of cutting-edge technology. If we ever slacken our efforts, we will lag behind market developments.

What significance do ecological issues have for Pfeiffer Vacuum?

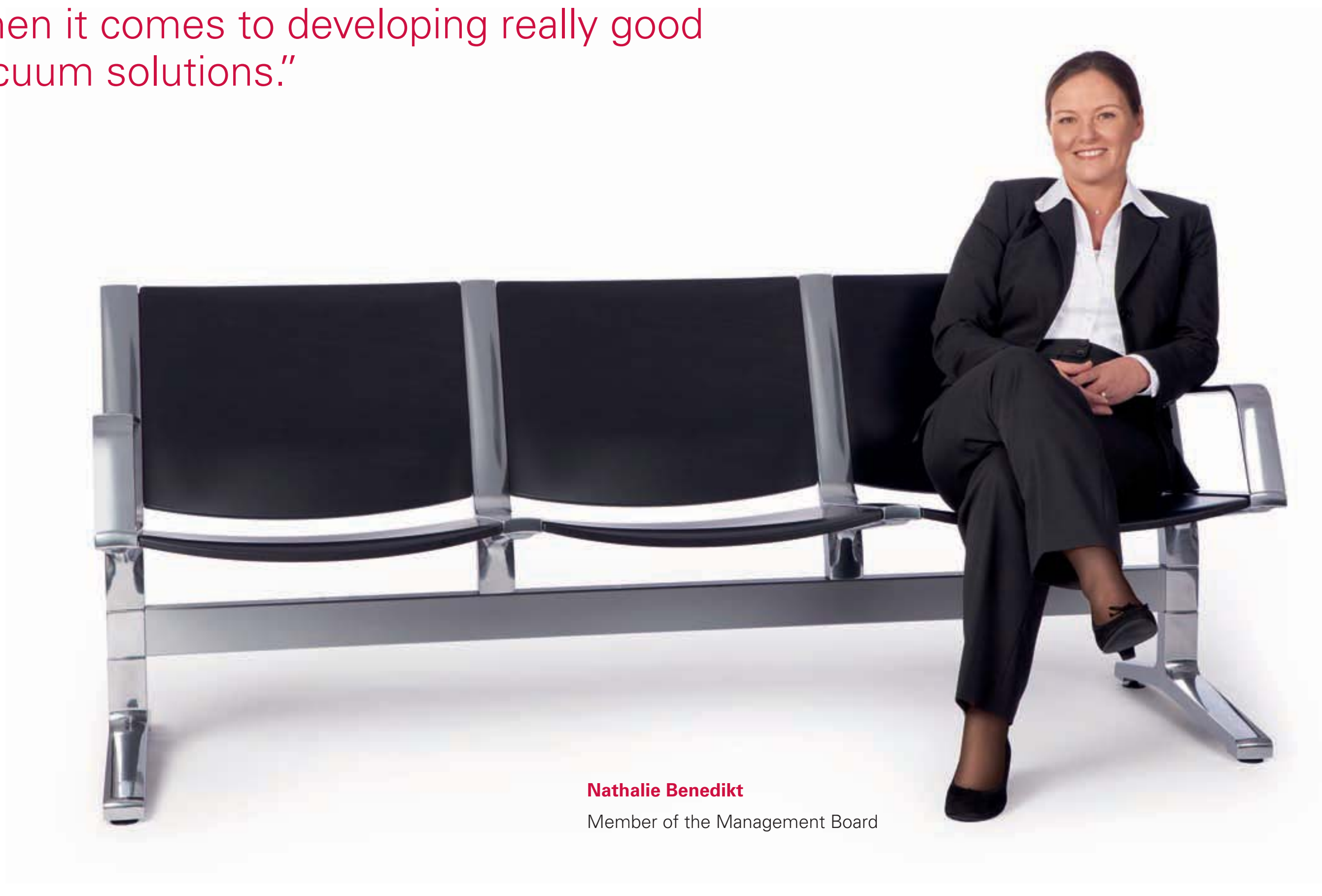
Benedikt: As Dr. Wiemer said, many customers attach importance to features that can be grouped under the term 'sustainability'. But we don't just leave it at that. In our operations we place just as much importance ourselves on sustainability and environmental compatibility. Reducing the use of resources is also of great importance to us because it additionally contributes to profitability.

Bender: Limiting the environmental impact of our activities is also a personal concern for us, and in fact throughout the Group. A special highlight of 2012 was the sustainability day which was organized by the State of Hesse in September. For this, our apprentices devised a campaign to remind all employees to turn off devices at the end of the workday. They demonstrated that the standby mode for office equipment, such as computer screens or printers, results in considerable consumption of electricity. All our subsidiaries worldwide participated in this campaign. I was very impressed by the large amount of positive feedback that I personally received from staff from all over the world.

Dr. Wiemer: Our environmental awareness, however, is not a new issue; it is not just another bandwagon we are jumping on. In Asslar, since the mid-1990s we have been dealing with the ecological aspects of the product, particularly its material and energy usage, but also its environmental impact. Right from the development phase, we consider the entire life cycle: from production and usage, to its disposal. This is expressed in the guidelines of our quality assurance manual, and also more concretely in all specifications for development projects. In Annecy, we are committed to acting in accordance with the principle of ecodesign. Here also, a product's environmental impacts at all stages of its life cycle are examined and worked on.

Bender: If the subject of this interview is the combined expertise of Pfeiffer Vacuum, then our collective environmental awareness clearly belongs to it. Here, too, we act as a trendsetter and set the market standards in the majority of cases. These are all factors which contribute to our success.

"It´s all about the standards we set ourselves in our work. Everyone acts in concert when it comes to developing really good vacuum solutions."



Nathalie Benedikt
Member of the Management Board

Quality, Expertise and Experience

A Vacuum Solution is created by combining our strengths

What is the perfect vacuum solution? Our customers' needs are as diverse as our product portfolio. The complex demands on the vacuum significantly differ from case to case. For some clients, it is important to continuously maintain a certain pressure. For others, it is important to evacuate a vacuum chamber particularly quickly.

Up to 1,300 backing pumps and 500 turbopumps may be required in a modern factory to manufacture semiconductor products. In contrast, a research laboratory may be sufficiently equipped with a single backing pump. Other applications involve quality assurance in manufacturing processes, where the purpose is often to test the tightness of vessels and components or analyze the composition of process gases.

With every vacuum solution we design, our objective is to focus on delivering products of the highest quality which meet our customers' specific requirements. From the development stage right through to commissioning, our solutions for evacuating, measuring and analyzing vacuum stand for technological excellence matched with the highest standards of quality. And consultation and service are not forgotten. Our qualified employees are always on hand to provide reliable support for our customers with science-based expertise and many years of experience.

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 vacuum solutions:

- Analysis technology
- Leakage tests on fuel tanks for the automotive industry
- Drying processes
- Food and beverage industry
- Paper manufacturing
- Coating glasses, architectural glass, tools, flat screens, CDs/DVDs
- Manufacturing solar cells
- Solar thermal plants
- Chemical industry
- Steel degassing
- Semiconductor production
- Space simulation

Backing pumps

Low and medium vacuum:
Rotary vane, diaphragm, Roots, side channel and piston 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.

Turbopumps

High and ultra-high vacuum:
Magnetic and hybrid bearing turbopumps and turbo pumping stations.

Elements of Vacuum Solutions

Components

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

Systems

Individual technologies:
Multi-stage vacuum systems, special pumping stations, helium leak detection systems, helium recovery units and decontamination systems.

Consultation

Absolute customer orientation:
Needs assessment, design and calculation of vacuum systems as well as product consultation.

Service

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

Cutting-Tech

Enabling **power** plants

Safety starts with **quality control**

Preventing the micro contamination of **semiconductors**

The future belongs to **solar energy**

Researching tomorrow´s **mobility**

edge nology

CREATING THE FUTURE WITH OUR PRODUCTS

Cutting-edge technology is not just the thing that distinguishes our products – but is also what our customers expect from Pfeiffer Vacuum – and rightly so! Technological excellence is the very foundation upon which our company is built – and this has held true for over 120 years already. Even though much has changed since the founding of the company in 1890, the most important thing has remained unchanged over all these years. Cutting-edge technology was, back then as it is now, the guiding principle that both inspired us and showed us the way and that remains the motor which drives us. It has brought us success and has made us what Pfeiffer Vacuum is today – a world leader in producing and supplying advanced products for vacuum technology.

Technological Excellence: Yesterday. Today. Tomorrow

Our products help to shape the future. After all, it is only with our leading vacuum technology that it is possible to manufacture many modern products – whether we're talking about environmental technology, electromobility, solar cells, semiconductors or the automobile industry, vacuums play an important role everywhere.

As early as in the 1920s, Pfeiffer Vacuum advanced to one of the world's largest companies specializing in the vacuum technology sector. The year 1958 saw the start of mass production of the self-developed turbomolecular pump whose hydrocarbon-free vacuum opened the door to entirely new possibilities for analytics and process engineering fields – and also decisively contributed to the development of microelectronics and microchips.

With the takeover of Trinos Vakuum-Systeme GmbH and the French competitor adixen in 2010, we complemented our portfolio to include dry and process-compatible backing pumps and turbopumps for maximum gas throughput, leak detectors, decontamination systems and vacuum chambers. Coupled with this, we enriched our 120 years of competence with another 70 years of technological excellence and innovative power.

We are constantly striving to improve our products even further and to continuously increase the benefit for our customers – with significant success, as all our products are distinguished by their leading technology and their excellent quality. It is not without good reason that our pumps achieve considerably lower ultimate pressures than our competitors' products and ensure an extremely clean process environment. Our customers especially appreciate the low maintenance requirements of our products, their long operating life as well as the extremely low failure rate of less than 1 % – which can only lead to high cost efficiency and low cost of ownership.

Outstanding in technology, quality and efficiency

Cutting-edge technology is not a question of dimensions – this is proven by our smaller HiPace turbopumps: their suction capacity and compression ratios are perfectly adjusted to their respective size, and the pumps also reach very low ultimate pressures of down to 10^{-11} hPa. These pumps have very long maintenance intervals of over 200,000 operating hours (Mean Time Between Failures = MTBF, which is the mean operating period between failures) and uncomplicated service concepts: bearings can be changed right at the customer's site making it unnecessary to go to the trouble of removing the devices and sending them in.

Our many years of experience and a creative approach also flowed into the development of our SplitFlow turbopumps. They are particularly brought to bear in analytical applications with different pressure conditions or vacuum chambers. A SplitFlow pump has many inlets, so that one device can replace up to four conventional turbopumps in any vacuum system. For our customers, this not only means saving space but also lower investment and operating costs.

Another example of our technological leadership is the principle of the 5-axis active magnetically levitated turbopumps. Active magnetic bearings are electromagnetic bearings with automatic balance control – and with correspondingly low-vibration

Vacuum Pressure Ranges

Designation	Pressure range in hPa	Example of use
Low vacuum	10^3 to 1	Freeze-drying of food or pharmaceuticals
Medium vacuum	1 to 10^{-3}	Semiconductor coating
High vacuum	10^{-3} to 10^{-7}	Display coating
Ultra-high vacuum	from 10^{-7}	Particle accelerator, for example, in the CERN research center

operation and high rotor stability. With the HiPace M series from Pfeiffer Vacuum, these active magnetic bearings make for extremely quiet operation. This prevents vibrations being transferred from the pump to sensitive measuring instruments. The ATH-M products from adixen are also based on this technology: through the use of active magnetic bearings, the pumps achieve maximum gas throughput as well as high process tolerance.

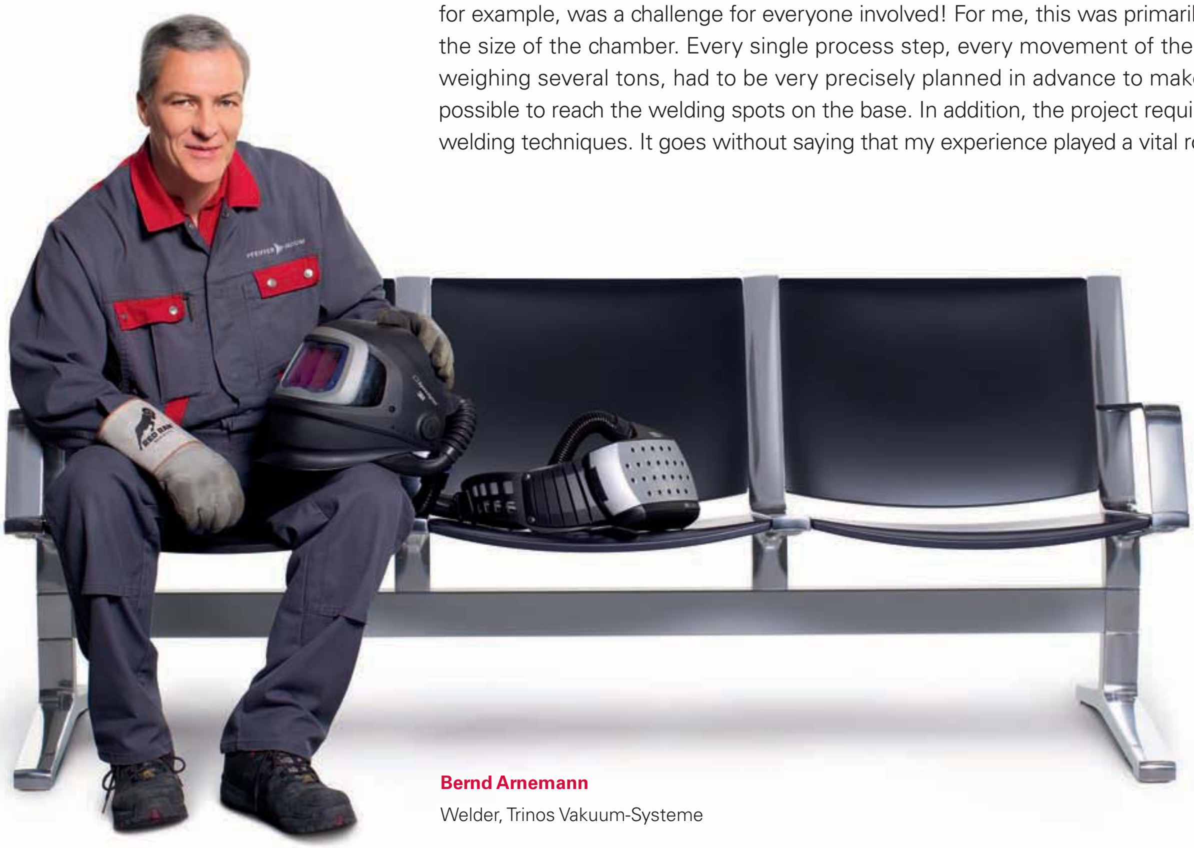
Creative technology for even higher customer benefits

We are also global leaders with many of our other technologies and products. Our leak detection systems find any leak – whether it's a matter of water, oil or fuel leaks or refrigerant, steam, air or gas leaks. Our solutions here are as diverse as the spectrum of industrial products and are therefore ideal for satisfying the most diverse requirements. Our vacuum chambers, which form the heart of any vacuum system, are also perfectly customized to the needs of our customers. They are used in applications ranging from medium to ultra-high vacuums, but can also be designed as pressure vessels for over 0.5 bar overpressure in accordance with the Pressure Equipment Directive (PED).

Our backing pumps allow for a vast range of uses in the field of medium and low vacuums. The ACP multistage Roots pump design from adixen, for example, generates a dry and particle-free vacuum reliably and at high speed. It is characterized by the high long-term stability of the suction capacity as well as its ultimate pressure. In the semiconductor industry, ACPs are primarily implemented in load-lock systems. Here the decisive factor is the favorable thermal performance of the pump with its resulting tolerance to frequent pressure surges in load-lock operation. Our customers from all market segments profit from a particularly low leakage rate – so extremely expensive gases remain pure and are not lost within the pump system.

Perfect through experience

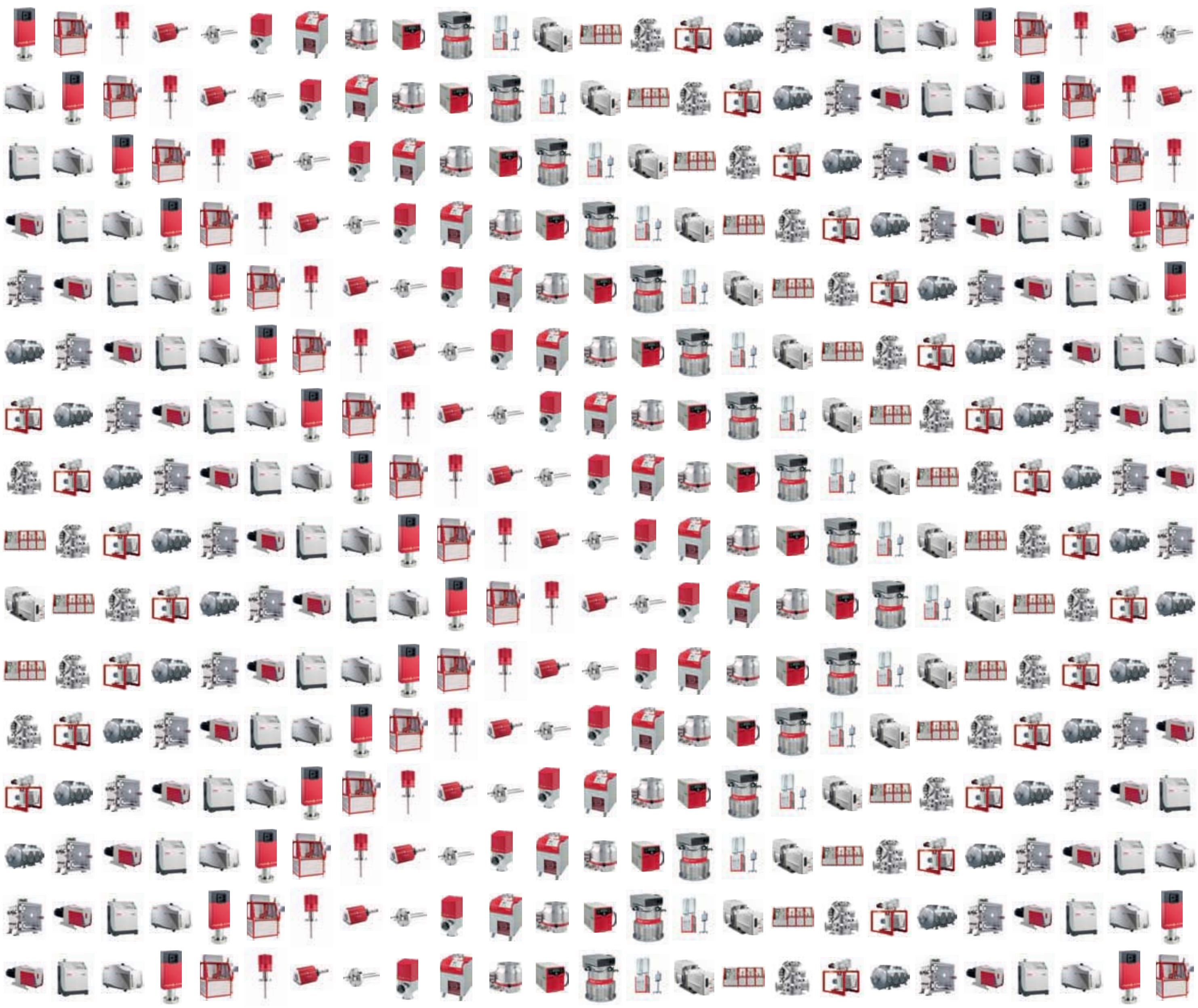
"A vacuum chamber must be able to withstand an external pressure of up to 10 tons per square meter on its surface. The ultra-high vacuum chamber for a research institute, for example, was a challenge for everyone involved! For me, this was primarily due to the size of the chamber. Every single process step, every movement of the materials weighing several tons, had to be very precisely planned in advance to make it still possible to reach the welding spots on the base. In addition, the project required special welding techniques. It goes without saying that my experience played a vital role here."



Bernd Arnemann
Welder, Trinos Vakuum-Systeme

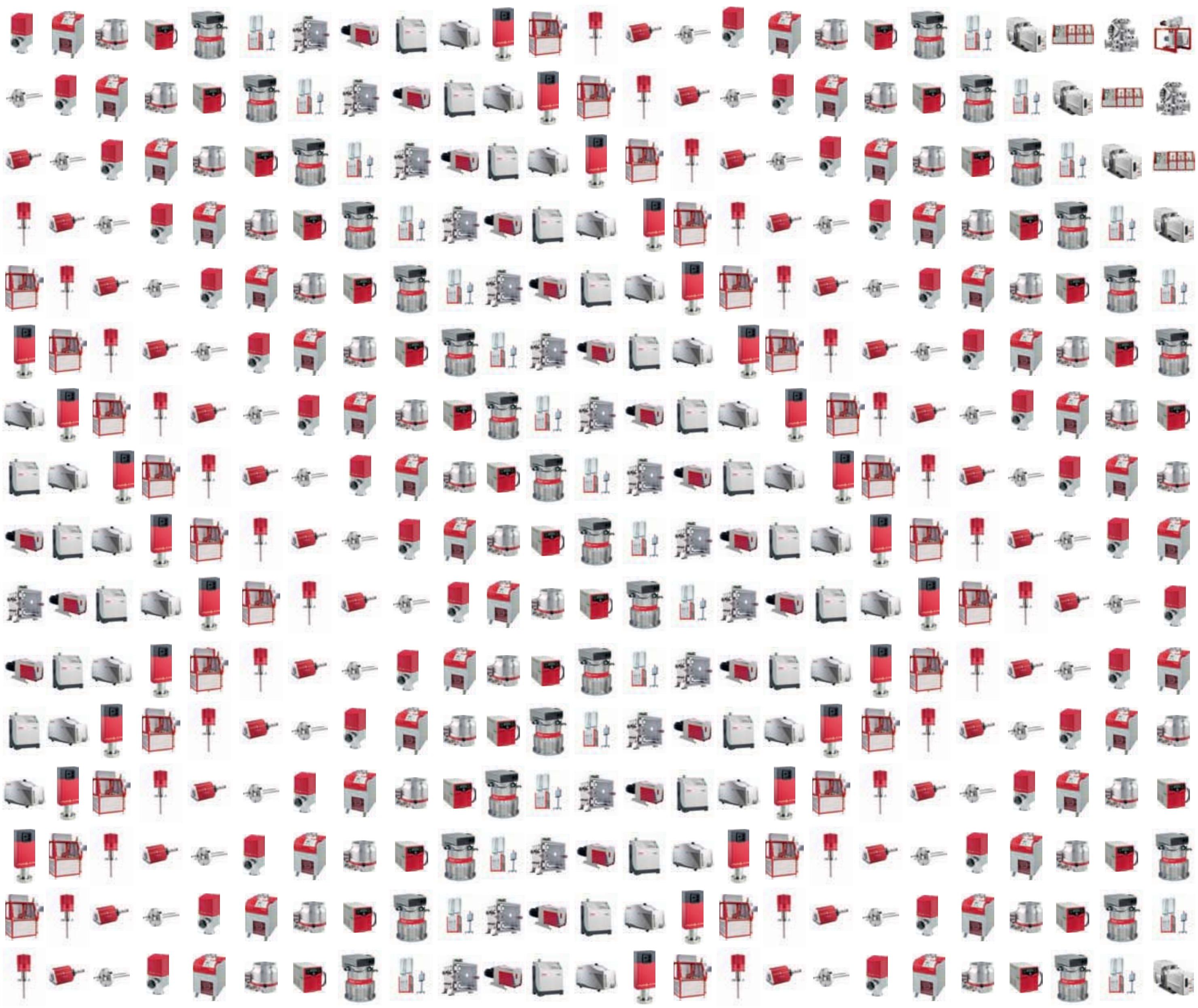
Product

20,000 PRODUCTS IN OUR PORTFOLIO



Variety

Pressure conditions similar to those encountered in outer space play a decisive role in areas such as the development of high-tech products. However, solutions from all vacuum ranges can also be applied to manufacturing products for use in everyday life. For more than a century, we at Pfeiffer Vacuum have been supporting our customers in realizing their ideas: with innovative vacuum technology and an extensive product portfolio ranging from high-quality individual items to pioneering complete vacuum solutions. Together we create the conditions that allow visions to become reality.



20,000 items – thought out right down to the smallest detail

Process conditions under vacuum are required in a great number of diverse applications. That is why every one of our products is customized to meet the individual requirements of our customers – from the smallest component to the most comprehensive vacuum solution.

Whether in research, in the steel industry or in the most diverse manufacturing processes for widely ranging products, the trust our customers place in our expertise and our competent consultancy when it comes to defining the system specification, design and engineering always plays a major role. Our customers know that Pfeiffer Vacuum has the perfect solution in their portfolio for every one of their requirements. They have good reason for doing so: after all, we cover a wide range of applications with a large number of innovative products.

Product variety reflects the needs of the customer

With our extensive portfolio, we reflect the various processes in different market segments and avoid high-risk dependencies on individual trends and developments. That is why balancing the business between products and markets is an essential company strategy at Pfeiffer Vacuum: the diversity of individual products makes us independent, spreads risk and ensures long-term, stable corporate development.

The heart of every vacuum system is the vacuum chamber. Here our customers can choose between prefabricated standard vacuum chambers and an individually developed chamber, completely customized to their wishes, requirements and needs. We can connect oil-lubricated or dry-running low or medium vacuum pumps to the chamber using precision cut and fitted flanges, valves, pipe components and various sealing elements and fasteners. Depending on the task, these also serve as backing pumps for hybrid or magnetically levitated turbopumps. Total pressure vacuum gauges and mass spectrometers measure and analyze the vacuum generated. Our leak detectors vouch for the flawless construction and tightness of the desired vacuum solution.

On the trail of micro-impurities

"Modern semiconductor factories manufacture wafers with structures measuring less than 28 nm. This is extremely small. In comparison: a normal strand of hair is about 20,000 to 70,000 nm thick. In these minute structures, even contamination from individual molecules can cause defects in the end product. Together with a leading chip manufacturer, we have developed highly innovative equipment to analyze the molecules around the chip and remove them if necessary. In the final analysis, our customers have achieved an increase in production yield of up to 7%. In semiconductor manufacturing, this is a significant step forward."

Emmanuelle Véran
Market Management Contamination Management Solutions,
adixen Vacuum Products

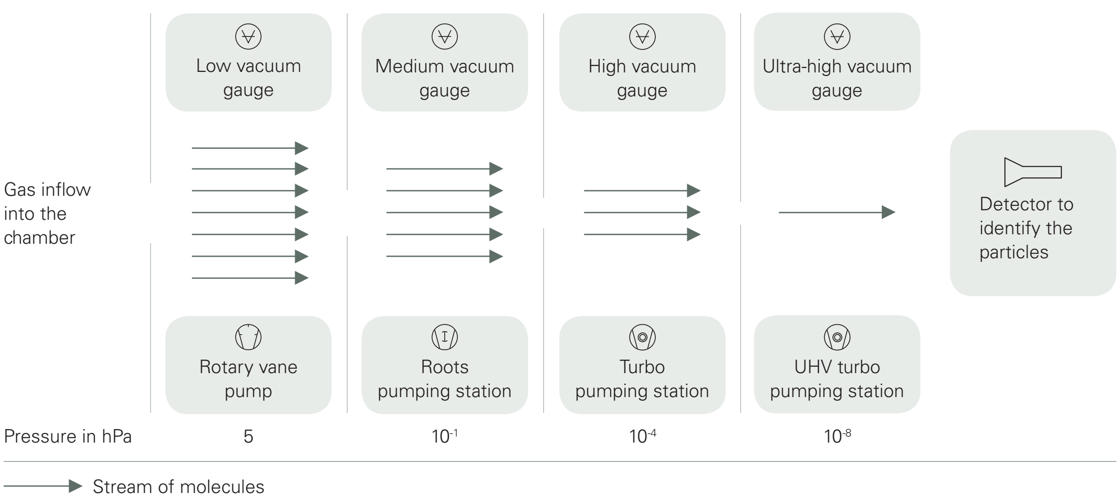
In addition, we provide all the accompanying processes too: from applications consultancy to the design of the individual vacuum solution, from manufacturing and quality assurance right up to the installation of the system and on-site service. For every one of our solutions, we also have the right control platform in our portfolio and provide the software along with the installation. Only one thing is always the same for all these different products and services: their high quality.

Complete solutions for more efficiency

Vacuum solutions can vary significantly. While the needs of one customer are met with a single vacuum pump, another customer may require a more extensive arrangement of components. Complete vacuum solutions from a single source offer considerable benefits to the customer. In this way, our customers receive equipment and instruments that are perfectly coordinated with each other, or preinstalled units which can be delivered straight to the assembly site for fast and easy installation. This reduces the processing costs of our customers. As it is, complete vacuum solutions drastically reduce operating costs anyway: this is because the better the individual components fit together, the fewer resources are required by the system (e.g. electricity, water or gas).

Complete vacuum solutions are 100% oriented to the needs of the customer. We endeavor to satisfy these individual wishes, requirements and needs every time in full. For example, we have the perfect products for a multi-stage differentially pumped system which enables a gaseous sample to be taken in at atmospheric pressure and analyzed under ultra-high vacuum. After the intake of the gas, the chamber is evacuated increasingly until only individual molecules remain. These are then analyzed with our mass spectrometer under ultra-high vacuum (see diagram). This multi-stage differentially pumped system is essential for conducting basic research, among other areas. Vacuum solutions of this kind are also used in the steel production.

Diagram of a differentially pumped Vacuum Solution in Research



Service

64 SERVICE LOCATIONS WORLDWIDE

Innovative leading-edge technology and excellent service – exactly what Pfeiffer Vacuum has always stood for. Our customers justifiably know they can depend on the long operating life of our vacuum components and their low downtime rates. That is why customer-oriented service is an integral part of the perfect vacuum solutions supplied by Pfeiffer Vacuum, just as is comprehensive expert advice regarding potential applications and operating conditions. Our service centers all over the world guarantee close proximity and fast-track processing. It goes without saying that this comes with proven Pfeiffer Vacuum quality every time, even for older products that are no longer manufactured.

Always close to the customer: Service with a quality guarantee

Anyone wishing to make a lasting impression on their customers and sustain this positive image will also have to score points with perfect service. Quality, customer-orientation and efficiency also characterize the service we offer – in fact it extends far beyond the life cycle of the product.

High-performance, top-quality vacuum components with a long service life and low downtime rates – that's what customers all over the world expect from Pfeiffer Vacuum. For us, it is a matter of course that our service meets these high demands and is customized to fulfill the most diverse customer needs. What's more, it is a promise to our customers: a guarantee of reliability just when it really matters. Our service ranges from the rapid delivery of genuine spare parts to on-site maintenance and repair, and includes training sessions and courses, also on the customers' premises, so any risks of failure can be minimized right from the start.

In doing so, we set great store on having identical standards all over the world, which we have defined as service guidelines for the entire company. These guidelines form the basis of Pfeiffer Vacuum and adixen customer service operations and also describe our service portfolio: in this way, we achieve uniform quality results not only in respect of our products and components but also in terms of the service we offer.

Uniformly high standards worldwide

With 64 service centers, we are close to our customers all over the world. And also, in turn, to their customers who receive our products as components of an entire machine. In our service centers, 45,000 orders are processed each year according to our uniform standards. Every one of our 450 service employees all over the world can provide you with information on our entire range of services.

What you can be sure of is that the service provided by Pfeiffer Vacuum satisfies the same quality requirements and standards as those applied to new products. Service technicians in Sweden, Singapore, India or in the USA test the repaired product according to the same criteria as quality control staff in Asslar or Annecy use for new products.

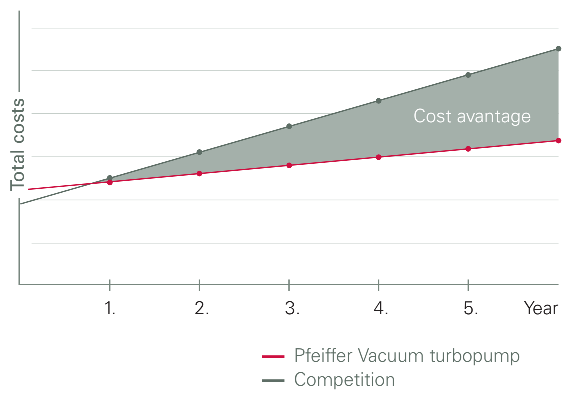
Just what's needed: Maintenance or repair

In order to meet customers' exacting demands, our products must always be serviced or repaired with genuine spare parts and our special tools – by professionals who have been trained especially for the job. Should a product be faulty, we will make sure that our customers do not incur lengthy downtimes: You send in the faulty product to your nearest service center. There it will be immediately repaired, cleaned and sent back to you. A repaired pump hardly looks any different from a new product on the outside.

Our replacement program is even quicker than a repair. We have more than 300 different replacement items available for this purpose. After an initial error analysis on site, we provide the required replacement part quickly, even before the faulty product is sent in.

In our on-site service, our service technicians carry out maintenance and repairs directly on the customers' premises – and have been doing so for decades. In fact, on-site bearing replacement was the unique selling proposition for our turbopumps for almost 50 years.

Total Cost of Ownership in Relation to initial Cost



From experts for professionals: Our training courses

Here at Pfeiffer Vacuum, preventative service is always combined with corresponding training courses for our own employees as well as for customers' specialists. In user training and practical product training sessions, our experts not only explain the proper way to handle vacuum components, but also provide the know-how required to remedy faults immediately and efficiently.

This is done by accommodating customers' special needs. Introductory courses provide beginners with the theoretical and practical fundamentals of vacuum technology. Our professional seminars are perfect for initial training in specific fields or to refresh existing knowledge. In small groups, participants acquire technical knowledge and skills through practical exercises in the field of vacuum generation, leak detection, vacuum measurement or mass spectrometry. We also run special seminars on vacuum control which are tailored to customers' hardware and software configurations.

International training courses for individual needs

"It is important that our customers learn to handle the products correctly in order to make best use of them. In the training courses, I learn a lot about our customers, especially those from abroad. I pass on their individual needs to the corresponding customer service representatives, who then provide them with even more comprehensive support. All in all, with our entire range of services, we substantially increase the lifespan of our products and so are able to chalk up cost advantages for their users. By reducing downtimes, our customers can achieve savings of well over 50%, depending on the type of pump."

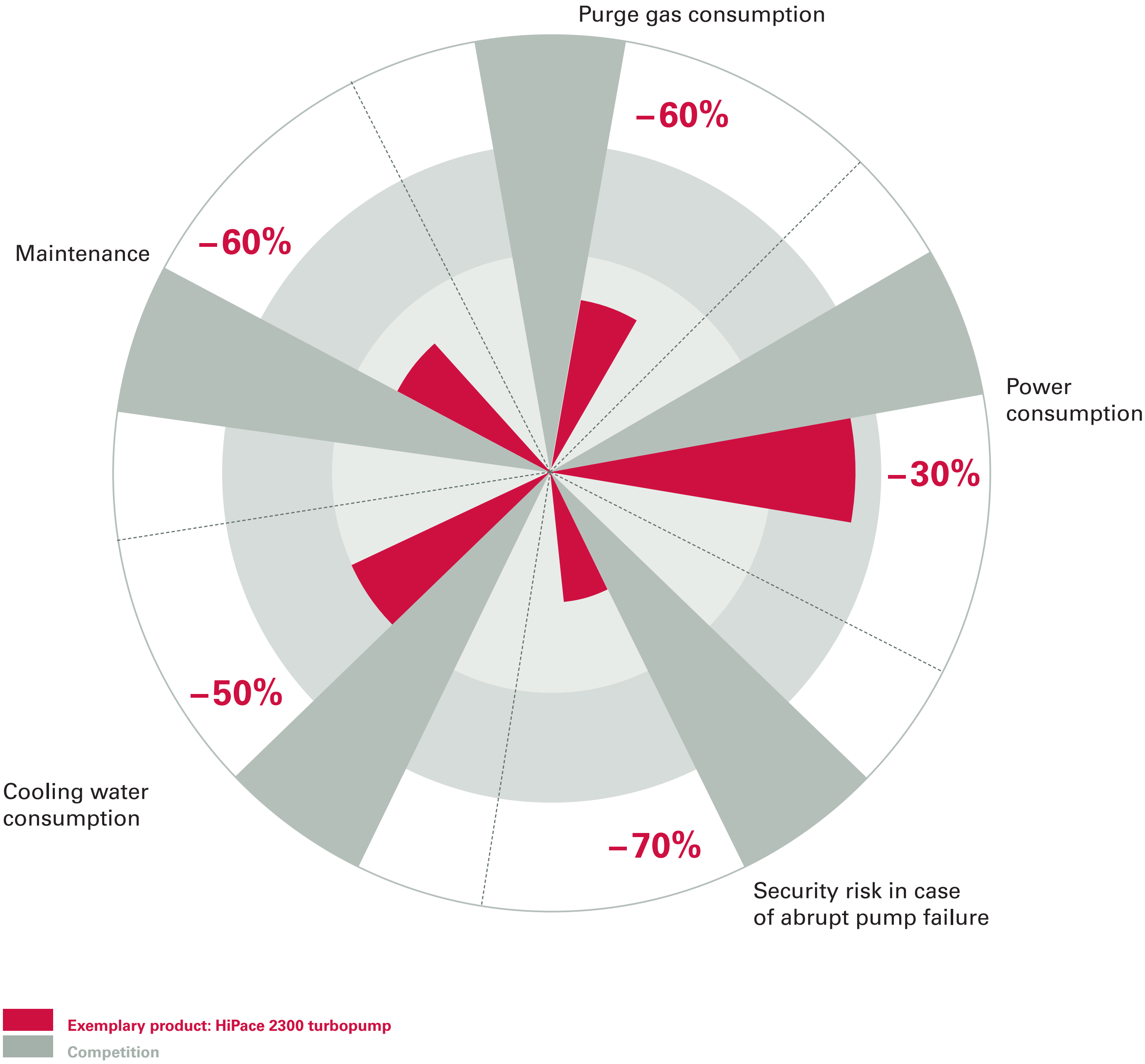
Timo Birkenstock
Manager Technical Training, Pfeiffer Vacuum

Five Wu
Sales, Pfeiffer Vacuum (Shanghai)

Efficienc

EFFICIENCY IN THE BEST INTERESTS OF THE CUSTOMER

For our company, environmental protection and efficiency are not incompatible concepts. On the contrary: they go hand in hand. Economical and ecological sustainability depend on each other. That is why we pursue both of these goals with innovative power and commitment across our entire supply chain and the life cycle of our products: We are cutting down on our material usage, reducing the power consumption of our own production plants and decreasing the transport weight of the goods ordered. Our customers benefit from this simultaneously by decreasing their production costs due to our vacuum solutions – be it through simplified installation, lower demand for energy and resources, longer maintenance intervals or a lower failure rate. Even the disposal of our devices is something about which we give a lot of thought. All of this is what we understand to be efficiency.


Purge gas consumption
–60%
Maintenance
–60%
Power consumption
–30%
–50%
Cooling water consumption
–70%
Security risk in case of abrupt pump failure
Exemplary product: HiPace 2300 turbopump
Competition

A gain for both the environment and the company

The environmental friendliness of our products is a crucial factor in their efficiency, for us during production and for the customer during use. This is because today, cutting-edge technology is primarily characterized by one thing: through savings, whether of time, resources, energy, room, efforts or costs.

It is not the pumping capacity alone that counts. To us, providing vacuum solutions means understanding the needs of our client. This is because customers are demanding – and rightly so. In vacuum systems, they have always placed great importance on the perfect reliability, stable output and long maintenance intervals of the pumps. However, in the course of increasing globalization, rapidly growing competition and the accompanying intensified pressure on prices, the requirements have also changed. It is on this premise that our customers now expect more from our products: higher productivity, lower consumption of resources and further cost-cutting potential.

Vacuum: a module with a major impact

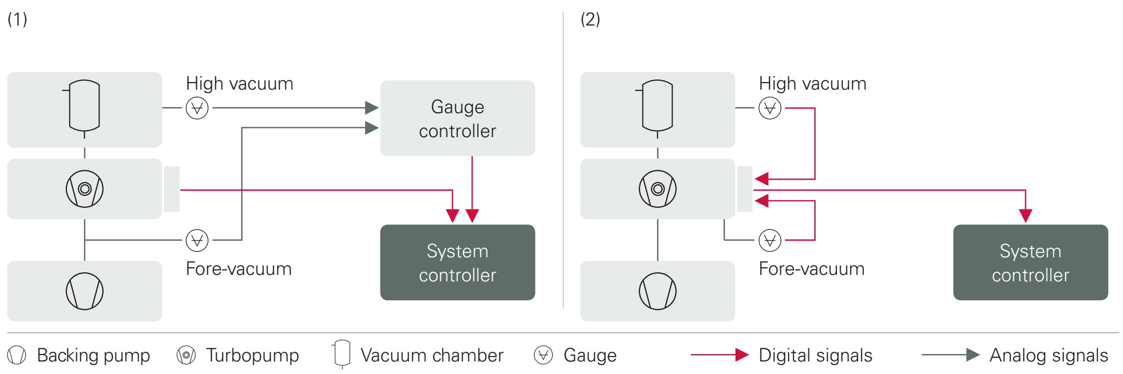
Even if our vacuum solutions only consist of a small module in a large industrial production facility, they still contribute significantly to a stable and cost-optimized production. Thus a leak in the vacuum system or even a complete breakdown has a massive impact on the entire process – right up to a total standstill of the machines. In addition, the vacuum pumps used can account for up to 30% of the entire energy use of a production facility. Even the quality of a product depends directly on the quality of the vacuum in which it was created. That is why reliable solutions not only reduce downtimes and operating costs, but rather also minimize the general operational risk of a facility.

Right from the developmental stage, we focus on customer value

An important success factor for our products is having a sustainable concept right from the development phase. As soon as our developers focus on the functionalities and performance data of a product, they simultaneously analyze the environmental impact throughout its entire lifecycle: right from the raw materials used in the production process, the transport and application at the customer's facility all the way to the final stage, when the product is sent for recycling. Every single improvement directly benefits the end users. The greatest environmental impact (99%) of a vacuum pump occurs during its use.

That is why many of the projects in our Research & Development department focus on ways of reducing power consumption. And we have been doing just that since the 90s. Another important aspect is the conservation of resources. That is why during the development and design of our units and component, we use raw materials such as copper or stainless

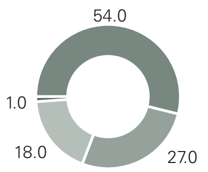
Conventional Pressure Measurement (1) compared to integrated, compact Pfeiffer Vacuum Solution (2)



steel only in those areas where it is absolutely necessary. Moreover, we keep material losses within the production process as low as possible. We also reduce the intrinsic weight of our products in order to lower transport costs on the one hand, and material consumption and therefore material costs on the other hand. We have also completely eliminated the use of hazardous materials in accordance with the RoHS Directive.

Total environmental Impact of a Vacuum Pump throughout its Lifecycle

in %



Vacuum solutions for the reduction of operating costs

Complete vacuum solutions are the most effective, which we individually develop together with our customers on the basis of our comprehensive product portfolio. In this way, we support them in fulfilling legal requirements, acquiring environmental certification and therefore in reducing their ecological footprint. The optimal coordination of the individual devices and components again results in a reduction in energy consumption and also further reduces the consumption of other resources such as water, nitrogen and connecting materials such as copper. Moreover, our solutions are becoming increasingly compact and space-saving. The fact that we also deliver the appropriate control software along with our vacuum solutions also reduces operating and processing costs for our customers.

Complete solutions for even more efficiency

"The combination of the functions "creating a vacuum" and "measuring of vacuum" is an entirely new concept in integrated pressure sensor technology. For this purpose, we attach very small measuring sensors to our turbopumps or to the chamber. The advantage here is that this connection only has one electrical interface and thus simplifies installation for the customer. Until now, it was down to the customer to look for every single device, connect it up and integrate it in the control software of his system. As a result, the customer had to deal with a fair amount of wiring as well as software and hardware adjustments. Now, the only thing needed is one single data line; we deliver the rest."

Armin Conrad
Head of Research & Development,
Pfeiffer Vaccum

Product Portfolio

Manufacturing many high-tech products and items for daily life is only possible in special vacuum chambers under pressure conditions comparable to those in outer space.

We cover the full spectrum with our product range and are therefore able to offer the perfect vacuum solution from one source for each customer and for each application. The Pfeiffer Vacuum product portfolio is divided into the areas of vacuum generation, vacuum measurement and analysis, installation elements, vacuum chambers and vacuum systems. It includes a complete range of hybrid and magnetically levitated turbopumps, oil-lubricated and dry-compressing low and medium vacuum pumps, leak detectors, mass spectrometers and gauge heads.

We manufacture vacuum chambers in cubical, cylindrical and bell-shaped designs. Our chamber program covers low, medium and high vacuum applications.

In order to connect the different vacuum components with each other or to shut them off, we offer a wide range of installation elements such as flanges, fittings, seals and valves.

In addition, Pfeiffer Vacuum develops and manufactures complete vacuum systems for customer-specific processes, such as testing components for the automotive and electronics industries, testing pressure vessels or packaging in the food industry. These systems include helium leak detection equipment or multi-stage vacuum systems.

Vacuum generation turbopumps

Hybrid bearing turbopumps | Magnetically levitated turbopumps | SplitFlow turbopumps | Turbo pumping stations

Vacuum generation backing pumps

Rotary vane pumps | Multi-stage Roots pumps | Dry process pumps | Roots pumping stations

Vacuum measurement and analysis

Leak detectors | Gas analysis equipment | Gauge heads | Mass spectrometers

Installation elements

Feedthroughs | Valves | Components | Manipulators

Vacuum chambers

Cubical

Cylindrical, horizontal and vertical

Modular

Vacuum systems

Multi-stage vacuum systems

Helium leak detection systems

Contamination management solutions

Financial Reporting

Management's Discussion and Analysis

2012 Course of Business

Profitability

- Net sales below previous year:
  - At € 461.3 million satisfactory
  - But slightly below the forecast € 470 million for 2012
- Profitability despite declining sales substantially increased:
  - Operating profit stands at € 67.7 million, up by +9.6%
  - Operating profit margin of 14.7%, forecast target reached
  - Net income stands at € 45.3 million, net income up by +8.9%
- Proposed dividend increased:
  - Shareholders to benefit from the positive development
  - Management Board and Supervisory Board propose a dividend payout of € 3.45 per share (previous year: € 3.15 per share)
  - High dividend payout ratio of 75% of the consolidated net income would thus be retained

After € 519.5 million in the previous year, sales revenues in the fiscal year under review stood at € 461.3 million. This represents a decrease by € 58.2 million or 11.2%. Key factors for this development were the cautious demand of the semiconductor industry and the problems in the solar industry which is one of many applications in the coating market. The remaining business segments at Pfeiffer Vacuum developed stable. However, it was not possible to offset these negative influences from the shortfall in solar business.

The profitability situation at Pfeiffer Vacuum improved substantially. Gross profit at € 166.8 million was approximately on a par with the previous year's level (€ 167.4 million) and we were able to significantly increase the operating profit by € 5,9 million or 9.6% from € 61.8 million to € 67.7 million. The operating profit margin, the ratio of operating profit to sales revenues, at 14.7% was significantly higher than the previous year's figure of 11.9%. Decisive factors for this positive development were improved internal processes and other operational optimization measures, as well as lower burdens on profits from purchase price allocations and positive foreign exchange effects.

As a result of the decreased financing volume from the acquisition of adixen, the financial income improved by € 0.9 million to € –1.4 million (previous year: € –2.3 million). This was offset by a higher tax rate (31.7% following 30.1% in 2011) and the resulting increased tax expenses of € 21.0 million (previous year: € 17.9 million).

Despite the tax-related burdens on profits the net income rose substantially by 8.9% to € 45.3 million (previous year: € 41.6 million). Parallel to this, the earnings per share grew significantly from € 4.19 to € 4.59.

Liquidity and financial position

Further optimization of working capital, mainly consisting of the balance of inventories and trade accounts receivable and payable, caused a decrease in balance sheet total. After € 476.8 million as at December 31, 2011, it stood at € 445.7 million at the end of the past fiscal year. In addition, the decline in property, plant and equipment and intangible assets on the asset side of the balance sheet (€ –9.0 million, mainly due to scheduled depreciation/amortization totaling € 19.8 million) and the redemption of financial liabilities (€ 24.4 million) on the liabilities side, led to the decline. Equity increased by a total of € 12.3 million to € 293.4 million (previous year: € 281.1 million), which meant the equity ratio rose to 65.8% by the end of the past fiscal year following an already excellent 59.0% as at December 31, 2011.

The development of cash and cash equivalents was influenced quite considerably by the operating cash flow (€ 63.3 million, previous year: € 71.2 million) and the dividend payout of € 31.1 million as well as the repayment of financial liabilities of € 24.6 million. Capital expenditures of € 10.3 million were at the forecast level (previous year: € 20.8 million). With cash holdings of € 102.0 million and financial liabilities of € 52.1 million, the Company again recorded no net indebtedness (previous year: € 108.3 million cash and € 76.6 million financial liabilities).

The positive earnings development achieved despite declining sales shows that we are on the right track. All the important absolute and relative key earning figures have significantly improved during the course of 2012. The Management Board and Supervisory Board therefore propose that shareholders should participate in this development in the form of a dividend payout of € 3.45 per share.

Economic Conditions

Overall economic development

World economy

The increase in the global gross domestic product (GDP) in 2012 amounted to 3.0%. Down from 3.7% last year, this meant another slight downturn in the economy, which was generally indicated in all regions. The USA was the single exception in this respect in posting better economic development compared to the preceding year despite the presidential elections and the in part dramatic state of public finances. Notwithstanding the tense economic situation in the southern countries of the eurozone and the missing stimuli from Germany and France, the discussion about the monetary union has largely disappeared from public perception. During 2012 the Chinese and Indian economies have also exhibited downward tendencies overall.

USA

After a GDP increase of 1.7% in 2011, the U.S. economy grew by 2.2% in 2012. The driving force behind this was definitely a more than robust labor market unburdened by the difficult negotiations associated with the fiscal cliff, especially in the second half of the year, contrary to the economic trend as a whole. In spite of the provisional prevention of massive tax increases, problems in public finances remain at the core unresolved and may hinder development in 2013. On the other hand, crude oil prices in the USA are very low, predominantly as a consequence of the newly developed domestic development zones. The U.S. Federal Reserve Bank also provided important economic stimuli with the continued policy of low interest rates.

Europe

Economic development in Europe was also divided in 2012. Germany exhibited another positive growth rate of 0.7% after a GDP growth of 3.0% in the preceding year. However, the driving force behind growth capable of pulling Europe out of the crisis is no longer Germany, especially since the economy shrank there in the fourth quarter. France moved on the margins of stagnation with a GDP growth of 0.2%, while Italy and Spain found themselves in a recession with clearly negative growth rates of –2.0% and –1.4% respectively. The euro crisis seems to have been overcome for the time being; the rescue mechanisms have been implemented at European level but their effectiveness has yet to be proved. Despite persistently low interest rates, the feared inflationary tendencies were not apparent in 2012; consumer prices in Germany climbed only moderately by 2%.

Asia

The relevance of the Asian market continues to be high as many of the products we sell in the USA and Europe are then exported to Asia by equipment manufacturers. But here too, there have been signs of a slight slowdown in economic activity, as Asia, not including Japan, exhibited a total growth rate of 6.1% in 2012 (previous year: 7.4%). This was also caused by the development in China, where the GDP growth rate of 9.1% in the preceding year receded to 7.8% in 2012. On the other hand, Japan demonstrated very positive development and posted a growth rate of 2.0%. At the same time it must be taken into consideration that in 2011 Japan recorded a decline in GDP of approximately 1.0%.

Mechanical engineering and the vacuum industry

The downward tendency of incoming orders, already recognizable in the preceding year, continued in 2012. Overall, however, representatives of the German Engineering Federation (VDMA) view this as having bottomed out. In sales revenues, the mechanical engineering industry has achieved a record and the previous top result from 2008 has clearly been exceeded. The industry profited from a high backlog of orders at the beginning of 2012. Also contributing considerably to this, however, was, once again, the high export quota. Overall, the weaker development in China was overcompensated for by strong new business in the U.S. and Southeast Asia. Parallel to this, the capacity utilization was above the long-term average.

Vacuum technology is used in very many industries. Accordingly, the vacuum industry must be viewed against the background of worldwide economic development. This again produced an overall slight downward trend in the reporting period. Significant differences were revealed within the vacuum industry's most important market segments. For example, the coating industry reported a significant drop as a result of the collapse in demand from the solar industry. The strongly cyclical semiconductor industry also continued to decline from 2011 and lost further momentum in 2012. The situation in the Research & Development and Industry market segments proved largely constant. In contrast, the Analytical industry market segment exhibited growth.

The Pfeiffer Vacuum Group

Operations

Pfeiffer Vacuum is a leading supplier of vacuum solutions. Due to the acquisitions in 2010, a considerably larger product portfolio was created which now also includes all components and systems for vacuum production, measurement and analysis. The very limited overlap of products in the portfolio of Pfeiffer Vacuum and adixen underlines the strategic importance of this acquisition. The products complement each other perfectly and we can therefore offer our customers even better vacuum solutions.

The names "Pfeiffer Vacuum" and "adixen" stand globally for innovative and customized vacuum solutions as well as superior engineering, expert consultancy and reliable service. With our technologically advanced turbopumps and backing pumps we set standards in our industry. This claim to leadership will continue to be our driving force in future.

Our products include a wide range of pumps including vacuum generation pumps, vacuum chambers, vacuum measurement and analysis equipment, installation components as well as complete vacuum systems. With the help of our products space-like vacuum pressure conditions are created that are essential for research, various industrial processes and for manufacturing many everyday objects.

We are a machine engineering company that designs high-tech products of the highest quality and manufactures them predominantly for export markets. Besides the two main design and production sites in Asslar, Germany, and in Annecy, France, the Pfeiffer Vacuum Group has an extensive network of its own sales and service companies. The Company's primary markets are in Europe, in Asia and the USA.

Corporate Group structure and organization

As of December 31, 2012 a total of 23 companies belong to the Pfeiffer Vacuum Corporate Group (previous year: 26). This decrease is attributable to the continuing Corporate Group-wide integration of the adixen operations. The aim of integration is to have, in each country, only one company represented in the market. In this context, during 2012, two companies merged into existing Pfeiffer Vacuum Group companies (France and India). In Great Britain, adixen

Vacuum Technology Ltd. was liquidated. In addition, Pfeiffer Vacuum Technology AG acquired the existing 24.5% non-controlling interest in Pfeiffer Vacuum Korea Ltd. for a price of € 2.7 million in fiscal 2012. As a result, there are no longer any non-controlling interests in the Group.

The parent company is Pfeiffer Vacuum Technology AG, Asslar, which is listed on the German stock exchange in Frankfurt am Main.

The Pfeiffer Vacuum Group does not have any special-purpose entities or joint ventures.

The overall corporate structure was as follows as at December 31, 2012:

	Home state	Rate	
		in %	
Pfeiffer Vacuum Technology AG	Germany		
Pfeiffer Vacuum GmbH	Germany	100.0	
Pfeiffer Vacuum Austria GmbH	Austria	100.0	
Pfeiffer Vacuum (Schweiz) AG	Switzerland	99.4	
Pfeiffer Vacuum (Shanghai) Co., Ltd.	China	100.0	
Pfeiffer Vacuum Ltd.	Great Britain	100.0	
Pfeiffer Vacuum Scandinavia AB	Sweden	100.0	
Pfeiffer Vacuum Inc.	USA	100.0	
Pfeiffer Vacuum Brasil Ltda.	Brazil	100.0	
Pfeiffer Vacuum Rus OOO i.L.[1]	Russia	100.0	
Pfeiffer Vacuum Singapore Ltd.	Singapore	100.0	
Pfeiffer Vacuum Taiwan Corporation Ltd.	Taiwan	100.0	
Pfeiffer Vacuum Benelux B.V.	Netherlands	100.0	
Pfeiffer Vacuum Holding B.V.	Netherlands	100.0	
Pfeiffer Vacuum Italia S.p.A.	Italy	100.0	
Pfeiffer Vacuum (India) Ltd.	India	73.0	27.0
Pfeiffer Vacuum Korea Ltd.	Republic of Korea	75.5	24.5
Trinos Vakuum-Systeme GmbH	Germany	100.0	
adixen Vacuum Products SAS	France	100.0	
adixen Vacuum Technology (Shanghai) Co., Ltd.	China	100.0	
adixen Manufacturing Korea Co., Ltd.	Republic of Korea	100.0	
adixen Manufacturing Romania S.r.l.	Romania	100.0	
adixen Vacuum Technology Korea Ltd.	Republic of Korea	100.0	

[1] *Company will be dissolved shortly.*

Pfeiffer Vacuum GmbH, Asslar, and adixen Vacuum Products SAS, Annecy, France, play a central role in the Corporate Group. Pfeiffer Vacuum GmbH organizes the development and production for all Pfeiffer Vacuum products and, in addition, is the distributor for Germany and also manages central equity investments for the Corporate Group. The Company employs as of December 31, 2012 a total of 664 employees. adixen Vacuum Products SAS is in a sense, the French equivalent of Pfeiffer Vacuum GmbH. The Company employed 612 employees at year end and is the main development and production facility for adixen products and is responsible for sales in France. A total of 1,276 employees works in these two companies and this represents more than half of all workers employed in the entire Corporate Group (2,256 at the end of 2012).

The other Corporate Group companies are legally independent corporations that are primarily active in sales and service tasks. In addition, the Trinos Vacuum-Systeme GmbH, adixen Manufacturing Korea Co., Ltd., adixen Vacuum Technology Korea Co., Ltd. and adixen Manufacturing Romania S.r.l. are entrusted with the manufacture and assembly of various types of products. All companies are essentially legally organized in a form that can be compared to a German limited liability company (GmbH).

Information pursuant to § 315 Sub.-Para. 4 HGB

The subscribed capital of Pfeiffer Vacuum Technology AG as of December 31, 2012 is unchanged at K€ 25,261 and consists of a total of 9,867,659 no-par value 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.

To our knowledge there were no shareholders with a holding of more than 10% as of December 31, 2012 and in the previous year.

Amendments to the Articles of Association can be decided at the Annual Shareholders Meeting by a simple majority of voters present at the meeting unless the law mandates a larger majority. To our knowledge there are no restrictions with regard to voting rights or with regard to the transfer of shares. Management Board members, according to the Articles of Association, are appointed by the Supervisory Board for a maximum term of five years. Reappointments or extensions to the tenure period are permitted for a maximum of five years in each case.

Through a resolution of the Annual Shareholders Meeting on May 26, 2011, the Management Board was authorized to increase the subscribed capital by € 12,630,603.24, or 4,933,829 shares, in exchange for cash or contributions in kind (authorized capital). This authorization is valid until May 25, 2016 and requires the consent of the Supervisory Board.

According to a resolution of the Annual Shareholders Meeting on May 26, 2009, the Management Board is authorized to issue convertible bonds having a total nominal value of up to € 200,000,000.00 and a maturity of not more than ten years, and to grant the holders of conversion rights of up to 2,242,650 shares having a proportionate amount of the Company's share capital totaling up to € 5,741,184.00. This authorization is valid through May 23, 2014, and requires the consent of the Supervisory Board.

At the Annual Shareholders Meeting on May 20, 2010, the shareholders authorized Pfeiffer Vacuum to buy back treasury shares in accordance with § 71, Sub.-Para. 1, No. 8, German Stock Corporation Act ("AktG"). This authorization covers the buyback of a proportionate amount of the Company's share capital of up to € 2,296,473.60 (897,060 shares, representing 10% of the share capital at the time the resolution was adopted) and is valid through May, 19, 2015. The Corporate Group did not own treasury shares as at December 31, 2012 and 2011.

There are no further aspects that would require discussion within the context of § 315, Sub.-Para. 4 HGB.

Markets and market position

Sales split by markets

Products from Pfeiffer Vacuum are employed in numerous industry markets. Over 14,000 customers put their trust in the reliability of our products. Pfeiffer Vacuum divides these customers into the following markets: semiconductor, industry, coating, analytics and research & development. As far as our positioning in these markets is concerned, only a limited amount of data is available regarding the size of the entire market and individual market segments which is thus not precisely measurable. Based on surveys conducted by the German Engineering Federation (VDMA) as well as our own estimates, we expect to take the leading market position in the market segments of industry, coating, analytics and research & development. In the semiconductor market segment, we should be ranking second.

Without vacuum technology, a number of innovative processes would be inconceivable, such as in nanotechnology, in producing LEDs or in research. Many of these new technologies create new products and production processes. Strong advances in people's personal and professional communication patterns, for example, are bringing forth ever-more new technologies in the semiconductor industry. The rising demand for energy coupled with the need to conserve resources is leading to more and more new developments in the field of energy supply. These and further social and industrial trends are typically producing new marketing opportunities for Pfeiffer Vacuum. Our strengths include the ability to serve all markets which makes us largely independent of developments in individual market segments.

Semiconductor	Industry	Coating	Analytics	R & D
Application examples:	Application examples:	Application examples:	Application examples:	Application examples:
Lithography	General applications	Solar cell technology	Mass spectrometer	Renewable energies
Metrology	Electron beam welding	Display coating (LED, OLED)	Electron microscopy	Nanostructures
CVD (Chemical Vapor Deposition)	Freeze drying	Data storage	Surface analysis	Particle accelerator technology
PVD (Physical Vapor Deposition)	Vacuum drying	Glass coating	Gas analysis	Space simulation
Etching	Steel degassing	Surface protection	Biotechnology	Plasma technology
Ion implanter	Leak detection	Tool coating	Life science	Particle physics

Semiconductor

Our vacuum pumps are required in the semiconductor industry for the production of microprocessors, flat screen monitors and handling systems. Customers in this industry predominantly require medium-size and large backing pumps, but also turbopumps as well as measurement equipment. Chip manufacturers can significantly increase their yield with our decontamination systems. The semiconductor industry itself particularly benefits from the changes in communication technology. New fields of application for vacuum take shape, for example, in nanotechnology. Our semi customers are increasingly located in Asia, and also in the United States as well as a small percentage in Europe.

Industry

In this segment, we combine a heterogeneous category of industrial customers who require our vacuum solutions for specific production steps. Industrial trends such as quality improvement, energy supply and conservation, mobility or environmental protection are currently leading to new fields of application here. Application examples include metallurgy, lamp and tube production as well as air conditioning and refrigeration technology. We provide the automotive supplier industry with leak detection systems for fully automated quality assurance in the production of fuel tanks, aluminum rims, airbag cartridges or air conditioning lines, for example. A further application is solar thermal energy. This technology requires that absorber tubes are both evacuated by means of our pumping stations and continuously tested for leaks by means of our leak detectors. Our customers in the industrial segment come primarily from Europe as well as the United States, and increasingly from Asia.

Coating
Without vacuum, many things that are used in daily life would not be able to be produced in the desired quality. The antireflective coatings on eyeglass lenses, the coatings on DVDs or on high-quality bathroom faucets and fittings as well as the coatings on solar cells or architectural glazing are produced in vacuum chambers, for example. High-quality tools are coated and hardened under vacuum to make them even more durable. One significant megatrend in this segment is the attention that is paid to regenerative energies, such as solar energy, for example. What is predominantly required in the coating industry are medium-size and large backing pumps and turbopumps as well as measurement equipment and complete vacuum systems. Our coating customers are located in all industrialized nations.

Analytics
Our largest customers in this market are so-called OEM (Original Equipment Manufacturer) customers, i.e. manufacturers of industrial systems or analytical instruments. Complex analytical devices such as scanning electron microscopes are primarily employed for industrial quality control. This industry is characterized in particular by such megatrends as Life Science, Biotechnology and Security. Ever smaller and lighter portable analyzers are required in environmental technology, in security technology or for doping analyses. The analytical industry therefore typically requires small and medium-size turbopumps along with backing pumps and measurement equipment. Our major analytical customers in this market are located in the United States, Japan, the United Kingdom and Germany.

Research & Development
Collaboration with research facilities enjoys a long tradition at Pfeiffer Vacuum. Whether in physics or chemistry laboratories at universities, prominent research institutions like the Fraunhofer or Max Planck Institutes or in large multinational research facilities – all of them rely upon the quality and dependability of our mass spectrometers, leak detection systems and vacuum solutions. Working in close cooperation with research facilities in Europe, the United States and Asia, new applications arise continuously in the fields of energy supply or healthcare technology.

Strategy and control

Strategy
Pfeiffer Vacuum develops, produces and distributes vacuum solutions that are highly challenging in terms of technology, quality, reliability, service life and performance; all are attributes that our customers associate with products from Pfeiffer Vacuum. The company's long-term strategic objectives include selling its products on the basis of quality, not price. The sales strategy also includes stressing the long-term total cost of ownership advantages over the life of a Pfeiffer Vacuum product (Total Cost of Ownership). These stem, among other things, from lower maintenance and repair costs, longer service lives and lower energy consumption in comparison with rival products.

This goal still applies after the acquisition of adixen and Trinos Vakuum-Systeme. All Corporate Group products meet our high standards. We are convinced that by combining Pfeiffer Vacuum, adixen and Trinos we can become the world leader in vacuum solutions. A further strategic objective is to always be close to the customer. We live up to this objective through our worldwide presence and we assure that everything we do always focuses squarely on our customers. "A Passion for Perfection" is our promise to our customers.

Corporate Management
The Management Board of Pfeiffer Vacuum Technology AG is responsible for the strategic leadership of all companies and its members partly also serve as managing directors of Pfeiffer Vacuum GmbH. All further subsidiaries have self-directed managements and, within the framework of central guidelines, basically make their own decisions on how to attain the targets that have been defined by Corporate Headquarters (sales revenues, EBIT margin and earnings before taxes). The supervisory bodies of the subsidiaries whose composition also includes members of the Management Board of Pfeiffer Vacuum Technology AG, and Headquarters in Asslar, Germany, must be involved in the case of major decisions.

Steering instruments

All subsidiaries are steered from Corporate Headquarters in Asslar through the stipulation of annual sales and profitability targets ("Management by Objectives").

Achievement of these targets is monitored by means of detailed target/actual comparisons and variance analyses within the framework of monthly reporting. This ensures that undesirable trends can be identified and corrected early on. Monthly conference calls with the management of the subsidiaries additionally ensure that all business development questions are discussed. In addition, face-to-face meetings with staff are held by the Group Management at the local site.

In countries in which Pfeiffer Vacuum is not represented directly through a subsidiary, the sales targets are agreed with the local distribution partner. Here, too, the achievement of sales targets is measured by means of target/actual comparisons. A further steering instrument consists in the variable remuneration of the local managements of the non- German subsidiaries and of the German sales staff. The variable remuneration is contingent, in particular, on the sales revenues and operating profits achieved. In addition, employees in executive positions or key roles additionally receive a variable remuneration component that is essentially contingent on the operating profit achieved. This sensitizes employees to cost structures, and so to the Company's long-term success, even if they do not work in areas of the Company which have a direct influence on sales.

Profitability, Financial Position and Liquidity

Development of sales revenue in 2012

The overall weak demand in the solar industry and the decline in orders from the semiconductor market affected the sales development for 2012. The group generated sales of € 461.3 million in 2012. This is a reduction of € 58.2 million or 11.2% compared to the € 519.5 million in the previous year. The unsafe economic situation in Europe and the USA did not result in substantial losses in sales. Our strategy of being broadly positioned in all regions and markets made a positive impact here in particular. Overall we are still satisfied with the development, also because to some extent, competitors were hit considerably harder by the development in global demand. Nevertheless, with 1.9%, we fell slightly short, of our predicted sales of € 470 million.

Presented below are net sales by segment, region, product and market for 2012. It should be noted with respect to net sales by segment that the sales shown in this presentation are allocated on the basis of the registered office of the company that invoiced the sales. Therefore, the segment-based presentation shows net sales by subsidiary. On the other hand, net sales by region include all sales revenues in a specific region, regardless of which subsidiary within the Pfeiffer Vacuum Group invoiced the sales. Net sales by segment and net sales by region will thus differ from each other to a greater or lesser extent. Net sales in the Asia segment, for example, differ significantly from those recorded for the Asia region, since the Asia segment includes only the direct sales of our Asian subsidiaries. In contrast, the Asia region additionally contains sales revenues that the manufacturing companies generate directly with Asian customers, for example, from customers in Japan or India. In the case of net sales by segment, the sales generated by the German company through direct deliveries to agents and/or customers outside Germany were significantly higher than German sales by regions. The sales in the USA region and the USA segment, on the other hand, are nearly identical, because virtually all sales in this region are handled through our American subsidiary.

Sales by segment

Germany

The decline in sales development in the Germany segment in 2012 was dominated by two key aspects. On the one hand, the virtually collapsed customer demand from the solar industry as part of the coating market had a negative impact. A harsh cut-throat competition by Asian suppliers, mainly Chinese, and the cut-backs in state aid for solar power caused the drastic decline in demand for solar modules. This also affected the solar customer demand for new plants and components and thus, our sales. And on the other hand, shifting effects were recorded throughout the entire fiscal 2012, as a result of implementation of the Pfeiffer Vacuum sales concept. After the founding of Pfeiffer Vacuum Benelux B.V. at the end of 2011, for example, significant portions of sales to customers in the Netherlands were allocated to this company and thus to the Europe segment (excluding Germany and France) throughout 2012, while in 2011 this was still recorded in part in the Germany segment. The same applies for sales in Taiwan and Singapore. The shifting effects amounted to nearly € 15 million.

USA

Given the economic situation in the USA, we are satisfied with the development here. With a decline of € 0.9 million, sales were practically at last year's level. Here, too, a weaker demand from the semiconductor market was seen which was virtually compensated by positive exchange rate impacts.

Republic of Korea

The group companies in South Korea developed very successfully contrary to the general trend in the semiconductor industry and achieved a sales increase of € 2.9 million. Despite positive exchange rate effects of € 5.4 million, this demonstrates the strength of our products in an overall challenging market and competitive environment within the semiconductor industry.

Europe (without Germany and France)

With an increase of € 9.2 million, the sales development in the rest of Europe was overall very positive, even though the picture was not uniform. Our distribution companies in Austria and Switzerland posted very good sales growth totaling € 7.1 million. Despite a good year in 2011, Italy recorded a significant decline in sales of € 4.2 million in the past fiscal year, which was mainly due to the general economic situation. In addition, the already mentioned shifting effects from the Germany segment to the Benelux region, and thus into the Europe segment, lead to an improvement in comparison with the preceding year.

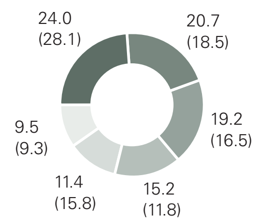
France

Sales revenues in the France segment decreased by € 29.3 million. This was also due to the Pfeiffer Vacuum sales concept, where sales were strictly recorded by the respective national subsidiary. During the previous year, before the implementation of the new sales concept, the French adixen subsidiary, on the other hand, had significant net sales from direct sales to customers outside France.

Asia (without Republic of Korea)

The sales subsidiaries in the rest of Asia (without the Republic of Korea, thus principally China, Singapore and Taiwan) showed an overall downward trend. The equally weak demand from the solar sector in China was the main reason for this.

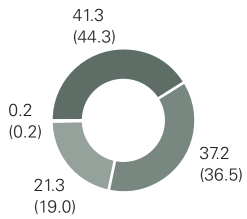
Sales by Segment, in %
(previous year)



Sales by Segment

	2012	2011	Change	
	in € millions	in € millions	in € millions	in %
Germany	110.5	146.0	–35.5	–24.3
USA	95.4	96.3	–0.9	–0.9
Republic of Korea	88.6	85.7	2.9	3.3
Europe (without Germany and France)	70.2	61.0	9.2	15.2
France	52.8	82.1	–29.3	–35.7
Asia (without Republic of Korea)	43.8	48.4	–4.6	–9.6
Total	**461.3**	519.5	–58.2	–11.2

Sales by Region, in %
(previous year)



Sales by region

Europe

The insecure economic situation did not have any impact on our business in Europe. However sales were under the previous year's level. This was due to the slump in solar business and the weaker demand from the semiconductor industry.

Asia

This important region for Pfeiffer Vacuum was – similar to Europe – impacted by the development in solar and semiconductor industry. Many of our customers are located in Asia. But due to the sound development in the Republic of Korea the sales decrease in Asia was moderate.

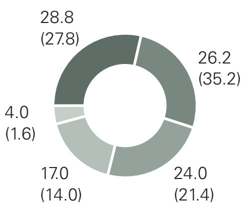
The Americas

The development of the sales revenue in the region of the Americas is characterized as before by developments in the USA. As stated above, there is no significant direct business by the German or French units in this region, so that the development here largely follows the previously mentioned sales trend by segment.

Sales by Region

	2012	2011	Change	
	in € millions	in € millions	in € millions	in %
Europe	190.8	229.9	–39.1	–20.9
Asia	171.5	189.8	–18.3	–9.6
The Americas	98.1	98.7	–0.6	–0.6
Rest of World	0.9	1.1	–0.2	–19.5
Total	**461.3**	519.5	–58.2	–11.2

Sales by Products, in %
(previous year)



Sales by products

Turbopumps

Turbopump sales in fiscal 2012 decreased by 7.9%. Causal for this disproportionate decline compared to the overall sales development were increased sales with our customers from the analytical industry. The development was roughly equally attributable to adixen turbopumps and Pfeiffer Vacuum turbopumps. Accounting for 28.8% of total sales, turbopumps marked the strongest product group in the year 2012.

Backing pumps

Accompanied by weak sales in the solar industry, sales in the Backing Pump segment have also declined significantly. This applies in particular to the backing pumps marketed under the name adixen, while the backing pumps under the Pfeiffer Vacuum brand fell slightly compared to the previous year. The weaker overall development also led to the fact that, in terms of sales, the backing pumps now represented the second largest product group, after the turbopumps. The development during 2012, with a significantly stronger first half year, reflected the market cycle observed in the semiconductor industry.

Instruments and components

With a decrease of 0.4% with a sales volume of more than € 100 million, the sales of instruments and components virtually remained on par with the previous fiscal year. There were no notable changes in the market environment.

Service

After the acquisition of adixen, the service gained an overall importance. This was due to the aggressive process conditions under which the pumps are particularly utilized in the semiconductor industry and which make regular maintenance necessary. In difficult economic times our customers incline to maintain a system instead of replacing it. Therefore, the sales revenue in Service increased disproportionately in 2012.

Systems

In addition to the service, the Systems segment also enjoyed a very gratifying development in the past fiscal year 2012. The increase was mainly due to the gas purification systems manufactured in France.

Sales by Products

	2012	2011	Change	
	in € millions	in € millions	in € millions	in %
Turbopumps	133.0	144.3	–11.3	–7.9
Backing pumps	121.0	183.0	–62.0	–33.8
Instruments and components	110.9	111.3	–0.4	–0.4
Service	78.2	72.5	5.7	7.9
Systems	18.2	8.4	9.8	116.8
Total	**461.3**	519.5	–58.2	–11.2

Sales by market

The following section details the development of sales revenues in individual markets in 2012 relative to the year before.

Semiconductor

The increased relevance of this market segment for Pfeiffer Vacuum Group becomes evident again in 2012. More than a third of the total sales revenue volume was generated with customers from this segment. The development of sales revenue in 2012 basically followed the anticipated trend with a steady decline over the course of the year. In total, we are quite satisfied with the development because based on our internal analysis the overall downturn of the market was greater than our corresponding share.

Industry

The development of the extremely heterogeneous industry market segment basically followed the trend of the general mechanical engineering industry and tended to decline accordingly over the course of the year.

Analytical Industry

The traditionally strong position of Pfeiffer Vacuum in the Analytical Industry was able to be improved even further over the course of 2012. Significant for this development was the continuing demand for smaller and portable analysis equipment, which is used amongst others in air traffic to detect explosives but as well in environmental analysis.

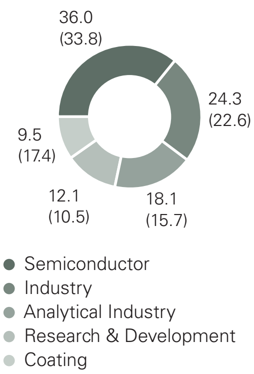
Research & Development

Pfeiffer Vacuum always enjoyed a high share of the market in this market segment in the past. In 2012 slight sales gains were achieved on top of this. Due to the high share of state-owned and partly-state owned research institutes, and after some weaker months in the summer, sales revenues increased again in the fourth quarter of 2012 and resulted in the best quarter of the entire year.

Coating

The demand in the solar market as a sub-branch of the coating market segment collapsed in 2012. As a result of the harsh destructive competition by Chinese competitors and cuts in state grants for photovoltaic systems, many of our German solar customers faced significant difficulties that in part jeopardized the existence of their company. Furthermore, there is

Sales by Market, in %
(previous year)



excess capacity and thus capital expenditure was significantly reduced. While the solar market alone recorded a sales share of 10.1% during the previous year, in 2012 a sales share amounting only to nearly 2% was achieved. This influenced the decline in the coating market segment quite significantly, while other sub-branches such as glass coating or storage media were comparatively stable overall.

Sales by Market

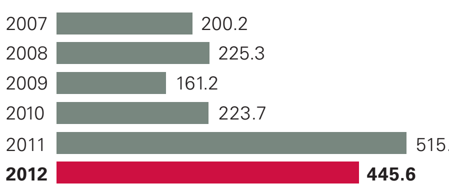
	2012	2011	Change	
	in € millions	in € millions	in € millions	in %
Semiconductor	165.9	175.4	–9.5	–5.4
Industry	112.3	117.5	–5.2	–4.4
Analytical Industry	83.6	81.3	2.3	2.8
Research & Development	55.8	55.1	0.7	1.3
Coating	43.7	90.2	–46.5	–51.6
Total	**461.3**	519.5	–58.2	–11.2

New orders and orders on hand

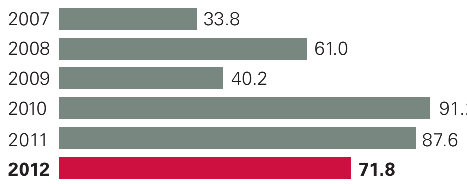
After new orders of € 515.9 million in 2011, this figure amounted to € 445.6 million in 2012. This represents a decline of € 70.3 million. With the exception of Service, this decline was recorded in all product segments but as a result of the weaker demand in the semiconductor industry, it was more pronounced for backing pumps than for the other product groups. This was also evident in the development during the year, which showed a decline in new orders, particularly during the second half of 2012. The development of new orders in Service corresponds to the positive sales development in this business segment.

After the book to bill ratio, signifying the ratio between new orders and sales, stood at 0.99 in 2011, a ratio of 0.97 was reached in 2012. The order volume on hand as of December 31, 2012 totaled € 71.8 million, down by € 15.8 million from the previous year (€ 87.6 million). Still, the visibility of orders on the basis of the average sales in 2012 remains unchanged at about two months.

Development of New Orders (in € millions)



Development of Orders on Hand (in € millions)



Earnings development

Gross profit and Cost of sales

We are very pleased with the development of our profitability. Despite the significant sales decrease by € 58.2 million we were successful in keeping the gross profit of € 166.8 million almost at the previous year's level (€ 167.4 million). Accordingly, the gross margin, the ratio of gross profit and sales revenue, increased significantly. After 32.2% in 2011, the gross margin amounted to 36.2% in the current fiscal year. Gross profit and gross margin were also influenced by the product mix. The cost of sales for 2012 amounts to € 294.6 million, significantly below the level of the previous year of € 352.1 million. Significant for this development was on the one hand declining sales revenues but operational improvements also led to a significant decline in these expenses. In addition, the PPA effects were lower than in the previous year (€ –6.4 million).

Gross Profit (in € millions)

Gross Margin (in %)

Selling and administrative expenses

After € 89.5 million during the fiscal year of 2011, the total figure for selling and administrative expenses amounted to € 80.8 million in 2012. This meant a considerable reduction of € 8.7 million, which was observed in selling and marketing expenses as well as in general and administrative expenses. For selling and marketing expenses, the resulting decline amounted to € 3.9 million, particularly due to the streamlining of the sales organization and the standardization of business processes. For general and administrative expenses, the decline amounted to € 4.8 million and resulted, on one hand, in overall leaner structures after the legal and organizational integration but, on the other, from the reduction in expenditures for consultancy services in connection with the legal integration of the adixen business operation. The percentage share of the total sales increased slightly from 17.2% in the previous year to 17.5% in the past fiscal year. PPA effects did not affect the development of selling and administrative expenses.

Research and development expenses

At € 22.4 million, research and development costs were almost at the level of the previous year (€ 22.7 million). The percentage share of sales revenues rose from 4.4% in 2011 to 4.9% in 2012. Adjusted for funds obtained through grants for research and development services (€ 5.2 million; previous year: € 5.0 million) contained in the other operating income, net research and development expenses totaled € 17.2 million (previous year: €17.7 million).

Other operating income and other operating expenses

Other operating income and other operating expenses principally include the Company foreign exchange gains and losses. All the underlying foreign currency transactions are allocated to operating activities and are therefore recorded within the operating profit. In addition, included in other operating income of € 10.5 million (previous year: € 14.6 million) were the French adixen unit's expense subsidies totaling € 5.2 million (previous year: € 5.0 million). The other operating expenses of € 6.3 million (previous year: € 8.0 million) included mainly the foreign exchange losses recorded in 2012 (€ 5.6 million, previous year: € 7.5 million) and other expenses. The net foreign exchange results in 2012 were € –0.3 million (previous year: € 2.1 million).

Operating profit

The most import indicator for our integration and reorganisation success is the significant increase in operating profit. Following € 61.8 million in the previous fiscal year this number totaled € 67.7 in 2012. This represents an increase by € 5.9 million or 9.6%. At the same time this led to an increase in operating profit margin, the ratio of operating profit to sales, from 11.9% to 14.7% in fiscal 2012. This significant profit increase despite the sales decline by € 58.2 million shows that Pfeiffer Vacuum is on a very good path to regaining traditional profitability.

The operating profit before depreciation and amortization (earnings before interest, taxes, depreciation, amortization, EBITDA) also increased again significantly. After € 83.4 million in 2011, a figure of € 87.5 million was currently reached. This equals growth of 5.0%. The amount of depreciation and amortization included in this figure was recorded at € 19.8 million for 2012 (previous year: € 21.6 million). The operating profit per employee also increased. While the previous year's value was at K€ 27, K€ 30 was reached in the fiscal year.

Operating Profit (in € millions)

Operating Profit Margin (in %)

Operating Profit per Employee (in K€)

Financial income
As a result of the redemptions of external liabilities in 2012 and also due to the lower interest rate, the financial expenses decreased from € 2.9 million to € 2.2 million. Overall, the net financial income increased from € – 2.3 million to € – 1.4 million in 2012.

Income taxes
After € 17.9 million in the previous year the tax expenses for 2012 amounted to € 21.0 million. This significant increase by € 3.1 million resulted mainly from the significantly higher earnings before taxes. In addition, the tax expenses included tax payments for prior financial years, which resulted in the fact that the Group's tax ratio of 31.7 %, was disproportionately above the level of the previous year (30.1 %).

Net income
With € 45.3 million in fiscal 2012 the highest net income in the company's history was recorded. The previous year, the best year ever so far, with a value of € 41.6 million, was exceeded by € 3.7 million. The after-tax return on sales also increased from 8.0 % in 2011 to 9.8 % in 2012 – despite the disproportionate burden from lower sales volumes and increased tax ratio.

Income before Taxes (in € millions)

Net Income (in € millions)

Earnings per share
The earnings per share were recorded at € 4.59, which was € 0.40 above the previous year's figure of € 4.19. In parallel with the highest net income, this year's earnings per share also represent a record. As in the year before, there continued to be no dilutive effects in fiscal 2012.

Earnings per Share (in €)

Financial position

As at December 31, 2012, the balance sheet total decreased from € 476.8 million by € 31.1 million to € 445.7 million. On the asset side of the balance sheet the renewed decrease in trade accounts receivable and inventories (€ 6.1 million or € 8.7 million) is particularly noteworthy. As in the previous year, the decrease of intangible assets is almost exclusively the result of the scheduled amortization relating to items recorded within the framework of the adixen acquisition. Cash and cash equivalents declined from € 108.3 million on December, 31, 2011 to € 102.0 million at the end of fiscal 2012. A detailed analysis of the development of this position is located in the section below, "Liquidity and Cash Flow." With regard to the development of the items on the liabilities side of the balance sheet, the significant decrease in financial liabilities by € 24.4 million and the increase in equity of € 12.3 million are particular noteworthy. The change in equity results primarily from the net income earned in the reported year after taxes (€ 45.3 million) and the dividend payment to shareholders of Pfeiffer Vacuum Technology AG (€ 31.1 million). As a result of the decrease in the balance sheet total with a simultaneous increase in equity, the equity ratio increased from 59.0 % to 65.8 %. Pfeiffer Vacuum has improved the already above-average capital base and with cash holdings of € 102.0 million and financial liabilities totaling € 52.1 million again shows no net debt position as at December 31, 2012.

Change in Net Working Capital

	Dec. 31, 2012	Dec. 31, 2011	Change
	in € millions	in € millions	in € millions
Inventories	76.2	84.9	–8.7
Trade accounts receivable	55.3	61.4	–6.1
Trade accounts payable	–24.9	–27.0	2.1
Net working capital	**106.6**	119.3	–12.7

Also in 2012 we worked actively on a reduction of the net working capital. Compared to the previous year, the improvements by an additional € 12.7 million reflected the success in this area, which, however, benefited from the decline in the volume of business.

Liquidity and cash flow

After € 71.2 million in 2011, the operating cash flow decreased to € 63.3 million in 2012. This represents a decline of € 7.9 million. With essentially positive impacts from the higher earnings before taxes (+ € 6.8 million), the development of the operating cash flow was due to the disproportionate increase in income tax payments (cash outflow here + € 6.1 million). Furthermore, the lower cash inflows from inventories, receivables and liabilities are noticeable; the decline amounted to a total of € 0.8 million. While in 2011, directly after the acquisition of adixen, the fast improvements in net working capital seemed relatively easy to achieve, this has proven to be more difficult in 2012 as a result of the already implemented improvements. Furthermore, the decline in provisions burdened the cash inflow from operating activities. The cash flow per share decreased from € 7.21 in 2011 to € 6.42 in the past fiscal year 2012. The still high level of this figure shows the enormous capability of the Pfeiffer Vacuum Group to generate disproportionally high cash inflows within the framework of operational activities.

Within the investment activities, the Company in 2012 recorded cash outflows totaling € 10.0 million (previous year: € 12.2 million). In turn, crucial determining factors were capital expenditures of € 10.3 million (previous year: € 20.8 million). During the previous year, proceeds from divestments (sale of adixen companies in Japan and Sweden) amounted to € 5.9 million. Information on the composition of capital expenditure can be found in the section below, "Capital Expenditures and Financing."

The cash flow from financing activities in 2012 was characterized by the dividend payment to shareholders of Pfeiffer Vacuum Technology AG (€ 31.1 million) and the repayment of financial debts (€ 24.6 million). Furthermore, within the scope of the acquisition of still existing shares with non-controlling interests, a cash outflow of € 2.7 million was paid out to Pfeiffer Vacuum Korea Ltd. A total of € 58.4 million was used for the financing activities. Even in the previous year, the dividend payment (€ 28.6 million), repayment of financial liabilities (€ 5.0 million) and the acquisition of shares with non-controlling interests (€ 1.8 million) were the determinants for cash outflow from financing activities totaling to € 35.5 million.

Cash Flow Margin (in %)

Cash Flow per Share (in €)

In light of the currency effects, the cash outflow totaled € 6.3 million (previous year: cash inflow of € 23.3 million) and led to a reduction in cash and cash equivalents of 5.8% to € 102.0 million. Thus, when taking into account financial liabilities (€ 52.1 million) there are still no outstanding net liabilities. Furthermore, the Company had unused credit lines in the amount of € 10.9 million at the balance sheet date (previous year: € 17.7 million).

The free cash flow is invested in interest-bearing financial instruments. A cash management system is in place between the German companies in Asslar in order to pool liquidity. Conservative and largely short-term investment vehicles, such as money market or time deposits at financial institutions, dominate in conjunction with financial investments. Speculative transactions are not conducted. The loan in conjunction with the acquisition of the adixen business unit was taken out by the parent corporation. 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.

Capital expenditures and financing

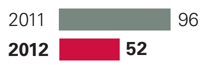
Operating business, capital expenditures and dividend payments (€ 31.1 million) were financed in 2012 by internal funds of the Corporate Group. In addition, existing financial liabilities in the amount of € 24.6 mil -lion were repaid.

The capital expenditures in the amount of € 10.3 million (previous year: € 20.8 million) related predominantly to necessary reinvestments for machinery and plant and equipment. The large investments in land and buildings and technical equipment and machinery in 2011 are particularly associated with the necessary capacity adjustments at the adixen production sites and, as anticipated, declined significantly in 2012.

Since the acquisition of adixen at the end of 2010, the equity ratio shows a consistent positive development. After 54.0% at the end of the fiscal year 2010 and 59.0% as of December 31, 2011, the equity ratio as of December 31, 2012 stood at a sound 65.8%. The current assets ratio as the ratio of current assets and current liabilities amounted to 304% (previous year: 269%) and continues to reflect the sound financing concept and the high credit rating of Pfeiffer Vacuum, despite the lasting change in the financial position as a result of corporate acquisitions.

Current Assets Ratio (in %)

Depreciation Expense Ratio (in %)

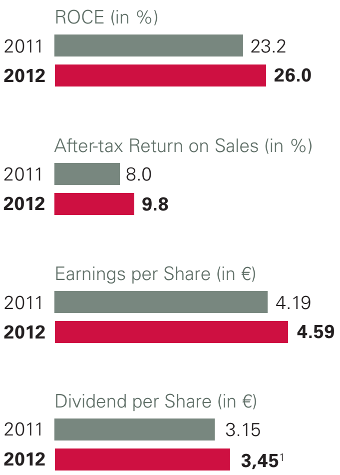


The aforementioned capital expenditures of € 10.3 million and depreciation/amortization amounts in 2012 of € 19.8 million resulted in a depreciation expense ratio (ratio of capital expenditure to depreciation/amortization) of 52%. Therefore, capital expenditures in 2012 were below the level of the loss of value of fixed assets (previous year: 96%), which was predominantly due to the high depreciation/amortization amount following the purchase price allocation.

Value reporting

The concept of value-based steering of the Company has long been an element of the management approach that exists within the Corporate Group. All important decisions are taken at Pfeiffer Vacuum, under consideration of all material financial aspects. The following graphic provides an overview of various further financial performance indicators. In addition to ROCE (Return on Capital Employed) as a parameter for the yield on capital employed, the Company's return on sales, earnings per share and the paid or proposed dividend are also presented here. The ratio between the dividend and earnings per share serves as an indicator of the extent to which shareholders participate in the Company's economic success.

Key Value Reporting Indicators



[1] *Subject to approval by the Annual Shareholders Meeting*

The above graphic shows that the success ratios achieved by Pfeiffer Vacuum have considerably improved compared to the previous year. In particular, this shows the earnings per share, which climbed from € 4.19 to € 4.59. In addition, the development of ROCE with a renewed increase from 23.2% to 26.0% again looks very positive. Accordingly, the Management Board and Supervisory Board will propose a dividend of € 3.45 per share.

Overall assessment of business performance

A look at Pfeiffer Vacuum Group's Consolidated Statements of Income reveals that the Group's position in terms of absolute profit figures has never looked better. Operating profits, net income and also the earnings per share increased to new record figures in the company's history. Compared to the previous year, the margin situation also improved significantly, and this is particularly apparent in the development of the operating profit and the operating profit margin. Despite the sales decline by € 58.2 million operating profit increased by € 5.9 million from € 61.8 million to € 67.7 million. At the same time, operating profit margin increased from 11.9% to 14.7%. The traditionally rock solid financial position of Pfeiffer Vacuum has also continued to develop positively in fiscal 2012. The Corporate Group has, unchanged, no net financial liabilities. The equity ratio has once again increased over the previous year and the liquidity situation allowed us, in addition to financing the operational activities, to significantly reduce the financial liabilities and to distribute a record dividend to shareholders.

Non-financial Performance Indicators

Employees

Pfeiffer Vacuum employed 2,256 employees at the end of fiscal 2012. This represents a decrease of 1.5% compared to the previous year's figure of 2,291 employees. This development is mainly due to the adjustment of our Asian workforce structure to reflect the decreased demand for Pfeiffer Vacuum products in this region.

Composition of Workforce by Regions

	2012		2011	
		in %		in %
Europe	1,577	70	1,572	69
Asia	533	24	573	25
The Americas	146	6	146	6
Total	**2,256**	**100**	2,291	100

Diversity

Pfeiffer Vacuum is established worldwide and unites a multitude of people of different origin under one umbrella brand. Our employees are proud of the fact that a large community of different cultural and national backgrounds as well as different age groups collaborates successfully. For several years now, Pfeiffer Vacuum has belonged to the "Diversity Charter", an initiative by the German Government. The "Diversity Charter" is a fundamental commitment to fairness and appreciation of people in companies.

Of the 2,256 employees, 386 are female and 1,870 are male. Therefore, the proportion of women constitutes 17% of the entire workforce. Vacuum technology represents a specific field in mechanical engineering in which it is very difficult to recruit qualified young female talents. Nevertheless, there are efforts to increase the proportion of women in traditionally male-dominated domains too. In order to promote women, the French subsidiary of Pfeiffer Vacuum concluded a formal agreement with all labor unions involved in November 2012. Since January 1, 2013, the Management Board at Pfeiffer Vacuum Technology AG consists of one woman and two men. The Supervisory Board of Pfeiffer Vacuum Technology AG does not include any women.

In its subsidiary companies, however, several management and key positions in the areas of Purchasing, Finance, Communications, Marketing, Human Resources as well as Sales are occupied by female managers.

Training young talents

The promotion of young talents is of great importance at Pfeiffer Vacuum. At various locations, we offer company training courses as industrial mechanics, in the business administration area, as well as in warehouse logistics. In fiscal 2012, Pfeiffer Vacuum made a total of 89 apprenticeships available worldwide (previous year: 84).

In addition to the company apprenticeship, Pfeiffer Vacuum in Germany participates very successfully in the "Studium Plus" project, a dual degree program involving the cooperation of the Technical University of Mittelhessen and the Chamber of Industry and Commerce. Furthermore, a partnership exists with the Georg-August University Göttingen in relation to the company apprenticeships. Thus we ensure our young talents in industrial and mechanical engineering as well as in the area of business informatics.

Furthermore, many of our subsidiaries offer temporary internships for graduates and students and/or temporary positions for students who work during their vacation. Thus we enable young people to gain an insight into our operational processes and to qualify as potential employees. In cooperation with local schools and universities, we perform guided tours of the company and present ourselves at career fairs. In France especially, several of our skilled workers give lectures on vacuum technologies and corporate governance at universities. Ultimately, the name recognition that Pfeiffer Vacuum enjoys among natural science graduates due to the presence of its products in research laboratories is not to be underestimated.

Qualifications of skilled workers and executives

The success of Pfeiffer Vacuum is based to a large extent on the expertise, the loyalty and the high motivation of our employees. Particularly the expert knowledge of our sales employees is of major importance in the cooperation with our customers. They benefit from the many years of experience to which our experts can resort in relation to physical and chemical reactions of the most diverse molecules and substances under vacuum conditions. Most

Professional Qualifications of the Workforce

	2012
Development and Production, Total	**1,154**
Graduates of universities, colleges and universities of applied sciences	262
Employees with professional training	804
Employees without professional training	31
Apprentices	57
Administration, Service and Sales, Total	**1,102**
Graduates of universities, colleges and universities of applied sciences	561
Employees with professional training	484
Employees without professional training	25
Apprentices	32

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

Good training as well as the readiness to adapt to changes in market forces by continuous further development are thus the best prerequisites for all employees, regardless of age, for secure jobs and sustained professional success. Further training plays an important role in our company in all locations. 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.

Practical programs exist for the qualification of executives, and foremen and group leaders are trained in leadership and management techniques. Furthermore, the company pays attention to specialized advanced training to transfer technical advancements into the company. Chinese, German, English, French or Russian language courses are offered depending on location and need.

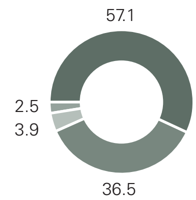
The offer of further training options is generally linked to the local conditions and requirements. For example, the French subsidiary fulfills the relevant statutory requirements with more than twice the expenditure as would be required by law. The focus of the previous year was on the training topic "quality". The management also introduced a skills management software system for the employees to better identify and utilize existing expertise and to be able to adapt training courses accordingly.

Remuneration and incentive schemes

The personnel costs in fiscal 2012 amounted in total to € 131.4 million compared with € 137.8 million in fiscal 2011. The significant decrease is due to the adixen integration.

The incentive scheme of Pfeiffer Vacuum also differs according to local conditions and customs. The sales personnel basically receive performance-related incentives via a bonus scheme oriented to sales growth and yield. Added to that – depending on the location – are other bonus, incentive or employee participation schemes as well as bonuses for individual, outstanding achievements.

Proportional Distribution of Professional Qualifications of all Employees, in %



Age Structure of the Company

	2012		2011	
		in %		in %
Under 30 years of age	511	23	557	24
30 to 50 years of age	1,215	54	1,222	53
Over 50 years of age	530	23	512	23
Total	**2,256**	**100**	2,291	100

Pension scheme

The pension scheme is equally as varied in the individual locations. Apart from a purely public scheme in France into which the French subsidiary pays, the pension scheme worldwide also includes additional measures and payments into pension funds, the offer of a pension plan and direct insurance with the additional option of deferred compensation. For the employees employed in the head office in Asslar who had no employer-financed pension contribution up to 2008, we have agreed a voluntary payment into the company pension scheme as part of the performance-related remuneration.

Social responsibility

We take our social responsibility towards our employees seriously. We therefore endeavor to ensure that the relevant quota of disabled employees in the various countries is met. We also believe that a family-friendly working environment is very important. Varying from region to region, this includes models for flexible working hours to achieve a work-life balance, provision of home office connections, models for re-entering the working world with flexible working hours and job sharing, specifically for young mothers and fathers.

The illness rate is generally quite low at Pfeiffer Vacuum. In the German locations Asslar and Göttingen it was below the German industry average of 6.1% with 5.8% and 5.7% on average. In Annecy, the illness rate of 2.6% was below the French industry average of 3.7%. The rate of staff turnover also differs depending on the geographical location with a figure of 5.5% in Asslar in the past fiscal year and 7.9% at Trinos. At adixen in Annecy, the rate of staff turnover is very low at 2.0%.

Sustainability

The responsible treatment of resources which manifests itself in the development, manufacture, use and disposal of our products along with safeguarding our people at their workplaces coupled with social commitment are the cornerstones of visionary, prudent entrepreneurialism. These are major elements of the corporate culture at Pfeiffer Vacuum. An extensive package of declarations affirming the observance of UN guidelines and the stipulations of the International Labor Organization (ILO) underscores our social responsibility and our commitment to the environment. The corresponding Code of Conduct is also available on our Internet site at www.pfeiffer-vacuum.de under "Corporate Governance".

Resource conservation in product development

We place great emphasis on environmentally sound design engineering in developing new products. This relates to both the materials that are used including their recyclability as well as to resource-conserving production operations and, finally, to energy-efficient start-up of our pumps at our customers. Our employees in Development as well as in Production and Sales and Marketing continuously review existing products with regard to potential modifications relating to their efficiency and environmental compatibility. For further information, please refer to the chapter "Efficiency" of this Annual Report.

There are also special projects, for example, the objective within the "Green Lab Fab" eco-concept is to reduce the energy requirement of the backing pumps produced in France by 30% by 2013 compared to the comparable value in fiscal 2009. The energy consumption of Pfeiffer Vacuum's turbopumps is already extremely low. All Pfeiffer Vacuum products satisfy the limit value in relation to hazardous substances in accordance with EU Directive 2002/95/EC (RoHS). Since July 1, 2006, this directive regulates the use of mercury, cadmium, lead, hexavalent chromium as well as polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE).

Environmental protection in business operations

Pfeiffer Vacuum uses special eco-controlling software throughout the entire Corporate Group. This enables in particular uniform data collection throughout the entire Corporate Group regarding the disposal of waste as well as the consumption of electricity, natural gas and water. Moreover, the software facilitates evaluation in the areas of audit management, environmental protection, and compliance with regional as well as international legal regulations and hazardous substance management. The data analysis forms the basis for further improvement projects.

In fiscal 2012, measures to reduce energy consumption were examined at all sites and implemented where necessary. This included the global "Switch it off" campaign on September 19, 2012, which promoted awareness among all employees of the energy consumed by office equipment in standby mode. In the production facility in Annecy, France, the "Green Lab Fab" eco-concept is still the primary focus. We will be working within the framework of this concept right up to 2013 on reducing electricity use – including by fitting energy-efficient room lighting – and also restricting the use of chemical substances in manufacturing as well as converting to clean processes. Another field of activity is waste improvement by reducing oil use in production. External consultants support the local management at various sites to reduce their ecological footprint.

The data concerning the use of resources refer primarily to the gas and electricity consumption of the production locations in Germany, France, and Republic of Korea. They are still subject to uncertainties due to local differences in reporting consumption. Nevertheless, there is visible trend towards improved consumption. This goes hand in hand with a decline in sales and therefore a reduced production level.

During the year under review, water consumption decreased by 8.8% from 30,116 m³ in 2011 to 27,480 m³. Electricity consumption dropped by 39.1% from 28,674 MWh in the previous year to 17,471 MWh. Gas consumption fell in the past year by 17.3% from 8,194 MWh to 6,780 MWh. Based on the electricity and gas consumption, CO_2 emissions for 2012 amount to 11.953 t (previous year: 18.913 t). For the year under review, the identifiable fuel consumption for the corporate vehicle fleet amounted to 342,906 l of diesel fuel and 119,709 l of gasoline (previous year: 325,505 l of diesel fuel and 221,225 l of gasoline). This equals CO_2 emissions of 1,176 t (previous year: 1,366 t).

In Asslar, we installed two photovoltaic systems on suitable roofs of our property. In 2012, the systems produced a total of 96 MWh (previous year: 105 MWh). The electricity that is generated is fed into the local energy grid, resulting in annual emissions savings of around 57 t CO_2 (previous year: 62 t).

In fiscal 2012, 22 internal audits were conducted in Asslar (previous year: 16). It must be noted that all audits cover both the area of quality management as well as the area of environmental management. There were no significant variances. An external repeat audit was conducted in August 2012. The production sites of Pfeiffer Vacuum in Germany, France and the Republic of Korea as well as some sites without production facilities are certified according to ISO 14001. In the production facility in Annecy, France, 22 combined internal quality and environmental audits were also conducted in the past fiscal year, plus two separate internal and one external environmental audit, and these did not reveal any significant variances.

All of our employees worldwide also pay attention to assuring a high level of environmental compatibility in conjunction with their administrative and personal activities. All suitable procedures, for example, are

Ecological Indicators

	2012		2011	
	Absolute consumption	CO_2 emission	Absolute consumption	CO_2 emission
		in t		in t
Yield of photovoltaic plant (MWh)	–96	–57	–105	–62
Power consumption (MWh)	17,471	10,308	28,674	16,918
Gas consumption (MWh)	6,780	1,702	8,194	2,057
Total primary energy consumption		**11,953**		18,913
Gasoline (l)	119,709	278	221,225	513
Diesel (l)	342,906	898	325,505	853
Total vehicle fleet		**1,176**		1,366
Water consumption (m³)	27,480	—	30,116	—

administered digitally and in paperless form. This endeavor is supported by an order and customer relationship management software system and has meanwhile been installed in virtually all locations. Waste paper is collected and sent to recycling. The printing and photocopying paper as well as sanitary papers either consist of recycled products or at least satisfy fundamental environmental protection requirements. Depending upon regional conditions, special environmental protection measures are also in place at the various locations.

Quality

Within the framework of the quality management system, Pfeiffer Vacuum regularly scrutinizes all business processes and improves those processes that do not satisfy our requirements. In this way we are continuously improving both the quality of our products as well as their service life. Internal processes are documented and available to employees in our quality handbook. In parallel to this, quality goals are annually defined, assessed and measured.

The international locations recorded in this report in the previous fiscal year fulfill the specifications in accordance with ISO 9001. In Asslar, 22 internal audits (previous year: 16) were conducted, which were reviewed during an external repeat audit in August 2012. In the year under review, a team of 35 employees in Annecy, France, conducted 22 internal quality audits (previous year: 26). In addition, the French site launched its own program for quality improvement.

Workplace safety and working conditions

The issues of workplace safety primarily concern the production facilities of Pfeiffer Vacuum. In Asslar, an external expert worked approximately 700 hours for us in fiscal 2012 in conjunction with workplace safety issues. A total of four meetings of the Workplace Safety Committee were duly conducted pursuant to the German Occupational Safety Act. There were 8 reportable on-the-job accidents in 2012 (previous year: 10). No technical deficiencies or lack of safeguards were identified as the cause of any on-the-job accident. With a mathematical level of 13.1 reportable accidents per 1,000 employees in Asslar, the company is exactly in line with the 13.1 average of the German Workers' Compensation Insurance Company (2011 value; values for 2012 not yet available).

In the production facility in Göttingen, regular inspections and meetings take place with external safety inspectors. The Workplace Safety Committee met twice during the year. In fiscal 2012, six reportable on-the-job accidents occurred, none of which were caused by technical deficiencies or a lack of safeguards. With a mathematical level of 40 accidents per 1,000 employees, the rate in Göttingen is below the 43.1 average of the German Workers' Compensation Insurance Company (2011 value; values for 2012 not yet available).

In the year under review, four meetings of the Workplace Safety Committee also took place in the production facility in Annecy, France. To ensure good working conditions, training courses are conducted in relation to ergonomics, the handling of chemical substances and electrical systems. With the aim of improving efficiency an important survey for improving working places according to ergonomic aspects was conducted. In fiscal 2012, a total of 17 accidents occurred, 11 of which led to days of absence. The frequency of on-the-job accidents in our subsidiary in Annecy with a rate of 9.7 is very low compared to the French average of 22.6 (2011 value; values for 2012 not yet available).

Social responsibility

Pfeiffer Vacuum lives up to its social responsibility outside the Company too. It awards funds to aid the work of facilities for children and the disabled. Contracts are also given to disabled workshops. The Company also sponsors regional sports clubs. Schools and universities are supported through both cash and non-cash donations. For over 40 years, we have been one of the two companies that sponsor the prestigious Röntgen Prize, which is awarded annually at Justus Liebig University in Giessen in recognition of outstanding research work performed by the coming generation of scientists. In our international locations, depending on regional conditions, there are other commitments and activities such as food donations to soup kitchens, toy donations to children's institutions, and special payments to former employees if they have exceeded a certain age.

Corporate Governance Report

The recommendations and suggestions contained in the German Corporate Governance Code ("DCGK") have been a firm element of our corporate governance and corporate culture for many years. The close and trustful cooperation between the Management and Supervisory Boards, in addition to a high degree of transparency for corporate communication and in financial reporting, have always been fundamental principles. The members of the Management and Supervisory Boards conduct their activities according to these principles. Significant changes to the Code were and are therefore not necessary.

In November 2012, the Management and Supervisory Boards of Pfeiffer Vacuum Technology AG submitted the Statement of Compliance for this year required pursuant to § 161 of the German Stock Corporation Act. It was made permanently accessible to shareholders on the corporation's website (www.pfeiffer-vacuum.com).

Pfeiffer Vacuum Technology AG complies with all recommendations of the Code, as amended in May 2012, with the following exception:

- The German Corporate Governance Code recommends an appropriate consideration or participation of women in the appointment of management, executive board or supervisory board positions. Both the Management and Supervisory Boards do not regard belonging to a certain gender as an attribute which specifically qualifies a candidate for any position and therefore disregard this criterion when selecting the most suitable candidate.

Shareholders and Annual Shareholders Meeting

The Annual Shareholders Meeting is the supreme body of the corporation. At the Annual Shareholders 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 Shareholders 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 Shareholders 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 one and a half months before the Annual Shareholders Meeting date. All documents and information for the Annual Shareholders Meeting are also available on our website. In addition, it is possible to electronically direct questions to the employees in our Investor Relations Department. Using our financial calendar, which is made public in the Annual Report, 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 activities. Moreover, it is also possible to contact the Company with questions at any time.

Management Board

Up to December 31, 2012, the Management Board consisted of the following persons: Manfred Bender (CEO), Master of Business Administration, and Dr. Matthias Wiemer, Diploma in Mechanical Engineering. The Supervisory Board decided to appoint Ms. Nathalie Benedikt as a further member of the Management Board with effect from January 1, 2013. Ms. Benedikt has been with Pfeiffer Vacuum for 13 years now and previously headed the Finance and Controlling divisions as director. From January 1, 2013 she took up her position as Chief Financial Officer. She played a key role in negotiations for acquiring Trinos and adixen and made a decisive contribution to their successful legal, financial and operational integration. This expansion of the Management Board enables its members to focus more closely on important issues and projects and allows them to be even more present locally.

The distribution of responsibilities within the Management Board was as follows up to and including December 31, 2012:

Pfeiffer Vacuum Technology AG Management Board

Manfred Bender Chairman	**Dr. Matthias Wiemer**
Controlling/Finance	Research & Development
IT/Organization/Logistics	Marketing
Purchasing	Production
Investor Relations	Training & Service
Human Resources	Sales

Following the appointment of Ms. Benedikt, the responsibilities of the Management Board are as follows:

Pfeiffer Vacuum Technology AG Management Board

Nathalie Benedikt	**Manfred Bender** Chairman	**Dr. Matthias Wiemer**
Controlling/Finance	Purchasing	Research & Development
IT	Investor Relations	Training & Service
Human Resources	Organization/ Logistics	Sales and Marketing
	Production	

The members of the Management Board are responsible for the further development and strategy of the company. They are also highly involved in the day-to-day running of the company and are responsible for operations.

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. Minutes are kept of these meetings and the Chairman of the Supervisory Board receives a copy of these.

The members of the Management Board work exclusively for Pfeiffer Vacuum. In addition, Manfred Bender is a member of the supervisory board of the Volksbank Heuchelheim eG, Heuchelheim, Germany, and also belonged to the supervisory board of Technotrans AG, Sassenberg, Germany, until May 12, 2011.

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. Four persons represent the shareholders and two persons represent the employees of the Company.

In 2012, there were no personnel changes to the Supervisory Board. The members are as follows:

- Dr. Michael Oltmanns (Chairman), Attorney at Law and Tax Advisor
- Götz Timmerbeil (Vice Chairman), Certified Public Accountant and Tax Advisor
- Helmut Bernhardt (Employee Representative), Development Engineer
- Manfred Gath (Employee Representative), Chairman of the Employee Council
- Wilfried Glaum, Business Administrator
- Dr. Wolfgang Lust, Entrepreneur

All Supervisory Board members representing the shareholders were re-elected in May 2011 during the Annual Shareholders Meeting for a term of five years. For the election, the nominating committee submits a nomination suggestion to the Supervisory Board. When selecting the candidates, care is taken to ensure that members of the Supervisory Board at all times possess the requisite expertise, skills, and professional experience and are sufficiently independent. The international activities of the Group and potential conflicts of interest are also taken into account.

The Supervisory Board has determined the following specific objectives of its composition: occupational diversity (at least in the areas of business, technology, and law), internationality gained during overseas professional experience, avoidance of potential conflicts of interest by excluding close relationships with competitors, and an age limit at the beginning of the term which is the same as the statutory retirement age. These objectives have been taken into consideration in the past, and this is also intended for future nominations.

No compensations 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. There were no conflicts of interests for Management and Supervisory Board members requiring immediate disclosure to the Supervisory Board. Finally, the Rules of Procedure for the Management Board provide that the Supervisory Board must grant its approval for significant business transactions.

According to the recommendations of the German Corporate Governance Code, no more than two previous Management Board members should hold seats on the Pfeiffer Vacuum Supervisory Board. Furthermore, the Supervisory Board reviews the independence of its members. It has established standards for assessing this independence, which are based on the Code, in particular. According to these principles, the majority of current Supervisory Board members is considered independent, thus assuring independent advice and monitoring of the Management Board.

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

Additional committees of the Supervisory Board are the Management Committee and the Administration Committee. In the past, the Management 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 the Management Board compensation is subject to the provisions of the German Management Board Compensation Appropriateness. The Administrative Committee is particularly concerned with transactions requiring approval from the Supervisory Board and with contracts with Supervisory Board members.

The committee memberships of the Supervisory Board members can be seen from the following overview:

The following members exercised further Supervisory Board mandates:

- Dr. Michael Oltmanns: Becker Mining Systems AG, Friedrichsthal (Chairman), Jetter AG, Ludwigsburg (Chairman), Merkur Bank KGaA, München (until October 15, 2012; Chairman) and Scholz AG, Essingen (Chairman)
- Götz Timmerbeil: VfL Handball Gummersbach GmbH (Chairman), Arena Gummersbach GmbH & Co. KG (Vice Chairman)
- Dr. Wolfgang Lust: Gecko Group AG, Wetzlar

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

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. Quarterly Supervisory Board meetings are held in this context, for which the directors report on the course of business operations in detail. 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, through a monthly reporting system.

Composition of the Supervisory Board Committees

	Nomination Committee	Audit Committee	Management Committee	Administration Committee
Dr. Michael Oltmanns	Chairman	Yes	Chairman	Chairman
Götz Timmerbeil	Yes	Chairman	Yes	Yes
Helmut Bernhardt	—	—	—	Yes
Manfred Gath	—	—	—	—
Wilfried Glaum	Yes	Yes	Yes	—
Dr. Wolfgang Lust	—	—	—	—

Compensation report

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

Compensation for the Management Board

The Management Board's compensation has been approved by the entire Supervisory Board. The compensation consists of a fixed and a variable element as well as payment in kind (company car, accident insurance). The variable component is essentially dependent on the Group´s earnings before taxes.

In fiscal 2012 the fixed remuneration for Manfred Bender amounted to K€ 380 and for Dr. Matthias Wiemer K€ 220. The variable component recorded in the Income Statement for Manfred Bender was K€ 477 and for Dr. Matthias Wiemer K€ 326 in fiscal 2012. Payments in kind of K€ 14 and K€ 11 respectively were effected. This amounted to total compensation in 2012 of K€ 871 (previous year: K€ 786) for Manfred Bender and K€ 557 (previous year: K€ 558) for Dr. Matthias Wiemer. After a total compensation level of K€ 1,344 for the Management Board in fiscal 2011, the total compensation amounted to K€ 1,428 in the past fiscal year.

The variable component is a bonus, which the Supervisory Board determines. It has previously oriented the exercise of its discretion towards the development of the Group's turnover, operating profits before taxes and interest, and annual surplus.

The discretion of the Supervisory Board shall prevent extraordinary developments from leading to undue fluctuations in the variable compensation. The development of the bonus shall, as before, be based on the development of the Group's success and shall henceforth be based on the profits before taxes. However, the bonus shall be subject to a condition of sustainability. This means that if the success of the Group during the assessment year increases in comparison to the average of the two previous years, the success during the assessment year will be proven to be sustainable only in the amount of the average of both previous years' successes; the bonus in this respect has therefore been earned and is payable. However, the sustainability of the portion in excess of this has not yet been proven. Therefore, only a small part of the bonus, to the extent that the bonus is based upon the surplus element, will be due when the annual financial statements of the assessment year are approved (so-called short term incentive). The larger part (so-called long-term incentive) will not be due until two years later and only in its fullest amount if the average profits of these two following years are at least as high as the average profits of the previous two years. Should it be less than the average, the long-term incentive will be correspondingly reduced. The purpose of this sustainability proviso is to avoid rewarding so-called "straw fires" at the expense of sustainable profitability.

Manfred Bender has received pension commitments in the unchanged amount of 60% of the last fixed salary elements. Matthias Wiemer has received pension commitments amounting to 40% of the last fixed salary elements (previous year: 20%). In this connection, total net pension expenditure in accordance with IFRS of K€ 124 (Manfred Bender) and K€ 639 (Dr. Matthias Wiemer) was recorded in the Consolidated Statements of Income in fiscal 2012 (previous year: K€ 1,079 and K€ 70 respectively). In addition, there are pension commitments for former board members. The net pension expenses attributable to these individuals for the year amount to K€ 171 (previous year: K€ 136). After K€ 237 in 2011, a total of K€ 1,651 was paid to the Pfeiffer Vacuum Trust e.V. The total net pension prepayment for current members and former members of the Management Board therefore amounts to K€ 125 (previous year: net pension obligation amounting to K€ 906). Current pensions in fiscal 2012 amounted to K€ 345 (previous year: K€ 329).

Compensation for the Supervisory Board

The members of the Supervisory Board received a fixed compensation determined by the Annual Shareholders Meeting. In 2011, the Annual Shareholders Meeting approved an increase in the Supervisory Board's compensation.The total compensation paid to the Supervisory Board and its distribution between the individual members has not therefore changed in comparison with fiscal 2011.

In fiscal 2012 Dr. Michael Oltmanns received compensation of K€ 75, while Götz Timmerbeil received K€ 50. Helmut Bernhardt, Manfred Gath, Wilfried Glaum and Dr. Wolfgang Lust each received K€ 25. The total compensation paid out to the Supervisory Board in fiscal 2011 and 2012 therefore amounted to K€ 225 respectively.

Should Supervisory Board members be newly elected or retire during a fiscal year, the compensation will be paid on a pro rata basis.

Negative statement

No further benefits were paid to Management 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 special agreements were made in connection with the termination of the activities of the Management or Supervisory Boards.

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 sales by members of the Management and Supervisory Boards will be published immediately pursuant to § 15 a of the Securities Trading Act ("Wertpapierhandelsgesetz"), in Europe and on the Company's website at www.pfeiffer-vacuum.de. There were no such acquisitions or sales in 2012 or the previous year.

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 pursuant to the provisions of the German Commercial Code ("HGB").

This Consolidated Financial Statement was audited pursuant to the resolution of the Annual Shareholders Meeting on May 22, 2012 by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Eschborn, Germany. Ernst & Young GmbH also audits the Annual Financial Statements of Pfeiffer Vacuum Technology AG.

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 all findings and events of importance to the Supervisory Board that arise during the audit. In addition, the auditor must inform the Supervisory Board and note in the audit if the auditor determines facts during the course of the audit that are not compatible with the Statement of Compliance submitted by the Management and Supervisory Boards pursuant to § 161 of the German Stock Corporation Act ("AktG").

Risk and Opportunities Report

The purpose of entrepreneurialism is to specifically utilize opportunities that have been identified in order to increase the value of the company. However, this intrinsically involves the taking of risks. The opportunity and risk management system that we employ serves to optimize the relationship between risks and opportunities with a view to sustainable business success. To assure this, we use and evolve suitable instruments, such as an appropriate handbook and/or a risk inventory, to identify, analyze, assess and control opportunities and risks.

Risk management system

The Pfeiffer Vacuum risk management system includes all levels of the Corporate Group. The system is described in a risk handbook that is available to all employees and updated on an as-needed basis. Our flat hierarchy and fast communication channels aid in swiftly identifying risks at every level of the Company and using suitable measures to combat them. The risk coordinator, who has been in place since 2002, monitors the proper implementation of risk management and the full risk inventory. The risk inventory is performed by the department heads at the large production sites and by the managing directors at the remaining subsidiaries. Consolidating all inventories at an aggregate level produces a differentiated overall picture of the Corporate Group's risk position.

During the year risk inventories are updated if necessary; what we define, in addition to a concrete description of the risks, is the potential quantitative impact on operating profit, the likelihood of occurrence and suitable countermeasures. At year end, a complete risk inventory is made, which is reviewed by both the risk coordinator as well as the Management Board. In addition, we have defined the areas of risk management within the individual market segments and have put in place the necessary processes as well as early-warning and monitoring systems. The monthly Corporate Group reporting supports the risk management process with a variety of parameters and reports that serve as an essential basis for the Management and Supervisory Boards upon which to regularly deliberate on current business. The monthly meetings of senior executives and conference calls also are firmly established institutions that enable the department heads and our subsidiaries to share with the Management Board information relating to risk potentials and how to handle them.

In addition to monthly 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 financial position. Regularly conducted inspections protect against human mistakes, system errors and breaches of internal regulations.

Risk management as it relates to consolidated accounting pursuant to § 315, Sub.-Para. 2, No. 5, German Commercial Code ("HGB")

The purpose of the internal 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 at regular intervals to reflect current external and internal developments. In doing so, our internal experts also collaborate with external counterparts on a case-by-case basis. This enables us to assure that our accounting is in compliance with IFRS accounting and valuation regulations.

In respect to the consolidated accounting process, we consider those characteristics of the internal control and risk management system to be major in nature 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 Management's Discussion and Analysis for the Corporate Group (including separation of functions) and
- Measures that assure proper IT-based processing of facts and data that relate to consolidated accounting.

Opportunity management system

The Pfeiffer Vacuum opportunity management system is closely linked to the risk management system, as many risks also offer opportunities that should be utilized where appropriate. This is why the risks identified in the risk inventory are simultaneously examined with a view to potential opportunities, which produces a correlation. In extensive decision-making processes, we analyze the question of whether the potential opportunities or risks predominate, which means that we only engage in risks that appear to be manageable and are compensated for by the opportunities they offer.

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 utilizing our potential. Close contact with our customers additionally aids us in identifying trends early on, thus enabling us to actively shape changes in the marketplace.

With variance analyses and development forecasts, our highly refined reporting system also identifies opportunities in our regional structure. Our close-knit sales and marketing network enables us to swiftly and purposefully take advantage of these opportunities.

Risks

Overall economy
As a globally operating company, we are dependent upon global economic developments. Nor can Pfeiffer Vacuum avoid the effects of a decline in world economic growth, and would have to expect to see a direct impact on our sales revenues and profitability. However, the regional and market-segment mix of sales revenues is very balanced at Pfeiffer Vacuum, and its overall structure compensates for revenues in economically weak and economically growing markets and industries. Because it is seldom that all regions and market segments would be equally affected by a deteriorating economic development. On the whole, the sales share in the semiconductor market increased significantly due to the acquisition of adixen, and Pfeiffer Vacuum is thus more strongly subject to its fluctuations. Managing the economic risk essentially involves steering capacities and costs. Flexible working time models enable us to swiftly adapt production capacities to reflect the development of the order situation.

Market segments
Sales revenues in Pfeiffer Vacuum's individual market segments are closely linked to global economic developments. The research & development market, for example, is dependent upon government spending and focuses in connection with research projects. The semiconductor market follows its own cycles, which offers enormous opportunities during boom phases and involves major risks during phases of weakness. The coating market is closely linked to developments in the photovoltaic industry and particularly in 2012 did not develop satisfactorily. This was the result of fierce competition and a significant reduction in government subsidies for solar power. And development work in the product categories goes hand in hand with the trends in the individual market segments. This means that smaller turbopumps and analysis instruments, for example, are more likely to be required in the analytical industry, which tends to respond on an early-cyclical basis. Large quantities of backing pumps are employed in the semiconductor market but also in other industries whose developments generally conform to those in mechanical engineering.

In order to combat the risks stemming from dependence upon individual market segments and products, Pfeiffer Vacuum places a great deal of value on its broad based alignment. This was one of the major reasons that spoke in favor of the acquisition of adixen's vacuum technology business unit, as adixen has a far higher share of sales revenues in the semiconductor industry, which presents both an opportunity as well as a risk due to the cyclical nature of this industry's development. Pfeiffer Vacuum's strategy for lowering this risk is to increasingly also market adixen products in other industries through our distribution channels, thus lowering the share of total revenues accounted for by the semiconductor industry. Moreover, we estimate that the semiconductor market will grow strongly beyond the cycles.

Integration
Acquiring and integrating companies into the Corporate Group always poses a special challenge. This also applies to Pfeiffer Vacuum with respect to the acquisition of adixen, effective December 31, 2010. We proceeded with the utmost caution in the acquisition process by conducting comprehensive, detailed reviews with due diligence. In order to minimize legal and financial risks, in particular, we availed ourselves of the services of prominent law offices and auditing firms with proven long years of experience in both readying and conducting acquisitions of this magnitude as advisors.

On the part of the Corporate Headquarters, important cornerstones were implemented in fiscal 2011, the first year after the acquisition, to limit risks. Thus, for example, proven Pfeiffer Vacuum directives were installed, which ensure a structured and successful business operation. In addition, all adixen companies were already integrated at the start of fiscal 2011 into the reporting of the Pfeiffer Vacuum Group to enable targeted control of the individual companies. In addition to extensive reports, this also includes monthly teleconferences and quarterly meetings on-site in the individual countries. Furthermore, the standardized risk management system was installed in all adixen companies. The risk of a lack of transparency is thus eliminated. The measures put in place the previous year were further refined during the course of 2012. We therefore still regard the acquisition primarily as an opportunity to strengthen our market position.

Technology

Products and services that do not meet customer expectations lead directly to declining sales, and thus to a loss of market share and reputation. Thus, the key risk factors for Pfeiffer Vacuum include a lack of innovative strength and the loss of quality of products and services. We combat these risks through ongoing customer contact and the resulting market intimacy. The information thus obtained about the needs of our customers enables us to develop and offer products that are suited to their needs. This allows us to expand both our competitive position as well as our name recognition. We will continue to combat the risk of a lack of innovation through our development investments. In addition, maintaining high standards of quality is a top priority for us. We received initial certification under ISO 9001: 2008 in the year 1995, which has since been sustained without interruption.

Purchasing and manufacturing

The risks in the sourcing market occur, in particular, in the form of supply bottlenecks and dependency upon individual vendors. Downtimes are viewed as a key risk from a production standpoint. We primarily combat the risk of supply bottlenecks and vendor dependence by continuously reviewing alternative supplier options. Anticipated market shortages of raw materials, such as steel and aluminum, and the price risks which these entail, are combated through long-term framework contracts. In general, however, it can be said that the effects of changes in the price of raw materials do not have any significant influence on profitability. Business interruption insurance is in force to cover the effects of downtimes resulting from fire, storm or flood damage, for example. Qualified technicians and modern production machinery keep technically related downtimes to a low level. Regular servicing and preventive maintenance for our machinery and equipment also help to avoid downtimes.

Human resources

As a provider of vacuum solutions, i. e. a subset of mechanical engineering, we are dependent upon the high level of education, training and commitment of our employees. We use various measures to combat the risk of losing these people and/or insufficient recruiting possibilities for suitable new talents. An attrition rate that continues to be low documents the acceptance of this on the part of our people.

Information technology

Because our business processes are mapped by means of software support, Pfeiffer Vacuum's corporate data is subject to a general information technology risk. This includes, first and foremost, the risks of system outages, data losses, viral or hacker attacks that could lead to an interruption of business operations. We keep the risk of data losses to a minimum by performing daily backups of our complete enterprise data. Our enterprise database, in particular, with which manufacturing operations, materials management, order handling, financial and cost accounting are handled, is subject to a high security standard. All files created by our employees within the server environment are also backed up on a daily basis. Our backup tapes are stored in secure, fire-proof 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.

Exchange rate parities

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. A distinction must be made with respect to the way foreign exchange risks are controlled: the Company engages in active currency management for the (intercompany) U.S. dollar sales revenues. The objective is to enter into options and futures contracts in order to minimize the effects of exchange rate influences on future sales revenues denominated in U.S. dollars. Moreover, there is a valuation risk in some companies at the close of the fiscal year that stems from intercompany accounts receivable denominated in foreign currencies. Both gains and losses from realized options and futures contracts, as well as the valuation results stemming from accounts receivable denominated in foreign currencies, can be controlled to a certain extent. This manifests itself in the Consolidated Statements of Income. Aside from the exchange rate risks from the U.S. dollar, Pfeiffer Vacuum is not subject to any other material foreign exchange rate parity risks.

However, the Consolidated Statements of Income also include the income and expenses of the non-German sales subsidiaries that do not report in euros, which therefore have to first be translated into euros. This procedure and the resulting effects will be portrayed below using the U.S. sales subsidiary by way of example. However, these comments also apply analogously to all foreign-currency subsidiaries, such as those in the United Kingdom or in the Republic of Korea. The line items in the Statements of Income are translated into euros at the annual average exchange rate and then adjusted for intercompany sales and services. Leaving selling and general administrative expenses out of consideration, it is possible to achieve a correlation within the Corporate Group between sales revenues in U.S. dollar and the cost of sales in euros. In this connection, sales revenues invoiced in U.S. dollars are subject to a foreign exchange rate parity (conversion risk), while the costs of sales are incurred mainly in euros and are not subject to any exchange rate influences. The magnitude of sales revenues and gross profit are therefore influenced directly by the exchange rate and are externally stipulated and non-hedgeable. A certain degree of compensation for this effect results from the fact that the subsidiary in the U.S. records its own selling and general administrative costs, which change opposite sales revenues (natural hedge). In this connection – 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 revenues and operating profit.

Liquidity position

The risk of a customer's insolvency always exists, independently of the economic situation. There are general liquidity risks of being unable to satisfy required payment obligations in a timely manner. The rigorous system of accounts receivable management that has long been practiced at Pfeiffer Vacuum, along with monitoring of our customers' payment patterns, minimizes creditworthiness risks and thus accounts receivable losses. Moreover, our dependence upon individual customers is limited. In spite of the adixen acquisition end of 2010, there was no net indebtedness at year end, which means that there continue to be sufficient reserves to assure the survival of the Company, even in difficult economic times. Our operative business generates sufficient liquid assets to enable the Company to continue to grow from within.

Legal risks

As a result of Pfeiffer Vacuum's international business operations, the Company is subject to a variety of legal risks. National and international contract law and taxation are of particular significance in this connection. These areas can have a direct bearing on the Company's earnings and financial position. Standardized terms and conditions of contract and business are always employed to minimize the risk stemming from contracts entered into for products and services. 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 for assessing the Company's daily business is provided by our qualified staff. We draw upon the assistance of external tax advisors in connection with complex issues that relate to national and international taxation. Product liability risks are covered by appropriate insurance. No legal disputes are currently pending whose outcome could have a material impact on the Company's earnings or financial position.

Opportunities

Macroeconomic and sector-specific opportunities

The global economic development is currently marked by the economic situation in China and India. China in particular has developed into a strategic target market following rapid industrial and technical development. The expanded presence in this region as a result of the acquisition of adixen is a factor which also enables us to benefit from this development. The favorable position in the United States which we have always enjoyed has also improved even further due to the acquisition of adixen, and here, too, a positive economic development compared to Europe is anticipated. Being well placed here gives us the opportunity to lock into this trend as well. A similar situation applies for Germany too, where an economic boom is currently anticipated in particular in 2014.

The cyclic nature of the semiconductor industry, which has been mentioned a number of times, is both an opportunity and a risk following the acquisition of adixen. After a slowing down in demand in this sector during the course of 2012, an upturn is anticipated again here from the third quarter of 2013 onwards. This could have a positive effect on the development of sales revenues in the current fiscal year.

Integration

In addition to the above-mentioned risks, the acquisition and integration of adixen also holds the promise of enormous opportunities for the continued development of our business operations. Expanding our product portfolio as a result of the acquisition not only enables us to do a better job of satisfying the needs of our existing customers, it also enables us to win any number of new customers. adixen's technological leadership in various backing pump technologies is an obvious vehicle for marketing these products, especially to our existing turbopump customers. After all, no turbopump is able to operate without a backing pump. Conversely, we offer our turbopumps to adixen's existing customers. Regionally speaking, adixen is especially strong in Asia. With respect to market segments, adixen has an outstanding position in the semiconductor market.

After the organizational integration was completed in 2011, the first year after the acquisition, vacuum solutions using components from Pfeiffer Vacuum, adixen and Trinos were already sold on a large scale in 2012. Despite initial success, we still consider that we are only just beginning to exploit cross-selling potentials and we anticipate further success in the years to come.

Technology

Through its long years of experience, Pfeiffer Vacuum is highly successful in developing viable, high-quality products and bringing them to market. The foundation for this consists of our close collaboration with our customers in a spirit of trust, which enables us to anticipate their needs and thus gain a head start over our competitors. With innovative products and by steadily broadening our product portfolio, there are opportunities for better satisfying the demands of existing markets and generating opportunities for additional sales volumes by gaining market share. In fiscal 2010, we were already able to broaden our product portfolio to include innovative vacuum chambers that are designed to satisfy specific customer wishes through the acquisition of Trinos Vakuum-Systeme GmbH. At the end of 2010, through the acquisition of adixen, we were able to expand our range of products to include highly innovative backing pumps, in particular. This enables us to not only offer our customers a broader spectrum of products, but above all to come up with further interesting product solutions as a result of the merger and the know-how possessed by these companies.

Sales and marketing

One of the Company's key competitive advantages has always been its lack of dependence upon individual regions, products or markets. We therefore view the expansion of our sales and marketing network as representing an opportunity to increase our market share. A first step had already been taken during fiscal 2010 by the acquisition of Trinos Vakuum-Systeme GmbH. In this connection, we are not speaking only of sales growth stemming from this corporate acquisition. The combination of the Trinos Vakuum-Systeme GmbH product portfolio and Pfeiffer Vacuum's international sales and marketing structure results in promising sales potential. We made another acquisition in fiscal 2010 with adixen. adixen has a sales and marketing structure that is similar to Pfeiffer Vacuum and is already very well positioned on the international market. With the acquisition of adixen, we have increased our market share in the global market for vacuum pumps and have procured improved access to the Asian market. In fiscal 2011, all sales and marketing teams were globally interlinked and the Pfeiffer Vacuum sales rules were standardized. Due to intensive training courses in the new, extensive product range, the sales and marketing team is now able to exploit the opportunities for higher sales levels among existing as well as new customers.

Production and logistics

Through the optimization of our production and logistics processes, we have laid the foundation in recent fiscal years for further improving our profitability. We therefore see this as an opportunity for being even faster in offering high-quality solutions to our customers in the future also. We have rigorously aligned the flows of materials in manufacturing toward our modern logistics processes. Reorganizing and fundamentally modernizing manufacturing operations has led to additional productivity gains. As a solutions provider, we focus squarely on the needs of our customers. And through the reorganization of our manufacturing process, we are now being guided even more by the needs of our customers rather than by rigid planning dictates. Moreover, a cutting-edge warehouse system and a standardized system of product shipping is increasing efficiency. We are confident that the interplay between these modernization measures will help us to reduce throughput times in the future. By the acquisition of adixen, Pfeiffer Vacuum now has another large production location in Annecy, France, in addition to production in Asslar and Göttingen.

Human resources

The development of viable new products, the ongoing improvement of our existing product portfolio, the high level of precision of the production processes, the sale and distribution of our products in a technologically challenging competitive environment, and the administration of an internationally operating, publicly traded Corporate Group necessitate a highly qualified and motivated workforce. We therefore utilize the opportunity of assuring the long-term loyalty of the Company's existing talent while simultaneously being an attractive employer for new people. Attractive pay concepts have been in place for years at Pfeiffer Vacuum. We therefore view ourselves as being well equipped to cover our future needs for qualified skilled labor and university graduates in the future and to assure the loyalty of our talent to the Company – both are absolute prerequisites for the Company's successful further development.

General comments on the risk management system

We are of the opinion that the risk management system is suitable for identifying, analyzing and quantifying existing risks in order to adequately steer them. Our auditor has reviewed the risk management system that is in place in connection with the audit of the Annual Financial Statements. This review did not result in any objections. No risks are identifiable that could endanger the Company's survival, neither for the year covered by this Report nor for the following years.

Rating

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

Subsequent Events

The corporate situation and the industry environment were not subject to any significant changes. With effect from January 1, 2013 the Supervisory Board appointed Ms. Nathalie Benedikt as Chief Financial Officer and thus expanded the Management Board. This appointment by the Supervisory Board reflected the development and growth of Pfeiffer Vacuum. The sharing of responsibilities with an additional person enables the members of the Management Board to attend even more to important issues and projects and to show more presence locally.

Outlook

General economic development

Experts from the International Monetary Fund (IMF) predicted that the global economic development would pick up again in 2013, after the downturn in the previous year. This forecast held out the prospect of a 3.5% improvement in growth in 2013, after 3.0% in 2012. The upturn is first and foremost expected from emerging regions, particularly from Asian countries, where an increase totaling 7.1% is forecast. China is projected to lead the way with 8.2% and India with 5.9% – both figures reflecting improvements over the previous year.

In contrast, according to the IMF, the eurozone will develop negatively with –0.2%. Within the eurozone, Germany will continue to have a prominent position with an estimated above-average economic growth of 0.6%. The USA is expected to experience a slight downturn in the economic situation there during 2012 with growth of 2.0%. The figure of 1.2% for Japan represents a marked deterioration. In Russia however the economic situation appears to remain relatively stable with a rate of 3.7%. In South America, Brazil and Mexico are each predicted to experience a slightly less than average rate of growth for the region of 3.5%.

Mechanical engineering

The German Engineering Federation (VDMA) forecasts an increased output of 2.0% in fiscal 2013 after it was already supposed to have increased by 2.0% in 2012. In absolute figures, German mechanical and plant engineering companies with a production value totaling € 196 billion in 2012 reached exactly the same figure as the previous record in 2008. With an estimated € 204 billion they are expected to exceed this figure in the current fiscal year. The regional analysis evidences a backlog in demand in China which is expected to be resolved in the course of the current fiscal year. It is also expected that the positive economic trend in the USA that began in 2012 will also make itself felt in German mechanical engineering. Europe should remain on its present course. As for the up-and-coming countries in the throes of industrialization, they are expected to experience a quickening in the race to catch up.

Development in the markets

Pfeiffer Vacuum divides its customers into the Semiconductor, Industrial, Coating, Analytical Industry, and Research & Development market segments.

The semiconductor market segment is regarded as cyclical in nature and underwent an inconsistent period during the past year. Due to continuing contradictory signals from the market, it is difficult to predict future development. While some large companies post record profits, producers of chips in particular are faced with falling demand. The course of this market segment during the current fiscal year will depend on the extent to which customers invest in new manufacturing plant and technologies. Fundamentally, Pfeiffer Vacuum expects that the demand for products from the semiconductor industry will generally increase due to the continuing digitalization of everyday tasks – even if it may lead to a short-term decline in the market sector.

In the Industrial market segment, the order growth will primarily be determined by new product developments as well as the general trend towards resource conservation. Here, Pfeiffer Vacuum expects a more stable development. Pfeiffer Vacuum has the same expectations for sound development in relation to the Analytical Industry and Research & Development markets. Analytics is used in research activities and quality control in general industry and is especially used in the semiconductor sector. The Research & Development market is dependent on political decisions concerning funding for projects and research institutes.

The Coating market segment can be roughly divided into two sectors – customers from the solar industry and customers from other coating industries. As far as the solar industry is concerned, it is currently suffering from acute overcapacities, which resulted in the fact that investment in building up new capacities did not take place in the past fiscal year. However, Pfeiffer Vacuum also envisages increasing demand in this sector in the long-term. Apart from the solar market, the Coating market segment is also expected to undergo stable development.

Development of sales revenue in 2013

The almost entirely collapsed sales revenue with customers from the solar industry is principally responsible for the 11.2% decline in sales revenues to € 461.3 million in fiscal 2012. A slight decline in sales revenues from the semiconductor industry also contributed to this development. There have only been vague signs of an improvement in both branches to date. In view of the brightening forecasts for both the global economic situation as well as the mechanical engineering industry, a continuing sharp downturn in sales revenue in 2013 is not to be expected at Pfeiffer Vacuum. Against the backdrop of an improved worldwide economic situation a positive sales development can basically be assumed for 2014.

The level of incoming orders declined in the fourth quarter compared to the third quarter, in line with general trends in the mechanical engineering sector. This is contrasted with a more upbeat mood in the early weeks of the current financial year. Conclusions should not therefore be drawn about the expected annual turnover from the level of incoming orders at the end of 2012. A quantifiable estimation of sales development is also complicated by the fact that the visibility of our orders is about two months.

Earnings development

After the acquisition of adixen as at December 31, 2010, we will continue to amortize/depreciate certain amounts as a consequence of purchase price allocation as planned. This burden amounts to approximately € 7 million each for fiscal 2012 and 2013. Operational optimization measures should contribute to a recovery of the margin situation even beyond 2013. Capital expenditures currently planned for 2013 are approximately € 10 million for the entire Group. According to past procedure, which has proven itself in our estimation, we will give an outlook of the entire current fiscal year at the Annual Shareholders Meeting on May 28, 2013.

Dividends

Pfeiffer Vacuum is a title known to have strong dividends on the German stock market. The Company wishes to remain faithful to this philosophy. The Management Board and the Supervisory Board will therefore propose at the Annual Shareholders Meeting to distribute a dividend of € 3.45 per share for fiscal 2012 (previous year: € 3.15 per share). With a distribution volume of some € 34.0 million, this would once again result in approximately 75% of net profit being paid out to shareholders.

Forward-looking statements

The statements, estimations and other information in this outlook are based upon assumptions about future macroeconomic and sector-specific development. The assumptions are based upon the latest information available at the time of publication. Due to the inherent risks and uncertainties relating to the probability of the statements and estimations made here, actual developments may differ significantly.

We wish to remain a highly profitable company. Overall we are very confident that we can achieve this goal on the basis of the order development at the end of 2012, the strategic focus on clearly defined target markets, and the ongoing conversations with our customers. Our highly trained and motivated employees form the basis for this expectation.

Dividend rate, Dividend per Share and Dividend Yield

		2012	2011
Dividend rate[1]	in %	75.2	75.1
Dividend per share	in €	3.45[2]	3.15
Dividend yield	in %	3.8	4.7

[1] *(Proposed) dividend distribution in relation to the net income for that year*
[2] *Subject to approval by the Annual Shareholders Meeting*

Consolidated Financial Statements

Consolidated Statements of Income
Pfeiffer Vacuum Technology AG

	Note	2012	2011
		in K€	in K€
Net sales	31	461,327	519,509
Cost of sales	7, 15	–294,552	–352,129
Gross profit		**166,775**	167,380
Selling and marketing expenses	7	–50,674	–54,521
General and administrative expenses	7	–30,173	–35,009
Research and development expenses	7	–22,441	–22,713
Other operating income	8	10,515	14,648
Other operating expenses	8	–6,317	–8,008
Operating profit	31	**67,685**	61,777
Financial expenses	9, 32	–2,245	–2,923
Financial income	9, 32	822	645
Earnings before taxes	24, 31	**66,262**	59,499
Income taxes	24	–21,010	–17,931
Net income		**45,252**	41,568
Thereof attributable to:			
Pfeiffer Vacuum Technology AG shareholders		**45,252**	41,382
Non-controlling interests		—	186
Earnings per share (in €):			
Basic	34	4.59	4.19
Diluted	34	4.59	4.19

Consolidated Statements of Comprehensive Income Pfeiffer Vacuum Technology AG

	Note	2012	2011
		in K€	in K€
Net income		**45,252**	41,568
Other comprehensive income			
Currency changes	21	404	1,007
Results from cash flow hedges	21, 32	635	–508
Income tax relating to other comprehensive income	21	–197	161
Other comprehensive income, net of tax		**842**	660
Total comprehensive income		**46,094**	42,228
Thereof attributable to:			
Pfeiffer Vacuum Technology AG shareholders		**46,094**	42,035
Non-controlling interests		—	193

Consolidated Balance Sheets
Pfeiffer Vacuum Technology AG

	Note	**Dec. 31, 2012**	Dec. 31, 2011
		in K€	in K€
ASSETS			
Intangible assets	10	87,505	93,688
Property, plant and equipment	11	93,465	96,331
Investment properties	12	568	592
Shares in associated companies	13	1,600	1,950
Prepaid pension cost	25	684	354
Deferred tax assets	24	9,926	10,177
Other non-current assets	14	4,520	3,883
Total non-current assets		**198,268**	206,975
Inventories	15	76,194	84,941
Trade accounts receivable	16	55,262	61,418
Other accounts receivable	17	11,945	12,789
Prepaid expenses		1,987	2,432
Cash and cash equivalents	18	102,006	108,293
Total current assets		**247,394**	269,873
Total assets	31	**445,662**	476,848
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital	19	25,261	25,261
Additional paid-in capital	19	96,245	98,147
Retained earnings	20	172,587	158,418
Other equity components	21	–665	–1,507
Equity of Pfeiffer Vacuum Technology AG shareholders		**293,428**	280,319
Non-controlling interests	6	—	798
Total equity		**293,428**	281,117
Financial liabilities	23	50,385	71,473
Provisions for pensions	25	6,188	7,354
Deferred tax liabilities	24	14,258	16,556
Total non-current liabilities		**70,831**	95,383
Trade accounts payable	26	24,928	26,966
Other accounts payable	27, 32	20,049	24,844
Provisions	28	26,136	28,410
Income tax liabilities	24	3,731	9,429
Customer deposits		4,803	5,613
Financial liabilities	29	1,756	5,086
Total current liabilities		**81,403**	100,348
Total shareholders' equity and liabilities		**445,662**	476,848

Consolidated Statements of Shareholders' Equity Pfeiffer Vacuum Technology AG

		Equity of Pfeiffer Vacuum Technology AG Shareholders						
	Note	Share Capital	Additional Paid-in Capital	Retained Earnings	Other Equity Components	Total	Non-controlling Interests	**Total Equity**
		in K€	in K€	in K€	in K€	in K€	in K€	in K€
Balance on January 1, 2011		**25,261**	**98,862**	**145,652**	**–2,160**	**267,615**	**1,727**	**269,342**
Net income		—	—	41,382	—	41,382	186	41,568
Earnings recorded directly in equity	21, 32	—	—	—	653	653	7	660
Total comprehensive income		—	—	**41,382**	**653**	**42,035**	**193**	**42,228**
Dividend payment	20	—	—	–28,616	—	–28,616	—	–28,616
Purchase of non-controlling interests	6, 19	—	–715	—	—	–715	–1,122	–1,837
Balance on December 31, 2011		**25,261**	**98,147**	**158,418**	**–1,507**	**280,319**	**798**	**281,117**
Net income		—	—	45,252	—	45,252	—	45,252
Earnings recorded directly in equity	21, 32	—	—	—	842	842	—	842
Total comprehensive income		—	—	**45,252**	**842**	**46,094**	—	**46,094**
Dividend payment	20	—	—	–31,083	—	–31,083	—	–31,083
Purchase of non-controlling interests	6, 19	—	–1,902	—	—	–1,902	–798	–2,700
Balance on December 31, 2012		**25,261**	**96,245**	**172,587**	**–665**	**293,428**	**—**	**293,428**

Consolidated Statements of Cash Flows
Pfeiffer Vacuum Technology AG

	Note	**2012**	2011
		in K€	in K€
Cash flow from operating activities:			
Earnings before taxes	31	66,262	59,499
Adjustment for financial income/financial expense		1,073	2,078
Financial income received		641	463
Financial expenses paid		–1,678	–2,743
Income taxes paid		–28,081	–21,971
Depreciation/amortization	10, 11, 12, 31	19,844	21,582
Non-cash impairment losses	13	350	200
Loss from disposals of assets		36	529
Changes in allowances for doubtful accounts	16	908	564
Changes in inventory reserves		1,423	2,451
Other non-cash income and expenses		–924	—
Effects of changes in assets and liabilities:			
Inventories		8,028	11,105
Receivables and other assets		6,422	21,109
Provisions, including pension and income tax liabilities		–4,319	–73
Payables, customer deposits		–6,644	–23,630
Net cash provided by operating activities		**63,341**	71,163
Cash flow from investing activities:			
Capital expenditures	10, 11, 12, 31	–10,268	–20,766
Proceeds from disposals of fixed assets		318	1,336
Proceeds from divestments		—	5,885
Proceeds from purchase price adjustments		—	1,374
Net cash used in investing activities		**–9,950**	–12,171
Cash flow from financing activities:			
Dividend payments	20	–31,083	–28,616
Redemptions of financial liabilities		–24,617	–5,015
Expenditures from purchase of non-controlling interests	6	–2,700	–1,837
Net cash used in financing activities		**–58,400**	-35,468
Effects of foreign exchange rate changes on cash and cash equivalents		–1,278	–206
Net decrease/increase in cash and cash equivalents		**–6,287**	23,318
Cash and cash equivalents at beginning of period		108,293	84,975
Cash and cash equivalents at end of period	18	**102,006**	108,293

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 on the 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 developed and manufactured at the Company's production facilities in Asslar and Göttingen, Germany, as well as in Annecy, France and Asan, Republic of Korea, include turbopumps, a range of backing pumps, such as rotary vane, Roots and dry pumps, complete pumping stations, as well as custom vacuum systems 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 ended December 31, 2012, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU). This includes the International Accounting Standards (IAS), which continue to retain their validity, and the interpretations of the Standing Interpretations Committee (SIC). Those standards that have been published but whose application is not yet mandatory have generally not been adopted at an earlier stage. The Notes to the Consolidated Financial Statements additionally include the information required by § 315a, Sub.-Para. 1, of the German Commercial Code ("HGB").

Basic valuation principles

The Consolidated Financial Statements are prepared essentially in accordance with the acquisition cost principle. However, this does not include derivative financial instruments and financial investments available-for-sale, which are carried at fair values. Pfeiffer Vacuum prepares its Consolidated Financial Statements in euros (€). Unless otherwise indicated, the presentation is in thousands of euros (K€).

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 either directly or indirectly holds a majority of the voting rights and can therefore decide the financial and operating policies of the controlled entity.

Associated companies are accounted for using the equity method. Companies are considered to be associated if the Pfeiffer Vacuum Group holds an equity investment of at least 20% and if it is possible to significantly influence operating and financial policies.

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 jointly controlled entities as at December 31, 2012, or in previous years. Nor were there any controlled entities pursuant to the rules of SIC 12, "Consolidation – Special Purpose Entities."

Consolidation of investments is effected at the acquisition date in accordance with the acquisition method. In this connection, all assets, liabilities and intangible assets that can be additionally recognized 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 difference is recognized as goodwill and written down only in the event of an impairment (impairment-only approach). In the case of every corporate merger, those shares that do not have a controlling influence on the acquired company (non-controlling interests) are valued either at their attributable fair value or at a corresponding percentage of the identifiable net worth of the acquired entity. Costs incurred within the framework of the corporate merger are recorded as expense.

Non-controlling interests represent that portion of the earnings and net assets not held by the Corporate Group; in the Consolidated Financial Statements, they are presented in equity separately from the shareholders' equity of the parent corporation. A change in the percentage of a subsidiary that is held without loss of control is recorded as an equity transaction.

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 individual financial statements of consolidated companies, foreign-currency transaction gains and losses from regular operations 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, the Company has applied the following new or amended standards and interpretations. This did not have any impact on the Consolidated Financial Statements.

Additionally, the following standards and interpretations were issued by the IASB and endorsed by the EU. The application of mandatory standards did not have any impact on the Consolidated Financial Statements due to the implementation of mandatorily applicable standards. The option of voluntarily applying standards ahead of time has not been utilized. Here, too, there is expected to be no significant impact on the Consolidated Financial Statements. In contrast, the financial position will be impacted by the application of amended IAS 19 with the actuarial gains and losses from valuation of the benefit obligation and plan assets being recorded directly in the other equity components. As of December 31, 2012, application of amended IAS 19 would have decreased other equity components by € 16.5 million (net of deferred taxes) and would have increased provisions for pensions by € 23.4 million.

Title	Issued by IASB/IFRIC	Applicability[1]
Mandatory application for fiscal years ending on December 31, 2012		
Changes to IFRS 7 – Disclosures of Transfers of Financial Assets	October 2010	July 1, 2011
Voluntary applicability for fiscal years ending on or after December 31, 2012		
Changes to IFRS 1 – Severe Hyperinflation and Replacement of Fixed Dates for First-Time Adoption	December 2010	January 1, 2013
Changes to IFRS 7 – Offsetting Financial Assets and Financial Liabilities	December 2011	January 1, 2013
IFRS 10 Consolidated Financial Statements	May 2011	January 1, 2014
IFRS 11 Joint Arrangements	May 2011	January 1, 2014
IFRS 12 Disclosure of Interests in Other Entities	May 2011	January 1, 2014
IFRS 13 Fair Value Measurement	June 2011	January 1, 2013
Changes to IAS 1 – Presentation of Items of Other Comprehensive Income	June 2011	July 1, 2012
Changes to IAS 12 – Deferred Taxes: Recovery of Underlying Assets	December 2010	January 1, 2013
IAS 19 Employee Benefits (revised 2011)	June 2011	January 1, 2013
IAS 27 Separate Financial Statements (revised 2011)	May 2011	January 1, 2014
IAS 28 Investments in Associates (revised 2011)	May 2011	January 1, 2014
Changes to IAS 32 – Offsetting Financial Assets and Financial Liabilities	December 2011	January 1, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	October 2011	January 1, 2013
Issued, but not yet endorsed on December 31, 2012		
Changes to IFRS 1 – Government Loans	March 2012	January 1, 2013
IFRS 9 Financial Instruments Classification and measurement	2009 and 2010	January 1, 2015
Changes to IFRS 7 and IFRS 9 – Statement: effective date	December 2011	January 1, 2015
Changes to IFRS 10, IFRS 11 and IFRS 12 – Transitional provisions	June 2012	January 1, 2014
Changes to IFRS 10, IFRS 11 and IFRS 12 – Investment companies	October 2012	January 1, 2014
Improvements to IFRS	May 2012	Diverse

[1] *Fiscal years beginning on or after the indicated date*

4. Accounting and valuation methods

Income recognition

Sales revenues are recognized when the material risks and rewards relating to the ownership of the products sold passes to the purchaser, which is essentially the case when the goods are shipped. Should product sales be subject to customer acceptance, revenues are not recognized until customer acceptance has occurred. Service revenues are recognized when the underlying services are performed. These revenues include the invoiced working hours of the service personnel, as well as spare parts and replacement products. Rebates are recorded as a reduction of sales revenues. Interest income is recorded when the interest originates. Rental income from investment properties is recorded on a straight-line basis over the term of the leases.

Construction contracts

Construction contracts are accounted for under IAS 11, "Construction Contracts." The percentage of completion method is used for revenue recognition, with the stage of completion being calculated as the ratio between contract costs incurred and expected total contract costs (cost-to-cost method). Receivables from construction contracts are presented as a separate line item on the assets side of the balance sheet, net of prepayments received, if applicable, or, if the prepayments received exceed the receivables, as a separate line item on the liabilities side of the balance sheet.

Cost of sales

The cost of sales presented in the income statement includes all expenses that are directly or indirectly attributable to the (sold) product or service. These essentially include materials consumed (including inbound freight charges), production-related wages and salaries, purchasing and receiving costs, as well as certain service costs. Inventory excess and obsolescence charges, as well as warranty-related expenses, are also recorded as cost of sales. Based on historical experience, warranty provisions for recognized revenues are recorded as at year-end.

Research and development expenses

Research and development costs are expensed as incurred. Development costs are not capitalized, since the capitalization prerequisites in IAS 38, "Intangible Assets," are not fully satisfied.

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:

Production halls, production and administration buildings and similar facilities	20 – 40 years
Machinery and equipment (including IT equipment)	3 – 15 years
Software[1]	2 – 5 years

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

Scheduled depreciation and amortization are allocated to the expense lines in the income statement on the basis of the input involved.

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 is the greater of the fair value of an asset or a cash-generating unit 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. Repair and maintenance costs are expensed as incurred.

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 also 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. Investment properties are reclassified to property, plant and equipment if a change in use is caused by self-occupancy. Conversely, property and plant is reclassified to investment properties if self-occupancy ends and leasing is then effected. Due to valuation at amortized cost in both cases, no revaluation is required upon reclassification.

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 IAS 39, "Financial Instruments: Recognition and Measurement," financial instruments are allocated to the following categories upon initial recognition:

- Financial assets at fair value through profit and loss (financial assets held for trading),
- Financial assets held-to-maturity,
- Loans and receivables,
- Financial assets available-for-sale,
- Financial liabilities at fair value through profit and loss (financial liabilities held for trading) and
- Financial liabilities measured at amortized cost.

Interest-bearing securities (such as bank or corporate bonds, bonded loans) are non-derivative financial assets having a contractually agreed maturity and redeemable at their notional value. Securities which the Company has the ability and the intention to hold until maturity are classified as "held-to-maturity." Upon initial recognition, they are valued at their fair value, less transaction costs. Subsequent valuation is effected at their carrying amount. Equity securities do not have contractually agreed maturities and are classified as "available-for-sale" and measured at fair value based on identified stock exchange prices. Changes in fair value are not generally recorded in the income statement but directly in other equity components. In variance thereto, prolonged (generally more than 6 months) or significant (generally more than 20%) decreases in fair value are recorded in the income statement. As the fair value of available-for-sale securities was always derived from identified stock exchange prices, there were no changes in the valuation methods. Securities with remaining maturities of one year or less are classified as current.

Accounts receivable, in particular trade accounts receivable, are categorized as "loans and receivables" and are measured at (amortized) cost. They typically do not bear interest. Costs of acquisition are recorded at the invoiced amount (including any value added tax). The Company continuously assesses the adequacy of the allowances for doubtful accounts receivable and makes appropriate adjustments on the basis of both specific probability and aging distribution. Any subsequent reversal is recorded in the income statement in an amount not to exceed its carrying amount (net of amortization or depreciation). Receivables are derecognized after all means of collection have been exhausted.

The Company uses derivatives only to manage foreign currency exchange rate risks. Around 56% (previous year: 54%) of total consolidated sales revenues are invoiced in foreign currencies (non-euro, predominantly in U.S. dollars). The Company enters into forward exchange and option transactions to hedge its future sales revenues 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 foreign exchange gains/losses at the time of realization of the underlying transaction that has been hedged. Ineffective hedging elements of the change in the fair value of derivatives are recorded in the income statement. 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 using accepted option pricing models, taking into account current exchange rates prevailing on the balance sheet date. Please refer to Note 32 for further information relating to financial instruments.

Trade accounts payable are categorized as financial liabilities and are measured at amortized cost. They are recorded at the higher of their notational value or their redemption amount at the close of the fiscal year, including any value added tax.

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.

Shares in associated companies

Associated companies are valued in accordance with the equity method, with the book value of the company being adjusted annually by the percentage of results, dividend distributions and other changes to shareholders' equity. Any goodwill in connection with an associated company is included in the book value of the shareholdings, and is subjected to neither scheduled depreciation nor any special impairment test. If there are indications of a permanent impairment, the equity investment valuation is reduced, with the change being charged to income.

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. Due to the short investment period this line item is only subject to minor value fluctuations. Cash and cash equivalents are defined accordingly in the consolidated cash flow statements.

Inventories

Inventories are valued at the lower of acquisition costs, manufacturing costs or market price, with the market price being defined as the net realizable value. Removals from inventory are determined on an average cost basis. 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. 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 judgment 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." Under this rule, changes in the amount of either the defined benefit obligation (under pension plans), the actuarial present value of earned entitlements (under other plans) or variances between actual and expected returns on plan assets or from changes in assumptions can result in actuarial gains or losses not yet recognized in the Company's Consolidated Financial Statements. Actuarial gains or losses are recognized in the income statement when the balance of the cumulative, unrecorded actuarial gains or losses for each individual plan exceeds the greater of the two amounts resulting from 10% of the defined benefit obligation or 10% of the fair value of the plan assets at the close of the previous reporting period. These gains or losses are amortized over the average remaining service period of active employees who are expected to receive benefits under the plan. 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.

Other accounts payable

Other accounts payable are measured at amortized costs. 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 (liability method). In assessing the realizability of deferred tax assets, management considers whether it is more likely than 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.

Treasury shares

Should the Corporate Group acquire treasury shares, they are deducted from shareholders' equity. The purchase, sale, issuance or recall of treasury shares is not recorded in the income statement.

Leases

In accordance with IAS 17, "Leases," leasing contracts are classified as either finance or operating leases. Assets that are subject to operating leases are not capitalized. Lease payments are charged to income in the year they are incurred.

Under a finance lease, substantially all of the risks and rewards related to the leased asset are transferred. Assets that are subject to a finance lease are recorded at the present value of the minimum lease payments, with a leasing liability being recorded in the same amount. The periodic lease payments are divided into principal and interest components. While the interest component is recorded as an interest expense, the principal component reduces the outstanding liability. Assets recognized are depreciated over the useful life of the respective asset.

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.

Use of estimates

The process of preparing financial statements requires the use of estimates and assumptions on the part of 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 judgment on the part of management. These estimates and assumptions could differ from the actual results. As at December 31, 2012, no judgment uncertainties existed that could lead to the significant risk of the need for a material adjustment of book values in the 2013 fiscal year.

Material forward-looking estimates and assumptions exist, among others, in estimating the cash flows in connection with the goodwill impairment test, with regard to the formation of pension and warranty provisions, in forecasting the useful lives of fixed assets, 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 10. 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". Further details for provisions are described in Note 28.

Notes to the Scope of Consolidation

5. Composition of consolidated companies

In addition to Pfeiffer Vacuum Technology AG, again two German and 20 foreign subsidiaries (previous year: 23) are fully consolidated in the Company's Consolidated Financial Statements as at December 31, 2012.

	Location	Holdings
		in %
Pfeiffer Vacuum Technology AG	Germany	
Pfeiffer Vacuum GmbH	Germany	100.0
Pfeiffer Vacuum Austria GmbH	Austria	100.0
Pfeiffer Vacuum (Schweiz) AG	Switzerland	99.4
Pfeiffer Vacuum (Shanghai) Co., Ltd.	China	100.0
Pfeiffer Vacuum (India) Ltd.	India	27.0[1]
Pfeiffer Vacuum Ltd.	Great Britain	100.0
Pfeiffer Vacuum Scandinavia AB	Sweden	100.0
Pfeiffer Vacuum Inc.	USA	100.0
Pfeiffer Vacuum Brasil Ltda.	Brazil	100.0
Pfeiffer Vacuum Rus OOO i. l.	Russia	100.0
Pfeiffer Vacuum Singapore Ltd.	Singapore	100.0
Pfeiffer Vacuum Taiwan Corporation Ltd.	Taiwan	100.0
Pfeiffer Vacuum Benelux B.V.	The Netherlands	100.0
Pfeiffer Vacuum Holding B.V.	The Netherlands	100.0
Pfeiffer Vacuum Italia S.p.A.	Italy	100.0
Pfeiffer Vacuum (India) Ltd.	India	73.0[1]
Pfeiffer Vacuum Korea Ltd.	Republic of Korea	75.5[1]
Trinos Vakuum-Systeme GmbH	Germany	100.0
adixen Vacuum Products SAS	France	100.0
adixen Vacuum Technology (Shanghai) Co., Ltd.	China	100.0
adixen Manufacturing Korea Co., Ltd.	Republic of Korea	100.0
adixen Manufacturing Romania S.r.l.	Romania	100.0
adixen Vacuum Technology Korea Ltd.	Republic of Korea	100.0
Pfeiffer Vacuum Korea Ltd.	Republic of Korea	24.5[1]

[1] Total Group holdings: 100.0%

6. Changes in consolidated companies and purchase of non-controlling interests

Purchase of further shareholdings in Pfeiffer Vacuum Korea Ltd.

In 2012 the Company increased its shareholdings in Pfeiffer Vacuum Ltd., Republic of Korea, by 24.5% to 100.0%. The difference of € 1.9 million between the acquisition costs of those additional shares and the related net book value was recorded in additional paid-in capital.

adixen Integration

Within the course of the global adixen integration that continued in 2012 Pfeiffer Vacuum France SAS and Pfeiffer Vacuum Technology India Ltd. were merged into the entities already existing in the respective countries. Additionally, adixen Vacuum Technology Ltd. was liquidated. The integration activities did not have any impact on the Company's net worth, financial position or profitability.

Acquisition of the adixen vacuum technology business unit

Pfeiffer Vacuum Technology AG acquired Alcatel-Lucent group's vacuum technology business unit (adixen) effective December 31, 2010. adixen's business operations complement Pfeiffer Vacuum's strategic alignment as a result of the very few overlaps in terms of products and regions. On the acquisition date the entire adixen business unit comprised 14 entities with the headquarters in France.

The initial consolidation of this business unit in the Consolidated Financial Statements for 2010 was made on a preliminary basis. In fiscal 2011 the purchase price allocation, i. e. the valuation of all assets and liabilities acquired with its fair value as of the acquisition date, was completed

The goodwill in the amount of € 45.0 million comprises the employees assumed and the acquisition's general business chances. This includes synergy effects stemming from the broader product portfolio and the opportunity of being able to market this product portfolio via the expanded and integrated sales and marketing network. Based on adixen's strong market position this will be achieved mainly in Asia, France and in the USA. Moreover, we see additional potential in connection with the joint development of new products. The goodwill is not able to be applied for tax purposes. Valuation of non-controlling interests was based on the proportionate share of the acquiree's identifiable net assets.

Notes to the Consolidated Statements of Income

7. Functional expenses

Cost of Sales

Cost of sales predominantly include the manufacturing costs for the products sold (including wages and salaries), depreciation/amortization allocated to this functional section (for example on production buildings and machines), expenses for inventory valuation and warranty expenses.

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 adixen purchase price allocation totaled € 3.0 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 25 (relating to the development of pension expenses) and to Note 37 (relating to development of personnel expenses).

8. Other operating income and other operating expense

Other operating income and expense are comprised as follows:

Composition of Other Operating Income and Expenses

	2012	2011
	in K€	in K€
Foreign exchange gains	5,282	9,627
Government grants	5,233	5,021
Other operating income	**10,515**	14,648
Foreign exchange losses	–5,566	–7,479
Other operating expenses	–715	—
Losses from disposals of fixed assets	–36	–529
Other operating expenses	**–6,317**	–8,008

9. Financial income and financial expenses

Financial income and financial expenses as recorded in 2012 and the previous year comprises as follows:

Composition of Financial Income and Financial Expenses

	2012	2011
	in K€	in K€
Interest expenses and similar	–1,895	–2,723
Impairment losses	–350	–200
Total financial expenses	**–2,245**	–2,923
Interest income	822	645
Total financial income	**822**	645
Financial result	**–1,423**	–2,278

Notes to the Consolidated Balance Sheets

10. Intangible assets

The intangible assets item mainly includes software purchased within the consolidated Group and intangible assets recognized in connection with the adixen acquisition (amongst others developed technology, customer base, trademark right) as well as goodwill. The development of intangible assets in 2012 and 2011 was as follows:

Development of Intangible Assets in 2012

	Software	Other intangible assets	Goodwill	**Total**
	in K€	in K€	in K€	in K€
Acquisition cost				
Balance on January 1, 2012	4,839	45,162	53,404	103,405
Currency changes	–9	–38	—	–47
Additions	544	51	—	595
Disposals	–14	—	—	–14
Balance on December 31, 2012	5,360	45,175	53,404	103,939
Amortization				
Balance on January 1, 2012	3,188	6,529	—	9,717
Currency changes	–10	–14	—	–24
Additions	419	6,336	—	6,755
Disposals	–14	—	—	–14
Balance on December 31, 2012	3,583	12,851	—	16,434
Net book value on December 31, 2012	**1,777**	**32,324**	**53,404**	**87,505**

Development of Intangible Assets in 2011

	Software	Other intangible assets	Goodwill	**Total**
	in K€	in K€	in K€	in K€
Acquisition cost				
Balance on January 1, 2011 (adjusted)	4,467	51,415	53,404	109,286
Currency changes	18	–30	—	–12
Additions	501	97	—	598
Disposals	–70	–2,300	—	–2,370
Disposals from divestments	–77	–4,020	—	–4,097
Balance on December 31, 2011	4,839	45,162	53,404	103,405
Amortization				
Balance on January 1, 2011	2,818	67	—	2,885
Currency changes	15	–6	—	9
Additions	415	8,768	—	9,183
Disposals	–38	–2,300	—	–2,338
Disposals from divestments	–22	—	—	–22
Balance on December 31, 2011	3,188	6,529	—	9,717
Net book value on December 31, 2011	1,651	38,633	53,404	93,688

Impairment losses did not have to be recorded for intangible assets in fiscal 2012 and 2011. Scheduled amortization on intangible assets was allocated to the functional sections according to their actual origin and reason.

The trademark right "adixen" recognized in connection with the acquisition (net book value € 3.0 million) has an indefinite useful life and was allocated to the business segments based on sales portions. Here, amongst others, € 0.8 million related to France, € 0.9 million to the Republic of Korea, and € 0.5 million to the USA. The trademark right was tested for impairment on December 31, 2012. No impairment was determined.

The recoverable amount for goodwill (value in use) stemming from the Trinos acquisition employed within the context of the impairment test (€ 8.2 million, unchanged) was determined as at December 31, 2012. The basis for this was a cash flow forecast for fiscal 2013 through 2015. The cash flows expected thereafter were extrapolated using a growth rate of 0.5% (unchanged). The pre-tax discount rate employed was 11.1% (previous year: 10.0%). The determination of this value did not result in an impairment.

The recoverable amount (value in use) for impairment testing of the goodwill recognized in connection with the adixen acquisition (€ 45.0 million) was also determined as at December 31, 2012. Here, too, the valuation was based on a cash flow forecast for fiscal 2013 through 2015. The cash flows expected thereafter were extrapolated using an individual growth rate. The adixen 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 adixen Goodwill and Major Valuation Assumptions

		December 31, 2012		December 31, 2011	
	Goodwill	Pre-tax discount rate	Long-term growth rate	Pre-tax discount rate	Long-term growth rate
	in € millions	in %	in %	in %	in %
Germany	3.4	11.1	1.5	10.0	1.5
France	22.9	12.0	1.5	10.7	1.5
Rest of Europe	2.8	12.4	1.5	10.7	1.5
USA	6.6	13.2	1.5	11.7	1.5
Republic of Korea	3.7	11.8	1.5	11.1	1.5
China	3.6	12.0	1.5	11.0	1.5
Rest of Asia	2.0	12.3	1.5	9.5	1.5

The determination of the adixen goodwill, too, did not result in an impairment.

Management is of the opinion that no reasonably possible changes in the key assumptions used to calculate the recoverable amount could cause the carrying amount of the respective goodwill to exceed its recoverable amount.

11. Property, plant and equipment

Development of Property, Plant and Equipment in 2012

	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 on January 1, 2012	65,888	62,219	21,145	928	150,180
Currency changes	359	333	200	18	910
Additions	1,226	2,529	2,920	2,998	9,673
Disposals	−88	−2,185	−2,360	−39	−4,672
Reclassifications	—	1,696	1,463	−3,159	—
Balance on December 31, 2012	67,385	64,592	23,368	746	156,091
Depreciation					
Balance on January 1, 2012	17,769	24,300	11,780	—	53,849
Currency changes	9	52	−31	—	30
Additions	3,153	6,980	2,932	—	13,065
Disposals	−87	−2,050	−2,181	—	−4,318
Balance on December 31, 2012	20,844	29,282	12,500	—	62,626
Net book value on December 31, 2012	**46,541**	**35,310**	**10,868**	**746**	**93,465**

Development of Property, Plant and Equipment in 2011

	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 on January 1, 2011 (adjusted)	59,934	52,973	20,290	5,589	138,786
Currency changes	69	−9	35	−28	67
Additions	5,992	9,593	3,006	1,577	20,168
Disposals	−2,411	−3,883	−2,117	—	−8,411
Disposals from divestments	−24	−226	−175	−5	−430
Reclassifications	2,328	3,771	106	−6,205	—
Balance on December 31, 2011	65,888	62,219	21,145	928	150,180
Depreciation					
Balance on January 1, 2011	15,897	20,678	11,549	—	48,124
Currency changes	29	−97	27	—	−41
Additions	3,310	7,072	1,993	—	12,375
Disposals	−1,461	−3,311	−1,773	—	−6,545
Disposals from divestments	−6	−42	−16	—	−64
Balance on December 31, 2011	17,769	24,300	11,780	—	53,849
Net book value on December 31, 2011	48,119	37,919	9,365	928	96,331

In fiscal 2012, buildings and machinery having a net book value of K€ 2,305 (previous year: K€ 7,124) were used as collateral to secure the Group’s financial liabilities.

12. Investment properties

Development of Investment Properties

	2012	2011
	in K€	in K€
Acquisition or manufacturing cost		
Balance on January 1	861	861
Additions	—	—
Disposals	—	—
Reclassifications	—	—
Balance on December 31	861	861
Depreciation		
Balance on January 1	269	245
Additions	24	24
Disposals	—	—
Reclassifications	—	—
Balance on December 31	293	269
Net book value on December 31	**568**	592

The real estate shown in this line item was rented out in fiscal 2012 and 2011. Unchanged to the previous year, rental revenues amounted to K€ 51 and direct operating expenses amounted to K€ 26. Impairment losses did not have to be recorded in 2012 and 2011.

Unchanged to the previous year, the fair value of investment properties totaled € 0.6 million as per December 31, 2012. 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.

13. Shares in associated companies

Since 2010, Pfeiffer Vacuum holds a total of 24.9% of the shares of Dreebit GmbH, of Dresden, Germany. This company is active in the field of service for vacuum pumps and systems, and additionally conducts developments in the field of medical technology.

As at December 31, 2012, the proportionate shareholders' equity of Dreebit GmbH totaled K€ 1,600 (December 31, 2011: K€ 1,950) and consisted of assets in the amount of K€ 1,920 and liabilities of K€ 320 (2010: K€ 2,258 and K€ 308, respectively). With proportionate sales revenues of K€ 1,004 (previous year: K€ 764), Dreebit in 2012, too, earned a balanced bottom line. The financial expenses of the Pfeiffer Vacuum Group include K€ 350 (previous year: K€ 200) of impairment expense.

14. Other non-current assets

Other non-current assets include, among others, deposits made by an adixen entity (K€ 1,524; previous year: K€ 1,380) and the non-current portion of the German corporate tax reduction claims (K€ 498; previous year: K€ 610).

15. Inventories

Composition of Inventories

	2012	2011
	in K€	in K€
Raw materials	27,060	32,282
Work in process	16,774	16,943
Finished products	32,360	35,716
Total inventories, net	**76,194**	84,941

Materials consumption in fiscal 2012 amounted to € 193.6 million (previous year: € 231.3 million) and is included in cost of sales.

In 2012 an amount of K€ 1,423 (previous year: K€ 2,451) 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

In connection with its normal course of business, the Company extends credit to a wide variety of customers. The Company performs ongoing credit evaluations of its customers and establishes allowances for identified credit risks. Trade accounts receivable do not bear any interest and have a remaining term of less than one year.

Composition of Trade Accounts Receivable

	2012	2011
	in K€	in K€
Trade accounts receivable	56,511	62,291
Allowance for doubtful accounts	–1,249	–873
Trade accounts receivable, net	**55,262**	61,418

Summary of Activity in the Allowance for Doubtful Accounts

	2012	2011
	in K€	in K€
Balance on January 1	873	577
Currency changes	–2	5
Additions	908	564
Utilization	–530	–273
Balance on December 31	**1,249**	873

Composition of Unreserved Trade Accounts Receivable

	Net Book Value	Thereof: Unreserved and not Overdue	Thereof: Unreserved and Overdue in the Following Periods					
			< 30 days	30–60 days	61–90 days	91–180 days	181–360 days	> 360 days
	in K€	in K€	in K€	in K€	in K€	in K€	in K€	in K€
2012	**55,262**	**41,098**	**7,204**	**3,204**	**798**	**1,224**	**821**	**399**
2011	61,418	48,344	8,353	1,756	418	1,404	137	70

In 2012, expenses for derecognition of receivables amounted to K€ 179 (previous year: K€ 84). The income from cash proceeds on derecognized receivables totaled K€ 51 (previous year: K€ 10).

17. Other accounts receivable

This line item totals K€ 11,945 as at December 31, 2012 (previous year: K€ 12,789). As in the year before, this position was characterized by expense subsidies of K€ 2,373 (previous year: K€ 5,021) and VAT claims of K€ 4,474 (previous year: K€ 2,460).

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 26, 2011, 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 (authorized capital). This authorization is valid through May 25, 2016, and is subject to the consent of the Supervisory Board. Authorized capital as at December 31, 2010, totaled K€ 9,186.

Under the resolution adopted by the Annual Shareholders Meeting on May 26, 2009, the Management Board is authorized to issue convertible bonds up to an amount of K€ 200,000 having a maximum maturity of 10 years. Furthermore, the holders thereof are granted conversion rights for up to 2,242,650 shares, representing a maximum amount of K€ 5,741 of share capital. This authorization is valid through May 23, 2014, and requires the consent of the Supervisory Board.

The additional paid-in capital was debited by K€ 1,902 (previous year: K€ 715) in connection with the purchase of non-controlling interests.

20. Paid and proposed dividends

The Annual Shareholders Meeting on May 22, 2012, resolved to pay a dividend of € 3.15 per share (Annual Shareholders Meeting on May 26, 2011: € 2.90 per share). The dividend payment carried out thereunder amounted to K€ 31,083 in 2012 (previous year: K€ 28,616).

At the Annual Shareholders Meeting, the Management and Supervisory Boards will propose that the shareholders participate in the Company's success in the form of a dividend in the amount of € 3.45 per share. This proposal is subject to the approval of the Annual Shareholders Meeting. Because the proposal must be approved by the Annual Shareholders Meeting, the resulting payment of K€ 34,043 has not been recorded as a liability in the balance sheet for the fiscal year ended December 31, 2012.

21. Other equity components

Other equity components comprise unrealized gains/losses on hedges and foreign currency translation adjustments.

Development of Other Equity Components

	Unrealized Gains/ Losses on Hedges	Foreign Currency Translation Adjustments	**Total**
	in K€	in K€	in K€
Balance on January 1, 2011	28	–2,188	–2,160
Changes in fair value of cash flow hedges (net of tax)	–347	—	–347
Changes in foreign currency translation	—	1,000	1,000
Balance on December 31, 2011	–319	–1,188	–1,507
Changes in fair value of cash flow hedges (net of tax)	438	—	438
Changes in foreign currency translation	—	404	404
Balance on December 31, 2012	**119**	**–784**	**–665**

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 from changes during the respective year and thus not from prior years.

Tax Effect on Other Comprehensive Income

	2012			2011		
	Gross Amount	Tax Effect	Net Amount	Gross Amount	Tax Effect	Net Amount
	in K€	in K€	in K€	in K€	in K€	in K€
Cash flow hedges	635	–197	438	–508	161	–347
Currency changes	404	—	404	1,007	—	1,007
Total other comprehensive income	**1,039**	**–197**	**842**	499	161	660

22. Treasury shares

At the Annual Shareholders Meeting on May 20, 2010, the shareholders authorized Pfeiffer Vacuum to acquire treasury shares pursuant to § 71, Sub.-Para. 1, No. 8, German Stock Corporation Act. This authorization allows the Company to acquire treasury shares representing up to € 2,296,473.60 of the capital stock (897,060 shares equal to 10% of capital stock at the time of the resolution) and is valid through May 19, 2015.

23. Long-term financial liabilities

In connection with the acquisition of the adixen entities, long-term financial liabilities having a net cash inflow of € 67.0 million were taken out on December 31, 2010. These liabilities have a Euribor-based variable interest rate including a margin. Interest clearing is made quarterly. For the fiscal year 2012, interest expenses totaling € 1.3 million were recorded (previous year: € 1.7 million). Taking into account the loan costs to be recognized over the duration of the liabilities, the amount recorded in the balance sheet on December 31, 2012, stands at € 48.7 million (previous year: € 68.3 million). Guarantors of the credit agreement are Pfeiffer Vacuum Technology AG, Pfeiffer Vacuum GmbH and Trinos Vakuum-Systeme GmbH. Under the loan agreement, the Group has committed to comply with a determined financial ratio. The Company has complied with this ratio in 2012 and 2011. Further long-term financial liabilities totaling € 1.6 million (previous year: € 3.0 million) are due to the partial external funding of some adixen entities. In addition, financial liabilities from finance leases totaling € 0.1 million (previous year: € 0.2 million) were recorded.

Pfeiffer Vacuum and its subsidiaries have various lines of credit available to them for operating purposes, totaling approximately € 10.9 million (previous year: € 17,7 million).

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

	2012	2011
	in K€	in K€
Germany	38,946	49,913
Outside Germany	27,316	9,586
Total	**66,262**	59,499

Composition of Income Tax Expense

	2012	2011
	in K€	in K€
Current taxes		
Germany	12,519	15,085
Outside Germany	10,596	8,001
	23,115	23,086
Deferred taxes		
Germany	–935	–100
Outside Germany	–1,170	–5,055
	–2,105	–5,155
Income tax expense	**21,010**	17,931

K€ 21,819 of current tax expense relate to earnings in 2012 (previous year: K€ 22,758). This line item additionally contains tax payments for prior years amounting to K€ 1,296 (previous year: K€ 328).

Reconciliation from Expected to Actual Income Tax Expense

	2012	2011
	in K€	in K€
Earnings before taxes	66,262	59,499
Expected tax expense using a tax rate of 28.81%	19,090	17,142
Non-deductible expenses	1,620	1,992
Tax debits due to tax filings in prior years	1,296	328
Higher/lower foreign tax rates	337	722
Non-taxable income	–1,316	–1,433
Effects due to dividend payments	–38	32
Other	21	–852
Income tax expense	**21,010**	17,931

As opposed to 30.1% the year before, the tax ratio for the Pfeiffer Vacuum Group amounted to 31.7% in 2012.

Deferred Taxes Relate to the Following Balance Sheet Items

	2012	2011
	in K€	in K€
Deferred tax assets		
Pensions	5,468	4,699
Inventories	4,271	4,170
Personnel and other provisions	3,214	2,974
Property, plant and equipment	399	344
Trade accounts receivable (including allowances for doubtful accounts)	348	107
Intangible assets	291	422
Financial liabilities	247	256
Other liabilities	—	505
Derivatives	—	424
Other	320	952
Total deferred tax assets	**14,558**	14,853
Deferred tax liabilities		
Intangible assets	–10,315	–12,335
Property, plant and equipment	–7,562	–7,648
Receivables (including allowances for doubtful accounts)	–312	–676
Tax-privileged reserves of a Swedish subsidiary	–269	–290
Inventories	–187	–177
Derivatives	–89	—
Personnel and other provisions	–33	–77
Other	–123	–29
Total deferred tax liabilities	**–18,890**	–21,232
Total deferred taxes, net	**–4,332**	–6,379

Amounts Recorded in the Balance Sheet

	2012	2011
	in K€	in K€
Deferred tax assets	9,926	10,177
Deferred tax liabilities	–14,258	–16,556
Total deferred taxes, net	**–4,332**	–6,379

Deferred Taxes Recorded in the Income Statement

	2012	2011
	in K€	in K€
Intangible assets	–1,888	–2,961
Receivables (including allowances for doubtful accounts)	–611	636
Personnel and other provisions	–242	–348
Pensions	–160	–375
Property, plant and equipment	–135	64
Tax-privileged reserves of a Swedish subsidiary	–32	–44
Derivatives	316	–275
Financial liabilities	9	43
Inventories	7	–1,249
Other	631	–646
Total deferred taxes (income)	**–2,105**	–5,155

As at December 31, 2012, the total deferred tax assets include income taxes recorded directly in equity of K€ -48 (previous year: K€ 64). The total deferred tax liabilities include no income taxes recorded directly in equity (previous year: K€ -85). These amounts relate only to unrealized gains/losses on cash flow hedges.

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. Management estimates that the effects of this rule in Germany will be negligible.

25. Pensions and similar obligations

Defined benefit plans

Composition of Net Periodic Pension Cost

	2012	2011
	in K€	in K€
Service cost	2,200	1,783
Interest cost	3,152	2,832
Expected return on plan assets	–1,812	–1,594
Amortization	816	116
Net periodic pension cost	**4,356**	3,137

Net periodic pension cost were allocated to the functional expenses according to the input involved.

Composition of the Net Amounts Recorded in the Balance Sheets

	2012	2011
	in K€	in K€
Present value of funded benefit obligations	–72,614	–53,157
Present value of unfunded benefit obligations	–7,626	–7,027
Total present value of benefit obligations	–80,240	–60,184
Fair value of plan assets	51,325	44,736
Present value of net obligations	–28,915	–15,448
Unrecognized actuarial losses	23,171	8,400
Unrecognized past service cost	240	48
Net amount recorded in balance sheets	**–5,504**	–7,000
Thereof: Prepaid pension costs	684	354
Thereof: Provisions for pensions	–6,188	–7,354

Development of Benefit Obligations

	2012	2011
	in K€	in K€
Present value of benefit obligations on January 1	60,184	57,139
Service cost	2,200	1,783
Interest cost	3,152	2,832
Actuarial losses/gains	16,733	–207
Benefit payments	–3,141	–2,619
Past service costs	1,143	1,048
Currency changes	–31	208
Present value of benefit obligations on December 31	**80,240**	60,184

Development of Plan Assets

	2012	2011
	in K€	in K€
Fair value of plan assets on January 1	44,736	45,569
Expected return on plan assets	1,812	1,594
Company contributions	6,269	2,368
Benefit payments	–3,141	–2,231
Actuarial gains/losses	1,696	–2,668
Currency changes	–47	104
Fair value of plan assets on December 31	**51,325**	44,736

The Company expects that cash contributions to plan assets in 2012 will be approximately € 3.3 million.

The actual return on plan assets in fiscal 2012 amounted to K€ 3,508 (previous year: K€ –1,074).

Actuarial Assumptions

	2012	2011
	in %	in %
Germany		
Discount rate	3.35	5.50
Long-term rate of increase in compensation levels	3.00	2.75
Expected long-term rate of return on assets	3.50	3.50
United States		
Discount rate	4.25	5.50
Long-term rate of increase in compensation levels	2.50	3.00
Expected long-term rate of return on assets	6.75	7.00
France, Republic of Korea		
Discount rate	3.00–3.81	4.50–6.30
Long-term rate of increase in compensation levels	3.00–6.00	3.00–6.00
Expected long-term rate of return on assets	4.49	—

Dec. 31

Composition of Plan Assets

	2012		2011	
	in K€	in %	in K€	in %
Equity securities	13,110	25.5	5,610	12.5
Fixed-income securities	34,798	67.8	30,957	69.3
Cash and cash equivalents	1,481	2.9	7,345	16.4
Other	1,936	3.8	824	1.8
Total	**51,325**	**100.0**	44,736	100.0

Dec. 31

Plan assets do not contain financial instruments issued by the Company or other assets owned by the Company.

Development of Benefit Obligations and Plan Assets 2008– 2012

	2012	2011	2010	2009	2008
	in K€	in K€	in K€	in K€	in K€
Present value of benefit obligations	80,240	60,184	57,139	48,579	46,873
Fair value of plan assets	51,325	44,736	45,569	44,244	42,962
Surplus/deficit	–28,915	–15,448	–11,570	–4,335	–3,911
Experience adjustments on plan liabilities	16,733	–207	2,339	–142	358
Experience adjustments on plan assets	1,696	–2,668	–437	–1,010	–5,173

Defined contribution plans

Employees of the Company in certain other 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€ 9,871 (previous year: K€ 9,158).

26. Trade accounts payable

Trade accounts payable do not bear any interest and have maturities of less than one year.

27. Other payables

Other payables (K€ 20,049 as at December 31, 2012, and K€ 24,844 as at December 31, 2011) 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 have maturities of less than one year.

28. Provisions

Composition of Provisions

	2012	2011
	in K€	in K€
Warranty provisions	15,081	16,075
Personnel provisions	9,628	10,630
Other provisions	1,427	1,705
Total	**26,136**	28,410

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.

Provisions for employee-related expenses primarily include provisions for profit-sharing obligations, bonuses and service anniversary awards.

Development of Provisions

	Warranty	Personnel	Other	Total
	in K€	in K€	in K€	in K€
Balance on January 1, 2012	16,075	10,630	1,705	28,410
Currency changes	258	17	–3	272
Additions	12,981	8,891	1,124	22,996
Utilization	–13,702	–9,707	–1,303	–24,712
Releases	–531	–203	–96	–830
Balance on December 31, 2012	**15,081**	**9,628**	**1,427**	**26,136**

29. Short-term financial liabilities

Short-term financial liabilities include bank loans in the amount of € 1.6 million maturing within one year (previous year: € 4.9 million) and the short-term liabilities from finance leases of € 0.1 million (previous year: € 0.2 million).

30. 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 unchanged to € 3.3 million.

Contractual Obligations as at December 31, 2012

		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	6,673	2,578	2,771	1,029	295
Purchase obligations	11,029	9,505	1,524	—	—
Repair and maintenance	2,151	1,438	672	31	10
Total	**19,853**	**13,521**	**4,967**	**1,060**	**305**

Contractual Obligations as at December 31, 2011

		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	9,840	3,599	4,081	1,554	606
Purchase obligations	8,976	6,628	2,348	—	—
Repair and maintenance	1,242	617	406	118	101
Total	20,058	10,844	6,835	1,672	707

31. 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. 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 characteristics, including nature of products sold, type of customers, methods of product distribution and economic environment, the Company basically aggregates its European and Asian subsidiaries into one reporting segment, "Europe (excluding Germany and France)" and "Asia (excluding Republic of Korea)". In contrast, the companies in France and the Republic of Korea were presented separately each as an individual segment. This was caused by the different functions of the French entities, including research and development as well as production, and the production function of the Korean entities, respectively. 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 intersegment transactions. These effects are eliminated in connection with the consolidation process.

Segment Reporting as at December 31, 2012

	Germany	France	Europe (excl. G and F)	USA	Republic of Korea	Asia (excl. Korea)	Other/ Consolidation	**Group**
	in K€	in K€	in K€	in K€	in K€	in K€	in K€	in K€
Net sales	207,298	167,575	73,396	97,208	92,647	51,016	–227,813	461,327
Third party	110,515	52,791	70,242	95,387	88,603	43,789	—	461,327
Intercompany	96,783	114,784	3,154	1,821	4,044	7,227	–227,813	—
Operating profit	37,910	10,806	4,935	4,613	7,557	1,846	18	67,685
Financial income	—	—	—	—	—	—	–1,423	–1,423
Earnings before taxes	37,910	10,806	4,935	4,613	7,557	1,846	–1,405	66,262
Segment assets	127,514	141,030	30,505	49,690	55,771	41,152	—	445,662
Thereof: Assets according to IFRS 8.33 (b)[1]	55,952	80,410	5,194	10,413	21,697	12,392	—	186,058
Segment liabilities	65,854	57,842	7,060	4,577	11,745	5,156	—	152,234
Capital expenditures:								
Property, plant and equipment[2]	4,190	3,078	589	180	1,000	636	—	9,673
Intangible assets	437	116	14	28	—	—	—	595
Depreciation[2]	4,091	6,114	454	307	1,162	961	—	13,089
Amortization	472	4,005	188	656	923	511	—	6,755

[1] *Non-current assets other than financial instruments, deferred tax assets and prepaid pension cost*
[2] *Including investment properties*

Segment Reporting as at December 31, 2011

	Germany	France	Europe (excl. G and F)	USA	Republic of Korea	Asia (excl. Korea)	Other/ Consolidation	**Group**
	in K€	in K€	in K€	in K€	in K€	in K€	in K€	in K€
Net sales	226,695	222,053	66,682	98,085	100,864	60,255	–255,125	519,509
Third party	146,027	82,082	60,950	96,272	85,735	48,443	—	519,509
Intercompany	80,668	139,971	5,732	1,813	15,129	11,812	–255,125	—
Operating profit	48,863	10,075	2,746	4,134	–3,776	–115	–150	61,777
Financial income	—	—	—	—	—	—	–2,278	–2,278
Earnings before taxes	48,863	10,075	2,746	4,134	–3,776	–115	–2,428	59,499
Segment assets	140,916	158,675	29,515	47,016	56,649	44,077	—	476,848
Thereof: Assets according to IFRS 8.33 (b)[1]	56,005	87,334	5,296	10,801	21,525	13,533	—	194,494
Segment liabilities	91,578	65,895	8,685	5,669	17,429	6,475	—	195,731
Capital expenditures:								
Property, plant and equipment[2]	3,450	10,007	602	527	3,790	1,792	—	20,168
Intangible assets	150	296	105	15	—	32	—	598
Depreciation[2]	3,952	6,066	555	247	850	729	—	12,399
Amortization	510	4,953	317	968	1,023	1,412	—	9,183

[1] *Non-current assets other than financial instruments, deferred tax assets and prepaid pension cost*
[2] *Including investment properties*

Aside from directly allocatable assets, the "Other" segment contains all assets that can not be allocated on a reasonable basis (e.g. securities). Sales with one major customer (> 10% of total sales) amounted to € 66.8 million in 2012 and were recorded in the Republic of Korea and the China segment. In the previous year no customer applied for a disclosure in this context. In 2012, financial income in the "Other" segment included impairment losses totaling K€ 350 (previous year: K€ 200).

Sales by Product

	Turbopumps	Backing Pumps	Instruments and Components	Service	Systems	**Group**
	in K€	in K€	in K€	in K€	in K€	in K€
2012	132,992	121,023	110,863	78,217	18,232	**461,327**
2011	144,337	182,941	111,335	72,487	8,409	519,509

32. Financial instruments

Fair value

The net book value of financial instruments (e.g. cash and cash equivalents, trade accounts receivable and trade accounts 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.

On December 31, 2012, as in the year before, there were no more interest-sensitive financial assets. As a result of cash and cash equivalents on December 31, 2012, an increase (decrease) in interest rate by 50 basis points would increase (decrease) earnings by K€ 510 (previous year: increase/decrease by K€ 542). As a result of financial liabilities shown on December 31, 2012, an increase (decrease) in interest rate by 50 basis points would decrease (increase) earnings by K€ 260 (previous year: increase/decrease by K€ 381).

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 purchased securities consist predominantly of bank or corporate bonds of very good creditworthiness, making the credit risk minimal here as well. The maximum credit risk is determined by the net book value of the financial assets (including derivatives with positive fair values) recorded in the balance sheet. As at December 31, 2012, and in the year before, the Company does not show any securities.

Liquidity risks

Due to the above-average level of cash and cash equivalents, no liquidity risks can be identified.

Foreign exchange rate risks

Approximately 56% (previous year: 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 forecast sales against currency fluctuations. All derivative financial instruments are entered into only within this scope.

The derivatives that qualify for cash flow hedges under 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, 2012, and 2011, there were no gains or losses 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 fair values recorded under other receivables for the period ended December 31, 2012, totaled K€ 167. Because the changes in fair value for cash flow hedges are recorded directly in equity, other equity components increased by K€ 119, net of taxes of K€ 48. The fair values recorded under other payables for the period ended December 31, 2011, totaled K€ 468. Because the changes in fair value for cash flow hedges were recorded directly in equity, other equity components increased by K€ 319, net of taxes of K€ 149. As of December 31, 2012, derivative financial instruments classified as fair value hedges were recorded in the income statement and were shown under other receivables with K€ 121. The Company does not engage in speculative hedging for investment purposes. As at December 31, 2012, and at December 31, 2011, no contracts held by the Company had a maturity date greater than one year.

As at December 31, 2012, the Company has entered into foreign currency forward contracts (U.S. dollar) totaling € 9.0 million (previous year: € 38.9 million). 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, 2012, lost 10% against the U.S. dollar which is predominantly material for the Consolidated Financial Statements, net income would have been K€ 2,124 higher and total equity would have been K€ 1,904 higher. A 10% gain in the euro as at December 31, 2012, would have decreased net income by K€ 1,465 and would have decreased total equity by K€ 668. A 10% loss in the euro as at December 31, 2011, would have led to a K€ 78 increase in net income and a K€ 1,300 decrease in total equity. A 10% gain in the euro as at that balance sheet date would have decreased net income by K€ 643 and total equity would have increased by K€ 467. In all cases, net income was affected mostly by the sensitivity of the U.S. dollar.

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, 2012

	Category According to IAS 39	Net Book Value	Amounts Recognized According to IAS 39: 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€	in K€
Assets						
Cash and cash equivalents	LaR	102,006	102,006	—	—	102,006
Trade accounts receivable	LaR	55,262	55,262	—	—	55,262
Derivative financial instruments (hedges)	n/a	288	—	167	121	288
Liabilities						
Trade accounts payable	FLAC	24,928	24,928	—	—	24,928
Financial liabilities	FLAC	52,141	52,141	—	—	52,141
Totals by valuation categories						
Loans and Receivables (LaR)		157,268	157,268	—	—	157,268
Held-to-Maturity Investments (HtM)		—	—	—	—	—
Financial Assets Available for Sale (AfS)		—	—	—	—	—
Financial Assets Held for Trading (FAHfT)		—	—	—	—	—
Financial Liabilities Measured at Amortized Cost (FLAC)		77,069	77,069	—	—	77,069
Financial Liabilities Held for Trading (FLHfT)		—	—	—	—	—

Composition of Financial Instruments as at December 31, 2011

	Category According to IAS 39	Net Book Value	Amounts Recognized According to IAS 39: 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€	in K€
Assets						
Cash and cash equivalents	LaR	108,293	108,293	—	—	108,293
Trade accounts receivable	LaR	61,418	61,418	—	—	61,418
Liabilities						
Trade accounts payable	FLAC	26,966	26,966	—	—	26,966
Financial liabilities	FLAC	76,559	76,559	—	—	76,559
Derivative financial instruments (incl. cash flow hedges)	n/a	468	—	468	—	468
Derivative financial instruments (excl. hedging)	FLHfT	803	—	—	803	803
Totals by valuation categories						
Loans and Receivables (LaR)		169,711	169,711	—	—	169,711
Held-to-Maturity Investments (HtM)		—	—	—	—	—
Financial Assets Available for Sale (AfS)		—	—	—	—	—
Financial Assets Held for Trading (FAHfT)		—	—	—	—	—
Financial Liabilities Measured at Amortized Cost (FLAC)		103,525	103,525	—	—	103,525
Financial Liabilities Held for Trading (FLHfT)		803	—	803	—	803

Net Results by Valuation Category

		From Subsequent Valuation				Net Results	
	From Interest/ Dividends	At Fair Value	Currency Translation	Impairment/ Reversal of Impairment	From Derecognition	**2012**	2011
	in K€	in K€	in K€	in K€	in K€	in K€	in K€
Loans and Receivables (LaR)	822	–1,332	52	–908	–128	–1,494	2,313
Held-to-Maturity Investments (HtM)	—	—	—	—	—	—	—
Financial Assets Available for Sale (AfS)	—	—	—	—	—	—	—
Financial Assets Held for Trading (FAHfT)	—	—	—	—	—	—	—
Financial Liabilities Measured at Amortized Cost (FLAC)	–1,881	—	—	—	—	–1,881	–2,714
Financial Liabilities Held for Trading (FLHfT)	—	924	—	—	—	924	–803

33. Management of financial risks

With an equity ratio of 65.8% as at December 31, 2012, Pfeiffer Vacuum still has an equity base that is far above average. Additionally, cash and cash equivalents totaled € 102.0 million as at December 31, 2012. Considering financial liabilities of € 52.1 million as at December 31, 2012 (December 31, 2011: € 76.6 million), the Group did not show any net financial liabilities as at December 31, 2012. This situation provides the Group with the required liquidity range to successfully complete the adixen integration without reaching the financial limits too soon.

Liquid assets are invested on a short-term conservative basis. Due to its high equity ratio and its superior liquidity, Pfeiffer Vacuum will not depend upon interest-bearing liabilities to fund its capital expenditures for replacement and expansion. Moreover, there are sufficient liquidity reserves to respond to changes in the economic situation.

34. Earnings per share

Computation of Earnings[1] per Share

	2012	2011
Net income (in K€)	45,252	41,382
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)	4.59	4.19

[1] *Attributable to Pfeiffer Vacuum Technology AG shareholders*

There were no transactions with ordinary shares or ordinary shares issued during the period between the balance sheet date of December 31, 2012, and the preparation of the Consolidated Financial Statements.

Additional Notes and Supplemental Information

35. Related party disclosures

Related party transactions predominantly consist of all transactions with those companies included in the Consolidated Financial Statements. The amounts of these transactions are detailed in the segment reporting in Note 31, 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. Pfeiffer Vacuum does not have holdings in any jointly controlled entities. Furthermore, no factual control exists with respect to special purpose entities.

Following the purchase of 24.9% of the share capital of Dreebit GmbH, of Dresden, in fiscal 2010, this company is an associated company. There were no material transactions with this company in fiscal 2012 and 2011.

Please refer to Notes 39 and 40 regarding the compensation paid to 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.

Without any change by comparison with the year before, members of the Management and Supervisory Boards held an aggregate total of 3,577 shares of the Company as at December 31, 2012. The holdings of members of corporate bodies are thus negligible.

In 2012, the reimbursements from Pfeiffer Vacuum Trust e.V. amounted to € 2.9 million (previous year: € 2.7 million). Contributions to Pfeiffer Vacuum Trust e.V. totaled € 4.5 million in 2012 (previous year: € 2.7 million).

The law firm of Menold Bezler was contracted on the basis of usual and customary terms and conditions, to perform consulting projects. As in the previous year expenses recorded in this context totaled € 0.1 million. The Chairman of the Supervisory Board, Dr. Michael Oltmanns, is a partner in that firm.

Dr. Wolfgang Lust, who was elected a member of the Pfeiffer Vacuum Supervisory Board in fiscal 2010, is a shareholder and managing director of a mid-size corporate group. Various companies of that group are long-standing suppliers to Pfeiffer Vacuum. Based on consistently usual and customary terms and conditions, Pfeiffer Vacuum purchased goods from these companies for a mid-range single-digit million euro amount in 2012 and in 2011.

36. Events after the balance sheet date

Since the beginning of the 2013 fiscal year, there have not been any significant changes in the Company's position or the industry environment. With effect from January 1, 2013 the Supervisory Board appointed Ms. Nathalie Benedikt as Chief Financial Officer and thus expanded this company organ. This appointment by the Supervisory Board reflected the development and growth of Pfeiffer Vacuum. The sharing of responsibilities with an additional person enables the members of the Management Board to attend even more to important issues and projects and to show more presence locally.

37. Personnel expenses

Personnel Expenses

	2012	2011 [1]
	in K€	in K€
Wages and salaries	104,497	110,928
Social security, pension and other benefit cost	26,876	26,833
Thereof: for pensions	14,227	12,295
Total	**131,373**	137,761

[1] *Adjusted*

Prior year disclosure was adjusted in connection with the new allocation of personnel expense components.

38. Number of employees

The number of employees was as follows on December 31, 2012 and 2011:

Number of Employees

	2012	2011
Annual average		
Male	1,882	1,897
Female	388	379
Total	**2,270**	2,276
Balance sheet date		
Male	1,870	1,912
Female	386	379
Total	**2,256**	2,291

39. Management Board

As at December 31, 2012, and the year before, the Management Board of the parent company, Pfeiffer Vacuum Technology AG, consisted of:

- Manfred Bender (Chief Executive Officer), Diplom-Betriebswirt
- Dr. Matthias Wiemer (Member of the Management Board), Diplom-Ingenieur

The aggregate amount of compensation paid to all members of the Management Board for fiscal 2012 was € 1.4 million (previous year: € 1.3 million). Pursuant to § 289, Sub.-Para. 2, No. 5, German Commercial Code ("HGB"), the compensation paid to the members of the Management Board is detailed in the compensation report (an element of MD&A). Benefits to former members of the Management Board (pensions) again amounted to € 0.3 million.

Following the appointment of Ms. Nathalie Benedikt as a member of the Management Board effective January 1, 2013, the Board was enlarged accordingly (please also refer to Note 36).

40. 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 Shareholders Meeting and two members elected by the Company's employees.

In 2012, the Supervisory Board comprised the following persons:

- **Dr. Michael Oltmanns** (Chairman), Attorney at Law and Tax Advisor
  Further supervisory board seats:
  - Becker Mining Systems AG, Friedrichsthal, Germany (Chairman)
  - Jetter AG, Ludwigsburg , Germany (Chairman)
  - Merkur Bank KGaA, Munich, Germany (chairman); until October 15, 2012
  - Scholz AG, Essingen, Germany (Chairman)

- **Götz Timmerbeil** (Vice Chairman and Chairman of the Audit Committee), Certified Public Accountant and Tax Advisor
  Further supervisory board seats:
  - VfL Handball Gummersbach GmbH, Gummersbach, Germany (Chairman)
  - Arena Gummersbach GmbH & Co. KG, Gummersbach, Germany (Vice Chairman)

- **Helmut Bernhardt** (Employee Representative), Development Engineer

- **Manfred Gath** (Employee Representative), Chairman of the Employee Council

- **Wilfried Glaum,** Business Administrator

- **Dr. Wolfgang Lust,** Entrepreneur
  Further supervisory board seats:
  - GeckoGroup AG, Wetzlar, Germany

Pursuant to § 289, Sub.-Para. 2, No. 5, German Commercial Code ("HGB"), the compensation paid to the members of the Supervisory Board is detailed in the compensation report (an element of MD&A).

41. 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.

42. 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 2012 and 2011:

Audit Fees for the Auditor of the Consolidated Financial Statements

	2012	2011
	in K€	in K€
Fees resulting from:		
Audit services	819	770
Other certification and consulting services	30	9
Tax advisory services	14	85
Other services	77	154
Total	**940**	1,018

43. German Corporate Governance Code/Declaration pursuant to § 161, German Stock Corporation Act ("AktG")

The recommendations and suggestions contained in the German Corporate Governance Code ("DCGK") have been a firm element of our corporate governance and corporate culture for many years.

Pursuant to § 161 of the German Stock Corporation Act, the Management and Supervisory Boards issued the statement of compliance for the year 2012 in November 2012 and made it permanently available for shareholders and interested parties at the Company's homepage. With the following exception, this statement reflects compliance with the recommendations of the German Corporate Governance Code Government Commission as amended in May 2012:

- The German Corporate Governance Code recommends an appropriate consideration or participation of women in the appointment of management, executive board or supervisory board positions. Both the Supervisory Board and Management Board of Pfeiffer Vacuum do not regard the belonging to a certain gender as an attribute which specifically qualifies a candidate for any position.

The full text of the Code is available at the following Internet address: www.corporate-governance-code.de.

44. Authorization for issuance of Consolidated Financial Statements

Through a resolution by the Management Board on March 6, 2013, the Consolidated Financial Statements were authorized for issuance.

Asslar, March 6, 2013

Management Board

Manfred Bender	Dr. Matthias Wiemer	Nathalie Benedikt

Certification of Legal Representatives

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 6, 2013

Management Board

Manfred Bender Dr. Matthias Wiemer Nathalie Benedikt

Independent Auditors' Report

We have audited the consolidated financial statements prepared by Pfeiffer Vacuum Technology AG, Asslar, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, March 6, 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bösser	Pott
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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Consolidated Statements of Income (6-Year-Overview)

	2012	2011	2010	2009	2008	2007
	in K€	in K€	in K€	in K€	in K€	in K€
Net sales	461,327	519,509	220,475	182,001	198,060	192,042
Cost of sales	–294,552	–352,129	–117,553	–103,694	–106,346	–97,860
Gross profit	**166,775**	167,380	102,922	78,307	91,714	94,182
Selling and marketing expenses	–50,674	–54,521	–26,211	–22,961	–21,884	–21,487
General and administrative expenses	–30,173	–35,009	–16,518	–10,634	–11,562	–12,661
Research and development expenses	–22,441	–22,713	–6,993	–7,171	–6,799	–7,187
Other operating income	10,515	14,648	1,424	1,170	2,463	1,632
Other operating expenses	–6,317	–8,008	–1,714	–937	–1,037	–1,047
Operating profit	**67,685**	61,777	52,910	37,774	52,895	53,432
Financial expenses	–2,245	–2,923	–1,798	–239	–1,490	–21
Financial income	822	645	3,416	893	2,738	6,001
Earnings before taxes	**66,262**	59,499	54,528	38,428	54,143	59,412
Income taxes	–21,010	–17,931	–16,199	–10,735	–16,095	–22,127
Net income	**45,252**	41,568	38,329	27,693	38,048	37,285
Thereof attributable to:						
Pfeiffer Vacuum Technology AG shareholders	**45,252**	41,382	38,144	27,596	37,967	37,025
Non-controlling interests	—	186	185	97	81	260
Earnings per share (in €):						
Basic	4.59	4.19	4.40	3.24	4.36	4.19
Diluted	4.59	4.19	4.40	3.24	4.36	4.19
Number of shares (weighted average)	9,867,659	9,867,659	8,667,075	8,514,248	8,702,529	8,843,524

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Pfeiffer Vacuum Technology AG, Asslar

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Financial 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.

Corporate governance
The organizational structure and content of the way companies are managed and controlled.

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 shareholder's 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

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

Gross profit
The result of net sales less cost of sales.
Calculation: Net Sales – Cost of Sales

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

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

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

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

Financial Calendar 2013

Tuesday, February 19
Preliminary results for fiscal year 2012

Friday, March 22
Results for fiscal year 2012

Tuesday, May 7
Interim report 1st quarter 2013 results

Tuesday, May 28
Annual Shareholders Meeting 2013

Tuesday, August 6
Interim report 2nd quarter/1st half year 2013 results

Tuesday, November 5
Interim report 3rd quarter/9-months 2013 results

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